

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Human Services

Request Title

R-06 Department Indirect Costs

Dept. Approval By: Melissa Woodlet Supplemental FY 2016-17
 Change Request FY 2017-18
 OSPB Approval By: [Signature] / 10/27/16 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	\$48,090,979	\$0	\$52,323,772	\$3,075,587	\$3,075,587
	FTE	422.2	0.0	422.2	6.9	6.9
Total of All Line Items Impacted by Change Request	GF	\$26,662,436	\$0	\$28,959,645	\$3,514,960	\$3,514,960
	CF	\$2,650,263	\$0	\$2,722,924	(\$40,435)	(\$40,435)
	RF	\$7,469,763	\$0	\$7,664,092	\$1,552,417	\$1,552,417
	FF	\$11,308,517	\$0	\$12,977,111	(\$1,951,355)	(\$1,951,355)

Line Item Information	Fund	FY 2016-17		FY 2017-18	FY 2018-19	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$24,090,080	\$0	\$28,017,136	\$1	\$1
	FTE	0.0	0.0	0.0	0.0	0.0
02. Office of Information Technology Services, (A)	GF	\$12,939,609	\$0	\$15,048,966	\$2,275,811	\$2,275,811
	CF	\$364,484	\$0	\$423,991	(\$40,435)	(\$40,435)
	RF	\$765,483	\$0	\$890,268	\$251,237	\$251,237
	FF	\$10,020,504	\$0	\$11,654,001	(\$2,486,612)	(\$2,486,612)
	Total	\$24,000,899	\$0	\$24,306,636	\$3,075,586	\$3,075,586
	FTE	422.2	0.0	422.2	6.9	6.9
03. Office of Operations, (A) Administration - Personal Services	GF	\$13,722,827	\$0	\$13,910,679	\$1,239,149	\$1,239,149
	CF	\$2,285,779	\$0	\$2,299,023	\$0	\$0
	RF	\$6,704,280	\$0	\$6,773,824	\$1,301,180	\$1,301,180
	FF	\$1,288,013	\$0	\$1,323,110	\$535,257	\$535,257

CF Letternote Text Revision Required	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	If Yes, see attached fund source detail.
RF Letternote Text Revision Required	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	
FF Letternote Text Revision Required	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	
See Table K for detail of letternote revisions.					
Requires Legislation?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	
Type of Request?	Department of Human Services Prioritized Request				
Interagency Approval or Related Schedule 13s None					



Cost and FTE

- The Department of Human Services requests \$3,075,586 total funds, including increases of \$3,514,960 General Fund and \$1,552,417 reappropriated funds offset by reductions of \$40,435 cash funds and \$1,951,355 federal funds in FY 2017-18 and beyond to address the budget shortfall related to the Department's indirect and administrative costs. This request affects line items in the Executive Director's Office, Office of Operations, and Office of Information Technology.

Current Program

- The Department charges individual programs indirect costs to support central service administrative functions, including the Executive Director's Office and central support functions.
- Central support indirect costs are: (a) costs that are reasonable and allowable; (b) costs that are a legitimate cost of doing business; and (c) costs that cannot be directly identified with a single program or area, such as Accounting, Contracts, Procurement, and Human Resources.

Problem or Opportunity

- Historically, the Department has funded its indirect costs using year-end accounting adjustments, converting Medicaid Funds to General Fund, POTS transfers, and transferring Child Welfare Funds.
- The transfer of the Division of Vocational Rehabilitation from the Department of Human Services to the Department of Labor and Employment in FY 2015-16 resulted in a loss of funding to support overall central service administrative functions and central support functions.
- As a result, the Department has been evaluating opportunities to maximize the collection of funds to support indirect costs and developed a comprehensive solution to the issue.
- Through analysis, the Department reviewed all programs with limitations on the amount of indirect costs that can be charged to federal grants and determined that federal sources have been maximized with four exceptions: Temporary Aid for Needy Families (TANF), Child Care Development Fund (CCDF), and Child Welfare Title IV-B, Title XX of the Social Security Act and Medicaid.
- However, these same programs and the Regional Centers have not been able to collect sufficient revenues to fund their allocated indirect costs. This results in a gap of \$10.0 million total funds.

Consequences of Problem

- Without approval of this request, the Department will not be able to fund all of its current central support services that are typically covered through indirect revenues.

Proposed Solution

- The Department of Human Services requests a net increase of \$3,075,586 total funds and Long Bill letter note changes to address the budget shortfall related to indirect and administrative costs.

This Page Left Intentionally Blank



COLORADO
Department of Human Services

John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

FY 2017-18 Funding

Request / November 1, 2016

Department Priority: R-06
Request Detail: Departmental Indirect Costs

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund	FTE
Departmental Indirect Costs	\$ 3,075,586	\$ 3,514,960	6.9

Problem or Opportunity:

The Department of Human Services requests \$3,075,586 total funds, including \$3,514,960 General Fund, (\$40,435) cash funds, \$1,552,417 reappropriated funds, and (\$1,951,355) federal funds in FY 2017-18 to appropriately fund the Department's indirect and administrative costs. This request also includes changes to letter notes in the Department's appropriations, affecting Child Care Development Funds (CCDF), Temporary Assistance for Needy Families (TANF), and Regional Centers to accurately reflect indirect and administrative costs incurred by these programs to support operations. Specifically, this request proposes to address the following:

- Indirect Costs: Public Assistance Programs
- Indirect Costs: Regional Centers
- Office of Information Technology Cost Increases and Funding Splits
- Additional Pressure on Indirect Costs

The Department charges individual programs indirect costs to support central service administrative functions, including the Executive Director's Office and centralized functions. Indirect costs include central support services and direct office overhead costs from benefitting programs. Central support indirect costs are (a) costs that are reasonable and allowable; (b) costs that are a legitimate cost of doing business; and (c) costs that cannot be directly identified with a single program or area. For example, this would include employees in Accounting, Contracts, Procurement, and Human Resources who help support multiple Offices within the Department. Direct office overhead is the cost of personal services and operating expenses associated with Office-specific personnel including the Office Director, Deputy Office Director, the assigned Budget Analyst, the assigned C-Stat Performance Analyst, and other Office-specific administrative positions. Additionally, the programs incur direct administrative costs to support their programs.

For FY 2016-17, the Department projects that it will collect a total of \$55,230,831 excluding Office of Information Technology (OIT) costs, in indirect cost recoveries from federally funded programs. This revenue will be used to offset General Fund in the various Offices with central support services and direct office overhead costs. Table A: FY 2015-16 Cost Allocation Percentage by Benefiting Program for Indirect Costs shows the allocation of indirect cost recoveries for each benefitting program (Office) by funding

source (or program source) for FY 2015-16. It also shows the percentage of the total indirect costs that were allocated to each funding source in FY 2015-16.

Table A: FY 2015-16 Cost Allocation Percentage by Benefiting Program for Indirect Costs¹		
Office	Funding Source/Program	Percent Indirect Costs
Department-wide	Medicaid (50%)	6%
Department-wide	District Pools	1%
Department-wide	State Programs	2%
Office of Behavioral Health	Alcohol and Drug Abuse Division (ADAD)	1%
Office of Behavioral Health	Mental Health Community Programs	1%
Office of Behavioral Health	Mental Health Institutes	21%
Office of Community Access and Independence	Aging	0%
Office of Community Access and Independence	Aging & Adult Services (III,V)	1%
Office of Community Access and Independence	Disability Determination Services	2%
Office of Community Access and Independence	Veterans Community Living Centers	2%
Office of Community Access and Independence	Regional Centers	12%
Office of Community Access and Independence	Vocational Rehabilitation (transferred to CDLE as of July 1, 2016)	4%
Office of Children, Youth, and Families	Child Support Enforcement Title IV-D	4%
Office of Children, Youth, and Families	Child Welfare IV-B	1%
Office of Children, Youth, and Families	Child Welfare IV-E	6%
Office of Children, Youth, and Families	Child Welfare-Child Abuse	0%
Office of Children, Youth, and Families	Division of Youth Corrections (DYC)	10%
Office of Children, Youth, and Families, Office of Early Childhood, Office of Community Access and Independence	Title XX	7%
Office of Early Childhood	Early Child Care	3%
Office of Economic Security	Adult Financial Services & OAP	0%
Office of Economic Security	Food Assistance (SNAP)	9%
Office of Economic Security	Low Income Energy Assistance (LEAP)	1%
Office of Economic Security	Refugees	0%
Office of Economic Security	Temporary Assistance for Needy Families (TANF)	6%
All Offices	Total	100%

¹These are projections based on actual data from FY 2013-14. These amounts can change based on program actual expenditures in FY 2014-15 and FY 2015-16.

Analysis of Indirect Costs

Historically, the Department has addressed these longstanding indirect cost concerns using the following:

- Year-end accounting adjustments.
- Conversion of Medicaid Funds to General Fund, which is not expected to be an option in FY 2016-17 as the Regional Centers implement actual cost-based billing.
- POTS transfers.
- Federal Child Welfare Funds transfer – used for the first time in FY 2014-15.

These methods are no longer adequate to address the problem, which for FY 2017-18 totals \$10.0 million¹. The Department’s Office of Administrative Solutions and Office of Performance and Strategic Outcomes has identified other solutions to maximize the indirect fund sources, by increasing the collection of these funds to support central service administrative functions of the Department. Through this analysis the Department reviewed all programs with limitations on the amount of indirect costs that can be charged against their respective federal grants and determined that federal funding sources have been maximized with four exceptions. These four exceptions include Temporary Aid for Needy Families (TANF), Child Care Development Fund (CCDF), Child Welfare Title IV-B, and Title XX of the Social Security Act.

Table B: Indirect Caps for Federal Programs provides a summary of the Department’s analysis.

Table B: Indirect Caps for Federal Programs		
Program	Admin Cap	Indirects Limited by Cap?
Title III – Aging	Yes-5%	Has not limited amount of indirects collected
Mental Health Block Grant	Yes-5%	Has not limited amount of indirects collected
Substance Abuse Block Grant	Yes-5%	Has not limited amount of indirects collected
Independent Living Service Grant-Voc Rehab	Yes-5%	Has not limited amount of indirects collected
Child Welfare Title IV-B	Yes-10%	Has not limited amount of indirects collected
Temporary Aid for Needy Families	Yes-15%	Not yet hit, however indirect costs are limited based on the appropriation
Personal Responsibility Education Program (PREP)	No Cap	Has not limited amount of indirects collected
Low Energy Assistance Program	Yes-10%	Has not limited amount of indirects collected
Child Care Development Fund	Yes-5%	Hit the cap in FY 2013-14, and exceeded in FY 2014-15 by 3/31/15
Maternal, Infant, Early Childhood Home Visit	Yes-10%	Has not limited the amount of indirects collected
Early Intervention	No Cap	Limited by the amount of matching General Fund
The Emergency Food Assistance Program (TEFAP) - Donated Foods	No Cap	Limited by the amount of matching General Fund
Title XX of the Social Security Act	No Cap	Has not limited amount of indirects collected

Indirect Costs: Public Assistance Programs

Based on further review, in FY 2014-15 and FY 2015-16, the following four programs were not able to collect federal revenues sufficient to fund their portion of Departmental indirect costs: Temporary Aid for Needy Families (TANF), Child Care Development Fund (CCDF), Child Welfare Title IV-B, Title XX of the Social Security Act and Medicaid. Table C1: FY 2014-15 Indirect Cost Allocation by Federal Funding Source and Table C2: FY 2015-16 Indirect Cost Allocation by Federal Funding Source illustrate the amount of indirect costs allocated to each program area, a Long Bill cap if applicable, what was able to be

¹ See Table E, Total of \$8,247,507 plus Table H Total of \$1,094,283 plus Table I Total of \$680,123. Sum is \$10,021,913.

collected and the variance of the collection (which totaled \$771,237 in FY 2014-15 and \$1,303,005 in FY 2015-16).

Table C1: FY 2014-15 Indirect Cost Allocation by Federal Funding Source					
Program Area	A. Indirect and Admin Costs Allocated	B. Allowable Revenue Per Long Bill	C. Collected	D. Variance Allocated - Collected (A-C)	E. Variance Allocated - Allowable (A-B)
Child Care Development Fund	\$5,178,858	\$4,207,711	\$4,475,232	\$703,626	\$971,147
TANF	\$3,492,053	\$3,063,794	\$3,424,442	\$67,611	\$428,259
Title IV-B	\$727,665	Not Specified	\$727,665	\$0	\$0
Title XX	\$4,298,319	Not Specified	\$4,298,319	\$0	\$0

Table C2: FY 2015-16 Indirect Cost Allocation by Federal Funding Source					
Program Area	A. Indirect Costs Allocated	B. Allowable Revenue Per Long Bill	C. Collected	D. Variance Allocated - Collected (A-C)	E. Variance Allocated - Allowable (A-B)
Child Care Development Fund	\$4,345,009	\$4,330,653	\$4,330,653	\$14,356	\$14,356
TANF	\$4,419,804	\$3,131,155	\$3,131,155	\$1,288,649	\$1,288,649
Title IV-B	\$422,820	Not Specified	\$422,820	\$0	\$0
Title XX	\$5,125,347	Not Specified	\$5,125,347	\$0	\$0

Additionally, the Department has determined that Child Welfare, specifically Title IV-B and Title XX of the Social Security Act funding has not contributed to the indirect cost allocation since at least 2003 with the exception of FY 2014-15 and 2015-16. It is important to note that the allocation of indirect costs in FY 2014-15 and FY 2015-16 was not done until after the county close out process was completed and all counties were made whole.

Indirect Costs: Regional Centers

Further research suggests that the Department is not able to fully charge the Regional Centers for their indirect costs. Based on information from FY 2009-10 to FY 2014-15, the Regional Centers have indirect costs averaging \$6.4 million annually but are only able to address an average of \$5.1 million. This results in an average deficit of \$1.3 million per year. Table D: Regional Center Indirect Transfers and Cost Comparison illustrates historical indirect costs and funding needed to fully cover their actual indirect costs.

Table D: Regional Center Indirect Transfers and Cost Comparison			
Fiscal Year	Indirects on Cost Report	444 Transfer	Excess/(Deficit) of Costs
2009-10	\$ 6,605,004	\$ 5,136,889	\$ 1,468,115
2010-11	\$ 6,117,611	\$ 5,344,300	\$ 773,311
2011-12	\$ 6,314,317	\$ 4,858,982	\$ 1,455,335
2012-13	\$ 6,612,259	\$ 4,894,152	\$ 1,718,107
2013-14	\$ 6,342,938	\$ 4,965,299	\$ 1,377,639
2014-15	\$ 6,351,490	\$ 5,336,919	\$ 1,014,571
2015-16 ¹	N/A	N/A	N/A
Average	\$ 6,390,603	\$ 5,089,424	\$ 1,301,180

¹ FY 2015-16 data will not be complete until the cost report is submitted on November 30, 2016.

Table E: Comparison of FY 2015-16 Indirect Costs by Program Area and Proposed Solutions to Maximize Collection, illustrates the limitations related to the Temporary Assistance for Needy Families, Child Care Development Funds, and the Regional Centers. These three are limited in their allocation of indirect costs due to letter notes within the Department’s appropriations. The restriction on the Regional Centers also affects the Department of Health Care Policy and Financing (HCPF).

Table E: Comparison of FY 2015-16 Indirect Costs by Program Area and Proposed Solution to Maximize Collection					
Program	Limitation	Indirect Costs Allocation (SHOULD)	Indirect Costs Collected (ALLOWED)	How much is resolved by Request?	Request
TANF	Federal TANF funds are capped in the Long Bill. ¹	\$4,419,804	\$3,131,155	\$1,288,649	Revise the TANF letter note to fully collect the TANF revenues.
CCDF	Federal CCDF are capped in the Long Bill.	\$4,345,009	\$4,330,653	\$14,356	Revise the CCDF letter note to fully collect the CCDF revenues.
Child Welfare (Title IV-B and Title XX)	Policy decision dating to at least 2003 to not charge indirect costs to Child Welfare.	\$5,643,322 ²	\$0	\$5,643,322	Based on statutory authority, the Department will use funds for Department indirect costs from the Child Welfare appropriation prior to the Child Welfare Allocation Committee Allocation process.
Regional Centers	Regional Center indirect costs are capped in the Long Bill due to letter note restrictions and spending authority restrictions in the HCPF appropriations.	\$ 6,390,603 ³	\$ 5,089,424	\$ 1,301,180	Revise the Regional Center letter notes to fully collect revenue.
Total		\$20,798,738	\$12,551,232	\$8,247,507	

¹ Historically Temporary Aid for Needy Families (TANF) was also capped, but the cap was adjusted to accommodate indirect costs in FY 2014-15. To prevent the reoccurrence of limited use of TANF for indirect costs, the TANF letter note should be updated similar to CCDF.

² Indirect costs were allocated to Child Welfare funding for the first time in FY 2014-15 since at least 2003. This was done after counties were made whole; this adjustment may not be possible in future years based on the year-end close methodology.

³Based on FY 2014-15 data since FY 2015-16 data will not be complete until the cost report is submitted on November 30, 2016.

The Department plans to use funds for Department indirect costs from the Child Welfare appropriation, prior to the Child Welfare Allocation Committee Allocation process. This was previously done after the year end county settlement process in FY 2014-15 and FY 2015-16. As noted previously, Child Welfare has not contributed to the indirect cost allocation since at least 2003 with the exception of FY 2014-15 and 2015-16, causing other programs within the Department to subsidize the Child Welfare share of indirect costs.

OIT Cost Increases and Funding Splits

Additionally, the Department reviewed its historical Office of Information Technology (OIT) related appropriation and allocation by fund source. Since FY 2009-10 the OIT Common Policy-related appropriations have increased by 92.7%. The largest increases year over year occurred in FY 2010-11 and FY 2014-15. Table F1: Historical OIT Appropriation including General Fund illustrates the increase in costs and shift from the General Fund to other fund sources from 64% General Fund in FY 2009-10 to 54% in FY 2016-17. It should be noted that while the appropriations have shifted from General Fund to other fund sources, the Department cannot earn sufficient cash, reappropriated or federal revenues to fully support the OIT costs.

Table F1: Historical OIT Appropriation including General Fund								
OIT Common Policy Lines	FY 2009-10		FY 2010-11		FY 2011-12		FY 2012-13	
Final Appropriation	HB 10-1302		SB 11-141		HB 12-1186		SB 13-091	
Totals by Fiscal Year	\$13,612,142		\$17,914,932		\$19,077,292		\$20,612,355	
Percent Increase Over Prior Year			31.61%		6.49%		8.05%	
General Fund	\$8,695,253	64%	\$10,204,966	57%	\$10,750,746	56%	\$11,073,313	54%

OIT Common Policy Lines	FY 2013-14		FY 2014-15		FY 2015-16		FY 2016-17	
Final Appropriation	HB 14-1238		SB 15-149		HB 16-1242		HB 16-1405	
Totals by Fiscal Year	\$20,619,018		\$26,185,236		\$25,122,963		\$24,090,080	
Percent Increase Over Prior Year	0.03%		27.00%		-4.06%		-4.00%	
General Fund	\$11,188,827	54%	\$14,042,009	54%	\$13,534,199	54%	\$12,939,609	54%

Table F2: Rebalancing of OIT Fund Splits illustrates the FY 2017-18 base request for OIT Common Policy funding and the adjusted base request adjusted by the rebalancing of funding based on historical funding and available funding sources. In FY 2017-18, there will be a total shortfall of \$2,527,047 in cash and federal revenue, requiring an increase of \$2,275,811 General Fund and \$251,237 reappropriated funds.

Table F2: Rebalancing of OIT Fund Splits			
OIT Common Policy Lines	FY 2017-18 Base Request	Adjusted base request	Delta
<i>Purchase of Services-Computer Center/Payments to OIT</i>	\$ 24,090,080	\$ 24,090,080	\$ -
General Fund	\$ 12,939,609	\$ 15,215,420	\$ 2,275,811
Cash Funds	\$ 364,484	\$ 324,049	\$ (40,435)
Reappropriated Funds	\$ 765,483	\$ 1,016,720	\$ 251,237
Federal Funds	\$ 10,020,504	\$ 7,533,892	\$ (2,486,612)

Additional Pressure on Indirect Costs

While the Department's ability to collect indirect costs has been limited in the five program areas previously discussed, two additional dynamics have compounded the issue and added increasing pressure on the Department's ability to collect indirect costs. These include the transfer of the Division of Vocational Rehabilitation to the Department of Labor and Employment and a subsequent adjustment to the Department's Office of Operations federal funds resulting in a reduction of \$2,417,080 to support the Department's indirect costs.

1. Transfer of the Division of Vocational Rehabilitation to the Department of Labor and Employment (CDLE) Effective July 1, 2016, Pursuant to SB 15-239: Historically, DVR has played a significant role in the Department's federally approved Public Assistance Cost Allocation Plan (PACAP). This Plan allows the Department to collect allowable revenue from federal sources and use it to support State indirect costs that would otherwise be supported with General Fund. As a result of the transfer, Colorado Department of Human Services (CDHS) lost the ability to collect indirect revenues used to fund a portion of the Department's central support services and direct office overhead. As part of its FY 2016-17 budget request, the Department requested \$1,094,283 General Fund and \$642,674 federal funds to offset the loss of the indirect

revenues. This request was consistent with the Departmental difference included in the SB 15-239 fiscal note. The Joint Budget Committee (JBC) denied the request and comeback.

2. Office of Operations Long Bill Adjustment: During the figure setting process, the JBC reduced the Office of Operations (Office of Administrative Solutions) by an additional 10.0 FTE and \$680,123 federal funds related to the transfer of 3.4 FTE for administrative support to the Department of Labor and Employment.

Transfer of the Division of Vocational Rehabilitation

DVR uses General Fund to draw down a 78.7% federal fund match rate from Section 110 and Section 203 Federal Vocational Rehabilitation Funds. Table G: FY 2016-17 Projected Indirect Cost Overview of DVR and Other CDHS Programs shows the projected cost and percent allocation of indirect costs between DVR and the Department’s other benefitting programs. Specifically, \$2,092,543 of the Department’s total indirect costs were allocated to DVR. This represents 4% of the Department’s total cost allocation structure.

Table G: FY 2016-17 Projected Indirect Cost Overview of DVR and Other CDHS Programs					
Funding Source/ Program	Indirect Costs Allocation Structure Within CDHS	General Fund	Cash and Reappropriated Funds	Federal Funds	% Costs Allocated
Other CDHS Programs	\$53,287,174	\$32,202,994	\$10,966,237	\$10,117,943	96%
DVR	\$2,092,543	\$460,360	\$0	\$1,632,183	4%
CDHS Total	\$55,379,717	\$32,663,354	\$10,966,237	\$11,750,126	100%

Though the Department is transferring many of its DVR programs to CDLE, the indirect costs incurred department-wide will remain the same. In accordance with the PACAP, the Department will continue to fund its central support services and direct office overhead positions, as salaries for these positions will remain the same. Therefore, the \$2,092,543 of indirect costs previously allocated to DVR must now be absorbed by the Department’s remaining programs or funded by General Fund.

The remaining Department programs will not earn enough indirect revenue to fully offset the decrease in General Fund and federal fund indirect cost recoveries that were allocated to DVR. Table H: FY 2016-17 Projected Indirect Cost Allocation Structure With the Transfer of DVR shows the projected indirect costs allocated to DVR and what portion can be absorbed throughout the remaining CDHS programs with federal revenue for indirect costs. Ultimately, the Department projects a \$1,094,283 shortfall in indirect and direct overhead costs related to the transfer of DVR. As a result, without additional resources, the Department may over-expend many of its programs’ personal services line items that have indirect overhead charges allocated to them.

Table H: FY 2016-17 Projected Indirect Cost Allocation Structure With the Transfer of DVR¹				
Funding Source/ Program	Total Indirect Overhead Costs Allocated	General Fund	Cash and Reappropriated Funds	Federal Funds
DVR	(\$2,092,543)	(\$460,360)	\$0	(\$1,632,183)
Remaining CDHS Programs (reallocate)	\$998,260	\$460,360	\$0	\$537,900 ²
CDHS Total (shortfall)	(\$1,094,283)	\$0	\$0	(\$1,094,283)
¹ The amounts are projections based on actual data from FY 2013-14. These amounts can change based on program actual expenditures in FY 2014-15 and FY 2015-16. ² Remaining programs within CDHS can potentially collect \$537,900 in additional federal indirect revenue to help offset the federal fund impact from the transfer of DVR.				

Office of Operations Long Bill Adjustment

The FY 2016-17 R-9 Indirect Cost Recovery Offset for DVR Transfer to CDLE was a budget request for General Fund as a result of the transfer of the Division of Vocational Rehabilitation (DVR) to CDLE, Table H. The request contained an error in the funds transferred to CDLE to support DVR. Table I: FY 2016-17 Error Resulting in a Reduction to the Office of Operations that follows illustrates what was in the request, what *should* have been in the request and the action taken during figure setting. The result of the figure setting action was an additional reduction of 6.9 FTE and \$680,123 federal funds from the CDHS Office of Operations.

Table I: FY 2016-17 Error Resulting in a Reduction to the Office of Operations					
Action	Total Funds	General Fund	Federal Fund	FTE	Notes
FY 2016-17 Budget Request Indirect Cost Recovery Offset for DVR Transfer to CDLE	(\$ 184,074)	(\$ 184,074)	\$0	(3.4)	The request reflected a reduction of General Fund only
Revised Request	(\$ 184,074)	(\$39,208)	(\$ 144,866)	(3.4)	Request should have reflected 21.3% General Fund and 78.7% federal funds
Figure setting Action	(\$ 864,197)	(\$184,074)	(\$ 680,123)	(10.3)	The \$184,074 General Fund was used as a match for the federal funds
Difference between the Revised Request and Action	\$ 680,123	(\$ 144,866)	(\$ 535,257)	(6.9)	Calculation: Revised Request minus Figure setting Action

Proposed Solution:

The Department of Human Services requests \$3,075,586 total funds, including \$3,514,960 General Fund, (\$40,435) cash funds, \$1,552,417 reappropriated funds, and (\$1,951,355) federal funds in FY 2017-18 to address the Department's indirect and administrative costs shortfall. This request also includes changes to letter notes in the Department's appropriations, including Child Welfare, Child Care Development Funds, Temporary Assistance for Needy Families and Regional Centers to accurately reflect indirect costs incurred by these programs to support administrative costs.

Table J: Summary of Changes by Long Bill Line Item									
Portion of Request	Long Bill Line Item	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE	Letter note	Reference
Public Assistance Programs	Office of the Executive Director, Personal Services	\$0	\$0	\$0	\$0	\$0	0.0	Increase TANF Letter note in EDO, see Table K.	Table C2
	Office of Operations, Personal Services	\$0	\$0	\$0	\$0	\$0	0.0	Increase CCDF Letter note in Operations, see Table K.	Table C2
Regional Centers	Office of Operations, Personal Services	\$1,301,180	\$0	\$0	\$1,301,180	\$0	0.0	Increase the Regional Center Letter note in Operations, see Table K.	Table D
OIT Costs	Office of Information Technology, Purchase of Services-Computer Center/Payments to OIT	\$0	\$ 2,275,811	\$ (40,435)	\$ 251,237	\$ (2,486,612)	0.0	Rebalance the letter notes, see Table K.	Table F2
DVR Request	Office of Operations, Personal Services	\$1,094,283	\$1,094,283	\$0	\$0	\$0	0.0	None	Table H
DVR – Error, Office of Operations Long Bill Adjustment	Office of Operations, Personal Services	\$ 680,123	\$ 144,866	\$0	\$0	\$ 535,257	6.9	Increase federal funds letter note, see Table K.	Table I
	Total Adjustments	\$ 3,075,586	\$ 3,514,960	\$ (40,435)	\$ 1,552,417	\$ (1,951,355)	6.9		

Table K: Requested Letter Note Revisions provides the letter note changes by Long Bill line item.

Table K: Requested Letter Note Revisions		
Long Bill Line Item	Table J Adjustment	Letter note
(1) Executive Director's Office, (A) General Administration, Total	Public Assistance Programs – TANF Adjustment	^c Of this amount, it is estimated that \$707,332 \$1,995,981 shall be from the Temporary Assistance for Needy Families Block Grant, \$411,825 shall be from Child Care Development Funds, \$261,097 shall be from federal cost allocation recoveries, \$240,604 shall be from the Substance Abuse Prevention and Treatment Block Grant, and \$6,649,485 shall be from various sources of federal funds.
(2) Office of Information Technology Services, (A) Information Technology Services	OIT Costs	<p>^a Of these amounts, an estimated \$647,220 shall be from Medicaid funds transferred from the Department of Health Care Policy and Financing, and estimated \$106,267 shall be transferred from the Mental Health Institutes, an estimated \$12,021 shall be transferred from the Department's Regional Centers, an estimated \$9,590 shall be transferred from the Division of Youth Corrections, and an estimated \$261,384 \$512,621 shall be from various sources of reappropriated funds.</p> <p>^b Of these amounts, an estimated \$3,628,390 shall be from the Child Care Development Funds, an estimated \$2,419,600 shall be from the Temporary Assistance for Needy Families Block Grant, an estimated \$2,061,477 shall be from the U.S. Department of Agriculture for the Supplemental Nutrition Assistance Program, and estimated \$1,646,774 shall be from Title IV-E of the Social Security Act, an estimated \$79,637 shall be from the federal Substance Abuse Prevention and Treatment Block Grant, an estimated \$71,829 shall be from Title III Older Americans Act Funds, and an estimated \$6,404,563 \$3,917,951 shall be from various sources of federal funds</p> <p>^c Of this amount, an estimated \$122,686 shall be from patient revenues collected by the Mental Health Institute's, an estimated \$2,698 shall be from the Records and Reports Fund created in Section 19-1-307(2.5) C.R.S., and an estimated \$518,353 \$477,918 shall be from various sources of cash funds.</p>
(3) Office of Operations, (A) Administration	Public Assistance Programs – CCDF Adjustment Regional Centers DVR Error (Office of Operations Long Bill Adjustment)	<p>^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 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 \$6,452,103 shall be from revenues earned by the Regional Centers and an estimated \$506,020 shall be from revenues earned by the Mental Health Institutes.</p> <p>^c Of this amount, \$760,920 shall be from the Social Security Administration for disability determination services, \$422,263 \$436,619 shall be from Child Care Development Funds, \$246,194 shall be from the Substance Abuse Prevention and Treatment Block Grant, \$69,568 shall be from the U.S. Department of Health and Human Services, Office of Refugee Resettlement, \$4,223 shall be from the Temporary Assistance for Needy Families Block Grant, and \$1,593,616 \$2,128,873 shall be from various sources of federal funds.</p>

Anticipated Outcomes:

The requested funding will allow the Department to continue to fund all of its indirect costs for central support services and direct office overhead costs. The Department will continue to be able to provide the same level of efficient, elegant, and effective services to all of its programs.

As Table L: Department Administrative Staff Comparison FY 2016-17 illustrates the Department staff to activity ratios are not comparable. In particular the table illustrates the Department's Procurement staff to Procurement transactions is greater than that of many other departments.

Table L: Administrative Staff Comparison FY 2016-17					
Department	FTE<1,2>	Total Funds	Acct Staff to Transaction Ratio	Procurement Ratio	HR Staff to FTE Ratio
Transportation	3,327	\$ 1,404,629,871	1:1,666	1:73	1:90
Higher Education <3>	24,492	\$ 4,076,057,002	1:28,078	1:1	1:12,246
Human Services <4>	4,794	\$ 1,902,561,730	1:11,266	1:1,787	1:150
Local Affairs	174	\$ 306,112,580	1:107,916	1:7,241	1:97
Public Health and Environment	1,312	\$ 563,473,936	1:14,059	1:500	1:120
Health Care Policy & Fin	440	\$ 9,116,880,878	1:25,217	1:63	1:49
Labor and Employment	1,280	\$ 244,151,762	1:107,916	1:12,314	1:712
Personnel and Administration	422	\$ 190,212,511	1:8,400	1:3,374	1:141
<1> FTE and Total Funds Data pulled from FY2016 - 17 Appropriations Report <2> All other information is self-reported <3> Includes Colorado Commission on Higher Education Administrative Staff, Gear Up and the Division of Private Occupational Schools <4> CDHS Data Pull: July 1, 2016 -August 22, 2016 (FY 2016-17). HR Transactions/Day including weekends (401/53 days from 8/1 to 8/22) - 7.566037736. HR Transactions - 2761.603774					

Assumptions and Calculations:

The cost assumptions are based on the Department's FY 2015-16 Indirect Cost Allocation Plan. Calculations are provided in the narrative. See specifically:

- Table E: Comparison of FY 2015-16 Indirect Costs by Program Area and Proposed Solution to Maximize Collection.
- Table F2: Rebalancing of OIT Fund Splits.
- Table H: FY 2016-17 Projected Indirect Cost Allocation Structure With the Transfer of DVR.
- Table I: FY 2016-17 Error Resulting in a Reduction to the Office of Operations.