

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Human Services

Request Title

R-17 CDOC/CDHS Interagency Agreement True-up

Dept. Approval By:

Melissa Waerdt

Supplemental FY 2016-17

Change Request FY 2017-18

OSPB Approval By:

Erin M. Schell 10/26/16

Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18	FY 2018-19	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$3,728,566	\$0	\$3,691,360	\$1,167,264	\$1,167,264
	FTE	0.0	0.0	0.0	1.0	1.0
Total of All Line Items Impacted by Change Request	GF	\$2,715,802	\$0	\$2,678,596	\$0	\$0
	CF	\$11,422	\$0	\$11,422	\$0	\$0
	RF	\$846,073	\$0	\$846,073	\$1,167,264	\$1,167,264
	FF	\$155,269	\$0	\$155,269	\$0	\$0

Line Item Information	Fund	FY 2016-17		FY 2017-18	FY 2018-19	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$3,728,566	\$0	\$3,691,360	\$1,167,264	\$1,167,264
	FTE	0.0	0.0	0.0	1.0	1.0
03, Office of Operations, (A) Administration - Operating Expenses	GF	\$2,715,802	\$0	\$2,678,596	\$0	\$0
	CF	\$11,422	\$0	\$11,422	\$0	\$0
	RF	\$846,073	\$0	\$846,073	\$1,167,264	\$1,167,264
	FF	\$155,269	\$0	\$155,269	\$0	\$0

CF Lettermote Text Revision Required?	Yes	No	<input checked="" type="checkbox"/>	If Yes, see attached fund source detail. b Of this amount, an estimated \$5,656,943 shall be from Medicaid funds transferred from the Department of Health Care Policy and Financing, \$1,391,041-\$2,558,305 shall be transferred from the Department of Corrections, \$318,456 shall be from patient revenues collected by the Mental Health Institutes that represent Medicaid revenue earned from behavioral health organizations through Behavioral Health Capitation Payments, \$800,000 shall be from the Central Fund for Veterans Community Living Centers, \$340,000 shall be from federal Medicaid indirect costs transferred from the Department of Health Care Policy and Financing, and an estimated \$990,350 shall be from various sources of reappropriated funds. Of the amount of Medicaid funds transferred from the Department of Health Care Policy and Financing, an estimated \$5,150,923 shall be from revenues earned by the Regional Centers and an estimated \$506,020 shall be from revenues earned by the Mental Health Institutes.
RF Lettermote Text Revision Required?	Yes	<input checked="" type="checkbox"/>	No	
FF Lettermote Text Revision Required?	Yes	No	<input checked="" type="checkbox"/>	
Requires Legislation?	Yes	No	<input checked="" type="checkbox"/>	
Type of Request?	Department of Human Services Prioritized Request			
Interagency Approval or Related Schedule 13s: Department of Corrections				

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Cost and FTE

- The Colorado Department of Human Services (CDHS) requests an ongoing increase of \$1,167,264 in reappropriated funds from the Colorado Department of Corrections (CDOC) and 1.0 FTE to true-up the Department Long Bill appropriations to the amount billed in the Department's contract for facility management services provided to CDOC on the Pueblo campus. This will require an additional \$682,085 General Fund in the CDOC budget.
- This request reflects an increase of 84% over the FY 2016-17 appropriation.

Current Program

- The Department/CDOC interagency agreement allows the Department to provide facility management services to three CDOC facilities in Pueblo on the mental health institute campus: San Carlos Correctional Facility (SCCF), the LaVista Correctional Facility (LVCF) and the Youthful Offender System (YOS).
- Services include full building support services from the CDHS Division of Facilities Management (DFM) Southern District, including maintenance, infrastructure, security, design support, operations, irrigation and grounds upkeep. The economy of scale that DFM provides has benefited both CDOC and the remainder of the campus.

Problem or Opportunity

- The Department is currently being reimbursed by CDOC at lower historical costs rather than current costs, which reflect normal inflation and personal services increases. As a result, CDHS funds are being utilized to subsidize CDOC costs.
- The Department does not currently have sufficient spending authority in the Long Bill to expend reimbursable amounts in the current interagency agreement with CDOC.

Consequences of Problem

- Costs are not being fully paid by the appropriate state agency, which in this case is CDOC. Potential audit violations are possible if spending authority is not increased, as well as violation of the State Fiscal Rules by continued inability to process reimbursements as revenue.

Proposed Solution

- The Department requests \$1,167,264 total funds/reappropriated funds, with a corresponding increase of \$682,085 General Fund in CDOC. The increase will allow the Department to fully spend reimbursements from CDOC as revenue, comply with Fiscal Rule and Procedure and recoup all costs currently associated with services provided to CDOC, rather than subsidizing those costs with the DFM operating budget.

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COLORADO
Department of Human Services

John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

FY 2017-18 Funding Request | November 1, 2016

Department Priority: R-17
Request Detail: CDOC/CDHS Interagency Agreement True-Up

Summary of Incremental Funding Change for FY 2017-18	FTE	Total Funds	Reappropriated Funds
CDOC/CDHS Interagency Agreement True-Up	1.0	\$1,167,264	\$1,167,264

Problem or Opportunity:

The Department requests an ongoing increase of \$1,167,264 in reappropriated funds from the Colorado Department of Corrections (CDOC) and 1.0 FTE to true-up the Department Long Bill appropriations to the amount billed in the Department's contract for facility management services provided to CDOC on the Pueblo campus. The long-standing difference in amounts of Long Bill funding for the Department and CDOC has created the problem. Additionally, the Long Bill funding amounts do not align with the interagency agreement. If not fixed, either some of the necessary facility management services will have to be stopped for CDOC or the Department will have to continue to use its operating funds to pay for CDOC costs.

There are two issues to be resolved, one is the alignment of existing spending authority, the second is a true-up between the CDOC/CDHS contract. The current reappropriated spending authority in the Long Bill appropriation reflects an underfunding of \$485,179 as compared to the current interagency contract. The second issue is a true-up of the CDOC/CDHS contract, for \$682,085. The total of these amounts is \$1,167,264. These issues are illustrated in Table 1 – Comparison of Contract to Reappropriated Funds.

Row	Appropriation	Long Bill FY 2016-17	Contract FY 2016-17	Current Reappropriated Shortfall FY 2016-17	Contract True-Up	Proposed Contract & Long Bill FY2017-18	Requested Reappropriated Long Bill Increase
A	FY 2016-17 Utilities, Personal Services, and Operating	\$ 1,391,041	\$ 1,876,220	\$ 485,179	\$ 682,085	\$ 2,558,305	\$ 1,167,264
B	Reappropriated Utilities	\$ 387,083	\$ 387,083		\$ 230,614	\$ 617,697	\$ 230,614
C	Balance	\$ 1,003,958	\$ 1,489,137			\$ 1,940,608	
D	Reappropriated Personal Services	\$ 959,837	\$ 959,837		\$ 431,509	\$ 1,391,346	\$ 431,509
E	Balance	\$ 44,121	\$ 529,300			\$ 549,262	\$ 505,141
F	Reappropriated Operating	\$ 529,300	\$ 529,300		\$ 19,962	\$ 549,262	
G	Shortfall	\$ (485,179)	\$ -	\$ 485,179	\$ 682,085	\$ -	\$ 1,167,264

This request will true-up the Department Long Bill appropriations to the amount billed in the interagency agreement between the Department and the Colorado Department of Corrections for facility management

services. All Department funding related to this request is for reappropriated funds from the CDOC. Supporting documentation for the amounts in Table 1 is included in Attachment A- Contract Comparison.

This action would true-up underfunding by allowing the Department to be reimbursed at current costs rather than lower historical costs, and allow for all reimbursements to be recorded as revenue in compliance with Fiscal Rule 6-6 and Fiscal Procedure 3.27. The amount for the facilities management services provided to CDOC in the Department Long Bill appropriation has not been updated for inflation and other factors in over a decade. As a result, the Department is currently subsidizing some of CDOC's facility costs on the Pueblo campus. The Department provides facilities management services on the Pueblo campus to San Carlos Correctional Facility (SCCF), the LaVista Correctional Facility (LVCF) and the Youthful Offender System (YOS).

Since FY 2014-15, the Department's efforts to correct the problem of increased food costs included joint budget requests by the Department and CDOC. The problems related to facilities management costs were not addressed until now.

Proposed Solution:

The proposed solution is to increase reappropriated funds from CDOC, which will fully fund all the costs associated with the facility management services provided by the Department, and allow the Department to record all reimbursements from CDOC as revenue, in compliance with Fiscal Rule 6-6 and Fiscal Procedure 3.27. It will also allow the Department to continue to provide services in accordance with the interagency agreement and not affect the service delivery to CDOC. The solution benefits CDHS in the ability to perform the accounting for the funds as expected by the Office of the State Controller (Fiscal Rule 6-6).

The requested additional funding is an ongoing request. It does not require a statutory change. CDOC will need additional General Fund dollars of \$682,085 to reappropriate to the Department. If not fixed, there could be potential audit violations. For example, CDHS paying for services utilized by CDOC because CDOC is not paying for the full cost of services provided through the Agreement, resulting in the Department subsidizing the costs. The other solution would be to discontinue some of the facility management services the Department provides for CDOC.

Anticipated Outcomes:

If the request is approved, the Department will have the ability to bill the current cost of all services provided to CDOC and the ability to record all funds transferred from CDOC as revenue, rather than partially as revenue and partially as an offset to expenses.

The first outcome will be measured by the full recovery of the cost of services provided to CDOC, ensuring the costs are accounted for within the appropriate State department and the Department will not fund any portion of the CDOC costs. The second outcome will be measured by ensuring that accounting practice complies with the Fiscal Rule 6-6 once there is adequate spending authority to cover the change in practice. The Department will ensure that the proposed solution is successful through an annual reconciliation of all

CDOC billings related to the interagency agreement. There will also be an annual reconciliation to the Long Bill.

Assumptions and Calculations:

In Table 2, the *Current* column represents the FY 2016-17 Long Bill reappropriated amounts related to the CDOC/CDHS interagency agreement. The *Proposed* column includes the increase needed for recording all reimbursements as reappropriated revenue in addition to the underfunding true-up. All Department funding related to this request is for reappropriated funds from the CDOC.

Table 2 - Reconciliation of CDHS Long bill Appropriation Increase			
Reconciliation of CDHS Long Bill Appropriation Increase			
	Current FY 2016-17	Proposed FY 2017-18	Increase
Utilities	387,083	617,697	230,614
Personal Services	959,838	1,391,346	431,508
Operating	44,120	549,262	505,142
Total	1,391,041	2,558,305	1,167,264

Utilities:

The Department meters SCCF, LVCF and YOS utility consumptions values. Utilities managed by the Department include:

- SCCF: Domestic Water, Hot Softened Water, Sewer, Steam
- LVCF: Domestic Water, Cold and Hot Softened Water, Sewer, Steam
- YOS: Domestic Water, Cold and Hot Softened Water, Sewer, Electricity, Steam

Annually, the Division of Facilities Management (DFM) totals all utility consumption values by CDOC site and derives utility billing costs. These annual utility costs have not been reconciled within the interagency agreement for funding by CDOC. This request does that based on current metered amounts.

Personal Services (including FTE and Contracted Personal Services):

Personal Services FTE values for each CDOC facility are based upon original FTE appropriations funded at the time of the facilities’ opening.

- San Carlos Correctional Facility (SCCF) was opened in 1995 and provided 6.0 FTE funding to the Department.
- The Youthful Offender System (YOS) originally opened in 1998 and funded 8.0 FTE to the Department.
- Additionally, the Pueblo Minimum Center (PMC) provided funding for 2.5 FTE to the Department.
- In FY 2008-09, CDOC determined that the PMC facility was to be replaced by the current YOS population, combined with converting the existing YOS campus into the now LaVista Correctional Facility (LVCF).
- As part of this program change, CDOC and the Department developed an FTE request to add .5 FTE funding to the YOS and 2.5 FTE funding to the new LVCF funding, bringing the current FTE values to 3.0 FTE for YOS and 10.5 FTE for LVCF.
- The SCCF site has remained at 6.0 FTE funding since opening.

- The total current Office of Administrative Solutions (OAS) FTE included in the interagency agreement with CDOC is 19.5.

Table 3 – Appropriation FTE Summary History illustrates these changes.

Table 3 - Appropriation FTE Summary History			
Row	Facility	FTE	Notes
A	San Carlos Correctional Facility (SCCF)	6.0	FTE appropriated when opened in 1995
B	Pueblo Minimum Center (PMC)	2.5	CDOC determined that the PMC facility was to be replaced by the current YOS population and the former YOS site to become LaVista
C	Youthful Offender System (YOS)	0.5	Combined CDOC/DHS
D	Youthful Offender System (YOS)	3.0	
E	LaVista Correctional Facility	8	To new LVCF
F	LaVista Correctional Facility	2.5	Combined CDOC/CDHS Request
G	LaVista Correctional Facility	10.5	Total FTE Appropriated
H	Total FTE	19.5	

The total reappropriated requested increase includes one additional maintenance FTE as illustrated in Table 4.

Table 4 - Additional FTE Request				
Row				
A	Current	FY 2016-17	19.5 FTE	\$ 1,324,853
B	CDHS/CDOC Request	FY 2017-18	1.0 FTE	\$ 66,493
C	Proposed	FY 2017-18	20.5 FTE	\$ 1,391,346
D	Cost by Craft (Work Orders)	FY 2014-15		\$ 1,451,589

The CDOC receives full building support services from the Office of Administrative Solutions, Division of Facilities Management (DFM), Southern District, including maintenance, infrastructure, security, design support, operations, irrigation and grounds upkeep. In FY 2014-15, this included a total of more than 10,600 work orders covering about 29,000 direct and indirect labor hours. In addition to the work captured on work orders, DFM also provides all grounds keeping, snow removal, and infrastructure maintenance for the DOC facilities. FY 2015-16 work order data is still being finalized, but it is not expected to vary significantly from the FY 2014-15 data.

DFM provides FTE that possess a wide variety of specialized skillsets to meet CDOC’s needs, including plumbing, electrical, mechanical, heat plant operators, electronic specialists, project planners, structural trades, etc. DFM’s ability to provide the right mix of staff to meet CDOC needs comes from participating in the overall campus maintenance and operations functions. The economy of scale that DFM provides has benefited both CDOC and the remainder of the campus. While the historical work orders determine how much time by function and materials are provided and help determine whether or not each party is receiving their value added for services provided, the conclusion reached is that neither CDOC nor the

Department would be provided the same level of service without having the combined services that DFM provides.

The interagency agreement provides contract services for the three CDOC prisons on the Colorado Mental Health Institute at Pueblo (CMHIP) campus. As DFM manages multiple service contracts throughout the Southern District, CDOC is able to receive more competitive pricing and benefit from economies of scale by participating with the DFM contracts. DFM currently contracts for trash services, pest control, water treatment, and salt, based upon procurement timelines and rules. Each bidding cycle, CDOC locations and services are reviewed with CDOC personnel to ensure their needs are met within the scope of contract language. The annual contract costs have not been reconciled within the interagency agreement.

Operating Costs:

CDOC currently is engaged in three space lease agreements with DFM via the interagency agreement for Pharmacy, Investigator General, and Parole Board spaces. Current lease rates are based upon services requested and calculated on a cost per gross square foot basis.

- The Parole Board receives maintenance; housekeeping and grounds services and lease rates were set in the late 1990s.
- The Pharmacy receives maintenance and limited housekeeping services with lease rates set in 2004.
- The Investigator General space receives maintenance and limited grounds services with lease rates set in 2006.

Prior fiscal year interagency agreements reflect original lease rate costs even though service costs have risen. The lease rates have not been updated. This request sets both the Pharmacy and Investigator General lease rates at \$5.50 per square foot and the Parole Board rate at \$7.58 per square foot. The rates proposed in this request were derived from the actual costs of doing business, which include space and service to maintain the space. Table 5 illustrates the changes in contract lease rates.

Table 5 - Lease Rates						
Row	Space Lease Agreement	Square Footage	Current Rate		Proposed Rate	
			Rate FY 2016-17	Total	Rate FY 2017-18	Total
A	Investigator General	2,780	\$3.10	\$8,626	\$5.50	\$15,290
B	Parole Board	4,278	\$6.88	\$29,422	\$7.58	\$32,427
C	Pharmacy	4,987	\$5.06	\$25,231	\$5.50	\$27,428

Additionally, the Department provided unreimbursed maintenance supplies, pest control, trash removal and other costs associated with these leased spaces that were not included in the contract nor paid for by CDOC.

Table 6 provides a line item summary of the request.

Table 6-Long Bill Appropriation and Requested Funding for FY 2017-18									
Line Item: (3)Office of Operations, (A) Administration, Operating	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Medicaid Total Funds	Medicaid General Fund	Medicaid Federal Funds	Notes
FY 2016-17 Appropriation (HB 16-1405)	\$3,691,360	\$2,678,596	\$11,422	\$846,073	\$155,269	\$0	\$0	\$0	
CDOC/CDHS Interagency True-up	\$1,167,264	\$0		\$1,167,264	\$0	\$0	\$0	\$0	
FY 2017-18 Total Requested Appropriation	\$4,858,624	\$2,678,596	\$11,422	\$2,013,337	\$155,269	\$0	\$0	\$0	
FY 2018-19 Total Requested Appropriation	\$4,858,624	\$2,678,596	\$11,422	\$2,013,337	\$155,269	\$0	\$0	\$0	

Attachment A - Contract Comparison				
DOC Contract	FY2016-17	FY2017-18	\$ Change	% Change
TOTAL	\$4,127,538	\$4,809,623	\$682,085	16.53%
Exhibit A, Sec B UTILITIES	\$387,083	\$617,697	\$230,614	59.58%
Exhibit A, Sec D Youthful Offender System				
OAS FTE	\$149,440	\$211,440	\$62,000	41.49%
Maintenance	\$56,442	\$56,442	\$0	
Trash	\$6,867	\$7,632	\$765	11.14%
Pest	\$1,896	\$1,896	\$0	0.00%
FOOD	\$481,419	\$481,419	\$0	0.00%
FOOD FTE	\$101,771	\$101,771	\$0	0.00%
Utilities	\$0	\$259,643	\$259,643	0.00%
Medical waste	\$1,000	\$1,000	\$0	0.00%
Water/Chemicals	\$3,765	\$3,765	\$0	0.00%
TOTAL SECTION	\$802,600	\$1,125,008	\$322,408	40.17%
Exhibit A, Sec E San Carlos Correctional Facility				
Vehicles	\$2,928	\$2,928	\$0	0.00%
OAS FTE	\$278,277	\$373,985	\$95,708	
Maintenance	\$77,733	\$77,733	\$0	34.39%
Trash	\$3,546	\$5,940	\$2,394	67.51%
Pest	\$888	\$888	\$0	0.00%
Water/Chemicals	\$24,309	\$24,309	\$0	0.00%
FOOD	\$460,794	\$460,794	\$0	0.00%
FOOD FTE	\$60,835	\$60,835	\$0	0.00%
Utilities	\$84,325	\$114,351	\$30,026	35.61%
Medical waste	\$2,000	\$2,000	\$0	0.00%
TOTAL SECTION	\$995,635	\$1,123,763	\$128,128	12.87%
Exhibit A, Sec F La Vista Correctional Facility				
Vehicles	\$12,600	\$12,600	\$0	0.00%
OAS FTE	\$532,120	\$805,921	\$273,801	51.45%
Maintenance	\$226,760	\$226,760	\$0	0.00%
Trash	\$7,543	\$12,480	\$4,937	65.45%
Pest	\$4,800	\$4,800	\$0	0.00%
Water/Chemicals	\$27,944	\$27,944	\$0	0.00%
FOOD	\$830,397	\$830,397	\$0	0.00%
FOOD FTE	\$261,908	\$261,908	\$0	0.00%
FOOD vehicles	\$12,900	\$12,900	\$0	0.00%
Utilities	\$302,758	\$243,703	(\$59,055)	-19.51%
Warehouse	\$2,500	\$2,500	\$0	0.00%
Medical waste	\$2,500	\$2,500	\$0	0.00%
TOTAL SECTION	\$2,224,730	\$2,444,413	\$219,683	9.87%
Exhibit A, Sec G STU-				
FOOD	\$41,294	\$41,294	\$0	0.00%
TOTAL SECTION	\$41,294	\$41,294	\$0	0.00%
Exhibit A, Sec J Parole Board				
Occupancy	\$29,422	\$32,427	\$3,005	10.21%
TOTAL SECTION	\$29,422	\$32,427	\$3,005	10.21%
Exhibit A, Sec K Pharmacy				
Occupancy	\$25,231	\$27,428	\$2,197	8.71%
TOTAL SECTION	\$25,231	\$27,428	\$2,197	8.71%
Exhibit A, Sec I---Investigation Unit				
Occupancy	\$8,626	\$15,290	\$6,664	77.25%
TOTAL SECTION	\$8,626	\$15,290	\$6,664	77.25%
ALL SECTIONS	\$4,127,538	\$4,809,623	\$682,085	16.53%