

# JOINT BUDGET COMMITTEE



## INTERIM SUPPLEMENTAL BUDGET REQUESTS FY 2017-18

### DEPARTMENT OF HUMAN SERVICES (Division of Child Welfare)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:  
ROBIN J. SMART, JBC STAFF  
JUNE 20, 2018

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## INTERIM SUPPLEMENTAL REQUESTS

### FY 2017-18 CHILD WELFARE OVEREXPENDITURE

	REQUEST	RECOMMENDATION
<b>TOTAL</b>	<b>\$8,186,023</b>	<b>\$6,894,401</b>
FTE	0.0	0.0
General Fund	0	0
Cash Funds	0	0
Federal Funds	\$8,186,023	\$6,894,401

**Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.?** [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.] **YES**

**Does JBC staff believe the request satisfies the supplemental criteria specific to child welfare services funding defined in Section 26-5-104 (4)(d), C.R.S.?** [The Department may only seek additional funding from the General Assembly in a supplemental appropriations bill based upon caseload growth or changes in federal law or federal funding.] **YES**

**Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?** **YES**  
[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

**Explanation:** JBC staff and the Department agree that this request is the result of increased caseload and data that was not available when the original appropriation was made.

**DEPARTMENT REQUEST:** The Department requests \$8,186,023 federal Temporary Assistance for Needy Families funds from the State's long-term reserve in FY 2017-18 to address projected over-expenditures for child welfare services.

**STAFF RECOMMENDATION:** Staff recommends an increase of \$6,894,401 federal Temporary Assistance for Needy Families funds from the State's long-term reserve in FY 2017-18.

DEPARTMENT OF HUMAN SERVICES, CHILD WELFARE SERVICES LINE ITEM APPROPRIATION FY 2017-18					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Child Welfare Services line item	\$359,022,375	\$189,225,568	\$66,715,388	\$15,410,746	\$87,670,673
Staff Recommendation	6,894,401	0	0	0	6,894,401
<b>Total FY 2017-18 Appropriation</b>	<b>\$365,916,776</b>	<b>\$189,225,568</b>	<b>\$66,715,388</b>	<b>\$15,410,746</b>	<b>\$94,565,074</b>

#### STAFF ANALYSIS:

The child welfare system in the State of Colorado is state supervised and county administered. The majority of the funding appropriated to line items in the Division of Child Welfare is allocated to counties in the form of block allocations. In FY 2017-18, appropriations in the division that are

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subsequently allocated to counties total \$429.1 million, the majority of which is appropriated to the Child Welfare Services line item and allocated to counties through the Child Welfare Block. The FY 2017-18 appropriation to the Child Welfare Services line item is \$359.0 million, including \$189.2 General Fund, \$66.7 million cash funds from county sources, \$15.4 million Medicaid funds reappropriated from the Department of Health Care Policy and Financing (HCPF), and \$86.7 million federal funds, primarily from Title IV-E of the Social Security Act.

Pursuant to Section 26-5-104, C.R.S., funding is provided to counties in the form of capped block allocations, 80.0 percent of which is from state and federal funding sources, and 20.0 percent of which is from county sources. If a county over spends its capped allocation, the county is responsible for the over expenditure. The Department projects that county over-expenditures will be approximately \$16.6 million in FY 2017-18.

### OVERVIEW OF STATE-WIDE ALLOCATIONS AND EXPENDITURES

Unlike other health or human services programs, appropriations for child welfare services have not historically been based on forecasts. During the January 2018 supplemental budget process, JBC staff performed an analysis of the Child Welfare Block to determine if the system is funded adequately or if the capacity of the system is strained as a result of the allocation model, the rates paid to service providers, and other factors. The results of the analysis indicated that the system was adequately funded through FY 2016-17, however, was underfunded in FY 2017-18. JBC staff took into consideration several factors when determining the amount of funding by which the FY 2017-18 should be increased. The Committee approved a FY 2017-18 increase in the Child Welfare Services line item of \$3,158,363 total funds, including \$1,516,014 General Fund, in the Department's supplemental bill (H.B. 18-1162). This increase was not intended to eliminate the anticipated over-expenditure in its entirety (which was estimated by JBC staff at approximately \$12.0 million at that time) for the following reasons:

- 1 Not all funds appropriated to the Child Welfare Services line item are allocated to the counties. A certain portion of the appropriation is set aside for specified purposes as defined in the Division of Child Welfare Long Bill letter note *e* and for a mitigation pool used to cover excess costs that may occur in small counties. Any underspent hold-outs are distributed to counties during the end-of-year close-out process, thereby reducing the over-expenditure;
- 2 Any unspent Medicaid General Fund is transferred from HCPF and used to cover over-expenditures;
- 3 Prior to the passage of S.B. 18-254 (Child Welfare System Reforms), counties participating in the Collaborative Management Program and the Integrated Care Management Program were allowed to maintain General Fund savings each year; and
- 4 The JBC staff forecast model did not factor in the block allocation provided to counties for additional child welfare staffing that is appropriated in a separate line item.

Based on updated data provided in June 2018, JBC staff estimates that the FY 2017-18 Child Welfare Block allocation will be overspent by \$15.9 million statewide. This is lower than the Department projection by \$665,264, however, given the variables defined above and in order to ensure a consistent analysis throughout FY 2017-18, JBC staff has made no changes to the model and will use the estimated \$15.9 million statewide over-expenditure forecast as the basis for her recommendation. JBC staff recommends an increase of \$6,894,401 total funds for FY 2017-18.

JBC STAFF RECOMMENDED APPROPRIATION INCREASE, FY 2017-18	
CHILD WELFARE SERVICES LINE ITEM	
Projected FY 2017-18 County Expenditures (including adjustments for county over expenditures in the Core Services and Staffing block allocations)	\$361,115,073
Estimated FY 2017-18 Other Funding Sources (unspent Medicaid General Fund transferred from HCPF and child welfare services hold-outs)	9,000,000
Estimated FY 2017-18 Child Welfare Block Expenditures	352,115,073
FY 2017-18 Allocation (including H.B. 18-1162)	345,220,672
Anticipated Over expenditure	6,894,401
CMP/ICM reduction (based on S.B. 18-254)	0
<b>JBC STAFF RECOMMENDED INCREASE – TOTAL FUNDS</b>	<b>\$6,894,401</b>

### JBC STAFF FORECAST OF CHILD WELFARE BLOCK

For the child welfare system briefing presented in November 2017, JBC staff discussed a model through which potential future costs of service delivery could be forecast. JBC staff performed an analysis of actual block allocations based on the current formula and compared them with estimated allocations through a normalized workload metric model which were subsequently factored based on selected drivers that impact the cost of child welfare service delivery in local areas. Staff performed this analysis on a by-county basis and totaled the final allocations to determine estimated statewide costs. Staff applied additional growth factors to the model's FY 2016-17 allocations to project future child welfare system funding needs. For the purpose of this department-initiated supplemental discussion, staff used the model to project FY 2017-18 child welfare expenditures based on updated data and to determine the recommended funding increase.

### CHILD WELFARE WORKLOAD AND CASELOAD GROWTH

Pursuant to Section 26-5-104 (4)(d), C.R.S., the Department may only seek additional funding from the General Assembly in a supplemental appropriations bill based upon caseload growth or changes in federal law or federal funding. In 2014, the Office of the State Auditor completed a child welfare workload study in order to determine the level of county staff required to perform all work associated with child welfare federal and state law. Although the workload study may not account for the variances in practice that exist across counties, JBC staff has utilized the metrics and the time values assigned to each to project future workload for each county. In addition to the time values applied to the metrics identified in the study, including referrals, assessments, open involvements, out of home placements, and new adoptions, JBC staff has also added metrics and time values for the number of informational hotline calls and the number of hotline calls that required the use of the advanced screening instrument. Staff utilized the two-year average of the rate of increase of each of these metrics to estimate the FY 2017-18 workload and average cost per event. This methodology factors in the anticipated caseload increase counties will experience, as well as the increased cost associated with delivering services.

**TABLE 1. CHILD WELFARE BLOCK, FY 2017-18 PROJECTIONS**

FY 2017-18 CHILD WELFARE PROJECTIONS STATE OF COLORADO									
TYPE OF EVENT	TIME PER EVENT (MIN.)	# OF EVENTS/ YEAR	# OF DAYS/ EVENT	TOTAL TIME (MIN.)	% TOTAL TIME/ YEAR	TOTAL EXPEND./ EVENT TYPE	EST. COST PER EVENT	ANNUAL % CHANGE # OF EVENTS/ YEAR	ANNUAL % CHANGE ESTIMATED COST PER EVENT
<b>FY 2014-15 (ACTUAL)</b>									
Hotline Calls	0.17	149,868	1	25,477.56	0.6%	\$2,045,785	\$13.65	n/a	n/a
Hotline - Screened in	1.00	59,474	1	59,474.25	1.5%	4,775,636	80.30	n/a	n/a
Referrals	2.80	86,487	1	242,163.60	6.1%	19,445,141	224.83	n/a	n/a
Assessments	12.60	31,463	1	396,433.80	9.9%	31,832,658	1,011.75	n/a	n/a
Open Involvements	0.32	21,345	260	1,775,904.00	44.4%	142,600,717	6,680.76	n/a	n/a
Out of Home Placements	0.58	9,764	260	1,472,411.20	36.8%	118,230,992	12,108.87	n/a	n/a
New Adoptions	29.40	822	1	24,166.80	0.6%	1,940,535	2,360.75	n/a	n/a
<b>SUBTOTAL FY 2014-15</b>	<b>n/a</b>	<b>359,223</b>	<b>n/a</b>	<b>3,996,031</b>	<b>\$1</b>	<b>\$320,871,463</b>	<b>\$22,481</b>	<b>n/a</b>	<b>n/a</b>
<b>FY 2015-16 (ACTUAL)</b>									
Hotline Calls	0.17	177,916	1	30,245.72	0.7%	\$2,458,277	\$13.82	18.7%	1.2%
Hotline - Screened in	1.00	62,130	1	62,130.00	1.5%	5,049,730	81.28	4.5%	1.2%
Referrals	2.80	94,742	1	265,277.60	6.4%	21,560,926	227.58	9.5%	1.2%
Assessments	12.60	35,712	1	449,971.20	10.9%	36,572,239	1,024.09	13.5%	1.2%
Open Involvements	0.32	21,449	260	1,784,556.80	43.3%	145,043,146	6,762.23	0.5%	1.2%
Out of Home Placements	0.58	9,999	260	1,507,849.20	36.5%	122,553,225	12,256.55	2.4%	1.2%
New Adoptions	29.40	868	1	25,519.20	0.6%	2,074,120	2,389.54	5.6%	1.2%
<b>TOTAL FY 2015-16</b>	<b>n/a</b>	<b>402,816</b>	<b>n/a</b>	<b>4,125,549.72</b>	<b>100.0%</b>	<b>\$335,311,664</b>	<b>\$22,755.08</b>	<b>n/a</b>	<b>1.2%</b>
<b>FY 2016-17 (ACTUAL)</b>									
Hotline Calls	0.17	180,672	1	30,714.24	0.7%	\$2,550,816	\$14.12	1.5%	2.2%
Hotline - Screened in	1.00	72,337	1	72,337.00	1.7%	6,007,583	83.05	16.4%	2.2%
Referrals	2.80	99,083	1	277,432.40	6.6%	23,040,743	232.54	4.6%	2.2%
Assessments	12.60	37,591	1	473,646.60	11.3%	39,336,320	1,046.43	5.3%	2.2%
Open Involvements	0.32	21,502	260	1,788,966.40	42.5%	148,573,548	6,909.75	0.2%	2.2%
Out of Home Placements	0.58	10,188	260	1,536,350.40	36.5%	127,593,805	12,523.93	1.9%	2.2%
New Adoptions	29.40	883	1	25,960.20	0.6%	2,155,993	2,441.67	1.7%	2.2%
<b>TOTAL FY 2016-17</b>	<b>n/a</b>	<b>422,256</b>	<b>n/a</b>	<b>4,205,407.24</b>	<b>100.0%</b>	<b>\$ 349,258,808</b>	<b>\$23,251.49</b>	<b>n/a</b>	<b>2.2%</b>
<b>FY 2017-18 (PROJECTED)</b>									
Hotline Calls	0.17	198,978	1	33,826.26	0.8%	\$2,857,324	\$14.36	10.1%	1.7%
Hotline - Screened in	1.00	79,894	1	79,894.00	1.9%	6,747,847	84.46	10.4%	1.7%

**FY 2017-18 CHILD WELFARE PROJECTIONS  
STATE OF COLORADO**

TYPE OF EVENT	TIME PER EVENT (MIN.)	# OF EVENTS/ YEAR	# OF DAYS/ EVENT	TOTAL TIME (MIN.)	% TOTAL TIME/ YEAR	TOTAL EXPEND./ EVENT TYPE	EST. COST PER EVENT	ANNUAL % CHANGE # OF EVENTS/ YEAR	ANNUAL % CHANGE ESTIMATED COST PER EVENT
Referrals	2.80	103,501	1	289,802.80	6.8%	24,476,951	236.49	7.1%	1.7%
Assessments	12.60	37,652	1	474,415.20	11.1%	40,070,011	1,064.22	9.4%	1.7%
Open Involvements	0.32	21,638	260	1,800,281.60	42.1%	152,055,852	7,027.26	0.4%	1.7%
Out of Home Placements	0.58	10,407	260	1,569,3575.60	36.7%	132,553,022	12,736.91	2.1%	1.7%
New Adoptions	29.40	948	1	27,871.2	0.7%	2,354,064	2,483.19	3.7%	1.7%
<b>TOTAL FY 2017-18 (PROJ.)</b>	n/a	453,018	n/a	4,275,466.66	100.0%	\$361,115,073	\$23,646.90	n/a	1.7%

As indicated in the table above, each workload metric has increased over the past three fiscal years and is anticipated to increase in the current fiscal year. Since FY 2014-15, there has been a net increase in appropriations to the Child Welfare Services line item of 3.2 percent as a result of common policy provider rate increases. During that same period (FY 2014-15 through FY 2017-18), the number of events experienced by counties are projected to increase by 27.8 percent, the average total cost per event is projected to increase by 5.2 percent, and total cost is projected to increase by 13.7 percent. By comparison, actual data over a three year period (FY 2014-15 through FY 2016-17) indicates that the number of events experienced by counties has increased by 17.5 percent, the average total cost per event has increased by 3.4 percent, and the total cost has increased by 8.8 percent.

**ANNUAL APPROPRIATIONS TO THE CHILD WELFARE SERVICES LINE ITEM**

FISCAL YEAR	TOTAL APPROPRIATION	TOTAL INCREASE/DECREASE	PERCENT CHANGE	NOTE
FY 2014-15	\$347,861,307	n/a	n/a	Includes an increase of \$2.0 million for anticipated caseload as a result of the implementation of the Child Abuse and Neglect Hotline on January 1, 2015
FY 2015-16	354,140,267	\$6,278,960	1.8%	Includes a 1.7 percent provider rate increase and an adjustment for leap year
FY 2016-17	350,945,409	(3,194,858)	(0.9%)	Includes a \$2.8 million reduction for HB 14-1368 Transition IDD Youth (from DHS to HCPF) and an annualization for leap year
FY 2017-18	359,022,375	8,076,966	2.3%	Includes a 1.4 percent provider rate increase and an increase of \$3.2 million in H.B. 18-1162 (Supplemental Bill)
NET CHANGE	n/a	\$11,161,068	3.2%	No increase related to caseload growth; provider rate increases aid in covering the increased cost of doing business and assume a static caseload

## JBC STAFF CONCERNS

### USE OF TANF FUNDS

The Department is requesting that federal Temporary Assistance for Needy Families (TANF) funding be used to increase the Child Welfare Block allocations to counties. County expenditures for child welfare services can be directly billed to TANF if they are for: 1) direct services to families on the Colorado Works caseload, or 2) services that are provided to qualifying individuals through a contract

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for services (e.g. after school program, financial literacy class, etc.). TANF-eligible expenditures must meet one of the four federal purposes of TANF:

- Provide assistance to needy families so that children can be cared for in their own homes;
- Reduce the dependency of needy parents by promoting job preparation, work, and marriage;
- Prevent and reduce the incidence of out-of-wedlock pregnancies; and
- Encourage the formation and maintenance of two-parent families.

According to the Department, it is challenging to identify how much of the FY 2017-18 county child welfare expenditures are eligible to be billed directly to a county's TANF allocation. To determine this, counties would need to audit accounting and services records to identify those that were provided to families on the Colorado Works caseload or were provided to TANF-eligible families through an existing TANF contract with a community provider. It has proven difficult to extrapolate the exact expenditure amounts that are TANF billable. For example, Colorado Works does not know the extent of accounting records for child welfare expenditures and Colorado Works contracts are not tracked through the States' CBMS system. Given these limitations, counties do not want to risk liability issues or subject themselves to a negative audit finding. Given this information, JBC staff is concerned that 1) counties and the Department are failing to maximize federal resources, potentially resulting in a higher cost to the state; 2) the billing of TANF-eligible expenditures to the Child Welfare Block makes it difficult for the Department and JBC staff to determine the level of resources necessary to fund the child welfare system; and 3) counties can under-spend the TANF allocation to maintain a local TANF reserve by billing eligible TANF expenditures for services provided to families in the child welfare system to the Child Welfare Block allocation. While JBC staff has recommended the one-time increase of in the Child Welfare Block with TANF funds, she believes that the tracking of county child welfare expenditures must be improved.

### **COMMON POLICY PROVIDER RATE INCREASES**

During the past five legislative sessions, there has been a great deal of discussion about how common policy provider rate increases are applied to the Child Welfare Services line item and utilized by county child welfare agencies. Because county departments provide services on behalf of the state, common policy provider rate increases have been applied to the entire base appropriation of the Child Welfare Services line item if such an increase has been approved by the General Assembly. This does not mean, however, that the entire increase is subsequently passed through to contract providers; nor does it mean that a county that has approved a salary increase for its employees would limit the salary increase to the same percentage approved by the General Assembly. Within the context of the Child Welfare Block, this has the potential result of increasing the amount of a given allocation used for salary increases and either reducing the amount of the allocation available for services, or increasing a county's overall expenditures.

Although JBC staff has requested data on the fiscal impact of county salary increases that are greater than the provider rate increases approved by the General Assembly in calendar years 2017 and 2018, the Department is unable to provide that information. While the JBC staff forecast model indicates that caseload growth will result in over-expenditures by counties, staff is concerned that a portion of these over-expenditures may result from salary increases that exceed the General Assembly approved provider rate increases. Because the intent of block allocations is to provide flexibility in service delivery and require financially responsible decision-making, JBC staff will continue to utilize the forecast model when projecting child welfare expenditures until the model required by S.B. 18-254 is developed.



# STATE OF COLORADO

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June 20, 2018

Mr. Robert Jaros  
State Controller  
Department of Personnel  
1525 Sherman Street  
Denver, CO 80203

Dear Mr. Jaros:

The Joint Budget Committee has considered a supplemental request submitted by the Department of Human Services under the provisions of H.B. 98-1331: FY 2017-18 Child Welfare Overexpenditure. This request was previously approved by the Office of State Planning and Budgeting. Pursuant to Section 24-75-111 (1), C.R.S., the Committee authorizes the expenditures listed below and will sponsor supplemental appropriations bills during the 2019 legislative session that reflect these changes.

JBC APPROVED ADJUSTMENTS TO FY 2017-18 APPROPRIATION					
DEPARTMENT, DIVISION, SUBDIVISION, LINE ITEM	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Department of Human Services, Division of Child Welfare, Child Welfare Services	\$365,916,776	\$189,225,568	\$66,715,388	\$15,410,746	\$94,565,074

If you have any questions or concerns, please contact Robin Smart of our staff at 303-866-4955.

Sincerely,

Millie Hamner, Chair  
Joint Budget Committee

cc:

Mr. John Ziegler, Staff Director, Joint Budget Committee  
Mr. Henry Sobanet, Director, Office of State Planning and Budgeting  
Mr. Reggie Bicha, Executive Director, Department of Human Services  
Ms. Sarah Sills, Director of Budget and Policy, Department of Human Services