

# **COLORADO GENERAL ASSEMBLY**

## **JOINT BUDGET COMMITTEE**



### **FISCAL YEAR 2007-08 STAFF BUDGET BRIEFING**

#### **DEPARTMENT OF HUMAN SERVICES:**

#### **EXECUTIVE DIRECTOR'S OFFICE, CHILD WELFARE, AND YOUTH CORRECTIONS**

**JBC Working Document - Subject to Change**

**Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:  
Patrick Brodhead, JBC Staff  
November 30, 2006**

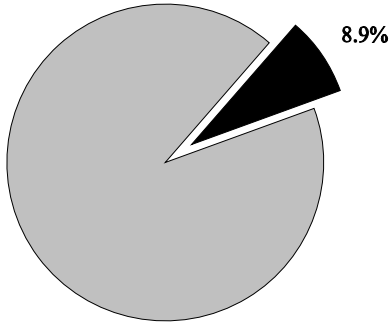
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**FY 2007-08 Staff Budget Briefing**  
**DEPARTMENT OF HUMAN SERVICES:**  
**EXECUTIVE DIRECTOR'S OFFICE, CHILD WELFARE, AND YOUTH CORRECTIONS**  
**TABLE OF CONTENTS**

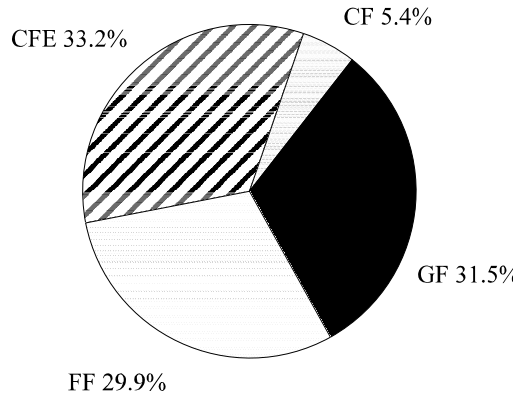
Graphic Overview .....	1
Department Overview .....	2
Decision Item Priority List .....	16
Numbers Pages (Including Overview of Major Changes) .....	33
Long Bill Footnote Update .....	49
Issues:	
Department of Human Services Performance Measures .....	74
Child and Family Services Review Update .....	78
Psychiatric Residential Treatment Facility Transition .....	90
Funding for Purchase of Contract Placements .....	100
Private Bed Commitment Capacity .....	107

**FY 2007-08 Staff Budget Briefing  
DEPARTMENT OF HUMAN SERVICES  
GRAPHIC OVERVIEW**

**Share of State General Fund  
FY 2006-07**

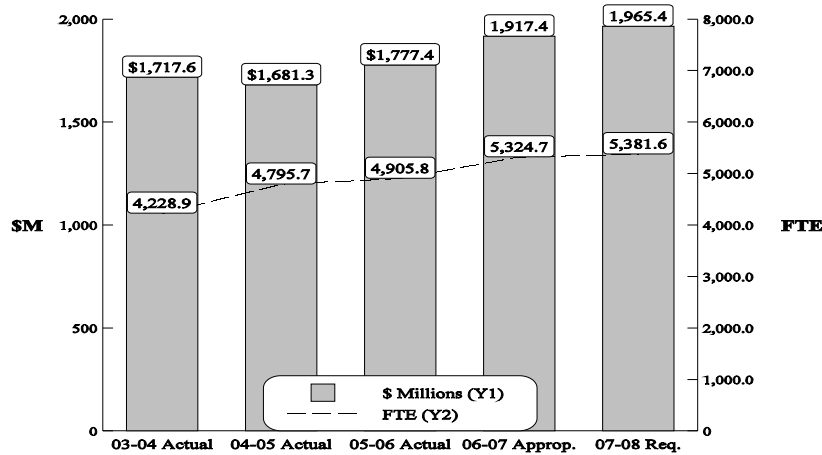


**Funding Source Split  
FY 2006-07**



Note: If General Fund appropriated to the Department of Health Care Policy and Financing for human services programs were included in the graph above, the Department of Human Services' share of the total state General Fund would rise to 11.6 percent.

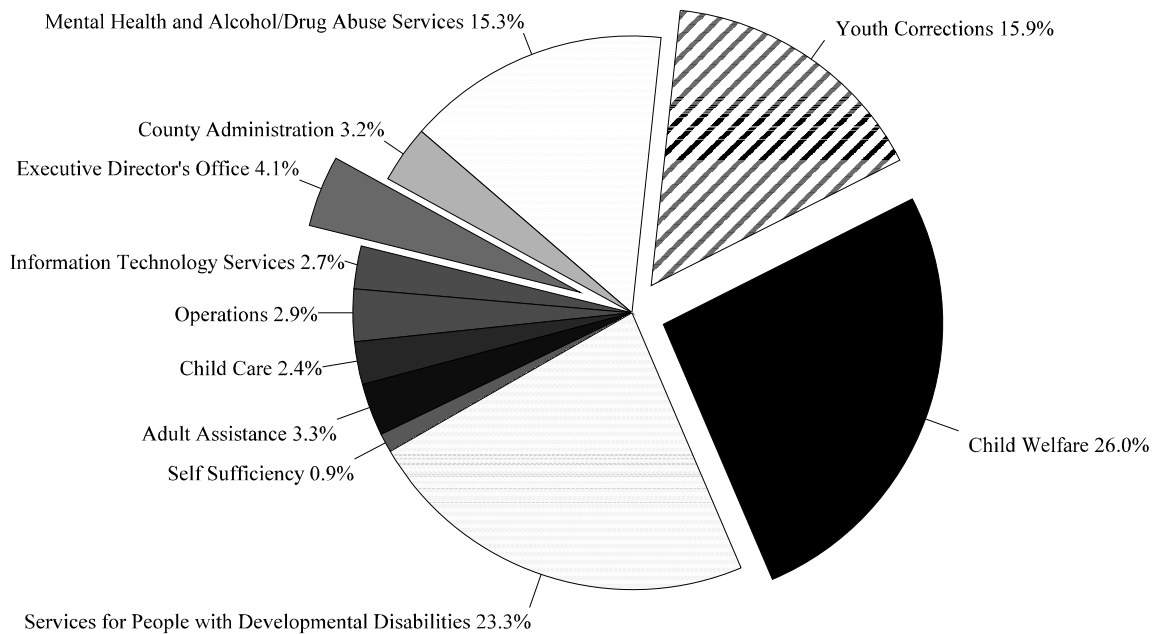
**Budget History**



**FY 2007-08 Staff Budget Briefing  
DEPARTMENT OF HUMAN SERVICES  
EXECUTIVE DIRECTOR'S OFFICE, CHILD WELFARE, AND YOUTH CORRECTIONS  
OVERVIEW**

**Department of Human Services: Net General Fund**

**FY 2006-07 Appropriation (\$792.6 million)**



**Key Responsibilities**

**Child Welfare**

Child welfare programs are administered by 64 county departments of social services under the supervision of the state Department of Human Services. County departments of social services:

- ▶ Receive and respond to reports of potential child abuse or neglect; and

- ▶ Provide necessary and appropriate child welfare services to the child and the family, including providing for the residential care of a child when a court determines that it is necessary and in the best interests of the child and the community to remove the child from the home.

In addition to supervising county child welfare services, the state Department conducts periodic on-site reviews of children who are in residential care.

### **Youth Corrections**

The Division of Youth Corrections (DYC) has responsibility for the housing, treatment, and education of juveniles in detention and commitment, and for supervising juvenile offenders who are placed on parole.

*Detention* -- a short-term hold on youths who are awaiting adjudication (similar to adult jail).

*Commitment* -- a longer-term sentence to the custody of the Division (similar to adult prison).

In addition, the Division:

- ▶ Supervises juveniles during six-month mandatory parole following all commitment sentences;
- ▶ Provides technical assistance to local communities and reviews their use of allocated S.B. 91-94 funds for the development of alternatives to incarceration.

## **Factors Driving the Budget**

### **Child Welfare**

County departments of social services receive and respond to *reports of potential child abuse or neglect* under the supervision of the state Department of Human Services. In FY 2005-06, counties received over 67,000 reports of abuse or neglect. On average, counties conducted an *assessment* (investigation) in response to about one in three reports received. Following an assessment, a county is required to provide necessary and appropriate *child welfare services* to the child and the family. Less than one-third (32 percent) of county assessments result in the county providing child welfare services. If a court determines that it is necessary and in the best interests of the child and the community to remove the child from the home, the court may place the child in the legal custody of the county department for *placement in a foster care home or 24-hour child care facility*. Of the 40,690 children who received child welfare services in FY 2005-06, nearly two-thirds (66 percent) remained in their own home, 8,939 (22 percent) were children who have been adopted out of foster care but whose families continue to receive support from county departments, and 4,815 (12 percent) were in foster care.

Appropriations to the Division of Child Welfare (\$397.9 million for FY 2006-07) consist of 47.5 percent General Fund, 26.8 percent federal funds, and 25.7 percent county funds and various cash fund sources. The vast majority of funds appropriated (more than 97 percent) are made available to county departments for the provision of child welfare services. A county that overspends its annual share of state and federal funds is required to cover the over expenditure with other county funds.

Statewide, over half of all county expenditures (57 percent) are for families and providers who care for children who have been removed from their homes. These expenditures include subsidies that are paid to families who have adopted children previously in foster care. The remaining funds are expended for county staff and administrative costs, as well as to provide services (mental health services, substance abuse treatment, etc.) to children and families. County expenditures are thus driven by:

- ✓ the number of reports of abuse or neglect received;
- ✓ the number of children and families requiring child welfare services;
- ✓ the number of children who are removed from the home and placed in residential care; and
- ✓ the cost of providing residential care and other services.

Each year, the General Assembly decides whether to increase child welfare funding to cover caseload increases and/or inflationary increases in the cost of providing services.

From FY 2000-01 through FY 2005-06, the total amount appropriated for counties to provide child welfare services has increased an average of 3.3 percent per year. Despite these increases, county child welfare expenditures have exceeded the annual appropriation for the last six fiscal years.

	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Appropriation for Child Welfare Services and Family and Children's Programs line items (\$ millions)	\$305.6	\$323.0	\$332.0	\$341.9	\$348.3	\$359.3
<i>Percent Change</i>		5.7%	2.8%	3.0%	1.9%	3.2%
County Expenditures In Excess of Capped Allocations (\$ millions)	\$21.4	\$33.4	\$24.4	\$12.4	\$10.9	\$14.2
<i>Shortfall as Percent of Capped Allocations</i>	8.2%	12.4%	8.8%	4.2%	3.0%	3.4%

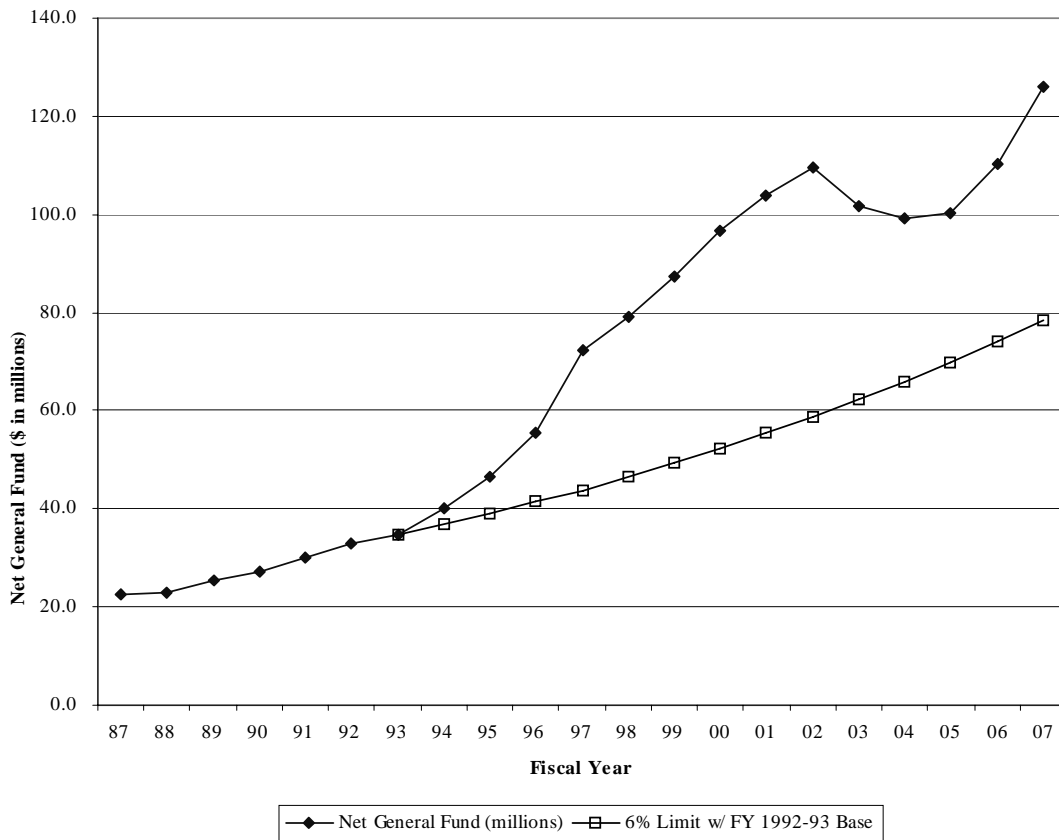
Note: For purposes of providing comparable information, the FY 2002-03 appropriation excludes one-time adjustments associated with the change in Medicaid accruals.

**Youth Corrections**

**Historical Growth.** The Division of Youth Corrections (DYC) has grown significantly in the past 20 years. From FY 1986-87 through FY 2006-07, the *net* General Fund appropriation to the Division grew from \$22.7 million to \$126.1 million, an increase of \$103.4 million. This increase represents a compound annual growth rate of 9.0 percent over the 20-year period. During the 14 years since the 6.0 percent limit on General Fund appropriations was established, General Fund appropriations to the Division have grown at a compound annual rate of 9.7 percent.

The following graph depicts the annual *net* General Fund appropriations to DYC for the past 20 years. From FY 1992-93, the graph also contains a hypothetical line that demonstrates the growth that would have occurred had General Fund appropriations to DYC been limited to an annual growth rate of 6.0 percent. The FY 2006-07 *net* General Fund appropriation is 60.6 percent higher (\$47.6 million) than it would have been had appropriations to DYC been limited to 6.0 percent annual compound growth during this time period. This difference is illustrated by the difference between the two lines on the graph.

**Division of Youth Corrections - Annual Net General Fund Appropriations**



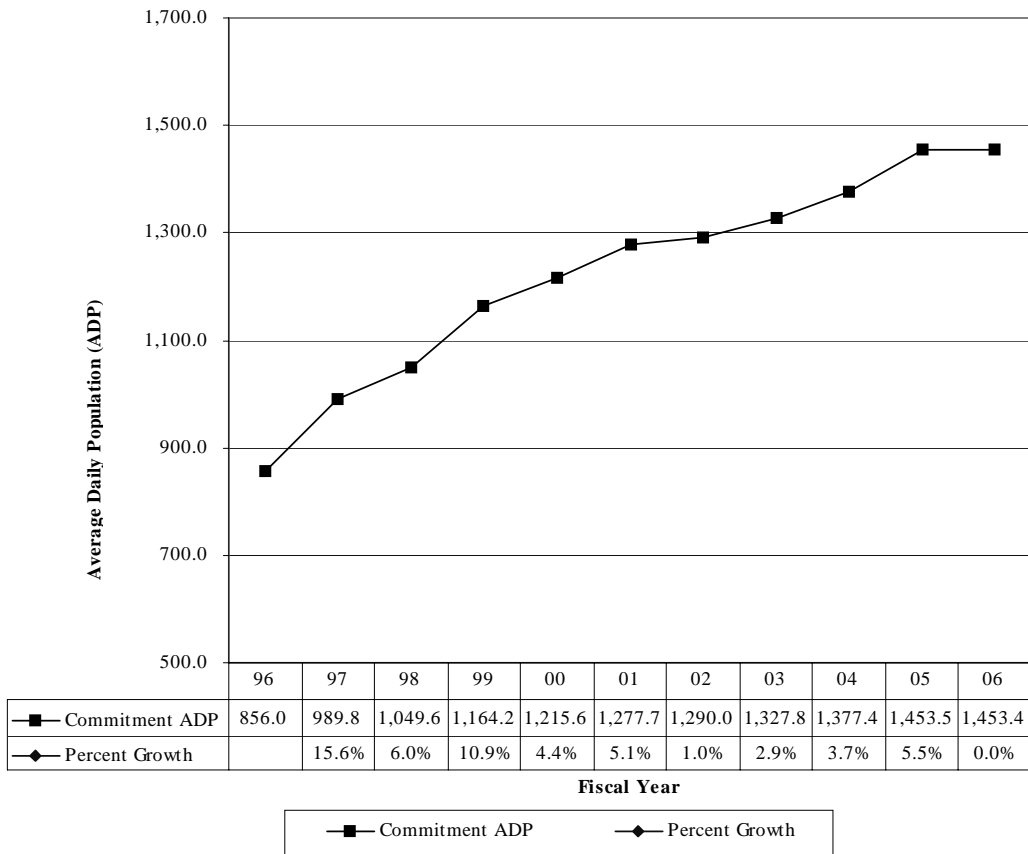
**Annual Growth Rate.** From FY 1990-91 through FY 2001-02, the annual growth rate in *net* General Fund appropriations to DYC ranged from 6.3 percent to 24.3 percent. From FY 2002-03 through FY 2004-05, appropriations were reduced or were relatively flat, reflecting

the shortage of General Fund dollars. The *net* General Fund appropriations for FY 2006-07 showed an annual growth rate of 14.3 percent.

Population Growth

- ✓ *Commitment* -- Over the last several years, much of the growth in commitment has been managed through additional contract beds. Without additional funds to build new state facilities, this trend is expected to continue. Currently, contract beds represent approximately 65 percent of the Division's commitment capacity. In addition to contract beds, growth in the commitment population drives a need for case managers and medical services. In addition, although the length of stay (LOS) for committed youth dropped in FY 2004-05 by 0.5 percent to 18.8 months, it is still 21 percent higher than the FY 1999-00 length of stay of 15.5 months. The chart below reflects the growth in commitment beds.

**Division of Youth Corrections - Commitment  
Average Daily Population (ADP)**

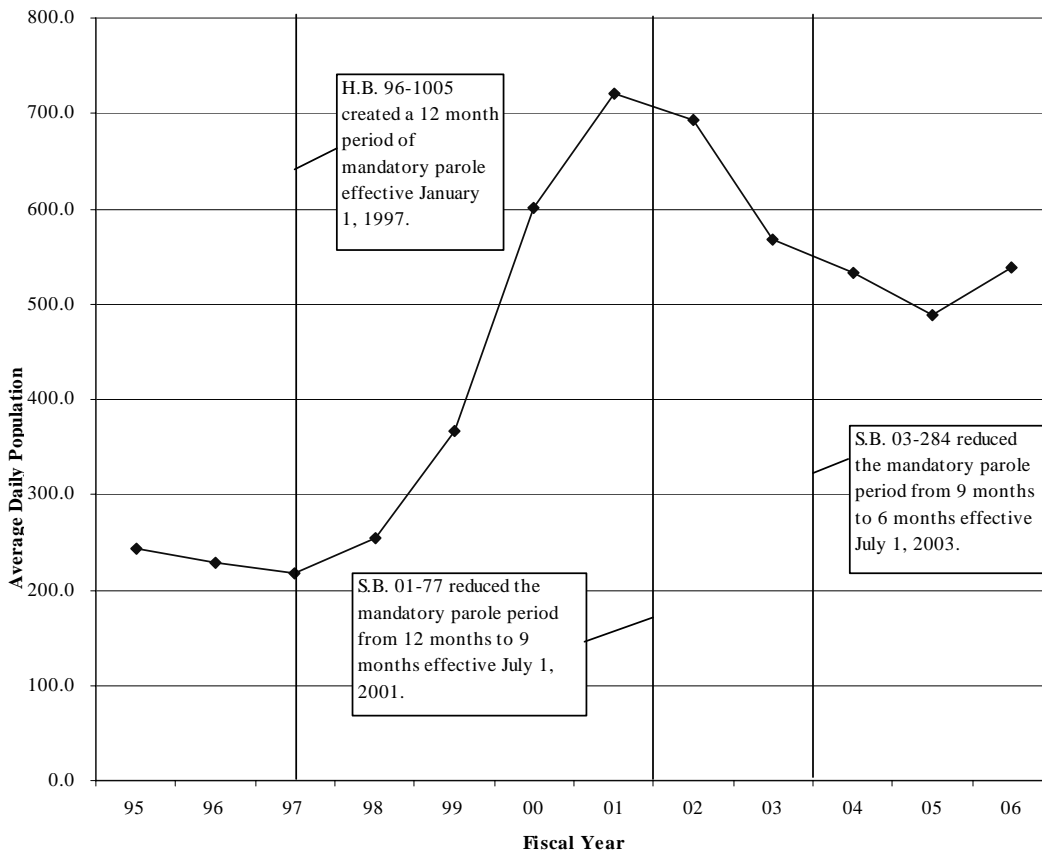




- ✓ *Parole* -- Legislation requiring mandatory parole for all committed juveniles produced a large increase in the parole population in the late 1990s. Changes in the period of mandatory parole have resulted in significant changes in the average daily population (ADP) of paroled youths. Additional paroled youth require more case managers, as well as monitoring and transitional services.

Fiscal Year 2005-06 was also the second full year following the implementation of Senate Bill 03-284, which shortened the mandatory parole length from nine to six months, effective May 1, 2003. There was a period of time during FY 2003-04 when youths who had been sentenced under the old 9-month mandate were being released at the same time as youths who were being released from the new six-month parole sentence. This precipitous increase in parole discharges resulted in a statewide decline in parole ADP, and a very large number of discharges.

**Division of Youth Corrections - Parole Population**

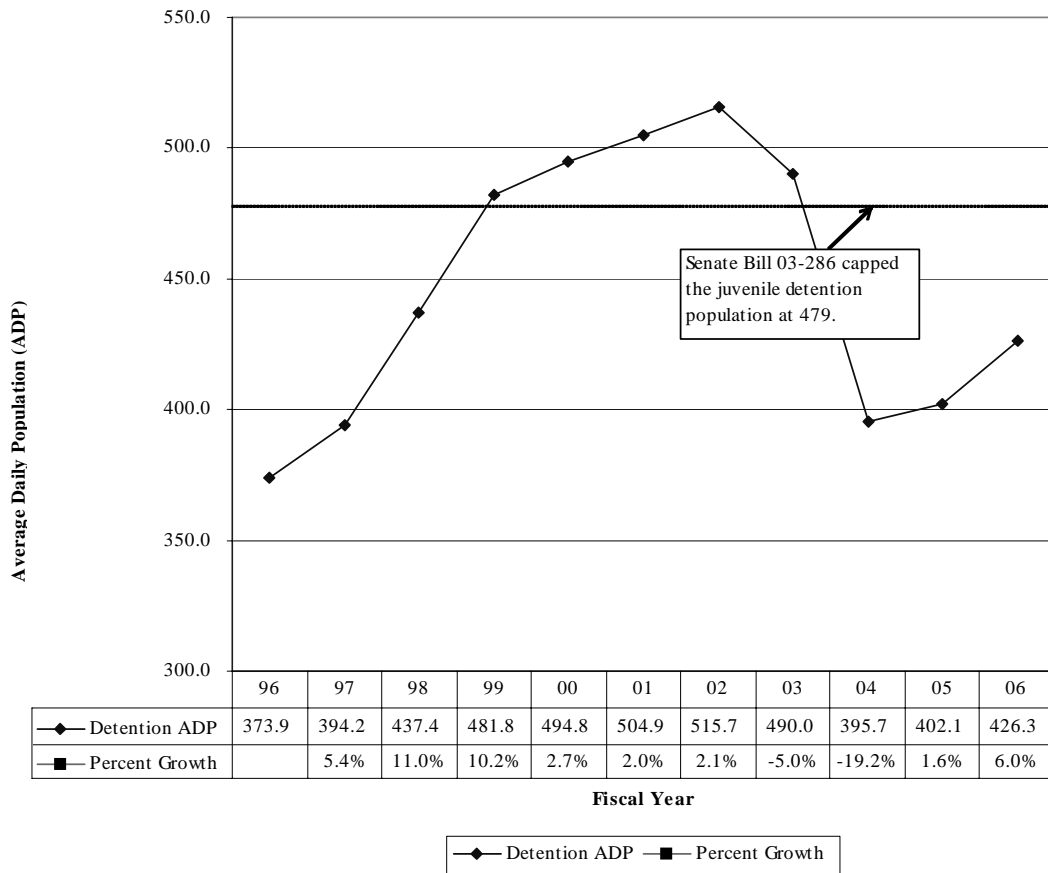


- ✓ *Detention* -- Detention facilities hold youths while awaiting a hearing. Judges can also sentence adjudicated youths to a period of up to 45 days in a detention facility (Section 19-2-911, C.R.S.). The average length of stay in detention has ranged from 10.4 days to 15.7 days from FY 1992-93 through FY 2004-05. In FY 2005-06, the most recent year for which data is available, the average length of stay was 14.1 days.

The growth in detention beds was relatively high in the early 1990s. Senate Bill 91-94 provided authorities with alternatives to detention, including electronic monitoring and day treatment, which helped to reduce the growth. Funds for the S.B. 91-94 programs were reduced significantly from FY 2002-03 through FY 2004-05 due to the shortage of General Fund revenues. The FY 2004-05 Long Bill appropriation of \$8.0 million was 34.8 percent lower than the FY 2002-03 Long Bill appropriation of \$12.3 million. Although the FY 2006-07 Long Bill appropriation of \$10.4 million is a 14.3 percent increase from the previous fiscal year, it is still well below the FY 2002-03 level.

The FY 2004-05 detention population reflects the impact of the prior year's detention cap legislation. Senate Bill 03-286 established a 'cap' or limit of 479 on the number of state-funded detention beds. Each of the State's 22 judicial districts has been allocated a portion of the 479 beds. Statutory language provides that districts may borrow beds within an established 'catchment' area. Statutes also mandate that districts have procedures in place for emergency release of detained youth in the event that a district is unable to borrow a bed. FY 2005-06 was the second full year of operation under the new cap.

## Division of Youth Corrections - Detention Average Daily Population



### Mental Health

Approximately 40 percent of NYC's committed youths have been diagnosed with moderate or high mental health needs. Studies of the prevalence of mental health problems among juvenile delinquents led the Legislature in FY 1998-99 to provide funding for enhanced mental health services in detention facilities and at Lookout Mountain, the state's most secure juvenile facility, on a pilot basis. These funds were eliminated in FY 2003-04 because of the shortage of General Fund revenues.

In FY 2000-01 the Legislature appropriated planning funds for a new 20-bed secure forensic psychiatric unit for youth with the most severe mental health problems. In FY 2001-02, \$4.9 million in capital construction funds for this project were eliminated as a part of the capital reductions made during the special session. Of this amount, \$3.8 million were federal funds and \$1.1 million were capital construction funds exempt. However, in FY 2005-06 the Legislature approved capital construction funding for the facility, which opened in November, 2006.

In FY 2005-06, the Department estimated that it spent \$20.2 million on mental health services for its committed population. Of this amount, \$11.5 million was General Fund and \$8.7 million was federal Medicaid dollars for youths who were placed in residential treatment centers (RTCs). In addition to the mental health services provided by the RTCs (and now Psychiatric Residential Treatment Facilities), the Division provides screening, evaluation and treatment services at state-operated detention and commitment facilities.

## Summary of Major Legislation

- ✓ **S.B. 06-45 (Williams/Solano):** Requires child care providers that are otherwise exempt from child care licensing requirements but receive funds through the Child Care Assistance Program (CCAP) to submit to background check requirements as a condition of receiving CCAP funding.
- ✓ **H.B. 06-1395 (Buescher/Keller):** Establishes the Psychiatric Residential Treatment Facility (PRTF), which is now the highest level of treatment facility in Colorado, in response to changes in Medicaid funding for children placed in out-of-home settings.
- ✓ **H.B. 05-1084 (King/Keller):** Requires the Department of Human Services to develop a rate-setting process for providers of residential treatment services and to submit an initial report to the Joint Budget Committee by July 1, 2006, concerning the implementation of such rate-setting process.
- ✓ **H.B. 04-1414 (Witwer/Reeves):** Requires federal Title IV-E reimbursements earned in excess of amounts appropriated to be credited to a new fund, entitled "Excess Federal Title IV-E Reimbursements Cash Fund". Makes moneys in the new fund subject to annual appropriation by the General Assembly to the Department for allocation to counties for two purposes: (1) To help defray the costs of performing administrative functions related to obtaining federal Title IV-E reimbursements; and (2) for the provision of assistance (as defined for the Colorado Works Program), child care assistance, social services, and child welfare services. Authorizes the General Assembly to require counties to spend excess federal Title IV-E funds received for the latter purpose on the types of expenditures that can be counted toward the federal maintenance of effort requirement for Temporary Assistance for Needy Families (TANF) programs. Requires the Department to submit an annual report to the Joint Budget Committee concerning the amount of federal Title IV-E revenues earned and expended.
- ✓ **H.B. 04-1451 (Clapp/Reeves):** Authorizes each county department of social services and local representatives of the judicial districts, health departments, school districts, community mental health centers, and mental health assessment and service agencies to enter into a memorandum of understanding ("MOU") to promote a collaborative system of treatment and services for children and families. Authorizes parties to an MOU to reinvest any state General Fund savings that result from such

- collaboration and creates the Performance-based Collaborative Management Incentive Cash Fund to provide incentives to parties to an MOU. On and after July 1, 2005, transfers moneys in the Performance Incentive Cash Fund, the Family Stabilization Services Fund, and moneys received through civil docket fees to the new fund. Repeals the Integrated Care Management Program.
- ✓ **S.B. 03-284 (Teck/Young): Length of Juvenile Parole.** Reduces the mandatory parole period from 9 months to 6 months.
  - ✓ **S.B. 03-286 (Reeves/Plant): Juvenile Detention Bed Cap.** Establishes a statewide cap on the number of juvenile detention beds in the state (479 beds).
  - ✓ **H.B. 03-1024 (Jahn/Chlouber): Child Care and Child Placement Agencies.** Requires the State Board of Human Services to promulgate rules that apply to foster care generally, regardless of whether such care is provided by a foster home that is certified by a county department of social services or by a child placement agency. Requires the Department of Human Services, within available appropriations, to monitor county department of social services' certification of foster homes on at least a quarterly basis.
  - ✓ **H.B. 03-1211 (T. Williams/Anderson): Records of Child Abuse or Neglect.** Repeals the Central Registry of Child Protection, effective January 1, 2004, and substitutes the use of records and reports of child abuse or neglect maintained by the Department for use in providing information to certain individuals and agencies. Creates the Records and Reports Fund, which consists of moneys transferred from the Central Registry Fund and fees assessed for providing information to certain persons and agencies using records and reports of child abuse or neglect (e.g., for screening prospective employees or volunteers).
  - ✓ **S.B. 01-12 (Linkhart/Chavez) [as subsequently amended by H.B. 02-1138 and S.B. 03-172]: Services for Children in Foster Care.** Creates the Family Stabilization Services Fund, for counties to provide short-term, voluntary services to help stabilize families that are at risk of having their children placed in out-of-home placement. Requires that \$115 of every docketing fee paid for a dissolution of marriage action, beginning July 1, 2004, be credited to the Fund. Specifies that 25 percent of revenues to such fund be allocated among small- and medium-sized counties, and the remaining 75 percent be used to provide performance incentives to counties participating in the Integrated Care Management Program.
  - ✓ **S.B. 01-77 (Perlmutter/Veiga): Length of Juvenile Parole.** Reduced the mandatory parole period from 12 months to 9 months.
  - ✓ **H.B. 01-1357 (Lawrence/Epps): Community Accountability Program.** Directed the Department to develop a community accountability program based on restorative justice principles, as an intermediate sanction between detention and commitment.

- ✓ **S.B. 97-218 (Rizzuto/Adkins): Funding of Child Welfare Services.** Caps the state's reimbursements to counties for the cost of providing child welfare services and authorizes counties to use capped allocation moneys without category restriction. Also authorizes counties to negotiate rates, services, and outcomes with providers. Creates the Child Welfare Allocations Committee to provide input to the Department regarding the calculation of counties' child welfare allocations.
- ✓ **H.B. 97-1318 (Adkins/Lacy): Ridge View Academic Model Facility.** Authorized the Department to contract with a single entity to design, build and operate a "campus-style" facility employing an academic correctional model.
- ✓ **H.B. 96-1005 (Adkins/Wham): Amendments to the Children's Code.** Allowed longer sentences for certain offenses, mandated one-year parole for all committed juveniles, limited the right to a trial by jury to juveniles alleged an aggravated juvenile offender or accused of a crime of violence, lowered the age at which a juvenile may be transferred to district court, and lowered the minimum age and made changes to the definition of an aggravated offender.
- ✓ **H.B. 95-1352 (Adkins/Wham), H.B. 94-1340 (Adkins/Wham), H.B. 93S-1001 (Adkins/Wham): Corrections Construction.** Authorized construction of the Spring Creek, Platte Valley, and Marvin Foote juvenile facilities, expansion of the Grand Mesa and Pueblo juvenile facilities, and various construction projects related to adult corrections. House Bill 93S-1001 criminalized juvenile possession of handguns.
- ✓ **S.B. 91-94 (Rizzuto/Grampsas): Alternative Services for Youth.** Provides formula funding to locals for prevention, community supervision, restitution, and other alternatives to the incarceration of juveniles.

## Major Funding Changes FY 2005-06 to FY 2006-07

### Executive Director's Office

Action <i>(Source)</i>	General Fund	Other Funds <i>(Source)</i>	Total Funds	Total FTE
<b>Salary and benefits adjustments to centrally appropriated line items</b> <i>(Common policy)</i>	\$4,521,726	\$2,487,101 <i>(Various funds)</i>	<b>\$7,008,827</b>	<b>0.0</b>
<b>Operating adjustments to centrally appropriated line items</b> <i>(Common policy)</i>	1,866,115	(560,684) <i>(Various funds)</i>	<b>1,305,431</b>	<b>0.0</b>
<b>Annualize salary survey and benefit adjustments</b> <i>(Common policy)</i>	84,112	143,524 <i>(Various funds)</i>	<b>227,636</b>	<b>0.0</b>
<b>Increase staff and funding for the Records and Reports of Child Abuse or Neglect</b> <i>(Department request)</i>	0	201,682 <i>(Various funds)</i>	<b>201,682</b>	<b>1.2</b>
<b>Centrally appropriated line item increases due to FTE appropriations in other divisions of the Department</b> <i>(Common policy)</i>	141,552	0	<b>141,552</b>	<b>0.0</b>
<b>Increase staff and funding for the Administrative Review Unit</b> <i>(Department request)</i>	77,334	38,090 <i>(Various funds)</i>	<b>115,424</b>	<b>2.2</b>
<b>One-time funding reductions to account for elimination of CBMS eligibility audit and temporary services to assist Records and Reports</b> <i>(Department request)</i>	(79,200)	(200,203) <i>(Various funds)</i>	<b>(279,403)</b>	<b>1.0</b>
<b>Base reduction</b> <i>(Common policy)</i>	(6,935)	(10,395) <i>(Various funds)</i>	<b>(17,330)</b>	<b>0.0</b>

**Division of Child Welfare**

<b>Action</b> <i>(Source)</i>	<b>General Fund</b>	<b>Other Funds</b> <i>(Source)</i>	<b>Total Funds</b>	<b>Total FTE</b>
<b>Increase funding for cost of living adjustment</b> <i>(Common policy)</i>	\$5,953,434	\$5,864,212 <i>(CFE - Medicaid and local funds; FF - Title IV-E)</i>	<b>\$11,817,646</b>	<b>0.0</b>
<b>Increase funding to account for projected growth in child/adolescent population</b> <i>(Department request)</i>	1,475,404	2,413,733 <i>(CFE - Medicaid and local funds; FF - Title IV-E)</i>	<b>3,889,137</b>	<b>0.0</b>
<b>Adjustments for available funds</b> <i>(JBC action)</i>	0	244,827 <i>(Medicaid and Title IV-E)</i>	<b>244,827</b>	<b>0.0</b>
<b>Annualize salary and benefits adjustments</b> <i>(Common policy)</i>	34,240	22,052 <i>(Medicaid and Title IV-E)</i>	<b>56,292</b>	<b>0.0</b>
<b>Increase staff for Children's Habilitation Residential Program (CHRP) Administrator</b> <i>(Department request)</i>	0	0	<b>0</b>	<b>1.0</b>
<b>Increase funding to account for residential treatment center redesign</b> <i>(JBC action)</i>	38,955,693	(44,179,622) <i>(CFE - Medicaid and local funds; FF - Title IV-E)</i>	<b>(5,223,929)</b>	<b>0.0</b>
<b>One-time funding reductions to pay a contingency fee to a private consulting agency</b> <i>(Department request)</i>	(2,870)	(427,043) <i>(Medicaid and Title IV-E)</i>	<b>(429,913)</b>	<b>0.0</b>



**Division of Youth Corrections**

<b>Action</b> <i>(Source)</i>	<b>General Fund</b>	<b>Other Funds</b> <i>(Source)</i>	<b>Total Funds</b>	<b>Total FTE</b>
<b>Increase funding to account for residential treatment center redesign</b> <i>(JBC action)</i>	\$16,129,074	(\$13,746,108) <i>(Medicaid)</i>	<b>\$2,382,966</b>	<b>0.0</b>
<b>Increase funding for cost of living adjustment</b> <i>(Common policy)</i>	2,066,383	108,300 <i>(Medicaid)</i>	<b>2,174,683</b>	<b>0.0</b>
<b>Increase funding for treatment services to youths committed to state facilities</b> <i>(Department request)</i>	1,611,220	0	<b>1,611,220</b>	<b>28.7</b>
<b>Annualize salary and benefits adjustments</b> <i>(Common policy)</i>	1,366,077	143 <i>(Medicaid)</i>	<b>1,366,220</b>	<b>0.0</b>
<b>Increase funding and staff to operate the Sol Vista facility</b> <i>(Department request)</i>	1,326,872	(90,876) <i>(Medicaid)</i>	<b>1,235,996</b>	<b>36.0</b>
<b>Increase funding for S.B. 91-94 Programs</b> <i>(Department request)</i>	1,000,000	0 <i>(Medicaid)</i>	<b>1,000,000</b>	<b>0.0</b>
<b>Increase funding to account for projected growth in the commitment population</b> <i>(Department request)</i>	625,100	352,215 <i>(Medicaid)</i>	<b>977,315</b>	<b>0.0</b>
<b>Increase funding and staff for projected growth in case management and parole</b> <i>(Department request)</i>	257,599	0	<b>257,599</b>	<b>4.2</b>
<b>Increase funding for food and medical expenses</b> <i>(Department request)</i>	120,869	0	<b>120,869</b>	<b>0.0</b>

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**OVERVIEW OF NUMBERS PAGES**

<b>Requested Changes FY 2006-07 to FY 2007-08:</b>						
<b>Description</b>	<b>FTE</b>	<b>General Fund</b>	<b>Cash</b>	<b>Cash Exempt</b>	<b>Federal</b>	<b>Total</b>
Increase funding to Youth Corrections based on a 3.4 percent caseload increase for contract placements (DI #2).	0.0	\$2,156,660	\$0	\$536,314	\$0	\$2,692,974
Increase funding to Child Welfare by 1.10 percent to cover the projected cost increases anticipated due to the projected increases in the state child / adolescent population (DI #6).	0.0	1,661,450	0	967,306	1,061,506	3,690,262
Increase funding and staff to Youth Corrections for the Marvin W. Foote Youth Services Center (DI #7).	5.6	212,638	0	0	0	212,638
Increase funding to the Executive Director's Office for human resources staff (DI #9).	0.0	69,638	0	0	0	69,638
Increase funding to the Executive Director's Office for HIPAA ongoing maintenance expenses (DI #10).	0.0	166,781	0	44,475	11,119	222,375
Increase funding and staff to the Executive Director's Office for disaster recovery/business continuity support (DI #11).	1.0	52,385	289	6,605	13,553	72,832
Increase funding and staff to Youth Corrections based on projected population impacts on case management and parole program services (DI #12).	6.1	439,056	0	0	0	439,056
Increase funding to Youth Corrections to account for purchased medical services (DI #14).	0.0	456,570	0	0	0	456,570
Increase funding and staff to the Executive Director's Office for Records and Reports Cash Fund Programs (DI #16).	2.8	0	124,319	0	0	124,319
Increase funding to Child Welfare for Collaborative Management Incentive Funding and Performance-based Collaborative Management Incentives (DI #23).	0.0	0	0	1,088,750	0	1,088,750
<b>Net Change</b>	<b>15.5</b>	<b>\$5,215,178</b>	<b>\$124,608</b>	<b>\$2,643,450</b>	<b>\$1,086,178</b>	<b>\$9,069,414</b>

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**EXECUTIVE DIRECTOR'S OFFICE, CHILD WELFARE, AND YOUTH CORRECTIONS**  
**FY 2006-07 LONG BILL FOOTNOTE UPDATE**

- 2 All Departments, Totals** -- The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly. Until such time as the Secretary of State publishes the code of Colorado regulations and the Colorado register in electronic form pursuant to section 24-4-103 (11) (b), C.R.S., each principal department of the state is requested to produce its rules in an electronic format that is suitable for public access through electronic means. Such rules in such format should be submitted to the Office of Legislative Legal Services for publishing on the Internet. Alternatively, the Office of Legislative Legal Services may provide links on its internet web site to such rules. It is the intent of the General Assembly that this be done within existing resources.

Comment: The Department is in compliance with this footnote and posts its agency rules on the State internet homepage, which can be found at the following website: [http://www.state.co.us/gov\\_dir/leg\\_dir/olls/HTML/rules.htm](http://www.state.co.us/gov_dir/leg_dir/olls/HTML/rules.htm).

- 3 All Departments, Totals** -- Every Department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds exempt FTE associated with any federal grants or private donations that are applied for or received during FY 2006-07. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attaching to federal funds and private donations, which are not subject to legislative appropriation; and (2) it constitutes substantive legislation. In his letter to the General Assembly concerning the Long Bill, the Governor also indicated that it is an unfunded mandate.*

The Department provided a response to this footnote after staff requested such information. The Department reports the following FTE that are not included in the FY 2006-07 Long Bill appropriation.

<b>Estimated FTE and Salary Associated with CFE and Federal Fund Sources FY 2006-07</b>			
<b>Position Class</b>	<b>Estimated FTE</b>	<b>FY 2006-07 Salary</b>	<b>Division</b>
General Professional III	1.0	\$54,024	Child Welfare
General Professional III	1.0	\$53,196	Child Welfare
Program Assistant III	1.0	\$43,116	Child Welfare
Administrative Assistant II	1.0	37,188	Child Welfare
General Professional VI	1.0	36,872	Child Welfare
General Professional III	0.9	74,736	Self-Sufficiency
General Professional IV	1.0	73,656	Self-Sufficiency
General Professional VI	0.9	62,554	Self-Sufficiency
General Professional III	1.0	62,328	Self-Sufficiency
General Professional III	1.0	60,624	Self-Sufficiency
Program Assistant I	1.0	43,200	Self-Sufficiency
General Professional IV	1.0	38,430	Self-Sufficiency
General Professional III	1.0	60,624	Services for People with Disabilities
<b>TOTAL</b>	<b>12.8</b>	<b>\$700,547</b>	

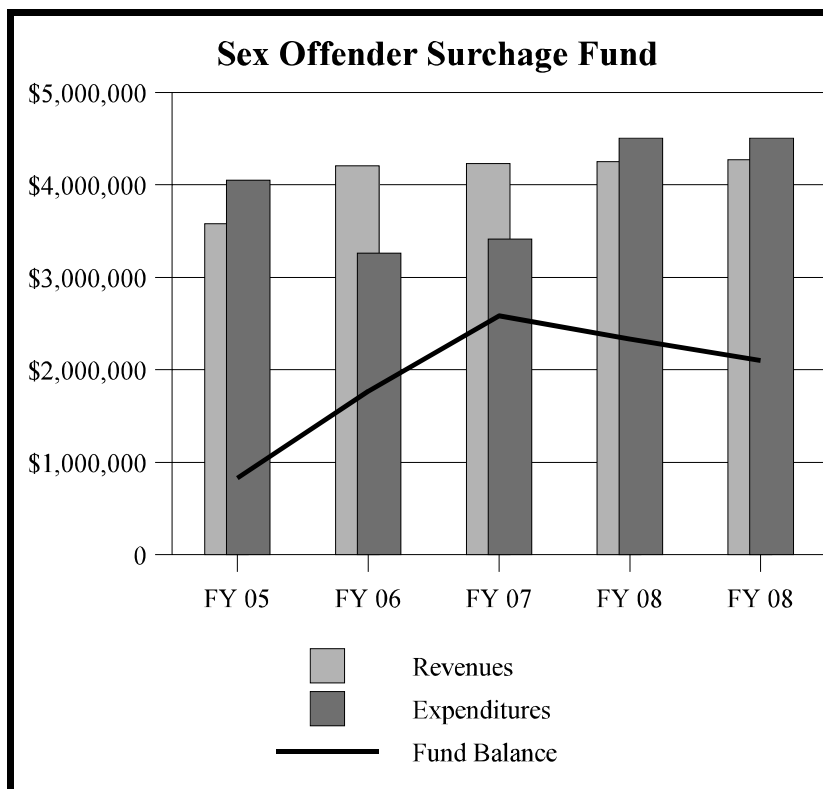
- 4 Department of Corrections, Management, Executive Director's Office Subprogram; Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Alcohol and Drug Abuse Division; and Division of Youth Corrections; Judicial Department, Probation and Related Services; and Department of Public Safety, Division of Criminal Justice --** State agencies involved in multi-agency programs requiring separate appropriations to each agency are requested to designate one lead agency to be responsible for submitting a comprehensive annual budget request for such programs to the Joint Budget Committee, including prior year, request year, and three year forecasts for revenues into the fund and expenditures from the fund by agency. The requests should be sustainable for the length of the forecast based on anticipated revenues. Each agency is still requested to submit its portion of such request with its own budget document. This applies to requests for appropriation from the Drug Offender Surcharge Fund, the Sex Offender Surcharge Fund, the Persistent Drunk Driver Cash Fund, and the Alcohol and Drug Driving Safety Fund, among other programs.

Comment: This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to dictate the format of the executive budget request; and (2) it constitutes substantive legislation. In his letter to the

*General Assembly concerning the Long Bill, the Governor indicated that he would instruct the Department to comply with the footnote to the extent feasible.*

The Division of Youth Corrections is in compliance with this footnote. The Division shares only one fund with other state agencies: the Sex Offender Surcharge Fund created in Section 18-21-103, C.R.S. According to the budget request submitted by the Judicial Department in FY 2007-08, this fund balance is projected to be sustainable for the foreseeable future. The table below reflects the anticipated fund balance for the Sex Offender Surcharge Fund.

<b>Sex Offender Surcharge Fund Balance (Section 18-21-103,C.R.S.)</b>					
	<b>FY 2004-05 Actual</b>	<b>FY 2005-06 Actual</b>	<b>FY 2006-07 Projected</b>	<b>FY 2007-08 Projected</b>	<b>FY 2008-09 Projected</b>
Beginning Fund Balance	\$1,295,311	\$826,122	\$1,768,861	\$2,586,508	\$2,334,045
Plus Revenue	3,580,777	4,205,817	4,231,083	4,252,239	4,273,500
Minus Expenditures					
Judicial	(1,382,847)	(1,136,270)	(1,245,060)	(1,588,326)	(1,588,326)
Corrections	(770,401)	(651,766)	(651,766)	(981,766)	(981,766)
Public Safety	(894,102)	(722,426)	(763,994)	(913,994)	(913,994)
Div. of Youth Corrections	<u>(1,002,616)</u>	<u>(752,616)</u>	<u>(752,616)</u>	<u>(1,020,616)</u>	<u>(1,020,616)</u>
Total Expenditures	(4,049,966)	(3,263,078)	(3,413,436)	(4,504,702)	(4,504,702)
<b>Ending Fund Balance</b>	<b>\$826,122</b>	<b>\$1,768,861</b>	<b>\$2,586,508</b>	<b>\$2,334,045</b>	<b>\$2,102,843</b>
Balance increase /(decrease)	(\$469,189)	\$942,739	\$817,647	(\$252,463)	(\$231,202)



This appropriation to the Division of Youth Corrections is used to support the Division's responsibilities to train its staff to implement the provisions of H.B. 00-1317 (Rep. Tool / Sen. Anderson), which required standards for the evaluation and identification of juvenile sex offenders.

The standards developed by the Sex Offender Management Board (SOMB) are founded on "best practices", which include an emphasis on "informed supervision". Implementing this concept involves a list of supervisory roles and duties for all individuals who have a direct care or custodial relationship with a juvenile sex offender, including facility staff, case managers, parents, teachers, coaches, etc. The Division of Youth Corrections estimates that, on average, approximately 250 youth in its custody have been either adjudicated for a sexual offense or have charges that include an underlying factual basis for a sexual offense. This estimate includes the population in residential treatment or under parole supervision.

- 44 Department of Human Services, Executive Director's Office, General Administration, Injury Prevention Program** -- The Department is requested to provide information regarding the cost-effectiveness of this program. Such information should include: Actual and planned annual expenditures for this line item, by program; the actual number of workers' compensation claims filed, by type of injury and by program; and the related costs associated with workers' compensation claims filed, by type of injury and by program. This information should be provided to the Joint Budget Committee annually on or before October 15.

Comment: The Department is in compliance with this footnote and submitted the requested information on October 15, 2006. The Department response summarizes a 6.1 percent reduction in the total number of injuries, which exceeds the Department's goal of a 3.0 percent reduction from the previous year. It also notes that as of June 2006 claim costs were approximately 17.8 percent lower when compared to those during the same period a year earlier. However, contrary to last year's submission to this footnote, the Department's current year response does not indicate the cost of workers' compensation claims by program. Instead, the report only indicates the number of injuries by program and the overall workers' compensation costs.

<b>Summary of FY 2005-06 Injury Centers for the Department of Human Services</b>	
<b>Agency</b>	<b>Number of Injuries</b>
CMHI - Pueblo	136
Wheat Ridge Regional Center	83
Grand Junction Regional Center	69
Pueblo Regional Center	62
Office of Operations	61
CMHI - Fort Logan	60
Fitzsimons Veterans Nursing Home	30
Trinidad Veterans Nursing Home	26
Rifle Veterans Nursing Home	21
Lookout Mountain Youth Services Center	17
<b>TOTAL</b>	<b>565</b>

<b>Summary of Total Number of Workers' Compensation Claims FY 1998-99 through FY 2005-06</b>			
<b>Fiscal Year</b>	<b>Number of Injuries</b>	<b>Difference</b>	<b>Percentage Change</b>
FY 1998-99	1,085	N/A	N/A
FY 1999-00	972	(113)	-10%
FY 2000-01	888	(84)	-9%
FY 2001-02	710	(178)	-20%
FY 2002-03	725	15	2%
FY 2003-04	744	19	3%
FY 2004-05	756	12	2%
FY 2005-06	713	(43)	-6%

<b>Summary of Total Workers' Compensation Costs FY 1999-00 through FY 2005-06</b>			
<b>Fiscal Year</b>	<b>Total Cost</b>	<b>Difference</b>	<b>Percentage Change</b>
FY 1999-00	\$4,100,000	N/A	N/A
FY 2000-01	4,000,000	(\$100,000)	-2%
FY 2001-02	3,100,000	(900,000)	-23%
FY 2002-03	4,400,000	1,300,000	42%
FY 2003-04	6,700,000	2,300,000	52%
FY 2004-05	6,300,000	(400,000)	-6%
FY 2005-06	4,900,000	(1,400,000)	-22%

Prior to FY 2004-05, the Injury Prevention Program focused primarily on injury causes as identified by workers' compensation data provided by Pinnacol Assurance. CDHS Risk Management analyzed this data and used Injury Prevention Program dollars to fund: (1) contract services for data development, training programs, and additional injury cause analysis projects; (2) program development in the areas of assault behavior and "Zero Lifting"; (3) development of a Facilities Management safety manual; and (4) the purchase of assistive lifting equipment.

The Injury Prevention Program has achieved significant improvements in program areas including strains/lifting, cumulative trauma disorders, and client to staff assaults since FY 1999-00. Until FY 2001-02, CDHS experienced annual decreases



in both the number and cost of workers' compensation claims. Expenditures for the line item include:

<b>Comparison of Injury Prevention Program Expenditures and Estimates FY 2004-05 to FY 2006-07</b>				
<b>Category</b>	<b>FY 2004-05 Expenditures</b>	<b>FY 2005-06 Expenditures</b>	<b>FY 2006-07 Estimate</b>	<b>% Change from FY 2004-05</b>
<b>Safety Programs</b> - Membership renewals to Colorado Safety Association and National FPA.	\$600	\$780	\$780	30.0%
<b>New Directions Program</b> - Agency program support, behavior-based safety initiatives, and travel expenses.	56,049	70,871	87,070	55.3%
<b>Behavior-Based Safety Awareness and Team Building</b> - Safety coordinator/committee education, train-the trainer, and promotional efforts to raise BBS awareness..	6,538	10,896	12,000	83.5%
<b>Office Management</b> - General office supplies.	2,125	620	620	-70.8%
<b>Other</b> - Workplace violence incident consultation, internal risk management workshops, and ergonomic equipment.	14,975	6,746	5,500	-63.3%
<b>TOTAL</b>	<b>80,287</b>	<b>89,913</b>	<b>105,970</b>	<b>32.0%</b>

Anticipating a loss of momentum in injury reduction over the last three to four fiscal years, CDHS has modified its program goals to include:

1. Long-term development of a "total safety culture" through implementation of Behavior-Based Safety, including:
  - a. Development and evolution of a performance management safety process from a traditional safety program;
  - b. Assisting supervisors in job safety analysis for tasks determined to be associated with high rates of injury such as moving or lifting a patient; and
  - c. Assisting agency safety committees in identifying the safe behaviors necessary for completion of job tasks associated with higher rates of injury.
2. Establishing CDHS Injury Prevention priorities, including:
  - a. Identifying injury prevention projects, supported by data and targeted at specific injury hazards, by soliciting ideas from CDHS agency safety committees; and

- b. Continuing to support management teams and representatives within the agencies to identify the highest agency causes and costs.

**48 Department of Human Services, Division of Child Welfare** -- It is the intent of the General Assembly to encourage counties to serve children in the most appropriate and least restrictive manner. For this purpose, the Department may transfer funds among all line items in this long bill group total for the division of child welfare.

Comment: The Department is in compliance with this footnote and has annually transferred moneys when necessary. The following table details transfers that have occurred in the last three fiscal years.

<b>Transfers of General Fund and Federal Funds (Title IV-E) Spending Authority Among Division of Child Welfare Line Items</b>			
<b>Line Item</b>	<b>FY 03-04</b>	<b>FY 04-05</b>	<b>FY 05-06</b>
Administration	\$0	(\$144,539)	(\$55,613)
Training	0	(99,902)	(119,441)
Foster and Adoptive Parent Recruitment, Training, and Support	(77,593)	(39,582)	(23,378)
Child Welfare Services	3,572,837	561,228	(804,665)
Family and Children's Programs	(3,451,957)	(285,925)	1,003,097
Expedited Permanency Planning Project	(43,286)	8,720	0
Net Transfers	\$0	\$0	\$0

**49 Department of Human Services, Division of Child Welfare** -- The Department is requested to provide to the Joint Budget Committee, by November 1, 2006, information concerning the gross amount of payments to child welfare service providers, including amounts that were paid using revenues other than county, state, or federal tax revenues. The Department is requested to identify amounts, by source, for the last two actual fiscal years.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. In his letter to the General Assembly concerning the Long Bill, the Governor indicated that he would instruct the Department to comply with the intent of the footnote.*

The Department provided a report on November 1, 2006. The Long Bill appropriation for Child Welfare Services does not reflect the *gross* amount of payments anticipated to be paid to out-of-home care providers. Instead, the gross

payments are reduced by the amount of revenue counties collect through various sources and the appropriation simply reflects the *net* amount of county, state, and federal funds anticipated to be paid to providers. This footnote requests that the Department annually report information regarding these other revenue sources. The information provided by the Department is detailed in the following table.

<b>Payments to Service Providers From Non-Appropriated Revenue Sources</b>			
<b>Description</b>	<b>FY 03-04</b>	<b>FY 04-05</b>	<b>FY 05-06</b>
Parental Fees	\$4,152,335	\$3,870,659	\$3,828,619
Federal Supplemental Security Income (SSI)	3,260,585	3,485,781	3,588,002
Child Support	2,115,948	2,085,761	2,349,991
Federal Social Security Death Benefit (SSA)	1,000,899	1,063,882	1,395,175
Provider Recovery	274,639	254,795	128,644
Federal Social Security Disability Income (SSDI)	212,352	178,166	173,843
Other	108,811	55,772	228,956
Total Offsets	\$11,125,569	\$10,994,816	\$11,693,230

Staff notes that the "Other" category above includes offsets for veteran's benefits, medical adjustments, and miscellaneous items.

- 50 Department of Human Services, Division of Child Welfare, Child Welfare Services** -- The Department is requested to provide to the Joint Budget Committee, by November 1, 2006, information concerning actual expenditures for the last two fiscal years for services that are now funded through this consolidated line item. Such data should include the following: (a) Program services expenditures and the average cost per open involvement per year; (b) out-of-home placement care expenditures and the average cost per child per day; and (c) subsidized adoption expenditures and the average payment per child per day.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. In his letter to the General Assembly concerning the Long Bill, the Governor indicated that he would instruct the Department to comply with the intent of the footnote.*

The Department provided a report on November 1, 2006. As indicated in the table below, annual expenditures for program services increased by 9.7 percent in FY 2005-06. Similarly, expenditures for subsidized adoption increased by 1.0 percent

during the same fiscal year. However, out-of-home placement care expenditures for FY 2005-06 decreased by 4.5 percent.

<b>Child Welfare Expenditures and Caseloads: FY 2004-05 and FY 2005-06</b>			
<b>Description</b>	<b>Cost Per Case - Small and Mid-sized Counties</b>	<b>Cost Per Case - 10 Large Counties</b>	<b>Annual Expenditures</b>
<u>Program Services</u>			
FY 2004-05	\$3,332	\$3,099	\$123,267,880
FY 2005-06	3,004	2,812	135,258,521
<i>Percent Change</i>	<i>-9.8%</i>	<i>-9.3%</i>	<i>9.7%</i>
<b>Description</b>	<b>Average Daily Cost Per Child - Small and Mid-sized Counties</b>	<b>Average Daily Cost Per Child - 10 Large Counties</b>	<b>Annual Expenditures</b>
<u>Out-of-Home Placement Care Expenditures</u>			
FY 2004-05	\$65.99	\$60.17	\$135,971,686
FY 2005-06	60.11	56.31	129,851,094
<i>Percent Change</i>	<i>-8.9%</i>	<i>-6.4%</i>	<i>-4.5%</i>
<b>Description</b>	<b>Average Daily Cost Per Child - Small and Mid-sized Counties</b>	<b>Average Daily Cost Per Child - 10 Large Counties</b>	<b>Annual Expenditures</b>
<u>Subsidized Adoption Expenditures</u>			
FY 2004-05	\$14.89	\$15.19	\$40,876,335
FY 2005-06	14.08	14.69	41,264,647
<i>Percent Change</i>	<i>-5.4%</i>	<i>-3.3%</i>	<i>1.0%</i>

**51 Department of Human Services, Division of Child Welfare, Child Welfare Services** -- Pursuant to section 26-5-104 (6), C.R.S., counties are authorized to negotiate rates, services, and outcomes with child welfare service providers and are thus not required to provide a specific rate increase for any individual provider. This provision does not apply, however, to Medicaid treatment rates. The funding appropriated for this line item includes an increase of \$10,336,198 based on a 3.25 percent increase in funding for county staff salaries and benefits and a 2.0 percent increase in community provider rates and Medicaid treatment rates. The purpose of this increase is to provide counties and tribes with additional funds to increase community provider rates and to pay for increases in Medicaid treatment rates.

Comment: Staff notes that Footnote No. 51 should state that the funding appropriated to the Child Welfare Services line item includes a 3.25 percent increase in community provider rates, rather than a 2.0 percent increase. The JBC received a memo from staff dated June 20, 2006 detailing this technical error. Per the intent of the General Assembly, the Department of Human Services implemented a 3.25 percent provider rate increase effective July 1, 2006. Rates for Medicaid treatment are active throughout the state fiscal year and are set by the Department of Human Services each year, usually near the beginning of the new fiscal year.

- 52 Department of Human Services, Division of Child Welfare, Excess Federal Title IV-E Reimbursements** -- Section 26-1-111 (2) (d) (II) (C), C.R.S., authorizes the General Assembly to annually appropriate moneys in the Excess Federal Title IV-E Reimbursements Cash Fund to the Department of Human Services for allocation to the counties for the provision of assistance, child care assistance, social services, and child welfare services. This provision also authorizes the General Assembly to specify, in the annual appropriations act, that counties shall expend such moneys in a manner that will be applied toward the state's maintenance of historic effort as specified in section 409 (a) (7) of the federal Social Security Act, as amended. Pursuant to this statutory authority, the General Assembly hereby specifies that counties shall expend \$1,000,000 of the moneys received through this line item appropriation for FY 2006-07 in a manner that will be applied toward the state's maintenance of historic effort related to the federal Temporary Assistance for Needy Families program.

Comment: This footnote was included in the Long Bill because, at the time of FY 2006-07 figure setting, it appeared that total Temporary Assistance for Needy Families (TANF) maintenance of effort (MOE) would be below a threshold the Joint Budget Committee considered appropriate. To account for this, the JBC, through the provisions available to it in Section 26-1-111 (2) (d) (II) (C), C.R.S., required counties to expend \$1.0 million of their excess Title IV-E reimbursements on TANF MOE eligible expenditures.

- 53 Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- It is requested that \$3,949,313 of the funds appropriated for this line item be used to assist county departments of social services in implementing and expanding family- and community-based services for adolescents. It is the intent of the General Assembly that such services be based on a program or programs that have been demonstrated to be effective in reducing the need for higher cost residential services.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. In his letter to the General Assembly concerning the Long Bill, the Governor indicated that he would instruct the Department to comply with the intent of the footnote.*

In the Spring of 2003, when staff presented FY 2003-04 funding recommendations for child welfare programs to the Committee, staff included a discussion of adolescents, a population that is relatively expensive to serve through the child welfare system. At that time staff recommended that the General Assembly earmark \$1.5 million of the General Fund increase provided for FY 2003-04 to cover child welfare caseload increases to assist counties in serving adolescents in home- and community-based settings. The objective was to help counties avoid or reduce the length of stay in costly out-of-home placements, when appropriate. The Committee, and ultimately the General Assembly, approved this approach. Subsequently, the General Assembly earmarked another \$1.5 million of the General Fund increase provided for FY 2004-05 for this same purpose, and an additional \$750,000 was allocated for FY 2005-06. As of January 1, 2006, the total awarded for evidence-based services to adolescents was approximately \$3.95 million. This footnote was included in the Long Bill to specify the legislative intent associated with a portion of the funding increase.

*Background Information Concerning Adolescents.* In Colorado, youths between the ages of 10 and 17 who have been adjudicated on a delinquency petition and require residential placement out of the home can be served through either the child welfare system or the Division of Youth Corrections. The Judicial Branch makes the determination, on a case-by-case basis, which system is appropriate for the youth. In addition, county departments of social services are required to provide services to youths who have run away from home or are otherwise beyond the control of their parent or guardian (and are thus determined to be neglected or dependent). Once a youth is placed in the custody of the Division of Youth Corrections, oversight by the court regarding placement and treatment decisions ends. In contrast, when a youth is sentenced to placement through a county department of human services as a condition of probation, the court maintains oversight thereafter to determine whether placement should continue, whether reasonable efforts have been made to return the youth home, whether there has been compliance with the youth's case plan, etc.

Studies that have been conducted to date indicate that the youths served by both systems are more similar than dissimilar. In general, however, youths committed to the Division of Youth Corrections are older, are more likely to be male and minority, and are more likely to have committed a major property offense. Although there have historically been significant limitations on data concerning the number and characteristics of delinquents served through the child welfare system, it appears that a significantly greater number of delinquents are served through the child welfare system than through the Division of Youth Corrections. For example, a December 2001 report estimated about 2,400 delinquents were being served through the child welfare system while about 770 juveniles were committed to the Division of Youth Corrections -- a greater than three-to-one ratio. Proposals to modify the way that Colorado serves this population have generally involved either limiting Judicial discretion to make specific placement, treatment, and case management decisions for

youths involved in the child welfare system, or improving the collaboration between the two systems.

Another study demonstrated a link between the two systems that should be noted. A 1994 study conducted by the Child Welfare League of America found that 1.4 percent of children ages nine to 12 in Sacramento County, California, had been referred to the child welfare system at least once for an investigation of child mistreatment; this 1.4 percent of children, however, accounted for half of all arrests for that age group.<sup>1</sup> The report that summarizes the results of the Child Welfare League of America study underscores the importance of coordinating services among agencies (including the education and mental health systems). In addition, this study recommends supporting intensive early childhood intervention programs, as well as structuring systems and funding sources associated with services for older youths, to: (1) encourage agencies to serve youths in their homes and communities whenever possible; (2) reduce unnecessary placements of delinquents to group homes and residential treatment centers; and (3) discourage the commitment of non-dangerous youths to state correctional facilities.

*Department Actions to Date.* In the initial year, the Department received 25 applications from 26 counties (some counties submitted joint applications). Over the last three years, the Department has received 47 applications from 33 counties. This year, six applications were not awarded funds due to a lack of available funds. To apply, counties need to follow the conditions stated below:

- The additional funds must be in their Core Plan under County Design and all appropriate forms must be submitted.
- Each county must put forward a 20% share in order to utilize the additional funds, as the funds have been allocated as 80/20 funds.
- The services offered must be evidenced-based services for adolescents.

All applications are reviewed and evaluated by a committee established by the Department. The committee includes staff from the state divisions of child welfare, alcohol and drug abuse, and the Colorado Works Program, as well as representatives from local juvenile diversion programs and providers. The following table details the Department's allocation of the \$3.95 million earmarked to date.

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<sup>1</sup>Richard A. Mendel, *Less Hype, More Help: Reducing Juvenile Crime, What Works -- and What Doesn't* (American Youth Policy Forum: Washington D.C.).

<b>Allocation of Funding Earmarked for Community-based Services for Adolescents</b>		
<b>County Department(s)</b>	<b>Amount Awarded</b>	<b>Program</b>
Adams	\$282,911	Youth intervention program
Alamosa	61,660	Mentoring
Arapahoe	551,865	Multi-systemic therapy
Archuleta	81,107	Moral recognition therapy and responsibility training
Broomfield	54,774	Multi-systemic therapy
Chaffee	94,800	Mentoring
Conejos	60,307	Mentoring
Costilla	38,167	Mentoring
Denver	218,461	Multi-systemic therapy and strengthening families
Elbert	151,681	Multi-systemic therapy
El Paso	240,161	Multi-systemic therapy
Fremont	89,820	Functional family therapy
Garfield	21,662	Adolescent mediation services
Gunnison / Hinsdale	37,850	Functional family therapy
Huerfano	11,531	Reconnecting youth
Jefferson	410,317	Multi-systemic therapy and team decision-making
Kit Carson	18,960	Functional family therapy
La Plata / San Juan / Montezuma / Dolores / Archuleta	303,519	Multi-systemic therapy and adolescent dialectical behavioral therapy
Larimer	190,122	National Youth Program Using Mini-bikes and family group conferencing
Mesa	280,616	Rapid response and day treatment for adolescents
Montrose	62,779	Multi-systemic therapy
Pueblo	176,379	Youth outreach
Summit	21,067	Mentor-supported substance abuse treatment
Teller	111,232	Multi-systemic therapy
Weld	377,566	Reconnecting youth
<b>TOTAL</b>	<b>\$3,949,313</b>	

**54 Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- Pursuant to section 26-5-104 (6), C.R.S., counties are authorized to negotiate rates, services, and outcomes with child welfare service providers and are thus not required to provide a specific rate increase for any individual provider. The funding appropriated for this line item includes an increase of \$1,428,408 based on a 3.25 percent increase in funding that is allocated to counties and tribes. The purpose of this increase is to provide counties and tribes with additional funds to increase rates paid to community providers.

Comment: Per the intent of the General Assembly, the Department of Human Services implemented a 3.25 percent provider rate increase effective July 1, 2006. Rates for Medicaid treatment are active throughout the state fiscal year and are set



by the Department of Human Services each year, usually near the beginning of the new fiscal year.

**78 Department of Human Services, Division of Youth Corrections, Administration**

-- The Division is requested to continue its efforts to provide outcome data on the effectiveness of its programs. The Division is requested to provide to the Joint Budget Committee, by January 1 of each year, an evaluation of Division placements, community placements, and nonresidential placements. The evaluation should include, but not be limited to, the number of juveniles served, length of stay, and recidivism data per placement.

Comment: The Department provided a report on January 1, 2006. Length of stay information is summarized in the following table:

<b>Length of Stay for DYC Youth - January 2006 Report</b>					
	<b>FY 2000-01</b>	<b>FY 2001-02</b>	<b>FY 2002-03</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>
Detention (days)	14.5	15.7	15.3	12.8	13.1
Commitment (months)	16.3	17.7	19.5	18.9	18.8
Parole (months)	11.8	12.1	n/a	8.0	7.1

\* FY 2002-03 length of stay information was not available for the parole population because of the delays that were encountered getting the TRAILS information system online. The system is now operational, and staff anticipates that the Division will be able to provide this data in future years.

The recidivism rates reported by the Division are summarized in the following table:

<b>DYC Recidivism One-Year Rate (Post Discharge) - January 2006 Report</b>					
	<b>FY 1999-00</b>	<b>FY 2000-01</b>	<b>FY 2001-02</b>	<b>FY 2002-03</b>	<b>FY 2003-04</b>
Recidivism Rate	29.2%	36.0%	n/a	34.4%	38.0%

\* DYC defines recidivism as a new misdemeanor or felony offense within one year of discharge resulting in a filing. FY 2001-02 recidivism rate information was not available because of the delays that were encountered getting the TRAILS information system online. The system is now operational, and staff anticipates that the Division will be able to provide this data in future years.

**78a Department of Human Services, Division of Youth Corrections, Administration**

-- It is the intent of the General Assembly that the Department provide a report to the Joint Budget Committee on November 1, 2006 which tracks and compares recidivism rates between those juveniles receiving drug and alcohol treatment and those not receiving treatment, while sentenced to commitment.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by interfering with the ability of the executive*

*branch to administer the appropriation; and (2) it constitutes substantive legislation. In his letter to the General Assembly concerning the Long Bill, the Governor indicated that he would instruct the Department to comply with the footnote to the extent feasible.*

The Department has requested consolidating this footnote report with the Division's overall recidivism report required by footnote 78. This overall report is submitted annually on January 1. Therefore, at this time, the response to this footnote has been postponed until January 1.

- 79 Department of Human Services, Division of Youth Corrections, Community Programs, Purchase of Contract Placements** -- It is the intent of the General Assembly that up to 10.0 percent of the General Fund appropriation to this line may be used to provide treatment, transition, and wrap-around services to youths in the Division of Youth Correction's system in residential and non-residential settings. The Division is requested to provide a report to the Joint Budget Committee on November 1, 2006. This report should include the following information: (1) The amount spent serving youths in residential and non-residential settings from this line item in FY 2005-06; (2) the type of services purchased with such expenditures; (3) the number of committed and detained youths treated with such expenditures; (4) baseline data that will serve to measure the effectiveness of such expenditures; and (5) an evaluation of the effectiveness of this footnote in addressing the need for flexibility in treating and transitioning youth from residential to non-residential settings.

Comment: The Department submitted a report on November 1, 2006. The Division used the flexibility within this line item to implement its Continuum of Care Initiative on March, 2006. This initiative is based on principles of effective juvenile justice strategy such as: (1) state-of-the-art assessment; (2) enhanced treatment services within residential facilities; and (3) improved transitions to appropriate community-based services. As part of this strategy, the Continuum of Care Initiative seeks to provide the optimal length of stay in each stage of service as juvenile offenders move from secure residential to community-based parole services.

In order to ensure accurate and targeted information to support individualized case planning, the Division has developed a new risk assessment instrument, the Colorado Juvenile Risk Assessment (CJRA), which is a modified version of the Washington State Juvenile Risk Assessment. The Division is using this instrument to assess the individual criminogenic risks and needs of juveniles and utilizing the results to provide appropriate evidence-based treatments.

The Continuum of Care Initiative is organized around the following principles of effective practice:

- Risk Principle: Target intensive services on higher risk youths.

- Need Principle: Treat risk factors associated with offending behavior.
- Treatment Principle: Employ evidence-based treatment approaches as available.
- Responsivity Principle: Use individualized case management to tailor treatments to meet special needs.
- Quality Assurance (Fidelity) Principle: Monitor implementation quality and treatment fidelity.

*Expenditures.* For the period covered by the Division's report (March - August, 2006), the total expenditures for the Continuum of Care Initiative were \$928,904. These funds were spent across the 723 youths served, for an average of just over \$1,284 per youth. The report does not specify the amount spent serving youths in residential and non-residential settings from this line item in FY 2005-06; however, the table below summarizes the types and numbers of services purchased with Continuum of Care Initiative funds.

<b>Expenditures by Type of Service March - August 2006</b>				
<b>Type of Service</b>	<b>Number of Episodes</b>	<b>Percent of Episodes</b>	<b>Amount Spent</b>	<b>Percent of Spending</b>
Life-skills Training	385	34.0%	\$272,355	29.3%
Mentoring	337	29.8%	335,947	36.2%
Family Therapy	131	11.6%	25,229	2.7%
Substance Abuse Treatment	110	9.7%	78,151	8.4%
Day Treatment and General Aftercare	79	7.0%	113,320	12.2%
Sex Offender Treatment	25	2.2%	13,212	1.4%
Traditional Psychotherapy	16	1.4%	29,108	3.1%
Dialectical Behavioral Therapy	16	1.4%	6,150	0.7%
Assessment and Supervision	11	1.0%	150	0.0%
Surveillance	10	0.9%	32,327	3.5%
Cognitive Behavioral Therapy	9	0.8%	4,155	0.4%
Restorative Justice Services	3	0.3%	1,925	0.2%
Building Community Resources	0	0.0%	16,875	1.8%
<b>Total</b>	<b>1,132</b>	<b>100.0%</b>	<b>\$928,904</b>	<b>100.0%</b>

*Youths Served.* A total of 723 individual youths received services under the Continuum of Care Initiative. All of the youths receiving services were committed youths. No detained youths were served using Continuum of Care Initiative funds.

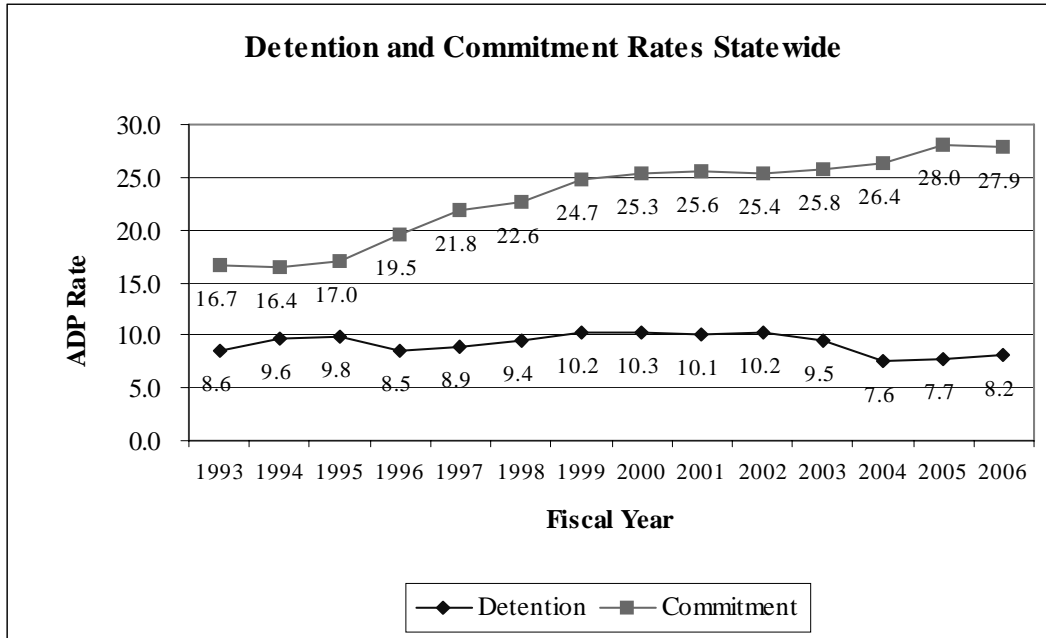
*Baseline Data.* Because reducing length of stay in residential placements is an important Continuum of Care Initiative goal, it is planned that this outcome will continue to be a focus of future evaluation reports. Also, reductions in length of stay typically lead to a reduced average daily population (ADP); however, the Division cautions that under the current funding formulas that use commitment ADP to guide funding level decisions, success of the Continuum of Care Initiative could result in reducing overall funds available to serve youths under the initiative. In addition, as more information becomes available regarding youth outcomes, future reports will also incorporate additional data sources allowing for a broader examination of the effectiveness of the initiative.

*Preliminary Outcomes.* The average time in placement for youths served under the Continuum of Care Initiative between June 1, 2005 and August 30, 2006 was 17.9 months, as compared with the NYC benchmark residential commitment length of stay for FY 2004-05 of 18.8 months. Also, for the first time in 14 years, the commitment ADP rate did not show an increase, but rather a slight decline.

- 80 Department of Human Services, Division of Youth Corrections, Community Programs, S.B. 91-94 Programs** -- The Department is requested to submit to the Joint Budget Committee no later than November 1 of each year a report that includes the following information by judicial district and for the state as a whole: (1) Comparisons of trends in detention and commitment incarceration rates; (2) profiles of youth served by S.B. 91-94; (3) progress in achieving the performance goals established by each judicial district; (4) the level of local funding for alternatives to detention; and (5) identification and discussion of potential policy issues with the types of youth incarcerated, length of stay, and available alternatives to incarceration.

Comment: The Department provided a report on November 1, 2006. In the report's executive summary, the Division identifies two continuing major system changes that affected the S.B. 91-94 Programs in FY 2005-06. First, FY 2005-06 was the third fiscal year in which a statutory detention bed cap was enforced (479.0 ADP). Second, the Division received funding in FY 2005-06 for S.B. 91-94 Programs that was 17.0 percent higher than the FY 2004-05 funding level. This significantly offset the ongoing reductions in funding totaling approximately 33.0 percent since FY 2002-03.

*Trends in Detention and Commitment Rates.* Trend data with regard to detention and commitment incarceration rates were reported as follows:



Average daily population rates (ADP) in the above graph are calculated in terms of the number of youths in detention or commitment for every 10,000 youths in the general population. In FY 2005-06, the commitment ADP stayed relatively flat while the detention ADP increased by 6.5 percent.

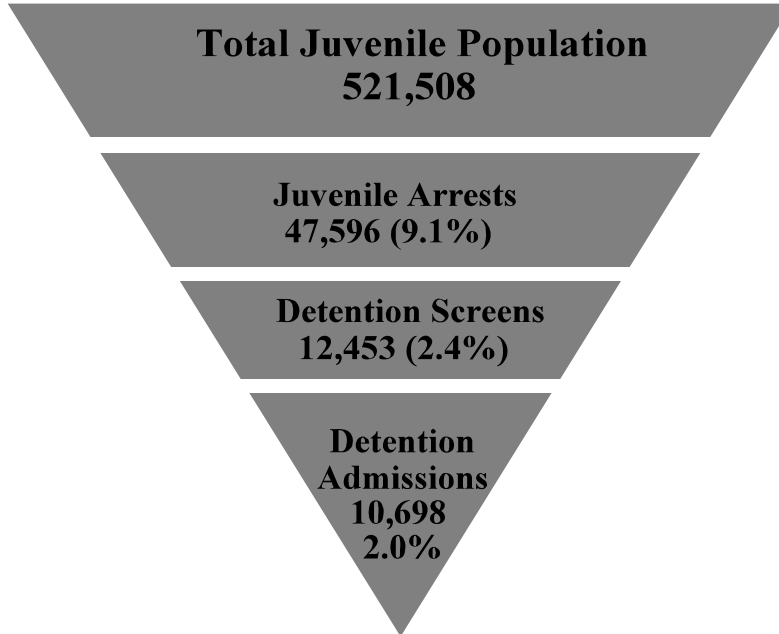
The following tables illustrate the detention and commitment ADP and length of stay (LOS) data for individual judicial districts in FY 2005-06.

<b>Detention ADP and LOS by Judicial District FY 2005-06</b>								
<b>District</b>	<b>ADP</b>				<b>LOS (Days)</b>			
	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>Change</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>Change</b>
Central Region	184.0	187.1	198.1	7.7%	14.3	14.9	16.2	13.3%
1st Jefferson	46.5	43.7	49.2	5.8%	15.6	15.5	17.8	14.1%
2nd Denver	75.5	80.6	78.9	4.5%	14.2	16.6	16.2	14.1%
5th Summit	2.0	3.2	3.4	70.0%	14.9	16.7	22.4	50.3%
18th Arapahoe	60.0	59.6	66.6	11.0%	13.6	14.4	15.4	13.2%
Northeast Region	90.2	91.5	92.9	3.0%	11.7	11.6	11.9	1.7%
8th Larimer	18.5	17.8	17.4	-5.9%	13.3	13.0	11.9	-10.5%
13th Logan	7.2	7.6	7.4	2.8%	17.2	18.2	20.2	17.4%
17th Adams	26.5	27.3	26.7	0.8%	12.5	13.2	12.2	-2.4%
19th Weld	23.5	24.5	25.0	6.4%	11.5	12.2	14.6	27.0%
20th Boulder	14.5	14.3	16.4	13.1%	8.1	7.7	8.9	9.9%
Southern Region	85.6	83.4	88.5	3.4%	11.1	11.4	12.5	12.6%
3rd Las Animas	2.7	2.2	3.2	18.5%	25.9	23.3	21.8	-15.8%
4th El Paso	50.4	44.9	47.8	-5.2%	10.5	11.1	11.6	10.5%
10th Pueblo	18.5	18.8	19.9	7.6%	11.6	11.7	13.9	19.8%
11th Fremont	5.6	7.8	8.3	48.2%	8.5	10.2	13.5	58.8%
12th Alamosa	3.4	4.9	4.2	23.5%	12.6	15.6	16.2	28.6%
15th Prowers	2.6	2.9	2.4	-7.7%	18.9	36.7	26.6	40.7%
16th Otero	2.4	1.9	2.7	12.5%	13.6	9.2	22.7	66.9%
Western Region	33.7	33.1	33	-2.1%	13.5	13.9	15.1	11.9%
6th La Plata	4.5	4.2	4.5	0.0%	12.3	12.8	18.5	50.4%
7th Montrose	4.7	5.1	4.2	-10.6%	17.4	23.0	19.1	9.8%
9th Garfield	4.9	4.7	5.5	12.2%	22.1	17.1	23.2	5.0%
14th Routt	2.2	2.7	3.0	36.4%	23.3	16.4	18.0	-22.7%
21st Mesa	14.6	13.5	12.8	-12.3%	10.9	11.7	11.4	4.6%
22nd Montezuma	2.8	2.9	3.0	7.1%	12.4	19.0	22.7	83.1%
<b>Statewide</b>	<b>393.5</b>	<b>395.1</b>	<b>412.5</b>	<b>4.8%</b>	<b>12.5</b>	<b>13.1</b>	<b>14.1</b>	<b>12.8%</b>

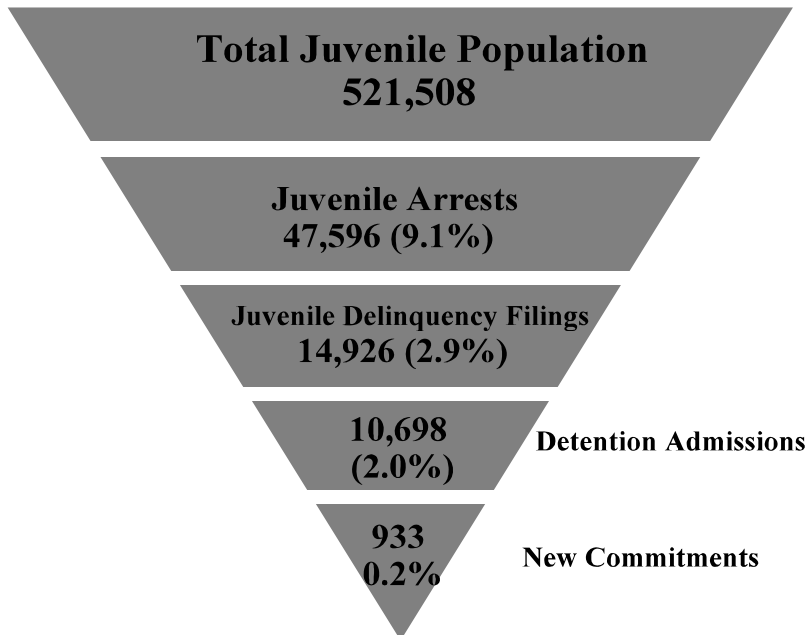
<b>Commitment ADP and LOS by Judicial District FY 2005-06</b>								
<b>District</b>	<b>ADP</b>				<b>LOS (Months)</b>			
	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>Change</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>Change</b>
Central Region	626.5	644.7	652.9	4.2%	19.6	19.8	18.5	-5.6%
1st Jefferson	141.2	124.5	126.9	-10.1%	20.5	21.0	18.0	-12.2%
2nd Denver	315.7	328.5	322.1	2.0%	19.9	19.0	18.9	-5.0%
5th Summit	6.0	6.6	9.2	53.3%	17.9	16.6	15.2	-15.1%
18th Arapahoe	163.6	185.1	194.7	19.0%	18.5	20.7	18.7	1.1%
Northeast Region	305.2	341.9	363.4	19.1%	19.6	18.2	18.1	-7.7%
8th Larimer	80.2	114.2	129.9	62.0%	20.2	17.3	16.1	-20.3%
13th Logan	23.1	16.4	15.4	-33.3%	13.8	15.2	15.8	14.5%
17th Adams	87.6	101.0	95.7	9.2%	17.4	18.3	18.2	4.6%
19th Weld	97.2	91.0	99.6	2.5%	21.8	20.4	20.7	-5.0%
20th Boulder	17.1	19.3	22.8	33.3%	20.6	13.7	22.5	9.2%
Southern Region	286.3	300.9	289.7	1.2%	18.2	18.4	19.4	6.6%
3rd Las Animas	2.0	3.6	6.5	225.0%	14.4	N/A	15.9	10.4%
4th El Paso	190.8	219.8	199.3	4.5%	18.8	20.6	20.4	8.5%
10th Pueblo	38.8	34.6	44.5	14.7%	16.9	16.2	14.7	-13.0%
11th Fremont	21.7	18.0	17.4	-19.8%	16.6	17.5	19.3	16.3%
12th Alamosa	9.0	11.6	15.6	73.3%	15.2	17.1	14.2	-6.6%
15th Prowers	5.5	2.5	1.9	-65.5%	18.1	13.9	11.3	-37.6%
16th Otero	18.5	10.8	4.5	-75.7%	20.7	15.5	16.6	-19.8%
Western Region	159.4	165.9	147.6	-7.4%	16.8	17.3	15.3	-8.9%
6th La Plata	24.2	24.8	21.0	-13.2%	16.3	16.8	13.8	-15.3%
7th Montrose	26.1	24.6	25.8	-1.1%	18.5	17.7	14.7	-20.5%
9th Garfield	16.9	16.9	15.1	-10.7%	18.8	15.5	14.9	-20.7%
14th Routt	9.6	7.7	8.9	-7.3%	20.4	17.0	15.2	-25.5%
21st Mesa	65.7	78.4	67.1	2.1%	15.0	17.8	16.2	8.0%
22nd Montezuma	16.9	13.5	9.7	-42.6%	12.4	16.4	13.5	8.9%
<b>Statewide</b>	<b>1377.4</b>	<b>1453.4</b>	<b>1,453.6</b>	<b>5.5%</b>	<b>18.9</b>	<b>18.8</b>	<b>18.2</b>	<b>-3.7%</b>

*Profiles of Youths Served by S.B. 91-94.* The following depicts the reported profile of youths served by the Division of Youth Corrections in FY 2005-06.

**Juvenile Justice Filtering Process to Detention  
FY 2005-06**



**Juvenile Justice Filtering Process to Commitment  
FY 2005-06**





From the above data, the report concludes that the most frequently used initial placement is secure detention (75.9 percent of the total), while the next highest placement level is release to the custody of parents at 13.0 percent. Of the remaining initial placements, 8.5 percent were placed with a parent with increased supervision and services, 1.4 percent were placed in a residential shelter (a non-secure living situation outside of the home), and 1.3 percent were placed in staff secure detention.

*Progress in Achieving Performance Goals.* For the second year in FY 2005-06, the S.B. 91-94 Program's planning guidelines required standard goals and objectives for pre-adjudicated youths, youths sentenced to detention, and youths on probation. Each individual district is allowed to set its own performance levels within each standardized goal area as the criteria for success in achieving its objectives. Progress in achieving goals and objectives is shown in the table below.

<b>Goals and Objectives for Pre-adjudicated and Sentenced Youth FY 2005-06</b>			
<b>Service Area Goal</b>	<b>Measurable Objectives</b>	<b>Success</b>	<b>Performance</b>
<u>Pre-adjudicated Youths</u> - To successfully supervise in the community pre-adjudicated youths placed in community-based detention services.	1. Percent completing S.B. 91-94 services without FTAs (Failure to Appear for Court).	90% of districts successful	97% of youths had no FTAs
	2. Percent completing S.B. 91-94 services without new charges.	90% of districts successful	97% of youths had no new charges
	3. Percent completing the period of intervention with a positive or neutral leave reason.	90% of districts successful	88% of youths had positive or neutral leave reason
<u>Sentenced Youths</u> - To successfully supervise in the community sentenced youths placed in community-based detention services.	1. Percent completing S.B. 91-94 services without FTAs.	90% of districts successful	98% of youths had no FTAs
	2. Percent completing S.B. 91-94 services without new charges.	90% of districts successful	97% of youths had no new charges
	3. Percent completing the period of intervention with a positive or neutral leave reason.	90% of districts successful	86% of youths had positive or neutral leave reason

Staff notes that the definition used in the report for pre-adjudicated youths is youths receiving any S.B. 91-94 funded services due to being at imminent risk of being placed in detention after arrest or remaining in detention after a detention hearing, but who are not sentenced to detention or commitment and not on probation or parole. Sentenced youths are defined as youths receiving S.B. 91-94 services as an alternative to a sentence to detention and/or youths on probation who are at imminent

risk of revocation or in danger of reoffending that would result in detention without the use of intervention services.

*Local Funding for Alternatives to Detention.* In addition to state funds, many judicial districts have taken the initiative to access other funds or program services for S.B. 91-94 youths. Through district-specific approaches and coordination with other youth-serving agencies and resources, S.B. 91-94 programs have continued to try to leverage additional resources to augment their ability to meet the needs of youths and accomplish the programs' goal of reducing reliance on secure detention placements. These approaches can include:

- Blended funds from one or more other community agencies to place and treat S.B. 91-94 youths. The mechanism for the use of blended funds is often an interagency team working collaboratively to review youths' needs and assist in meeting those needs.
- Colorado Department of Public Safety diversion funds through the Division of Criminal Justice (DCJ) were unavailable beginning FY 2002-03 because of state budget cuts. However, some counties provide local diversion resources.
- DCJ Wrap-Around Program (WRAP) funds are used by local, interagency Community Evaluation Teams (CETs) to identify and fund creative strategies to divert youths from secure detention or other out-of-home placements.
- Federal Office of Juvenile Justice and Delinquency Prevention (OJJDP) and Juvenile Accountability Incentive Block Grant (JAIBG) funds are also provided through the DCJ with the advice of the Governor's Juvenile Justice and Delinquency Prevention Council. Districts act locally to pursue these funds that may be used in a variety of ways to encourage accountability-based reforms at the local level.

However, due to the decreased availability of funds across all human services programs over the past few years, the overall degree to which S.B. 91-94 programs report being successful in these attempts has declined. Although the report mentions these possible approaches to local funding for S.B. 91-94 programs, no actual dollar figures were given.

*Potential Policy Issues.* The report discusses four major issues that have impacted S.B. 91-94 programs: (1) service availability; (2) screening youths; (3) placing youths; and (4) local detention bed allocations. In addition, the report notes two overarching factors affecting these issues: (1) a budget increase in FY 2005-06 after two years of budget reductions; and (2) detention caps. Discussion of the four issues follows.

- *Service Availability:* S.B. 91-94 program expenditures decreased from FY 2002-03 to FY 2004-05 in treatment services, restorative services, and direct support. However, in FY 2005-06, funding was increased for S.B. 91-94

programs and the decline in expenditures has begun to reverse. Overall, more than half of all districts (52.4 percent) rated the service availability impact as positive, compared with only 19 percent in FY 2004-05 and 9.1 percent in FY 2003-04.

- *Screening Youths:* District concerns in this area relate to the limitations in the ability of the screening process to translate into actual placement decisions, given reductions in placement and service availability along the detention continuum. In addition, districts often override screening placement recommendations because the resources are not available to accomplish the recommendation. For example, transportation costs can make a placement recommendation practically unavailable when the placement location is a significant distance away.
- *Placing Youths.* Comments from the districts support the conclusion that district perceptions in this area are changing along with those of the districts' ability to translate screening recommendations into actual placement decisions.
- *Local Detention Bed Allocations:* Of the 15 districts who rated bed allocation as adequate, half rated the impact as positive and half rated it as negative. Those that rated it negative expressed concern with lack of available community placements and services, especially for youths released on short notice. In addition, those districts that rated their detention bed allocation as adequate tended to have fewer days at or above 90 percent of capacity.

Emergency release is the process districts must employ when a new youth is brought into the detention system when there is no excess capacity under the cap for that youth. In FY 2005-06, the total number of emergency releases was approximately 500. These emergency releases represent about 5.2 percent of the total available bed days. However, the number of emergency releases is likely to be higher than this because some districts do not track them.

**FY 2007-08 Joint Budget Committee Staff Budget Briefing**  
**DEPARTMENT OF HUMAN SERVICES**  
**EXECUTIVE DIRECTOR'S OFFICE, CHILD WELFARE, AND YOUTH CORRECTIONS**

**ISSUE:**

Department of Human Services, Executive Director's Office, Child Welfare and Youth Corrections Performance Measures

**DISCUSSION:**

**Department Mission**

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*Mission Statement:*

Our mission is to design and deliver quality human services that improve the safety and independence of the people of Colorado.

**Goals and Performance Measures**

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The Department's strategic plan is 293 pages long, including attachments. Portions dealing specifically with the mission, goals, objectives and performance measures encompass three pages within the statement of strategic intent and 108 pages of attachments, including a FY 2006-07 "Scorecard" that outlines the Department's goals and a FY 2005-06 "Tracking Sheet" that measures the extent to which the Department has met its strategic objectives. The Scorecard is divided into four quadrants: (1) public value and stakeholder goals; (2) consumer goals; (3) process goals; (4) organizational capacity goals. Within the four quadrants, the Department has identified a total of *11 goals*. Under each of the 11 goals, the Department has outlined a total of *30 strategic objectives*, and under each of these strategic objectives, it has described a total of *169 performance measures* that are tied to specific divisions and programs.

**Staff Analysis**

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Joint Budget Committee staff reviewed the performance measures submitted in the budget for the Executive Director's Office and the Divisions of Child Welfare and Youth Corrections. Staff assessed these performance measures using the following common checklist:

1. Do the goals and performance measures correspond to the program's directives provided in statute?
2. Are the performance measures meaningful to stakeholders, policymakers, and managers?
3. Does the Department use a variety of performance measures (including input, output, efficiency, quality, outcome)?
4. Do the performance measures cover all key areas of the budget?
5. Are the data collected for the performance measures valid, accurate, and reliable?
6. Are the performance measures linked to the proposed budget base?
7. Is there a change or consequence if the Department's performance targets are not met?

As a whole, staff believes the Department's goals and strategic objectives are reasonable and consistent with the statutory intent of the Legislature in creating the Department and the programs it is charged with implementing. However, staff feels that the performance measures may be more meaningful to internal managers than to external stakeholders and policymakers, primarily due to the overwhelming number of performance measures without much prioritization. The performance measures are somewhat buried in the strategic plan in "Attachment A" after more than 150 pages of divisional information. Additionally, the performance measures span almost 60 pages and are organized by quadrant but without much indication of overall priority. It may be more helpful to outside policymakers if the Department were to somehow identify a smaller subset of performance measures that were of the highest priority.

Also, while the Department seems to have used a variety of performance measures covering all key areas of the budget, many of the performance measures seem to be simply restatements of federal requirements with standards that may be difficult for external stakeholders to interpret. For example, one performance measure discusses monthly case/administrative reviews completed per FTE to maintain compliance with federal mandates, but it does not indicate what the federal mandate is; therefore, it is difficult for an outside stakeholder to analyze the effectiveness of the Department in meeting this performance measure. In addition, almost all of the performance measures for Child Welfare are restatements of the compliance standards imposed by the federal Child and Family Services Review in 2002. Although staff recognizes that federal standards can be an appropriate benchmark for a Department, staff also believes that the performance measures could be more clearly linked to the proposed budget base.

Staff does not have reason to doubt the validity or accuracy of the data collected for the performance measures. Finally, because many of the Department's performance measures are somehow tied to federal standards, the consequence of not meeting these performance measures is the potential loss of federal funding.

The following are examples of key goals and performance measures from selected programs or divisions.

**Goal #1: Demonstrate the responsible use of public dollars within the human services system across Colorado.**

Strategic Objective #2: Reduce future costs to the state by decreasing the need for CDHS services.

*Office of Children, Youth, and Family Services, Division of Youth Corrections - Performance Measure*

- Reduce the state's use of juvenile incarceration by maintaining a commitment incarceration rate below 24 per 10,000 Colorado youth.

Staff believes this is a strong performance measure that is both linked to the proposed base budget and meaningful to policymakers and stakeholders. This performance measure is also directly related to the strategic objective of reducing future state costs and to the goal of demonstrating responsible use of public dollars. Additionally, it is an easily understandable performance measure, making it more useful for external stakeholders. Staff's only recommendation with regard to this performance measure would be to qualify the rate of commitment incarceration. It might be helpful for external policymakers to have a benchmark of some sort to which this number could be compared.

**Goal #1: Demonstrate the responsible use of public dollars within the human services system across Colorado.**

Strategic Objective #1: Maximize the efficient use of all human services resources.

*Office of Performance Improvement, Audit - Performance Measure*

- Total dollar amount of records in testing universe identified for future testing.

Staff does not believe that this performance measure is very meaningful to policymakers. First, it seems difficult to determine what is being measured. The target dollar amount is increased over future fiscal years, indicating that a larger dollar amount is the target; however, it is not clear why having more dollars subject to further testing is a good thing. Second, it is hard to decipher how this performance measure relates to maximizing the efficient use of resources. Further testing could mean that auditors are able to find inefficiencies, but it could also simply mean that more testing is being done without any corresponding efficiency savings.

**Goal #3: Develop effective working relationships within the human services system and with community partners.**

Strategic Objective #6: Improve the quality of CDHS customer service, communication, and collaboration with internal and external customers, program partners, and stakeholders.

*Office of Children, Youth, and Family Services, Child Welfare - Performance Measure*

- Promote CDHS's collaborative public and private partnerships through expanding the Collaborative Management Program (H.B. 1451) in additional counties and judicial districts.

Staff believes that this is an appropriate performance measure in relation to the strategic objective and overall goal. The only criticism would be that this performance measure is a bit broad. It might be more appropriate to split this into several performance measures that more closely track exactly what the Department is doing to promote these collaborative public and private partnerships. For example, the Department might be able to point to incentives or training that it provides to the counties in order to facilitate expansion of the Collaborative Management Program.

**Goal # 4: Improve the overall health and well-being of individuals receiving CDHS services.**

Strategic Objective #10: Improve the level of physical, mental and social functioning of individuals receiving CDHS services.

*Office of Children, Youth, and Family Services, Division of Youth Corrections - Performance Measure*

- Improve the social functioning of committed youth by providing individualized treatment and supervision services; and maintain the recidivism rate for offenses committed prior to discharge below 35%.

Staff believes this performance measure is too broad and should be split into two separate performance measures. Additionally, while the recidivism rate prior to discharge is an appropriate performance measure that could stand on its own, staff feels that the Department could more clearly create a performance measure for improving social functioning. By itself, the portion dealing with improving social functioning is difficult to measure. Perhaps this could be more effectively measured by showing the percentage of committed youths that receive individualized treatment and supervision services.

**Questions for Department**

Staff recommends that the Committee discuss the following questions with the Department during the FY 2007-08 budget hearing:

1. How do your performance measures influence department activities and budgeting?
2. To what extent do the performance outcomes reflect appropriation levels?
3. To what extent do you believe that appropriation levels in your budget could or should be tied to specific performance measure outcomes?
4. As a department director, how do you judge your department's performance? What key measures and targets do you used?

**FY 2007-08 Joint Budget Committee Staff Budget Briefing**  
**DEPARTMENT OF HUMAN SERVICES:**  
**EXECUTIVE DIRECTOR'S OFFICE, CHILD WELFARE, AND YOUTH CORRECTIONS**

**ISSUE:**

The federal government conducted a review of Colorado's child welfare services and foster care programs for the first time in 2002. Colorado failed to achieve substantial compliance in a number of areas reviewed and continues to be out of compliance in four areas. Such noncompliance could result in the loss of federal funding in the amount of \$2.2 million.

**SUMMARY:**

- ❑ Pursuant to the federal Adoption and Safe Families Act of 1997, the federal government has identified specific outcome measures that will be used to determine whether states are complying with federal law and whether states' child welfare systems are meeting the needs of children and families.
- ❑ The federal government conducted a Child and Family Services Review (CFSR) for Colorado in 2002. Colorado was found to be in substantial compliance with six of seven systemic factors that affect the State's capacity to deliver services leading to improved outcomes. However, Colorado was only found to achieve substantial compliance with five of eleven specific outcome measures related to child safety, permanency, and child and family well-being.
- ❑ Like all states that have been reviewed to date, Colorado was required to submit and implement a Performance Improvement Plan (PIP) in order to avoid financial sanctions.
- ❑ Colorado has completed all of the action steps in its PIP but is still out of compliance with regard to four specific outcome measures. Such noncompliance could result in a federal sanction of \$2.2 million dollars in March 2007.
- ❑ The federal government has planned a second CFSR for Colorado that is expected to take place around January 2008. This review will benchmark Colorado against even higher outcome measures than the first review.

**RECOMMENDATION:**

Staff recommends that the Committee ask the Department at its hearing how it plans to accommodate for the likely sanction of \$2.2 million that will affect Title IV-B and Title IV-E dollars. Additionally, staff recommends that the Committee ask the Department how it plans to meet the additional requirements of the second Child and Family Services Review that is anticipated around the beginning of calendar year 2008.



## DISCUSSION:

**Background.** The nature of providing child welfare services requires child welfare agencies to find the right balance between child safety and family preservation. In the early 1970s, the pendulum nationally swung toward family preservation with many states implementing programs to provide intensive services to families in the home in order to prevent the need to remove children and place them in foster care. The shift in favor of family preservation continued with the passage of the federal Adoption Assistance and Child Welfare Act in 1980. A major goal of the Act was to prevent unnecessary separation of children from their families with a number of key reforms, including requiring states to make "reasonable efforts" to prevent foster care placements. The Act also sought to limit the time that children spend in foster care by encouraging states to undertake "permanency planning" to ensure that a permanent placement is achieved for each child, whether it is with the birth family or another suitable, permanent alternative. In spite of this legislation, federal Title IV-E spending<sup>1</sup> increased significantly during the eighties and early nineties as foster care placements continued to increase nationally.

While many states responded to federal efforts to encourage family preservation, the debate about the correct balance between child safety and family preservation continued. In some states, the "reasonable efforts" requirement was interpreted to mean that families should be preserved at all costs, even if such efforts required a child to remain in foster care for many years. Evaluations revealed long delays in the court process for terminating parental rights and making children eligible for adoption. Such delays were caused by staff shortages, poor communication between attorneys and caseworkers, poor training on the legal requirements for termination, lack of written procedures for termination actions, long searches for missing parents, and inefficient court procedures (e.g., continuances). A significant number of children in foster care nationally were awaiting adoption, and many children waited three to five years for an adoptive home.<sup>2</sup>

In response, Congress passed the Adoption and Safe Families Act (ASFA) in 1997. ASFA made significant changes to the federal Title IV-E program, attempting to streamline placement with changes that included clarifying the "reasonable efforts" requirements by:

- ▶ detailing instances in which states are not required to make such efforts;
- ▶ requiring states to initiate or join proceedings to terminate parental rights for children who have been in foster care for 15 of the most recent 22 months;

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<sup>1</sup> States earn Title IV-E matching funds for the maintenance costs of children in out-of-home care.

<sup>2</sup> Geen, Rob and Karen Tumlin. October 1999. *State Efforts to Remake Child Welfare: Responses to New Challenges and Increased Scrutiny*. Washington D.C.: Urban Institute. Occasional Paper Number 29.

- ▶ providing financial incentives for states to increase the number of adoptions; and
- ▶ reducing the time by which states are required to hold permanency hearings from 18 to 12 months after the date a child enters foster care.

One of the key principles of ASFA was a focus on results, requiring states to not only ensure that procedural safeguards are in place, but to determine whether their efforts are leading to positive outcomes for children and families. ASFA required the federal Department of Health and Human Services (DHHS) to identify useful outcome measures to evaluate states' progress in meeting the needs of children and families in the child welfare system. In January 2000, the federal DHHS issued final regulations governing foster care, adoption, and child welfare programs (Titles IV-B and IV-E of the Social Security Act). The new rules, which became effective March 27, 2000, provided further guidance for states in implementing both ASFA and the Multiethnic Placement Act<sup>3</sup>. The balance of this issue brief is devoted to a discussion of the outcome measures by which states are being measured and the results of the federal review of Colorado's foster care and child welfare systems.

***Child and Family Services Review.*** The federal DHHS was required to review each state's child welfare programs over a four-year period, from FFY 2000-01 through FFY 2003-04. Each state was examined in two areas: (a) outcomes for children and families related to safety, permanency, and child and family well being; and (b) systemic factors that have an impact on the state's capacity to deliver services. These reviews consisted of a statewide assessment and an on-site review to determine whether a state was in compliance with federal requirements.

In August 2002, the DHHS released its final report on the results of Colorado's Child and Family Services Review. The report findings of the review were based on the following:

- ✓ A statewide assessment prepared by the Department of Human Services;
- ✓ A state data profile prepared by the DHHS;
- ✓ Reviews of 50 case records in three counties (Denver, El Paso, and Morgan) conducted in June 2002; and
- ✓ Interviews and focus groups (conducted in all three counties) with state and local stakeholders.

The following table provides a summary of the data included in the report. Those items for which Colorado did not achieve substantial compliance at the time of the federal review (seven of the 18 items listed) are italicized. Staff has also included, where available, more recent data concerning Colorado's performance for various outcomes.

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<sup>3</sup> Passed in 1994 and amended in 1996, the Multiethnic Placement Act implemented provisions aimed at removing barriers to permanency for children in foster care and ensuring that adoption and foster placements are not delayed or denied based on race, color or national origin.

Outcome Measure / Description	Colorado Data		Compliance Standard
	Initial	FY 05-06	
<b>Safety</b>			
1a. Percentage of children experiencing more than one substantiated or indicated child maltreatment report within a six month period (statewide data).	2.7%	2.9%	6.1%
<i>1b. Percentage of children maltreated while in foster care by foster parents or facility staff (statewide data).</i>	0.73%	0.28%	0.57%
2. Percentage of cases in which the outcome of children being "maintained in their homes whenever possible and appropriate" was substantially achieved (based on 50 cases reviewed).	82.0%	n/a	90.0%
<b>Permanency</b>			
3a. Percentage of re-entries in foster care within 12 months of a prior foster care episode (statewide data).	19.3%	16.9%	8.6%
3b. Percentage of reunifications occurring within 12 months of entry into foster care (statewide data).	85.7%	77.9%	76.2%
3c. Percentage of adoptions finalized within 24 months of entry into foster care (statewide data).	49.5%	56.4%	32.0%
3d. Percentage of children in foster care for 12 months or less that had no more than two placement settings (statewide data).	86.9%	84.0%	86.7%
4. Percentage of cases in which the outcome of "continuity of family relationships and connections is preserved for children" was substantially achieved (based on 50 cases reviewed).	79.3%	n/a	90.0%
<b>Child and Family Well-being</b>			
5. Percentage of cases in which the outcome of "families have enhanced capacity to provide for their children's needs" was substantially achieved (based on 50 cases reviewed).	60.0%	n/a	90.0%
6. Percentage of cases in which the outcome of "children receive appropriate services to meet their educational needs" was substantially achieved (based on 50 cases reviewed).	91.3%	n/a	90.0%
7. Percentage of cases in which the outcome of "children receive adequate services to meet their physical and mental health needs" was substantially achieved (based on 50 cases reviewed).	61.0%	n/a	90.0%
<b>Systemic Factors</b>			
1. Statewide information system	Substantial Conformity (4/4)		
2. Case review system	Not in Substantial Conformity (2/4)		
3. Quality assurance system	Substantial Conformity (4/4)		
4. Training	Substantial Conformity (3/4)		

Outcome Measure / Description	Colorado Data		Compliance Standard
	Initial	FY 05-06	
5. Service array	Substantial Conformity (3/4)		
6. Agency responsiveness to the community	Substantial Conformity (4/4)		
7. Foster and adoptive parent licensing, recruitment, and retention	Substantial Conformity (3/4)		

The initial review determined that Colorado did not achieve substantial compliance with six of the seven safety, permanency, and well-being outcomes that were evaluated. The report also identified several specific concerns associated with the various areas of noncompliance, including the following:

- The State is inconsistent in achieving permanency for children in foster care. While the State has made gains in expediting permanency for children under age six through the Expedited Permanency Planning project, the same attention has not been given to attaining permanency for older children in foster care.
- The State's incidence of maltreatment in foster care may be attributed to an increase in the number of delinquents that are entering out-of-home care and the improper use of physical restraints in institutions.
- Stakeholders expressed concern regarding the number of placement changes that children in foster care experience, particularly older youths with mental health and developmental disabilities and younger children with severe behavioral problems. The report suggested that additional training for foster parents regarding mental health issues and developmental disabilities may be appropriate.
- The report noted stakeholder concerns that some agencies do not actively seek adoptive homes for children due to their ethnicity, age, or disability.
- The report noted a lack of consistency in promoting children's relationship with their noncustodial fathers.
- Many children do not receive either routine preventative dental services or needed dental services due to delays in receiving Medicaid cards and a lack of providers who will accept Medicaid payments.

With respect to systemic factors that directly affect the capacity to deliver services leading to improved outcomes, Colorado was found to be in substantial compliance with all but one factor: the State's case review system. The report indicated that many parents are not involved in the case planning process, particularly fathers. The report also noted concerns with the timeliness of hearings for children in foster care, and the fact that the court does not

have jurisdiction, by State law, to conduct permanency hearings for children in foster care following a commitment to the Division of Youth Corrections.

Of the states reviewed in 2001 and 2002, all have had to submit a performance improvement plan, indicating that none "passed" all components evaluated during the reviews. Federal staff have worked with states to develop plans for making improvements in programs before assessing penalties and withholding funds. However, if a state remains in noncompliance, a financial penalty based on the extent of noncompliance will be assessed.

**Performance Improvement Plan (PIP).** On October 10, 2003, the Department submitted its Performance Improvement Plan in response to the federal Child and Family Services Review in 2002. Within each outcome measure domain (safety, permanency, and child and family well-being), the Department established broad goals designed to improve Colorado's performance on the specific outcome measures. In addition, the Department created specific action steps to reach the broader goals. The table below illustrates the goals and action steps associated with the outcome measure domains as well as the current level of achievement for each specific action step. Staff notes that not all achieved action steps have been included in the table.

<b>Goals, Action Steps, and Performance of PIP</b>			
<b>Outcome Domain</b>	<b>Goals</b>	<b>Action Steps</b>	<b>Achievement</b>
<b>Safety</b>	Children are first and foremost protected from abuse and neglect.	85% of reports of maltreatment will receive a face-to-face observation of the child within the assigned time frame.	Achieved 9/30/2004
		Percentage of children who experience abuse and/or neglect in foster care will decrease to .57%.	Achieved 9/30/2004
	Children are safely maintained in their homes whenever possible and appropriate.	95% of Family Services Plans will contain a description of specific services that address the needs of the children.	Achieved 12/31/2004
		75% of Safety Plans will address the issues identified in the Safety Assessment.	Completed 6/2/2004 but training is ongoing
<b>Permanency</b>	Children have permanency and stability in their living situation.	No more than 17% of children will experience re-entry into foster care within a 12-month period.	<i>Goal was achieved at 16.9% but continues out of compliance with federal standard</i>

<b>Goals, Action Steps, and Performance of PIP</b>			
<b>Outcome Domain</b>	<b>Goals</b>	<b>Action Steps</b>	<b>Achievement</b>
		For 76% of children who experience change of placement, the change will be directly related to helping the child achieve his/her goal in the case plan.	<i>This measure continues out of compliance at 58.2%.</i>
		96% of children in foster care will have an appropriate permanency goal.	Achieved 3/1/2005
	The continuity of family relationships and connections is preserved for children	81% of the children legally free for adoption will have an adoptive family identified.	Achieved 11/1/2006
		93% of the Independent Living cases will reflect diligent efforts to prepare youth for emancipation.	<i>This measure continues out of compliance at 90.5%.</i>
		96% of case records address maintaining familial and cultural connections.	<i>This measure continues out of compliance at 93.0%.</i>
<b>Child and Family Well-Being</b>	Families will have the enhanced capacity to provide for their children's needs.	Services will address the mothers' and children's needs 95% of the time and the fathers' needs 91% of the time.	Achieved 9/1/2004
		97% of parents and children interviewed will be involved in case planning.	Achieved 3/1/2004
		90% of monthly visits with the child will be fact-to-face.	<i>This measure continues out of compliance at 84.2%.</i>
	Children will receive appropriate services to meet their educational, physical, and mental health needs.	86% of initial health assessments of children in foster care will be done in a timely manner.	<i>This measure continues out of compliance at 83.2%.</i>
		94% of children in foster care will have health needs identified and services provided.	<i>This measure continues out of compliance at 90.0%.</i>

Of the 7 outcomes and 7 systemic factors upon which states were reviewed, Colorado's Program Improvement Plan addressed 6 outcomes and 1 systemic factor. As of October 2005, Colorado had completed all of the action steps in the Program Improvement Plan.

Although the action steps have been completed, Colorado is still short of the agreed upon goals on 7 items that continue to put the state out of compliance on the following four outcome measures:

1. *Percentage of re-entries in foster care within 12 months of a prior foster care episode.* Colorado is out of compliance with this outcome measure because the federal standard is 8.6 percent, and Colorado has only reached a level of 16.9 percent.
2. *Percentage of cases in which the outcome of "continuity of family relationships and connections is preserved for children" was substantially achieved.* Colorado is out of compliance with this outcome measure because of its inability to meet the goals associated with having children who are in the Independent Living program prepared for emancipation and ensuring that case records address maintaining familial and cultural connections.
3. *Percentage of cases in which the outcome of "families have enhanced capacity to provide for their children's needs" was substantially achieved.* Colorado is out of compliance with this outcome measure due to its inability to achieve the goal of having monthly face-to-face meetings with children 90 percent of the time.
4. *Percentage of cases in which the outcome of "children receive adequate services to meet their physical and mental health needs" was substantially achieved.* Colorado is out of compliance with this outcome measure because it is unable to meet the goals of having 86 percent of initial health assessments done in a timely manner and 94 percent of children in foster care with identified health needs and services provided.

**Goals Out of Compliance.** As mentioned, Colorado is out of compliance with regard to 7 action steps within its Performance Improvement Plan. The following details each action step that is out of compliance and the activities being done by the Department to remedy such noncompliance.

Stability of Foster Care: This action step attempts to assure that the placement change children experience while in foster care is in line with their case plans. Colorado's goal is 76 percent, but its performance for the period 1/1/06 through 9/30/06 was 58.2 percent. This item has evaluated the reason for the children's moves from the perspective of the child and has not addressed the efforts of the county to address the child's changing issues and needs. Therefore, each unplanned move or move that might be more restrictive was seen as a move not in line with the child's case plan.

Colorado has attempted to negotiate a different means of measuring this item; however, the Children's Bureau did not approve this change. Although the State is out of compliance with regard to this measure, many counties are attempting to address this issue by implementing a team decision-making process whenever a child has to experience a move. The following anecdotal positive outcomes have been reported by these counties: (1) more success in the foster home; (2) more access to resources; (3) better understanding of the issues; (4)

community involvement in the family's success; (5) less adversarial interactions; (6) fewer children in congregate care; and (7) more effective use of families

Because of the success experienced in the use of a team decision-making process, technical assistance from the State, Denver County, and the Annie E. Casey Foundation is being provided to have 36 counties implementing this process by 2009.

Other Planned Permanent Living Arrangement: This action step attempts to assure that diligent efforts are made to prepare youth for emancipation. Colorado's goal is 93 percent, but the statewide performance for this item was 90.5 percent for the period 1/1/06 through 9/30/06. Noncompliance continues to be largely caused by Independent Living ("IL") plans not being done for youth who are sixteen years and older who do not have emancipation as a permanency goal. In a separate analysis of youth with the goal of emancipation, the data shows that 91.4 percent of these youth have an IL plan as part of their case plan, with the reason for noncompliance mostly being that a youth signature is absent. Another part of this measurement looks at whether these youth are receiving IL services sufficiently to address their needs. Over the past 6 months this has been achieved 93 percent of the time.

To help improve performance on this action step, the Department has stated that the following will occur:

- Ongoing discussions with counties as to the resolution of the above problems;
- Addressing the problems at the Adolescent Supervisors' Roundtable quarterly meetings by the Adolescent Services Administrator;
- Five sessions of training on the Family Services Plan Section 4D, Permanency, and Independent Living Plan (ILP) for Youth Transitioning to Self-Sufficiency.

Focus on this item and the reasons for noncompliance will continue to be addressed at future meetings and activities, including the following trainings:

- Permanency and Independent Living Planning, including a one-day "Permanency Summit" on November 6-7, 2006;
- Ansell-Casey Life Skills Assessment Certification, planned for three days with the dates to be determined.

Preserving Connections: This action step attempts to assure that the Family Services Plan, and services provided, including foster placements, take into account the unique characteristics of the child and family. Colorado's goal is 96 percent, but the statewide performance for this action step for the period 1/1/06 through 9/30/06 was 93 percent.

The state Child Welfare efforts to help counties improve their performance on this action step include the following:

- An emphasis on localized family foster care in foster care/kinship meetings.



- Training for county departments and Child Placement Agencies (CPAs) regarding kinship and strategies to work with Latino/Hispanic families and their communities that include youth perspectives.
- Training and technical assistance provided to counties regarding outreach to fathers and the paternal side of the family.
- Training and technical assistance around the needs of visitation for appropriate developmental growth of children (also provided to judicial staff).

Further, counties continue to review their kinship policies and practices, counties receiving PSSF funds have developed plans to improve the placement of siblings together, and when out-of-home placement is necessary, counties are making efforts to place children within their own neighborhoods, communities, and counties. The Department supports a focus for public and private agencies on strategies to work with, recruit, and establish support for Latino families in their communities to achieve permanency for children who are placed in their homes.

Worker Visits With the Child: This action step attempts to assure that when the county department has an open case, monthly face-to-face contacts occur with children in foster care as well as with children living in their homes. Colorado's goal is 90 percent, but the statewide actual performance for the period 1/1/06 through 9/30/06 was 84.2 percent. Counties continue to struggle to meet the revised State rule requiring monthly face-to-face contact with children who live in their homes.

Upon further analysis of this action step, it was found that counties are considered to be out of compliance if they fail to have contact on a monthly basis. If a caseworker makes monthly contact with a child three out of three months, then the performance standard is met at 100 percent. If the same caseworker misses one month the compliance percentage is 0 percent rather than 66.7 percent (two out of three).

The data to establish a baseline for the number of individual contacts is currently being calculated. This will be compared to current and past performance. Upon completion, this will be presented to the regional office for approval as the measure for contacts with children.

Timely Initial Health Assessments: This action step attempts to assure that children with open cases receive timely initial health and dental assessments. The goal is 86 percent for this action step, but the statewide performance for the period 1/1/06 through 9/30/06 was 83.2 percent. Efforts by state Child Welfare staff continue to assess the systemic issue of lack of access to physicians and dentists taking Medicaid by working with the Department of Health Care Policy and Financing, and other program staff, divisions, and departments.

Strategies to address this item include quarterly updates on the state Child Welfare website of the current Medicaid physicians and dentists, including a direct link to the Medicaid medical and dental providers page, and updates on Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) information and health resources. This information is available to county departments, providers, community partners, and the general public.

It is also anticipated that new law 43 U.S.C. 1396a, requiring the production of a birth certificate in order to receive Medicaid coverage, could present a barrier to achieving this goal. A process is being developed in which counties that are continuing to do well in ensuring that medical needs are identified and addressed can provide technical assistance for the rest of the State. Finally, the Administrative Review Unit will develop a baseline of the number of children receiving in-home services who have medical needs identified in their Assessment, Safety Plan, or Family Service Plan that are having their physical needs addressed through identified services.

Health Needs Identified and Services Provided: This action step attempts to assure that children's health needs are identified, and that health services are provided on a regular basis. The goal for this item is 94 percent, but performance was at 90 percent as of 09/30/06. Noncompliance by seven of the 10 large counties (Boulder, Denver, El Paso, Jefferson, Larimer, Pueblo, and Weld) continues to negatively impact statewide compliance. Although state Child Welfare strategies continue to be implemented and the Department continues to support legislation that contribute to a more accessible and responsive Medicaid system across the State, helping counties find ways of implementing the requirements of 43 USC 1396a has become a priority.

Ongoing dental services have been the issue that keeps this item out of compliance. While the provision of health care services is consistently around 94 percent, dental care has been around 86 percent. The following activities are designed to help counties come into compliance on this action step:

- An information table regarding EPSDT was maintained at the Child Welfare Conference in May 2006. The opportunity to obtain updated information was well received and was visited by nineteen conference attendees on the one day that the table was available. Brochures were provided in both English and Spanish.
- Training was provided on EPSDT at the Colorado Foster Parent Association Conference in October 2006. The training included information on EPSDT benefits and access, eliminating confusion about the availability of EPSDT benefits for orthodontia, transportation, and medical appliances, and determining what misconceptions and difficulties foster parents and caseworkers have about EPSDT benefits.
- State child welfare and EPSDT are collaborating on a series of informational sessions at county human/social services departments to provide information on EPSDT to caseworkers, supervisors, and administrators. Boulder County hosted the first of these sessions on July 19, 2006, and more are scheduled.

**Potential Sanctions.** Based upon the goals not being met on the above items, the potential sanctions that Colorado faces could be up to \$2.2 million. This is based upon a formula that establishes a pot of Title IV-E and Title IV-B funds against which the sanctions are applied. The pot includes: (1) Title IV-B funds that have been issued while the State has been out of compliance; and (2) 10% of the Title IV-E foster care administrative costs while the State

has been out of compliance. The sanctions could be 1% of the pot for each outcome found to be out of compliance and can be applied for each year since the PIP was approved.

In addition, the federal government is beginning to schedule a second round of Child and Family Services Reviews. This review will benchmark Colorado (and every other state) against even higher compliance standards. Colorado has not been officially scheduled for its second review; however, the expected review date is around January 2008.

**FY 2007-08 Joint Budget Committee Staff Budget Briefing**  
**DEPARTMENT OF HUMAN SERVICES:**  
**EXECUTIVE DIRECTOR'S OFFICE, CHILD WELFARE, AND YOUTH CORRECTIONS**

**ISSUE:**

The redesign of Residential Treatment Centers (RTCs) to Psychiatric Residential Treatment Facilities (PRTFs) and Treatment Residential Child Care Facilities (TRCCFs) may require a supplemental appropriation due to unexpected levels of placements in PRTF and TRCCF care.

**SUMMARY:**

- ❑ The federal Centers for Medicare and Medicaid Services (CMS) informed the State that it can no longer bill Medicaid for 10 of the 13 service components in the state Medicaid plan related to RTCs, and that the State needs to replace the daily rate methodology with a fee-for-service methodology for RTCs that are not licensed and certified as Psychiatric Residential Treatment Facilities (PRTFs).
- ❑ The Department of Human Services developed a continuum of care model and the General Assembly passed H.B. 06-1395 to address the federal concerns with the State's Medicaid billing methodology. This new system eliminated the RTC option and replaced it with the Treatment Residential Child Care Facility (TRCCF). In addition, the continuum model and H.B. 06-1395 include Psychiatric Residential Treatment Facilities, which provide the highest level of care for children placed out-of-home.
- ❑ The continuum of care model estimated a higher number of placements in PRTF care than has been observed in the first quarter of FY 2006-07. As a result, an increased level of placements have occurred in TRCCFs, which may result in the need for supplemental funding.

**RECOMMENDATION:**

Staff recommends that the Committee discuss the following issues related to the PRTF transition and the continuum of care model with the Department at its hearing:

- If placement levels continue at the current levels, what is the Department's estimate of the funding shortfall?
- Given the low number of children placed in PRTFs, does the Department feel it is necessary to have that level of care? Should we abandon Medicaid altogether?
- Where are the children within Child Welfare that are not in PRTF or TRCCF care being placed (of those that were anticipated to be placed in PRTF or TRCCF care)?

## **DISCUSSION:**

***Establishment of the RTC Program.*** Prior to the establishment of the residential treatment center program in 1994, children in the custody of county departments of social services received intensive mental health services in psychiatric hospitals and residential child care facilities (RCCFs). In 1992, the General Assembly statutorily authorized the Department of Social Services (which administered both the Medicaid program and child welfare programs) to conduct a feasibility study concerning the use of federal Medicaid funds to pay for mental health treatment services for youth placed in residential care. In June 1994, the Department implemented the residential treatment center (RTC) program by adding mental health treatment services provided by RCCFs as a "rehabilitative service" benefit<sup>4</sup> under the state Medicaid plan.

Youths in the custody of both county departments of social services and the Division of Youth Corrections were placed in RTC care. In December 1994, 28 existing RCCFs were certified as RTCs, and 573 children with mental health diagnoses were placed in RTC care. Senate Bill 95-78 extended the RTC program indefinitely. When the mental health capitation program was subsequently implemented, Medicaid-eligible children in the custody of county departments of social services were "carved out" of the mental health capitation program. Largely as a result of the implementation of a system of managed care in the mental health system, the number of children placed in the state Mental Health Institutes and the length of stay for children placed at the Institutes declined dramatically. This shift increased the level of care required for many children served by the child welfare system, particularly for children placed in RTC care.

***State Plan Amendments.*** The state rules associated with the RTC program (originally adopted by the Medical Services Board in June 1994 and subsequently amended), included details concerning the determination of client eligibility, facility policies and procedures, resident rights, client service plans, and RTC rates and reimbursement. The state Medicaid plan also included a provision that simply defined "rehabilitative services" to include services provided by RTCs that were licensed and met state standards and regulations. In March 2005, the Department of Health Care Policy and Financing (DHCPF) submitted two state Medicaid plan amendments (05-001 and 05-002) concerning the RTC program. These amendments would: (1) add more detail to the state Medicaid plan concerning the various components that are included in RTC treatment services and the method for establishing RTC rates; and (2) create an additional Medicaid payment for government RTCs.

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<sup>4</sup> Under federal law (42 U.S.C. 1396a and 1396d), a state's Medicaid plan must provide for making certain types of medical care and services available (e.g., inpatient and outpatient hospital services, physicians' services, etc.), and it may provide for making other types of medical care and services available. The list of optional medical services includes "other diagnostic, screening, preventive, and rehabilitative services, including any medical or remedial services (provided in a facility, a home, or other setting) ... for the maximum reduction of physical or mental disability or restoration of an individual to the best possible functional level".

***Federal Response to State Plan Amendments.*** The DHCPF received a response from the federal Centers for Medicare and Medicaid Services (CMS) on April 22, 2005. The CMS letter raised two significant issues concerning treatment rates. First, the letter indicated that 10 of the 13 service components identified in the state plan amendment did not constitute rehabilitative services and must be removed. Second, the letter indicated that the state needed to replace the daily rate methodology with a fee-for-service methodology for RTCs that are not licensed and certified as Psychiatric Residential Treatment Facilities (PRTFs). The DHCPF indicated that only nine of the 51 existing RTCs hold such a license.

***Recent Developments.*** The Department of Human Services has developed a continuum of care model with input from counties and RTC providers to address the federal concerns regarding the funding of RTC care. This new system has eliminated the RTC option and replaced it with the Treatment Residential Child Care Facility (TRCCF). In addition, the continuum model includes Psychiatric Residential Treatment Facilities (PRTFs), which provide the highest level of care for children placed out-of-home (a step below inpatient hospitalization). The specific characteristics of TRCCFs and PRTFs are outlined below.

1. ***Psychiatric Residential Treatment Facility (PRTF):*** Under the continuum model, the PRTF is designed as the highest level of care for children with mental health issues in the Child Welfare and Division of Youth Corrections systems. This care is reserved for children who: (1) have one of thirteen high-level mental disorders; (2) have some impairment in reality testing, communication, or work, school, or family relations; (3) have been determined by a physician to require the high level of care; and (4) are expected to improve their current condition or prevent further regression with PRTF treatment.

The Department of Human Services did not anticipate that a large population of children would qualify for placement in a PRTF. Based on assessments of children in RTC care, the Division of Child Welfare estimated that approximately 92 youths would be eligible for placement in a PRTF (seven percent), while the Division of Youth Corrections approximated that 14 its youths would be eligible (four percent). Due to increased levels of staffing, accreditation, training, and treatment, PRTF placements demand a higher daily rate. However, this higher level of treatment also allows the State to earn Medicaid dollars on both the treatment and room and board components of a PRTF. This structure has resulted in the State's ability to earn more federal funds, albeit for a smaller proportion of children, than was available under the RTC structure.

2. ***Treatment Residential Child Care Facilities (TRCCF):*** As mentioned above, the continuum model replaces the RTC with the TRCCF. The TRCCFs are allowed to bill Medicaid, fee-for-service, for 31 allowable treatments. Reimbursements for these treatments range from \$4.20 for 15 minutes of group therapy to \$96.47 for 75 to 80 minutes of individual therapy. All other treatment is funded through General Fund and local funds, although a few services (described below) are eligible for federal Title IV-E dollars.

The TRCCF structure provides the following services: (1) Basic child care, which is Title IV-E eligible because it qualifies as case management; (2) Daily living environment services provided to all residents, such as behavior management and recreation, which are not Title IV-E eligible and are funded through General Fund and local funds; (3) Optional therapeutic services, such as offense specific services and art therapy, which is also funded through General Fund and local funds; and (4) Medicaid funded fee-for-service treatments.

***Estimate of Transition Costs for the Division of Child Welfare.*** The Division of Child Welfare estimated that approximately seven percent of children in RTC placements would qualify for placement in a PRTF. The estimated average daily population in RTCs for FY 2006-07 was 1,345; therefore, 92 children would be eligible for placement in a PRTF under the Child Welfare estimates while 1,253 would be placed in TRCCF care.

<b>Estimate of Child Welfare Cost to Transition from RTC to Continuum of Care</b>				
	<b>General Fund</b>	<b>Local Funds</b>	<b>Federal Funds</b>	<b>TOTAL</b>
Estimated FY 2005-06 RTC Expenditures	\$28,501,217	\$5,378,985	\$29,351,372	\$63,231,574
Estimated FY 2006-07 PRTF Expenditures	5,037,000	0	5,037,000	10,074,000
Estimated FY 2006-07 TRCCF Expenditures	<u>53,263,981</u>	<u>6,171,564</u>	<u>14,206,900</u>	<u>73,642,445</u>
TOTAL Estimated FY 2006-07 Continuum of Care Costs	58,300,981	6,171,564	19,243,900	83,716,445
<b>Difference - RTC and Continuum of Care</b>	<b>\$29,799,764</b>	<b>\$792,579</b>	<b>(\$10,107,472)</b>	<b>\$20,484,871</b>

Staff notes the following regarding cost assumptions and the figures used to estimate the impact on funding sources in the Division of Child Welfare:

- FY 2005-06 RTC expenditure figures represent a statewide average cost of \$128.80 per child per day. Under the continuum of care model, the average cost per child per day in TRCCF care was estimated at \$172.08.
- The PRTF rate was approximated at \$300.00 per day, which represented an average of PRTF costs in surrounding states, according to the Department of Human Services.
- Local share costs in the continuum of care model were estimated at 6.0 percent of the daily maintenance and service rates for PRTFs and TRCCFs.

**Estimate of Transition Costs for the Division of Youth Corrections.** The Division of Youth Corrections (DYC) estimated that four percent of juveniles in RTC placement would qualify for placement in a PRTF. Unlike the Division of Child Welfare, there was no opportunity to fund expenses through eligible federal programs. Instead, General Fund dollars accounted for all additional costs. The average daily population of DYC youth in RTC placements was estimated at 355.1 for FY 2006-07. Therefore, the table below assumes a PRTF level of 14.2 children from the DYC system. The remainder (340.9) were expected to be placed in TRCCFs with fee-for-service options.

<b>Estimate of DYC Cost to Transition from RTC to Continuum of Care</b>			
	<b>General Fund</b>	<b>Federal Funds</b>	<b>TOTAL</b>
Estimated FY 2005-06 RTC Expenditures	\$11,646,231	\$7,275,074	\$18,921,305
Estimated FY 2006-07 PRTF Expenditures	777,450	777,450	1,554,900
Estimated FY 2006-07 TRCCF Expenditures	<u>21,453,660</u>	<u>1,181,631</u>	<u>22,635,291</u>
TOTAL Estimated FY 2006-07 Continuum of Care Cost	22,231,110	1,959,081	24,190,191
<b>Difference - RTC and Continuum of Care</b>	<b>\$10,584,879</b>	<b>(\$5,315,993)</b>	<b>\$5,268,886</b>

Staff notes the following regarding cost assumptions and the figures used to estimate the impact on funding sources in the Division of Youth Corrections:

- General Fund and federal funds are the only available funding sources for DYC expenditures. There is no county share for these costs.
- The PRTF rate was approximated at \$300.00 per day, which represented an average of PRTF costs in surrounding states, according to Department of Human Services.
- The average cost per child per day in RTC placements within the DYC system for FY 2005-06 was estimated at \$164.10. The estimated average cost per child per day for the fee-for-service TRCCFs is \$179.30.

**H.B. 06-1395.** This bill was introduced by the Joint Budget Committee and subsequently adopted by the General Assembly during the 2006 session. It includes the following provisions regarding residential child health care:

- Defines psychiatric residential treatment facility (PRTF) for purposes of the program for residential child health care;
- Authorizes the program for residential child health care to provide services to Medicaid-eligible children residing in PRTFs;
- Requires the Medical Services Board to define in rule the staff permitted to order, monitor, and assess seclusion and restraint in PRTFs, and the corresponding restrictions on the use of seclusion and restraint;



- For both FY 2006-07 and FY 2007-08, specifies that the 20 percent county share shall be reduced to the county's FY 2004-05 actual contribution;
- On or before February 15, 2008, requires the Department of Human Services, in collaboration with the Child Welfare Allocation Committee, to submit recommendations to the Joint Budget Committee on a county share for the actual cost of providing PRTF and TRCCF care for FY 2008-09 and each fiscal year thereafter;
- Specifies that services provided in a residential child care facility by a provisional licensee to Medicaid-eligible children shall receive Medicaid reimbursement only if approved by the federal government;
- **Authorizes the Department to seek supplemental funding related to the implementation of the placement of children in a residential child health care program for both FY 2006-07 and FY 2007-08;**
- Defines residential child care facility to include community-based residential child care facilities, shelter facilities, and therapeutic residential child care facilities (TRCCFs);
- Establishes a provisional license for specified mental health professionals who are working in residential child care facilities; and
- Specifies that a provisional license shall be issued for a 2-year period.

*PRTFs and TRCCFs.* At this time, there are 7 agencies (12 facilities) that have been deemed and licensed as PRTFs. Four of these agencies are accepting referrals and placing children in the PRTF level of care. Two of the four facilities do not carry dual designations as a PRTF and a TRCCF, making counties reluctant to place in those facilities as the options to transition the child to a lower level of care within the facility are significantly limited.

Not all providers who are deemed PRTFs are operating as PRTFs due to federal guidance regarding the program and other issues. The issues and information are as follows:

- The Department has been meeting with the Center for Medicare and Medicaid Services (CMS) and the Department of Health Care Policy and Financing staff regarding the need for the PRTF level of care to operate as a separate program in those facilities that carry both PRTF and TRCCF designations. Since PRTF care is funded by a Medicaid daily rate while TRCCF care is not, there is a need to physically separate one level of client from another. Many of the current facilities have not been able to designate a separate wing, building, floor or pod as a PRTF.
- Another issue that is impacting providers' ability to implement the program is the requirement to have nursing staff available in the program 24 hours a day seven days a week.
- The county demand for PRTF care has not been fully defined; therefore, providers are not able to commit to operating the high cost program without some agreement that beds will be filled.
- An issue the PRTF facilities have had to address is the prohibition against all personal restraints in the prone position for children in this level of care. This is a decision Colorado made in response to deaths that have occurred in

residential settings (child and adult) during restraint. There is a committee comprised of residential providers, state staff, county personnel, Medicaid staff, Division of Youth Corrections staff, medical personnel, and a representative from the Legal Center currently addressing this issue.

The remaining facilities are operating as TRCCF's. For the most part, providers have made the transition to becoming PRTF's and TRCCFs relatively smoothly. TRCCF providers have had to address the issue of using licensed staff for all fee-for-service Medicaid therapies. This has been a difficult transition; however, it appears that most providers are successfully making the transition.

The facilities that are currently licensed as PRTFs and TRCCFs are as follows:

1. *Adolescent and Family Institute of Colorado.* This facility is licensed as a PRTF only and is currently taking referrals and placing children.
2. *Colorado Boys Ranch.* This facility is also licensed as a PRTF only and is currently taking referrals and placing children.
3. *Cedar Springs.* This facility is licensed as both a TRCCF and a PRTF and is currently taking referrals and placing children in both.
4. *Devereux.* This facility is licensed as both a TRCCF and a PRTF and is currently taking referrals and placing children in both.
5. *El Pueblo.* This facility is licensed as both a TRCCF and a PRTF but is currently not taking PRTF referrals. No PRTF placements have been made at this facility at this time.
6. *Griffith Centers.* The facilities at Larkspur and Colorado Springs are licensed as both PRTFs and TRCCFs. All other facilities are licensed as TRCCFs only. These facilities are currently not taking PRTF referrals and no PRTF placements have been made at this time.
7. *Turning Point.* All five facilities are licensed as PRTFs and TRCCFs. However, all facilities are currently functioning as TRCCFs and are not taking any referrals for PRTF placements at this time.

**Costs.** The costs have been higher than projected for PRTF care. It was originally estimated that the cost would be \$300 per day for PRTF placements. However, based on an actuarial study, the rate for PRTF placements has been set at \$385 per day. In addition, fewer children have been placed in PRTF care than predicted. As of October, 2006, there were only nine children placed at the PRTF level of care (one from DYC and eight from Child Welfare), compared with the to than 106 placements that were anticipated from both Child Welfare and DYC. Since the number of youths in PRTFs is much lower than projected, there has not been an impact related to the higher daily rate thus far.

The costs of the fee-for-service portion of TRCCF care have been lower than predicted, largely due to less being billed to Medicaid for treatment than expected. The Department projected that fee-for-service treatment per placement would cost an average of \$23.94 per day for Child Welfare and \$18.72 per day for DYC. However, the current usage is approximately \$13.60 per day for Child Welfare and \$12.25 per day for DYC. In addition,

although the Child Welfare placements in TRCCF care have been less than anticipated at 1,030, the DYC placements have been higher at 395. Many of the youths projected to be served in PRTFs are being served in TRCCFs.

As mentioned, the PRTF daily rate is \$385 compared to a statewide average TRCCF rate (without fee-for-service) of \$144.29. The daily rate for a PRTF placement is paid through the Department of Health Care Policy and Financing and is 50 percent General Fund and 50 percent federal Medicaid funds. However, the daily rate for a TRCCF placement (\$144.29) is entirely comprised of General Fund and local funds. Therefore, it is less expensive for counties, in terms of General Fund, to place children in TRCCF placements rather than PRTF placements (\$144.29 compared with \$192.50). This may be one reason that the level of PRTF placements has not been consistent with the Department's estimate when the PRTF redesign was taking place.

The following tables illustrate a comparison between the estimated costs to transition from RTC care and the actual current costs for the first quarter of FY 2006-07 annualized for the entire fiscal year.

<b>Estimate of Child Welfare Cost to Transition from RTC to Continuum of Care Compared to Current Costs</b>				
	<b>General Fund</b>	<b>Local Funds</b>	<b>Federal Funds</b>	<b>TOTAL</b>
Estimated FY 2006-07 PRTF Expenditures	\$5,037,000	\$0	\$5,037,000	\$10,074,000
Estimated FY 2006-07 TRCCF Expenditures	<u>53,263,981</u>	<u>6,171,564</u>	<u>14,206,900</u>	<u>73,642,445</u>
TOTAL Estimated FY 2006-07 Continuum of Care Cost	58,300,981	6,171,564	19,243,900	83,716,445
Current PRTF Expenditures	528,374	33,726	562,100	1,124,200
Current TRCCF Expenditures	<u>48,490,482</u>	<u>2,931,959</u>	<u>11,060,449</u>	<u>62,482,890</u>
Total Current Annualized Cost	49,018,856	2,965,685	11,622,549	63,607,090
<b>Difference - Continuum of Care Estimate and Current Costs</b>	<b>(\$9,282,125)</b>	<b>(\$3,205,879)</b>	<b>(\$7,621,351)</b>	<b>(\$20,109,355)</b>

Staff notes the following regarding cost assumptions and the figures used to estimate the impact on funding sources in the Division of Child Welfare:

- The actual daily rate for PRTF care is set at the actuarial rate of \$385, which is funded with 50 percent General Fund and 50 percent federal funds (Medicaid).
- The actual daily rate for TRCCF care is set at \$166.20, which includes a maintenance rate of \$152.60 and a fee-for-service rate of \$13.60.

<b>Estimate of DYC Cost to Transition from RTC to Continuum of Care Compared with Current Costs</b>			
	<b>General Fund</b>	<b>Federal Funds</b>	<b>TOTAL</b>
Estimated FY 2006-07 PRTF Expenditures	\$777,450	\$777,450	\$1,554,900
Estimated FY 2006-07 TRCCF Expenditures	<u>21,453,660</u>	<u>1,181,631</u>	<u>22,635,291</u>
TOTAL Estimated FY 2006-07 Continuum of Care Cost	22,231,110	1,959,081	24,190,191
Current PRTF Expenditures	70,263	70,263	140,525
Current TRCCF Expenditures	<u>24,034,693</u>	<u>883,072</u>	<u>24,917,765</u>
Total Current Annualized Cost	24,104,956	953,334	25,058,290
<b>Difference - Continuum of Care Estimate and Current Costs</b>	<b>\$1,873,846</b>	<b>(\$1,005,747)</b>	<b>\$868,099</b>

Staff notes the following regarding cost assumptions and the figures used to estimate the impact on funding sources in the Division of Youth Corrections:

- The actual daily rate for PRTF care is set at the actuarial rate of \$385, which is funded with 50 percent General Fund and 50 percent federal funds (Medicaid).
- The actual daily rate for TRCCF care is set at \$172.83, which includes a maintenance rate of \$160.58 and a fee-for-service rate of \$12.25.

**Supplemental.** Based on the above estimates, it appears that DYC may need a supplemental appropriation of almost \$1.9 million General Fund if the current placement levels continue for the remainder of the fiscal year. This is primarily due to the larger number of children placed in TRCCF care than projected. In addition, although Child Welfare is estimated to be over-appropriated for the fiscal year, the number of children placed in both PRTF and TRCCF care have been much less than predicted. If the number of children served in PRTFs and TRCCFs increases over the course of the fiscal year, Child Welfare may need a supplemental appropriation as well.

**County Concerns.** At least one county has expressed concerns over whether the unexpended General Fund portion of the appropriation for Child Welfare Services to the Department of Health Care Policy and Financing will be available to counties to cover Child Welfare expenditures that are not eligible for Medicaid reimbursement. These Medicaid funds are appropriated for placement of children in PRTFs. Prior to the transition to PRTFs, this appropriation was used to fund the Medicaid portion of RTC placements. Historically, counties were able to transfer the General Fund portion of the Medicaid RTC appropriation when Medicaid-eligible expenditures were lower than anticipated. Of course, the federal portion that went unspent was lost.

The concern from counties is that, under the new PRTF redesign, the Medicaid appropriation will be dedicated to only PRTF placements; therefore, any unspent General Fund would not be available for use elsewhere within Child Welfare. Counties believe that such a practice may encourage them to keep children in more expensive and restrictive PRTF care in order to avoid having to revert the Medicaid General Fund dollars. However, this would contravene the best practice of placing children in the least restrictive environment.

The Department has indicated that this is not the case with regard to unspent Medicaid General Fund dollars allocated for PRTF placements. According to the Department, as long as the funds are in the Child Welfare Block (which includes the Medicaid General Fund appropriation), counties have the ability to expend the funds without categorical restriction.

***Provider Concerns.*** Some providers have expressed concerns that they have not received the 3.25 percent provider rate increase that was authorized in footnote in the FY 2006-07 Long Bill. Footnote No. 51 states:

**Department of Human Services, Division of Child Welfare, Child Welfare Services** -- Pursuant to section 26-5-104 (6), C.R.S., counties are authorized to negotiate rates, services, and outcomes with child welfare service providers and are thus not required to provide a specific rate increase for any individual provider. This provision does not apply, however, to Medicaid treatment rates. The funding appropriated for this line item includes an increase of \$10,336,198 based on a 3.25 percent increase in funding for county staff salaries and benefits and a 2.0 percent increase in community provider rates and Medicaid treatment rates. The purpose of this increase is to provide counties and tribes with additional funds to increase community provider rates and to pay for increases in Medicaid treatment rates.

Staff notes that Footnote No. 51 should state that the funding appropriated to the Child Welfare Services line item includes a *3.25 percent* increase in community provider rates, rather than a 2.0 percent increase. The JBC received a memo from staff dated June 20, 2006 detailing this technical error.

As mentioned in Footnote No. 51, Section 26-5-104 (6), C.R.S. does not require counties to provide a specific rate increase for any individual provider. Instead, each county is authorized to negotiate these rates on a provider-by-provider basis. However, the footnote also states that the additional funds are intended to be used to increase community provider rates. Therefore, it may be prudent for the Committee to clarify that these provider rate increases are not mandatory on counties. Alternatively, if the Committee feels that these provider rate increases should be mandatorily passed along to all providers, it would be necessary to change the language of Section 26-5-104 (6), C.R.S. to require such a pass-through.

**FY 2007-08 Joint Budget Committee Staff Budget Briefing**  
**DEPARTMENT OF HUMAN SERVICES:**  
**EXECUTIVE DIRECTOR'S OFFICE, CHILD WELFARE, AND YOUTH CORRECTIONS**

**ISSUE:**

The Division of Youth Corrections has been given the flexibility to spend a percentage of the Purchase of Contract Placements line item on services for youth transitioning from residential to non-residential care. As a result, it may be appropriate to change the funding calculation for this particular line item from its historical commitment ADP structure.

**SUMMARY:**

- The Purchase of Contract Placements line item within DYC has historically been funded according to projected increases in commitment ADP. However, DYC was given flexibility to spend up to 10 percent of this line item on services for youths that are transitioning from residential to non-residential settings. This flexibility is at least partially responsible for the commitment ADP being flat from FY 2004-05 to FY 2005-06.
- The Division of Youth Corrections has used the flexibility within the Purchase of Contract Placements line item to implement the Continuum of Care Initiative, which includes evidence-based practices to help transition youths from residential to community-based programs.
- Because of the conflict between funding the Purchase of Contract Placements line item according to projected commitment ADP increases and allowing flexibility within the line item for transitional services, which is expected to reduce commitment ADP, it may be necessary to reevaluate the funding structure for this line item.

**RECOMMENDATION:**

Staff recommends that the Committee evaluate alternative structures for funding the Purchase of Contract Placements line item within DYC. Staff recommends that the Committee discontinue funding this line item according to projected commitment ADP increases, and instead, increase funding only according to inflationary growth. This would create more of a managed care line item, giving more flexibility to DYC but also decreasing the amount of control that the Committee has over this line item. Additionally, the Committee may want to consider providing funding increases for greater than expected levels of admissions in order to avoid under-funding the Division.

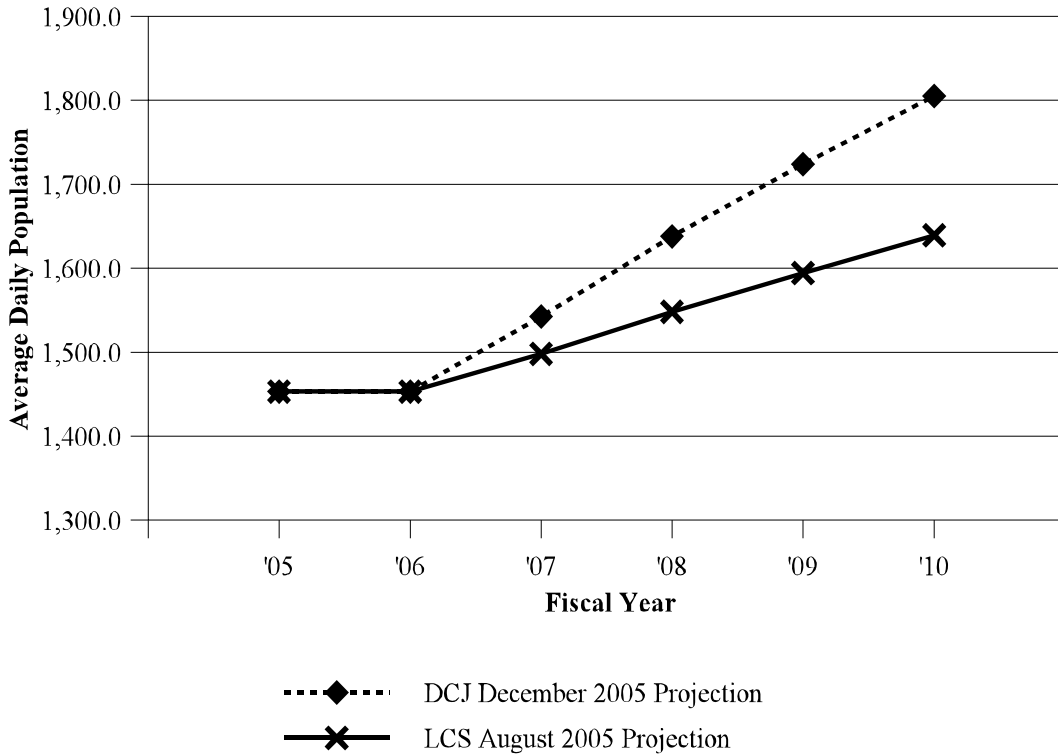
**DISCUSSION:**

**Background -- Commitment Population Projections Used to Calculate *DYC Budget*.** The General Assembly annually receives commitment population projections from the Division of Criminal Justice (DCJ) in the Department of Public Safety and the Legislative Council Staff (LCS). These population projections have historically been taken into consideration by the General Assembly when determining the appropriations for the Division of Youth Corrections.

**Growth in Commitment Population.** The Division's commitment population caseload is projected to rise over the next several years. The most recent LCS and DCJ population projections indicate that the population is anticipated to increase between 2.7 percent and 6.4 percent in FY 2006-07 relative to last fiscal year. Furthermore, the population is expected to rise by another 3.4 to 6.2 percent in FY 2007-08 relative to the current year. However, these projections do not take into account the effects of the Continuum of Care Initiative. Therefore, the December 2006 projections will be a more reliable basis for predicting future commitment ADP growth. The table below summarizes the most recent LCS and DCJ commitment population projections.

<b>December 2005 Commitment ADP Projections DCJ vs. LCS</b>						
	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>
<b>Division of Criminal Justice</b>						
December 2005 Projection	1,453.5	1,449.7	1,542.8	1,638.1	1,724.3	1,805.2
ADP Growth From Prior Year	n/a	(3.8)	93.1	95.3	86.2	80.9
Percent Growth From Prior Year	n/a	-0.3%	6.4%	6.2%	5.3%	4.7%
<b>Legislative Council Staff</b>						
December 2005 Projection	1,454.3	1,459.1	1,498.2	1,548.5	1,594.6	1,639.6
ADP Growth From Prior Year	n/a	4.8	39.1	50.3	46.1	45.0
Percent Growth From Prior Year	n/a	0.3%	2.7%	3.4%	3.0%	2.8%
<b>Difference Between Projections</b>						
ADP Difference	n/a	(9.4)	44.6	89.6	129.7	165.6
Percent Difference	n/a	-1%	3%	6%	8%	10%

**Comparison of Population Projections**  
**Average Daily Population - Committed Youths**



**Staff Secure Contract Beds Used for New Population Growth.** The Division of Youth Corrections' bed plan relies on all new growth being provided by private providers. These providers supervise committed youths in staff secure commitment facilities. Based on the Division's bed plan for the current year, approximately 65 percent of these beds are Residential Child Care Facilities (RCCFs) while the remaining 35 percent are split between Psychiatric Residential Treatment Facilities (PRTFs), which are eligible for Medicaid dollars, and Therapeutic Residential Child Care Facilities (TRCCFs), which can only bill Medicaid for fee-for-service treatment. Within this 35 percent, TRCCFs account for 95 percent of the beds while PRTFs account for only 5 percent. The PRTFs provide the highest level of mental health treatment within the State and may also provide drug and alcohol treatment and sex offender treatment.

**Recent Projections Lower Than December 2004 Projections.** For both DCJ and LCS, recent projections for FY 2005-06 were lower than their respective December 2004 projections. The December 2004 LCS projections were used to calculate the appropriation for the FY 2005-06 Long Bill. The following table summarizes the changes in the two commitment population projections.



<b>Comparison of DCJ and LCS Commitment ADP Projections December 2004 Projections vs. Recent Projections</b>						
	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>
<b>Division of Criminal Justice</b>						
December 2005	1,453.5	1,449.7	1,542.8	1,638.1	1,724.3	1,805.2
December 2004	<u>1,446.2</u>	<u>1,517.4</u>	<u>1,584.1</u>	<u>1,653.3</u>	<u>1,724.3</u>	<u>1,790.8</u>
Difference	7.3	(67.7)	(41.3)	(15.2)	0.0	14.5
% Difference	0.5%	-4.7%	-2.7%	-0.9%	0.0%	0.8%
<b>Legislative Council Staff</b>						
December 2005 (ADP)	1,454.3	1,459.1	1,498.2	1,548.5	1,594.6	1,639.6
December 2004 (ADP)	<u>1,446.1</u>	<u>1,497.9</u>	<u>1,534.5</u>	<u>1,570.2</u>	<u>1,611.6</u>	<u>1,654.8</u>
Difference	8.2	(38.8)	(36.3)	(21.7)	(17.0)	(15.2)
% Difference	0.6%	-2.7%	-2.4%	-1.4%	-1.1%	-0.9%

***FY 2005-06 Potential Fiscal Impact.*** For FY 2005-06, DYC had been funded to support an average daily commitment population of 1,497.9. However, based on the December 2005 LCS commitment projection of only 1,459.1 commitment ADP for FY 2005-06, the JBC applied a negative supplemental to the appropriation and reduced the Purchase of Contract Placements line item by \$2.2 million with a *net* General Fund reduction of \$1.8 million.

***Parole ADP.*** In addition to the commitment ADP projections being above actual levels for FY 2005-06, the parole ADP projections were also greater than the actual numbers. The table below illustrates the difference.

<b>Comparison of December 2005 LCS Parole ADP Projections and Actual Parole ADP</b>			
	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>
December 2005 LCS Projected Parole ADP	487.9	539.1	578.3
Actual Parole ADP	<u>487.9</u>	<u>508.7</u>	<u>N/A</u>
Difference	0.0	30.4	N/A
% Difference	0.0%	5.6%	N/A

***Funding Flexibility.*** During the 2004 hearing for the Division of Youth Corrections, the Division proposed a more flexible funding scheme where funds could be invested in community-based parole program services, rather than continuing residential care for any one juvenile beyond what was termed the "optimal length of stay". This flexible funding scheme

was one way that the Division could reasonably expand its suite of services without a direct appropriation to do so. This led to the following footnote in the FY 2005-06 Long Bill:

**Department of Human Services, Division of Youth Corrections, Community Programs, Purchase of Contract Placements** -- It is the intent of the General Assembly that up to 10.0 percent of the General Fund appropriation to this line may be used to provide treatment, transition, and wrap-around services to youths in the Division of Youth Correction's system in residential and non-residential settings. The Division is requested to provide a report to the Joint Budget Committee on November 1, 2006. This report should include the following information: (1) The amount spent serving youths in residential and non-residential settings from this line item in FY 2005-06; (2) the type of services purchased with such expenditures; (3) the number of committed and detained youths treated with such expenditures; (4) baseline data that will serve to measure the effectiveness of such expenditures; and (5) an evaluation of the effectiveness of this footnote in addressing the need for flexibility in treating and transitioning youth from residential to non-residential settings.

Flexibility of this type is somewhat similar to that allowed in the Division of Child Welfare, where footnote authorization allows the Department to spend funds in the most appropriate, least restrictive manner. The Division anticipates this funding flexibility, which it has used to implement the Continuum of Care Initiative, will reduce commitment ADP and length of stay (LOS), but it also may increase parole numbers because more juveniles may be transitioning to community-based programs under the Initiative.

***Continuum of Care Initiative.*** The Division of Youth Corrections did not fully utilize the flexibility this footnote provided for FY 2005-06. The Division indicates that it used about \$625,000 (or about 1.25 percent of the line item) during FY 2005-06 on its Continuum of Care Initiative, which includes evidence-based practices to help transition youths from residential to community-based programs. The Division also indicates that it did not fully utilize the funding flexibility in FY 2005-06 for two reasons: (1) uncertainty over the fate of Referendum C; and (2) uncertainty regarding the RTC program. The Division has planned to spend \$2.3 million from this line item (or about 4.4 percent) in FY 2006-07 for the Continuum of Care Initiative.

***Other Factors Affecting Caseload.*** Projecting the commitment population has been difficult, particularly in recent years given the significant budgetary reductions and policy changes to the juvenile justice system. Also, judges have a great deal of discretion in their ability to sentence adjudicated juvenile offenders. Thus, DYC does not control the population of juveniles that are entering the system. In addition, the Juvenile Parole Board must approve all transfers of juveniles from a residential placement setting to a non-residential placement setting. Therefore, DYC does not have control over juveniles leaving the system either. This predicament makes it difficult to accurately project the commitment population levels for the DYC system.

**Options for Funding.** The line item for Purchase of Contract Placements has historically been funded using commitment ADP projections from LCS. However, given the difficulty of accurately predicting the commitment ADP and the new funding flexibility provided to the Division through footnote, it may be appropriate to look at other options for funding this line item. The following are a list of options for the Committee to assess:

1. Discontinue funding the Purchase of Contract Placements line item according to projected commitment ADP numbers, and instead, increase the line item each year only according to inflationary growth. This option would create more of a managed care type of line item that would be administered by the Division. Such a funding change could also be augmented by an increase in the flexibility that the Division has within this line item. For example, the footnote providing this flexibility could be changed to allow a larger percentage of the line item to be used for non-residential programs (e.g., 15, 20, or 25 percent). This option would provide the JBC with less control over this line item and would increase the level of the control by the Executive Branch. However, while such an approach would likely reduce the overall appropriation to this line item compared with the budget request, it would also give the Division more flexibility to provide juveniles with the most appropriate placement setting and treatment.
2. Discontinue funding the Purchase of Contract Placements line item according to projected commitment ADP numbers, and instead, increase the line item each year according to inflationary growth. Also, similar to option #1, an increase in the flexibility of the line item could be provided through footnote (i.e., 15, 20, or 25 percent). In addition, an increase could be provided for actual or projected growth in admissions to DYC. This would require DCJ and LCS to supplement their current ADP projections with some historical and projected admission numbers. However, admission data may provide a more reliable measure than average daily population of the actual caseload that DYC has to serve over the course of any given fiscal year.
3. Eliminate the Parole Program Services line item and include those funds in the Purchase of Contract Placements line item. In addition, discontinue funding the Purchase of Contract Placements line item according to projected commitment ADP numbers, and instead, increase the line item each year according to inflationary growth. Also, similar to option #1, an increase in the flexibility of the line item could be provided through footnote (i.e., 15, 20, or 25 percent). Although this option may reduce the total amount of funding to DYC, it would provide the Division with the greatest amount flexibility to provide the most appropriate services to juveniles. However, as mentioned under option #1, this option would lessen the control that the JBC has over the funding of the Division.
4. Continue with the status quo of funding DYC according to the historical method of projected commitment ADP; however, remove the footnote flexibility provided in the Purchase of Contract Placements line item, and instead, appropriate those funds to the Parole Program Services line item. This option would give the Division less flexibility with these funds but would allow for more oversight by the Committee of

the use of the funds. This option would provide the most transparency in terms of the way in which funds are spent.

5. Continue with the status quo of funding DYC according to the historical method of projected commitment ADP and allow the footnote flexibility to continue within the Purchase of Contract Placements line item. This option would still provide the Committee with control over the funding of the Division. However, this approach provides less flexibility to DYC and may be more difficult to monitor given the complexity of projecting commitment ADP. In addition, the Division has indicated that it plans to spend \$2.3 million from this line item in FY 2006-07. However, if the LCS 2006 commitment ADP projections show a negative growth for FY 2006-07 and the Committee initiates a negative supplemental on this line item, the Division will have overspent for the fiscal year.

**FY 2007-08 Joint Budget Committee Staff Budget Briefing**  
**DEPARTMENT OF HUMAN SERVICES:**  
**EXECUTIVE DIRECTOR'S OFFICE, CHILD WELFARE, AND YOUTH CORRECTIONS**

**ISSUE:**

The commitment bed capacity for the Division of Youth Corrections is comprised of 65 percent contract placements. As the commitment population rises, this percentage will also increase because of the lack of state-operated commitment capacity. However, because the commitment population has progressively become more difficult to manage, the split between state-operated commitment capacity and contract placements may need to be reexamined.

**SUMMARY:**

- ❑ As the commitment population has grown, the State has increasingly relied upon contract placements to accommodate the growth. Currently, approximately 65 percent of DYC's commitment bed capacity is with contract placements. This percentage is projected to grow to more than 70 percent by FY 2009-10.
- ❑ Youths entering the commitment system are increasingly more difficult to manage due to their greater need for mental health, substance abuse, and sex offender treatment. From FY 1999-00 to FY 2005-06, DYC experienced almost a 300 percent increase in committed youth assessed as having high moderate or severe mental health problems. Over that same period, the number of committed sex offenders has increased almost 40 percent, and committed youth requiring intervention or treatment for substance abuse has risen more than 25 percent.
- ❑ The problem facing DYC is that its capacity demand in the coming years will largely be high-level placement settings that are not offered by private providers. As a result, increased capacity in the private sector to account for growth in the commitment population may not alleviate the need for more state-operated capacity.

**RECOMMENDATION:**

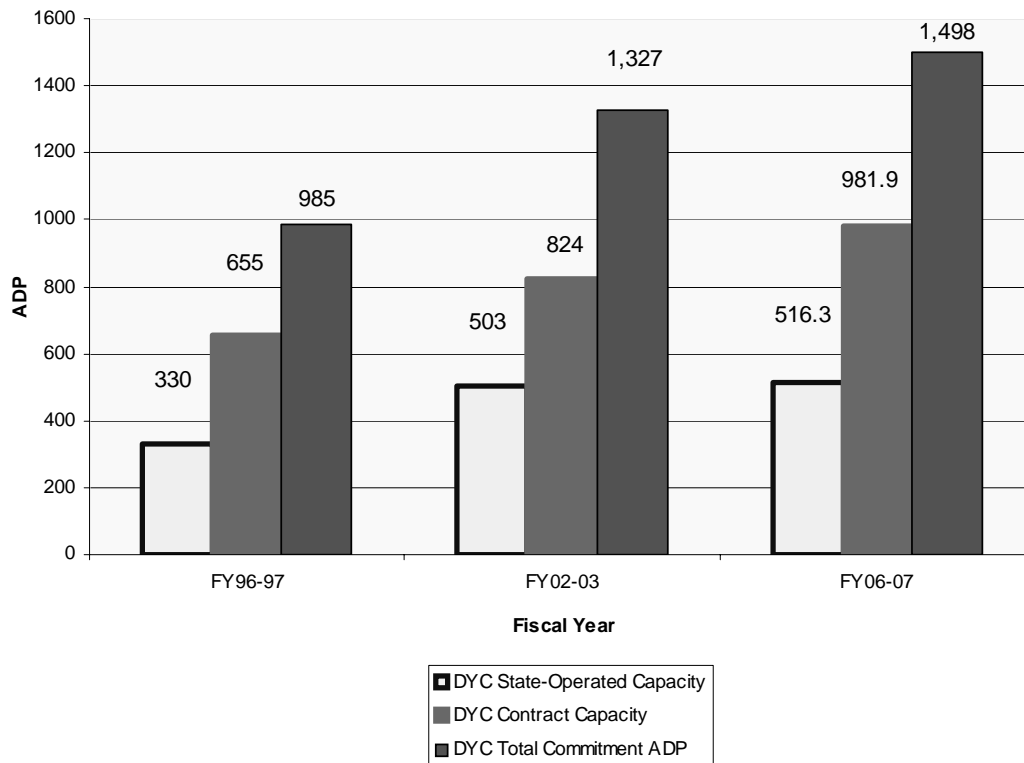
Staff recommends that the Committee discuss with the Department at its hearing the Department's plan for commitment capacity in the coming years. Staff believes that it may be necessary to expand the Sol Vista facility to provide the 40 beds it was designed to accommodate. In addition, it may be necessary to expand the Lookout Mountain facility in order to provide enough capacity to handle the increased needs of committed youths. Staff recommends that the Committee analyze the results of the newly implemented Colorado Juvenile Risk Assessment (CJRA) before making any decisions with regard to future commitment capacity needs.

**DISCUSSION:**

**Contract Placement Percentage.** Currently, approximately 65 percent of the DYC commitment bed capacity is with contract placements. The graph below shows the historical growth of the state-operated capacity and the contract placement capacity.

Over the past 10 years, the percentage of contract placement beds has remained fairly steady at between 62 and 65 percent. Since the construction of Spring Creek, Platte Valley, and the Marvin W. Foote Youth Services Centers in the late 1990's until the opening of the Sol Vista Youth Services Center in SFY 2006-07, the Division's capacity growth has primarily been addressed through additional contract placements.

**DYC Commitment Population**

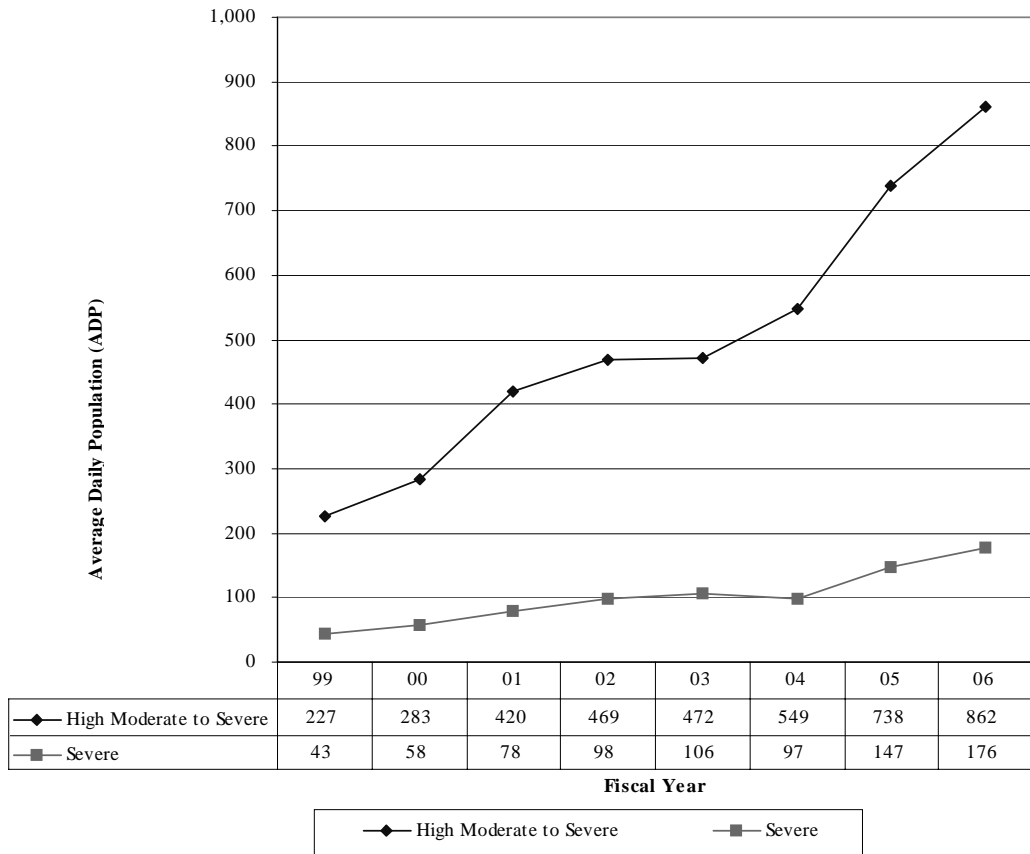


**Future Growth of Contract Placements.** Under both the LCS and DCJ projections, the commitment ADP population is anticipated to rise steadily over the next few years. Unless more state capacity is built to accommodate this growth, all of this increase will occur in contract placements. Therefore, if there is no additional state capacity, the percentage of contract placements under the LCS and DCJ projections will rise to between 69 and 71 percent by FY 2009-10. This will equate to a five to 10 percent increase in the percentage of contract placements over the past 10 years.

<b>December 2005 Commitment ADP Projections DCJ vs. LCS</b>						
	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>
<b>Division of Criminal Justice</b>						
December 2005 Projection	1,453.5	1,449.7	1,542.8	1,638.1	1,724.3	1,805.2
ADP Growth From Prior Year	n/a	(3.8)	93.1	95.3	86.2	80.9
Percent Growth From Prior Year	n/a	-0.3%	6.4%	6.2%	5.3%	4.7%
<b>Legislative Council Staff</b>						
December 2005 Projection	1,454.3	1,459.1	1,498.2	1,548.5	1,594.6	1,639.6
ADP Growth From Prior Year	n/a	4.8	39.1	50.3	46.1	45.0
Percent Growth From Prior Year	n/a	0.3%	2.7%	3.4%	3.0%	2.8%

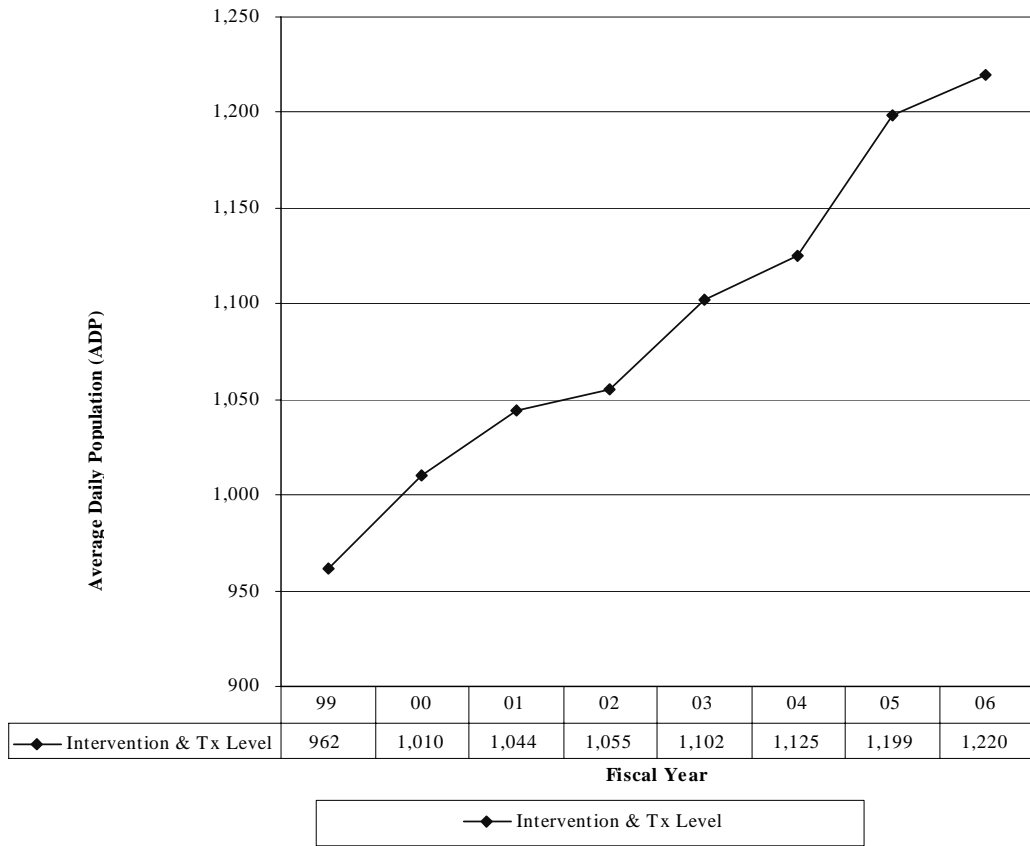
***Trends in Youth Population.*** The population of youths entering the DYC system have become increasingly more difficult to manage. Historical data shows that a greater number of youths are entering the system as a result of sex offenses. In addition, the number of youths who require substance abuse and/or mental health treatment has grown significantly over the past five years. For example, during FY 2005-06, over 50 percent of committed youths had treatment level substance abuse problems. The following graphs illustrate the growth in mental health, substance abuse, and sex offender trends within the DYC committed youth population.

**Division of Youth Corrections - Commitment  
Mental Health Trends**

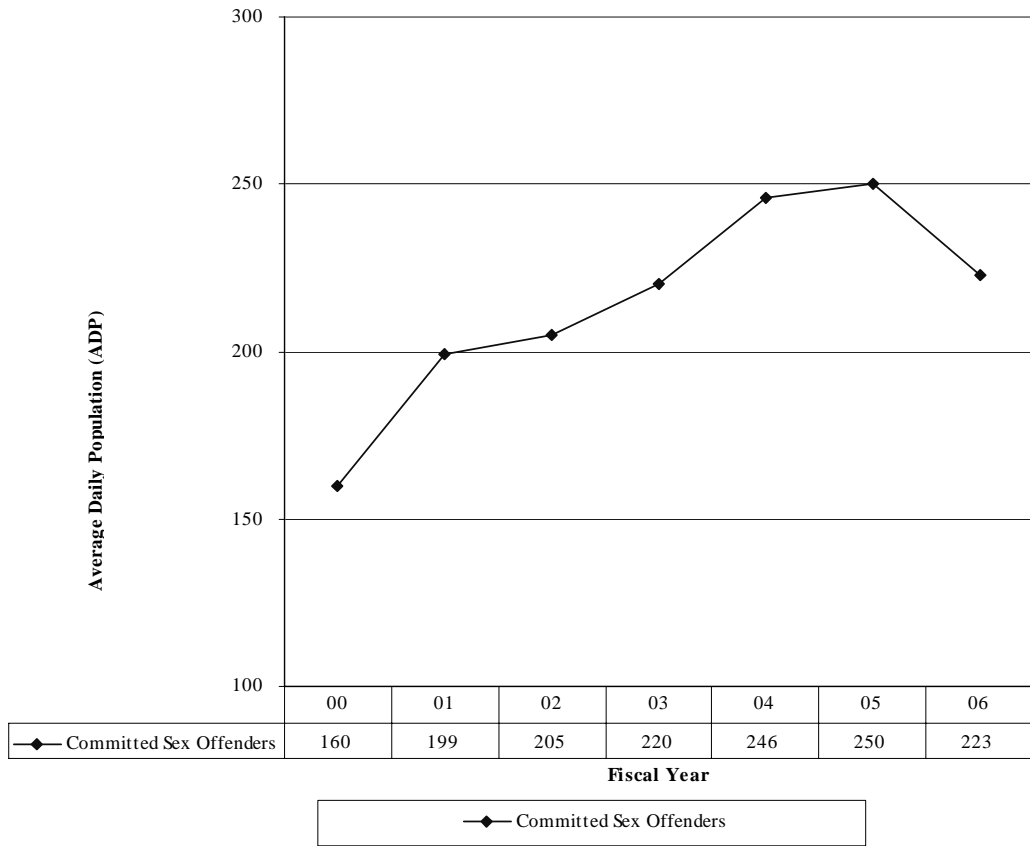




**Division of Youth Corrections - Commitment  
Substance Abuse Trends**



**Division of Youth Corrections - Commitment  
Sex Offender Trends**



The dilemma facing DYC is that its capacity demand in the coming years will largely be high-level placement settings that are not offered by private providers. As a result, increased capacity in the private sector to account for growth in the commitment population may not alleviate the need for more state-operated capacity.

***Division Response.*** The Division believes that the best policy is to align its capacity needs with the trends in populations that come into the DYC system. For example, the makeup of capacity should be driven by the aggregate need for secure placements, for specialized placements (e.g., mental health services, substance abuse services, developmental disability services, sex offender services, etc.), and for non-secure, community-based transition placements. Recently, the Division began use of a third generation risk assessment instrument, the Colorado Juvenile Risk Assessment (CJRA), that will provide better scientifically- and research-based data on which types of placements the Division needs. Thus, over the next year, the Division will be in a much better position to determine whether or not 65 percent is the best policy with regard to contract placements.

***Problems with Privatization.*** While privatization has proven helpful to the Division in managing the increasing specialized populations, it has also resulted in a greater degree of difficulty for DYC in addressing consistency and alignment throughout its system. For example, a majority of the private programs that the DYC contracts with also serve clients that are referred by county departments of human/social services. Therefore, the Division is not necessarily always in a position to influence whether or not these programs are in alignment with the DYC mission. The Division can describe the services it requires in a request for proposals (RFP), and it executes contracts that also describe the services it requires; however, often times those contracts contain compromises by both parties, particularly if DYC does not receive proposals that exactly match the specific services it requires. Thus, a highly privatized system necessarily requires compromise on the part of the Division, and on the part of the providers with which the Division contracts.

Another important consideration regarding the question of privatization is that the private sector has not proven successful at providing secure placement services. Thus, the Division has relied solely upon its state-operated facilities to provide secure placements for committed youths. However, the state-operated capacity has been limited by the need to also provide secure detention capacity for the detention continuum.

In addition, there are often times “hidden” costs associated with private placements. The Division has struggled with sufficient resources to effectively manage such a large percentage of contract placements. There are significant workloads associated with the entire procurement and contract management processes. For example, a well-crafted RFP process takes approximately 4-6 months to complete. There are then contract negotiations, start-up technical assistance, ongoing monitoring for both contract compliance and program quality, and ongoing contract management issues, including billing verification, budget and capacity usage tracking, and problems related to lack of access to capacity.

Finally, there are instances whereby the Division has contracted for a certain number of beds with a private vendor; however, if a county department places a youth in a bed prior to DYC

placing a youth in that same bed, then the Division must look elsewhere for available capacity. Contracts do not necessarily guarantee NYC's access to a particular bed at any given time.