



Colorado
Legislative
Council
Staff

SB17-021

REVISED
FISCAL NOTE

(replaces fiscal note dated January 20, 2017)

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0150 **Date:** April 5, 2017
Prime Sponsor(s): Sen. Martinez Humenik; **Bill Status:** Senate Appropriations
Rep. Singer **Fiscal Analyst:** Kerry White (303-866-3469)

BILL TOPIC: ASSISTANCE TO RELEASED MENTALLY ILL OFFENDERS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	Potential transfer. See State Revenue section.	
State Expenditures	At least \$6,670,808	At least \$6,507,843
General Fund	2,637,056	2,471,777
Cash Funds	4,000,000	4,000,000
Centrally Appropriated Costs	33,752	36,066
FTE Position Change	2.7 FTE	2.7 FTE
Appropriation Required:	\$6.6 million - Multiple agencies (FY 2017-18).	
Future Year Impacts:	Ongoing expenditure increase.	

Summary of Legislation

The bill, *initially referred by the Legislative Oversight Committee concerning the Treatment of Persons with Mental Illness in the Criminal and Juvenile Justice Systems and amended by the Senate Judiciary Committee*, establishes two programs for persons with mental illness transitioning from incarceration. First, it creates a housing assistance program in the Department of Local Affairs (DOLA) to provide vouchers and other support services to persons with a mental health disorder or co-occurring behavioral health disorder and newly released from the Department of Corrections (DOC), the Division of Youth Corrections (DYC) in the Department of Human Services, or county jail. The DOLA is required to provide grants or loans for the acquisition, construction, or rehabilitation of rental housing for persons with behavioral or mental health disorders. The bill creates the Housing Assistance for Persons Transitioning from Incarceration Cash Fund, which is continuously appropriated to DOLA for the housing assistance program. The bill allows Marijuana Tax Cash Fund moneys to be used for housing, rental assistance, and reentry assistance provided by DOLA and appropriates \$4 million in FY 2017-18 for this purpose.

Second, the bill creates a reentry program for homeless persons with behavioral or mental health disorders. Services are to be provided before and after release from incarceration or adjudication from the DOC, DYC, or a county jail. The reentry program is based in the Division of Behavioral Health in the Department of Human Services (DHS), to be administered cooperatively

with the Department of Corrections. Subject to available appropriations and in conjunction with DOLA, the DHS must implement initiatives to assist each offender's transition from a correctional facility or jail into the community. Reentry program services may include assistance concerning housing vouchers, rental housing, supportive employment services, Medicaid enrollment, mental health treatment, case management services, medication monitoring, peer specialist support, and positive recreational activities.

The Division of Criminal Justice in the Department of Public Safety (DPS) is authorized to transfer up to 10 percent of its annual appropriations for community correction programs to the new reentry program in the DHS after giving advanced notice to the General Assembly, the Governor, the Chief Justice of the Supreme Court, and the DOC. Beginning July 1, 2016, any money appropriated from the General Fund for community corrections that is unexpended or unencumbered at the close of the fiscal year is transferred to the new cash fund created under the bill for the DOLA housing assistance program (See Technical Note).

Background

While the DHS does not currently operate a reentry program, the DOC currently offers such services. Under House Bill 14-1355, the DOC offender reentry programs received an additional \$8.0 million for staff and resources. Of this amount, \$1.0 million per year is used for a grant program to fund community- and faith-based organizations that assist parolees with services such as housing and job placement. Offenders participating in pre-release programs while in prison receive education concerning employment readiness, housing, money management, education options, and family, relationship, and support systems. In 2015, 4,411 offenders participated in pre-release programs, an increase of 45 percent over the previous year. Staff assist parolees with issues they encounter upon reentry to the community. The bill expanded the number of community reentry specialists and added new parolee navigators to assist with employment, training, and mental health and substance abuse issues. While the existing DOC reentry programs are not targeted specifically toward persons with mental illness, a large majority of offenders are documented as having a mental illness.

Concerning existing appropriations for community corrections, the DPS was appropriated \$67.4 million in FY 2016-17 for this purpose. Over the last several years, between \$700,000 and \$2.2 million dollars in community corrections appropriations have reverted to the General Fund per year.

State Revenue

While the bill does not affect net revenue to the state, it potentially creates a transfer from the General Fund, as described below.

State transfers. Under the bill, a transfer from the General Fund to the Housing Assistance for Persons Transitioning from Incarceration Cash Fund may occur beginning in FY 2017-18. The transfer amount will be based on the amount of unspent appropriations to the DPS for community corrections contracts at the end of the preceding fiscal year. At this time, the projected fund balance is approximately \$3 million, which may result in a transfer of up to \$300,000 at the end of the current fiscal year for reentry programs in DHS and up to \$2.7 million for the housing program in DOLA. Future year transfers have not been estimated.

State Expenditures

The bill increases state expenditures by at least \$6.7 million and 2.7 FTE in FY 2017-18 and by \$6.5 million and 2.7 FTE in FY 2018-19 and future years, assuming all the programs created by the bill are fully funded. These costs in DOLA and the DHS are described below and summarized in Table 1.

Table 1. Expenditures Under SB17-021		
Cost Components	FY 2017-18	FY 2018-19
Department of Local Affairs	\$4,013,597	\$4,013,597
Personal Services	53,943	53,943
FTE	1.0 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	5,653	950
Housing Services	3,940,404	3,945,107
Centrally Appropriated Costs*	13,597	13,597
Department of Human Services	\$2,657,211	\$2,494,246
Personal Services	96,055	104,787
FTE	1.7 FTE	1.7 FTE
Operating Expenses and Capital Outlay Costs	11,021	1,615
Training	30,000	30,000
Contract Case Management and Operating	2,499,980	2,335,375
Centrally Appropriated Costs*	20,155	22,469
TOTAL	\$6,670,808	\$6,507,843

* Centrally appropriated costs are not included in the bill's appropriation.

Housing assistance (DOLA). DOLA will have costs of \$4.0 million per year beginning in FY 2017-18 to provide housing assistance and other support services, as directed by the bill. It is assumed that the program will be administered through the existing housing assistance program in DOLA and that 1.0 FTE is required for an additional program staff to support the new population served under the bill. After accounting for administrative and staffing expenses, \$3.9 million will be available to provide housing services to approximately 300 individuals. These costs are based on the appropriation included in the bill. Staff is assumed to start July 1, 2017.

Reentry programs (DHS). The bill increases General Fund expenditures in the DHS by \$2.7 million and 1.7 FTE in FY 2017-18 and by \$2.5 million and 1.7 FTE in FY 2018-19 and future years. While the bill specifies that reentry programs are subject to available appropriations, the fiscal note reflects the full costs of implementing such programs, not including any transfers that may occur from DPS. To the extent the appropriation provided in the bill differs from this fiscal note estimate, the DHS may adjust the number of clients served to fit the appropriation received.

Assumptions. Reentry program costs are based on the following assumptions:

- about 2,950 persons with major mental illness are released from incarceration each year and will be served by the DHS reentry program;

- clients receive case management services for 90 days following their release;
- on average, between 650 and 700 clients will require services at any given point in time;
- each contracted caseworkers can handle up to 20 clients at a time, resulting in the need for 35 caseworkers;
- case management is assumed to be the primary service offered through the reentry program to assist clients with accessing existing programs.

Contract case management. Based on the assumptions above, the DHS will have costs for contracted case management services through the new reentry program. Costs assume that each case worker costs about \$52,500 per year for salary and benefits. Operating expenses of \$6,350 per contractor, per year include telephone, supplies, and mileage. First-year costs assume capital outlay of \$4,703 per contractor. The contracting entity will have administrative overhead and costs of approximately \$275,625 per year, which represents 15 percent of personal services costs for caseworkers.

DHS administration. As shown in Table 1, the DHS will require 1.7 FTE for a project manager and contract administrator to oversee the reentry program and other administrative costs. The fiscal note assumes staff will start June 1, 2017 and be s For FY 2017-18, these costs include personal services (\$96,055), standard operating and capital outlay expenses (\$11,021), and contractor training (\$30,000). These costs account for the General Fund paydate shift and assume a June 1, 2017, start date.

Department of Corrections. The DOC will have increased workload to collaborate with DHS staff, which can be accomplished within existing appropriations. Given that DOC currently operates a reentry program that targets many of the same offenders leaving incarceration, it is possible that workload and costs may decrease in the DOC following the establishment of a reentry program in the DHS. However, at this time it is unknown the extent to which the DHS reentry program will serve DOC clients versus county jail clients and whether or not the opportunity will exist to reduce funding to the DOC. It is assumed that any adjustments to DOC funding will occur through the annual budget process.

Other program impacts. To the extent that additional case management services link eligible clients with existing programs such as Medicaid and behavior health programs, additional workload and costs may be incurred by the Department of Health Care Policy and Financing and the DHS. Given that the existing DOC reentry program offers similar services, any impact on other porgrams is assumed to be minimal. To the extent additional impacts from increased utilization occur, they will be addressed through the annual budget process.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB17-021

Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$20,311	\$21,842
Supplemental Employee Retirement Payments	13,441	14,224
TOTAL	\$33,752	\$36,066

Technical Error

The bill allows the DPS to transfer available moneys for the reentry programs managed by the DHS; however, no funding source is specified for DHS to receive these funds.

Local Government Impact

Counties may have increased workload to coordinate with the DHS, the reentry program contractor, and DOLA to connect persons with mental illness to services upon release from county jails. In addition, to the extent that the reentry programs help persons with mental illness enroll in Medicaid, county departments of human services may have additional workload. These impacts are assumed to be minimal.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2017-18, the bill requires and includes an appropriation from the Marijuana Tax Cash Fund of \$4 million to the Department of Local Affairs and requires an additional allocation of 1.0 FTE.

For FY 2017-18, the bill requires a General Fund appropriation of \$2,637,056 and an allocation of 1.7 FTE to the Department of Human Services.

State and Local Government Contacts

Corrections	Counties	Health Care Policy And Financing
Human Services	Information Technology	Local Affairs
Personnel	Public Safety	Sheriffs
Treasury		

Research Note Available

An LCS Research Note for SB17-021 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.