

Schedule 13
Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10 Base Reduction Item FY 2009-10 Supplemental FY 2008-09 Budget Amendment FY 2009-10

Request Title: Colorado Benefits Mangement System (CBMS) Federal Reallocation
 Department: Human Services Dept. Approval by: *Will [Signature]* Date: 12-9-08
 Priority Number: S-11 OSPB Approval: *[Signature]* Date: 12-19-08

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2007-08	Appropriation FY 2008-09	Supplemental Request FY 2008-09	Total Revised Request FY 2008-09	Base Request FY 2009-10	Decision/ Base Reduction FY 2009-10	November 1 Request FY 2009-10	Budget Amendment FY 2009-10	Total Revised Request FY 2009-10	Change from Base (Column 5) FY 2010-11
Total of All Line Items	Total	3,180,791	0	4,702,859	4,702,859	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	(158,947)	0	0	0	0	0	0	0	0	0
	CF	0	0	3,728,466	3,728,466	0	0	0	0	0	0
	CFE/RF	194,686	0	974,393	974,393	0	0	0	0	0	0
	FF	3,145,052	0	0	0	0	0	0	0	0	0
	MCF	0	0	974,393	974,393	0	0	0	0	0	0
	MGF	0	0	0	0	0	0	0	0	0	0
	NGF	(158,947)	0	0	0	0	0	0	0	0	0
(2) Office of Information Technology, CBMS Federal Reallocation (New Line)	Total	3,180,791	0	4,702,859	4,702,859	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	(158,947)	0	0	0	0	0	0	0	0	0
	CF	0	0	3,728,466	3,728,466	0	0	0	0	0	0
	CFE/RF	194,686	0	974,393	974,393	0	0	0	0	0	0
	FF	3,145,052	0	0	0	0	0	0	0	0	0
	MCF	194,686	0	974,393	974,393	0	0	0	0	0	0
	MGF	0	0	0	0	0	0	0	0	0	0
	NGF	(158,947)	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None
 Letternote Revised Text: None
 Cash or Federal Fund Name and COFRS Fund Number: Tobacco Litigation Settlement Cash Fund
 Reappropriated Funds Source, by Department and Line Item Name: Medicaid
 Approval by OIT? Yes: No: N/A:
 Schedule 13s from Affected Departments: Health Care Policy and Financing; Treasury



CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Department of Human Services and Department of Health Care Policy and Financing
Priority Number:	S-11
Change Request Title:	Colorado Benefits Management System (CBMS) Federal Reallocation

SELECT ONE (click on box):

- Decision Item FY 08-09
- Base Reduction Item FY 08-09
- Supplemental Request FY 08-09
- Budget Request Amendment FY 09-10

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

This supplemental request is for \$4,702,859 Total Funds. Of the total amount, \$3,728,466 Cash Funds (Tobacco Funds held by the Treasury Department as provided in SB 08-127) and \$974,393 Reappropriated Funds (Medicaid Cash Funds) is needed to return the excess federal contributions made to the Colorado Benefits Management System (CBMS) federal partners during FY 2006-07 and FY 2007-08. The request amount also includes \$158,947 in Tobacco Funds to be used to lift a General Fund restriction of the FY 2008-09 CBMS appropriation caused by an over-expenditure of Tobacco Funds in the FY 2007-08 CBMS Federal Reallocation appropriation.

Reallocation of CBMS prior-year actual expenditures is necessary to correctly distribute system costs. Prior-year appropriations were based on the CBMS participation rates as determined by the CBMS Implementation Phase Federal Participation Rates (the federally accepted CBMS Calculator participation rates). Once the computer system was fully-implemented and daily operations began, the federal government required the use of Continuing Operations Federal Participation Rates to allocate federal costs. This method

applies CBMS specific RMS (Random Moment Sampling) statistics and rates provided through an federally-approved PACAP (Public Assistance Cost Allocation Plan) to CBMS system costs to calculate the cost allocation for the CBMS partners. Prior-year federal payments that were based on the CBMS calculator must now be re-calculated and payments reconciled to ensure continued federal funding and to avoid possible federal sanctions.

Background and Appropriation History:

All participation rates to cover the cost of the CBMS during the Design, Development, and Implementation phases of the CBMS (beginning in FY1996-97 through August 31st, 2004) were a fixed set of rates that had been Federally agreed upon (the CBMS Calculator) based on the Advanced Planning Document Update (APDU) given annually to Food & Nutritional Services (FNS).

After the Implementation phase was completed in August 2004, all participation rates should have shifted from the CBMS Calculator (a fixed set of Federal rates) to CBMS specific Random Moment Sampling (RMS) statistics. DHS uses the federally approved Random Moment Sampling statistical method to determine the effort county employees are spending on the various federal and state programs. During a given quarter, county workers doing RMS activities (primarily workers with direct client contact, or workers who carry a case load) are randomly polled and asked what RMS activity they are performing at the moment and for what program. To determine the work effort in CBMS, only the RMS responses related to CBMS activities are compiled and used to allocate the State CBMS operating costs to all benefiting Federal and State programs.

DHS received formal acceptance of the FY 2006-07 PACAP in March 2008. DHS must use the FY2006-07 Approved PACAP until such time as the FY2007-08 PACAP is approved by the Federal Division of Cost Allocation (DCA). This Supplemental covers a shift in all participation rates between the CBMS specific RMS statistics and the CBMS Calculator for the full year(s) of operations FY2006-07 and FY2007-08.

Two prior appropriations were made to adjust the CBMS federal payments for FY 2004-05 and FY 2005-06 as shown below.

CBMS Federal Reallocation Appropriations	Total Funds	Reappropriated Funds	Medicaid Cash Funds	Comments
FY 2004-05 Allocation Adjustment	\$2,443,219	\$2,443,219	\$359,018	FY 2007-08 supplemental approved as requested by the JBC (January 2008)
FY 2005-06 Allocation Adjustment	\$1,616,656	\$1,616,656	\$659,296	FY 2007-08 1331 request approved as requested by the JBC (June 2008)
Total Allocation Adjustments	\$4,059,875	\$4,059,875	\$1,018,314	

General Description of Request:

DHS is requesting \$4,702,859 RF consisting of \$3,728,466 (of which \$158,947 will be used to lift the FY 2008-09 GF restriction) from the Tobacco Litigation Settlement Cash Fund monies set aside in the Department of Treasury for over-expenditures or for supplemental appropriations for the Colorado Benefits Management System initially through HB07-1359 and later extended through SB08-127; and \$974,393 Medicaid Funds transferred from HCP&F, that combined with an additional \$2,378,648 from Food Stamps, will be used to repay TANF \$6,922,560.

Consequences if Not Funded:

The Federal participation partners for the CBMS project will recover their over-payment by short paying the CBMS project. Not funding this Request will cause the project to lose \$21,660,075 ($\$6,922,560 / .3196 = \$21,660,075$) in total funds. The 31.96% is the total amount of General Funds (including HCPF) for the CBMS.

The loss of this level of spending authority to the project would be catastrophic, and would in the worst case scenario shut down the project, or in the best-case scenario severely cripple the project to near shut down status.

Calculations for Request:

CDHS Summary of Request FY 08-09	Total CBMS Funds	General Funds	Cash Funds	Reappropriated Funds	Federal Funds	Medicaid Cash Funds	Medicaid General Funds	Net General Fund
Total Request:	\$4,702,859	\$0	\$3,728,466	\$974,393	\$0	\$974,393	\$0	\$0
Tobacco Funds From SB08-127	\$3,728,466	\$0	\$3,728,466	\$0	\$0	\$0	\$0	\$0
Transfer from HCP&F	\$974,393	\$0	\$0	\$974,393	\$0	\$974,393	\$0	\$0

Assumptions for Calculations:

The Departments (DHS and HCPF) underestimated the Medicaid impact and overestimated the Food Stamp impact on the FY 2004-05 and FY2005-06 recast in the amount of \$158,947, thus the need for these funds in this Supplemental. The charts below outline the calculation of the request for \$3,728,466 in Tobacco Litigation Settlement Cash Funds:

Type of CBMS Revenue	SFY 2007 Federal Dollars	SFY 2008 Federal Dollars	Total Federal Dollars
Calculator Allocated			
TANF – Colorado Works	\$6,510,122	\$7,621,293	\$14,131,415
Food Stamps	\$2,954,396	\$3,463,520	\$6,417,916
Medicaid	\$3,800,906	\$4,455,327	\$8,256,233
Total Calculator Dollars	\$13,265,424	\$15,540,140	\$28,805,564
RMS Statistics Allocated			
TANF – Colorado Works	\$3,687,826	\$3,521,029	\$7,208,855
Food Stamps	\$4,087,759	\$4,708,805	\$8,796,564
Medicaid	\$3,997,221	\$5,233,405	\$9,230,626
Total RMS Statistics Dollars	\$11,772,806	\$13,463,239	\$25,236,045

Type of CBMS Revenue	SFY 2007 Federal Dollars	SFY 2008 Federal Dollars	Total Federal Dollars
Variance Between The Two CBMS Funding Methods			
TANF – Colorado Works	\$2,822,296	\$4,100,264	\$6,922,560
Food Stamps	\$(1,133,363)	\$(1,245,285)	\$(2,378,648)
Medicaid	\$(196,315)	\$(778,078)	\$(974,393)
Total Variance Between Methods (1)	\$1,492,618	\$2,076,901	\$3,569,519

- (1) The State will have to pay back TANF (Temporary Aide To Needed Families), and recover additional funding from both CBMS Federal Funding Partners Food Stamps and Medicaid. The total state need is \$3,569,519 plus the FY2005 and FY2006 recast deficiency of \$158,947 for a total Tobacco Litigation Settlement Cash Fund need of \$3,728,466.

The actual amount of the FY 2008-09 CBMS appropriation restriction is \$158,947. This restriction was caused by an over-expenditure of Tobacco Funds at the end of FY 2007-08. The method used to develop the FY 2007-08 Supplemental Request, which recast the FY 2004-05 and FY 2005-06 CBMS funding source distribution, was based on a specific set of revenue percentage splits. When the actual RMS recast was posted in COFRS in June 2008, an over-expenditure of Tobacco Funds occurred. Upon researching the cause of the over-expenditure, an error in the Medicaid federal/state revenue percentage splits used to calculate the supplemental was discovered. This error was corrected and the funding analysis was rerun, verifying that the COFRS over-expenditure was accurate. Subsequently, the CBMS GF appropriation was restricted for FY 2008-09 for the amount of the over-expenditure. Since the over-expenditure is related to the CBMS recasts, additional Tobacco Funds are requested to lift the restriction.

Health Care Supplemental Appropriations and Over Expenditures Account - The Joint Budget Committee and the Legislature set aside \$18.2 million cash funds in the Tobacco litigation settlement cash fund in the Health Care Supplemental Appropriations and Over Expenditures Account in the Treasury to address supplementals and over expenditures related to the Colorado Benefits Management System, per H.B. 07-1359, subsequently amended by S.B. 08-127. Additionally in the same account \$6.2 million was set aside for over expenditures or supplementals related to the children's basic health plan trust. However, based on statute if the funds for the children's basic health plan are not needed

they can be used to address over expenditures or supplementals related to CBMS, (24-22-115) (4)(a), C.R.S. (2008). The unexpended funds will revert to the Tobacco Litigation Settlement Cash Fund on April 15, 2009. The table below illustrates the use and availability of funds in the account as well as Department supplemental requests.

Tobacco Litigation Settlement Cash Fund - Health Care Supplemental Appropriations and Over Expenditures Account				
	Beginning Balance	Children's Basic Health Plan Trust	CBMS Over expenditures or Supplementals	Comments
H.B. 07-1359 amended by S.B. 08-127	\$24,400,000	\$6,200,000	\$18,200,000	Per H.B. 07-1359 amended by S.B. 08-127. These funds will revert to the Tobacco litigation settlement cash fund if not appropriated in a supplemental bill enacted by the General Assembly by April 15, 2009.
Transfer to HCPF FY 2007-08	(\$1,239,129)	(\$1,239,129)	\$0	
Transfer to DHS FY 2007-08	(\$1,172,530)	\$0	(\$1,172,530)	
FY 2007-08 Ending Balance	\$21,988,341	\$4,960,871	\$17,027,470	
Transfer to DHS FY 2008-09	(\$380,860)	\$0	(\$380,860)	Address of Food Stamps Sanction September 2008 1331
Transfer to DHS FY 2008-09	(\$989,947)	\$0	(\$989,947)	
Balance as of November 20, 2008	\$20,617,534	\$4,960,871	\$15,656,663	
Pending Food Stamps Settlement	(\$10,082,040)	\$0	(\$10,082,040)	Food Stamps case settlement-1331 submitted to the JBC December 2008
Pending CBMS Reallocation (S-11)	(\$3,728,466)	\$0	(\$3,728,466)	FY 2008-09 S-11 to reallocate funding for CBMS for FY 2004-05, 2005-06, 2006-07 and 2007-08. Submitted to the JBC January 2, 2009.
Pending CBMS Refinance (S-12)	(\$2,875,138)	\$0	(\$2,875,138)	FY 2008-09 S-12 to refinance FY 2008-09 CBMS appropriation. Of the total \$2.9 million requested, \$933,301 is requested to be appropriated to the Department of Health Care Policy and Financing and then reappropriated to the Department of Human Services. Submitted to the JBC January 2, 2009.
Funds available for Children's Basic Health Plan		(\$4,960,871)	\$4,960,871	HB 07-1359, subsequently amended by SB 08-128, allows for the use of funds set aside for overexpenditures and supplementals related to the Children's Basic Health Plan to be used for overexpenditures and supplementals related to the Colorado Benefits Management System, if the funds are not needed for the Children's Basic Health Plan. 24-22-115 (4) (a), C.R.S. (2008)
Additional CBMS refinancings and CBMS Food Stamps sanctions.	(\$3,931,890)		(\$3,931,890)	
Projected balance	\$0	\$0	\$0	Assumes approval of above three lines consistent with the request.

Impact on Other Government Agencies:

The impact to both the Department of Human Services and the Department of Health Care Policy and Financing, will be an increase need in State funds for FY2005-06 so that the Departments can reimburse all Federal participation partners for their share of the amount of overpayments based on the new CBMS specific RMS Statistical data.

HCP&F Summary of Request FY 08-09	Total CBMS Funds	General Funds	Cash Funds	Re-Appropriated Funds	Federal Funds	Medicaid Cash Funds	Medicaid General Funds	Net General Fund
Total Additional Medicaid:	\$974,393	\$0	\$0	\$0	\$974,393	\$0	\$0	\$0
Additional Medicaid – FY07	\$196,315	\$0	\$0	\$0	\$196,315	\$0	\$0	\$0
Additional Medicaid – FY08	\$778,078	\$0	\$0	\$0	\$778,078	\$0	\$0	\$0
Treasury Summary of Request FY 08-09	Total CBMS Funds	General Funds	Cash Funds	Re-Appropriated Funds	Federal Funds	Medicaid Cash Funds	Medicaid General Funds	Net General Fund
Total Treasury Transfers:	(\$3,728,466)	\$0	(\$3,728,466)	\$0	\$0	\$0	\$0	\$0
Transfer from Treasury-FY05&FY06	(\$158,947)	\$0	(\$158,947)	\$0	\$0	\$0	\$0	\$0
Transfer from Treasury – FY07	(\$1,492,618)	\$0	(\$1,492,618)	\$0	\$0	\$0	\$0	\$0
Transfer from Treasury – FY08	(\$2,076,901)	\$0	(\$2,076,901)	\$0	\$0	\$0	\$0	\$0

Cost Benefit Analysis:

By approving the Departments request to utilize \$3,728,466 of the Tobacco Litigation Settlement Moneys initially set aside in HB07-1359 and later extended in SB08-127, CBMS will be able to reimburse all its funding partners for all fiscal years stated above, and as such will be allowed to draw federal funds for the current fiscal year. Without this adjustment our federal funding partners will withhold funding until the \$6,922,560 is recovered. The resulting cost to the CBMS Project would be a loss of \$21,660,075 (total impact to spending authority), which would in essence create a situation where the CBMS would not be able to continue to operate and issue accurate benefits to the citizens of the Colorado.

Implementation Schedule:

All The CBMS funding participation partners will be reimbursed as soon as the increased spending authority has been approved.

Statutory and Federal Authority:

OMB-Circular A-87 – State and Local Indirect Cost Rate Proposals.

“Indirect cost allocations not using rates. In certain situations, a governmental unit, because of the nature of its awards, may be required to develop a cost allocation plan that distributes indirect (and, in some cases, direct) costs to the specific funding sources. In these cases, a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted as appropriate, to the cognizant agency for review, negotiation, and approval.”

45CFR98:S: TITLE 45 SUBPART E-COST ALLOCATION PLANS

CFR – Code of Federal Regulations – Title 45, Volume 1 – Part 95 – Sub-Part E

Sec. 95.501: PURPOSE

This Sub-Part establishes requirements for:

- a. Preparation, submission, and approval of State agency Cost Allocation Plans for public assistance programs; and
- b. Adherence to approved cost allocation plans in computing claims for Federal financial participation.

CFR – Code of Federal Regulations – Title 45, Volume 1 – Part 95 – Sub-Part E

Sec. 95.517: Claims for Federal Financial Participation.

(a) A State must claim FFP for costs associated with a program only in accordance with its approved cost allocation plan. However, if a State has submitted a plan amendment for a State agency, it may, as its option claim FFP based on the proposed plan or plan amendment, unless otherwise advised by the DCA. However, where a State has claimed costs based on a proposed plan or plan amendment the State, if necessary, shall retroactively adjust its claims in of CBMS.

House Bill 07- 1359

Section 1. 24-22-115, C.R.S. Tobacco litigation settlement case fund-health care supplemental appropriations and over expenditures account – creation.

(4) (a) The Health Care Supplemental Appropriations and Over expenditures Account is hereby created in the Tobacco Litigation Settlement Cash Fund. Notwithstanding any other provision of this Section or Section 24-22-115.5, upon receipt of any moneys paid to the state treasurer in April 2007 in accordance with the terms of the master settlement agreement, the smokeless tobacco master settlement agreement, and the consent decree approved and entered by the court in the case denominated State of Colorado, ex rel. Gale a. Norton, Attorney General v. R.J. Reynolds Tobacco Co.; American Tobacco Co., Inc.; Brown & Williamson Tobacco Corp.; Liggett & Myers, Inc.; Lorillard Tobacco Co., inc.; Philip Morris, Inc.; United States Tobacco Co.; B.A.T Industries, P.L.C.; the Council for Tobacco Research--U.S.A. Inc.; and Tobacco Institute, Inc., case no. 97 cv 3432, in the district court for the City and County of Denver, other than attorney fees and costs, the state treasurer shall credit to the account twenty-four million four hundred thousand dollars of such moneys not required to be allocated to tobacco settlement programs for the 2007-08 fiscal year pursuant to section 24-75-1104.5.

(1). All interest and income earned on the deposit and investment of moneys in the account shall be credited to the breast and cervical cancer prevention and treatment fund created in section 25.5-5-308, C.R.S., six million two hundred thousand dollars of the moneys in the account may be used only for over expenditures or supplemental appropriations to the children's basic health plan trust created pursuant to section 25.5-8-105,c.r.s., for the 2006-07 and 2007-08 fiscal years or, to the extent not needed for that purpose, for over expenditures or supplemental appropriations for the Colorado benefits management system for the 2006-07 and 2007-08 fiscal years. All other moneys in the account may be used only for over expenditures or supplemental appropriations for the Colorado benefits management system for the 2006-07 and 2007-08 fiscal years. All moneys in the account not appropriated for the 2006-07 or 2007-08 fiscal years pursuant to a supplemental appropriations bill enacted by the general assembly or approved for

over expenditure by a majority of the members of the joint budget committee of the general assembly as evidenced by the receipt by the state controller of written confirmation of such approval pursuant to section 24-75-111 (1) (c) (I) (c) on or before April 15, 2008, shall revert to the tobacco litigation settlement cash fund on April 16, 2008, and be allocated as specified in this section, section 24-22-115.5, and part 11 of article 75 of this title.

(b) An over expenditure made from the health care supplemental appropriations and over expenditures account pursuant to paragraph (a) of this subsection (4) shall be made pursuant to, and subject to the requirements of, section 24-75-111. If the general assembly does not enact a supplemental appropriation for the full amount of such an over expenditure during the next regular session following the over expenditure, the unreleased portion of the succeeding fiscal year's appropriation restricted pursuant to section 24-75-111(4) (a) shall revert, upon adjournment of the general assembly sine die, to the tobacco litigation settlement cash fund and be allocated as specified in this section, section 24-22-115.5, and part 11 of article 75 of this title.

Senate Bill 08-127;

SECTION 1. 24-22-115 (4) (a), Colorado Revised Statutes, is amended to read:

(4) (a) The Health Care Supplemental Appropriations and Over expenditures Account is hereby created in the Tobacco Litigation Settlement Cash Fund. Notwithstanding any other provision of this Section or Section 24-22-115.5, upon receipt of any moneys paid to the state treasurer in April 2007 in accordance with the terms of the master settlement agreement, the smokeless tobacco master settlement agreement, and the consent decree approved and entered by the court in the case denominated State of Colorado, ex rel. Gale a. Norton, Attorney General v. R.J. Reynolds Tobacco Co.; American Tobacco Co., Inc.; Brown & Williamson Tobacco Corp.; Liggett & Myers, Inc.; Lorillard Tobacco Co., inc.; Philip Morris, Inc.; United States Tobacco Co.; B.A.T Industries, P.L.C.; the Council for Tobacco Research--U.S.A. Inc.; and Tobacco Institute, Inc., case no. 97 cv 3432, in the district court for the City and County of Denver, other than attorney fees and costs, the state treasurer shall credit to the account twenty-four million four hundred

thousand dollars of such moneys not required to be allocated to tobacco settlement programs for the 2007-08 fiscal year pursuant to section 24-75-1104.5.

(1). All interest and income earned on the deposit and investment of moneys in the account shall be credited to the breast and cervical cancer prevention and treatment fund created in section 25.5-5-308, C.R.S., six million two hundred thousand dollars of the moneys in the account may be used only for over expenditures or supplemental appropriations to the children's basic health plan trust created pursuant to section 25.5-8-105,c.r.s., for the 2006-07 and 2007-08 fiscal years or, to the extent not needed for that purpose, for over expenditures or supplemental appropriations for the Colorado benefits management system for the 2006-07, 2007-08 or 2008-09 fiscal years. All other moneys in the account may be used only for over expenditures or supplemental appropriations for the Colorado benefits management system for the 2006-07, 2007-08 or 2008-09 fiscal years. All moneys in the account not appropriated for the 2006-07, 2007-08 or 2008-09 fiscal years pursuant to a supplemental appropriations bill enacted by the general assembly or approved for over expenditure by a majority of the members of the joint budget committee of the general assembly as evidenced by the receipt by the state controller of written confirmation of such approval pursuant to section 24-75-111 (1) (c) (I) (c) on or before April 15, 2009, shall revert to the tobacco litigation settlement cash fund on April 16, 2009, and be allocated as specified in this section, section 24-22-115.5, and part 11 of article 75 of this title.

Performance Measures:

The CBMS is an integral part of all three IT Performance Measures; (1) Program System Application Availability, (2) County Users Access to DHS System Applications, and (3) Protection of Electronic Data, for the Department of Human Services Strategic Plan. The three Performance Measures outcomes rely on various systems data, which includes CBMS data to obtain their benchmarks.

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