



**Colorado
Legislative
Council
Staff**

Bill 4

FISCAL NOTE

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

Drafting Number: LLS 17-0150
Prime Sponsor(s):

Date: October 4, 2016
Bill Status: Legislative Oversight Committee
Concerning the Treatment of Persons
with Mental Illness in the Criminal and
Juvenile Justice Systems Bill Request
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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	<u>At least \$5.1 million</u>	<u>At least \$5.1 million</u>
General Fund	5,045,076	5,044,402
Cash Funds	Potential increase	Potential increase
Centrally Appropriated Costs	27,731	30,238
FTE Position Change	2.2 FTE	2.2 FTE
Appropriation Required: \$5.1 million - Multiple agencies (FY 2017-18).		
Future Year Impacts: Ongoing expenditure increase.		

Summary of Legislation

The bill, *requested by the Legislative Oversight Committee concerning the Treatment of Persons with Mental Illness in the Criminal and Juvenile Justice Systems*, 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 to persons newly released from the Department of Corrections (DOC) or county jail. The bill requires that any unspent General Fund appropriations for community correction contracts in the Department of Public Safety (DPS) be transferred to the newly created Housing Assistance for Persons Transitioning from Incarceration Cash Fund, which is continuously appropriated to DOLA for the new voucher program. The bill includes a \$2.7 million General fund appropriation to DOLA for the housing assistance program.

Second, it creates a reentry program for incarcerated persons with mental illness in the Division of Behavioral Health in the Department of Human Services (DHS). Subject to available appropriations, 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, 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 DPS is authorized to transfer up to 10 percent of its annual appropriations for community correction programs to the new reentry programs in the DHS after giving advanced notice to the General Assembly, the Governor, the Chief Justice of the Supreme Court, and the DOC.

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, it is unknown whether reversions will occur in future years and if such transfers will take place.

State Expenditures

The bill increases General Fund expenditures by at least \$5.1 million and 2.2 FTE per year beginning in FY 2017-18, 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 Bill 4		
Cost Components	FY 2017-18	FY 2018-19
Department of Local Affairs	<u>\$2,707,576</u>	<u>\$2,707,769</u>
Personal Services	23,153	25,257
FTE	0.5 FTE	0.5 FTE
Operating Expenses and Capital Outlay Costs	5,178	475
Travel	980	980
Housing Vouchers	2,670,689	2,673,288
Centrally Appropriated Costs*	7,576	7,769
Department of Human Services	<u>\$2,365,231</u>	<u>\$2,366,871</u>
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	2,208,000	2,208,000
Centrally Appropriated Costs*	20,155	22,469
TOTAL	<u>\$5,072,807</u>	<u>\$5,074,640</u>

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

Housing assistance (DOLA). DOLA will have General Fund costs of \$2.7 million per year beginning in FY 2017-18 to provide housing assistance vouchers to persons exiting incarceration. It is assumed that the program will be administered through the existing housing assistance program in DOLA and that 0.5 FTE is required for an additional program assistant to support the new population served under the bill. After accounting for administrative and staffing expenses, \$2,670,689 will be available to provide housing vouchers to approximately 250 individuals. These costs are based on the General Fund appropriation included in the bill. Additional cash funds may be available for the program if unspent funds in the Division of Criminal Justice in the DPS are transferred to the program. First-year costs in DOLA account the General Fund paydate shift and assume a July 1, 2017, start date.

Reentry programs (DHS). The bill increases General Fund expenditures in the DHS by \$2.4 million and 1.7 FTE per year beginning in FY 2017-18. While the bill specifies that reentry programs are subject to available appropriations, the fiscal note reflects the full costs of implementing such programs. 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 2,750 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 22 clients at a time, resulting in the need for 32 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 of \$2.2 million per year for contracted case management services through the new reentry program. This cost is based on the assumption that each case worker costs \$60,000 per year for salary, benefits, and operating expenses (\$1.9 million per year). The contracting entity will have administrative overhead and costs of \$288,000 per year.

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. 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 July 1, 2017, start date.

Department of Corrections. 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. At this time 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 programs 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.

Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$15,923	\$17,458
Supplemental Employee Retirement Payments	10,682	11,653
Leased Space	1,127	1,127
TOTAL	\$27,732	\$30,238

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 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 includes a General Fund appropriation of \$2,700,000 to the Department of Local Affairs and requires an additional allocation of 0.5 FTE.

For FY 2017-18, the Department of Human Services requires a General Fund appropriation of \$2,345,076 and an allocation of 1.7 FTE.

State and Local Government Contacts

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