This link includes the following presentations:

1. Briefing for the Department of Human Services, Division of Child Welfare and Division of Child Care, December 10, 2008 (pp. 2-89).

2. Briefing for the Department of Human Services, Office of Operations and Services for People with Disabilities, November 19, 2008 (pp. 90-186).

COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2009-10 STAFF BUDGET BRIEFING

DEPARTMENT OF HUMAN SERVICES

(Division of Child Welfare and Division of Child Care)

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Prepared By:
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December 10, 2008

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FY 2009-10 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE

DEPARTMENT OF HUMAN SERVICES

(Division of Child Welfare and Division of Child Care)

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Department of Human Services

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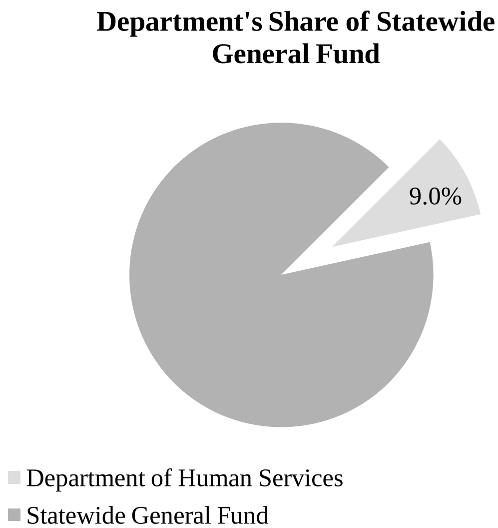
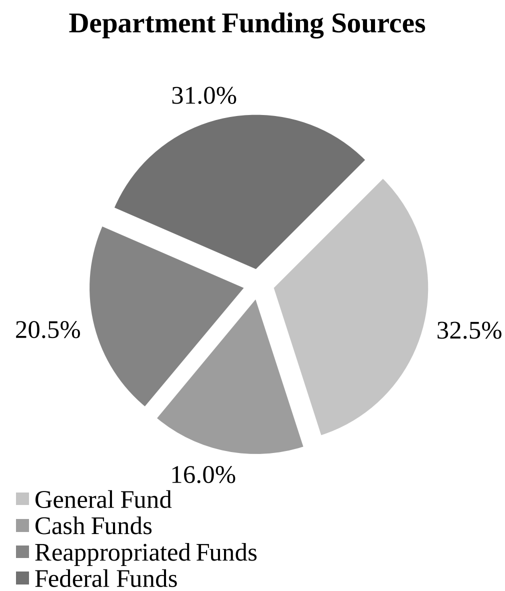
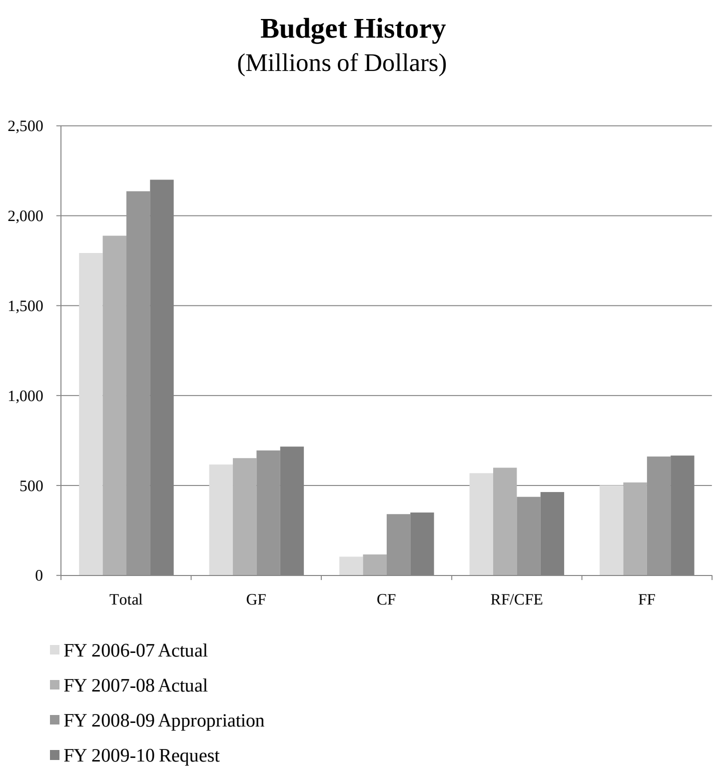
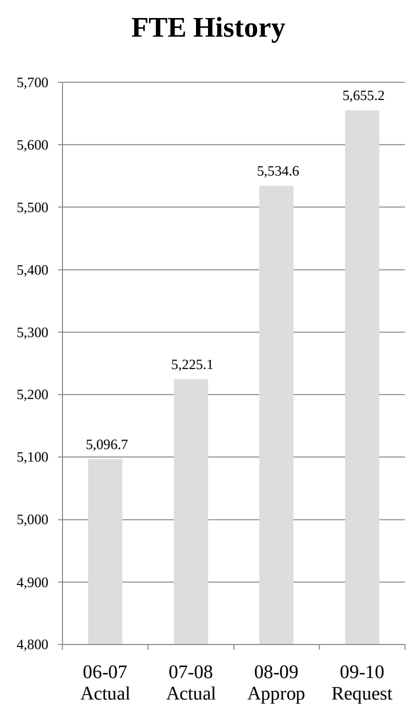




Note: If General Fund appropriated to the Department of Health Care Policy and Financing for human services programs were included in the graph above, the Department of Human Services' share of the total state General Fund would rise to 11.7%.

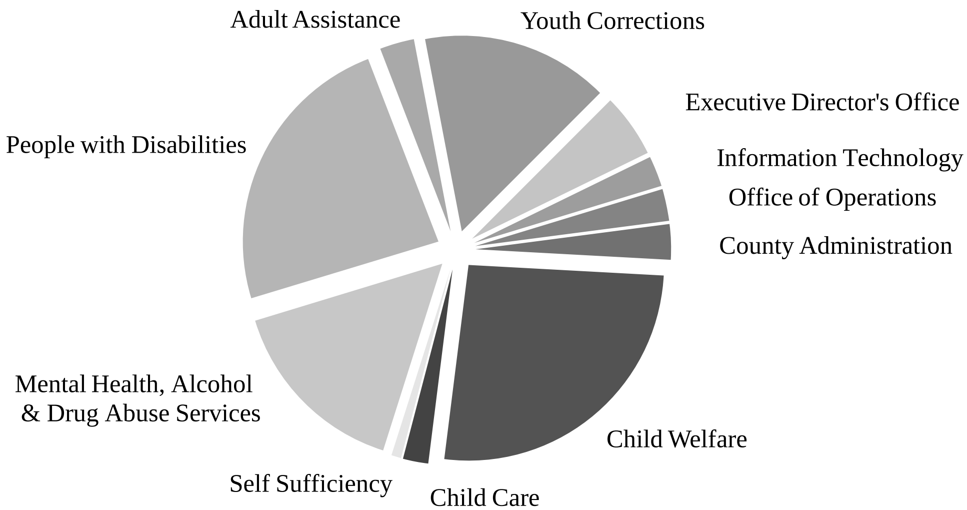




Unless otherwise noted, all charts are based on the FY 2008-09 appropriation.

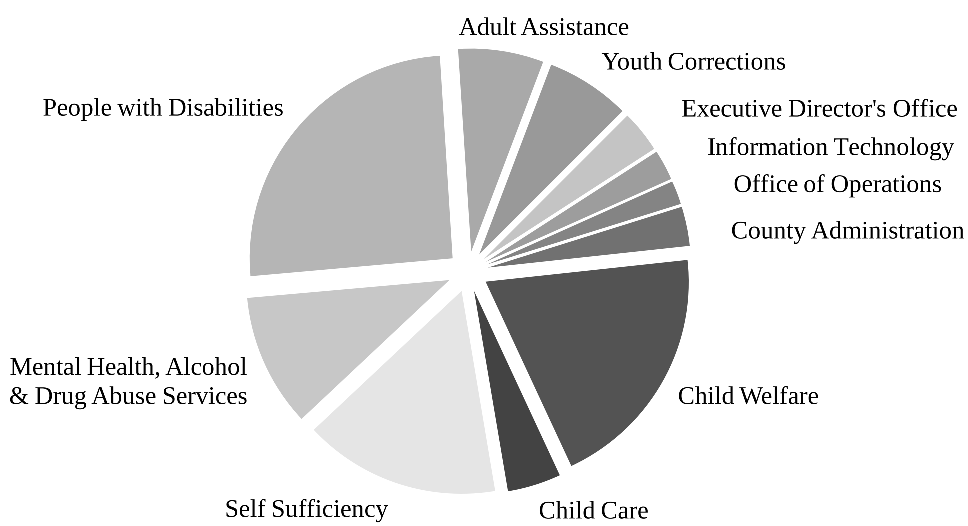
Distribution of Net General Fund by Division*

FY 2008-09 Appropriation $896.1 million



*Net General Fund includes General Fund appropriated to the Department of Human Services and General Fund appropriated to the Department of Health Care Policy and Financing for human services programs.

Distribution of Total Funds by Division



FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Division of Child Welfare and Division of Child Care)

DEPARTMENT OVERVIEW

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: (1) Receive and respond to reports of potential child abuse or neglect; and (2) 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 this is in the best interests of the child.

Child Care: Child care subsidies for low income children (the Colorado Childcare Assistance Program or CCAP) are administered by Colorado's 64 counties under supervision of the Department. The Department also licenses child care providers, enforces child care regulations, and works to improve the quality of child care in Colorado.

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 Colorado Department of Human Services. In FY 2006-07, the most recent year of actual data, counties received about 70,000 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. About 27 percent of county assessments result in the county providing child welfare services, which may include in-home support or court-ordered placement in a foster care home or 24-hour child care facility. Of the 41,536 children who received child welfare services in FY 2006-07: 18,811 (45.3) percent remained in their own home; 9,683 (23.3 percent) were children who had been adopted out of foster care but whose families continued to receive support from county departments; and 13,042 (31.4 percent) were in foster care.

Appropriations for child welfare programs for FY 2008-09 ($422.7 million) consist of 55.4 percent General Fund, 27.5 percent federal funds, and 17.1 percent county funds and various cash fund sources. The vast majority of funds appropriated (over 97 percent) are made available to county departments for the provision of child welfare services. County expenditures are 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 inflationary increases in the cost of providing services. A county that overspends its annual share of state and federal funds is required to cover the over-expenditure with other funds. County child welfare expenditures have exceeded the annual appropriation in each of the last six fiscal years for which data is available.

Child Welfare Allocations to Counties and County Over-expenditures						
	FY 2003-04	**FY 2004-05**	**FY 2005-06**	**FY 2006-07**	**FY 2007-08**	**FY 2008-09**
Approp. for Child Welfare Services and Family and Children's Programs line items ($ millions)	$341.9	$343.2	$359.3	$370.4	$384.9	$396.2
Percent Change	*n/a*	*0.4%*	*4.7%*	*3.1%*	*3.9%*	*2.9%*
County Expenditures In Excess of Capped Allocations ($ millions)	$12.4	$10.8	$14.2	$12.2	$20.4	n/a
Shortfall as Percent of Capped Allocations	*3.6%*	*3.1%*	*4.0%*	*3.3%*	*5.3%*	*0.0%*

Note: The FY 2005-06 appropriation excludes $4.5 million for training and administrative costs; this amount was previously included in the Family and Children's Programs line item but was transferred to other line items for FY 2005-06.

Child Care

The *Colorado Child Care Assistance Program* is a state-supervised, county-administered program to provide child care subsidies for low income families. Counties set eligibility guidelines and provider reimbursement levels, subject to state- and federal- guidelines that require access to the program for eligible families on the Temporary Assistance to Needy Families (TANF) program and those earning less than 125 percent of the federal poverty level (FPL). At county option, families earning up to eighty-five percent of the state median income may access the program. Funding is based on a combination of state federal Child Care Development Fund (CCDF) block grant moneys, state General Fund, and county maintenance-of-effort requirements. Although state General Fund and federal CCDF funding is capped, counties may, at their option, transfer up to 20 percent of their capped allocations from the Temporary Assistance to Needy Families (TANF) block grant to supplement these funding sources.

In recent years, actual *expenditures* for the program have declined greatly, based on eligibility and provider-reimbursement policies that are set at the county-level. The reduction is primarily evident in the amount of TANF block grant funds transferred by counties and spent for child care subsidies.

In FY 2001-02, counties transferred and spent $32.1 million of their TANF dollars for child care subsidies. By FY 2006-07, such transfers had fallen to $866,000. State *appropriations* have also been affected, as funding for CCAP has been reduced and diverted to other programs to avoid reversions, and increases have not been provided in light of the decline in expenditures. Most notably, the initial FY 2006-07 appropriation was reduced by $5.1 million to avoid a reversion, and this was only partially restored. Starting in FY 2007-08, total CCAP expenditures are rising again, driven, as in the past, by county eligibility and provider-reimbursement policies. Also as in the past, these increases are largely funded through transfers from the TANF block grant.

	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09
CCAP Appropriations ($ millions)	$66.2	$72.5	$73.4	$73.7	$74.9	$74.7	$75.7	$75.9
Percent Change		*9.5%*	*1.2%*	*0.4%*	*1.6%*	*-0.3%*	*1.3%*	*0.3%*
CCAP Expenditures (including TANF $$) ($ millions)	$98.3	$94.5	$86.3	$81.1	$76.3	$74.3	$86.4	n/a
Percent Change		*-3.9%*	*-8.7%*	*-6.0%*	*-5.9%*	*-2.6%*	16.3%	*n/a*

DECISION ITEM PRIORITY LIST

Note: This table includes all Department of Human Services decision items. However, the full decision item text is shown only for those decision items that affect the sections of the budget covered in this presentation. In some cases, only a portion of the total decision item amount shown will apply to the budget sections addressed in this packet.

Decision Item	GF	CF	RF	FF	Total	Net GF*	FTE
1	$0	$0	$1,503,502	$0	$1,503,502	$751,751	39.4
Regional Centers - High Needs Clients							
2	91,869	2,569	37,826	19,868	152,132	107,571	2.0
Budget Office Staffing							
3	313,750	416,386	5,189,494	0	5,919,630	2,908,497	0.0
Community Resources for the Developmentally Disabled							
4	2,632,599	649,342	0	0	3,281,941	2,632,599	0.5
Functional Family Therapy							
Division of Child Welfare. The Department requests funds to implement four Functional Family Therapy (FFT) programs in selected regions of the state, as well as a half-time program administrator to assist in the development and support of these evidence-based services for Child Welfare clients throughout the state. FFT is an evidence-based service for high risk, serious offenders ages 11 to 17. It is used both before youth are placed out-of-home in residential settings or institutions, as well as when youth are being discharged following placement. The funds will be first targeted to a county or region participating the Collaborative Management Program. Cash funds reflect local county funds. Costs would be ongoing in FY 2010-11. *Statutory authority: Section 26-5.5-104, C.R.S.*							
5	405,109	0	164,250	0	569,359	487,234	0.0
Capital Outlay and Operating Increase for Facilities Management of Direct Care Facilities							
6	458,933	0	0	133,623	592,556	458,933	8.3
Child Welfare Staffing Recommendations from the Division Organizational Assessment							
Division of Child Welfare. The Department requests a placeholder for 8.3 FTE (annualizing to 9.0 FTE in FY 2010-11) to address identified concerns and gaps in the Child Welfare Division's supervisory responsibilities as identified from the Department's internal staffing review for the Division of Child Welfare. The final request is pending completion of the internal staffing review in January 2009. Federal funds reflect amounts anticipated to be received under Title IV-E of the Social Security Act. *Statutory authority: Sections 26-1-111 and 26-5-102, C.R.S.*							
7	918,656	0	0	696,792	1,615,448	918,656	5.5
Child Welfare Training Academy							
Division of Child Welfare. The Department requests funding to establish a training academy for newly hired child welfare caseworkers and newly hired or promoted child welfare supervisors. The Academy would provide for computer-based training, pre-service classroom instruction, and legal preparation training for new caseworkers and supervisors. It would also provide on-the-job training, monitored by five regional field training specialists. Federal funds would be from amounts received under Title IV-E of the Social Security Act. The request annualizes to $1,594,754 ($902,204 General Fund) and 6.0 FTE in FY 2010-11. *Statutory authority: Section 26-5-102 (2) (g), C.R.S.*							

Decision Item	GF	CF	RF	FF	Total	Net GF*	FTE
8	0	(11,057)	0	0	(11,057)	0	1.0
Child Care Business Partnership Program **Division of Child Care.** The Department requests 1.0 FTE funded through the transfer of $91,163 federal Child Care Development Funds from the Child Care Assistance Program (CCAP) line item to the Child Care Licensing and Administration line item. The 1.0 FTE will establish a public/private partnership that helps employers meet the needs of working families by providing access to subsidized child care. Through the program, CCAP funds will be matched with employer funds on a 50/50 basis, which participating employers may use to offer child care assistance to eligible employees. The cash funds reduction is for local funds associated with the transfer of funds from the CCAP line item to administration. *Statutory authority: Sections 26-6-110 and 26-2-805, C.R.S.*							
9	321,250	0	0	0	321,250	321,250	0.0
Title IV-E Administrative Claims for Child Placement Agency Administrative Activities **Division of Child Welfare.** The Department requests funds to contract for the development and implementation of a federally allowable sampling process for child placement agency (CPA) administrative costs. Ongoing costs would be $220,000 General Fund. This would enable the Department to implement federal administrative claiming for CPA case management costs and, starting in FY 2010-11, to claim an estimated additional $758,032 in federal funds under Title IV-E of the Social Security Act. *Statutory authority: Section 26-1-109, C.R.S.*							
10	5,157,711	1,506,161	365,144	2,099,576	9,128,592	5,340,283	0.0
Child Welfare Services Caseload Increase **Division of Child Welfare.** The Department requests an increase in capped allocations to counties for child welfare services. The request is to provide adequate funding to counties to continue to care for children requiring protection from abuse and neglect, and to assist their families in caring for these children. The increase is calculated based on FY 2007-08 county service patterns and projected growth in the state child and adolescent population. Cash funds reflect local county funds, reappropriated funds reflect Medicaid funds transferred from the Department of Health Care Policy and Financing, and federal funds reflect amounts authorized under Title IV-E of the Social Security Act. *Statutory authority: Sections 26-5-101 and 104, C.R.S.*							
11	54,318	0	0	58,663	112,981	54,318	2.0
Establish Electronic Benefits Transfer (EBT) Fraud Investigation Unit							
12	83,346	0	0	55,008	138,354	83,346	0.0
Deficit Reduction Act (DRA) Child Support Mandates							
13	241,718	0	0	0	241,718	241,718	0.0
Homeless Program Funding							
14	0	0	1,026,247	0	1,026,247	513,124	0.0
High Risk Pregnant Women Program							
15	0	250,000	0	0	250,000	0	0.0
Increase Drug Offender Surcharge Spending Authority							

Decision Item	GF	CF	RF	FF	Total	Net GF*	FTE
16	0	(459,113)	0	459,113	0	0	6.6
Increase Administrative Review FTE **Executive Director's Office.** The Department requests an increase of 6.6 FTE for the Administrative Review Division (ARD), funded through an increase in the appropriation of federal Title IV-E funds for the ARD. This increase would be tied to a matching decrease in federal amounts flowing into the Excess Federal Title IV-E Reimbursements Cash Fund and appropriated , as cash funds, from the Fund to counties. The change will enable the State to meet the requirements of Section 422 of the Social Security Act and the federal Adoption and Foster Care Analysis Reporting System by providing timely 6 month reviews of all children in foster care and avoiding federal sanctions due to non-compliance. *Statutory authority: Section 26-1-111 (2), C.R.S.*							
17	467,603	0	93,549	0	561,152	511,539	0.0
Inflationary Increase for DHS Residential Programs							
18	0	(20,399)	0	0	(20,399)	0	2.0
Child Care Assistance Programs Compliance Assurance **Division of Child Care.** The Department requests 2.0 FTE to meet federal audit requirements for the expenditure of Child Care Development Funds. New federal regulations require states to employ a case review process to calculate payment error rates. The Department requests that $168,185 federal Child Care Development Funds be transferred from the Child Care Assistance Program (CCAP) line item to the Child Care Licensing and Administration line item to fund the new FTE and associated operating expenses. The cash funds reduction is for local funds associated with the transfer of funds from the CCAP line item*.* *Statutory authority: Section 26-6-110 and 26-2-805, C.R.S.*							
19	0	603,077	0	0	603,077	0	0.0
Spending Authority for Traumatic Brain Injury Trust Fund							
20	0	0	558,909	0	558,909	0	0.0
Garage Fund Spending Authority							
21	0	1,801,722	0	0	1,801,722	0	0.0
Cost of Living Adjustment for the Old Age Pension Program							
22	0	480,266	0	0	480,266	0	0.0
Buildings and Grounds Fund Spending Authority Increase							
23	0	0	0	350,000	350,000	0	0.0
Colorado Works Program Evaluation							
24	0	71,801	0	0	71,801	0	0.0
Increase Persistent Drunk Driver Programs Spending Authority							
25	0	0	0	25,460	25,460	0	0.0
Spending Authority to Proceed with the Destruction of Obsolete Forms							
26	647,344	0	0	0	647,344	647,344	0.0
Family Centered Substance Use Disorder Treatment for Families Involved in the Child Welfare System							
27	0	0	908,620	0	908,620	0	0.0
Integrated School-based Substance Use Treatment for Adolescents							

Decision Item	GF	CF	RF	FF	Total	Net GF*	FTE
NP1	133,843	407	102,875	19,365	256,490	180,737	0.0
State Fleet Variable Cost **Various.** This non-prioritized request reflects the Department's share of a prioritized decision item in the Department of Personnel, associated with increases in fuel costs. That decision item will be discussed in the briefing for the Department of Personnel and Administration. *Statutory authority: Section 24-30-1104 (2), C.R.S.*							
NP2	79,071	28,342	121,134	212,908	441,455	135,431	0.0
Postage Increase and Mail Equipment Upgrade **Various.** This non-prioritized request reflects the Department's share of a prioritized decision item in the Department of Personnel and Administration. That decision item will be discussed in a separate staff briefing.							
NP3	24,178	2,424	0	13,402	40,004	24,178	0.0
Office of Administrative Courts Staffing Adjustment							
NP4	6,877	39	5,546	571	13,033	8,821	0.0
Ombuds Program Increase							
NP5	150,675	3,652	70,854	15,667	240,848	180,706	0.0
Annual Fleet Vehicle Replacements							
NP6	0	0	(237,653)	(693,347)	(931,000)	0	(9.0)
Disability Program Navigator							
Total	**$12,188,850**	**$5,325,619**	**$9,910,297**	**$3,466,669**	**$30,891,435**	**$16,508,036**	**58.3**
Total for Items in this Packet	**$9,702,063**	**$1,693,683**	**$589,153**	**$3,621,377**	**$15,606,276**	**$9,987,889**	**23.9**

* These amounts are shown for informational purposes only. A large portion of the Department's reappropriated funds are Medicaid-related transfers from the Department of Health Care Policy and Financing (HCPF). Roughly half of the corresponding HCPF appropriations are General Fund. Net General Fund equals the direct GF appropriation shown, plus the GF portion of the HCPF transfer.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Divisions of Child Welfare and Child Care)

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2008-09 appropriation and its FY 2009-10 request. A large portion of the Department's reappropriated funds are Medicaid-related transfers from the Department of Health Care Policy and Financing (HCPF). Roughly half of the corresponding HCPF appropriations are General Fund. Net General Fund equals the direct GF appropriation shown, plus the GF portion of the HCPF transfer.

Total Requested Change, FY 2008-09 to FY 2009-10 (millions of dollars)

Category	GF	CF	RF	FF	Total	Net GF	FTE
FY 2008-09 Appropriation	$244.5	$82.7	$18.9	$170.2	$516.3	$253.9	134.7
FY 2009-10 Request	255.8	84.4	20.0	174.3	534.5	265.4	159.1
Increase / (Decrease)	$11.3	$1.7	$1.1	$4.1	$18.2	$11.5	24.4
Percentage Change	4.6%	2.1%	5.8%	2.4%	3.5%	4.5%	18.1%

The following table highlights the individual changes contained in the Department's FY 2009-10 budget request, as compared with the FY 2008-09 appropriation, for the portion of the Department covered in this briefing packet. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2008-09 to FY 2009-10

Category	GF	CF	RF	FF	Total	Net GF	FTE
Executive Director's Office							
Add Administrative Review staff (DI 16)	$0	$0	$0	$459,113	$459,113	0	6.6
Annualize FY 2008-09 salary increases (common policy)	60,294	18,717	0	29,697	108,708	60,294	0.0
Fuel & postage (DI NP-1, NP-2)	5,028	155	0	3,352	8,535	5,028	0.0
Subtotal	**$65,322**	**$18,872**	**$0**	**$492,162**	**$576,356**	**$65,322**	**6.6**
Division of Child Welfare							
Caseload (DI 10)	$5,157,711	$1,506,161	$365,144	$2,099,576	$9,128,592	$5,340,283	0.0
Functional family therapy (DI 4)	2,632,599	649,342	0	0	3,281,941	2,632,599	0.5

Category	GF	CF	RF	FF	Total	Net GF	FTE
Child welfare academy (DI 7)	910,160	0	0	696,792	1,606,952	910,160	5.5
Annualize H.B. 08-1391 (child abuse/mental health services)	1,547,361	0	0	0	1,547,361	1,547,361	0.0
Add child welfare staff (DI 6)	458,933	0	0	133,623	592,556	458,933	8.3
Improve Title IV-E claiming (DI 9)	321,250	0	0	0	321,250	321,250	0.0
Annualize FY 2008-09 salary increases (common policy)	79,454	0	6,865	49,278	135,597	82,887	0.0
Fuel & postage (DI NP-1, NP-2)	3,256	0	0	40	3,296	3,256	0.0
Add administrative review staff (DI 16)	0	(459,113)	0	0	(459,113)	0	0.0
Other annualization (H.B. 08-1005 and FY 08-09 DI 8)	2,143	(10,200)	0	605	(7,452)	2,143	0.5
Subtotal	**$11,112,867**	**$1,686,190**	**$372,009**	**$2,979,914**	**$16,150,980**	**$11,298,872**	**14.8**
Division of Child Care							
Child Care Assistance IT system (annualize FY 2007-08 DI)	$0	$0	$0	$1,191,606	$1,191,606	$0	0.0
Annualize FY 2008-09 salary increases (common policy)	101,638	29,295	0	79,406	210,339	101,638	0.0
Fuel & postage (DI NP-1, NP-2)	0	0	0	9,712	9,712	0	0.0
Child Care Assistance Program staff (DIs 8, 18)	0	(31,456)	0	0	(31,456)	0	3.0
Annualize HB 08-1388 (schl finance)	(5,183)	0	0	0	(5,183)	(5,183)	0.0
Subtotal	**$96,455**	**($2,161)**	**$0**	**$1,280,724**	**$1,375,018**	**$96,455**	**3.0**
Total Change	**$11,274,644**	**$1,702,901**	**$372,009**	**$4,752,800**	**$18,102,354**	**$11,460,649**	**24.4**

BRIEFING ISSUE

ISSUE: Overview of FY 2009-10 Child Welfare Request

The largest component of the child welfare request is for an increase to capped county allocations for caseload increases. However, in a change from recent years, the request includes a large number of initiatives intended to improve statewide child welfare services, including requested staffing increases of 20.4 FTE for the Division and a related line item in the Executive Director's Office.

SUMMARY:

- ❑ The Department's overall request for child welfare services reflects increases of 3.8 percent in total funding, and 4.8 percent in net General Fund. Similar to past years, the request includes an increase to capped county allocations for child welfare caseload. This is the largest component of the request. However, in a change from recent years: (1) the request includes a large number of targeted initiatives intended to improve statewide child welfare services; and (2) it does not include a request for provider rate increases (an inflationary adjustment) for county allocations.

- ❑ The request includes a large increase in staff (FTE). The total requested FTE increase for child welfare related staff in both the Division and the Executive Director's Office (for the Administrative Review Unit) is 20.4 FTE, which translates into an increase of almost 40 percent in FTE for the Division and 30 percent in FTE for the Administrative Review Unit.

DISCUSSION:

Role of the Division of Child Welfare, Counties, and the Administrative Review Unit
Pursuant to Article 5 of Title 26, C.R.S., and the Colorado Children's Code (Title 19, C.R.S.), Colorado serves abused and neglected children through a state-supervised, county administered child welfare system.

State Division of Child Welfare. The state division has 37.5 FTE with responsibilities that include:
- Recommending overall policy direction for the state, including through the development of rules that are subject to the review and approval of the State Board of Human Services
- Managing allocation of funds and contracts with counties
- Providing technical assistance and oversight for the various county administered child welfare programs
- Coordinating training for county staff

- On-site monitoring of 24 hour facilities and county foster homes

County Departments of Human/Social Services. Service delivery, and decisions about which children will receive which services in the home or in out-of-home placement lies with counties and the courts. Counties make many key decisions about which reports of abuse will be investigated or identified as founded, when in home supports are appropriate for the family of a child "at imminent risk of out of home placement", and when legal action is recommended to remove a child from the custody of his or her parents. Courts make final determinations about when a child or adolescent is "dependent or neglected" and should thus be removed from parental custody.

State Administrative Review Unit. This unit, located in the State Department's Executive Director's Office, plays a "watchdog" role pursuant to federal requirements. It conducts on-site meetings and case reviews throughout the state for any child in an out of home placement more than six months. It also collects and analyzes an array of data related to the delivery, quality, and outcomes of child welfare services. The FY 2008-09 appropriation funds 22.2 FTE.

Funding for the Division of Child Welfare and the Administrative Review Unit

Division of Child Welfare. Appropriations for child welfare programs for FY 2008-09 ($422.7 million) consist of 53.1 percent General Fund, 25.3 percent federal funds, 17.1 percent county funds and various cash fund sources, and about 4.5 percent reappropriated funds. Federal funds include funding under Title XX of the Social Security Act (the Social Services Block Grant), Title IV-B of the Social Security Act, and Title IV-E of the Social Security Act. Under Title IV-E, which constitutes the majority of federal funding, the state receives partial federal reimbursement for qualifying child welfare expenditures for low-income children in the child welfare system. Most of the reimbursement is at the rate of $.50 on each $1.00 spent by the state. The Division's reappropriated funds are Medicaid funds transferred from the Department of Health Care Policy and Financing.

About 3 percent of the Division's appropriation covers state administrative activities and training for county casework staff. The training itself is contracted with various institutions of higher education.

County Departments of Human/Social Services. The vast majority of the appropriation for the Division of Child Welfare (97 percent) is allocated to counties. This includes amounts in the $351.1 million Child Welfare Services line item which counties may spend flexibly for a wide array of child welfare services, $45.1 million in the Family and Children's Programs line, which provides funding for services generally designed to reduce out of home placement (also known as "core services"), and other, smaller allocations designed to improve county performance, such as the Performance-based Collaborate Management Incentives program. Counties are required to cover 20 percent of most child welfare costs (though a lower match rates applies to parts of the appropriation). They are also required to cover over-expenditures beyond their block allocations using TANF transfer and/or county tax revenues.

Administrative Review Unit. Appropriations for the Administrative Review Unit ($2.0 million in FY 2008-09) are comprised of 61.3 percent General Fund, with the balance of the appropriation from federal Title IV-E funds.

FY 2009-10 Budget Request

The components of the FY 2009-10 budget request for the Division of Child Welfare are detailed in the table below.

Division of Child Welfare FY 2009-10 Budget Request				
Division of Child Welfare		**FTE**	Total	Net General Fund
FY 2008-09 Appropriation		37.5	$422,661,418	$233,943,917
FY 2009-10 Request		52.3	438,812,398	245,242,789
	Total Change	14.8	$16,150,980	$11,298,872
	Percent Change	*39.5%*	*3.8%*	*4.8%*
Requested Changes from FY 2008-09 Base:				
Annualization of Prior Year Actions:				
Annualize HB 08-1391 (child abuse/mental health services pilot)		0.0	$1,547,361	$1,547,361
Annualize Salary survey		0.0	135,597	82,887
Annualize other FY 2008-09 decision items and new legislation		0.5	(7,452)	2,143
	Subtotal	0.5	$1,675,506	$1,632,391
		1.3%	*0.4%*	*0.7%*
Caseload Increases:				
Child Welfare Caseload (FY 2009-10 Decision Item #10)		0.0	$9,128,592	$5,340,283
		n/a	*2.2%*	*2.3%*
Other Requests:				
Functional Family Therapy (Decision Item #4)		0.5	3,281,941	2,632,599
Child Welfare Academy (Decision Item #7)		5.5	1,606,952	910,160
Add child welfare staff (Decision Item #6)		8.3	592,556	458,933
Improve Title IV-E Claiming (Decision Item #9)		0.0	321,250	321,250
Add Admin Review staff in EDO (Decision Item #16)		**	(459,113)	0
Inflationary adjustments (Decision Item #NP 1, #NP 2)		0.0	3,296	3,296
	Subtotal	14.3	5,346,882	4,326,238
		38.1%	*1.3%*	*1.8%*

**This initiative adds 6.6 FTE in the Administrative Review Unit in the Executive Director's Office by moving funds from the Child Welfare Division.

- The largest single component of the FY 2009-10 budget request is for an increase to capped county allocations to account for caseload ($9.1 million total, including $5.3 million net General Fund).
- No proposed inflationary adjustment (provider rate increase) is included. In the past, this has been a significant component of the request.
- In a change from recent years, the balance of the request includes various targeted initiatives, including substantial staff increases.
- The overall request also includes net increase of $558,000 (22 percent) and 6.6 FTE (30 percent) for the Administrative Review Unit. Most of the requested increase is supported by Decision Item #16, which transfers the required funds from a Child Welfare Division line item (funds previously passed-through to counties).

FY 2008-09 Decision Items and Annualization Issues

The Department's requested caseload increase is addressed in a separate issue. Other decision items and key budget request components are reviewed briefly below.

Functional Family Therapy (Decision Item #4). This initiative was identified as the Department's 4th priority decision item--ahead of the caseload increase or any other requested increase for child welfare. The request is for ongoing funding for $3.2 million, including $2.6 million General Fund with the balance county matching funds, to support four functional family therapy teams and 0.5 FTE at the Department to oversee these efforts. The request identifies functional family therapy as a well-documented, evidence-based program targeted at high risk, serious offenders ages 11-17, *i.e.*, youth who may be placed in youth corrections, as well as child welfare programs. The request indicates that it will "first be targeted to a county or region of counties participating in the Collaborative Management Program and in need of additional functional family therapy services for youth identified in their collaborative management agreement." This initiative is also identified as one of the Executive's recidivism reduction programs.

The program is targeted to youth and their families, whose problems range from acting out, to conduct disorder, to substance abuse. The programs for which funding is requested would be expected to serve approximately 480 youth per year and provide 8-12 sessions on average to each family (up to 30 sessions depending on the family's needs). A therapist works with the family to motivate the family to change specific behaviors, improve communication, develop problem solving skills, parenting skills, and relationships. The program treats youth in their own homes and with their families as way of preventing further delinquent acts and avoiding incarceration or restrictive out-of-home placements.

The Department's request included a cost-benefit analysis which indicated that there should be net savings (cost avoidance) as a result of this initiative. The results are based on the assumption that 15.9 percent of those served (76 of the 480 youth) will, as a result of the program, avoid any further involvement in child welfare or the division of youth corrections. This assumption is based on a Washington State Institute for Public Policy study of functional family therapy results. Based on this, and other assumptions, the Department estimates the following cost-avoidance of the program in the

Divisions of Child Welfare and Youth Corrections by FY 2011-12. (Costs and savings estimated in FY 2009-10 and FY 2010-11 are affected by start-up costs and program roll-out).

Department Cost - Benefit Analysis for Functional Family Therapy Decision Item #4		
		FY 2011-12 (1st full year savings)
Cost		**$3,226,834**
Benefit Child Welfare TRCCF costs (don't serve 76 youth x $50,512)	3,838,912	
Benefit Child Welfare Out of Home costs (step-down) (66 youth x $15,058)	1,361,118	
Benefit Youth Corrections step-up (step-up population) (10 youth x $113,891)	1,135,830	
Total Benefit		**6,335,860**
Net Cost Avoidance		**$3,109,026**

Currently, some programs of this type are supported in the child welfare budget via the Core Services line item. Others appear to be supported through funding in the mental health system. According to the Department, there are currently ten Functional Family Therapy providers state-wide. Most of these are mental health centers. In Child Welfare, FY 2008-09 Long Bill footnote 33 specifies the intent of the General Assembly that $4,088,723 of the funds appropriated for the Core Services line item be used to assist county departments of social services in implementing and expanding family- and community-based services for adolescents. This targeted funding was added by the General Assembly between FY 2003-04 and FY 2005-06 and supports 25 programs including functional family therapy and multi-systemic therapy programs.

Child Welfare Training Academy (Decision Item #7). The request is for ongoing funding of $1.6 million, including $0.9 million General Fund and (once annualized in FY 2010-11) 6.0 FTE. The balance of the funding is federal Title IV-E funds. Total costs include $370,137 to cover Department FTE costs, with the majority of funding for contracted personal services for training.

The request is to establish a "training academy" for newly hired child welfare caseworkers and newly hired or promoted child welfare supervisors. The State already provides mandatory training for all case workers and supervisors in the state and has a base training budget of $5.0 million; however, this initiative would expand this effort, increasing the training budget by 32.3 percent. The Department also proposes restructure the existing training, and add pre and post test components to all courses to ensure that staff have attained the basic knowledge and skills necessary to perform their duties. The training academy is one of the recommendations of the Child Welfare Action Committee.

According to the Department, the proposal is designed to train between 400 and 450 new caseworkers and approximately 100 to 125 newly hired or promoted supervisors. It expands classroom training hours and adds additional sessions to train new staff, including caseworkers and supervisors, within the established time frames. It also adds on-the-job training. On-the-job training would be coordinated and monitored by the new FTE, while the classroom instruction would expand the classroom instruction already funded and provided by four universities. The Department's request argues that increased training will both directly improve the quality of services provided and reduce turnover among child welfare staff, which will also improve outcomes.

The Department provided a comparison of its current training requirements to national figures.

Mandatory Training Hours: Colorado versus Other States

	States responding	Child protective service workers	In-home protective service workers	Foster care/ adoption workers	Multiple program workers	Supervisor
Average number of hours of mandatory pre-service training	23-29	141	147	151	133	84
Colorado number of hours of mandatory pre-service training*		90	90	90	90	54
Average number of hours of mandatory in-service training each year	21-29	29	29	30	27	28
Colorado number of hours of mandatory inservice training each year		6	6	6	5	0

Source: American Public Human Services Association Child Welfare Workforce Study, 2004.

Although the request focuses on adding training, it is in part driven by a desire to simply ensure current training on a timely basis. The Department has indicated that, due to budget constraints, it has been required to cut the total number of training sessions offered each year. Thus, for example, core classes for new staff are offered 10 times per year rather than 13, as they were some years ago. As a result, classes are full and county staff are unable to receive training on a timely basis. For example, as of early December 2008, there were no remaining "slots" in many core classes until March 2009 and in some cases April or May 2009. This situation increases the likelihood that counties will give new staff caseloads before they have had appropriate training.

Add Child Welfare Staff (Decision Item #6). This component of the request provides ongoing funding for an (annualized) 9.0 FTE. The request is a "placeholder" pending receipt of a study of Department's staffing needs that will be finalized by January 2009. Note that the requested staff are in addition to 6.0 FTE added via an FY 2008-09 decision item.

Add Administrative Review Unit Staff in EDO (Decision Item #16). The Department's request includes funding for 6.6 FTE and $459,113 federal Title IV-E funds in the Executive Director's Office Administrative Review Unit. The Department's proposed source of this funding involves redirecting federal funds that would otherwise flow into the Excess Federal Title IV-E Cash Fund and, from there, to counties. This adjustment is reflected as a negative cash funds adjustment to the Division of Child Welfare, although it appears as a positive federal funds and FTE adjustment in the Executive Director's Office.

The administrative review consists of a compliance officer reading a case file and facilitating a one-hour face-to-face with those involved in any case involving an out-of home placement longer than six months. The request is for additional compliance officers. The Division indicates that it is out of compliance with federal requirements to provide timely reviews and that this could lead to federal sanctions. Staff notes that the Department has identified concerns in this area since staff were cut during the 2003-2005 period (11.0 FTE in total, including 7.0 compliance officers). A total of 2.2 FTE were restored in FY 2006-07, but the Department indicates additional staff are still required.

Annualization: H.B. 08-1391 Mental Health Pilot. H.B. 08-1391 (Romanoff and Buescher/Keller and Morse) required the Department to issue a request for proposals for the selection of a contractor to develop and implement a program to provide mental health screening and evaluations and mental health services for any child ages 4 through 10 who is the subject of a substantiated case of abuse or neglect, and to his or her siblings. The pilot program is to be implemented in a minimum of three Colorado counties on or before July 1, 2009. Consistent with the bill's requirements, the Department issued an RFP for this program. Responses are due December 15, 2008. The contract is estimated to be finalized the week of February 23, 2009. Staff believes this is an initiative that could be halted or reduced based on statewide revenue constraints. The FY 2008-09 appropriation included $1.9 million General Fund, and the total request for the program for FY 2009-10 is $3.5 million General Fund.

Annualization: H.B. 08-1404 Child Welfare Action Committee. This bill funded the executive order that established the Child Welfare Action Committee. The FY 2008-09 appropriation was comprised of $350,000 General Fund and $200,000 cash funds from the Child Welfare Action Committee Cash Fund. This cash fund was created by the bill and initially funded via a statutory requirement that the first $200,000 of the Department of Human Services' FY 2007-08 General Fund reversions would be deposited into the cash fund. The Department's request for the FY 2009-10 budget simply reflects continuing funding for the Child Welfare Action Committee of $550,000, including $350,000 General Fund and $200,000 cash funds. The Committee's final report to the Governor is due December 31, 2009, 6 month through FY 2009-10. The fiscal note for the bill indicated an assumption that the Committee would require funding in FY 2009-10, but that this would be addressed through the budget process. Thus far, the Department has not provided any information to indicate what funding the Committee may actually need in FY 2009-10. Further, the source of the $200,000 requested cash funds for FY 2009-10 is not clear, as there is no ongoing statutory provision to transfer FY 2008-09 General Fund reversions into the cash fund for FY 2009-10.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Divisions of Child Welfare and Child Care)

BRIEFING ISSUE

ISSUE: Child Welfare Capped Allocations and Decision Item #10

The largest component of the child welfare request is for an increase to capped county allocations to address caseload increases. Due to problems with the model used to project needed caseload increases and figure setting errors, staff recommends a correction to the appropriation for FY 2008-09 and a different approach for this projection for FY 2009-10.

SUMMARY:

❑ The largest component of the Child Welfare request for FY 2009-10 is a request for a caseload increase for capped allocations to counties of $9.1 million total funds and $5.3 million net General Fund. The request is based, as it has been in recent years, on an optimization model developed to allocate funding among counties.

❑ The allocation model is not currently being used to determine the distribution of funds among counties, due largely to county concerns about the model's unpredictable results. Further, staff recently determined that a combination of staff and Department errors resulted in an over-projection of the funding needed for caseload for FY 2008-09 (FY 2008-09 Decision Item #3).

RECOMMENDATION:

The FY 2008-09 child welfare appropriation should be corrected. This would involve a reduction of up to $6.5 million total funds and $4.8 million net General Fund for FY 2008-09. Further, the child welfare allocation model should not be used to set the FY 2009-10 funding increase for caseload. Caseload increases should instead be based on increases in the state's child and adolescent population. These adjustments would result in a child welfare services (county block) recommendation for FY 2009-10 that is $9.7 million total funds and $6.8 million net General Fund below the Department's request.

DISCUSSION:

Background: State Appropriations and County Capped Allocations

The vast majority of the appropriation for child welfare services is allocated to counties as "capped allocations" pursuant to 26-6-104, C.R.S. Capped allocations incorporate a required county share of expenditures (20 percent for most costs). In addition, a county that overspends its annual capped allocation is required to cover the over- expenditure with other funds. County over-expenditures are commonly covered through a combination of county-transfers from their Temporary Assistance to

Needy Families (TANF) block grant allocations (up to 10 percent of the annual TANF allocation) and, as needed, county tax revenues.

The table below summarizes both county allocations and net county over-expenditures in recent years. While the table reflects net over-expenditures, some counties over-expend, while others under-expend their annual allocation.

Child Welfare Allocations to Counties and County Over-expenditures						
	FY 03-04	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**	**FY 08-09**
Approp. for Child Welfare Services and Family and Children's Programs line items ($ millions)	$341.9	$343.2	$359.3	$370.4	$384.9	$396.2
Percent Change	*n/a*	*0.4%*	*4.7%*	*3.1%*	*3.9%*	*2.9%*
County Expenditures In Excess of Capped Allocations ($ millions)	$12.4	$10.8	$14.2	$12.2	$20.4	n/a
Shortfall as Percent of Capped Allocations	*3.6%*	*3.1%*	*4.0%*	*3.3%*	*5.3%*	*0.0%*

Note: The FY 2005-06 appropriation excludes $4.5 million for training and administrative costs; this amount was previously included in the Family and Children's Programs line item but was transferred to other line items for FY 2005-06.

FY 2007-08 County Child Welfare Expenditures

The table below summarizes final FY 2007-08 child welfare close-out by county. Overall, total expenditures for child welfare services exceeded state allocations for FY 2007-08 by $20.4 million (6.3%). However, some counties over-expended, while others under-expended.

Denver and Boulder. The vast majority of the over-expenditure was in Denver. Denver over-expended its allocation by $18.8 million (31.2 percent). Of this, $11.1 million had to be covered with county tax revenues because close-out redistribution funds and TANF transfer funds were not sufficient. Only one other county--Boulder, which overexpended by $3.5 million (23.8 percent)--had to cover $1.0 million of its deficit with county tax revenues.

Other counties. For all small and medium-sized counties, shortfalls were covered through close-out redistribution of funds. Of the ten largest counties, four either underexpended or were able to have their shortfalls covered through the close-out process (redistribution of funds from other counties). Of the remaining six with shortfalls, four (*i.e.*, all but Boulder and Denver) fully addressed their deficits via close-out and the transfer of TANF funds. Furthermore, based on their participation in Collaborative Management Incentives agreements, many counties now have the right to retain savings they generate through under-expenditures. In FY 2007-08, six counties retained savings, including Arapahoe, which retained $2.1 million.

County	Total FY 2007-08 Child Welfare Expenditures	Total FY 2007-08 Allocation from Child Welfare Services Line Item[1]	(Deficit) / Surplus	(Deficit)/ Surplus as Percent of Allocation	Funds Used to Cover Deficit/Surpluses Retained		
					Close-out Funds[2]	TANF Transfer	County Funds[3]
Adams	$32,886,232	$31,134,211	($1,752,021)	-5.6%	$781,816	$970,205	$0
Arapahoe	28,343,550	31,019,376	2,675,826	8.6%	(535,165)	0	(2,140,661)
Boulder	18,355,062	14,822,905	(3,532,157)	-23.8%	337,303	2,234,146	960,708
Denver	79,303,704	60,459,514	(18,844,190)	-31.2%	1,302,377	6,467,972	11,073,841
El Paso	39,051,135	38,887,358	(163,777)	-0.4%	163,777	0	0
Jefferson	27,529,598	27,474,083	(55,515)	-0.2%	55,515	0	0
Larimer	14,962,920	14,098,872	(864,048)	-6.1%	366,719	497,329	0
Mesa	11,840,811	11,232,187	(608,624)	-5.4%	361,594	247,030	0
Pueblo	15,504,440	17,951,470	2,447,030	13.6%	(2,349,149)	0	(97,881)
Weld	18,694,471	17,134,358	(1,560,113)	-9.1%	434,173	1,125,940	0
Other Counties	57,159,663	59,036,126	1,876,463	3.2%	(1,507,736)	0	(368,727)
Total	**343,631,586**	**323,250,460**	**(20,381,126)**	**-6.3%**	**(588,776)**	**11,542,622**	**9,427,280**

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[1] Total Allocation includes reductions for federal Medicaid funds allocated for TRCCF, PRTF and CHRP placements because counties spent less on such care than anticipated. Note that a portion of the Child Welfare Services appropriation is used to pay for statewide expenses.

[2] The close-out process includes redistribution of funds from counties that have under-spent to counties that have over-spent. Negative figures reflect amounts reduced from counties that under-expended. The net negative reflects an initial over-allocation, addressed via close-out.

[3] Negative figures in this column reflect surpluses counties were allowed to retain. Counties were authorized to retain surpluses based on their participation in a Collaborative Management Incentive Pilot.

Allocation of Funds Among Counties
Pursuant to Section 26-5-103.5 and 26-5-104 (3) and (4), C.R.S., an eight-member Child Welfare Allocations Committee determines the formula for allocation of capped funds among counties. If the Department of Human Services and the Allocations Committee do not reach agreement on the allocation formula, they must submit alternatives to the Joint Budget Committee, from which the JBC must select an allocation formula.

In FY 2000-01, a department consultant and the Child Welfare Allocations Committee began work on an "optimization model" for use in allocating annual capped allocations among counties. The allocation model sought to: (1) identify factors that drive costs in child welfare for which reliable data is available; and (2) determine which of these cost drivers should be "optimized" within a desired range. There are eight drivers that have been used.

- child abuse or neglect referrals;
- assessments as a percentage of referred children;
- total new involvements as a percentage of assessments;
- out-of home placements as a percentage of open involvement;
- average days per year for out-of-home placement;
- average cost per day for out-of-home placements;
- and average cost per day for subsidized adoptions.

For the last four of these drivers, the Allocations Committee established a maximum and minimum range for funding purposes. Counties whose practice led to costs outside the range for a given driver, *e.g.*, average cost per day for subsidized adoptions, did not receive an increase in their allocation for costs above the range. The model allowed county flexibility in practice, and did not force counties to mirror one another in program administration. However, it did adjust county allocations when counties operated outside a range deemed reasonable by the Allocations Committee.

The optimization model has come under fire in recent years due in part to large year-to-year funding shifts which counties find difficult to predict or manage. As a result, its use was suspended in FY 2007-08. Specifically, the Allocations Committee voted:

- For FY 2007-08, to use the allocations model but to set a "floor" for reductions for small and medium-sized counties of 5.0 percent of their FY 2006-07 allocations and to not allow allocations for the state's 10 biggest counties to fall below their FY 2006-07 level.

- For FY 2008-09, to allocate funding received based on the percent of the total allocation received in FY 2007-08.

- It appears that the FY 2009-10 allocation will likely be distributed on the same basis as the FY 2007-08 allocation.

The current allocation system is being treated as an interim approach, while a subcommittee meets to consider other allocation options, including relating allocations, at least in part, to outcomes. Staff is participating in this subcommittee as an observer.

FY 2009-10 Decision Item #10 - Caseload Increase and Problems with FY 2008-09 Appropriation
The child welfare caseload request is based, as it has been since FY 2004-05, on the optimization model originally developed to determine the allocation of the child welfare block among the state's counties. While the allocation model is not presently being used to set county allocations, the Department has continued to use the allocation model to shape its request for a statewide funding increase for caseload. Conceptually, using the model to project overall statewide caseload increases is attractive for two reasons:

- it differentiates between population increases that occur in counties with relatively low child welfare costs and those with relatively high child welfare costs; and

- it is based on the cost of providing child welfare services if counties operate their programs within the desired range of practice as determined by county child welfare practitioners. Thus, the budget would not incorporate spending for behavior outside this range.

However, using the model for statewide caseload growth also raises concerns that are similar to the objections that led county allocation percentages be "frozen" at FY 2007-08 levels and subject to floors set in FY 2006-07.

- The very complexity of the model can make it difficult to understand why certain increases are, or are not, occurring. Total increases requested have fluctuated greatly since the use of the model to project statewide caseload growth was implemented. For example, it was used to project a 0.6 percent increase in FY 2006-07 and a 2.6 percent increase for FY 2009-10. The discrepancy in results cannot be easily explained.

In addition:

- staff has recently determined that:

  (a) The version of the model used to set a $13.6 million ($7.1 million net General Fund) increase for FY 2008-09 caseload included a significant data error (*i.e.*, Denver's actual FY 2006-07 caseload was reflected as approximately half of what it should have been).

  (b) Staff calculations inadvertently added "hold out" funds and other adjustments (included in the Department's budget request) into one half of a calculation, but not the other half, resulting in a an overstatement of the model's projection for FY 2008-09.

  (c) If the model were updated with more recent data, the projected increase for FY 2008-09 would be lower.

The table below reflects the fiscal impact of adjusting the FY 2008-09 caseload appropriation to address these issues.

Potential Corrections to FY 2008-09 Caseload Projection for Child Welfare Services	**Amount**
FY 2008-09 Caseload Increase Approved (FY 09 DI #3)	$13,585,602
Impact of correcting Denver caseload data on the model used for figure setting	(812,562)
Impact of correcting staff calculation error	(4,494,622)
Impact of using a newer version of the allocation model (includes data entered after the Department's decision item #3 was submitted)	(1,163,929)
Revised Caseload increase with all of the above adjustments	$7,114,489
Difference increase provided v. revised projection: Potential Supplemental Reduction	**($6,471,113)**

Model error. The Department indicated that the Denver data error was corrected in subsequent versions of the model, and that the flawed version of the model provided to staff was not actually used to set county allocations. However, the flawed version of the model was used to set the FY 2008-09 total budget increase for child welfare caseload, and JBC staff was never informed that the version of the model used had errors. This came to light last week, when staff began to ask questions related to what appeared to be contradictory data from various sources.

JBC staff error. Setting the Child Welfare budget in FY 2008-09 was problematic because Department program budget and budget office staff were new, OSPB staff was new, and JBC staff was newly assigned to this area. JBC staff sought to correct a logical flaw in the way the Department had developed its caseload request and apparently, in the process, inserted a different error by including "hold out" funds in one half of a calculation but not another half.

The table below compares the Department's FY 2008-09 request and the staff recommendation/legislative action for the child welfare services line item as a whole and the caseload request in particular. As shown:

- The overall staff recommendation for the total line item was somewhat less than the request, although the net General Fund impact was somewhat higher.

- As also shown, the overall staff caseload recommendation was greater than the request, although the net General Fund impact was not, proportionately, as great.

Had staff not included this error, the staff recommendation would have been considerably lower than the Department's request for child welfare services for FY 2008-09.

FY 2008-09 Child Welfare Services Request v. Final Legislative Action			
	Department Request	**Staff Rec./Legislative Action**	**Difference**
Child Welfare Services -TOTAL	$352,633,237	$351,124,655	($1,508,582)
General Fund	176,527,333	179,710,638	3,183,305
Cash/Cash Exempt /Reappropriated	78,272,695	76,361,966	(1,910,729)
Federal funds	97,833,209	95,052,051	(2,781,158)
Net General Fund	*188,440,492*	*189,097,141*	*656,649*
FY 09 DI #3 - Caseload*	$11,304,453	$13,585,602	$2,281,149
General Fund	6,449,386	6,424,842	(24,544)
Cash/Cash Exempt/Reappropriated	2,350,210	4,131,290	1,781,080
Federal funds	2,504,857	3,029,470	524,613
Net General Fund	*6,779,386*	*7,131,927*	*352,541*

*Recommendation figures for DI #3 are from the staff figure setting recommendation; S.B. 08-216 later adjusted overall funding splits for this line item to increase General Fund and reduce local funds. Total line item amounts reflect final legislative action, including S.B. 08-216.

Impact of updating data used. The Department recently provided staff with an updated version of the model that includes data inserted after the Department's original budget request was developed. According to the Department, it has not historically updated its caseload decision items based on such updated data, and it is not sure that reducing funds now based on such updated data is warranted. Staff has included the impact of the updated data for the purpose of developing a preliminary recommendation; however, if the JBC wished to be consistent with past practice, it might not wish to include these additional adjustments.

Recommendation. JBC staff has historically supported use of the optimization model, and staff would certainly entertain using a version of it again, if it is used in the future to set county allocations. However, given unpredictable model results, flaws in the way the Department has used (and staff has interpreted) the model to develop recent-year requests, and the fact that the model is not currently being used to set county allocations and thus may not be subject to sufficient error review, staff does not support using the model for setting statewide caseload increases for FY 2009-10.

If overall caseload funding increases were based on the trends in county child welfare "open involvements" or solely on projected increases in the child and adolescent population developed by the state demographer's office, the overall child welfare block increase would be significantly lower than the caseload increase that is indicated by the child welfare model.

Staff recommends FY 2009-10 funding be based on the total projected increase in statewide child and adolescent population, estimated at 1.7 percent for FY 2009-10. On the current base, this would result in an appropriations increase of about $6.0 million ($3.5 million net General Fund), using the Department's requested funding splits), rather than the $9.1 million ($5.3 million net General Fund) requested. Furthermore, as discussed below, staff believes the FY 2008-09 base funding is over-stated. If this is corrected and treated as the base for calculating the FY 2009-10 caseload increase, FY 2009-10 funding would be slightly lower than the current (uncorrected) FY 2008-09 appropriation. The calculation is included in the next section.

If the JBC nonetheless wished to provide an increase for child welfare, it could do so on another basis, *e.g.*, to provide an inflationary increase, which has not been requested. Based on overall county spending, and over expenditures, for child welfare, it could be argued that additional funding is appropriate. However, it is not clear that a larger figure is warranted for caseload per se.

Child Welfare Budget Increase for Caseload and Comparison Indicators

	FY 03-04	FY 04-05	FY 05-06*	FY 06-07	FY 07-08	FY 08-09*	FY 09-10 Request
Budget Increase for Caseload /a	*2.8%*	*2.3%*	*2.5%*	*0.6%*	*1.9%*	*4.0%*	*2.6%*
Percent change open involvements /b	*n/a*	*1.7%*	*0.6%*	*1.5%*	*0.3%*	*n/a*	*n/a*
CO ages 0-17 Population increase /b	*1.0%*	*1.0%*	*1.4%*	*1.7%*	*1.4%*	*1.4%*	*1.7%*

a/ FY 2005-06 increases for caseload included both amounts generated by the allocation model and a large increase to address county expenditures for child welfare services. FY 2008-09 increase is reflected as 1.86% in the Department's documentation because the Department included a budget reduction to correct for county use of Medicaid funds in its overall calculation of caseload impacts.
b/ Open involvements from child welfare allocation model data; population from state demographer population forecast data.

Reduction to the FY 2008-09 Capped Allocation and Recommendation for FY 2009-10

Based on the errors in the figures used to set the FY 2008-09 child welfare services line item, the JBC may wish to consider a negative supplemental adjustment to the line item for FY 2008-09. Staff now believes the FY 2008-09 request and staff's recommendation was overstated. The table below compares the calculations based on the version of the model provided to staff during FY 2008-09 figure setting with figures from a corrected allocation model. Note that the figures below represent the **maximum** that should be considered for reduction. First, as discussed above, making adjustments for data updated after the Department's decision item was submitted ($1.2 million of the reduction) would not be consistent with past practice. Second, as discussed further below, a significant mid-year reduction could be problematic for counties.

Impact of Correcting FY 2008-09 Allocation Model on Calculation of Funding Needed for Caseload (FY 2008-09 Decision Item #3)	Figures used for FY 2008-09 figure setting*	Figures from new version of model provided December 2008	Difference
Model projection for FY 2008-09	**$347,913,858**	**$341,442,745**	**($6,471,113)**
Less FY 2006-07 county close-out expenditures	(328,145,367)	(328,145,367)	0
Less caseload increases funded for FY 2007-08	(3,690,262)	(3,690,262)	0
Less FY 2007-08 supplemental provided	(2,492,627)	(2,492,627)	0
Total - Caseload need	**$13,585,602**	**$7,114,489**	**($6,471,113)**
General Fund	6,424,842	3,364,552	(3,060,290)
Cash Funds	2,717,120	1,422,898	(1,294,222)
Reappropriated Funds	1,414,170	740,571	(673,599)
Federal Funds	3,029,470	1,586,468	(1,443,002)
Net General Fund	*7,131,927*	*3,734,838*	*(3,397,089)*

*This duplicates figures used for figure setting; however, the "model projection" figure was over-stated by staff.

For purposes of the comparison above, staff has used the original fund splits. However, note that these lower figures should also eliminate much of the need for a backfill of federal funds not anticipated to be received. Other adjustments may be appropriate, so **these figures should be viewed as preliminary**.

FY 2008-09 Potential Negative Supplemental (maximum) Child Welfare Services line item	FY 08-09 Current Approp	Correct caseload increase	Eliminate backfill for FF	Revised FY 08-09 Appropriation	Potential FY 2008-09 Funding Reduction
Total	351,124,655	(6,471,113)	0	344,653,542	(6,471,113)
General Fund	179,710,638	(3,060,290)	(1,443,002)	175,207,346	(4,503,292)
Cash Funds	57,588,959	(1,294,222)	0	56,294,737	(1,294,222)
Reappropriated Funds	18,773,007	(673,599)	0	18,099,408	(673,599)
Federal Funds	95,052,051	(1,443,002)	1,443,002	95,052,051	0
Net General Fund	*189,097,141*	*(3,397,089)*	*(1,443,002)*	*184,257,050*	*(4,840,091)*

Taking a mid-year reduction to the child welfare block allocation is problematic. Pursuant to Section 26-5-104 (4) (d), C.R.S., the Department may *only* seek additional funding for the child welfare block based on caseload growth or changes in federal law. Statute is silent on reductions. However, the expectation has been that, once established, annual capped allocations will not be significantly changed. Further, some counties substantially over-spent their FY 2007-08 allocations. Finally, economic difficulties among the state population could drive additional county child welfare costs. Professionals involved in the child welfare system generally expect that when families are under additional stress, such as may be caused by the loss of a job, incidence of child abuse increases.

Whether or not the full FY 2008-09 reduction is taken, the base could be reduced for FY 2009-10. The table below shows the potential impact of the preliminary staff recommendation on the FY 2009-10 appropriation. As reflected, these adjustments would result in an appropriation that is $9.7 million total funds and $6.8 million net General Fund less than the Department's FY 2009-10 request.

FY 2009-10 Preliminary Recommendation, including FY 2008-09 base adjustment
Child Welfare Services line item

	Revised FY 08-09 Appropriation	Caseload increase at 1.7%*	Preliminary Staff Rec.	Department Request	Difference (Rec - Request)
Total	344,653,542	5,859,110	350,512,652	360,253,247	(9,740,595)
General Fund	175,207,346	3,310,433	178,517,779	184,868,349	(6,350,570)
Cash Funds	56,294,737	966,717	57,261,454	59,095,120	(1,833,666)
Reappropriated Funds	18,099,408	234,365	18,333,773	19,138,151	(804,378)
Federal Funds	95,052,051	1,347,595	96,399,646	97,151,627	(751,981)
Net General Fund	184,257,050	*3,427,616*	187,684,666	194,437,424	(6,752,758)

*Fund splits based on Department's for Decision Item #10.

Attachment
County Cost Drivers for Child Welfare Services

County expenditures for child welfare services are partially within their control but do include drivers beyond their control, such as the number of reports of abuse or neglect, the number of founded incidents, and judicial decisions about appropriate placements. County costs to provide child welfare services are driven by:

(1) the number of reports of abuse or neglect received;
(2) the number of children and families requiring child welfare services;
(3) the number of children who are removed from the home; and
(4) the cost of providing residential care and other services.

About half of county expenditures are for families and providers who care for children who have been removed from their homes, including subsidies to families who have adopted children previously in foster care. The balance of expenditures are for county staff and administrative costs, as well as direct services (life skills training, mental health services, etc.) to children and families. The chart below demonstrates the basic drivers and types of services provided.

FY 2006-07 Colorado Child and Adolescent Population - Ages 0-17: 1,223,474

Child Welfare Referrals: 70,216 [families]

Children in Open Child Welfare Cases: 41,536

Of these:

Served in Own Home: 19,152	Out of Home Placement: 13,042 [Foster/group homes: 8,117 Residential facility: 3,454]	Adopted, Receiving Subsidies: 9,683. [New adoptions in 2007: 1,038]

The table below demonstrates how, statewide, service patterns for child welfare services changed between FY 2003-04 and FY 2007-08. As reflected, in recent years, the use of out-of-home placement has declined sharply, while counties have increased children served and expenditures for adoption placements and services provided in the family home. The data is derived from the child welfare allocation model.

Child Welfare Allocation Model - County Expenditure Changes FY 2004 to FY 2008			
	FY 2003-04	**FY 2007-08**	**Percentage Change**
Child/adolescent Population 0-17	**1,170,722**	**1,244,134**	**6.3%**
Denver-metro CPI (inflation) FY 03-04 to FY 07-08	**n/a**	**n/a**	**10.6%**
Referrals (Families)	62,548	74,807	19.6%
Assessments	51,974	62,868	21.0%
Total new involvements	**16,181**	**15,507**	**-4.2%**
Total open involvements	**40,016**	**41,847**	**4.6%**
Out of home open involvements	13,855	12,838	-7.3%
Average. stay (days) for out of home involvements	163	156	-4.3%
Total cost for out of home placements	$143,783,916	136,471,454	-5.1%
Total paid days for out of home placements	**2,259,541**	**2,000,602**	**-11.5%**
Average cost per day for out of home placements	**$63.63**	**$68.22**	**7.2%**
Program services costs (case management, administration, in-home interventions)	$119,050,942	162,981,696	36.9%
Children receiving adoption subsidy	**8,183**	**10,132**	**23.8%**
Average cost per child per day for adoption	**$16.83**	**$15.35**	**-8.8%**
Total annual adoption subsidy paid days	2,358,325	2,878,702	22.1%
Total annual adoption subsidy cost	$39,700,508	44,178,436	11.3%
Total expenditure	**$303,616,944**	**$343,631,586**	**13.2%**

Source: Child Welfare Allocation Model except inflation data provided by Legislative Council, December 2008.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Divisions of Child Welfare and Child Care)

BRIEFING ISSUE

ISSUE: Medicaid Funding for Child Welfare Services

For the last several years, use of Medicaid funds to address child welfare funding needs has declined sharply. As a result, federal funds that could be used to serve the child welfare population are not being accessed by counties. In particular, increasing county use of the Children's Habilitation Residential Program (CHRP) waiver could allow counties to access additional federal funds and to provide more appropriate services to children with developmental disabilities.

SUMMARY:

❑ Three Medicaid programs -- Psychiatric Residential Treatment Facilities (PRTFs), Therapeutic Residential Child Care Facilities (TRCCFs), and the Children's Residential Habilitation Waiver (CHRP) -- are funded through the Child Welfare Services line item. Associated funding is incorporated in capped allocations to counties.

❑ When counties under-spend Medicaid appropriations, they may retain the associated General Fund for non-Medicaid services; however, associated federal funding is lost. Medicaid appropriations for child welfare services have not been fully used in recent years, and, associated with this, a budget adjustment was made in FY 2008-09 to reflect actual county spending patterns.

❑ Limited use of the PRTF and TRCCF programs may be appropriate. Limited use the CHRP waiver program is concerning. Better use of the CHRP waiver could allow counties to access additional federal funding in the range of $3 to $4 million and possibly improve the quality of services they provide children with developmental disabilities.

RECOMMENDATION:

The Department should explain the steps it will take to expand the use of the CHRP waiver program.

DISCUSSION:

Medicaid Funding for Child Welfare Services. Medicaid reappropriated funds comprise $18.9 million, about 4.5 percent, of the appropriation for the Division of Child Welfare for FY 2008-09. The overwhelming majority of these funds are incorporated into the Child Welfare Services line item, where capped allocations for county child welfare services are appropriated. Medicaid in this line item is currently accessed for three types of child welfare services, authorized pursuant to Section 25.5-5-306, C.R.S.:

- Psychiatric Residential Treatment Facilities (PRTFs);
- Fee-for-service treatment associated with Therapeutic Residential Child Care Facilities (TRCCFs); and
- the Children's Habilitation Residential Program Medicaid waiver (CHRP).

Counties may use Medicaid funding for any of the above programs for an eligible child in out-of-home-placement. Although child welfare appropriations reflect the estimated use of such Medicaid funds, pursuant to the provisions of Section 24-75-106, C.R.S., counties may request that the Department of Human Services transfer General Fund allocated to them to the Department of Health Care Policy and Financing in order to draw down additional federal funds. Conversely, if a county does not expect to fully use Medicaid funds allocated, it may request that the General Fund portion of such funds, appropriated in the Department of Health Care Policy and Financing, be transferred back to the Department of Human Services. In this situation, the county may use the General Fund for non-Medicaid child welfare services but it loses the matching federal Medicaid funds. Thus, the size of the Medicaid funds appropriation in the child welfare line item neither constrains nor requires Medicaid spending by counties at the level shown.

In addition to the Medicaid funds appropriated to the Division of Child Welfare, children in out-of-home placement, as well as children residing with their families if Medicaid eligible, may receive Medicaid State Plan and (for those not in residential placement) Medicaid Mental Health Capitation services through funding appropriated to the Department of Health Care Policy and Financing. Counties do not manage these other funds. Funding for mental health services for children in residential child welfare programs (the PRTF and TRCCF programs and their predecessor, the Residential Treatment Center or RTC Program) is specifically "carved out" of the Medicaid Mental Health Capitation contracts under the provisions of Section 25.5-5-402 (2) (a), C.R.S.

The overall use of Medicaid to support child welfare services has fallen sharply in recent years, predominantly due to federally-imposed elimination of the former Residential Treatment Center program in FY 2006-07. The FY 2006-07 RTC redesign initially required $22.9 million "net" General Fund, including changes in the Department of Health Care Policy and Financing and Human Services for both the Division of Child Welfare and the Division of Youth Corrections. This figure was increased by $8.2 million General Fund through FY 2007-08 supplemental adjustments in the Division of Child Welfare, for a total General Fund impact of $31.1 million. Medicaid federal funds reductions were partially offset by increases in Title IV-E federal receipts.

Medicaid Appropriations and Actuals - Child Welfare Services (Capped Allocations)				
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Appropriation	$75,256,230	$34,063,555	$34,875,613	$18,773,007
Actual	64,703,843	16,074,967	13,778,035	n/a
Difference	($10,552,387)	($17,988,588)	($21,097,578)	n/a
Unused Fed funds	($5,276,194)	($8,994,294)	($10,548,789)	n/a

FY 2008-09 Child Welfare Block adjustment and Final FY 2007-08 Expenditures. During staff's FY 2008-09 figure setting presentation, staff recommended, and the Committee approved, an adjustment to reflect the fact that counties were not using their Medicaid appropriations as reflected in the Long Bill. Specifically, as reflected in actual year expenditures, counties were transferring much of the General Fund component of their Medicaid appropriations from the Department of Health Care Policy and Financing back to the Department of Human Services to apply to non-Medicaid services. Based on this, staff recommended a Medicaid funds reduction of $18.0 million ($9.0 million General Fund and $9.0 million federal funds in the Department of Health Care Policy and Financing) and a matching $9.0 million General Fund increase in the Department of Human Services. This caused considerable confusion during caucus on the Long Bill, as legislators interpreted this adjustment as a cut to child welfare funding.

This action did not reduce the funding available to counties: counties could always chose to draw down additional federal Medicaid funds if they wished by transferring General Fund back to the Department of Health Care Policy and Financing. However, it did highlight a significant problem in the current county use of available federal funds. In sum, counties are leaving federal funds "on the table" that could be used to serve children in the child welfare system.

The table below compares the Medicaid allocations for FY 2007-08 (the year before the staff-recommended reduction) with final expenditures, and the final budget adjustments and appropriation for FY 2008-09.

	FY 2007-08			FY 2008-09	
	Appropriation/ Allocation /a	Actual /a	Difference	Net Budget Adjustment in Long Bill /b	Appropriation/ Prelim. Allocation
PRTF/TRCCF	$23,083,712	$8,612,187	($14,471,525)	($10,652,227)	$12,431,485
CHRP	11,791,901	5,165,848	(6,626,053)	(5,450,379)	6,341,522
Total	$34,875,613	$13,778,035	($21,097,578)	($16,102,606)	$18,773,007

a / FY 2007-08 PRTF and CHRP allocations and actuals have been slightly adjusted to tie to line item totals.
b/ The total Long Bill adjustment included a negative Medicaid reduction of $18.0 million partially offset by increases for caseload and cost of living.

As shown, about two-thirds of the under-expenditures and adjustments stemmed from the underutilization of funds that were expected to be used for the PRTFs and TRCCFs. The remainder stemmed from the underutilization of funds that were allocated for the CHRP waiver program.

Use of Medicaid PRTF and TRCCF funds. The FY 2008-09 budget adjustment was driven primarily by evidence that PRTF and TRCCF programs were used less than was anticipated when these programs were created in FY 2006-07 to replace the former RTC program. The table below, adapted from staff's previous analysis of this issue (January 2008 supplemental presentation), indicated that far fewer children were using these placements than originally projected.

Children Served (Full Program Equivalent) and Cost per Child - FY 2006-07 Assumptions and Actuals

	PRTF/TRCCF Programs *Assumptions*	PRTF/TRCCF Programs *Actuals*	Difference FY 2006-07 *Assump. v. Actuals*
PRTF			
Number children (FPE)	92.0	11.2	-80.8
Cost per FPE (Medicaid)	$300.00	$363.86	$63.86
RTC /TRCCF			
Number children (FPE)	1,253.0	941.8	-311.2
Cost per FPE (Medicaid)	$19.49	$18.79	($0.70)
Cost per FPE (non-Medicaid)	$152.60	$160.61	$8.01
Total TRCCF cost per FPE	$172.09	$179.40	$7.31
Total children - RTC/PRTF/TRCCF (FPE)	1,345.0	953.0	(392.0)
Weighted average cost per FPE	$180.84	$181.56	$0.72
Estimated Total Cost	$88,778,501	$63,157,465	($25,621,036)
Estimated Medicaid Share of Cost	$18,987,654	$7,946,654	($11,041,000)
Estimated Medicaid Federal Funds share	$9,493,827	$3,973,327	($5,520,500)
Estimated Medicaid FF share for PRTFs	$5,037,000	$743,730	($4,293,270)
Estimated Medicaid FF share for TRCCF	$4,456,827	$3,229,597	($1,227,230)

Notes: FY 2005-06 estimate and FY 2006-07 assumptions are based on staff FY 2006-07 figure setting recommendation document and the H.B. 06-1395. Legislative Council Staff Fiscal Note; FY 2006-07 actual data was provided by DHS; FY 2007-08 cost per FPE is based on DHS data using new rates for TRCCFs and FY 2006-07 actuals + 1.5 percent COLA for Medicaid rates.

As reflected in the table, the extremely limited use of the PRTF program (just 11.2 child "full program equivalents" in FY 2006-07) was the most significant factor in the unexpectedly-small use of Medicaid funding in FY 2006-07. This pattern has continued.

The opportunities for better use of these programs--and particularly the PRTF program--are uncertain. Some providers have suggested that children and adolescents who require the level of care required for a PRTF are also likely to qualify for mental health hospitalization. Because hospitalization is charged to Medicaid mental health capitation, while the PRTFs are charged to county capped allocations, there is little incentive for counties to use PRTF placements rather than hospitalization. If this is the reason for the under-use of this program, this pattern seems unlikely to change in the absence of substantial structural changes to either the programs themselves or the state system for funding county foster care and Medicaid mental health services. Further, insofar as many children who are not receiving TRCCF or PRTF services are being served appropriately in less intensive or less institutional placements, the lower-than-projected use of these facilities may be in the best interests of children. Overall, counties are using less out-of-home placements than they were in the past, and less access to federal Medicaid funds for PRTF and TRCCF placements may simply be a byproduct of this trend.

Underutilization of the CHRP Waiver. Staff finds the under-use of the CHRP waiver program more troubling. CHRP is a Medicaid Home- and Community-based Waiver program authorized under Section 1915 (c) of the Social Security Act. The waiver is designed to provide residential services to children and youth in foster care who have a developmental disability and extraordinary needs. This waiver, like others managed by the Division for Developmental Disabilities (*e.g.*, the Comprehensive Residential waiver program for adults), is for individuals requiring high levels of care in order to remain in the community.

Colorado is authorized by federal authorities to access 299 "slots" (full time placements for children) under the CHRP waiver. In FY 2001-02, the waiver's peak, 280 of these slots were filled. However, as of October 2, 2008 only 112 of these slots were in use. If CHRP placements were more fully used, counties would be able to access additional federal funds in the range of $3 to $4 million.

The type of child historically served in a CHRP placement has not disappeared: children with significant developmental disabilities are served by counties in the child welfare system. The Department has indicated that it does no know many children with developmental disabilities are being served by counties. However, it is clear that the majority of children eligible for CHRP placement are not in CHRP placements. In response to staff questions, the Department reported that of the 73 children aging out of foster care FY 2008-09 who will be transitioned into adult developmental disability residential placements, only 24, or about one-third, are being transitioned from the CHRP waiver to the adult program. The remaining children are being transitioned from other kinds of placements. Such placements may include: county foster homes, residential child care facilities, and even out-of-state placements for some children. The Department has confirmed that 13 children with developmental disabilities were, as of October 2008, placed out-of-state by their counties. Most of these were apparently placed in Tennessee. (Staff understands efforts are now underway to bring some of these children back to Colorado.)

Reasons for Under use of CHRP. The Department and providers report that reduced use of CHRP dates to changes in the licensing rules for homes and facilities serving children in the CHRP waiver. Previously, the licencing requirements for a CHRP placement matched those for an adult developmental disability placement. However, following some widely-publicized incidents of abuse, licensing for CHRP facilities was shifted to the "standard" licensing requirements for 24-hour residential child care placements. All other child welfare placements are subject to these same licensing standards. However, community centered boards and other developmental disability services providers, who had historically offered CHRP services, generally opted to stop serving CHRP children rather than comply with the new licensing rules. As new providers willing to focus on this population did not step forward, the number of available CHRP placements dwindled.

Anecdotally, department, county, and providers cite several reasons for the under-utilization of CHRP placements:

- Lack of providers;
- Caseworkers too busy to deal with additional paperwork and not sufficiently informed;
- CHRP rules that limit foster homes to no more than two CHRP placements at a time. Because a "regular" foster home is allowed to serve as many as seven children, there may be a disincentive for identifying a child for CHRP placement if the county wishes to place more than two children with developmental disabilities in a single foster home.

Under-utilization of CHRP could reflect the fact that counties are inappropriately placing children with developmental disabilities in institutional placements (TRCCFs) or in foster homes with excessive numbers of other children. There is no way to confirm this at present. However, it does seem likely that increased use of CHRP would both allow counties to access additional federal dollars and could help ensure appropriate placements for children with developmental disabilities.

Other Current Issues and Concerns

CHRP Waiver. The CHRP waiver is now facing changes similar to the changes facing other Medicaid waiver programs for people with developmental disabilities. Federal authorities are requiring the implementation of new standardized assessments to determine rates for this and other children's waivers, and a more detailed rate system. Case management must also be treated differently than in the past. A new waiver application with these changes is due to federal authorities by February 2009 for implementation by July 2009. It appears that the State may be behind schedule with respect to detailing the necessary changes or even identifying a standardized rates assessment instrument that could be used for child waiver populations. Staff is concerned that these impending changes may lead to reductions--rather than increases--in the use of the CHRP program.

TRCCF/PRTF Funding. In recent years, federal authorities have raised concerns about whether Medicaid payments for these facilities should be disallowed because they are "institutions for mental disease". Most recently, the Department of Health Care Policy and Financing indicated that it appears that the issue has been resolved to the satisfaction of federal authorities and that no changes will be required.

Unrelated to this, there has been interest on the part of the Department of Health Care Policy and Financing in eliminating the "carve out" for these programs and folding them into the Medicaid Mental Health Capitation program as reflected in some unsuccessful legislative proposals during the 2008 session. There has been resistence to such initiatives from providers, counties, and the Department of Human Services due to concerns about the responsiveness of the Medicaid Mental Health Capitation contractors (the behavioral health organizations or BHOs) to the needs of children in foster care and the variable level of cooperation between counties and BHOs in ensuring that children in the child welfare system receive appropriate mental health services.

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Department of Human Services
(Divisions of Child Welfare and Child Care)

BRIEFING ISSUE

ISSUE: Changes Afoot: the Child Welfare Action Committee and Other Initiatives

Colorado is currently in the process of considering a variety of changes to its state-supervised, county administered child welfare system due to problems highlighted in a wide array of reports.

SUMMARY:

❑ For the last 1.5 years various studies, as well as media attention, have highlighted weaknesses in Colorado's state-supervised county-administered child welfare system.

❑ Some associated recommendations were implemented through the 2008 budget, new legislation, and executive branch efforts. The FY 2009-10 budget request addresses others.

❑ Additional changes are pending the final report of the Child Welfare Action Committee in December 2009. Future changes will also be shaped by: the recommendations of a committee examining the child welfare allocation process, a federal review of the state child welfare system and outcomes, new federal child welfare legislation promoting kinship care and adoption, and the availability of state, federal, and local funds.

DISCUSSION:

Child Welfare System Studies. Over the last 1.5 years, child abuse fatalities and a growing number of reports have highlighted weaknesses in Colorado's state-supervised, county-administered child welfare system and recommended a variety of changes.

- **State Auditor's Office Performance Audit of Foster Care Services - May 2007 and Foster Care Financial Services - September 2007:** Identified many concerns about the quality of care provided to children in foster care, the Department's supervision of county foster care programs, and the Department's financial oversight of foster care services.
- **Child Maltreatment and Fatality Report - April 2008**: Explored the specific circumstances surrounding the 13 child abuse fatalities that occurred in Colorado in 2007 and made associated recommendations for system changes.
- **Senate Bill 07-64 Foster Care and Permanency - May 31, 2008**: Included analysis and 16 recommendations designed to improve foster care and permanency outcomes.
- **Interim Report of the Child Welfare Action Committee - October 31, 2008:** The Action Committee was established by Executive Order, and funded via H.B. 08-1404, to provide recommendations on improving the Colorado child welfare system.

These reports are expected to be followed over the next 1.5 years by additional reports and studies:

- **The Child Welfare Action Committee's final report is due December 31, 2009.** Its contents will be shaped in part by studies to be contracted out on county workload and the state-county administrative structure.
- The second round of the federal **Child and Family Services Review** is anticipated to be completed in March 2009, with a performance improvement plan submitted to federal authorities in June 2009.
- A subcommittee of the Child Welfare Allocation Committee has been formed to reconsider procedures for allocating funds among counties and consider whether these can be linked to outcomes.
- The Department is contracting out a number of studies related to its role, including a study of its staffing structure, and child welfare rules and state enforcement mechanisms are also undergoing review.
- The Department is also analyzing the impact of new federal legislation promoting kinship care and adoption.

The following sections detail common themes in some of the most significant studies already completed, executive and legislative responses thus far, and the major changes that will be considered in the coming years. Additional detail on the Interim Report of the Child Welfare Action Committee, the most recently completed of the studies, is described in more detail in an attachment.

Important Themes of Recent Reports

Challenges of a County-administered System/Inadequate State Oversight. The 2007 SAO Foster Care Audit found the State was not providing sufficient oversight over counties and child placement agencies (CPAs) to ensure children's safety. It found the Department had failed to ensure that counties adequately investigate and act upon allegations of abuse in foster homes. The audit identified 205 foster homes that were subject to multiple abuse or neglect allegations; for nine of these homes, it found that confirmed incidents of abuse or neglect might have been prevented if the state had followed up adequately on prior abuse or neglect allegations against the homes. The audit noted that federal laws are very clear that states are responsible for the adequacy of programs funded with federal child welfare moneys. However, state statutes do not provide the Department with specific authority to direct county activities, require compliance with Department directives or penalize counties for noncompliance through fines or corrective action.

The Child Maltreatment and Fatality Report noted that, as also reflected in previous reports and two previous agency letters in 2000 and 2002, lack of communication between agencies is a key systemic problem. This includes communication between counties when a family moves to a new county and department oversight and communication. The report also found that state regulations that guide county child welfare decisions (Volume VII) were incomplete, inconsistent, or simply lacking definitions of key concepts. Finally, practice in implementing regulations varied greatly among counties. Key recommendations were extensive: clarifying regulations, improving paths for state communication with counties, studying state and county organizational effectiveness, and creating the Child Welfare Action Committee, among others.

The S.B. 07-64 task force included recommendations to support the Department in strengthening its existing enforcement mechanisms for oversight of counties' compliance with the state rules. The report noted a lack of consistency throughout the state with regards to county policy and practice of foster care and child welfare.

The Child Welfare Action Committee is commissioning an outside consultant's report, using funding provided through H.B. 08-1404, to further examine the benefits and challenges associated with the current state-supervised/county administered structure and to recommend changes.

Workload and Training Issues. The Maltreatment Report found that most workers associated with the fatalities had the requisite level of education, background checks and training. Nonetheless, the report indicated a need for increased funding for training, noting that training sessions are full and unable to meet the demand. It also reported that child welfare professionals indicated many of the gaps and issues were driven by over-burdened staff. However, due to the lack of workload studies, it is difficult to determine the current workload level on average. The report included recommendations related to training and a workload study, most of which are incorporated in the Child Welfare Action Committee Interim Report.

The S.B. 07-64 Task Force report supported a workload study for county caseworkers and state agencies and that the Department recommend workloads that reasonably and realistically support caseworker compliance with Department rules and the Department's ability to enforce rules.

The Interim Report of the Child Welfare Action Committee included a recommendation to contract for a workload study and also included a large number of recommendations related to increasing training for caseworkers, supervisors, and others involved in responding to reports of abuse and neglect. The Department has submitted a budget request for FY 2009-10 that addresses some of these recommendations.

Other Highlights. A few of these are listed below.

<u>Minority over-representation, domestic violence, and substance abuse</u>: The Child Maltreatment Fatality Report highlighted the significant over-representation of racial and ethnic minorities among the child fatalities. It also noted that almost 70 percent of families in the review had some history of identified domestic violence, while 54 percent had experienced substance abuse issues. The Child Welfare Action Committee Interim Report includes significant recommendations on minority over-representation and domestic violence.

Mental Health Issues: The S.B. 07-64 task force included as its first recommendation the provision of mental health screening, evaluations, and services for all children who are the subject of a substantiated case of abuse. H.B. 08-1391 provides funding for a pilot program to address this.

Support and Training for foster parents, adoptive parents, and kinship care givers: The S.B. 07-64 task force report included a wide array of recommendations focused at increasing training and financial support for foster, adoptive, and kinship care givers. It does not appear that most of these recommendations have been moved forward through either the Child Welfare Action Committee or budget initiatives, presumably because of the substantial associated costs. However, the Child Welfare Action Committee expects to further examine kinship care issues, in light of major new federal legislation in this area signed in October 2008 (Fostering Connections to Success and Increasing Adoptions Act of 2008).

Problems with the Trails System: The 2007 SAO Foster Care Financial Activities Audit noted problems with the Trails system, Colorado's statewide automated child welfare information system (SACWIS) to collect information about children in adoption and foster care. The Child Maltreatment Fatality Report also noted data integrity problems and recommended a workgroup be formed to review the effectiveness, efficiency, and quality of Trails data and to recommended some specific systems changes.

Where is Colorado Now?

As suggested above, Colorado currently stands in the middle of a major review, and possibly a significant restructuring, of its child welfare system. During the 2008 legislative session, steps were taken to implement some of the recommendations identified above. These included:

- Adding $450,000 and 6.0 FTE to the Division of Child Welfare to improve oversight of county department foster care, kinship programs, and Trails data integrity, and to maintain a training program;
- Adding funding for a study of the division's organizational effectiveness/recommendations for restructuring ($100,000 one-time);
- Adding funding to update foster care base anchor rates and to establish a foster care level of care instrument (both recommendations of the 2007 Foster Care Financial Activities audit) ($90,000 one-time)
- Adoption of H.B. 08-1391 addressing mental health screening ($3.5 million per year, when annualized)
- Adoption of H.B. 08-1404 creating the Child Welfare Action Committee ($550,000 in FY 2008-09)

A number of budget initiatives have also been included in the FY 2009-10 request that reflect efforts in this area, most notably the request for additional training funds and a "placeholder" for additional state FTE. Together, these studies and executive initiatives reflect an effort to make state oversight of county activities far more robust. However, some of the most interesting questions about the future structure of the system--and, particularly where the line between county and state responsibilities will fall--are still outstanding.

A major driver of systems change will be the final recommendations of the Child Welfare Action Committee in December 2009. In addition to this, however, numerous other factors, including the federal and state implementation of major new federal legislation--the Fostering Connections to Success and Increasing Adoptions Act of 2008-- may not be resolved before the 2010 legislative session or beyond. Whatever the results of the ongoing studies and reports, the State's ability to make changes designed to benefit children and adolescents in the child welfare system will likely be constrained by available federal, state, and county funds.

Attachment
Interim Report of the Child Welfare Action Committee - October 31, 2008.

The Child Welfare Action Committee was created by Executive Order in April 2008 and subsequently legislatively authorized and funded by the General Assembly through H.B. 08-1404. The Committee was charged with providing recommendations on how to improve Colorado's child welfare system. The Committee's membership of 25 includes the Executive Directors of the Department of Human Services and Public Health and Environment, representatives of the Department of Health Care Policy and Financing and the Office of the Child's representative, directors of county departments of human/social services, county commissioners, a judge, a state representative (Representative Debbie Stafford), and an array of legal, medical, and educational specialists and providers.

The Committee's work, as described in the Executive Order, includes:

- Analyzing the state-county organizational capacity and structure to determine whether this system is the most effective option for protecting children;
- Examining the quality and quantity of training that child care professional should receive when working in the child protection field;
- Evaluating public access to state-county human services departments;
- Exploring the role that independent oversight committees can play in ensuring that human services agencies are held accountable for actions that might negatively impact families, children, and the community at large;
- Developing recommendations as to how public/private partnerships can improve the services and care provided to children who reside in the child welfare system;
- Reviewing evidence-based practice standards to the extent practicable when recommending changes to the system.

The Committee convened four subcommittees to address this work.

Administrative Structure: to evaluate the workforce needs of the state and counties; study the strengths and challenges of the state/county system; identify possible alternative structures and make recommendations regarding improving the current system or creating a new system; and develop a statewide workload analysis.

Child and Family Outcomes: to develop core outcome/performance indicators; establish an analytical framework for public child welfare; identify best practice domains and service arrays to meet child and family needs; and consider progressive county incentives and sanctions based on performance.

Cultural Competency: to identify underlying issues of disproportionate representation and disparate outcomes for children of color in the child welfare system; identify strategies for improving outcomes; and enhance the cultural competency of caseworkers, supervisors, providers and the courts.

Training: to identify core and advanced training curricula for caseworkers and supervisors; identify a process to recruit, train and retain a competent, credentialed workforce; and consider a Training Academy for these purposes.

The Committee's interim report includes 13 recommendations (some with multiple components), in no particular order. The recommendations are reviewed below. Those requiring new appropriations are highlighted first, followed by a brief review of other items.

Child Welfare Organizational Study and Workload Analysis. The Committee is undertaking, with funds already appropriated, an externally-contracted organization study to determine the efficacy of child welfare services and provide recommendations on the state/county structure (not yet complete). The Committee also recommends that the Department request legislation and funding strategies to conduct a workload analysis and codify the workload standards identified in the completed analysis. These recommendations were also included in the S.B. 07-64 report.

Child Welfare Division Research and Performance Improvement Team. The report recommends that the Department develop a decision item to add staffing and funding for a research and performance improvement team for the Division of Child Welfare. The report notes that the need for increased Division capacity and enhanced analysis was indicated by the 2007 Foster Care Audits and the Child Maltreatment Fatality Report.

Quality Assurance and State Leadership on Cultural and Diversity Issues. The Department will show leadership and accountability in the area of cultural competency. It will develop and implement a program and request appropriate staff and funding. The report references an array of data confirming significant racial disproportionality in both representation and outcomes in the child welfare system in Colorado. This is consistent with national patterns. A national study attributes such disproportionality to poverty among racial minorities, visibility of poor families, discriminatory over reporting, and caseworkers' lack of experience with other cultures.

Pre-Service Training for Caseworkers, Supervisors, and Case Aides. The report recommends pre-service training for new caseworkers including 30 hours of computer based training, 4 weeks of classroom, and 3 weeks of field training; supervisor training consisting of 3 weeks of classroom and 2 weeks of field training, and case aides training consisting of 2 weeks fo classroom and 1 week of field training. The report states that legislation is required to establish training requirements and appropriate funding. Staff understands that legislation may be needed to require that staff complete training before counties give them a caseload. The Department has submitted a budget request to increase funding for training.

Colorado Safety Assessment Instrument Training (S.B. 07-64 recommendation). The Action Committee recommended formal training on how to use the Colorado Safety Assessment Instrument, based on problems indicated by the Child Maltreatment Fatality Report. The Committee voted to create a formal training on use of this instrument, review data to determine its effectiveness, and develop a funding strategy to support continued training on the instrument.

Pre-Service Training for Child Abuse/Neglect Hotline Staff. The report recommends 2 weeks of classroom and 1 week of field training for hotline staff. The report states that legislation is required to establish training requirements and appropriate funding.

Expansion of Child Welfare Educational Stipend Program. A child welfare educational stipend program has been in existence for 12 years and currently supports 5 Bachelor of Science stipends through Metropolitan State College and 16 Master of Social Work degree stipends through the University of Denver. Each student who accepts is required to sign a binding payback contract which obligates the student to work for a county department for one calendar year for every year of academic assistance. The recommendation is that the Department work with institutions of higher education to implement a stipend program for 150 social work students. The Committee suggested that, in the event of the passage of Amendment 50 (limited gaming) funds from this source be dedicated to such stipends with a focus on rural job placement.

Evaluation of Training Effectiveness. The Department will expand the training evaluation process to assure that the training objectives are congruent with practice standards and guidelines. This will be conducted by an independent evaluator and will cover all mandatory pre-service training. A budget request is required to secure funding for the evaluation.

Utilizing Judicial Records. County staff shall be required to access judicial records through existing data systems such as LexisNexis. Currently counties do not routinely research judicial records at the point of referral and assessment. The Department will coordinate training and funding mechanisms with the Colorado State Judicial Branch.

Utilize TANF Reserves to Support Domestic Violence Intervention and Prevention. The Department shall apply for a grant from the TANF Strategic Use Fund created by Senate Bill 08-177 (TANF reserves) to implement a public education program regarding domestic violence. Domestic violence was a significant factor identified in the Child Maltreatment Fatality Report, which indicated that domestic violence is a co-occurring issue reported in 30-40 percent of child maltreatment cases.

Other Recommendations (no budgetary impact identified):

- Mandatory Reporters of Child Maltreatment. Amend rules to specify how and when counties and the state provide case progress or dispense information to mandatory reporters of child abuse (such as doctors). Mandatory reporters will be notified of the decision made to accept or not accept the report for assessment, unless they waive follow up.
- Domestic Violence representation in Collaborative Management Programs. Change statute to include a domestic violence representative among the required participants in Collaborative Management Programs (H.B. 04-1451) interagency oversight groups.
- Assessing Domestic Violence in Child Abuse Reports. Child welfare staff will collaborate with the Colorado Works program regarding the use of a domestic violence assessment tool. The Department shall consider efforts to support and/or require additional coordination of Child Welfare and Colorado Works. Legislation or rule required.

- Youth Adequately Prepared for Emancipation (S.B. 07-64 Recommendation). Support legislation on emancipation that might be introduced in the 2009 session by an entity outside the Action Committee. Department to promulgate rules requiring youth leaving foster care to have key documents and supports.
- Provide Increased Support and Services to Kinship Care givers for Children in Out of Home Placements (S.B. 07-64 Recommendation). The Committee will study this issue in more detail at a later date, in light of the passage of new federal legislation supporting kinship care (Fostering Connections to Success and Increasing Adoptions Act of 2008) that was signed by the President on October 7, 2008.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Divisions of Child Welfare and Child Care)

BRIEFING ISSUE

ISSUE: Federal Child and Family Services Reviews: 2002 and 2009

Data reports indicate Colorado failed to meet many of the goals associated with its 2002 federal Child and Family Services Review performance improvement plan. As a result, it may be subject to financial sanction. The State is preparing for its next federal review, scheduled for March 2009. There are a number of problem areas for which a new federal performance improvement plan will likely be required.

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, Colorado was required to submit and implement a performance improvement plan in order to avoid financial sanctions.

- ❑ The performance improvement plan was completed in March 2007, but Colorado's final report indicated that it was still out of compliance with regard to six specific outcome measures. In many areas performance had declined. Such noncompliance could result in a federal financial sanction of up to $2.2 million. Nearly two years later, the State is still negotiating with federal authorities about whether it will be deemed out of compliance and the associated level of any financial sanction.

- ❑ The federal government has planned a second-round CFSR for Colorado, now scheduled for on-site in March 2009. This review will benchmark Colorado against even higher outcome measures than the first review.

DISCUSSION:

Background. Approximately 28 percent of the Child Welfare appropriation originates as federal funds.[4] This includes fairly stable grant funding, including the Title XX Social Services Block Grant and funding provided under Title IV-B of the Social Security Act, and it includes the federal portion of Medicaid funding transferred from the Department of Health Care Policy and Financing. In addition, 64 percent of the Division's federal funding is authorized under Title IV-E of the Social Security Act. Under IV-E, the state receives partial federal reimbursement for qualifying child welfare expenditures for low-income children in the child welfare system. Most of the reimbursement is at the rate of \$.50 on each \$1.00 spent by the state.

Key federal Child Welfare Legislation

Adoption Assistance and Child Welfare Act (1980) Emphasis on limiting foster care placements. Promoted permanency planning, reducing unnecessary separation of children and families, and "reasonable efforts" to prevent out-of-home placement.

Multi-ethnic Placement Act (1994 amend 1996) 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.

Adoption and Safe Families Act (1997). Emphasis on speeding permanency planning, including streamlining placements, increasing adoptions and terminating parental rights, where appropriate. Emphasis on outcomes. Provided the legal basis for Child and Family Service Reviews (CFSRs) of states that began in 2000.

Fostering Connections to Success and Increasing Adoptions Act (2008). Emphasis is to support relative care givers, improve outcomes for children in foster care, provide for tribal foster care adoption access, and improve incentives for adoption.

As a condition for receipt of federal funds, states agree to comply with a wide range of federal requirements, many of which were authorized under the 1997 Adoption and Safe Families Act (ASFA). This legislation reflected an attempt to balance between the competing goals of reunifying families, ensuring children's safety, and moving children into permanent placement within reasonable time frames. In particular, ASFA reflected a federal reaction to evaluations that had revealed long delays in the court process for terminating parental rights and making children eligible for adoption. A significant number of children in foster care nationally were awaiting adoption, and many children waited three to five years for an adoptive home.[5] ASFA made significant changes to the federal Title IV-E program, attempting to streamline placement with changes that included clarifying what comprised "reasonable efforts" to prevent out-of-home placement. This included:

- detailing instances in which states are not required to make efforts to reunify families;

[4] Including Title IV-E reimbursements to counties that are reflected as cash funds and Medicaid federal funds reflected as reappropriated funds.

[5] 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.

- 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;

- 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.

The federal DHHS was required to review each state's child welfare programs over a four-year period, starting in FFY 2000-01. In these reviews, known as Child and Family Services Reviews, 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.

2002 Child and Family Services Review. Colorado's first Child and Families Services review was completed by federal authorities in August 2002. The State is currently in the process of its second such review. Colorado's 2002 Child and Family Services Review included the following components: a statewide assessment prepared by the state department, a state data profile prepared by federal authorities, on-site, in-depth reviews of 50 case records, and interviews and focus groups with state and local stakeholders.

The 2002 initial review determined that Colorado did not achieve substantial compliance with six of the seven safety, permanency, and well-being outcomes that were evaluated and with one of the 7 system areas evaluated. The problems identified were based on statewide data or the detailed onsite review of 50 cases. These included:

- Percentage of children maltreated while in foster care by foster parents or facility staff;
- Percentage of cases in which the outcome of children being "maintained in their homes whenever possible and appropriate" was substantially achieved;
- Percentage of re-entries in foster care within 12 months of a prior foster care episode;
- Percentage of cases in which the outcome of "continuity of family relationships and connections is preserved for children" was substantially achieved;

- Percentage of cases in which the outcome of "families have enhanced capacity to provide for their children's needs" was substantially achieved;
- Percentage of cases in which the outcome of "children receive adequate services to meet their physical and mental health needs" was substantially achieved; and
- Systemic issue: case review system.

Specific concerns included insufficient emphasis on permanency placement for older children in foster care, excessive placement changes (particularly for older youth), failure to actively seek adoptive homes for some children due to their ethnicity, age, or disability, lack of consistency in promoting children's relationship with their non-custodial fathers, and failure to provide needed dental services due to delays in receiving Medicaid cards and a lack of providers who will accept Medicaid payments. The report also indicated that many parents were not involved in the case planning process, particularly fathers. Additional detail on the results of the 2002 CFSR are included in an attachment.

2003 Performance Improvement Plan (PIP). The Federal government may impose financial sanctions associated with state CFSR performance. However, federal staff work with states to develop plans for making improvements in programs before assessing penalties and withholding funds. Of the states reviewed in the first round of CFSR reviews, all had to submit a performance improvement plan, indicating that none "passed" all components evaluated during the reviews.

On October 10, 2003, the Department submitted its Performance Improvement Plan (PIP) 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. Of the 7 outcomes and 7 systemic factors upon which states were reviewed, Colorado's PIP addressed 6 outcomes and 1 systemic factor.

2003 PIP Action Step Goals Not Achieved. The PIP extended through March 2007. As of March 2007, data indicated that Colorado was still short of the agreed upon goals on six action steps in the areas of permanency and child and family well being. Details on each of the six PIP components that appeared not to have been achieved are provided below. A table in the attachment includes additional detail on PIP goals and state performance as of March 2007. As discussed further below, Colorado is challenging whether it actually failed to meet these performance goals .

<u>Foster Care Re-entries:</u>. This action step focused on the permanency and stability of children's placement in the home. The national standard used was that only 8.6 percent of children will experience a re-entry within a 12 month period. Colorado's baseline was 19.3 percent and its performance for the period 4/1/06 through 3/1/07 was 20.6 percent (*i.e.*, performance declined).

<u>Stability of Foster Care</u>: This action step attempted to assure that the placement change children experience while in foster care is in line with their case plans. Colorado's baseline was 72 percent

and its goal was 76 percent, but its performance for the period 4/1/06 through 3/1/07 was 58.85 percent (*i.e.*, performance declined).

Adoption: This action step was designed to ensure that children free for adoption move promptly through the adoption process. The goal established was that at least 81 percent of children legally free for adoption would have an adopted family identified. Colorado's 2002 baseline was 76%. The statewide performance for 4/1/06 through 3/31/07 was 79.91 percent. Although Colorado fell short of the goal, there was an improvement.

Preserving Connections: This action step attempted to assure that the Family Services Plan, and services provided, including foster placements, takes into account the unique characteristics of the child and family. Colorado's goal was that 96 percent of case records would address maintaining familial and cultural connections. Its baseline was 95 percent, but the statewide performance for this action step for the period 4/1/06 through 3/31/07 was 93.82 percent (*i.e.*, performance declined).

Worker Visits With the Child: This action step attempted to assure that when the county department has an open case, monthly face-to-face contacts occur between the caseworker and children in foster care as well as children living in their homes. Colorado's baseline measure was that 92 percent of visits would be face-to-face, and its goal was 95 percent. However, the statewide actual performance for the period 4/1/06 through 3/31/09 was 85.19 percent (*i.e.*, performance declined).

Physical Health: (1) Timely Initial Health Assessments: This action step attempted to assure that children with open cases receive timely initial health and dental assessments. The goal was 86 percent for this action step and baseline performance was 82 percent, but the statewide performance for the period 4/1/06 through 3/31/07 was 80.95 percent (*i.e.*, performance has declined).

Physical Health: (2) Health Needs Identified and Services Provided: This action step attempted to assure that children's health needs are identified, and that health services are provided on a regular basis. The goal for this item was 94 percent and the baseline was 90 percent. Performance for the period 4/1/06 through 3/31/07 was 90.19.

Potential Sanctions. If a state remains in noncompliance, a financial penalty based on the extent of noncompliance is to be assessed. 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 percent of the Title IV-E foster care administrative costs while the State has been out of compliance. The sanctions could be 1 percent of the pot for each outcome found to be out of compliance and can be applied for each year since the PIP was approved. Based upon the goals not being met on the above items, the potential sanctions that Colorado faces could be up to $2.2 million.

Colorado is negotiating with federal authorities as to whether the State's performance may actually be acceptable in some or all of the areas in which it appears to have failed to meet PIP goals. The Department has indicated that it does not know whether it will be subjected to sanctions, based on its ongoing discussions with federal authorities. It hopes to have a final decision regarding any sanctions by March 2009. Items being discussed include the following:

- **The PIP measure did not actually measure what it purported to measure**. For example, the "stability of foster care" measure looked solely at how placement changes aligned with the child's case plan: each unplanned move or move that might be more restrictive was seen as a move not in line with the child's case plan. The measurement did not assess the efforts of counties to address children's changing issues and needs. Colorado had proposed alternative measures that could be used to judge its compliance.

- **Colorado agreed to PIP components in areas where its performance was already high.** For example, Colorado's performance in the "preserving connections" area was already high at the time of the 2002 CFSR, and its performance during the PIP period should be sufficient to deem it in substantial compliance. Similarly, performance in the timely adoption area was high, and the use of two different measures for determining compliance with timely adoption requirements would have resulted in Colorado being deemed in compliance.

- **The way the PIP measure was calculated distorted performance:** For example, Colorado performance with respect to "worker visits with child" was based on assigning a score of "0%" for a quarter, even if a caseworker successfully met with a child for two of the three months. If calculations had been based on monthly, rather than quarterly, visits, performance would have remained consistently high.

- **Poor performance was beyond the Department's control:** For example, delays in timely assessments were caused by a computer problem that delayed the Medicaid system's distribution of Medicaid cards and led some providers to refuse to do assessments.

2009 Child and Family Services Review. The federal government is now in the process of conducting a second round of Child and Family Services Reviews throughout the nation. This includes an extensive data collection effort by the State which will be followed by an on-site review by federal authorities now scheduled for March 2009. The measures that will be used in this second round have been modified and are expected to be more stringent in various respects, including that 95 percent (rather than 90 percent) compliance is required to national standards. In preparation for the federal visit, the State has been conducting meetings and focus groups throughout the State. It has also assembled baseline data on areas that will be evaluated. The table below compares this data with the national 75th percentile, which will be used to determine compliance. Areas in which the State is currently performing under the national 75th percentile are reflected in bold. As reflected**, Colorado can be expected to be deemed out of compliance in one safety compliance standard (maltreatment in foster care) and in one of the four permanency composite standards (placement stability).** Overall, this data reflects improvements over that presented last year.

The statewide data will be combined with the results of the federal on-site visits March 16 to March 23, 2009. Denver, Larimer, and Fremont counties have been selected for the on-site visits, and the cases that will be reviewed in each county have already been selected. The Department is currently in the process of training staff who will be involved in the detailed federal case reviews and interviews. According to Department staff, the Department will be required to develop a new Performance Improvement Plan within 90 days of the exit interview on March 23, 2009.

2009 Child and Family Services Review Outcome Measure / Description	Colorado FY 2007-08 1st quarter	National Comparison	
		Compliance Standard	75th Percentile
Safety			
1. Recurrence of maltreatment. Of children who were victims of substantiated or indicated child abuse or neglect, what percent did NOT experience another incident of maltreatment within a six month period (statewide data). [inverse of 2002 measure]	95.3%	94.6%	
2. Maltreatment in foster care. Of children in foster care, what percent were NOT victims of an incident of maltreatment by foster parents or staff while in foster care (statewide data). [inverse of 2002 measure]	***99.4%***	***99.7%***	
Permanency			
Composite 1: Timeliness of reunification. *(Overall score)*	125.3	122.6 or higher	
<u>Composite 1, Component A - Timeliness of Reunification</u>			
Measure 1: Of all children discharged from foster care in the year shown, what percent was reunified with the family in less than 12 months	76.4%		75.2% or higher
Measure 2: Of all children discharged from foster care to reunification in the year shown, what was the median length of stay in months	5.7		6.5 or lower
Measure 3: Of all children entering foster care in the second 6 months of the prior year, what percent was discharged to reunification in less than 12 months from the date of entry?	56.5%		48.4% or higher
<u>Composite 1, Component B: Permanency of Reunification</u>			
Measure 1: Of all children discharged from foster care to reunification in the prior year, what percent reentered foster care in less than 12 months	***15.2%***		***9.9% or lower***

2009 Child and Family Services Review Outcome Measure / Description	Colorado FY 2007-08 1st quarter	National Comparison	
		Compliance Standard	75th Percentile
Composite 2: Timeliness of adoptions of children exiting foster care	118.4	106.4 or higher	
<u>Composite 2, Component A: Timeliness of adoptions of children exiting foster care</u>			
Measure 1: Of children discharged from foster care to adoption in the year, what percent was discharged in less than 24 months from date of most recent entry into foster care	57.2%		36.6% or higher
Measure 2: Of all children who were discharged from foster care to adoption in the year, what was the median length of stay in foster care (months)	21.9		27.3 or lower
<u>Composite 2, Component B: Progress toward adoption of children in foster care 17 months or longer</u>			
Measure 1: Of all children in foster care 17 months or longer, what percent was discharged to a finalized adoption	***19.5%***		***20.7% or higher***
Measure 2: Of all children in foster care 17 months or longer, what percent became legally free for adoption	***3.2%***		***10.9% or higher***
<u>Composite 2, Component C: Timeliness of adoptions of children legally free for adoption</u>			
Measure 1: Of children legally free for adoption, what percent was discharged in less than 12 months of becoming legally free	57.7%		53.7% or higher
Composite 3: Achieving permanency for children in foster care for extended periods of time	124.0	121.7 or higher	
<u>Composite 3, Component A: Achieving permanency for children in foster care for extended periods of time</u>			
Measure 1: Of all children in foster care for 24 months or longer, what percent was discharged to a permanent home prior to age 18	***20.7%***		***29.1% or higher***
Measure 2: Of all children discharged who were legally free for adoption, what percent was discharged to a permanent home prior to age 18	***97.0%***		***98.0% or higher***

2009 Child and Family Services Review Outcome Measure / Description	Colorado FY 2007-08 1st quarter	National Comparison	
		Compliance Standard	75th Percentile
Composite 3, Component B: Children growing up in foster care Measure 1: Of all children who exited with a discharge of emancipation prior to age 18 or who reached age 18, what percent was in foster care for 3 years or longer	32.4%		37.5% or lower
Composite 4: Placement Stability	***97.9***	***101.5 or higher***	
Measure 1: Of children in foster care for 12 months or less, what percent had two or fewer placement settings	***85.9%***		***86.0% or higher***
Measure 2: Of all children in foster care between 12 and 24 months, what percent had two or fewer placement settings	***63.7%***		***65.4% or higher***
Measure 3: Of all children in foster care 24 months or more, what percent had two or fewer placement settings	***35.7%***		***41.8% or higher***

Attachment - Colorado 2002 Child and Family Services Review and Performance Improvement Plan

2002 Colorado Child and Family Services Review		
Outcome Measure / Description	**Colorado Data 2002**	**Compliance Standard**
Safety		
1a. Percentage of children experiencing more than one substantiated or indicated child maltreatment report within a six month period (statewide data).	2.7%	6.1%
1b. Percentage of children maltreated while in foster care by foster parents or facility staff (statewide data).	*0.73%*	*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%*	*90.0%*
Permanency		
3a. Percentage of re-entries in foster care within 12 months of a prior foster care episode (statewide data).	*19.3%*	*8.6%*
3b. Percentage of reunifications occurring within 12 months of entry into foster care (statewide data).	85.7%	76.2%
3c. Percentage of adoptions finalized within 24 months of entry into foster care (statewide data).	49.5%	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%	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%*	*90.0%*
Child and Family Well-being		
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%*	*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%	90.0%

2002 Colorado Child and Family Services Review		
Outcome Measure / Description	**Colorado Data 2002**	**Compliance Standard**
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%*	*90.0%*
Systemic Factors		
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)	
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)	

Colorado 2002 CFSR Performance Improvement Plan Goals, Action Steps, and Final Performance - March 2007 (selected measures)			
Outcome Domain	**Goals**	**Action Steps**	**Achievement**
Safety	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.	88% 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.	Achieved 12/31/2004

Colorado 2002 CFSR Performance Improvement Plan Goals, Action Steps, and Final Performance - March 2007 (selected measures)			
Permanency	Children have permanency and stability in their living situation.	*No more than 8.6% of children will experience re-entry into foster care within a 12 month period per AFCARS data.*	*Out of compliance/ needs improvement*
		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.	*Out of compliance/ needs improvement*
		96% of children in foster care will have an appropriate permanency goal.	Achieved 6/1/2005
		81% of the children legally free for adoption will have an adoptive family identified.	*Out of compliance/ needs improvement*
		90% of the Independent Living cases will reflect diligent efforts to prepare youth for emancipation.	Achieved 12/31/06
	The continuity of family relationships and connections is preserved for children	94% of visitation plans address permanency goal and are of sufficient frequency with each parent	Achieved 9/30/2004
		96% of case records address maintaining familial and cultural connections.	*Out of compliance/ needs improvement*
Child and Family Well-Being	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 3/1/2005
		90% of monthly visits with the child will be face-to-face.	*Out of compliance/ needs improvement*

Colorado 2002 CFSR Performance Improvement Plan Goals, Action Steps, and Final Performance - March 2007 (selected measures)			
	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 and 94% of children in foster care will have health needs identified and services provided.*	*Out of compliance/ needs improvement.*
		84% of children with mental health needs will have services provided	Achieved 9/1/2004

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Divisions of Child Welfare and Child Care)

BRIEFING ISSUE

ISSUE: SAO Performance Audit: Colorado Child Care Assistance Program

The State Auditor's Office has recommended a wide array of changes to the Colorado Child Care Assistance Program, which funds subsidized child care for low income working families and those transitioning from the Colorado Works program. If implemented, the recommendations could result in substantial restructuring of this program.

SUMMARY:

❑ The Colorado Child Care Assistance Program (CCCAP) provides child care subsidies for low income Coloradans and families transitioning from the Colorado Works program. This program comprises 83.2 percent of the appropriation for the Division of Child Care. It served 35,100 children at a cost of $86.2 million in FY 2007-08.

❑ A recently released SAO audit, required pursuant to H.B. 07-1062, includes a variety of recommendations that, if implemented, could result in a substantial restructuring of the program. The auditor's first recommendation is to standardize CCCAP eligibility requirements by setting statewide eligibility policy (an issue previously raised by JBC staff).

❑ Although the Department agreed with most recommendations, in many cases it agreed to convene a committee to work further on this issue. Thus, whether some recommendations will be fully implemented will not be known for some time.

DISCUSSION:

The Colorado Child Care Assistance Program (CCCAP) provides child care subsidies for low income Coloradans and families transitioning from the Colorado Works program. Funding for the program comprises 83.2 percent of the appropriation for the Division of Child Care, which is also responsible for licensing child care facilities and overseeing various programs to promote child care quality. The State Auditor's Office was required to conduct a performance audit of CCCAP, pursuant to the provisions H.B. 07-1062 (Early Childhood Councils). The Colorado Child Care Assistance Program Performance Audit was released December 8, 2008. One of the audit topics and recommendations ties directly to previous JBC staff recommendation and FY 2008-09 JBC Request for Information #39, *i.e.*, a recommendation to establish program eligibility on a state-wide basis, rather than by county. If fully implemented, the audit recommendations could result in substantial restructuring of the CCAP program. The following material summarizes, and directly excerpts, sections of the audit.

Background: The Colorado Child Care Assistance Program
Child care subsidy programs, such as CCCAP, were promoted under 1996 federal welfare reform legislation to help families become financially independent. Pursuant to Sections 26-1-11 and 26-1-201, C.R.S., the Department supervises CCCAP services administered by county departments of human/social services. As for other public assistance programs, counties serve as agents of the State and are charged with administering the program in accordance with Department regulations. State Department funding for program oversight was estimated at about $131,000 for about 2 FTE in FY 2007-08.

Counties spent about $86.2 million to provide child care for about 35,100 children in FY 2007-08. This includes about $76.8 million in payments to child care providers and about $9.4 million for county administration. Of this amount, $75.7 million was appropriated to the Division of Child Care as General Fund ($15.4 million), Cash Funds ($9.2 million for county maintenance-of-effort), and federal funds ($51.3 million; predominantly from the federal Child Care Development Fund block grant). The balance of over $10 million was transferred by counties from their TANF block grants to child care, as permitted under federal and state law.

To be eligible for CCCAP, a family must have at least one child under the age of 13 and qualify for services. Services funded in the CCCAP line item include those for low income working families and those for families transitioning from the Colorado Works program.

Low Income Child Care (LICC) serves low-income children with parents involved in an eligible activity, such as work or job training. Section 25-2-805, C.R.S. requires counties to serve families that earn less than 130 percent of the federal poverty level ($22,880 for a family of three in 2008) and allows them to serve families earning up to 85 percent of the state's median income ($50,194 for a family of three in 2008). In FY 2007-08, about 29,900 children entered CCCAP through LICC.

Colorado Works Child Care is a support service for families participating in or transitioning off Colorado Works. In FY 2007-08, CCCAP served 5,200 children through this program.

The following table, replicated from the audit, reflects recent trends in expenditures and children served.

Department of Human Services Colorado Child Care Assistance Program Expenditures and Children Served Fiscal Years 2004 through 2008[1]						
Category	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	Percent Change FY 04-08
Direct Child Care Expenses	78,400,000	73,200,000	67,100,000	66,100,000	76,800,000	-2.0%
County Administration	8,500,000	8,200,000	8,500,000	8,300,000	9,400,000	10.6%
Total	86,900,000	81,400,000	75,600,000	74,400,000	86,200,000	-0.8%
Children Served[2]	40,600	38,200	35,600	33,900	35,100	-13.5%
Cost per Child	2,140	2,130	2,120	2,190	2,460	15.0%
Source: DHS County Financial Management System and annual CCCAP reports (1) Expenditures and children served reflect LICC and Colorado Works child care funded by CCCAP (2) Children served represents total children served in the year, regardless of length of time served						

Audit Findings

The audit included findings and recommendations in the areas of program eligibility, oversight of county expenditures, and funding and performance.

Eligibility

Eligibility criteria. CCCAP eligibility requirements and practices vary significantly across counties in the areas of maximum family income allowed, eligibility activities, participation in child support enforcement, and "grandfathering" CCCAP participants into the program after their income exceeds program limits. For example, in April 2008, counties' maximum income limits ranged from 150 percent to 225 percent of the federal poverty level ($26,400 to $39,600 for a family of three). The auditors found that 57 percent of the 2,000 families denied CCCAP service from July 2003 through October 2007 would have been eligible in a neighboring county.

Eligibility determination and eligibility determination overrides. The auditors found calculation errors or omissions in the eligibility forms for 57 percent of case files they reviewed. The errors did not change the applicant's eligibility status, but did result in changes to parental fees required. The auditors also found that, even after further investigation, counties could not provide documentation to support the appropriateness of 37 percent of "eligibility determination overrides". Two case workers were found to be responsible for 22 percent of such overrides.

Frequency of eligibility redeterminations. The Department requires counties to redetermine CCCAP eligibility every six months. Participants are also required to report any changes in circumstances (*e.g.,* changes in income). The auditors found this may be costly to administer and overly burdensome for participants. Only 3 percent of families were deemed ineligible through six-month redeterminations between July 2003 and October 2007. They found 21 other states redetermine eligibility on an annual basis.

Oversight of County Expenditures

Market rate survey. Market rate surveys are conducted to determine the "market rate" for child care in different regions of the state and to certify to the federal government that CCCAP rates meet federal equal access requirements for children in the program. The auditors identified significant concerns about the validity of the market rate survey used by the Department. The Department does not verify source data or ensure that the survey sample is adequately representative. The auditors also identified problems with the Department's methodology for analyzing and reporting results of the market rate survey, such as not reporting age-specific rates that align with the age category data collected.

Provider payments. The auditors found the Department needs to strengthen its monitoring of county provider payments. The auditors found that, in general, counties are not considering families' schedule of eligible activities, *i.e.*, the amount of child care needed, when authorizing CCCAP. The audit also found that three providers (11 percent of those sampled), when contacted anonymously, quoted lower rates for "private pay" customers than they charge CCCAP. In addition, some counties were not complying with Department requirements to review a sample of provider attendance sheets to ensure providers only bill for actual days of care.

County-owned child care centers and slot contracts. Prowers county has been significantly overcharging the CCCAP program for child care provided at the county's county-owned child care center. The auditors identified overpayments totaling $111,000 for FY 2007-08 alone based on the difference between what the rates charged to CCCAP versus the rates charged private pay customers. In addition, the contract between Prowers and this center guaranteed the center payment for more than 7,600 unused units of child care at an estimated cost of $190,000 in FY 2007-08. The Department had approved the contract between the county and the provider.

Quality initiatives. The audit included review of a sample of Department quality initiative transactions. The auditors found that out of a sample of 72 transactions from FY 2005-06 through FY 2007-08, auditors questioned 19 percent ($83,000) because the expenditures were unallowable, unreasonable, or not supported by adequate documentation. Questioned costs included entertainment expenses and payment of staff's personal rent, among others. Auditors also identified a $2.8 million transaction from Denver for which the County could not provide supporting documentation. Finally, auditors found that the Department policy of allowing counties to use CCCAP allocation funds for quality initiatives does not comply with state statute.

Funding and Performance

Program performance. The auditors contracted with Berkeley Policy Associates to examine CCCAP "coverage rates", *i.e.*, the percentage of eligible families participating in the program. It found that coverage declined from 31 percent n FY 2003-04 to 27 percent in FY 2004-05. It also found individual county coverage rates varied from 2 percent to 58 percent. The auditors noted that the Department does not calculate coverage rates and, overall, does not have adequate systems for collecting and analyzing CCCAP performance data.

Funding. Since 2004, the Department has allocated CCCAP funds among counties based on three equally weighted components: the number of children under the age of 13, the number of families with children under the age of 12 who receive food stamps, and a "utilization factor" which multiples the counties' previous year's caseload numbers by the counties' regional 75th percentile market provider rate to estimate the cost of serving program participants. About half of the counties over- or underspent their CCCAP allocations by at least 20 percent during FY 2004-05 through FY 2007-08. The auditors felt that these patterns result from flaws in the allocation model. The auditors also found that the Department relies on significant amounts of TANF funding for CCCAP services but does not ensure TANF funds are allocated to counties in accordance with the state's child care needs.

Selected Recommendations and Department Response
The audit included 20 recommendations in the areas of program eligibility, oversight of county expenditures, and funding and performance. Some of these are reviewed below.

Systemic Change
Approximately half of the recommendations could result in significant change to the basic parameters of the CCCAP program. The Department's response to almost all such recommendations was that it would convene a committee, composed of state representatives and county representatives, to study the impact of the recommendation and how to make the changes to current policy. Recommendations included:

- Standardize CCCAP eligibility requirements by setting statewide or regional income eligibility limits and mandating education and job training as eligible activities, among other changes. Seek statutory or regulatory change as necessary to implement statewide standards. [Staff note: this is consistent with JBC staff's recommendation described in the FY 2008-09 briefing document and the JBC's RFI #39]. The Department only "partially agreed" with this item, indicating that a work group would determine whether the recommendation would be fully implemented and on what timeline.

- Determine the most cost-effective policies for redeterminations and reporting changes in family circumstances/income (*i.e.*, whether annual, as opposed to six month, eligibility-redeterminations are more efficient).

- Strengthen the "waiver" process (the process by which counties may apply to have specific CCCAP rules "waived") by implementing standards and criteria for requesting and approving waivers, and requiring reports to document the benefits of the waiver, among other components

- Improve the CCCAP market rate survey of child care provider rates by developing policies to ensure the survey produces accurate results. Also reevaluate the county-designation formula. (Counties are currently grouped into four categories of urban, rural, mountain resort, and Pueblo.)

- Discontinue the practice of allowing counties to use their CCCAP allocation for quality initiative expenditures. (The Department agreed to comply with this by July 2009.)

- Develop a system to assess program performance in meeting objectives and demonstrating accountability. Includes developing measurable goals to be included in performance contracts between the Department and counties and formalizing the process for collecting and analyzing performance data to determine whether objectives are met.

- Implement policies to ensure that prioritized populations receive priority for services when county waitlists or freezes exist.

- Improve the CCCAP method for allocating funds among counties by developing more accurate, reasonable, and defensible estimates of the population in need, among other components.

- Ensure the end-of-year closeout process redistributes funds in accordance with the purposes of the allocation model by determining why counties overspend and establishing criteria for receiving closeout funds, *e.g.* prioritizing costs associated with caseload increases.

The Department disagreed with two recommendations. Of particular note, the auditors recommended that the Department improve the effectiveness of TANF funds by annually determining at the beginning of the year whether to designate that all or a portion of TANF funds available for transfer to CCCAP will be transferred and requesting that the General Assembly appropriate TANF funds in this way.

[JBC staff believes that this option may be worth considering in the future if the state proceeds to a more "statewide" CCCAP program, with eligibility and reimbursement parameters established at the state level. During its hearing with the Legislative Audit Committee, the Department noted that a major consideration in accessing TANF funds for child care is the impact of S.B. 07-177 (TANF reserves). It would like to see the impact of S.B. 07-177 over time, before it commits to specifically directing TANF funds "off the top" toward child care.]

Financial Monitoring

A number of recommendations concerned improving Department financial oversight of county expenditures. In response, the Department specifically referenced Decision Item #18 for FY 2009-10 that would add 2.0 FTE to the current 2.0 CCCAP FTE in order to more closely monitor "improper payments" issues. Further, during its hearing the Department emphasized that it anticipates that the $14.7 million rebuild of the Child Care Assistance Program Automated System (known as CHATS), now anticipated to be completed by the end of FY 2009-10, will help to address many of the issues identified related to ensuring expenditures are authorized and limiting improper payments.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests

DEPARTMENT OF HUMAN SERVICES
Executive Director: Karen Beye

(1) EXECUTIVE DIRECTOR'S OFFICE
The primary function of this division is general department administration. This document includes Executive Director's Office, Special Purpose line items that are specifically related to child welfare services. This includes: staff responsible for periodically assessing all Colorado children placed in residential care as a result of a dependency and neglect or a delinquency proceeding to ensure counties' statutory and regulatory compliance; and funding to support staff who conduct background/employment screenings using records and reports of child abuse or neglect. Cash funds are from fees paid by those requesting background/employment checks. *The balance of Executive Director's Office line items are covered in other Department of Human Services briefing and figure setting documents.*

(B) Special Purpose

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
Administrative Review Unit	1,762,416	1,859,239	1,951,619	2,509,103	DI #16, NP-1
FTE	20.2	20.9	22.2	28.8	
General Fund	1,033,073	1,160,911	1,196,849	1,262,171	
Federal Funds	729,343	698,328	754,770	1,246,932	
Records and Reports of Child Abuse or Neglect	489,962	426,787	566,874	585,746	DI #NP-2
FTE	6.0	6.5	7.5	7.5	
Cash Funds	163,038	73,771	566,874	585,746	
Cash Funds Exempt/Reappropriated funds [reserves]	326,924	353,016	0	0	

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Request v. Approp.
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	2,252,378	2,286,026	2,518,493	3,094,849	22.9%
FTE	26.2	27.4	29.7	36.3	6.6
General Fund	1,033,073	1,160,911	1,196,849	1,262,171	5.5%
Cash Funds	163,038	73,771	566,874	585,746	3.3%
Cash Funds Exempt/Reappropriated funds	326,924	353,016	0	0	n/a
Federal Funds	729,343	698,328	754,770	1,246,932	65.2%

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests

(5) DIVISION OF CHILD WELFARE

This division provides funding and state staff associated with the state supervision and county administration of programs that protect children from harm and assist families in caring for and protecting their children. Funding also supports training for county and state staff, direct care service providers (e.g. foster parents), and court personnel. Cash funds sources include county tax revenues, grants and donations, federal Title IV-E funds, and amounts from the Collaborative Management Incentives Cash Fund (primarily from civil docket fees). Reappropriated funds are Medicaid funds transferred from the Department of Health Care Policy and Financing.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
Administration	2,281,207	2,380,105	2,900,819	3,940,508	DI #9, 6, NP-1, NP-2
FTE	25.1	22.3	31.5	40.3	
General Fund	1,481,349	1,481,846	2,065,740	2,926,204	
Cash Funds Exempt/Reappropriated funds	124,326	118,794	130,712	137,577	
Federal Funds	675,532	779,465	704,367	876,727	
*Medicaid Funds**	*128,349*	*118,794*	*130,712*	*137,577*	
*Net General Fund**	*1,545,524*	*1,541,243*	*2,131,098*	*2,994,995*	
Training	4,810,715	4,878,536	4,981,462	6,588,815	DI #7, NP-2
FTE	0	0	0	5.5	
General Fund	2,210,044	2,245,129	2,348,055	3,258,616	
Cash Funds	0	0	37,230	37,230	
Cash Funds Exempt/Reappropriated funds	37,230	37,230	0	0	
Federal Funds	2,563,441	2,596,177	2,596,177	3,292,969	
Foster and Adoptive Parent Recruitment, Training, and Support	298,396	297,020	333,812	337,717	DI #NP-2
FTE	1.0	1.0	1.0	1.0	
General Fund	232,522	230,902	267,068	270,310	
Federal Funds	65,874	66,118	66,744	67,407	

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	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
Child Welfare Services /a	318,923,705	337,446,740	351,124,655	360,253,247	DI #10
General Fund	156,513,669	168,846,941	179,710,638	184,868,349	
Cash Funds	0	0	57,588,959	59,095,120	
Cash Funds Exempt/Reappropriated funds	68,020,139	75,949,417	18,773,007	19,138,151	
Federal Funds	94,389,897	92,650,382	95,052,051	97,151,627	
*Medicaid Funds**	*16,074,967*	*13,778,035*	*18,773,007*	*19,138,151*	
*Net General Fund**	*164,551,152*	*175,735,959*	*189,097,141*	*194,437,424*	
Total Expenditures for Child Welfare Block [non-add]			Not appropriated;		
Transfer to Title XX from TANF (10 percent TANF)	10,766,387	11,542,622	see note a/ below		
County Funds	1,388,564	9,427,280			
Total Child Welfare Expenditures [non-add]	331,078,656	358,416,642			
Excess Federal Title IV-E Distributions for Related County Administrative Functions					
Cash Funds	0	0	1,735,971	1,735,971	
Cash Funds Exempt/Reappropriated funds	1,685,040	1,710,316	0	0	
Excess Federal Title IV-E Reimbursements					
Cash Funds	0	0	2,800,000	2,340,887	DI #16
Cash Funds Exempt/Reappropriated funds	5,929,152	3,106,669	0	0	
Family and Children's Programs	44,131,490	46,094,857	45,081,257	45,081,257	
General Fund	37,051,314	38,896,453	37,774,876	37,774,876	
Cash Funds	0		5,213,955	5,213,955	
Cash Funds Exempt/Reappropriated funds	5,049,139	5,136,901	0	0	
Federal Funds	2,031,037	2,061,503	2,092,426	2,092,426	
*Medicaid Funds**	*0*	*0*	*0*	*0*	
*Net General Fund**	*37,051,314*	*38,896,453*	*37,774,876*	*37,774,876*	
Performance-based Collaborative Management Incentives					
Cash Funds	0	0	3,565,700	3,555,500	
Cash Funds Exempt/Reappropriated funds	2,075,000	1,358,989	0	0	
Integrated Care Management Program - Cash Funds Exempt	0	0	0	0	
Independent Living Programs - Federal Funds	2,899,637	2,142,031	2,826,582	2,826,582	

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	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
Promoting Safe and Stable Familiy Programs	4,659,067	4,980,103	4,457,659	4,461,376	
FTE	2.0	2.0	2.0	2.0	
General Fund	46,089	30,605	50,510	51,439	
Cash Funds	0	0	1,064,160	1,064,160	
Cash Funds Exempt/Reappropriated funds	1,064,160	1,064,160	0	0	
Federal Funds	3,548,818	3,885,338	3,342,989	3,345,777	
Federal Child Abuse Prevention and Treatment Act Grant - Federal Funds	347,977	553,757	378,332	386,067	DI #NP-2
FTE	2.0	3.0	3.0	3.0	
Child Welfare and Mental Health Services Pilot (H.B. 08-1391) [new line]					
General Fund	n/a	n/a	1,925,169	3,472,530	
Child Welfare Action Committee (H.B. 08-1404) [new line item]	n/a	n/a	550,000	550,000	
General Fund			350,000	350,000	
Cash Funds			200,000	200,000	
Child Welfare Functional Family Therapy [new line item]	n/a	n/a	n/a	3,281,941	DI #4
FTE				0.5	
General Fund				2,632,599	
Cash Funds				649,342	
					Request v. Approp.
TOTAL - (5) CHILD WELFARE b/	388,041,386	404,949,123	422,661,418	438,812,398	3.8%
FTE	30.1	28.3	37.5	52.3	14.8
General Fund	197,534,987	211,731,876	224,492,056	235,604,923	5.0%
Cash Funds	0	0	72,205,975	73,892,165	2.3%
Cash Funds Exempt/ Reappropriated Funds	83,984,186	88,482,476	18,903,719	19,275,728	2.0%
Federal Funds	106,522,213	104,734,771	107,059,668	110,039,582	2.8%
*Medicaid Funds**	*16,203,316*	*13,896,829*	*18,903,719*	*19,275,728*	2.0%
*Net General Fund**	*205,636,645*	*218,680,291*	*233,943,917*	*245,242,789*	4.8%

* These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

a/ Staff has reflected the actual expenditure of county funds and federal TANF funds that were transferred from County Block Grants or from County Reserve Accounts to the federal Title XX Social Services Block Grant in order to cover county expenditures related to child welfare. Note also that, for FY 2007-08, actual expenditures do not fully reflect the impact of transfers to and from the Department of Health Care Policy and Financing for Medicaid funds; expenditures therefore appear overstated.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests

b/ Actual expenditures for FY 2007-08 include multiple transfers, including those authorized pursuant to Long Bill footnote, transfers to and from the Department of Health Care Policy and Financing pursuant to Section 24-75-106, C.R.S., and transfers authorized by the Governor's Office (presumably pursuant to Section 24-75-108 (9)).

(6) DIVISION OF CHILD CARE

This division includes funding and state staff associated with: (1) licensing and monitoring child care facilities; (2) the state supervision and the county administration of the Colorado Child Care Assistance Program, through which counties provide child care subsidies to low income families and families transitioning from the Colorado Works Program; and (3) the administration of various child care grant programs. Cash funds sources reflect fees and fines paid by child care facilities and county tax revenues.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
Child Care Licensing and Administration	6,199,918	6,225,439	6,549,749	7,021,985	DI #8, 18, NP-1, NP-2
FTE	59.7	63.0	65.5	68.5	
General Fund	2,322,605	2,275,147	2,431,287	2,527,742	
Cash Funds (fees and fines)	472,330	459,748	731,546	760,841	
Cash Funds Exempt/Reappropriated Funds (local funds)	0	666	0	0	
Federal Funds (CCDF and Title IV-E)	3,404,983	3,490,544	3,386,916	3,733,402	
Fines Assessed Against Licensees - (CF)	0	0	18,000	18,000	
Child Care Licensing System Upgrade Project (Federal Funds - CCDF)	0	0	0	0	
Child Care Assistance Program Automated System Replacement (FF-CCDF)	0	0	47,685	1,239,291	

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
Child Care Assistance Program (a)	73,435,733	75,668,324	75,868,579	75,577,775	DI #8, 18
General Fund	13,755,029	15,319,582	15,354,221	15,354,221	
Cash Funds (local funds)	0	0	9,201,753	9,170,297	
Cash Funds Exempt/Reappropriated Funds (local funds)	9,184,636	9,181,497	0	0	
Federal Funds (CCDF and Title XX)	50,496,068	51,167,245	51,312,605	51,053,257	
Child Care Assistance Program expenditures using TANF transfers out of Works Program County Block Grants and County Reserve Accounts - (FF)	865,885	10,650,807	Not appropriated; see note b/ below		
Short-term Works Emergency Fund - (FF)	0	83,096			
Subtotal: Child Care Assistance Program expenditures, including all TANF transfers and allocations from the Short-term Works Emergency Fund for child care needs [non add]	74,301,618	86,402,227			
Grants to Improve Quality and Availability of Child Care - (FF - CCDF)	298,856	0	0	0	
Federal Discretionary Child Care Funds Earmarked for Certain Purposes - (FF -CCDF)	3,138,722	0	0	0	
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Earmark Requirements/Federal Requirements for Targeting Funds (FF-CCDF)		3,453,140	3,473,633	3,473,633	
Early Childhood Councils Cash Fund - General Fund		1,022,168	0	0	
Early Childhood Councils [formerly Pilot for Community Consolidated Child Care Services]	972,438	3,016,775	2,984,761	2,985,201	
FTE	0	0.7	1.0	1.0	
General Fund	0	0	1,006,161	1,006,161	
Cash Funds Exempt/Reappropriated Funds (E.C. Councils Cash Fund)	0	1,022,168	0	0	
Federal Funds (CCDF)	972,438	1,994,607	1,978,600	1,979,040	
Early Childhood Professional Loan Repayment Program - (FF - CCDF)	1,000	0	0	0	

	FY 2006-07 Actual	**FY 2007-08 Actual**	**FY 2008-09 Appropriation**	**FY 2009-10 Request**	**Change Requests**
School-readiness Quality Improvement Program [formerly School-readiness Child Care Subsidization Program] - (FF - CCDF)	2,213,630	2,205,150	2,227,765	2,229,305	
FTE	0.8	0.7	1.0	1.0	
Early Childhool School Readiness Commission - CFE	0	0	0	0	
					Request v. Approp
(6) TOTAL - DIVISION OF CHILD CARE	86,260,297	87,115,688	91,170,172	92,545,190	1.5%
FTE	60.5	63.7	67.5	70.5	3.0
General Fund	16,077,634	17,594,729	18,791,669	18,888,124	0.5%
Cash Funds	472,330	459,748	9,951,299	9,949,138	0.0%
Cash Funds Exempt/Reappropriated Funds	9,184,636	9,181,497	0	0	n/a
Federal Funds	60,525,697	59,879,714	62,427,204	63,707,928	2.1%

a/ For FY 2006-07, the Department transferred $1.0 million of Title XX Social Security Block Grant Funds from this line item to the Division of Child Welfare. It also transferred $303,400 to Child Care Licensing and Administration. This eliminated a reversion and effectively forced some county expenditure of TANF transfer funds.

b/ Staff has reflected the actual expenditure of federal TANF funds that were transferred from County Block Grants or from County Reserve Accounts (both associated with the Works Program) to federal Child Care Development Funds in order to cover county expenditures related to child care.

					Request v. Approp
TOTAL - HUMAN SERVICES - CHILD CARE AND CHILD WELFARE (INCLUDING EDO CHILD WELFARE LINE ITEMS)	476,554,061	494,350,837	516,350,083	534,452,437	3.5%
FTE	116.8	119.4	134.7	159.1	24.4
General Fund	214,645,694	230,487,516	244,480,574	255,755,218	4.6%
Cash Funds	635,368	533,519	82,724,148	84,427,049	2.1%
Cash Funds Exempt/Reappropriated Funds	93,495,746	98,016,989	18,903,719	19,275,728	2.0%
Federal Funds	167,777,253	165,312,813	170,241,642	174,994,442	2.8%
*Medicaid Funds**	*16,203,316*	*13,896,829*	*18,903,719*	*19,275,728*	2.0%
*Net General Fund**	*222,747,352*	*237,435,931*	*253,932,435*	*265,393,084*	4.5%

* These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

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APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **S.B. 08-99 (Sandoval/Stafford): Extend Medicaid Eligibility for Foster Care transition.** Expands Medicaid eligibility to young adults, under age 21, for whom the State made subsidized adoption or foster care payments immediately prior to the client turning age 18.

- ❑ **S.B. 08-210 (Shaffer/Scanlin): Child Care Assistance Provider Reimbursement Rates.** Creates a child care provider reimbursement rate task force to study the most efficient and cost-effective way for the state to adopt consistent, statewide child care provider reimbursement rates set at a floor of the seventy-fifth percentile of each county's market rate or the provider's rate. Requires a report to the General Assembly on the task force's recommendations no later than January 30, 2009.

- ❑ **S.B. 08-216 (Morse/White): County share for children in residential facilities**. Limits the county share to 10 percent of the cost of placement for children in residential child health care facilities for FY 2008-09 and FY 2009-10. After FY 2009-10, the county share will revert to 20 percent. As a result of this limitation, it is estimated that county contributions to residential child health care programs will decrease by $8,001,927 for FY 2008-09. Reduces the Long Bill appropriation to the Department of Human Services, Child Welfare Division, by $8,001,927 cash funds representing the local share, and offsets this with a corresponding increase in the General Fund appropriation of $8,001,927.

- ❑ **H.B. 08-1005 (Frangas/Boyd): Performance-based Collaborative Management Incentives.** Modifies the Performance-based Collaborative Management Incentives Program, which is designed to promote local collaboration between county social services agencies, community mental health centers, and other entities to coordinate services for children and families. Adds the Division of Youth Corrections and alcohol and drug abuse managed service organizations to the list of agencies that must participate if a county opts to participate in the program. Specifies that General Fund savings associated with the program, that are to be retained by participating counties, shall be determined based on rules established by the State Board of Human Services. Authorizes the Department of Human Services to use moneys in the Collaborative Management Incentives Cash Fund for external evaluation of the program, and requires local entities that are participating in the program to participate in the evaluation. Also requires the Department to implement training related to the program, using funds in the Collaborative Management Incentives Cash Fund. Appropriates $376,950 cash funds from the

Collaborative Management Incentives Cash Fund to the Department of Human Services for FY 2008-09.

- ❑ **H.B. 08-1265 (Todd/Shaffer): Eligibility for Child Care Assistance.** Raises the maximum eligibility for child care assistance that may be set by a county to 85 percent of the state median income. The limit was previously 225 percent of the federal poverty level.

- ❑ **H.B. 08-1391 (Romanoff and Buescher/Keller and Morse): Mental Health Services/ Child Abuse Pilot.** Creates the Child Welfare and Mental Health Services Pilot Program within the Department of Human Services. By July 1, 2008, the department must issue a request for proposals for the selection of a contractor to develop and implement the program to provide mental health screening and evaluations and mental health services for any child ages 4 through 10 who is the subject of a substantiated case of abuse or neglect, and to his or her siblings. On or before July 1, 2009, the pilot program is to be implemented in a minimum of three Colorado counties. The program is to provide mental health screening, mental health evaluations, mental health services, appropriate referrals for other services, integrated child welfare and mental health programs, and training programs. The Department of Human Services is required to conduct an evaluation of the pilot program and to submit a report of its evaluation to the House and Senate Health and Human Services committees by January 30, 2012. The program is repealed effective July 1, 2012. Includes an appropriation of $2,100,169 General Fund to the Department of Human Services for FY 2008-09. Costs associated with the bill are projected to be $3,472,530 General Fund in FY 2009-10.

- ❑ **H.B. 08-1404 (Stafford/Keller): Study and Review of Child Welfare System.** Provides funding to support Executive Order B 006 08 concerning the study and improvement of child welfare services. Requires periodic reporting to the House and Senate Health and Human Services Committees and the Joint Budget Committee, including a report on the initial findings of the Child Welfare Action Committee, created by the Executive Order, by January 1, 2009. Specifies that the Department of Human Services may require counties to provide information on county employees. Creates the Child Welfare Action Committee Cash Fund, comprised of gifts, grants, and donations and $200,000 General Fund appropriated to the Department of Human Services for FY 2007-08 but not expended by June 30, 2008. Appropriates $200,000 from the Child Welfare Action Committee Cash Fund and $350,000 General Fund to the Department of Human Services for FY 2008-09.

APPENDIX C: UPDATE OF FY 2008-09 LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

29 **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 four fiscal years under the authority of this footnote. Please note that, in addition to these transfers, a variety of other transfers were made associated with Medicaid funds (transfers to and from the Department of Health Care Policy and Financing) and based on the Governor's authority to transfer funds at end of year.

Transfers of General Fund and Federal Funds (Title IV-E) Spending Authority Among Division of Child Welfare Line Items				
Line Item	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**
Administration	($144,539)	($55,613)	($39,318)	($8,694)
Training	(99,902)	(119,441)	(84,968)	(49,883)
Foster and Adoptive Parent Recruitment, Training, and Support	(39,582)	(23,378)	(31,070)	(33,665)
Child Welfare Services	561,228	(804,665)	166,148	(1,587,843)
Excess IV-E Reimbursements	0	0	0	306,669
Family and Children's Programs	(285,925)	1,003,097	(10,792)	1,373,416
Expedited Permanency Planning Project	8,720	0	0	0
Net Transfers	$0	$0	$0	$0

30 **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 $5,019,160 based on a 1.5 percent increase in funding for county staff salaries and benefits and

a 1.5 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: Per the intent of the General Assembly, the Department of Human Services implemented a 1.50 percent provider rate increase for FY 2008-09 to the standard rates for all provider types. These included Child Placement Agencies - Group Homes and Foster Homes, Therapeutic Residential Child Care Facilities (TRCCFs), Residential Child Care Facilities (RCCFs), RCCF Shelter Care, Homeless Youth Shelter, Transition Placement, and Psychiatric Residential Treatment Facilities (PRTFs). Standard rates are only binding for Medicaid rates and for counties that have not sought or received authorization to negotiate rates; however, pursuant to Section 26-5-104 (c), C.R.S., "a county that negotiates or renegotiates rates, services, and outcomes...shall include as part of such negotiations...cost of living adjustments and provider rate increases approved by the general assembly".

31 **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 2008-09 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: The Department reported that $1.0 million in spending was authorized in the FY 2007-08 Long Bill for the TANF maintenance of effort (MOE) pursuant to the FY 2007-08 version of this footnote. However, it projects that Title IV-E earnings will not be sufficient in FY 2008-09 to fully fund this line item. Therefore, only $783,294 will be distributed for the TANF MOE in FY 2008-09.

32 **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 $675,831 based on a 1.5 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 1.50 percent provider rate increase for FY 2008-09 to the standard rates for all provider types. These included Child Placement Agencies - Group Homes and Foster Homes, Therapeutic Residential Child Care Facilities (TRCCFs), Residential Child Care Facilities (RCCFs), RCCF Shelter Care, Homeless Youth Shelter, Transition Placement, and Psychiatric Residential Treatment Facilities (PRTFs). Standard rates are only binding for Medicaid rates and for counties that have not sought or received authorization to negotiate rates; however, pursuant to Section 26-5-104 (c), C.R.S., "a county that negotiates or renegotiates rates, services, and outcomes...shall include as part of such negotiations...cost of living adjustments and provider rate increases approved by the general assembly".

33 **Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- It is the intent of the General Assembly that $4,088,723 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 targeted funding was added by the General Assembly between FY 2003-04 and FY 2005-06 with the intent of ensuring that new child welfare funding be used as effectively as possible.

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.

Studies that have been conducted to date indicate that the youths served by the child welfare and youth corrections systems are more similar than dissimilar. Further, far more adolescents are served by the child welfare system than the youth corrections system. This targeted funding is designed to conform to research recommendations 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.

Counties were required to apply for this new funding when it first became available. The services offered were required to be evidenced-based services for adolescents, and counties were required to provide a 20 percent funding share. Applications were reviewed by a panel comprised of staff from multiple department divisions. For the last several years, ongoing funding for the approved programs has been provided, along with annual provider rate increases.

The following table details the Department's allocation of the funds earmarked to date.

Allocation of Funding Earmarked for Community-based Services for Adolescents		
County Department(s)	**Amount Awarded**	**Program**
Adams	$292,897	Youth intervention program
Alamosa	63,837	Mentoring

Allocation of Funding Earmarked for Community-based Services for Adolescents		
County Department(s)	**Amount Awarded**	**Program**
Arapahoe	571,345	Multi-systemic therapy
Archuleta	83,970	Moral recognition therapy and responsibility training
Broomfield	56,707	Multi-systemic therapy
Chaffee	98,147	Mentoring
Conejos	62,436	Mentoring
Costilla	39,514	Mentoring
Denver	226,173	Multi-systemic therapy and strengthening families
Elbert	157,035	Multi-systemic therapy
El Paso	248,639	Multi-systemic therapy
Fremont	92,992	Functional family therapy
Garfield	22,427	Adolescent mediation services
Gunnison / Hinsdale	39,186	Functional family therapy
Huerfano	11,938	Reconnecting youth
Jefferson	424,801	Multi-systemic therapy and team decision-making
Kit Carson	19,629	Functional family therapy
La Plata / San Juan / Montezuma / Dolores / Archuleta	314,233	Multi-systemic therapy and adolescent dialectical behavioral therapy
Larimer	196,833	National Youth Program Using Mini-bikes and family group conferencing
Mesa	290,522	Rapid response and day treatment for adolescents
Montrose	64,995	Multi-systemic therapy
Pueblo	182,605	Youth outreach
Summit	21,810	Mentor-supported substance abuse treatment
Teller	115,159	Multi-systemic therapy
Weld	390,894	Reconnecting youth
TOTAL	$4,088,723	

34 **Department of Human Services, Division of Child Welfare, Performance-based Collaborative Management Incentives** – The total appropriation in this line item exceeds the projected ongoing revenue stream for the Collaborative Management Incentives Cash Fund by over $350,000. Therefore, appropriations at the current level may not be available after FY 2009-10, when reserves are projected to be exhausted.

Comment: The current projection for this cash fund, reflected below, indicates that reserves can continue to support the program through FY 2011-12, if current appropriations levels remain constant. However, reductions in spending or increases in revenue are anticipated to be required by FY 2012-13. Projections have changed from the figures in the footnote due to modified estimates and final FY 2008-09 legislative action.

Performance-based Collaborative Management Incentive Cash Fund					
	Actual FY 06-07	Actual FY 07-08	Estimated FY 08-09	Requested FY 09-10	Projected FY 10-11
Cash balance beginning of year	730,980	3,543,493	3,070,676	2,316,776	1,573,076
Actual/anticipated cash inflow	4,887,513	2,686,172	2,811,800	2,811,800	2,811,800
Actual/appropriated cash outflow	2,075,000	3,158,989	3,565,700	3,555,500	3,555,500
Actual/anticipated liquid fund balance	3,543,493	3,070,676	2,316,776	1,573,076	829,376
Difference - cash inflow less outflow	2,812,513	(472,817)	(753,900)	(743,700)	(743,700)

35 **Department of Human Services, Division of Child Care, Child Care Assistance Program Automated System Replacement** -- It is the intent of the General Assembly that this project: 1) have a steering committee that includes a county commissioner, a county human services director, and a user of the system; 2) that the Department pilot the program before rolling it out; 3) that the steering committee, including the county representatives, should decide whether the system is "go" or "no go" at the roll out stages; and 4) that ongoing costs for maintenance and administration of this system be covered through savings in or reductions to the Colorado Child Care Assistance Program and remaining Child Care Development Fund reserves. The new system will not drive additional costs to the state General Fund.

Comment: This footnote, first added in FY 2007-08, was vetoed in both FY 2007-08 and FY 2008-09, but the Department was directed to comply to the extent feasible. In his veto message, the Governor indicated that he felt that the footnote goes beyond expressing legislative intent and violates the separation of powers by attempting to administer the appropriation. However, he indicated that he would ask the Department to consider the General Assembly's suggestions during the implementation of the project. The Department has indicated that it intends to comply, with the exception that the Executive Director will make the final "go/no go" decision, taking into consideration the recommendation of the steering committee.

In June and September 2008, the JBC authorized interim supplemental adjustments to address project cost increases (from $8.5 million to $14.7 million) and delay in implementation, due to delays in issuing the request for proposals and the higher-than-anticipated bids. The project's official "start date" is now June 23, 2008. As of June 2008, the Department anticipated that active development would begin in August 2008 and the project would take approximately 18 months (i.e., development would be completed in mid-FY 2009-10. However, the Department has more recently indicated that, due to further contract delays, the project will not start until March 2009 and completion is therefore unlikely before the end of FY 2009-10. The Department's budget request for FY 2009-10 includes $1.2 million associated with ongoing maintenance of the new system. This amount is identified as annualization of the FY 2007-08 decision item and is consistent with information provided in the FY 2007-08 decision item. However, in light of the delay in the project start-date, and other changes in the project's cost, staff anticipates that this figure will be modified and that project maintenance costs may be eliminated for FY 2009-10 if the system is still under construction.

Requests for Information

36 **Department of Human Services, Division of Child Welfare and Totals** – The Department is requested to provide a report to the Joint Budget Committee by October 1 of each fiscal year concerning the amount of federal revenues earned by the State for the previous fiscal year, pursuant to Title IV-E of the Social Security Act, as amended; the amount of money that was expended for the previous state fiscal year, including information concerning the purposes of the expenditures; and the amount of money that was credited to the Excess Federal Title IV-E Reimbursements Cash Fund created in Section 26-1-111(2) (d) (II) (C), C.R.S.

Comment: The Department submitted the requested report. In total, Colorado earned $84,201,869 in Title IV-E revenue during FY 2007-08, and $82,124,990 of this was budgeted directly in child welfare and related line items, providing $2,338,556 for "spill over" into the Excess Federal Title IV-E Reimbursements Cash Fund. This represents a reduction in receipt of federal Title IV-E revenues from prior years. Due to ongoing declines in Title IV-E revenue, the State was required to spend-down much of the balance of funds in the Excess Federal Title IV-E Reimbursements Cash Fund to meet the appropriated spending levels for the Fund.

Excess Federal Title IV-E Reimbursements Cash Fund		
Cash Fund Balance, July 1, 2007		$4,816,986
FY 2007-08 Expenditures		
Title IV-E County Administration	1,710,316	
Excess Title IV-E Reimbursements - TANF MOE eligible	1,000,000	
Excess Title IV-E Reimbursements - Other	2,106,669	
Total SFY 2007-08 Expenditures		4,816,985
FY 2007-08 Revenue		
SFY 2007-08 Excess Federal Revenues	2,338,556	
Interest	180,709	
Total Revenue		2,519,265
Excess Title IV-E Reimbursement Cash Fund, July 1, 2008		$2,519,266

37 **Department of Human Services, Division of Child Welfare** -- The Department is requested to provide to the Joint Budget Committee, by November 1, 2008, 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: The Department provided a report on November 3, 2008. 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 for the last four years is detailed in the following table.

Payments to Service Providers From Non-Appropriated Revenue Sources				
Description	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**
Parental Fees	$3,870,659	$3,828,619	$3,515,732	$3,842,396
Federal Supplemental Security Income (SSI)	3,485,781	3,588,002	3,658,661	3,588,247
Child Support	2,085,761	2,349,991	2,263,407	2,286,038
Federal Social Security Death Benefit (SSA)	1,063,882	1,395,175	1,370,546	1,197,257
Provider Recovery	254,795	128,644	140,088	189,326
Federal Social Security Disability Income (SSDI)	178,166	173,843	143,058	168,490
Other	55,772	228,956	99,699	87,283
Total Offsets	$10,994,816	$11,693,230	$11,191,191	$11,359,037

The "Other" category above includes offsets for veteran's benefits, medical adjustments, and miscellaneous items.

38 **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, 2008, 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: The Department provided the requested report on November 3, 2008. As indicated in the table below, annual expenditures for program services (a category that encompasses county-administered services and county administration) increased by 5.1 percent in FY 2007-08, although the cost per case in small counties increased sharply and cost per case in large counties declined. Overall expenditures for out of home placements increased by 4.8 percent, but cost per case increased more sharply--indicating fewer children received more expensive services in both small and large counties. Expenditures for subsidized adoptions increased by 3.3 percent, but costs per case increased by less in smaller counties and declined in larger counties, indicating the overall increase was driven by additional cases.

Child Welfare Expenditures and Caseloads: FY 2004-05 through FY 2007-08			
Program Services	**Cost Per Case - Small and Mid-sized Counties**	**Cost Per Case - 10 Large Counties**	**Annual Expenditures**
FY 2004-05	$3,332	$3,099	$123,267,880
FY 2005-06	3,004	2,812	135,258,521
Percent Change FY 05 to	*-9.8%*	*-9.3%*	*9.7%*
FY 2006-07	$3,838	$4,237	$155,110,458
Percent Change FY 06 to	*27.8%*	*50.7%*	*14.7%*
FY 2007-08	$4,221	$3,949	$162,981,696
Percent Change FY 07 to	*10.0%*	*-6.8%*	*5.1%*
Out-of-Home Placement Care Expenditures	**Average Daily Cost Per Child - Small and Mid-sized Counties**	**Average Daily Cost Per Child - 10 Large Counties**	**Annual Expenditures**
FY 2004-05	$65.99	$60.17	$135,971,686
FY 2005-06	60.11	56.31	129,851,094
Percent Change FY 05 to	*-8.9%*	*-6.4%*	*-4.5%*
FY 2006-07	*$65.68*	*$59.64*	*$130,260,933*
Percent Change FY 06 to	*9.3%*	*5.9%*	*0.3%*
FY 2007-08	*$72.43*	*$66.38*	*$136,471,454*
Percent Change FY 07 to	*10.3%*	*11.3%*	*4.8%*

Child Welfare Expenditures and Caseloads: FY 2004-05 through FY 2007-08			
Subsidized Adoption	**Average Daily Cost Per Child - Small and Mid-sized Counties**	**Average Daily Cost Per Child - 10 Large Counties**	**Annual Expenditures**
FY 2004-05	$14.89	$15.19	$40,876,335
FY 2005-06	14.08	14.69	41,264,647
Percent Change FY 05 to	*-5.4%*	*-3.3%*	*1.0%*
FY 2006-07	$14.52	$14.61	$42,773,976
Percent Change FY 06 to	*3.1%*	*-0.5%*	*3.7%*
FY 2007-08	$13.90	$14.52	$44,178,436
Percent Change FY 07 to	*-4.3%*	*-0.6%*	*3.3%*

39 **Department of Human Services, Division of Child Care, Child Care Assistance Program** -- The Department is requested to submit a report to the Joint Budget Committee by October 1, 2008 concerning the Child Care Assistance Program. The report is requested to address whether the Department, after consultation with counties and other interested parties, would recommend that eligibility for this program and/or provider reimbursement rates be set by the State. This recommendation could include eligibility/reimbursement rates that vary by region (metro, rural, mountain resort), even if they were set by the state. The Department is requested to include in the report: (1) an analysis of the programmatic and fiscal implications of such a change on program participants, providers, counties and state government; (2) how any recommended changes might be phased-in; and (3) what statutory modifications would be required. The report is requested to take into account the results of the State Auditor's Office audit of the Child Care Assistance Program required pursuant to H.B. 07-1062.

Comment: In his May 15, 2008 letter to the JBC, the Govenor indicated that the Department would comply to the extent feasible. The letter indicates that the October 1, 2008 date is not feasible because it would not allow the Department to consider the findings for the State Auditor's audit of the Child Care Assistance Program, scheduled to be presented to the Legislative Audit Committee on December 30, 2008. As a result, the Department was directed to provide this information by February 1, 2009. Due to the delay, the response cannot be included in this briefing packet. However, because the Child Care Assistance Program audit was, in fact, completed and presented to the Legislative Audit Committee on December 8, the findings of the audit and the Department's response to the audit are included in a briefing issue. The audit response indicated that this issue would require further study.

48 **Department of Human Services, Totals** -- The Department is requested to submit annually, on or before November 1, a report to the Joint Budget Committee concerning federal Child Care Development Funds. The requested report should include the following information related to these funds for state fiscal years 2007-08, 2008-09, 2009-10 (the actual, estimate, and request years): (a) the total amount of federal funds available, and anticipated to be available, to Colorado, including funds rolled forward from previous state fiscal years; (b) the amount of federal funds expended, estimated, or requested to be expended for these years by Long Bill line item; (c) the amount of funds expended, estimated, or requested to be expended for these years, by Long Bill line item where applicable, to be reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; and (d) the amount of funds expended, estimated, or requested to be expended for these years that are to be used to meet the four percent federal requirement related to quality activities and the federal requirement related to targeted funds.

Comment**:** The Department submitted the requested report on November 14, 2008.

Child Care Development Funds - Requested Appropriations. The table below compares the estimated FY 2009-10 Child Care Development Fund (CCDF) spending reflected in the footnote report with the requested spending in the Department's FY 2009-10 budget schedules. As shown, estimated spending is lower than the request. The primary reason for this is that the request did not include a reduction to the CCAP line item to offset the increase for the CHATS replacement operating costs. It should have done so, pursuant to Footnote 35.

Long Bill Section and Line Items	SFY 2009-10 Estimated CCDF Funds (footnote)	SFY 2009-10 Requested CCDF Fund (schedules)
Executive Director's Office - Personal Services	$280,000	$289,934
Information Technology Services - Personal Services/Operating/ Colorado Trails/computer center	628,312	628,312
Office of Self Sufficiency - Electronic Benefits Transfer Service	35,575	35,575
Division of Child Care		
Child Care Licensing and Administration	3,216,525	3,563,011
CHATS System Replacement operating	1,239,291	1,239,291
Child Care Assistance Program (CCAP)	49,073,314	50,053,257
Targeted funds and special purpose line items (see numbers pages)	7,679,998	7,681,978
Subtotal - Division of Child Care	$61,209,128	$62,357,537
Total	$62,153,015	$63,491,358

Federal funds anticipated to be received, expenditures, and roll-forwards. The table below reflects the total estimated CCDF funds available by category and actual, estimated, and requested expenditures. As reflected in the table, the Department's CCDF fund balance is projected to be largely spent down in FY 2008-09 primarily due to the $14.7 million rebuild of the CHATS computer program. As shown, extent of spend-down of the remaining balance in FY 2009-10 appears larger using the current request than the estimate figure included in the footnote report, primarily due to the CCAP issue described above.

Child Care Development Funds - Available and Expenditures			
	FY 2007-08 Actual	FY 2008-09 Estimate	FY 2009-10 Request*
Funds Available			
CCDF Fund Balance	$18,177,664	$15,862,584	$1,625,157
New Annual CCDF Award	$61,142,836	$62,250,376	$62,250,376
Total Funds Available	**$79,320,500**	**$78,112,960**	**$63,875,533**
Mandatory Funds	$10,374,891	$10,501,969	$10,173,800
Discretionary Funds	33,324,291	34,277,666	28,799,300
Matching Funds	35,621,318	33,333,325	24,902,433
Expenditures	$63,457,916	$76,487,803	$63,491,358
Difference (balance to roll forward)	$15,862,584	$1,625,157	$384,175

*Note: staff has reflected requested expenditures per the budget request, rather than estimated expenditures shown in the footnote; however, staff does anticipate that requested figures will ultimately be modified to be closer to the FY 2009-10 estimates.

4.0 Percent Quality Requirement. The Department is required to spend 4.0 percent of all federal funds and required match funds on child care quality improvement efforts. The Department provided information indicating that its 4.0 percent quality requirement for FY 2007-08 was greatly exceeded (actual expenditures of $8,037,118, versus a requirement of $4,084,131). The Department's estimate for FY 2008-09 and request FY 2009-10 reflect an anticipated requirement of $3,771,032 versus anticipated/requested expenditures/appropriations of $8,732,797.

Sources of Matching Funds. The federal government requires a portion of its annual grant to the state to be matched with non-federal sources. Data provided by the Department indicated that its sources for matching federal CCDF funds include funds from Mile High United Way, General Fund special education appropriations and General Fund Colorado Preschool Program approprations (total amounts of $8,491,026 in FY 2007-08 and projected to increase to $9,858,718 in FY 2008-09 and FY 2009-10), in addition to amounts appropriated to the Department of Human Services ($19,671,432 in FY 2007-08 projeced to increase to $9,858,718 in FY 2009-10 and FY 2010-11).

Targeted Funds. The federal government requires a portion of federal funds provided be expended for "targeted" activities, including quality expansion, school age resource and referral, and infant/toddler program. In FY 2007-08, the Department expended $3,652,460 to comply with targeted funds requirements. For FY 2008-09, the Department projects that it will be required to spend $3,397,506 and that it will fully spend this amount based on its FY 2008-09 appropriation for spending targeted funds. For FY 2009-10, it projects that its total federal requirement will be $2,507,683. This is considerably less than the $3,473,633 requested as ongoing funding in the line time for Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Targeting Requirements.

COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2009-10 STAFF BUDGET BRIEFING

DEPARTMENT OF HUMAN SERVICES

(Executive Director's Office disability line items, Office of Operations, Services for People with Disabilities)

JBC Working Document - Subject to Change **Staff Recommendation Does Not Represent Committee Decision**

Prepared By:
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November 19, 2008

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FY 2009-10 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE

DEPARTMENT OF HUMAN SERVICES

(Office of Operations and Services for People with Disabilities)

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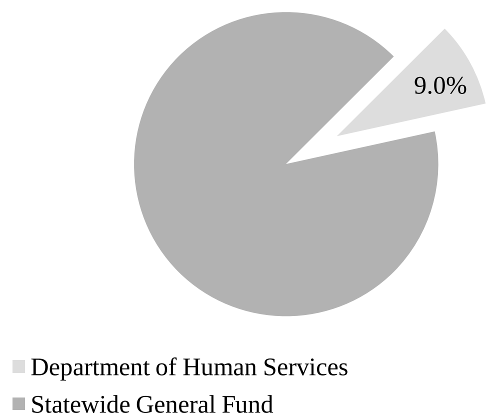
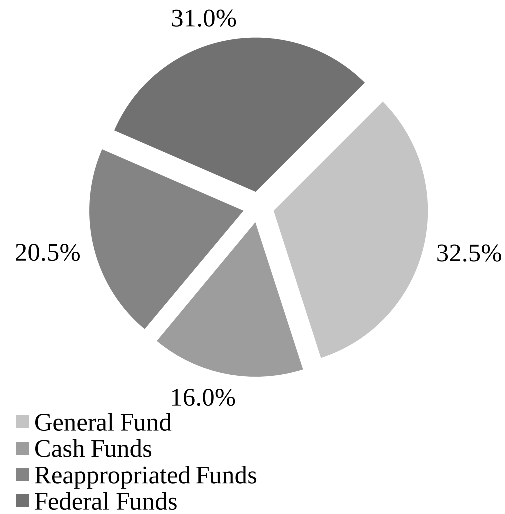
FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services

GRAPHIC OVERVIEW

Department's Share of Statewide General Fund

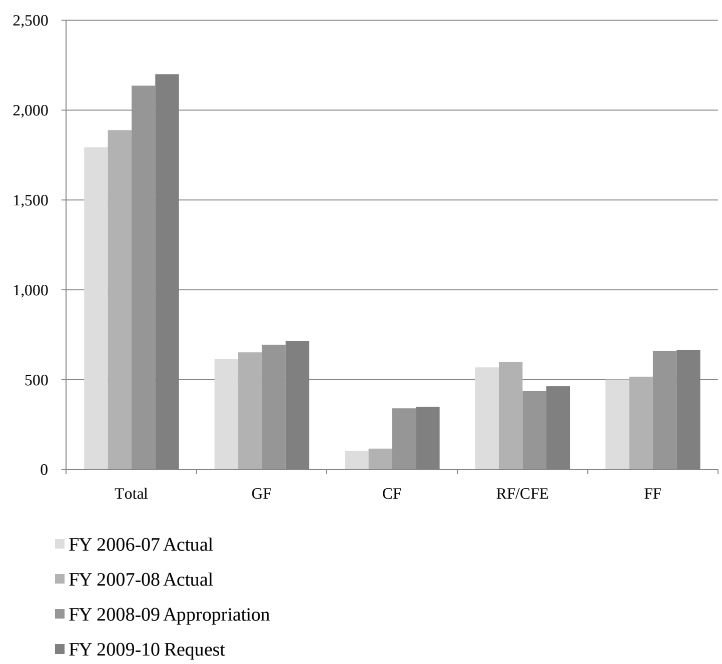


Department Funding Sources

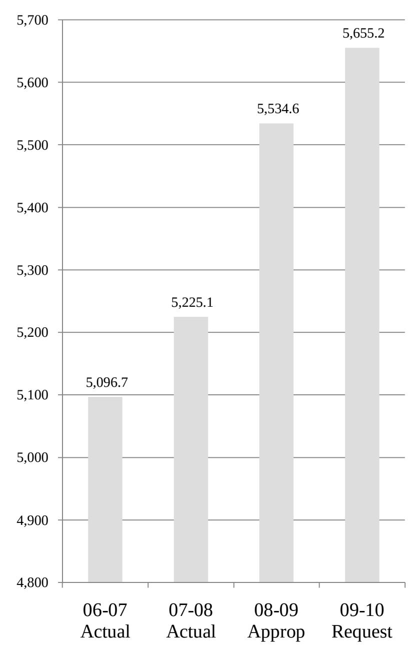


Note: If General Fund appropriated to the Department of Health Care Policy and Financing for human services programs were included in the graph above, the Department of Human Services' share of the total state General Fund would rise to 11.7%.

Budget History
(Millions of Dollars)

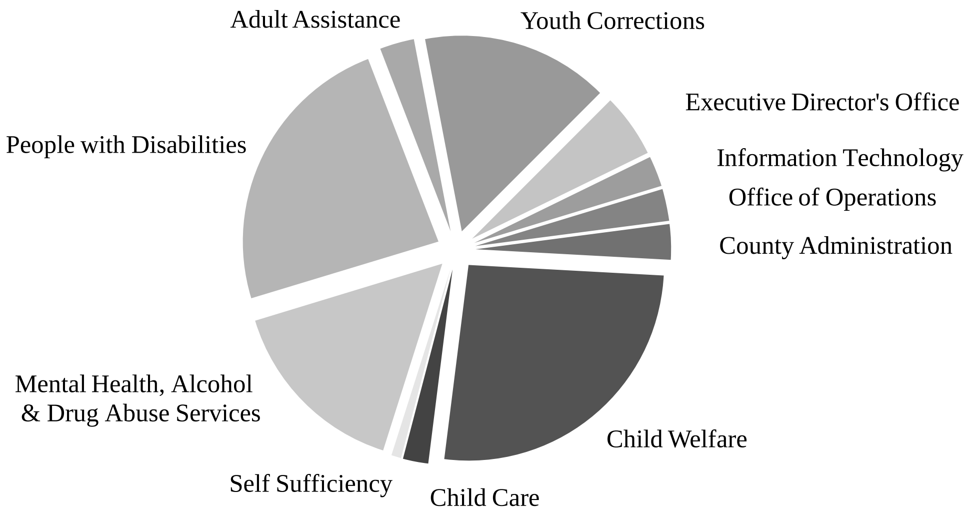


FTE History



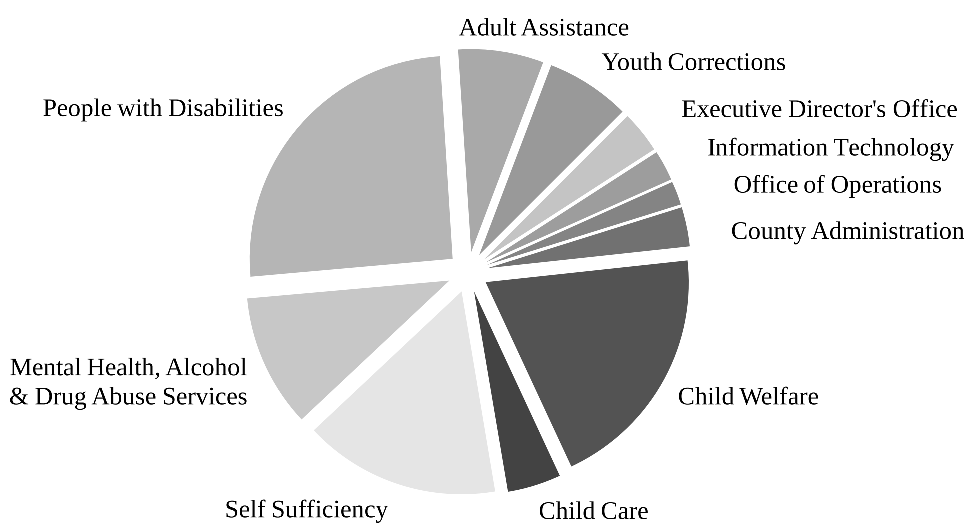
Unless otherwise noted, all charts are based on the FY 2008-09 appropriation.

Distribution of Net General Fund by Division*
FY 2008-09 Appropriation $896.1 million



*Net General Fund includes General Fund appropriated to the Department of Human Services and General Fund appropriated to the Department of Health Care Policy and Financing for human services programs.

Distribution of Total Funds by Division



FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Office of Operations and Services for People with Disabilities)

DEPARTMENT OVERVIEW

Key Responsibilities

Office of Operations: Department-wide facility maintenance and management, accounting, payroll, contracting, purchasing, and field audits.

Services for People with Disabilities: Oversees community-based programs for persons with developmental disabilities that are locally coordinated by 20 non-profit Community Centered Boards (CCBs). Operates three regional centers that provide institutional and community-based programs for persons with developmental disabilities. This section of the budget also includes vocational rehabilitation programs, that assist individuals with disabilities in gaining and maintaining employment, and the state and veterans nursing homes.

Factors Driving the Budget

Community Services for People with Developmental Disabilities

The State funds residential and family support services for persons with developmental disabilities who are unable to care for themselves without assistance. Most of these services are locally coordinated by 20 non-profit agencies known as community centered boards (CCBs). The demand for state-funded services has grown significantly over time, reflecting the aging of family members who care for persons with disabilities and state population growth. Service costs have also risen over time due to inflation.

The State has had discretion over the growth of programs for persons with developmental disabilities, based on state and federal law. The vast majority of services are funded through federal Medicaid waivers for home- and community-based services. These Medicaid waivers enable the State to support services for persons with developmental disabilities using Medicaid funds that originate as 50 percent state General Fund and 50 percent federal funds. However, they differ from other parts of the Medicaid program in that the State may limit the total number of program participants. As a result, there are waiting lists for services.

All institutional funding and the majority of funding for community-based services for persons with developmental disabilities is for residential services for adults with developmental disabilities. The table below reflects, for FY 2008-09, the total number of full-year participants funded, associated dollars, average cost per participant, and waiting lists for services. The adult programs and Children's Extensive Support program are funded primarily through the Medicaid program (50 percent General Fund/50 percent federal funds), while the remaining children's programs are funded primarily by state General Fund.

Community Program Costs/1	FY 2008-09 Funding	Full Year Persons Funded FY 2008-09/2	Avg. Cost per Full Year Person Funded	Waiting List June 2008/3
Adult Comprehensive Services	$264,294,183	4,069	$64,953	1,532
Adult Supported Living Services	55,259,558	3,827	14,439	2,506
Early Intervention	11,663,694	2,176	5,360	n/a
Children's Extensive Support	7,288,632	395	18,452	191
Family Support Services	6,837,871	1,226	5,577	4,811
Case Management (for all programs)	23,693,965	11,693	2,026	n/a
Special Purpose	1,064,342	n/a	n/a	n/a
Total	$370,102,245	n/a	n/a	n/a

/1 Reflects funding in the Community Services for People with Developmental Disabilities, Program Costs line item. Does not include funding for 403 adult residential placements at the regional centers , services funded with local dollars, or early intervention services supported through federal or insurance dollars..
/2 Funding provided for one person for half of a year is counted as 0.5 of a full year placement. Individuals receive a case management placement *in addition to* a direct service placement.
/3 June count of the persons who request placement by the end of FY 2008-09. Current funding for the Family Support Services Program is generally spread to serve over 3,000 families, including many on the wait list.

The following table reflects the overall growth in state funding for community services for persons with developmental disabilities.

State Funding - Community Services for People with Developmental Disabilities, Program Costs/1						
Community Programs	**FY 2003-04 Approp**	**FY 2004-05 Approp**	**FY 2005-06 Approp**	**FY 2006-07 Approp**	**FY 2007-08 Approp**	**FY 2008-09 Approp**
Total ($ millions)	$271.3	$271.6	$287.2	$314.1	$341.6	$370.1
Change ($ millions)	n/a	$0.3	$15.6	$26.9	$27.5	$28.5
% Change	n/a	0.1%	5.7%	9.4%	8.8%	8.3%

/1 For years prior to FY 2007-08, reflects the funding in the Developmental Disability Services, Adult Program Costs and Services for Children and Families, Program Funding line items. Does not include late reduction of $2.0 million to FY 2007-08 appropriation, which has not yet been enacted.

In recent years, funding has grown substantially as the General Assembly has sought to restore cuts taken in FY 2003-04 due to the economic downturn, to provide rate increases for providers, and to address the waiting lists for services. Increases in recent years have also reflected the impact of federally-required changes in the management of Medicaid developmental disability waiver programs. These changes have reduced allowable billing for certain services, limited the state's access to some federal matching funds, and driven additional expenditures of state General Fund dollars to maintain basic service levels and to assist in the transition process. System changes, and associated costs, have continued in FY 2007-08 and FY 2008-09.

The FY 2008-09 appropriation includes increases of $20.0 million associated with new placements and $4.9 million for rate increases, among other adjustments. Because federally-required billing system changes have reduced the State's control over developmental disability waiver program costs, and because the billing system will still be in transition in FY 2008-09, additional FY 2008-09 appropriations adjustments are anticipated.

Number of Participants

The table below reflects changes in the number of persons served.

Persons Served							
	FY 03-04 Served June	**FY 04-05 Served June**	**FY 05-06 Served June**	**FY 06-07 Served March**	**FY 07-08 Served June**	**FY 07-08 Approp.**	**FY 08-09 Approp.**
Adult Comprehensive/1	3,582	3,607	3,652	3,607	3,842	3,872	4,069
Percent Change	n/a	0.7%	1.2%	-1.2%	6.5%	n/a	5.1%
Adult Supported Living	3,661	3,663	3,703	3,427	3,605	3,584	3,827
Percent Change	n/a	0.1%	1.1%	-7.5%	5.2%	n/a	6.8%
Early Intervention/2	1,912	2,099	2,755	2,496	2,636	2,176	2,176
Percent Change	n/a	9.8%	31.3%	-9.4%	5.6%	n/a	0.0%
Children's Extensive Support	204	210	341	328	387	395	395
Percent Change	n/a	2.9%	62.4%	-3.8%	18.0%	n/a	0.0%
Family Support Services/3	3,567	3,019	3,651	3,062	3,273	1,176	1,226
Percent Change	n/a	-15.4%	20.9%	-16.1%	6.9%	n/a	4.3%

/1 Does not include residential placements at the state regional centers for the developmentally disabled.
/2 "Served June" figure is based on the number served during an average month throughout the year. Federal funds, local funds, and insurance dollars fund support services for more children than those whose services are funded by state dollars.

/3 "Served June" figure is based on the unduplicated number served throughout the year. As this is a General Fund program, dollars are "stretched" to serve additional persons.

The number of persons served declined significantly in FY 2006-07 primarily as a result of federally-imposed changes in the management and billing of Medicaid waiver programs. As a result, substantially fewer persons were served than the numbers for whom funding was appropriated, and unused funds were reduced at the close of the year. This in part reflected one-time transition difficulties associated with new federal requirements, and FY 2007-08 increases indicate that issues were substantially resolved by the end of FY 2007-08. For FY 2008-09, the General Assembly authorized substantial increases for persons served in adult residential and supported living programs and the family support services program.

Rate Increases

The table below reflects the impact of provider rate increases and base rate increases on the budget from FY 2002-03 through FY 2008-09. Provider rate increases are generally provided to qualified programs throughout state government based on a common policy. Base rate increases shown in the table below were provided exclusively for developmental disability programs.

Rate Increases for Community Services for People with Developmental Disabilities

	FY 03-04	**FY 04-05**	**FY 05-06/1**	**FY 06-07/1**	**FY 07-08**	**FY 08-09**
Provider Rate Increase	0.0%	0.0%	2.0%	3.3%	1.5%	1.5%
Base Rate Increase	-2.0%	0.0%	0.4%	1.4%	0.0%	0.0%
Total Impact on Funding ($ millions)	($3.5)	$0.0	$6.3	$11.1	$4.7	$4.9

/1 Amounts shown for FY 2005-06 and FY 2006-07 reflect overall base rate increase of 1.79 percent on selected services implemented beginning the last quarter of FY 2005-06 and annualized in FY 2006-07.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Office of Operations and Services for People with Disabilities)

DECISION ITEM PRIORITY LIST

Note: This table includes all Department of Human Services decision items. However, the full decision item text is shown only for those decision items that affect the sections of the budget covered in this presentation. In some cases, only a portion of the total decision item amount shown will apply to the budget sections addressed in this packet.

Decision Item	GF	CF	RF	FF	Total	Net GF*	FTE
1	$0	$0	$1,503,502	$0	$1,503,502	$751,751	39.4
Regional Centers - High Needs Clients **Services for People with Disabilities.** The Department requests additional direct care staff to support approximately eight high needs individuals currently served in the regional centers for people with developmental disabilities . These individuals require ongoing, dedicated one-to-one or greater staff supervision. The request is for Medicaid funds, which originate as 50 percent General Fund and 50 percent federal funds in the Department of Health Care Policy and Financing. The request annualizes to 43.0 FTE and $818,236 net General Fund in FY 2010-11. *Statutory authority: Sections 27-10.5-301, 302, and 304,* C.R.S.							
2	91,869	2,569	37,826	19,868	152,132	107,571	2.0
Budget Office Staffing							
3	313,750	416,386	5,189,494	0	5,919,630	2,908,497	0.0
Community Resources for the Developmentally Disabled **Services for People with Disabilities.** The Department requests funds to serve an additional 295 individuals with developmental disabilities in community placements. The request includes comprehensive residential services for an additional 122 adults for an average of six months at a cost of $4,782,566 ($2,183,090 net General Fund); supported living services for 73 adults for an average of six months at a cost of $576,700 ($288,350 net General Fund), family support services for 100 families for an average of six months at a cost of $279,400 General Fund, and case management to support the above services for an average of six months at a cost of $280,964 ($157,657 net General Fund). The reappropriated funds reflect Medicaid amounts, which originate as 50 percent General Fund and 50 percent federal funds in the Department of Health Care Policy and Financing. Cash funds amounts reflect anticipated client payments for room and board (from federal SSI receipts). The request annualizes to $11.8 million ($5.8 million net General Fund) in FY 2010-11. *Statutory authority: Section 27-10.5-104, C.R.S.*							
4	2,632,599	649,342	0	0	3,281,941	2,632,599	0.5
Functional Family Therapy							
5	405,109	0	164,250	0	569,359	487,234	0.0
Capital Outlay and Operating Increase for Facilities Management of Direct Care Facilities **Office of Operations, Mental Health and Alcohol and Drug Abuse Services, Services for People with Disabilities.** The Department requests increases to the current funding levels for direct care capital outlay items, including $77,650 for the mental health institutes, $164,250 for the regional centers for the developmentally disabled, and $327,459 for the Office of Operations, Division of Facilities Management (DFM) to replace old, deteriorated, and broken furniture, fixtures, and equipment. This is the first year of a four-year plan for capital outlay replacement at the regional centers and the first year of a two-year plan for the mental health institutes and the DFM. The request also includes an operating base increase for the DFM for maintenance and housekeeping supplies to appropriately maintain the Department's physical plant. Reappropriated funds reflect Medicaid funds transferred from the Department of Health Care Policy and Financing that originate as 50 percent General Fund and 50 percent federal funds. The request reflects ongoing FY 2010-11 costs of $643,959 ($561,834 net General Fund). *Statutory authority: Sections 26-1-105, 26-1-201, 19-2-402, 19-2-403, C.R.S.*							

Decision Item	GF	CF	RF	FF	Total	Net GF*	FTE
6	458,933	0	0	133,623	592,556	458,933	8.3
Child Welfare Staffing Recommendations from the Division Organizational Assessment							
7	918,656	0	0	696,792	1,615,448	918,656	5.5
Child Welfare Training Academy							
8	0	(11,057)	0	0	(11,057)	0	1.0
Child Care Business Partnership Program							
9	321,250	0	0	0	321,250	321,250	0.0
Title IV-E Administrative Claims for Child Placement Agency Administrative Activities							
10	5,157,711	1,506,161	365,144	2,099,576	9,128,592	5,340,283	0.0
Child Welfare Services Caseload Increase							
11	54,318	0	0	58,663	112,981	54,318	2.0
Establish Electronic Benefits Transfer (EBT) Fraud Investigation Unit							
12	83,346	0	0	55,008	138,354	83,346	0.0
Deficit Reduction Act (DRA) Child Support Mandates							
13	241,718	0	0	0	241,718	241,718	0.0
Homeless Program Funding							
14	0	0	1,026,247	0	1,026,247	513,124	0.0
High Risk Pregnant Women Program							
15	0	250,000	0	0	250,000	0	0.0
Increase Drug Offender Surcharge Spending Authority							
16	0	(459,113)	0	459,113	0	0	6.6
Increase Administrative Review FTE							
17	467,603	0	93,549	0	561,152	511,539	0.0
Inflationary Increase for DHS Residential Programs							
Office of Operations, Mental Health and Alcohol and Drug Abuse Services, Services for People with Disabilities, Division of Youth Corrections. The Department requests a 1.5 percent increase ($113,547 total, including $96,515 net General Fund) in the utilities line item to assist in covering higher costs for electricity, natural gas, water, sewerage, and coal used in its direct care facilities. The request also includes an 8.5 percent increase ($447,604 total, including $415,024 net General Fund) to address inflation in the cost of food provided at Department residential facilities. Most reappropriated funds are Medicaid funds transferred from the Department of Health Care Policy and Financing that originate as 50 percent General Fund and 50 percent federal funds. *Statutory authority: Sections 26-1-105, 26-1-201, 19-2-402, 19-2-403, 24-82-602, C.R.S.*.							
18	0	(20,399)	0	0	(20,399)	0	2.0
Child Care Assistance Programs Compliance Assurance							

Decision Item	GF	CF	RF	FF	Total	Net GF*	FTE
19	0	603,077	0	0	603,077	0	0.0
Spending Authority for Traumatic Brain Injury Trust Fund							
Services for People with Disabilities. The Department requests an increase in spending authority from Traumatic Brain Injury (TBI) trust fund reserves in order to reduce waiting lists and the wait-time for TBI services. The TBI trust fund receives revenue from surcharges on traffic offenses. Reserves developed because the fund began to receive revenue in January 2004, but TBI programs were not fully implemented until January 2006. The request is to spend down reserves over a three year period. *Statutory authority: Sections 26-1-304 through 309, C.R.S.*							
20	0	0	558,909	0	558,909	0	0.0
Garage Fund Spending Authority							
Office of Operations. The Department requests an increase in spending authority for the State Garage Fund. The reappropriated funds in this line item enable the Office of Operations to receive payments from other department programs and state agencies for vehicle fuel and maintenance services provided by the Office. The request will enable the Department to continue to purchase and sell fuel for department vehicles at the current level of fuel consumption and to provide fuel for other agencies. This is a one-time request, due to the high degree of variability in recent fuel costs *Statutory authority: Section 24-30-1104 (2) (b), C.R.S.*							
21	0	1,801,722	0	0	1,801,722	0	0.0
Cost of Living Adjustment for the Old Age Pension Program							
22	0	480,266	0	0	480,266	0	0.0
Buildings and Grounds Fund Spending Authority Increase							
Office of Operations. The Department requests an increase in spending authority from the Buildings and Grounds Cash Fund. Moneys in the Fund derive from other state agencies, local governments, and private entities that lease Department-owned buildings. Moneys in the Fund are used to maintain the buildings. The requested increase will enable the Department to collect and spend annual rent increases to address increases in maintenance costs. It will also allow the Department to collect and spend funds received from tenants for building improvements and will enable the Department to use fund balance for building interior finishes. *Statutory authority: Section 26-1-133.5, C.R.S..*							
23	0	0	0	350,000	350,000	0	0.0
Colorado Works Program Evaluation							
24	0	71,801	0	0	71,801	0	0.0
Increase Persistent Drunk Driver Programs Spending Authority							
25	0	0	0	25,460	25,460	0	0.0
Spending Authority to Proceed with the Destruction of Obsolete Forms							
26	647,344	0	0	0	647,344	647,344	0.0
Family Centered Substance Use Disorder Treatment for Families Involved in the Child Welfare System							
27	0	0	908,620	0	908,620	0	0.0
Integrated School-based Substance Use Treatment for Adolescents							

Decision Item	GF	CF	RF	FF	Total	Net GF*	FTE
NP1	133,843	407	102,875	19,365	256,490	180,737	0.0
State Fleet Variable Cost							
Various. This non-prioritized request reflects the Department's share of a prioritized decision item in the Department of Personnel, associated with increases in fuel costs. That decision item will be discussed in the briefing for the Department of Personnel and Administration. *Statutory authority: Section 24-30-1104 (2), C.R.S.*							
NP2	79,071	28,342	121,134	212,908	441,455	135,431	0.0
Postage Increase and Mail Equipment Upgrade							
Various. This non-prioritized request reflects the Department's share of a prioritized decision item in the Department of Personnel and Administration. That decision item will be discussed in a separate staff briefing.							
NP3	24,178	2,424	0	13,402	40,004	24,178	0.0
Office of Administrative Courts Staffing Adjustment							
NP4	6,877	39	5,546	571	13,033	8,821	0.0
Ombuds Program Increase							
NP5	150,675	3,652	70,854	15,667	240,848	180,706	0.0
Annual Fleet Vehicle Replacements							
Office of Operations. This non-prioritized request reflects adjustments in costs for leased vehicles. Leases are managed on a centralized basis by the Department of Personnel and Administration Adjustments are addressed by the Committee as part of common policy figure setting. *Statutory authority: Section 24-30-1104 (2), C.R.S.*							
NP6	0	0	(237,653)	(693,347)	(931,000)	0	(9.0)
Disability Program Navigator							
Services for People with Disabilities. This non-prioritized reduction is related to a requested increase in the Department of Labor and Employment. The Disability Program Navigator positions were moved from the Division of Vocational Rehabilitation in the Department of Human Services to the Department of Labor and Employment in FY 2008-09, based on interim supplemental action by the JBC in September 2008. The federal funds reduced reflect federal vocational rehabilitation funds. The reappropriated funds reflect matching funds received from school districts and other state government sources. *Statutory authority: Section 26-8-103, C.R.S*							
Total	**$12,188,850**	**$5,325,619**	**$9,910,297**	**$3,466,669**	**$30,891,435**	**$16,508,036**	**58.3**
Total for Items in this Packet	**$1,550,051**	**$1,532,130**	**$7,566,914**	**($445,407)**	**$10,203,688**	**$5,155,895**	**30.4**

* These amounts are shown for informational purposes only. A large portion of the Department's reappropriated funds are Medicaid-related transfers from the Department of Health Care Policy and Financing (HCPF). Roughly half of the corresponding HCPF appropriations are General Fund. Net General Fund equals the direct GF appropriation shown, plus the GF portion of the HCPF transfer.

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OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2008-09 appropriation and its FY 2009-10 request. A large portion of the Department's reappropriated funds are Medicaid-related transfers from the Department of Health Care Policy and Financing (HCPF). Roughly half of the corresponding HCPF appropriations are General Fund. Net General Fund (Net GF) equals the direct General Fund appropriation shown, plus the General Fund portion of the HCPF transfer.

Total Requested Change, FY 2008-09 to FY 2009-10 (millions of dollars)

Category	GF	CF	RF	FF	Total	Net GF	FTE
FY 2008-09 Appropriation	$60.3	$88.5	$371.0	$63.9	$583.7	$236.6	2,402.6
FY 2009-10 Request	62.8	91.1	394.2	63.9	612.0	250.9	2,474.6
Increase / (Decrease)	$2.5	$2.6	$23.2	$0.0	$28.3	$14.3	72.0
Percentage Change	4.1%	2.9%	6.3%	0.0%	4.8%	6.0%	3.0%

The following table highlights the individual changes contained in the Department's FY 2009-10 budget request, as compared with the FY 2008-09 appropriation, for the portion of the Department covered in this briefing packet. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2008-09 to FY 2009-10

Category	GF	CF	RF	FF	Total	Net GF	FTE
Executive Director's Office, Special Purpose (Disability Line Items ONLY)							
Annualize FY 2008-09 salary increases (common policy)	$1,343	$0	$6,556	$19,540	$27,439	$1,343	0.0
Postage (DI #NP-2)	0	0	31	2,780	2,811	0.0	0.0
Subtotal	**$1,343**	**$0**	**$6,587**	**$22,320**	**$30,250**	**$1,343**	**0.0**
Office of Operations							
Annualize FY 2008-09 salary increases (common policy)	$475,557	$31,974	$417,406	$78,531	$1,003,468	559,017	0.0
Inflationary adjustments (DIs #17, #20, NP#1, NP #2)	124,197	44	605,876	3,541	733,658	139,925	0.0

Category	GF	CF	RF	FF	Total	Net GF	FTE
Annualize FY 08-09 increase for new forensics facility	493,730	0	0	0	493,730	493,730	10.5
Buildings & Grounds Cash Fund spending (DI #22)	0	480,266	0	0	480,266	0	0.0
Facilities management operating increase (DI #5)	327,459	0	0	0	327,459	327,459	0.0
Department vehicle lease adjustments (DIs #8, NP-5)	159,171	3,652	70,854	15,667	249,344	189,202	0.0
Annualize various FY 2008-09 DIs & new legislation	(38,520)	(251,894)	0	0	(290,414)	(38,520)	(1.0)
Subtotal	**$1,541,594**	**$264,042**	**$1,094,136**	**$97,739**	**$2,997,511**	**$1,670,813**	**9.5**
Services for People with Disabilities							
Annualize developmental disability (DD) community placements added in FY 09	$298,050	$1,293,563	$12,658,599	$0	$14,250,212	6,627,351	0.0
New DD community placements (DI #3)	313,750	416,386	5,189,494	0	5,919,630	2,908,497	0.0
Annualize FY 09 salary increases (common policy)	161,858	18,679	2,108,909	621,397	2,910,843	1,210,162	0.0
Add new staff for regional centers for people with DD (DI #1)	0	0	1,383,218	0	1,383,218	691,609	39.4
Annualize new regional center staff added FY 09	(310,667)	0	1,601,791	0	1,291,124	450,103	30.4
Traumatic Brain Injury Trust Fund spending authority increase (DI #19)	0	603,077	0	0	603,077	0	0.0
Facility operating cost and inflationary increases (DIs #5, 17, NP-1, NP-2)	3,261	438	316,429	14,700	334,828	161,409	0.0
Move DVR disability navigator program to DOLE (DI #NP-6)	0	0	(237,653)	(693,347)	(931,000)	0	(9.0)
Annualize various FY 09 funding adjustments, including DIs and new legislation	516,582	(33,000)	(913,306)	0	(429,724)	559,929	1.7
Subtotal	**$982,834**	**$2,299,143**	**$22,107,481**	**($57,250)**	**$25,332,208**	**$12,609,060**	**62.5**
Total Change	**$2,525,771**	**$2,563,185**	**$23,208,204**	**$62,809**	**$28,359,969**	**$14,281,216**	**72.0**

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BRIEFING ISSUE

ISSUE: Overview of Developmental Disability Request

The request for services for people with developmental disabilities includes new community placements and increased staffing at the state-operated regional centers. No adjustments are requested for community provider rate increases or for the impact of federally-required changes to Medicaid waiver programs.

SUMMARY:

❑ The largest component of the request for developmental disability services is to annualize 750 new community-based placements added for six months in FY 2008-09. A total of 295 additional placements are also requested for six months in FY 2009-10 through Decision Item #4. The total request for community services reflects a $19.9 million increase including $9.2 million "net" General Fund (5.0 percent of the General Fund base).

❑ The Department's first priority is for additional staff at the state-operated regional centers. The request for the regional centers reflects an increase of $5.0 million including $2.3 million "net" General Fund (10.2 percent of the General Fund base). The Department has indicated that this represents only a portion of staffing needed to adequately serve regional center clients; its proposal therefore also includes substantial reductions in individuals served at the regional centers over several years.

❑ The November request does not include budget adjustments for community provider rate increases or the impact of federally-required changes to Medicaid developmental disability waiver programs

DISCUSSION:

Background: State Services for Persons with Developmental Disabilities
The State funds residential and family support services for persons with developmental disabilities who are unable to care for themselves without assistance. Most of these services are locally managed by 20 local non-profit agencies known as community centered boards (CCBs). Some adults also receive direct state-run services at the state's three regional centers at Wheat Ridge (Denver), Pueblo, and Grand Junction.

The vast majority of state services for adults with developmental disabilities are funded through the state Medicaid program (approximately 50 percent General Fund and 50 percent federal funds) and are authorized under three Medicaid 1915(c) home- and community-based services (HCBS) "waivers" [additions to the standard state Medicaid Plan, authorized by federal authorities, that deviate from standard Medicaid rules]. This includes the comprehensive residential waiver program and the supported living services waiver program (which provides services to adults living independently or with their families). Although funding is reflected as reappropriated funds in the Department of Human Services, these amounts originate as General Fund and federal funds that are initially appropriated in the Department of Health Care Policy and Financing and then transferred to the Department of Human Services.

Services for children include the Medicaid-funded Children's Extensive Support Program (to assist families whose children require essentially 24-hour supervision), the General Fund-supported Family Support Services Program (flexible support for families of children with developmental disabilities), and and the Early Intervention program for children under age 3. This program is supported with a variety of sources including General Fund, federal funds, and custodial funds from insurance companies (authorized pursuant to S.B. 07-004). The table below reflects the FY 2008-09 appropriations for the major programs managed in this section of the budget. Note that these amounts *include* case management costs, which, in the Long Bill, are reflected as a separate service category.

FY 2008-09 Appropriations for Major Developmental Disability Programs

	FY 08-09 Total Appropriation	FY 2008-09 "Net" General Fund
Adult Services		
Adult Comprehensive Residential Services	$275,277,744	122,661,431
Adult Supported Living Services	$63,803,885	34,750,698
Regional Centers (state operated residential)[b]	$69,079,620	33,560,309
Total - Adult	$408,161,249	190,972,438
Children's Services		
Early Intervention (ages 0-2)		
State	$13,964,515	12,810,301
Federal (Part C grant)[c]	$6,832,502	0
Custodial (insurance contributions)	$2,813,805	0
Children's Extensive Support	$8,324,835	3,368,450
Family Support Services[d]	$7,666,923	7,294,662
Total - Children	$39,602,580	23,473,413

People Funded, Waiting Lists, and Cost per Person - General Fund & Medicaid-funded Developmental Disability Programs				
	# Full Year Placements Funded (State) FY 2008-09	Waiting List June 2008, svc requested by FY 2008-09	Cost per Full Year Placement + case managemnt(a)	General Fund cost per Full Year Placement (a)
Adult Comprehensive Services	4,069	1,532	$66,369	$29,772
Adult Supported Living Services	3,827	2,506	$17,413	$8,707
Regional Centers [b]	378	79	$182,750	$91,375
Early Intervention (ages 0-2)	2,176	n/a	$6,040	$5,895
Children's Extensive Support	395	191	$19,735	$6,591
Family Support Services[c]	1,226	4,811	$5,961	$5,961
Total	12,071	9,119		

a) Amounts shown include associated case management costs and reflect the estimated cost of adding an "average" new placement.. If Medicaid is an option, reflects costs associated with a new Medicaid placement. Amounts *exclude* local match funds which are still reflected in the Long Bill but which were eliminated per H.B 08-1220.
b) Includes funding appropriated in other sections of the budget for indirect costs, as well as direct appropriations
c) Funding is generally spread, so that actual children and families served with these dollars is over 3,500 and the amount provided per family is commensurately lower

Overview of Developmental Disability Services Request

The table below summarizes the Department's request for FY 2009-10. The request includes a significant increase for new community placements. However, much of is this is driven by annualization of the large increase provided for an average of six months in FY 2008-09.

Community Services and Regional Centers for People with Developmental Disabilities FY 2009-10 Request			
Community Services for People with Developmental Disabilities	**FTE**	Total	Net General Fund
FY 2008-09 Appropriation	39.3	$385,436,384	$183,579,986
FY 2009-10 Request	40.5	405,311,731	192,731,855
Total Change	1.2	19,875,347	9,151,869
	3.1%	5.2%	5.0%
Changes Requested:			
Annualize 750 new DD placements added in FY 2008-09	0.0	$14,250,212	$6,627,351
FY 2009-10 Decision Item #3 (new DD placements)	0.0	5,919,630	2,908,497
Other (annualize new legislation & salary increases)	1.2	(294,495)	(383,979)
Total Change	1.2	$19,875,347	$9,151,869
Regional Centers for People with Developmental Disabilities			
FY 2008-09 Appropriation	956.2	$49,224,333	$22,484,591
FY 2009-10 Request	1,026.0	54,196,840	24,777,161
Total Change	69.8	4,972,507	2,292,570
	7.3%	10.1%	10.2%
Changes Requested:			
Personal Services common policy (annualize '09 increases)	0.0	$1,980,506	$992,028
FY 2009-10 Decision Item #1 (new staff)	39.4	1,383,218	691,609
Annualize new staff & ICF/MR conversion DI added FY 08-09	30.4	1,294,388	451,735
Operating Costs - Inflationary adjustments requested	0.0	314,395	157,198
Total Change	69.8	$4,972,507	$2,292,570

Decision Items #3 is discussed below. Decision Item #1 is covered in a separate issue on the regional centers.

Proposed Community Resources Increase (Decision Item #3)

The new placements added through Decision Item #3 are detailed below. A placement (or "resource") is the funding required to provide services and supports to one person for one year.

Decision Item #3 - New Developmental Disability Community Placements				
	Full year placement	Avg. Cost per Placement[a] (full year)	FY 2009-10 Request (6 months)	FY 2010-11 Request (full year)
Adult Comprehensive Residential				
Foster Care Transition	37	$91,035	1,684,130	3,368,259
Emergency Placements	55	$81,673	2,245,981	4,491,961
Regular Waiting List	30	$67,116	1,006,725	2,013,450
Subtotal	**122**		**$4,936,835**	**$9,873,670**
"Net" General Fund			2,260,224	4,520,448
Adult Supported Living				
Children's Extensive Support Transition	29	$18,330	265,785	531,570
Regular Waiting List	44	$18,330	403,260	806,520
Subtotal	**73**		**$669,045**	**$1,338,090**
"Net" General Fund			334,523	669,046
Family Support Services (General Fund)	**100**	$6,275	**$313,750**	**$627,500**
Total	**295**		**$5,919,630**	**$11,839,260**
"Net" General Fund			2,908,497	5,816,994

a Case management has been integrated in the above amounts, although, consistent with the current appropriation format, the Department's request reflects $2,530 per Medicaid placement and $697 for the family support placement in a separate case management category.

The largest portion of the request, as is typical, is associated with **comprehensive residential resources**. *Foster care transition* resources are for children with developmental disabilities who receive services in out-of-home placements through the child welfare system. The child welfare system terminates these services when the individual reaches the age of 21. Consistent with past practice, the Department has requested funding to enable these youth to transfer into the developmental disability system. The second portion of the request for comprehensive resources is for *emergency placements* (placements required due to homelessness, abuse/neglect, danger to self or others). Some individuals requiring emergency placement have never been previously identified in the developmental disabilities data system and therefore are not on the waiting list. Others are on the wait list but are suddenly faced with a crisis situation. Historically, much of the demand for emergency placement is addressed internally by community centered boards based on annual attrition which has averaged about 125 per year in residential programs. The third portion of the request is for *"waiting list"* services, for persons on the waiting list are adults who primarily live in the home of parents, siblings, or other relatives and have been waiting for Comprehensive services for an extended period of time.

Supported Living Services placements, to support adults living with their families or independently, are requested for youth transitioning from the Children's Extensive Support program and for others on the waiting list for these services. The Department has also requested 100 Family *Support Services placements*. This program provides a variety of supports--ranging from home modification to respite care--for families caring for children with developmental disabilities. The Department did not request adjustments for any other children's placements (Children's Extensive Support or Early Intervention).

The table below compares the number of placements added in recent years with the request.

	FY 2005-06 Approp.	**FY 2006-07 Approp.**	**FY 2007-08 Approp.**	**FY 2008-09 Approp.**	**FY 2009-10 Request**
Adult Residential:	62	169	78	305	122
Foster care trans.	48	60	39	45	37
Emergency	14	19	30	62	55
High risk wait list	0	90	9	78	0
Wait list	0	0	0	120	30
Adult Supported Living	0	82	24	345	73
CES transition	0	22	24	28	29
High risk wait list	0	60	0	0	0
Wait list	0	0	0	317	44
Early Intervention	0	613	104	0	0
Children's Extensive Support	148	30	0	0	0
Family Support	0	0	0	100	100

As shown, the total number of new placements requested is less than the large increases provided in FY 2006-07 and FY 2008-09 but compares favorably with FY 2005-06 and FY 2007-08.

Other points of note:

- The Department indicated that it based the cost per placement on the rates approved for FY 2008-09. However, the General Fund amounts tied to these rates is higher, as the Department eliminated a 5.0 percent local share for many costs (H.B. 08-1220 eliminated statutory local share provisions) and backfilled with General Fund or Medicaid. Notably, individuals in the Medicaid program must be provided needed services up to the Medicaid waiver cap; therefore Medicaid amounts are in any event estimates of the costs associated with serving new individuals. However, the rationale for the backfill is not clear to staff, given that a part of the basis for eliminating the 5.0 percent local match was that this requirement had never been effectively enforced. During the 2008 legislative session, the Department indicated that there would be no General Fund fiscal impact associated with eliminating the 5.0 percent match requirement pursuant to H.B. 08-1220.

- The Department requested the new funds as "waiting list" placements, rather than specifying that such additional placements will be targeted to individuals in the "high risk" category, including adults over age 40 (whose parents/caregivers are elderly) or who have severe behavioral or medical needs. In recent years, the JBC has often specified that any waiting list resources funded are for these categories.

Other Items Included–and Excluded–from the Request

Community provider rate increase. No increase was included. In FY 2007-08 and FY 2008-09, 1.5 percent was provided. In FY 2006-07, 3.25 percent was provided. No increase was provided in FY 2002-03 through FY 2005-06. The cost of the 1.5 percent rate increase in FY 2008-09 was $4.9 million ($2.6 million "net" General Fund.)

Medicaid Waiver Transition Issues. There are significant developmental disability budgetary issues which are not addressed in the November submission. These are associated with the changes to the Medicaid waivers for individuals with developmental disabilities that have been required by federal authorities. For FY 2006-07, FY 2007-08, and FY 2008-09 (part year) the state is operating under an interim rate structure for the comprehensive and supported living Medicaid waiver programs. Beginning January 2009, long-term rate structures will be adopted for the comprehensive program. These changes have already had substantial fiscal impacts and further impacts are anticipated. A separate issue on the Medicaid waiver transition addresses this in greater detail.

Regional Center Funding. As reflected in the summary, the Department's request includes increases of over 10 percent for the state-operated regional centers for persons with developmental disabilities, including Decision Item #1 and annualization of increases provided in FY 2008-09. Decision Item #1 is discussed in a separate issue.

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BRIEFING ISSUE

ISSUE: Changes to Medicaid Waiver Programs for People with Developmental Disabilities

The Department of Human Services, community centered boards, and providers continue to struggle with federally-mandated changes to Medicaid waiver programs for people with developmental disabilities. These changes drive both General Fund costs and savings and could result in significant FY 2008-09 underexpenditures.

SUMMARY:

❑ For the last three years, in response to federal demands, the State has been engaged in planning and implementing major changes to its Medicaid Home- and Community-based Services (HCBS) waiver programs for people with developmental disabilities. The State is working to implement a revised Plan of Correction submitted to federal authorities in May 2006. This Plan of Correction describes an interim rate structure (effective August 2006) and a long-term billing and rate structure for these HCBS programs.

❑ The long-term rate structure was originally to be effective July 2007 but has now been delayed to January 1, 2009 for the comprehensive residential program and July 1, 2009 for the adult supported living services program.

❑ Thus far, the State has incurred both short- and long-term costs associated with the changes to the waiver program. It has also experienced underexpenditures, and reductions in numbers of people served, in FY 2006-07 and FY 2007-08 related to the system changes.

❑ Funding needs for FY 2008-09 are still difficult to project, in light of the anticipated roll-out of the long-term rate structure for the comprehensive program in the middle of the year (January 2009). Based on recent history, the ongoing impact of system changes could result in substantial *underexpenditure* of budgeted Medicaid funds, on the order of $9.2 million General Fund in FY 2008-09 and $5.0 million General Fund in FY 2009-10.

DISCUSSION:

General Background

The vast majority of state services for people with developmental disabilities are funded through the Medicaid program under Medicaid waivers pursuant to Section 1915(c) of the Social Security Act. The waiver programs for persons with developmental disabilities are managed at the local level by 20 community centered boards (CCB) under contract with the Department of Human Services, pursuant to an agreement with the Department of Health Care Policy and Financing (the single state

Medicaid agency) and the provisions of Section 27-10.5-101 through 503, C.R.S. and Sections 25.5-6-401 through 411,C.R.S. In addition, the majority of beds at the state-run regional centers are operated under a waiver program.

The largest of the waiver programs is the ***comprehensive waiver***, which provides residential services and an array of related supports that are funded through the community centered boards and the state-run regional centers. In addition to the comprehensive waiver, the ***supported living services*** waiver provides non-residential services for adults who live with their families or independently with some support, and the ***children's extensive support*** waiver program assists families in supporting children who require a high level of supervision. An estimated 4,319 "full time equivalent" persons will be served through the comprehensive waiver (including community and regional center programs), 3,827 in the supported living services program, and 395 in the Children's Extensive Support waiver program in FY 2008-09.

Total Medicaid waiver program expenditures are anticipated to be about $347 million in FY 2008-09. Waiver program funding is based on a 50 percent federal/50 percent state or local certified match, so the total federal financial participation in question is approximately $174 million. Of the total, the comprehensive waiver is by far the largest waiver program from a financial perspective, comprising approximately 80 percent of total waiver program expenditures.

From the late-1990s through FY 2005-06, the developmental disability system was managed pursuant to a ***systems change*** agreement between the Department of Human Services and the Joint Budget Committee. Systems change was pursued as an alternative to full-fledged managed care: the goal was to provide community centered boards with increased flexibility to manage developmental disability funding, programs, and services, resulting in lower service costs. The result was a quasi managed-care system, in which community centered boards received payment based on an average service rate for their region and number of persons served, and they negotiated agreements with individual providers based on the specific needs of the individuals they served. Because federal CMS indicated that this approach was no longer acceptable, it was abandoned beginning in FY 2006-07, and the overall developmental disability system is currently undergoing substantial restructuring.

Recent History

During FY 2003-04, the federal Centers for Medicare and Medicaid Services (CMS) reviewed the states' three home and community based services (HCBS) Medicaid waivers for persons with developmental disabilities. Colorado's waivers were renewed September 24, 2004, conditioned on various changes, including steps to increase financial oversight and accountability for the program, including steps to "unbundle" the costs in the comprehensive waiver program.

Approximately one year later, in November 2005, the Centers for Medicare and Medicaid Services (CMS) notified the State that it required additional information on Colorado's efforts. Based on an initial exchange of information with CMS, it became clear that the changes the Department of Human Services had implemented to "unbundle" comprehensive waiver costs were not as comprehensive as CMS had anticipated. The Department of Health Care Policy and Financing responded to CMS's concerns in January 2006 with data and a commitments that billing for the developmental disability system would be shifted to the Medicaid Management Information System (MMIS).

The Department of Human Services (DHS) and community centered boards (CCBs) expressed serious concerns about the extent of the change. However, communication among key parties clarified that the changes were driven by CMS. For example, in response to a letter from the JBC to CMS and other federal officials, the regional CMS office responded on February 14, 2006, indicating major concerns with Colorado's HCBS -DD waiver in an array of areas including financial accountability/audit trail and the "quasi-managed-care" structure that enabled CCBs to negotiate rates. The letter also noted that CMS guidelines released November 2005 require that "[a] state must have uniform rate determination methods or standards that apply to each waiver service."

Since 2006, the Departments of Human Services and Health Care Policy and Financing, the Community Centered Boards, and other affected parties have been meeting with contracted facilitators in a steering committee format to address the CMS concerns and to restructure rate and billing systems for Colorado's Medicaid waiver programs for adults with developmental disabilities. Outside contractors were also employed as part of this effort. A revised plan of correction was submitted to CMS on May 19, 2006. The plan included a commitment that the Department of Health Care Policy and Financing would provide adequate oversight of the Developmental Disability Waiver program. In addition:

- *Interim Solution:* By July 31, 2006, the State would establish and implement statewide interim uniform tiered rates based on analysis of existing rates. Providers would be given the option to enroll as Medicaid providers and to bill directly in time for submission of July 2006 claims.

- *Long-term Solution:* The State committed to selecting an intensity tool for use in identifying a client’s reimbursement tier based upon client need and would administer the selected intensity tool to a sample of clients for purposes. This would be used for an actuarial study that would establish uniform tiered rates for residential services and day habilitation services.

Colorado implemented the interim rates on schedule. Overall, rates under the interim structure were designed to keep total reimbursements for providers as stable and consistent with the prior system as possible. However, the billing system changes nonetheless created various disruptions in billing and program.

The May 2006 Plan of Correction specified that the long-term rate structure would be implemented July 1, 2007. However, finalizing and implementing the long-term rate structure has been delayed twice, due to the complexity of the new structure. Mos recently, CMS has agreed that the long-term rate structure for the comprehensive waiver program will go into effect January 1, 2009. The long term rate structure for the supported living services program is scheduled to go into effect July 1, 2009. Rates under the long-term structure are based on individual assessments with the Supports Intensity Scale (SIS) tool and a new set of rates.

Impacts of Interim Waiver Changes
Thus far, only the impact of the interim changes has been fully experienced, as the first shift to a long-term rate structure will occur in January 2009.

Workload and Payment Delays. Changes to the interim rate structure and development of the long-term structure have driven substantial workload at the Department as well as for CCBs and providers. This reflects both short-term and ongoing impacts. For example, almost all CCBs have reported adding new accounting staff (in some cases doubling or tripling their accounting staff) to address new billing requirements. Due to various technical glitches and data entry errors, there have also been significant payment delays to providers over the course of the last two years.

Impacts on Consumers. While most changes have been invisible to clients in current service, they have effectively resulted in fewer disabled consumers being served, particularly during FY 2006-07. As detailed below, in June 2005, CCBs provided waiver services to over 100 more adults than the 7,074 they had contracted and been paid to serve. In June 2007, they served almost 600 *less* than the 7,400 for whom funds had been budgeted.

Performance improved in FY 2007-08; however, the system still served 141 fewer individuals than the number for whom funds had been set aside in June 2008 (of which 127 were Medicaid placements). The sources of the differences include: (1) impact of eliminating over-service (the system by which CCBs were encouraged to serve additional people so that the appropriation was fully used); and (2) billing and administrative transition issues that delayed individuals entering service, particularly in FY 2006-07.

State-funded Adult Comprehensive and Supported Living Services
Resources Appropriated versus Individuals Served
(as of June each year)*

	FY 2004-05			FY 2005-06**			FY 2006-07			FY 2007-08		
	Approp	Actual	Dif.	Approp	Actual	Dif	Approp	Actual	Dif.	Approp	Actual	Dif.
Comp.	3,597	3,607	10	3,659	3,631	(28)	3,828	3,568	(260)	3,911	3,842	(69)
SLS	3,477	3,582	105	3,499	3,593	94	3,572	3,243	(329)	3,596	3,524	(72)
Total	7,074	7,189	115	7,158	7,224	66	7,400	6,811	(589)	7,507	7,366	(141)

*Individuals served reflects all persons who had a billing transaction during the month. For FY 2006-07, March 2007 actuals were used, as June data was not available. Actual amounts have been reduced for FY 2005-06 and FY 2006-07 to exclude numbers in Federally-matched local funds contracts . All actual years were also adjusted to exclude 81 state-only OBRA supported living placements for a more accurate comparison with appropriation figures.
**Appropriated resources in FY 2005-06 exclude 90 comprehensive and 60 SLS resources added for the last quarter of the year, as these could not be effectively implemented due to timing constraints.

In addition to the impact on state-funded services, federal changes have also resulted in the **elimination of placements funded through federal match of local mill levy funds**. In FY 2005-06, 21 comprehensive and 29 SLS resources were funded via this route. In FY 2006-07, 39 comprehensive and 103 SLS resources were funded this way. As of January 2008, use of local funds to match federal dollars was halted, based on direction from CMS. As a result, all individuals who were being funded in this way have been gradually transferred into state-funded placements through turnover in state-funded placements. The net result is that the State is able to serve fewer people than it otherwise would have.

Fiscal impacts. The fiscal impacts of the CMS-required transition have been very substantial for the State: both in driving increases in costs and reductions. The table below outlines General Fund costs and savings related to the transition, as approved to-date. Note that "savings" may reflect individuals not served, in addition to other kinds of adjustments. The table includes emergency supplemental action taken in June 2008. These adjustments have not yet been enacted.

Net General Fund Appropriations Impact of Developmental Disability Medicaid Waiver Changes

	FY 05-06	FY 2006-07	FY 2007-08	FY 2008-09	Total
Appropriations Increases					
Waiver transition costs	$150,000	$1,331,462	$569,769	$39,514	$2,090,745
6 month backfill for provider rate increase, due to CMS restrictions	0	1,838,934	0	0	1,838,934
"Hold harmless" to temporarily stabilize payments to providers*	0	7,100,772	2,904,897	0	10,005,669
Backfill for local funds previously used to match federal Medicaid (local $ not permissible under change)	0	7,607,945	7,722,064	7,837,895	23,167,904
Non-Medicaid case-management for CCBs	0	823,283	835,632	848,167	2,507,082
Subtotal - Increases	150,000	18,702,396	12,032,362	8,725,576	39,610,334
Appropriations Decreases and Roll-forwards					
Supplemental Program Costs reductions for utilization	0	($11,867,924)	($6,857,196)	n/a	($18,725,120)
Roll forward to next year	n/a	(2,876,528)	(2,528,874)	n/a	(5,405,402)
Roll forward received from prior year	n/a	0	2,876,528	2,528,874	5,405,402
Figure setting reduction based on ongoing impact of changes	0	0	0	(1,232,471)	(1,232,471)
Subtotal - Decreases and roll forwards	$0	($14,744,452)	($6,509,542)	$1,296,403	($19,957,591)
Total - Net General Fund Impact	**$150,000**	**$3,957,944**	**$5,522,820**	**$10,021,979**	**$19,652,743**

*Of the total "hold harmless" appropriations for FY 2006-07 and FY 2007-08, $6.5 million is specified to be rolled forward to FY 2008-09 to address hold-harmless needs this year.
**Reflects the General Fund actually rolled forward. The fund split that has been applied to roll-forwards is 50 percent General Fund, although this does not necessarily reflect actual expenditures (e.g., for FY 2007-08, the roll-forward was $514,462 less than the unexpended General Fund, due to the fund-split applied to the roll-forward.)

Projected Impacts of Long-term Waiver Changes

Many of the impacts already experienced with the shift to an interim rate-structure will continue with the shift to the long-term rate structure. In addition, the long term rate structure will add further programmatic and fiscal issues. The overall cost of the program is supposed to remain unchanged; however, funding available for any given individual may change substantially based on: (1) classification of an individual's severity; and (2) rates for individual services.

As a result:

- Workload increases and payment delays will likely increase, at least on a temporary basis in FY 2008-09 and FY 2009-10, as rates will be changed for virtually every consumer in virtually every payment category.

- Impacts on consumers could be more pronounced, given major adjustments in payment rates for individuals. Many CCBs have expressed particular concern about the impact of anticipated changes to the supported living program. "Hold harmless" funds will help to reduce disruption, but this is an area of significant risk. At a minimum, a temporary reduction in the numbers of individuals served--such as that seen in FY 2006-07--would not be surprising.

- Fiscal impacts could be substantial. As reviewed further below, staff would anticipated substantial underexpenditures in FY 2008-09 and some ongoing underexpenditures in FY 2009-10; although there may also be some pressure for addition "hold harmless" appropriations.

FY 2008-09 and FY 2009-10 Possible Appropriation Adjustments

Staff believes that under-expenditures are likely for FY 2008-09. This reflects both the long-term structural impacts of changing back to fee-for-service billing (already evident in FY 2006-07 and FY 2007-08) and the short-term impacts of rolling-out new rates. In the absence of budget adjustments, FY 2009-10 underexpenditures are also likely. The table below summarizes staff's rough estimate of savings and additional savings or costs that are thus far unknown.

Summary of Possible Additional FY 2008-09 and FY 2009-10 Budget Adjustments for Medicaid Waiver System Changes		
	Medicaid Funds	**Net General Fund**
FY 2008-09		
Roll-forward from FY 2007-08, allowing FY 2008-09 offset (one time)	(5,057,748)	(2,528,874)
New FY 2008-09 placements - billing delays (preliminary estimate)	(3,329,990)	(1,664,995)

Summary of Possible Additional FY 2008-09 and FY 2009-10 Budget Adjustments for Medicaid Waiver System Changes		
	Medicaid Funds	**Net General Fund**
Structural impact of change to fee-for-service billing structure, based on impacts of interim rate structure (rough estimate)	(10,500,000)	(5,000,000)
One-time impact of system disruptions, due to change to long-term rate structure (likely unknown until June 2009)	??	??
Fiscal impact of new long-term rate structure, if any (unknown until June 2009)	??	??
"Hold harmless" funding - increase or decrease (projection available Dec 2008)	n/a	??
Rough Estimate of FY 2008-09 Budget Adjustments	**(18,887,738)**	**(9,193,869)**
FY 2009-10		
Structural impact of change to fee-for-service billing structure, based on impacts of interim rate structure (rough estimate)	(10,500,000)	(5,000,000)
One-time impact of system disruptions, due to change to long-term rate structure for comprehensive change effective January 2009 and supported living effective July 2009.	??	??
Fiscal impact of new long-term rate structure, if any	??	??
"Hold harmless" funding requested for ongoing comprehensive impacts or supported living system impacts (may or may not be requested)	n/a	??
Rough Estimate of FY 2009-10 Budget Adjustments	**(10,500,000)**	**(5,000,000)**

Roll-forward from FY 2007-08. $2.5 million General Fund (part of $5.0 million Medicaid funds) was rolled-forward from FY 2007-08 to FY 2008-09 based on Medicaid under-expenditures. The roll-forward could be used to offset the FY 2008-09 appropriation, resulting in General Fund savings (one time in FY 2008-09).

New FY 2008-09 placements - billing delays. Although the Department and CCBs are moving to allocate new resources promptly, enrollment and billing delays may drive some underexpenditures related to the 750 new placements provided in FY 2008-09. About $16.4 million total ($7.6 million General Fund) was added for this in FY 2008-09. A preliminary estimate of savings provided by the Department indicates that this is likely to provide about $3.3 million total savings or $1.7 million net General Fund savings in FY 2008-09 (one-time savings). These estimates will be revised and refined for supplemental action.

Structural impact of change to fee-for-service billing. Based on FY 2006-07 and FY 2007-08 expenditure patterns under the interim rate structure, it seems likely that the new billing structure drives reversions/under-expenditure of base program spending. A $2.5 million ($1.2 million General

Fund) adjustment was already included for FY 2008-09; however, staff now believes an additional reduction of about $10.5 million (about $5.0 million General Fund) could likely be taken for FY 2008-09, FY 2009-10, and future years. An attachment provides additional information on the basis for this estimate. In FY 2009-10, these savings could help offset the need for $6.6 million additional General Fund required to "annualize" new FY 2008-09 placements. Alternatively, at the General Assembly's discretion and depending upon the revenue situation, the funds could be used to further expand numbers of individuals to be served or to increase provider rates.

One-time impact of system disruptions. The new rate structure that will go into effect in the middle of FY 2008-09 is likely to cause system disruptions. Based on the FY 2006-07 experience, it is probable that this system disruption will cause under-expenditures related to delayed billing and bills rejected, but this impact will be hard to quantify until the end of the year. Thus, such impacts may need to be addressed either through interim supplemental action in June 2009 and/or by permitting roll-forward of funds not expended in FY 2008-09.

Offsetting *or* increasing some of these savings could be:

The final fiscal impact of the new long-term rate structure. This refers to adjustments beyond those associated with the change to fee-for-service billing and any short-term disruptions associated with system change. The new rate structure is designed to be cost-neutral on a system-wide basis. However, it was based on a complex model, and actual impacts of new rates may be higher or lower as the new rates are rolled through the system.

"Hold harmless" funding. The General Assembly has appropriated over $10.0 million General Fund over the last several years to temporarily assist providers who see their payment rates for individuals fall based on interim and long-term system changes. The long-term rate structure may result in substantial changes to payments for any given individual, based on the evaluation of individual consumer's severity level via a standardized instrument, as well as changes to the rates for specific services. A total of $6.0 million General Fund remains available to "hold harmless" providers in FY 2008-09 (rolled forward from FY 2006-07 and FY 2007-08).[1] The Department has still not completed its analysis of the actual hold-harmless need associated with the comprehensive program long-term rate structure; however, it could be larger or smaller than the amount available. Given that new rates for the comprehensive program will only be in effect for half of FY 2008-09 (rather than a full year, as originally anticipated) the appropriation seems likely to be sufficient. However, there may be pressure to provide for "hold harmless" funding for FY 2009-10, if funds are available, particularly for the supported living program which is scheduled to roll-out its long-term rate structure in July 2009. Staff anticipates that revised hold harmless estimates will be available in December 2008 or January 2009.

[1]The appropriation reflects $6.5 million; however, due to an accounting problem, approximately $500,000 of the FY 2007-08 "hold harmless" funding is now being paid out of funds intended to be spent in FY 2008-09. Thus, available FY 2008-09 funds have been reduced.

Attachment: Basis for Rough Estimate on FY 2008-09 Program Cost Savings Related to Billing Structure

Overall Medicaid expenditures for developmental disability program costs were $29.9 million below the peak appropriation for FY 2006-07 and $13.0 million below the initial appropriation for FY 2007-08. The "peak" FY 2006-07 appropriation and the initial FY 2007-08 appropriation both reflected staff's best estimate of full program costs for those years. The difference between these amounts and final actual expenditures (based on Medicaid Management Information System records) are a good indication of the impact of systems change on expenditure patterns.

FY 2006-07 Amended Appropriation (S.B. 07-165) versus FY 2006-07 Actual Expenditures **Developmental Disability Program Costs** - Medicaid ONLY			
	Appropriation + Initial Supplemental adjustment*	FY 2006-07 Actual	Difference
Adult Program Costs	255,684,728	227,468,711	(28,216,017)
Children's Program Funding	6,913,658	5,273,062	(1,640,596)
Grand Total	262,598,386	232,741,773	(29,856,613)

*Adjustment that increased the appropriation due to local funds issue

FY 2007-08 Original Appropriation (S.B. 07-239) versus FY 2007-08 Actual Expenditures **Developmental Disability Program Costs** - Medicaid ONLY			
	Original Appropriation	FY 2007-08 Actual	Difference
Adult Comprehensive	214,821,368	207,132,459	(7,688,909)
Adult Supported Living	42,347,862	39,027,456	(3,320,406)
Children's Extensive Support	6,817,370	5,736,235	(1,081,135)
Case Management, QA, UR	17,602,612	16,732,111	(870,501)
Special Purpose	202,498	202,498	0
Grand Total	281,791,710	268,830,759	(12,960,951)

FY 2006-07 reductions were higher than those in FY 2007-08 for the following reasons:

- one-time savings associated Medicaid cash accounting (estimated at $13.8 million of the total);
- transition problems that resulted in over 500 people not receiving services and inability to cover some rate increases with Medicaid funds; and
- problems associated with ramp-up of Children's Extensive Support program placements.

However, ongoing underexpenditures in FY 2007-08, combined with the reversion pattern that existed *before* the shift to a semi-managed-care system, indicates that there are some structural issues associated with a fee-for-service system that result in under-expenditure. This includes:

- the impact of temporary vacancies as placements turn over (formerly addressed through "over-service", which is not an option under the new system); and
- services are only billable based on more detailed accounting.

Department analysis suggests that about $3.3 million Medicaid funds (less than $1.6 million net General Fund), of the total FY 2007-08 Medicaid underexpenditure can be explained by the impact of resource turnover during the year (*i.e.*, the time lag between when a vacancy is created and the vacancy is filled of approximately two to three months). Thus, it appears that the majority of the savings (of approximately $7.2 million per year) are related to the fact that providers must now bill for individual services.

A third issue-- the loss of former CCB capacity to retain up to 5.0 percent of supported living billed funds billed if performance standards were met--was addressed in the FY 2008-09 appropriation through a $2.5 million Medicaid funds ($1.2 million General Fund) reduction. However, if under-expenditures at the FY 2007-08 level were to continue, **there still appears to be an over-appropriation of approximately $10.5 million. Slightly less than half of this would be General Fund.**

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Office of Operations and Services for People with Disabilities)

BRIEFING ISSUE

ISSUE: The Regional Centers for People with Developmental Disabilities and Decision Item #1

The Department has struggled to provide adequate services to regional center residents as the their needs have become more severe. The Department now proposes to achieve desired staffing ratios by adding an additional 43.0 FTE and, over a three year time frame, reducing the census of the three regional centers from 403 to 307 while maintaining funding levels.

SUMMARY:

❑ The state-operated regional centers operate 403 beds for individuals with developmental disabilities who have a history of sex offense, severe behavioral/psychological issues, or severe medical problems. Currently, 295 of these beds are licensed as Home- and Community-Based Medicaid waiver (HCBS-DD) beds, and 108 beds are licensed as Intermediate Care Facility for the Mentally Retarded (ICF/MR) beds.

❑ The regional centers have been affected in recent years by an increasingly severe population which requires higher staff-to-client ratios and different physical facilities. The regional centers have also been affected by federally-imposed changes to the Medicaid HCBS-DD waiver programs.

❑ For FY 2009-10, the Department of Human Services Decision Item #1 is for 39.4 FTE and $1,503,502 Medicaid cash funds (including $751,751 "net" General Fund) for direct care staff in FY 2009-10. The request annualizes to 43.0 FTE and $1,636,471 Medicaid cash funds ($818,236 "net" General Fund) in FY 2010-11.

❑ The Department is proposing to meet the balance of its staffing ratio needs by downsizing the regional centers to 307 beds over three years while maintaining funding levels. It also plans to proceed with conversion of all beds to ICF/MR licensure (time frame uncertain) and, if funding becomes available, to develop new, more secure facilities.

DISCUSSION:

Background: the Regional Centers
In Colorado, the state provides direct services for people with developmental disabilities in facilities known as regional centers. The state has three regional centers, which are located in Grand Junction, Wheat Ridge and Pueblo. The Regional Centers have two methods of providing services: (1) two of the three regional centers operate "institutions", also known as Intermediate Care Facilities for the

Mentally Retarded (ICFs/MR), that provide residential and support services in large congregate settings; and (2) all three regional centers operate group homes that provide services to 4-6 people per home in a community setting (these services are sometimes referred to as "state-operated group homes"). These services are funded under the Medicaid Home-and Community-based Services waiver for people with developmental disabilities (HCBS-DD) that is used to fund similar services in the community. Many persons served by regional centers have multiple handicapping conditions, such as maladaptive behaviors or severe, chronic medical conditions that require specialized and intensive levels of services. The regional centers work closely with the Community Centered Board (CCB) system, which coordinates community-operated services for persons with developmental disabilities. Traditionally, the regional centers have served persons with developmental disabilities where appropriate community programs are not available. They provide residential services, medical care, and active treatment programs based on individual assessments and habilitation plans.

Regional Center Beds

	ICF/MR	Skilled Nursing	HCBS waiver	Total Beds
Wheat Ridge	30	0	131	161
Grand Junction	46	32	76	154
Pueblo	0	0	88	88
TOTAL	76	32	295	403

Since April 2003, the regional centers have used the following admissions criteria: (1) individuals who have extremely high needs requiring very specialized professional medical support services; (2) individuals who have extremely high needs due to challenging behaviors; and (3) individuals who pose significant community safety risks to others and require a secure setting. The table below shows the number of beds that were allocated for each category at each of the regional centers.

Regional Center Beds by Client Category

	Grand Junction	Pueblo	Wheat Ridge	Total Beds
History of Sex Offense	16	0	25	41
Severe Behavioral/Psychiatric	64	74	67	205
Severe Medical	74	14	69	157
TOTAL	154	88	161	403

Because the regional centers are operating at capacity, a community centered board with a consumer who it believes is more appropriate for a regional center placement must remove a client from the regional center in order to move a new client into placement.

A total of $49.2 million is appropriated in the regional center section of the budget for FY 2008-09; however, the Department's cost plan for the regional centers, which includes direct and indirect costs and is used as the basis for setting total associated Medicaid payments, reflects total costs of $69.1 million. If the regional centers were operating at full census, the cost per resident per year would be $171,413 in FY 2008-09. However, given 25 current vacancies, the estimated cost is $182,750 per person.

FY 2009-10 Decision Item #1

The Department has requested 39.4 FTE and $1,503,502 Medicaid cash funds (including $751,751 "net" General Fund) for direct care staff in FY 2009-10. These staff support high needs individuals currently being served in regional centers for persons with developmental disabilities who require dedicated, ongoing one-to-one or greater staff supervision. The request annualizes to 43.0 FTE and $1,636,471 Medicaid cash funds ($818,236 "net" General Fund) in FY 2010-11.

The request identifies major issues and recommendations related to the regional center population that are discussed in further detail below. These include:

- **Inadequate staffing** associated with a more severe client population. In particular, an unexpected increase in the number of persons requiring one-to-one or greater supervision beginning in spring 2007.
- **Federally-imposed changes to the Medicaid waiver program** used to license 301 of the regional center beds. Due to these changes, the Division proposes to ultimately convert all regional center beds to ICF/MR "institutional" licensing; however, this also requires additional staff.
- **Recommendations of the Regional Center Work Group.** Among other recommendations, the work group agreed the regional centers' first priority should be to care for those already in their care, and recommended steps to reduce regional center capacity.

Decision Item #1 is to provide resources to serve approximately eight of the existing regional center clients who require one-to-one staffing, and does not provide for any new admissions. Each person needing such one-to-one supervision across all three shifts requires 5.4 FTE (three shifts x 1.79 coverage) and almost $185,000. The request includes general information about nine such individuals with complex, often violent behavior.

Ultimately, the decision item covers a portion of the overall staffing ratio needs outlined in the Department's 2008 staffing study. This study assumes that 27 individuals housed at the regional centers will require dedicated one-to-one staffing.

Regional Center Workgroup Report, Staffing Study, and Cover Letter

On November 13, 2008, the JBC received the final Regional Center Policy Workgroup Report. The Workgroup was formed in the spring of 2008 and was part of the Department's efforts to proactively address regional center budget and quality of care issues in the face of huge cost overruns and a late FY 2007-08 supplemental.

Workgroup Report. The workgroup consisted of membership from advocacy groups, the Division for Developmental Disabilities Director and staff, regional center directors, and Health Care Policy and Financing staff. Staff from the Office of State Planning and Budgeting and the JBC also attended meetings. The group had various charges that included, among other items, re-evaluating the characteristics of individuals the regional centers might be most appropriate to serve, examining trends in the regional center population, re-examining the regional centers' 2006 staffing study in light of the changing population, and recommending a course of action to be taken in serving individuals whose care drives increases in costs and over-utilization of other, limited resources.

Key report findings include the following:

Client Population. The admission and discharge criteria established in April 15, 2003 remain appropriate, *i.e.*, the regional centers should continue to serve those whose needs cannot be met through the community-based system due to medical, behavioral, or community-safety issues.

Demand for regional center services remains high. The August 2008 waiting list was comprised of 79 individuals, including 42 requiring a secure campus setting and 37 requiring group home services. It includes 8 individuals in the mental health institutes, 15 individuals in the Department of Corrections or jail, one in foster care, two in youth corrections, and two in nursing facilities, with the remainder in the CCBs.

Increased Severity of Client Needs Requires Increased Staffing. Between July 1, 2000 and June 30, 2008, 159 easier to serve individuals were discharged from the regional centers and replaced with individuals with very high needs, based on acuity measures. The regional centers have been admitting more complex to serve individuals. For the 48 residents replaced since FY 2006-07, there has been a 50 percent increase in the number of individuals who have been convicted of crimes and a 57 percent increase in the number of behavior problems, to fill the beds vacated. Among other concerns, there is an increase in reportable incidents to the Department of Public Health and Environment, which cites staffing deficiencies. This could affect licensure and expose the state to legal action.

Staffing study. An update to the Department's 2006 staffing study identifies the need for one staff person for every three residents during the day, one staff at night for behavioral settings with a second staff floating between four homes, and two staff at night for medical settings. Additional staff positions are required to provide dedicated one-to-one staffing for 27 individuals and temporary one-to-one support for others, for community outings, to accompany residents on medical visits, and for staff in training. The detailed plan provided results in direct care staffing ratios of 2.5 to 2.6 FTE per client served.

Direct Care Staffing Study: Current FTE versus Required			
	Direct Care FTE as of FY 2007-08	Required FTE per 2008 study	Increase Required, if no downsizing
Wheat Ridge	350.9	394.2	43.3
Grand Junction	268.4	377.7	109.3
Pueblo	126.1	222.0	95.9
TOTAL	745.4	993.9	248.5

ICF/MR Licensure. The needs of many of the residents at the Regional Centers are so significant that the comprehensive level of services offered under ICF/MR licensure is critical to meeting the needs of the majority of regional center residents.

Downsizing. The State must reduce regional center capacity to serve existing residents without additional staff. The demand for services exceeds the current staff capacity. However, the state faces budget limitations, the majority of the demand is for the secure campus settings, and 71 regional center residents in group homes have been identified as being able to be appropriately served in the community. This downsizing is anticipated to create stress on community services and other service delivery systems.

Facility Needs. No single regional center location currently has all the appropriate facilities to address the needs of this population; therefore, downsizing at all regional centers, rather than eliminating one or more, should be used to achieve the necessary staffing ratios. The Division believes an additional facility to meet the needs of individuals with co-occurring developmental disabilities and mental illness is needed and is proposing conversion of the former high security forensics institute on the Pueblo campus for this purpose.

Detailed Report Recommendations.

- Reduce facility census on the following timetable:

Bed Capacity and Additional Staff Required

	Bed Capacity	Additional Staff Required to Remain at Bed Capacity
Original Capacity	403	248.5 FTE
By the End of FY 2008-09 (year 1) - reduce by 52 beds	351	139.9 FTE
By the End of FY 2009-10 (year 2) - reduce by additional 22 beds	329	93.0 FTE
By the end of 2010-11 (year 3) - reduce by 22 more beds	307	47.7 FTE

The report included detailed staffing plans on how these changes would affect each facility's staffing needs. Reductions would be accomplished through a freeze on new admissions, natural attrition, and active movement of individuals to the community. The freeze on admissions is recommended to be continued until current residents can be appropriately cared for. As of the end of FY 2007-08, the regional centers had already reduced census by 25, based on the admissions freeze. Of the new comprehensive residential placements funded for FY 2008-09, 20 have been set aside to begin to transition 20 of the 71 individuals identified as appropriate for community placement from the regional centers. Future-year reductions would also be accomplished through a combination of limiting or eliminating new admissions and transitioning appropriate individuals to the community.

If combined with the Department's Decision Item #1 for 43.0 FTE, the downsizing to 307 clients over several years would almost entirely address the regional centers' direct care staffing needs.

- Convert regional centers to ICF/MR licensure on the following timetable:

Regional Center ICF/MR Conversion Time line		
	If FY 2009-10 decision item #1 is approved	**If FY 2009-10 decision item #1 is not approved**
Wheat Ridge	FY 2008-09 - in progress	FY 2008-09 - in progress
Grand Junction	FY 2009-10	FY 2010-11
Pueblo	FY 2010-11	Would require further census reduction or a decision item

- Pursue capital construction request to convert the former high security forensics facility on the Pueblo campus to a new facility for 32 individuals dually-diagnosed with developmental disabilities and mental illness. Given constraints on the state budget, the report notes this project may not be feasible.

Report Cover Letter and ICF/MR Conversion Time-frame. A cover letter to the report, from the Department's Executive Director, indicated that the Department concurs generally with the recommendations of the report, with the following exception with respect to the timing of ICF/MR conversion:

> "The Department believes that in-depth planning and coordination, including the assessment and evaluation of individuals served, evaluation of budgetary impacts both internal and external to the regional centers, including the Department of Health Care Policy and Financing, and the lessons learned from the Wheat Ridge Regional Center ICF/MR conversion process in FY 2008-09 will be required. The Department anticipates that these analyses may generate budget requests on a longer Time line than proposed in the workgroup report."

Recent Year Budget History

As indicated by the narratives above, the new regional center admissions criteria that were instituted in April 2003 have had substantial impacts on the regional centers and these have resulted in a wide array of planned and unplanned budget adjustments.

Significant Adjustments to Regional Center Funding related to Staffing and Medicaid changes FY 2004-05 to Present			
	FTE	Total	"Net" General Fund
FY 04-05 & 05-06 - Move certain Medicaid amounts to Medicaid State Plan (related to federally-required waiver changes; primarily operating)	(3.4)	(964,169)	(482,085)
FY 05-06 late supplemental for costs for high-needs person (one time)	0.0	131,764	65,882
FY 06-07 supplemental, later annualized, for GF physician services	1.5	0	244,460
FY 06-07 operating expenses over-expenditure (one time)	0.0	112,253	0
FY 07-08 new staff (Decision Item #1), including annualization	29.0	836,597	418,299
FY 07-08 late supplemental, emergency funding needs (one-time)	39.4	1,472,988	668,647
FY 08-09 new staff /ICF conversion (Decision Item #6), annualized	68.7	3,034,498	1,357,387
Total related adjustment to base thus far (excludes one-time amounts)	**95.8**	**2,906,926**	**1,538,061**
FY 09-10 new staff (Decision Item #1), annualized (REQUEST)	43.0	1,636,471	818,236
Total adjustments if DI #1 approved as requested	**138.8**	**4,543,397**	**2,356,297**

Some of the more significant recent issues are reviewed below.

FY 2007-08 Late Supplemental and June 19, 2008 Letter on FY 2008-09 Supplemental. Regional center problems reached crisis levels in FY 2007-08. The agency over-spent to a large extent in the first part of the year, reportedly due to admitting a number of individuals requiring intensive one-to-one staffing. The Department requested and received a late supplemental in March 2008 for an additional 39.4 FTE to cover projected over-expenditures, having determined that an admissions freeze, a hiring freeze effective February 2008, and various other measures such as reassigning administrative staff to direct service would still not be sufficient to bring costs within budget. The Department indicated that it was forming a workgroup to proactively manage the existing funding and FTE appropriations, and JBC staff was invited to attend meetings.

When the supplemental was approved, staff noted to the Committee that it appeared likely that the FY 2007-08 supplemental would be followed by an FY 2008-09 supplemental for additional funds. Consistent with this, on June 19, 2008 the Department submitted a letter to the Committee identifying the need for approximately 75 FTE and associated funding for FY 2008-09. Because the additional staff would not create an over-expenditure until late in the fiscal year, the request did not meet interim supplemental criteria and was therefore not formally requested. However, the letter indicated that the if supplemental funding for these additional new staff were not available and approved after January 2, 2009, the Department would take immediate action to reduce the client population in order to limit over expenditures.

It remains to be seen whether an FY 2008-09 supplemental request will be submitted, due to the impacts of the hiring freeze in FY 2007-08 and delays created by the Governor's hiring freeze (the regional centers received an exemption, but the process caused hiring delays). Initial indications are that these actions may have suppressed spending in the early part of the year to such an extent that an FY 2008-09 supplemental will not be required or will be less than the 75.0 FTE and associated funding indicated by the June 19, 2008 letter. In response to staff questions, the Department noted that FTE usage for the month of September 2008 was calculated to be 890.4 or 65 vacancies from the Long Bill appropriation of 955.3 and 140 vacancies below the Long Bill appropriation-plus-75.0 FTE authorized by OSPB pursuant to the June 19, 2008 letter to the JBC. Given that none of the additional 75.0 FTE authorized had been filled as of September, it seems likely that any supplemental need will be reduced. Furthermore, given that the Department has only requested an increase of 39.4 FTE for FY 2009-10, it would be surprising to see 75.0 FTE positions filled in FY 2008-09 only to have that figure reduced to 39.4 FTE in FY 2009-10.

FY 2008-09 Decision Item #6 and ICF/MR Conversion. FY 2008-09 Decision Item #6 authorized the Department to proceed with the conversion of all 131 Medicaid waiver beds at the Wheat Ridge Regional Center to ICF/MR licensure and added 68.7 FTE to accomplish this, all to Wheat Ridge Regional Center. Under this licensure, the Department may bill Medicaid on a cost-basis for integrated services including physician and therapy services and durable medical equipment.

Final action on the Decision Item involved a fairly complex array of budget modifications affecting several departments. Major changes included increased regional center direct care staff (64.4 FTE); added regional center physicians (1.6 FTE) and therapy staff (7.5 FTE), while making some associated General Fund and Medicaid State Plan reductions; moved $484,000 in durable medical equipment and related costs from the State Plan back to the regional centers; added one-time General Fund amounts for physical plant modifications; generated some General Fund savings related to ICF/MR "fees" (a mechanism that results in a slightly better federal match for ICF/MR services than the usual 50/50); and drove adjustments in the Department of Public Health and Environment, the Department of Health Care Policy and Financing, and other Human Services sections. The net *statewide* General Fund impact of the decision item, when annualized, was $1,093,515 and 69.6 FTE. The request was for a 6.7 month time frame; thus, much of the Regional Centers' FY 2009-10 request is driven by annualization of this FY 2008-09 decision item.

Requests for Information. In conjunction with the approval of FY 2008-09 Decision Item #6, the Committee requested that the executive provide additional information related to ICFs/MR.

<u>Request for Information 41</u> requested the Department's plans for conversion of Grand Junction Regional Center and Pueblo Regional Center to an ICF/MR billing structure. As discussed above, through Decision Item #1, the budget request indicates that the Department is planning to proceed with plans for conversion of Grand Junction Regional Center and Pueblo Regional Center to ICF/MR licensure. However, the budget request did not include any associated budget adjustments to accomplish this. Further, the Executive Director's cover letter to the Regional Center Workgroup report, described above, indicates that the time-frames for this conversion are still unclear.

Request for Information 6 addressed the possible impact of regional center ICF/MR conversion on community-based facilities. The language is as follows:

> 6 Department of Health Care Policy and Financing, Executive Director's Office; and Department of Human Services, Services for People with Disabilities – The Departments are requested to develop a plan with respect to how the State will limit any inappropriate proliferation of intermediate care facilities for the mentally retarded (ICFs/MR) in the community and how it will manage any growth in the number of such facilities to ensure that state and federal funding for persons with developmental disabilities is used efficiently. The Departments are requested to submit such a plan, including any recommendations for statutory changes, by October 1, 2008.

Staff had expressed significant concerns that the ICF/MR conversion funded by the Department's FY 2008-09 Decision Item #6 might promote the expansion of ICFs/MR in the community by limiting some of the state's available tools for limiting such growth, such as establishing a minimum number of beds per facility. ICF/MR proliferation in the community could have substantial service and budgetary implications for the State. The Governor directed the Departments to submit the report no later than December 1, 2008. Because of the delayed submission date, the response has not yet been received. Staff would note, however, that many of the "letters of intent" for ICF/MR facilities in the community that were submitted a year ago have not to-date been followed by formal applications.

Capital Construction Requests - Funding not Presently Available. The Department and OSPB's capital construction request included two major regional center initiatives. Both fell below the state's available funding line and thus they do not appear realistic at this point. However, insofar as they reflect future Department plans, and would have significant operating cost implications in out-years, they are noted here.

Secure Intensive Treatment Facility for Persons with Developmental Disabilities. The proposal, ranked #13 by OSPB, is for $8.1 million in capital construction funds to convert the former high security forensics building on the Colorado Mental Health Institute at Pueblo campus (building #20) to a high security facility for 32 clients targeted at those dually diagnosed with mental health and developmental disability issues. This is proposed to give the Pueblo regional center a campus facility similar to those at Grand Junction and Wheat Ridge. The request indicates that, if approved, new facility would require an additional $5.7 million total funds ($2.9 million net General Fund) and 104.3 FTE per year in operating costs.

Specialized Treatment Homes for the Developmentally Disabled at the Grand Junction and Wheat Ridge Regional Centers. This proposal, ranked #19 by OSPB, is for $24.3 million in capital construction funds. This project would construct new residential homes and supporting program and administrative space for sixty people with developmental disabilities on the two existing campuses at Wheat Ridge and Grand Junction. The request states that the actual capacity of the regional centers will not be expanded but that more secure facilities will be provided. Nonetheless, the request indicates that, if approved, it will drive operating cost increases of approximately $5.2 million per year ($2.7 million "net" General Fund) and would result in increased staffing needs of 106.7 FTE. Staff presumes this is because, by the time new facilities opened, the regional centers are assumed to have downsized.

Staff Observations

- Staff agrees that need to ensure adequate services to those presently at the regional centers should be the Department's first priority. Staff requested information from the Department of Public Health and Environment regarding its review of regional center facilities. As indicated by the Department, it continues to receive very serious citations, largely related to insufficient staff. This includes serious citations from this spring and summer that, if not addressed, could threaten the facilities' licensure and Medicaid reimbursement.

- Staff also agrees that downsizing is a reasonable approach to addressing regional center staffing needs, given limits on the state budget. However, it is important to note that this downsizing is not "free": At a minimum, regional center downsizing reduces the total number of placements available in the State for individuals with developmental Disabilities and drives waiting lists. Further, if individuals do not receive adequate alternative services they may be a risk to themselves or others.

- The overall cost-per-person served in the regional centers that results from the proposed changes is large. If the State serves 307 individuals, instead of 403, for total costs that include the base funding, decision item #1, and current indirect costs (*i.e.*, total costs of about $75 million in FY 2009-10), costs will be close to $250,000 per year per person served or about $685 per person per day. The direct care staff to FTE ratios and costs would be substantially greater than ICFs/MR in other states. These costs may be justified, but only if the population merits it. While data confirm that the population served by the regional centers is on average more severe than the population served in community settings, there are individuals served who are not substantially different from those served in the community: this is the population of 71 the State has been attempting to "move out." For those remaining, the State is still working to quantify the special characteristics of individuals in the regional centers, and similar individuals served in the community, who receive "tier 7" Medicaid waiver rates. In the interim, it has simply negotiated an agreement with federal authorities that these rates will, for now, be maintained. Staff would be more comfortable with the Department's plan if the data on this population more clearly demonstrated that they are very different from individuals in the community for whom the State pays less.

- While the Department's downsizing plans have been presented as a means for operating within its existing budget, some related budget adjustments are likely to be needed and should be considered. For example, room and board costs for those still in Medicaid waiver placements are supposed to be covered by SSI receipts. If the number of individuals served declines, these cash receipts will presumably decline and may need to be backfilled. Similarly, the Department has submitted a variety of requests for operating expense increases for the regional centers for FY 2009-10. However, if a significant number of group homes are closed, and fewer people are served, it seems likely that at least some operating costs (including capital outlay and food--both proposed areas of increase) might decline. The Department should be asked to quantify some of these impacts.

- If the Department intends to proceed with ICF/MR conversion of the remaining waiver beds, it MUST submit budget requests. As demonstrated by FY 2008-09 Decision Item #6, a large number of budget adjustments are required associated with ICF/MR conversion, even if the General Fund impact is $0 because changes are financed through downsizing.

- Staff has significant concerns about the operating costs associated with the Department's proposed capital construction requests. Clearly these are on hold and may never be funded. However, from staff's perspective, these capital projects are also large out-year operating expense requests. Should the future of these projects ever appear brighter, they should receive substantive review by the JBC, in addition to the CDC.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Office of Operations and Services for People with Disabilities)

BRIEFING ISSUE

ISSUE: Waiting Lists for Developmental Disability Services

Waiting lists for developmental disability services continue to grow much faster than population growth. Eliminating waiting lists does not appear to be a viable option in the absence of a new source of revenue. The State should target its limited resources to those in greatest need.

SUMMARY:

- ❏ The demand for developmental disability services continues to grow much faster than population growth and the State's ability to add new placements. The rapid growth is tied, in part, to the baby boom cohort of persons with developmental disabilities. This group increasingly requires state-funded services as their parents age and cannot care for them.

- ❏ Eliminating the present waiting list over a five year period would cost over $26 million General Fund per year beyond the usual increases provided. By the fifth year, the base would be $138 million General Fund higher than it would be if the usual rate of program expansion were maintained. Only about 25 percent of this amount would be required (about $6.5 million General Fund per year or $34.3 million by year five) if solely the "high risk" population were targeted.

- ❏ In the absence of a major new source of revenue, fully funding current waiting lists does not appear realistic. However, it might be possible to meet the needs of a more limited segment of the population.

RECOMMENDATION:

Funding for those with developmental disabilities should be targeted at those with the greatest needs, *e.g.,* adults at "high risk" of out-of-home placement and children eligible for the Children's Extensive Support program. The Committee should discuss with the Department the process for making decisions about targeting, and whether related statutory changes to clarify this process would be appropriate.

DISCUSSION:

The waiting lists for developmental disability services are the most fundamental problem facing the developmental disability system. The General Assembly has made substantial efforts each year to address the need for service. For FY 2008-09, the General Assembly provided extended services to an additional 750 people: comprehensive residential placements for 305 adults, supported living placements for 345 adults, and family support funding for 100 families. However, even increases at this level do not keep up with the growth in demand. Initiative #51, included on the November 2008 ballot, would have increased sales taxes by two-tenths of a percent to address the waiting list; however this initiative was defeated at the polls by substantial margins.

Waiting Lists

The tables below show: (1) The numbers of persons served over the last five years in residential and adult supported living services versus the known demand, where "known demand" equals persons served plus the current budget period waiting list for the service; and (2) the ratios of persons served and known demand in the residential and supported living services programs to 1,000 persons in the Colorado adult population. As can be seen from these tables, growth in known demand has been rapidly outstripping growth in persons served. As can also be seen, the number of persons in services per 1,000 adults in the Colorado population has been relatively steady or fallen only slightly---however, the known demand per 1,000 adults in the Colorado population has grown rapidly. Staff estimates growth in demand for services has averaged 4.2 percent per year for supported living services and 6.6 percent per year for comprehensive services (2001 to 2008), while growth in the state's adult population has averaged at 1.8 percent per year during the same period.

Table 1 -Developmental Disability Waiting List Management Report Data

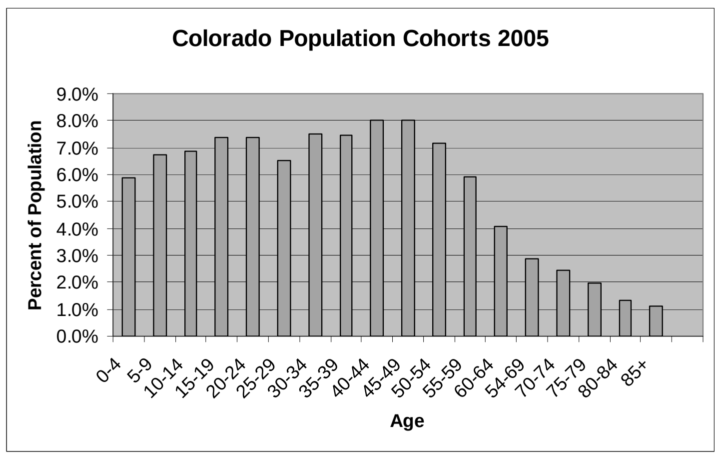
Year	Comprehensive Residential Budget Period Wait List	Supported Living Budget Period Wait List
2001	453	1,121
2002	663	1,265
2003	758	1,347
2004	785	1,785
2005	1,057	2,111
2006	1,308	2,438
2007	1,368	2,324
2008	1,532	2,506

Note: reflects data available in June each year

Table 2 - Percentage Known Demand Met

Year	Known Comprehensive Residential Demand	Percent Known Comprehensive Residential Demand Met	Known Adult Supported Living Demand	Percent Known Adult Supported Living Demand Met
2001	3,684	87.7%	3,685	75.6%
2002	4,034	83.6%	4,035	73.6%
2003	4,254	82.2%	4,255	72.8%
2004	4,367	82.0%	4,368	67.2%
2005	4,664	77.3%	4,665	63.4%
2006	4,960	73.6%	4,961	60.3%
2007	4,975	72.5%	5,751	59.6%
2008	5,374	71.5%	6,111	59.0%

Table 3 - Growth in Persons Served v. Growth in Demand per 1,000 population				
Year	Comprehensive Residential Persons Served per 1,000 adult population	Known Comprehensive Residential Demand per 1,000 adult population	Adult Supported Living Persons Served per 1,000 adult population	Known Supported Living Demand per 1,000 adult population
2001	0.98	1.11	1.05	1.39
2002	1.00	1.20	1.05	1.42
2003	1.02	1.24	1.05	1.44
2004	1.03	1.26	1.05	1.57
2005	1.02	1.32	1.04	1.63
2006	1.01	1.38	1.03	1.71
2007	0.98	1.35	0.93	1.56
2008	1.02	1.43	0.96	1.62



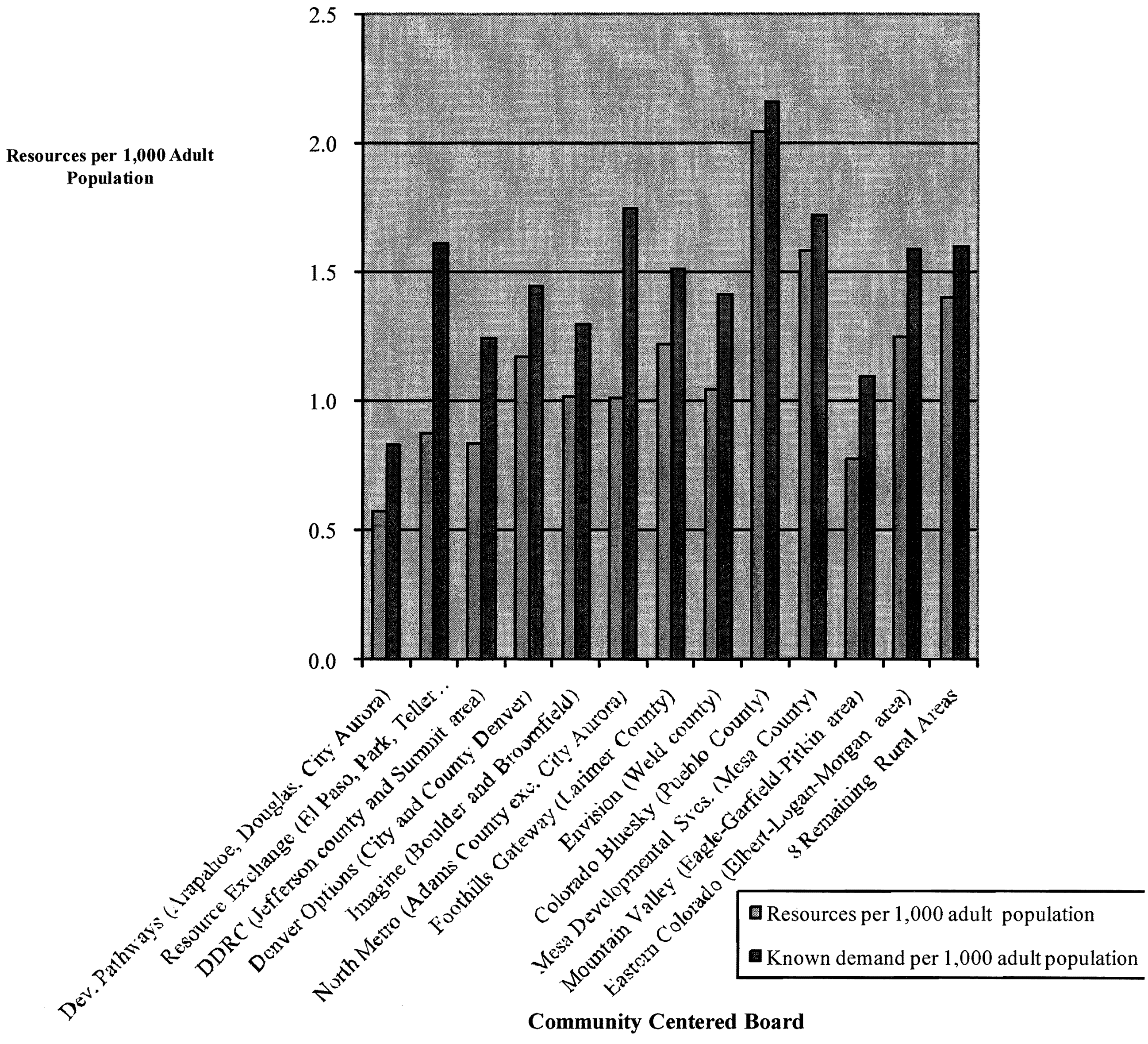
Colorado, like most states in the nation, faces rapid growth in its waiting list associated with an aging baby-boomer population. The chart below reflects the overall Colorado population. As can be seen, the population currently peaks in the 40 to 50 year age range, reflecting the baby boomers. The population of people with developmental disabilities may be expected to follow the same pattern. Persons who are age 40 to 50 can be expected to have parents aged 65 to 75--parents who, after years of caring for their disabled child, may no longer be able to care for them. The result is a rapid growth in demand for state services that is being experienced throughout the country. A comprehensive study of national and state trends in developmental disability services (David Braddock, *State of the States in Developmental Disabilities* 2008) estimates that, nationwide, in FY 2006, 60 percent of persons with developmental disabilities lived with a family care giver, while just 12 percent lived in a supervised residential setting. Further, 25 percent of such care givers were estimated to be over age 60, while an additional 35 percent were estimated to be between ages 41 and 59. Braddock estimates that, in Colorado, 9,070 individuals with developmental disabilities were living in households with care givers aged 60+ years in 2006.

A comparison of demand for developmental disability services across Colorado strongly suggests that the waiting list demand for services could be much larger, if funds and services were available. The chart below compares "known demand" for adult residential services in various parts of the state (individuals served plus individuals on waiting lists) with the number of persons served per 1,000 adults in the population (2006 data). As shown:

- Both the share of the population served and waiting lists vary substantially throughout the state. The uneven distribution of state support largely reflects the impact of rapid population growth in some parts of the state, which has not been met by adequate funding growth. It also reflects the "deinstitutionalization" that moved individuals out of institutions in Pueblo, Denver, and Grand Junction to community placements in neighboring areas.

- Demand tends to correlate with available services. There are areas of the state where the number of people served is double the state average, and yet waiting lists still exist.

Figure
Comprehensive Developmental Disability Resources and Known Demand by Community Centered Board per 1,000 Adult General Population (2006)



Policy Changes May Increase Waiting Lists
Policy changes in progress or under discussion could further increase the numbers of persons waiting for developmental disability services.

Services in the Family Home. Senate Bill 08-002 specifies that the State may purchase services and supports for persons with developmental disabilities from a family care giver in the family home if this provides services in the least restrictive environment. It requires the State to promulgate associated rules. Provision of comprehensive services in the family home could, over time, reduce the average cost of residential services, as family members caring for loved-ones in the home is a less expensive service option than a 24-hour staffed residential placement. However, this change could also increase the number of individuals who will seek and accept residential placements. To-date, many families, when offered a residential placement, refuse it because they are not yet ready to turn the care of their family member over to someone else. If the family is instead offered reimbursement for the service they are already providing, they are far more likely to request and accept a comprehensive residential placement.

Definition of "person with a developmental disability". The Department has convened a task force (on which Representative Marostica and Senator Morse serve) to make recommendations regarding changes to this definition. Such changes could take the form of rule changes or a state statutory change. At present, it is unclear whether these efforts will result in broadening the definition or increasing the number of those who qualify for services. Under current state statute:

> "Developmental disability" means a disability that is manifested before the person reaches twenty-two years of age, which constitutes a substantial disability to the affected individual, and is attributable to mental retardation or related conditions which include cerebral palsy, epilepsy, autism, or other neurological conditions when such conditions result in impairment of general intellectual functioning or adaptive behavior similar to that of a person with mental retardation. Unless otherwise specifically stated, the federal definition of "developmental disability" found in 42 U.S.C. sec. 15001 et seq. shall not apply."

Rules adopted by the Department in 1995 define "impairment of general intellectual functioning" as an intellectual quotient (IQ) of 70 or less and provide additional clarification. Nonetheless, local interpretations of the rule and statute have varied, and efforts to resolve differences have not been successful. In November 2007, the CCB representing El Paso, Park and Teller counties requested a declaratory order from the Department of Human Services on the definition regarding "the inherent and acknowledged ambiguities in the DDD' definition..." The resulting Declaratory Order, issued in March 14, 2008, strongly urged the Division to follow through on changes to rule to clarify the definition; however, it also provided a broader interpretation than had previously been applied, allowing for consideration of people with an IQ up to 85. Around the same time, a final order was issued April 23, 2008 in the Rossart v. Department of Human Services class action lawsuit that requires the state to use the Medicaid appeal process when a CCB determines that a person does not have a developmental disability per statute.

In light of these events, in May 2008, a rule package was developed to clarify the vague rule language and to maintain the approximate eligibility parameters that had been intended and in place since 1995. The new rules, limiting consideration to individuals with an IQ of 75 or less, went into effect October 1, 2008. Recognizing that these new rules would continue to raise concerns, in July 2008, the Department also began to organize a task force charged with; (1) determining what changes might be needed through rule or other processes to operationalize existing criteria; and (2) developing a potential new statutory definition and criteria. The Task Force convened September 8, 2008. The final report of the Task Force was due November 15, 2008 and has now been delayed until November 21, 2008. While the final report will be issued after this document goes to print, most recently the Task Force has appeared to be leaning against state statutory change and toward simply clarifying state rules to specify that individuals with an IQ over 70 may qualify if they demonstrate substantial functional limitations in 3 or more areas of major life activity. The rules will also definite what "substantial functional limitations" means.

It is not presently clear whether the proposed changes would increase or decrease the number of persons qualifying for services. Regardless, to qualify for services under the Medicaid waiver program, an individual would still need to meet the federal Medicaid criteria, which specify that, among other requirements, "but for the provision of waiver services [the individual], would otherwise be institutionalized". [ULTC 100.2] For General Fund programs, such as Family Support, the Division also employs certain "most in need" criteria. However, to the extent definition changes increase the number of persons eligible, the number of individuals applying for services could increase and, associated with this, the number waiting for services.

Cost of Eliminating the Waiting Lists

Footnote 79 to the FY 2007-08 Long Bill requested recommendations for a five-year plan to address the elimination of all waiting lists for services for individuals with developmental disabilities. The Department's response to the footnote was submitted in January 2008. Staff subsequently requested that the Department update its analysis. The following information combines the Department's updated projection of need with staff-estimated costs per person. The Department's analysis:

- Provided an estimate of the current waiting list for services. This included adjusting the most recent waiting list data down by 29 percent based on the number of individuals not expected to accept services when offered.

- Projected the growth in "known demand" (defined as persons served plus current waiting list), based on the rate of growth in demand from June 2001 to June 2007.

- Projected persons who would be in service based on the growth in total number of persons served from June 2001 through June 2007 (*i.e.,* persons who would be served if the General Assembly funded annual increases at the average rate from 2001 through 2007).

- Projected the waiting list for services needed from 2010 through 2015, based on the projected demand minus the projected persons anticipated to be in service for those same years.

- Projected the costs associated with serving this projected waiting list, including estimated annual rate increase.

Thus, the Department attempted to calculate the additional costs of funding the waiting list *above the level of increases that have typically been provided* in recent years. Staff used the Department's projected growth in persons to be served and applied an estimated cost per person served, increased annually with an assumed 1.5 percent rate increase (consistent with the Department's Footnote 79 analysis). The table below reflects the results of the analysis. The General Fund cost per placement is consistent with the costs reflected in the staff overview issue. The cost per high risk comprehensive placement is based on the Department's current request for emergency placements. The cost per high risk supported living placement is based on the current supported living rate plus 30 percent, assuming a higher need population.

Developmental Disability Waiting Lists - Costs to Fund

	Current Waiting List (Services requested by June 2010, with adjustments)	Projected June 30, 2013 Wait List for needs through 2015	New persons to be served each year for five years to fund waiting list	General Fund increase required in first of five years to fund wait list (each year builds the base)	Total General Fund increase added to the base by 2013 for wait list
Adult Comprehensive	1,101	1,721	344	$10,241,568	$54,381,734
Adult Supported Living	1,887	3,871	774	6,739,218	35,773,043
Children's Extensive Support	231	863	173	1,200,620	6,356,740
Family Support Svces.	4,576	6,527	1,305	7,779,105	41,294,946
Total				$25,960,511	$137,806,463
High Risk Adult Comprehensive	416	533	107	$3,868,906	$20,454,825
High Risk Adult Supported Living	538	620	124	1,403,568	7,448,482
Total				$5,272,474	$27,903,307

In sum:

- The projection indicates a need starting at $26.0 million General Fund in the first year be added to the base each year for five years–beyond the usual rate of increase–to fully eliminate waiting lists over five years.

- If the State were to target solely the "high risk" adult population, the required increase to the base would start at $5.3 million General Fund per year. Serving the Children's Extensive Support population (also considered "high risk") would require an additional $1.2 million General Fund per year.

Targeting Available Funds. In the absence of new funding for individuals with developmental disabilities, staff believes available state funds need to be more narrowly targeted, such as to the "high risk" population. There are no state or federal statutes that address "targeting" funds for individuals with developmental disabilities; however as a result of rule and funding limits, such targeting already occurs.

Department of Human Services and Health Care Policy and Financing rules and guidelines specify that each community centered board must establish a waiting list and must serve individuals from those waiting lists on a first-come first-served basis *with exceptions that enable those in emergency situations or targeted by the General Assembly to be served first*. For example, the Department of Health Care Policy and Financing rules at 8.500.4, regarding the developmental disability waiver, specify:

> "As openings become available in the HCB-DD waiver program in a designated service area, persons shall be considered for services and supports in order of placement on the local CCB's waiting list...Exceptions to this requirement shall be limited to:
>
> (1) Emergency situations where the health, safety and, welfare of the person or others is greatly endangered and the emergency cannot be resolved in another way. Emergencies are defined as: (a) Homeless...; (b) Abusive or neglectful situation...; c) Danger to others...; (d) Danger to self...
>
> (2) The Legislature has appropriated funds specific to individuals and/or a specific class of persons."

Because of the limited placements available, most placements are actually distributed based on emergency placement criteria or legislatively-directed exceptions rather than the "regular" waiting list criteria. This includes both new placements approved by the General Assembly, that are commonly targeted at sub-populations and placements that become available each year due to turnover in existing placements. Such turnover is usually related either to the death of a person currently in placement (for the comprehensive program) or to the "opening up" of a supported living placement because and individual moves from a supported living to a comprehensive placement.

Many of the decisions related to targeting new placement funds have taken the form of the Department's request to the General Assembly for specific types of new placements, and the General Assembly's action on the request, which sometimes results in different "targeting" than the official request. In recent years, the General Assembly has targeted funds to:

- individuals transitioning from foster-care (who are not generally included on waiting lists);
- emergencies, based on current or imminent homelessness, an abusive or neglectful situation placing the persons health, safety or well being in serious jeopardy, are a danger to others, or a danger to self;
- youth transitioning from the Children's Extensive Support program to Supported Living; and
- the "high risk" indicator group, which includes individuals who are forty years or older and living at home with parents or relatives; have a condition in addition to their developmental disability that makes it more difficult for the family to continue to provide care in their home (dual diagnosis including mental illness, significant behavioral problems, non-mobile and/or medically fragile); and those who have a functioning level of profound, indicating a nearly constant level of daily care needs.

While the current process is functional, it may be time to consider modifications. Given that there is no immediate prospect for new placements on a scale that would substantially address waiting lists, as well as the possible impact of new initiatives on increasing the waiting lists, staff believes that the Department and the General Assembly should take a serious look at focusing funding more narrowly. Staff would recommend the following:

- Consider a statutory change to clarify the **process** by which populations are prioritized. For example, the statute could require a public process through which priorities could be identified, require the executive director and Governor to make related recommendations to the General Assembly, and specify that the final priorities will be identified via a Long Bill footnote. In practice, this would place in statute a process that is already established through rule and tradition (the budget request and legislative action) but would add in an additional public discussion component that might prove valuable. Such a public process might also be a useful forum to address another ongoing knotty problem: the inequitable distribution of placements around the State and how this should be appropriately addressed. The state's federal Medicaid waiver agreement could specify placements to be reserved for targeted populations based on this process.

- In the absence of a new public process, **continue focusing attention on the "high risk" population. Consider particularly a focus on the "high risk" supported living population**. The current year's budget request includes "regular" supported living and comprehensive waiting list resources, but does not target "high risk" adult populations, nor does it request any children's extensive support placements, although this group is also considered "high risk". Given the Department's analysis of the costs of addressing the waiting list, staff believes it may be more appropriate to focus what limited funds are available on the "high risk" population. In particular, the State may want to focus funding on the "high risk" supported living services population, given that supported living placements are, on average, one-third the cost of a comprehensive placement. The "high risk" population will, on average, be more expensive to serve than the "average" population. However, as reflected in the waiting list analysis above, it appears the State has a more realistic chance of fully meeting the needs of this population than it does of meeting the needs of the entire population of persons with developmental disabilities.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Office of Operations and Services for People with Disabilities)

BRIEFING ISSUE

ISSUE: Division of Vocational Rehabilitation Federal Funding Shortfalls

The Division of Vocational Rehabilitation is unable to access federal funds at the level of its appropriation, and ongoing shortfalls in federal funding are anticipated. The Division is not accepting new clients and has instituted other cost-containment steps.

SUMMARY:

❑ The Division of Vocational Rehabilitation has not received federal funds at the level anticipated or budgeted. Federal funding is anticipated to remain at these lower levels.

❑ As a result, the Division has instituted drastic measures including closing its doors to new clients, abandoning a computer project, and using cash fund reserves to backfill federal funds without legislative authorization.

RECOMMENDATION:

The Department should provide members of the General Assembly with its long-term plans for how it will operate in an environment of restricted federal funding.

DISCUSSION:

Background: Division of Vocational Rehabilitation
The Division of Vocational Rehabilitation assists people whose disabilities result in barriers to employment or independent living to attain or maintain employment and to live independently. The Division has field and satellite offices in 43 locations throughout the State, where rehabilitation counselors work with clients to assess needs and identify appropriate services. For rehabilitation programs, the federal government provides reimbursement for 78.7 percent of eligible expenditures up to the total annual federal grant for the State. In Colorado, the match for these expenditures includes General Fund (Rehabilitation Programs - General Fund Match) and local government funds, primarily from school districts (Rehabilitation Programs - Local Funds Match). The Division also administers federal and state grants to assist individuals with disabilities to live independently, including grants to independent living centers throughout Colorado and grants for programs that assist older blind individuals. In FY 2006-07, the Division provided services to 19,723 individuals and successfully rehabilitated 2,369 (cost of about $19,590 per successful rehabilitation based on actual rehabilitation expenditures divided by successful rehabilitations). The Division's request for FY 2009-10 is $56.5 million, including $6.8 million General fund, $8.8 million cash and reappropriated funds (primarily funds from school districts), and $40.8 million federal funds.

Federal Funds Available versus State Appropriation

The table below compares recent appropriations in the Long Bill and federal funds available to the State. Each annual federal grant may be expended over a two-year period. If it does not appear that the State will be fully able to use its grant, the funds are redistributed to other states via a reallocation process; similarly, if the State needs additional federal funds, it may apply for a redistribution share. The table below compares federal fiscal year allocations and state fiscal year projected spending for FY 2007-08 and FY 2008-09 and FY 2008-09. The State applied for reallocated funds for FY 2007-08 and FY 2008-09, but received almost none of the request. As shown in the table, the annual federal allocation in FY 2007-08 was $5.5 million below the annual state appropriation of federal rehabilitation funds and shortfalls of $3.6 and $3.8 million are projected for FY 2008-09 and FY 2009-10 (request), respectively. Furthermore, the Department spent over 82 percent of its FFY 2008 grant in FY 2007-08. As a result, to address the excessive FY 2007-08 spending (which left less than 18 percent of the FFY 2007-08 grant for SFY 2008-09, and to ensure that no more than 75 percent of the FFY 2008-09 grant is spent in the first year, the Department plans drastic spending reductions in FY 2008-09 and FY 2009-10.

Federal Vocational Rehabilitation Funds - Funds Available, State Appropriations, and Estimated Spending Plans

		Estimated Use FF Award in SFY		
	Federal Award	**SFY 2007-08**	**SFY 2008-09**	**SFY 2009-10**
FFY 2006-07	$34,772,217	13,142,718	n/a	
FFY 2007-08	36,083,923	29,664,979	6,418,944	
FFY 2008-09	36,417,997	0	27,313,498	9,104,499
FFY 2009-10	36,782,177	0	0	27,586,633
Total		42,807,697	33,732,442	36,691,132
Share of FFY grant in SFY		*82.2%*	*75.0%*	*75.0%*
State Long Bill Appropriation/Request		41,510,945	40,042,358	40,608,569
Difference Estimated use Federal Funds Award & Long Bill*		1,296,752	(6,309,916)	(3,917,437)

*Actual FY 2007-08 amounts spent were greater than the appropriation because the Department used authority to spend amounts appropriated as "various" federal funds in the Executive Director's Office for some Vocational Rehabilitation "pots" expenditures.

History of Appropriation and Spending

For many years, the Department was not able to draw down the full federal rehabilitation grant available. This was partly due to having insufficient matching funds and partly due to not being able to spend the funds available on a timely basis. As a result, the Department gave up portions of its federal allocation to the national redistribution process. The Division’s award was reduced by $5.0 million in FFY 2001-02, $5.0 million in FFY 2002-03, $4.0 million in FFY 2003-04, $3.7 million in FFY 2004-05, and $1.5 million in FFY 2005-06. This situation reversed in FY 2006-07, when the State first sought a share of redistributed funds, only to find that very little such redistribution funding was available. The table below compares the overall history of actual Division spending.

Division of Vocational Rehabilitation - Actual Expenditures							
	FY 01-02	**FY 02-03**	**FY 03-04**	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**
Total	33,526,380	32,859,608	32,846,921	33,864,101	40,677,828	51,100,957	51,192,461
GF	4,902,085	4,260,244	3,459,489	3,489,119	4,225,756	6,371,209	6,411,031
CF/CFE/RF	3,405,901	3,015,746	4,094,324	4,315,371	5,310,815	6,366,581	7,110,626
FF	25,218,394	25,583,618	25,293,108	26,059,611	31,141,257	38,363,167	37,670,804
GF % total	14.6%	13.0%	10.5%	10.3%	10.4%	12.5%	12.5%
CF % total	10.2%	9.2%	12.5%	12.7%	13.1%	12.5%	13.9%
FF % total	75.2%	77.9%	77.0%	77.0%	76.6%	75.1%	73.6%

Note: Table includes all Division of Vocational Rehabilitation spending, including some appropriations for programs other than rehabilitation program; federal vocational rehabilitation funds spent for indirect costs in other parts of the budget are not reflected.

As shown, actual spending history has been characterized by:

- A large increase in overall spending (52.3 percent from FY 2001-02 to FY 2007-08);
- Fluctuation in the share of General Fund used to finance programs reflecting state revenue shortfalls and associated $1.2 million cut by FY 2003-04 and an increase of $1.8 million in FY 2006-07 following the passage of Referendum C;
- An increase in cash, cash exempt, and reappropriated funds used to finance programs, largely from schools;
- Federal funds increases, consistent with requests, to a level that are not sustainable under the annual federal grant. Notably, when the $1.8 General Fund was restored in FY 2006-07, the Division asserted that adequate federal match would be available to match this amount at 78.7 percent. This has not proven to be the case.

Cash funding largely reflects the School to Work program (or SWAP). In the early part of the decade, when there was little prospect of General Fund increases and the Division was not fully spending its federal grant, it expanded its relationships with school districts so that it could use school funding, via SWAP to draw down federal funds. In these agreements, the Department committed to return a 1:1 match to school districts for all school district funds provided and also to provide supportive services. As the Department was able to draw a 78.7 percent federal match for the school districts' funds, the "excess federal match" it received for these programs helped bolster the Division's core program funding. The table below demonstrates the process. Unspent local funds were categorized as "deferred revenue".

SWAP Program - Financial Returns to Division				
	Potential revenue, based on local contribution of $1 (A)	Amount to be returned to local agency (B)	Balance retained by VR for use on related and "core" VR services (C)	Deferred revenue if funds in (C) are not expended (D)
Local agency (CF/CFE)	$1.00	$0.42	$0.58	$0.58
Federal funds	$3.69	$1.58	$2.11	Pending
Total	$4.69	$2.00	$2.69	**$0.58**

Revenues from this source were so substantial that the Department developed significant reserves of excess "local match" funds in deferred revenue. For FY 2008-09, the JBC balanced the budget using $1.0 million of these funds to offset General Fund otherwise required for rehabilitation programs. In FY 2007-08, remaining balance of $1.5 million was spent by the Division to backfill the Department's federal funds shortfall.

Division Actions to Remain within Budget

Apparently caught off guard by its federal funding shortfall, the Department's actions have included the following, among others:

- Effective July 2008, the Department took a variety of internal cost-containment steps. These included discontinuing the routine purchase of job development, job placement, job seeking skills training, and job club services from third party vendors; providing additional training to DVR staff around the effective application of "necessary, appropriate, and least possible cost" concepts, as well as instituting additional supervisory review of case services, to help contain case services costs; and various steps to review and contain division staffing and operating costs. The hiring freeze imposed by the Governor should also help to reduce staffing costs over time.

- Eliminating any further work on the RISE case management system. As of FY 2008-09 figure setting, the Division had spent or encumbered $3.8 million on this IT system, which has proven largely unusable. During FY 2008-09 figure setting, the Division requested that its cash reserves of "deferred revenue" not be touched, as it hoped to request use of the reserves to fix the system and complete system development in the future. The Department had never previously requested funding or legislative authority for this project. The "deferred revenue" reserves have now all been spent, and the system is therefore largely abandoned.

- Substitution of $1.5 million cash funds from reserves (deferred revenue) for federal funds in FY 2007-08. The Department did not seek any legislative authority for this change. Instead it simply increased spending from cash funds above the amount authorized and under-spent the appropriation of federal funds. While the Controller's Office counts this as an "over-expenditure" of cash funds, there is no sanction (*e.g.*, restriction on the next year), per statute.

- Closing access to the program to any new clients effective October 17, 2008. All prospective new clients are placed on a waiting list. The Department is obligated via agreements with federal authorities, to continue to serve all those currently in the program. Once funding is available, the Division will begin services to those with "most significant disabilities" and will only proceed to serve those with less significant disabilities after all those on the waiting list with "most significant" disabilities have been served. The Department indicates it anticipates that this closure to new clients (known as "order of selection") will be in place for at least six to nine months. Note that this change will have fiscal implications for the State. In particular, because individuals in the Medicaid waiver programs for people with developmental disabilities are supposed to access vocational rehabilitation services before accessing the Medicaid waiver, the closure is expected to drive about $700,000 in waiver costs, including $350,000 in General Fund costs, over a six-month period.

Future Planning for the Division

It appears that federal funding for the Vocational Rehabilitation Program will be flat-lined for the foreseeable future. The Division apparently did not adequately plan for this, anticipating that it would be kept whole via redistribution of $4.0 million federal funds. Counting on receiving these funds in 2008, even after few funds had been received in 2007, proved a poor gamble.

In the present environment, the Division's cost structure is not sustainable, and this situation seems likely to become worse in future years if the Division is not proactive. The Division's FY 2008-09 spending plans reflect an aggressive effort to limit spending, so that its spending plans bear no resemblance to its Long Bill appropriation. Thus far, it has used one of its strongest cost-control tools available--closing the program to new-entrants--and it is benefitting from the current freeze on new hires. However, if these steps are not sufficient, its options are not clear. The Division is as yet uncertain how rapidly the measures put in place will yield results and thus whether it will be able to meet its spending goals.

If it cannot adequately restrict FY 2008-09 spending, the situation in FY 2009-10 is likely to be even more dire. Further, even if the Department is able to adequately restrict its spending in FY 2008-09 and bring down FY 2009-10 costs to a level consistent with its federal grant, it is not clear how it will finance typical program growth, including annual "common policy" salary survey increases required to pay the Division's substantial staff (251.2 FTE requested for FY 2009-10).

The Division has historically avoided much Colorado legislative oversight of its programs--as evidenced by the decision to not approach the General Assembly about the Division's use of deferred revenue to backfill federal funds shortfalls in FY 2007-08, the development of the RISE computer system without legislative oversight, and its current FY 2009-10 request. It has not requested any budget modifications for FY 2009-10 consistent with its financial situation, and it is not clear whether any FY 2008-09 supplemental changes will be requested.

Ultimately, the State of Colorado is responsible for complying with the conditions associated with the federal Vocational Rehabilitation grant. This does present some financial risk. If, for example, the Division is unable to get its costs under control and continues to over-spend, will it then approach the General Assembly for additional General Fund to ensure that it complies with federal funding conditions? Staff believes the Division must develop and provide members of the General Assembly with long-term plans for how it will operate in an environment of restricted federal funding.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Office of Operations and Services for People with Disabilities)

BRIEFING ISSUE

ISSUE: Department Budgeting and Accounting - Compliments and Critiques

The Department budget request reflects a major improvement over prior years. However, the agency must continue to improve communication between budgeting and accounting staff, and with staff in the Department of Health Care Policy and Financing, to avoid unnecessary reversions.

SUMMARY:

- ❑ The Department's budget request is far more clear and accurate than in the past. All those involved deserve compliments for the improvements.

- ❑ The Department reverted substantial General Fund amounts from its own budget and from sections of the Department of Health Care Policy and Financing budget where transfers to the Department of Human Services are reflected. In other areas there were over expenditures. Many of these issues appear to be related to errors or miscommunication. In some cases, funds originally appropriated in FY 2007-08 and reverted may need to be appropriated again in FY 2008-09.

RECOMMENDATION:

The Department should continue to improve its internal procedures to ensure adequate communication between accounting and budgeting staff, as well as to improve communication with accounting and budgeting staff in the Department of Health Care Policy and Financing and the Controller's Office.

DISCUSSION:

Significant Budget Improvements
The Department of Human Services' budget request is substantially improved from recent years. In general, numbers add, numeric reconciliations are understandable, and the budget narrative includes relevant information. Staff believes the Department's staff, as well as the Office of State Planning and Budgeting, deserve great credit for these improvements. JBC staff would like to acknowledge and express appreciation for executive branch efforts that resulted in a much stronger product.

Ongoing Issues and Concerns
There were significant, avoidable General Fund reversions in FY 2007-08 that appear to be due in part to technical errors and miscommunication among staff working in various parts of the agency or related agencies. In some cases there may be no obvious error, but rather a budget "issue" that

requires the combined efforts of multiple individuals and agencies to resolve. Some of these issues could drive a need for additional General Fund appropriations in FY 2008-09.

Background. The Department of Human Services has an exceptionally complex array of funding streams and programs with disparate funding rules. Budgeting for future expenditures, as well as accounting for those that have already occurred, generally involves staff from several different department divisions, as well as, in many cases, staff from HCPF. Specifically, most programs have:

- ❏ An assigned central department budget analyst, located in the Executive Director's Office, responsible for compiling formal budget requests and related documents;
- ❏ Program budget staff, located within individual program administrations such as developmental disability services or child welfare services. These staff are intimately familiar with the rules governing their programs and are often responsible for tracking related expenditures during the year and filing a variety of reports, including for federal authorities;
- ❏ Assigned accountants. The Department has about 116 accountants, budgeted in the Office of Operations and stationed in various field offices, who are responsible for accounts and controls for the Department's many programs;
- ❏ Budget and accounting staff in the Department of Health Care Policy and Financing are also involved for selected programs. Specifically, programs that draw down Medicaid funds require ties with budget and accounting staff in HCPF, as Medicaid funds are first appropriated in HCPF and subsequently transferred to the Department of Human Services. Significant budget complexity--and problems--are tied to these inter-departmental transactions.

Staff believes that, to a significant extent, problems identified below could have been avoided if communication between the various key staff were better and adequate staff cross-training and review of each other's work was routine. Staff believes that Human Services and HCPF are making efforts to address some of these issues, is aware that many staff feel overwhelmed, and recognizes that some human error is to be expected. Nonetheless, the number and scale of FY 2007-08 budgeting and accounting issues suggests that this is an area where further focus is warranted.

FY 2007-08 Actual Expenditure Problems. The following are examples of some problems that occurred in FY 2007-08 related to actual expenditures.

<u>Regional Center Medicaid Reversion</u>: $3.1 million General Fund reverted in the HCPF appropriation in the line item for funds to be transferred to the Department of Human Services for the regional centers for people with developmental disabilities. This is about 12 percent of the entire Medicaid General Fund budget for the regional centers. Human services indicates that it fully billed HCPF for the related expenditures in FY 2007-08, but that for various reasons, the associated General Fund was not spent by HCPF before the end of the fiscal year. This is particularly striking given that the regional centers requested and received supplemental increases to address budget shortfalls in FY 2007-08. The implications of the HCPF reversion are not yet clear; however, there is a risk that additional General Fund of up to $3.1 million will need to be budgeted in HCPF in FY 2008-09 related to this situation. While some mismatch between Human Services and HCPF billing

and expenditures may be understandable, the scale of the discrepancy appears excessive, and procedures may be needed to avoid this situation in the future.

Services for People with Developmental Disabilities, Program Costs Reversion: $1.0 million General Fund reverted from the General Fund appropriation for developmental disability program costs. The Department indicates that approximately half of this was due to a miscommunication with accounting staff so that two "payables" for FY 2007-08 hold harmless funds were accidentally eliminated and related appropriations therefore reverted. Because the State will still need to make these payments, it plans to use $500,000 of funds that were supposed to be used in FY 2008-09 for hold harmless to cover the FY 2007-08 bills. The result is that there is $500,000 less General Fund available to address hold harmless needs in FY 2008-09 ($6.0 million is available, rather than the $6.5 million anticipated by the General Assembly). The balance of the reversion, another $500,000, was tied to technical problems in the spreadsheets used by program budget staff to track contracts. Department staff did not realize until after the fact that not all funds had been included in contracts.

Department Medicaid Indirect Costs Reversion: Based on very recent communication with Department staff, it appears that, for the last two years, General Fund appropriations to HCPF for Human Services indirect costs have been over-budgeted. As a result, it appears that $500,000 to $1.0 million General Fund has reverted each year in the HCPF budget in the section for transfers to Human Services. Staff now anticipates that the departments may submit requests for FY 2008-09 supplementals and FY 2009-10 budget amendments to reduce associated General Fund appropriations.

Office of Operations Utilities Over-expenditure and Medicaid Reversion: Human Services over-expended its FY 2007-08 utilities appropriation by $596,627 or 8.0 percent of the line item. Staff anticipates a supplemental request for General Fund to release the restriction. However, at the same time, the Department under-expended the Medicaid portion of its utilities appropriation, resulting in the reversion of $288,730 General Fund in HCPF. The Department's over-expenditure could have been addressed through a late June interim supplemental, and additional DHS costs could have been financed, at least in part, by reducing the appropriation to HCPF for DHS Medicaid-financed utilities. Instead, the Department both over-expended and reverted General Fund for the same purpose.

Child Welfare Administration Reversion: The Division administration line item reverted $246,410 General Fund. According to the budget request, this amount was to be used for Child Welfare Fatality Training (funds the Department had set-aside internally). The Department put in a request to roll forward the funds, but it was rejected by the Controller's Office, which noted that "a plan to complete the work the following year does not qualify as an extenuating circumstance preventing the delivery of services within the year of the appropriation." The Department had several similar issues in FY 2007-08 where it apparently anticipated that it would be allowed to roll-forward funds but the Controller's Office found that there was no legal basis for the proposed roll-forward. This suggests a need for improved communication not simply between budget, accounting and program, but also with the Controller's Office.

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	Actual	Appropriation	Request	Change Requests

Beginning in FY 2008-09, appropriations reflect eliminating the cash funds exempt category of appropriation and replacing it with reappropriated funds. Reappropriated funds are those moneys that are appropriated for a second or more time in the same fiscal year. Cash funds exempt reflected cash funds that were estimated to be exempt from the limitations of Article X, Section 20 of the State Constitution (TABOR). Moneys that were previously categorized as cash funds exempt that were not reappropriated funds were characterized in the new budget format as cash funds, regardless of the TABOR status of the funds.

DEPARTMENT OF HUMAN SERVICES

EXECUTIVE DIRECTOR: Karen Beye

(1) EXECUTIVE DIRECTOR'S OFFICE [Disability line items ONLY]

Primary functions: general department administration. This document includes Executive Director's Office, Special Purpose line items that are specifically related to services for people with disabilities. *The balance of Executive Director's Office line items are covered in other Department of Human Services briefing and figure setting documents.*

(B) Special Purpose

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
Developmental Disabilities Council	686,224	843,825	861,654	883,974	DI #NP-2
FTE	5.1	5.0	6.0	6.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	0	0	0	0	
Federal Funds	686,224	843,825	861,654	883,974	
Medicaid Funds	*0*	*0*	*0*	*0*	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Colorado Commission for the Deaf and Hard of Hearing**	593,922	736,159	785,920	793,850	DI #NP-2
FTE	*2.0*	1.9	2.8	2.8	
General Fund	*93,692*	131,161	131,164	132,507	
Cash Funds	*0*	0	*0*	0	
Cash Funds Exempt/Reappropriated Funds	*500,230*	604,998	654,756	661,343	
Federal Funds	*0*	0	0	0	
Medicaid Funds	*0*	*0*	*0*	*0*	
Colorado Commission for Individuals who are Blind or Visually Impaired**	n/a	0	112,067	112,067	
FTE		0.0	1.0	1.0	
General Fund		0	0	0	
Cash Funds		0	0	0	
Cash Funds Exempt/Reappropriated Funds		0	112,067	112,067	
Federal Funds		0	*0*	0	
Medicaid Funds		0	*0*	0	

					Request v. Approp.
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	686,224	1,579,984	1,759,641	1,789,891	1.7%
FTE	5.1	6.9	9.8	9.8	0.0
General Fund	0	131,161	131,164	132,507	1.0%
Cash Funds	0	0	0	0	*n/a*
Cash Funds Exempt/Reappropriated Funds	0	604,998	766,823	773,410	0.9%
Federal Funds	686,224	843,825	861,654	883,974	2.6%
** Medicaid Funds*	*0*	*0*	0	0	*n/a*
**Net General Fund*	*0*	*131,161*	131,164	132,507	1.0%

* These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

** Shaded amounts from prior years were appropriated in the Division of Vocational Rehabilitation and are shown here [but not added in the Division total] for informational purposes.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
(3) OFFICE OF OPERATIONS					

Primary functions: Facility maintenance and management; accounting and payroll, contracting, purchasing, and field audits. Cash and reappropriated funds amounts are from multiple sources, including indirect cost revenue associated with programs throughout the Department.

Please note: funding splits are reflected below for informational purposes only; the Long Bill appropriation for this subsection reflects fund splits at the bottom-line only for the Administration Section. Fund split detail is therefore not included for actual years except in the bottom-line.

(A) Administration

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
Personal Services	21,720,844	22,458,476	23,172,777	24,431,299	
FTE	430.0	441.6	453.6	463.1	
General Fund		9,277,458	11,037,620	11,777,639	
Cash Funds		582,553	1,715,675	1,738,241	
Cash Funds Exempt/Reappropriated Funds		10,097,291	8,754,581	9,171,987	
Federal Funds		2,501,174	1,664,901	1,743,432	
Medicaid Cash Funds		*4,393,460*	*3,858,962*	*4,025,882*	
Operating Expenses	2,355,060	2,639,457	3,435,663	3,782,912	DI #5, NP-1, NP-2
General Fund		2,150,375	2,203,926	2,529,010	
Cash Funds		5,465	13,743	13,787	
Cash Funds Exempt/Reappropriated Funds		482,696	1,015,538	1,034,118	
Federal Funds		921	202,456	205,997	
Medicaid Funds		*482,696*	*482,605*	*491,349*	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Vehicle Lease Payments	529,049	548,259	703,231	969,127	DI #7, NP-5
General Fund		355,104	430,575	606,298	
Cash Funds		3,341	2,813	6,465	
Cash Funds Exempt/Reappropriated Funds		148,062	220,037	290,891	
Federal Funds		41,752	49,806	65,473	
Medicaid Funds		*123,551*	174,337	234,399	
Leased Space	2,361,427	2,466,827	2,537,805	2,537,805	
General Fund		823,401	619,746	619,746	
Cash Funds		11,569	16,936	16,936	
Cash Funds Exempt/Reappropriated Funds		0	46,162	46,162	
Federal Funds		1,631,857	*1,854,961*	1,854,961	
Medicaid Funds		*0*	*0*	*0*	
Capitol Complex Leased Space	1,103,065	1,274,122	1,267,295	1,267,295	
General Fund		1,274,122	633,647	633,647	
Cash Funds		0	0	0	
Cash Funds Exempt/Reappropriated Funds		0	0	0	
Federal Funds		0	633,648	633,648	
Medicaid Funds		*0*	*0*	0	
Utilities	7,082,225	7,932,033	7,569,799	7,898,954	DI #17
General Fund		6,612,995	5,660,289	5,961,057	
Cash Funds		0	0	0	
Cash Funds Exempt/Reappropriated Funds		1,319,038	1,909,510	1,937,897	
Federal Funds		0	0	0	
Medicaid Funds		961,031	1,538,491	1,561,201	

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
					Request v. Approp.
Subtotal - (A) Administration	35,151,670	37,319,174	38,686,570	40,887,392	5.7%
FTE	430.0	441.6	453.6	463.1	9.5
General Fund	19,841,764	20,493,455	20,585,803	22,127,397	7.5%
Cash Funds	529,059	602,928	1,749,167	1,775,429	1.5%
Cash Funds Exempt/Reappropriated Funds	10,903,547	12,047,087	11,945,828	12,481,055	4.5%
Federal Funds	3,877,300	4,175,704	4,405,772	4,503,511	2.2%
*Medicaid Funds**	*5,222,784*	*5,960,738*	*6,054,395*	*6,312,831*	4.3%
*Net General Fund**	*22,453,156*	*23,473,824*	*23,613,001*	*25,283,813*	7.1%
(B) Special Purpose					
Buildings and Grounds Rental	892,440	758,340	710,968	948,748	DI #22
FTE	5.0	5.5	6.5	6.5	
General Fund	0	0	*0*	0	
Cash Funds	224,261	188,641	710,968	948,748	
Cash Funds Exempt/Reappropriated Funds	668,179	569,699	*0*	0	
Federal Funds	0	0	0	0	
Medicaid Funds	*0*	*0*	*0*	*0*	
State Garage Fund	618,888	611,905	733,187	1,292,096	DI #20
FTE	1.1	0.0	2.6	2.6	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	618,888	611,905	733,187	1,292,096	
Federal Funds	0	0	0	0	
Medicaid Funds	*0*	*0*	*0*	*0*	

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
					Request v. Approp.
Subtotal - (B) Special Purpose	1,511,328	1,370,245	1,444,155	2,240,844	55.2%
FTE	6.1	5.5	9.1	9.1	0.0
General Fund	0	0	0	0	n/a
Cash Funds	224,261	188,641	710,968	948,748	33.4%
Cash Funds Exempt/Reappropriated Funds	1,287,067	1,181,604	733,187	1,292,096	76.2%
Federal Funds	0	0	0	0	n/a
*Medicaid Funds**	*0*	*0*	*0*	*0*	n/a
*Net General Fund**	0	0	0	0	n/a
					Request v. Approp.
(3) TOTAL OFFICE OF OPERATIONS	**36,662,998**	**38,689,419**	**40,130,725**	**43,128,236**	7.5%
FTE	**436.1**	**447.1**	**462.7**	**472.2**	9.5
General Fund	**19,841,764**	**20,493,455**	**20,585,803**	**22,127,397**	7.5%
Cash Funds	**753,320**	**791,569**	**2,460,135**	**2,724,177**	10.7%
Cash Funds Exempt/Reappropriated Funds	**12,190,614**	**13,228,691**	**12,679,015**	**13,773,151**	8.6%
Federal Funds	**3,877,300**	**4,175,704**	**4,405,772**	**4,503,511**	2.2%
Medicaid Funds*	***5,222,784***	***5,960,738***	***6,054,395***	***6,312,831***	4.3%
Net General Fund*	***22,453,156***	***23,473,824***	***23,613,001***	***25,283,813***	7.1%

* These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	Actual	Appropriation	Request	Change Requests

(9) SERVICES FOR PEOPLE WITH DISABILITIES
Primary functions: Administers community-based and institutional services for people with developmental disabilities, provides vocational rehabilitation services, and administers the Homelake Domiciliary and veterans nursing homes.

(A) Community Services for People with Developmental Disabilities
Primary functions: Funding for 20 Community Centered Boards (CCBs), and contracting service agencies, to: (1) deliver community-based residential and supported living living services for adults with developmental disabilities; and (2) deliver early intervention, family support services, and children's extensive support services for children with developmental disabilities and delays. Also funds associated case management by CCBs and state administration and oversight. Medicaid revenue is the primary source of reappropriated funds; local and client payments to CCBs are reflected as cash funds.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
(1) Administration					
Personal Services	2,533,798	2,441,163	2,756,394	2,923,535	
FTE	29.1	30.1	32.8	34.0	
General Fund	247,283	247,613	273,646	287,177	
Cash Funds	0	0	33,000	0	
Cash Funds Exempt/Reappropriated Funds	2,286,515	2,193,550	2,449,748	2,636,358	
Federal Funds	0	0	0	0	
Medicaid Funds	*2,286,515*	*2,193,550*	*2,449,748*	*2,636,358*	
Operating Expenses	151,317	148,013	151,314	155,571	DI #NP-1, NP-2
General Fund	0		0	0	
Cash Funds	0		0	0	
Cash Funds Exempt/Reappropriated Funds	151,317	148,013	151,314	155,571	
Federal Funds	0		0	0	
Medicaid Funds	*151,317*	*148,013*	*151,314*	*155,571*	

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
Community and Contract Management System	124,565	137,216	137,480	137,480	
General Fund	52,458	41,244	41,244	41,244	
Cash Funds	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	72,107	95,972	96,236	96,236	
Federal Funds	0	0	0	0	
Medicaid Funds	72,107	95,972	96,236	96,236	
Medicaid Waiver Transition Costs**	1,200,475	568,823	79,028	93,140	
General Fund	799,106	559,610	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	401,369	9,213	79,028	93,140	
Federal Funds	0	0	0	0	
Medicaid Funds	*401,369*	*9,213*	*79,028*	*93,140*	
					Request v. Approp.
Subtotal - (1) Administration	4,010,155	3,295,215	3,124,216	3,309,726	5.9%
FTE	29.1	30.1	32.8	34.0	1.2
General Fund	1,098,847	848,467	314,890	328,421	4.3%
Cash Funds	0	0	33,000	0	n/a
Cash Funds Exempt/Reappropriated Funds	2,911,308	2,446,748	2,776,326	2,981,305	7.4%
Federal Funds	0	0	0	0	n/a
*Medicaid Funds**	*2,911,308*	*2,446,748*	*2,776,326*	*2,981,305*	7.4%
*Medicaid - General Fund portion**	*1,455,654*	*1,223,374*	*1,388,163*	*1,490,653*	7.4%
*Net General Fund**	*2,554,501*	*2,071,841*	*1,703,053*	*1,819,074*	6.8%

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**A total of $1,812,049 was appropriated for this line item in FY 2006-07; a portion was rolled forward for use in FY 2007-08

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
(2) Program Costs					
Please note: amounts and funding splits by service category are reflected below for informational purposes only starting in FY 2007-08; the Long Bill appropriation for Program Costs reflects fund splits at the bottom-line only and provides the Department with authority to move amounts and fund sources among service categories in the Program Costs line item.					
Adult Program Costs*	279,728,279	0	0	0	
General Fund	18,177,319				
Cash Funds	0				
Cash Funds Exempt/Reappropriated Funds	261,550,960				
Federal Funds	0				
Medicaid Funds	*227,258,471*				
Medicaid - General Fund portion	*113,207,312*				
Net General Fund	*131,384,631*				
Adult Comprehensive Services		208,655,652	264,294,183	280,537,982	DI #3
General Fund		1,523,193	1,650,459	1,650,459	
Cash Funds		0	31,955,475	33,526,193	
Cash Funds Exempt/Reappropriated Funds		207,132,459	230,688,249	245,361,330	
Medicaid Funds		207,132,459	*230,688,249*	*245,361,330*	
Medicaid - General Fund portion		103,566,230	*115,310,141*	*122,646,682*	
Adult Supported Living Services		46,431,134	55,259,558	57,637,650	DI #3
General Fund		7,403,678	7,974,941	7,974,941	
Cash Funds		0	2,774,349	2,864,581	
Cash Funds Exempt/Reappropriated Funds		39,027,456	44,510,268	46,798,128	
Medicaid Funds		39,027,456	*44,510,268*	*46,798,128*	
Medicaid - General Fund portion		19,513,728	*22,255,134*	*23,399,064*	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Early Intervention Services		10,809,324	11,663,694	11,663,694	
General Fund		10,809,324	11,098,328	11,098,328	
Cash Funds		0	565,366	565,366	
Cash Funds Exempt/Reappropriated Funds		0	0	0	
Medicaid Funds		0	*0*	*0*	
Medicaid - General Fund portion		0	*0*	*0*	
Family Support Services		6,028,673	6,837,871	7,396,669	DI #3
General Fund		6,028,673	6,507,966	7,052,794	
Cash Funds		0	329,905	343,875	
Cash Funds Exempt/Reappropriated Funds		0	0	0	
Medicaid Funds		0	*0*	*0*	
Medicaid - General Fund portion		0	*0*	*0*	
Children's Extensive Support Services		5,756,235	7,288,632	7,288,632	
General Fund		0	0	0	
Cash Funds		0	369,001	369,001	
Cash Funds Exempt/Reappropriated Funds		5,756,235	6,919,631	6,919,631	
Medicaid Funds		5,756,235	*6,919,631*	*6,919,631*	
Medicaid - General Fund portion		2,452,156	*2,950,434*	*2,950,434*	
Medicaid - Health Care Expansion Fund portion		454,743	*546,653*	*546,653*	
Case Management and Quality Assurance		19,718,750	23,693,965	24,683,118	DI #3
General Fund		2,986,639	3,888,010	3,954,982	
Cash Funds		0	1,226,029	1,261,058	
Cash Funds Exempt/Reappropriated Funds		16,732,111	18,579,926	19,467,078	
Medicaid Funds		16,732,111	*18,579,926*	*19,467,078*	
Medicaid - General Fund portion		8,299,127	*9,217,678*	*9,661,255*	
Medicaid - Health Care Expansion Fund portion		3,179,101	*36,546*	*36,546*	

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	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
Special Purpose		320,982	1,064,342	1,064,342	
General Fund		320,982	360,844	360,844	
Cash Funds		0	6,649	6,649	
Cash Funds Exempt/Reappropriated Funds		0	696,849	696,849	
Medicaid Funds		0	*205,535*	*205,535*	
Medicaid - General Fund portion		0	*102,377*	*102,377*	
Hold Harmless [new subcomponent]		864,447	*0*	*0*	
General Fund		864,447	*0*	*0*	
Cash Funds		0	0	0	
Cash Funds Exempt/Reappropriated Funds		0	0	0	
Medicaid Funds		0	*0*	*0*	
Medicaid - General Fund portion		0	*0*	*0*	
					Request v. Approp.
Subtotal - (2) Program Costs	279,728,279	298,585,197	370,102,244	390,272,086	5.4%
General Fund	18,177,319	29,936,936	31,480,548	32,092,348	1.9%
Cash Funds	0	0	37,226,773	38,936,722	n/a
Cash Funds Exempt/Reappropriated Funds	261,550,960	268,648,261	301,394,923	319,243,016	5.9%
Federal Funds	0	0	0	0	n/a
*Medicaid Funds**	*227,258,471*	*268,648,261*	*300,903,609*	*318,751,702*	5.9%
*Medicaid - General Fund portion**	*113,207,312*	*133,831,241*	*149,835,764*	*158,759,812*	6.0%
*Net General Fund**	*131,384,631*	*163,768,177*	*181,316,312*	*190,852,160*	5.3%

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	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
(3) Other Community Programs					
Federal Special Education Grant for Infants, Toddlers and Their Families (Part C) - Federal Funds** [moved from Children's Section in FY 2007-08]	*See Services for Children and Families section below.*	6,659,417	6,832,502	6,852,497	DI #NP-2
FTE		6.3	6.5	6.5	
Federally-matched Local Program Costs	<u>10,684,623</u>	<u>3,641,910</u>	<u>2,000,000</u>	<u>2,000,000</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	10,684,623	3,641,910	2,000,000	2,000,000	
Federal Funds	0	0	0	0	
Medicaid Funds (includes $0 General Fund)	*10,684,623*	*3,641,910*	*2,000,000*	*2,000,000*	
Custodial Funds for Early Intervention Services	n/a	<u>130,345</u>	<u>2,813,085</u>	<u>2,813,085</u>	
General Fund		0	*0*	*0*	
Cash Funds		0	2,813,085	*2,813,085*	
Cash Funds Exempt/Reappropriated Funds		130,345	0	0	
Federal Funds		0	0	*0*	
Medicaid Funds		*0*	*0*	*0*	
Preventive Dental Hygiene	<u>62,449</u>	<u>63,386</u>	<u>64,337</u>	<u>64,337</u>	
General Fund	58,842	59,725	60,621	60,621	
Cash Funds	0	0	3,716	3,716	
Cash Funds Exempt/Reappropriated Funds	3,607	3,661	0	0	
Federal Funds	0	0	0	0	
Medicaid Funds	*0*	*0*	0	*0*	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	Actual	Appropriation	Request	Change Requests
Developmental Disability Navigator Pilot (H.B. 08-1031)	n/a	n/a	500,000	*0*	
General Fund			500,000	*0*	
Cash Funds				*0*	
Cash Funds Exempt/Reappropriated Funds				*0*	
Federal Funds				*0*	
Medicaid Funds				0	
					Request v. Approp.
Subtotal - (3) Other Community Programs	10,747,072	10,495,058	12,209,924	11,729,919	-3.9%
FTE	0.0	6.3	6.5	6.5	0.0
General Fund	58,842	59,725	560,621	60,621	-89.2%
Cash Funds	0	0	2,816,801	2,816,801	n/a
Cash Funds Exempt/Reappropriated Funds	10,688,230	3,775,916	2,000,000	2,000,000	0.0%
Federal Funds	0	6,659,417	6,832,502	6,852,497	0.3%
*Medicaid Funds**	*10,684,623*	*3,641,910*	*2,000,000*	*2,000,000*	0.0%
*Medicaid - General Fund portion**	*0*	*0*	*0*	*0*	n/a
*Net General Fund**	*58,842*	*59,725*	*560,621*	*60,621*	-89.2%
					Request v. Approp.
(A) Community Services for People with Developmental Disabilities	294,485,506	312,375,470	385,436,384	405,311,731	5.2%
FTE	29.1	36.4	39.3	40.5	1.2
General Fund	19,335,008	30,845,128	32,356,059	32,481,390	0.4%
Cash Funds	0	0	40,076,574	41,753,523	n/a
Cash Funds Exempt/Reappropriated Funds	275,150,498	274,870,925	306,171,249	324,224,321	5.9%
Federal Funds	0	6,659,417	6,832,502	6,852,497	0.3%
*Medicaid Funds**	*240,854,402*	*274,736,919*	*305,679,935*	*323,733,007*	5.9%
*Medicaid - General Fund portion**	*114,662,966*	*135,054,615*	*151,223,927*	*160,250,465*	6.0%
*Net General Fund**	*133,997,974*	*165,899,743*	*183,579,986*	*192,731,855*	5.0%

Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	Actual	Appropriation	Request	Change Requests

(B) Regional Centers for People with Developmental Disabilities

Primary functions: operates three regional centers that house and provide therapeutic and other services to individuals with developmental disabilities. Reappropriated funds amounts reflect Medicaid revenue. Cash amounts primarily reflect consumer payments for room and board.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Requests
(1) Medicaid-funded Services					
Personal Services	40,837,901	43,284,413	45,597,117	50,317,708	DI #1
FTE	907.1	935.6	955.3	1,025.5	
General Fund	0	0	0	0	
Cash Funds	2,646,756	2,654,879	2,691,276	2,691,276	
Cash Funds Exempt/Reappropriated Funds	38,191,145	40,629,534	42,905,841	47,626,432	
Federal Funds	0	0	0	0	
Medicaid Funds	38,191,145	40,629,534	42,905,841	47,626,432	
Operating Expenses**	2,317,046	2,327,065	2,550,164	2,944,948	DI #1, 17, NP-1, NP-2
General Fund	0	0	0	0	
Cash Funds	353	0	0	0	
Cash Funds Exempt/Reappropriated Funds	2,316,693	2,327,065	2,550,164	2,944,948	
Federal Funds	0	0	0	0	
Medicaid Funds	*2,316,693*	*2,327,065*	*2,550,164*	*2,944,948*	
Capital Outlay - Patient Needs	80,248	80,249	80,249	244,499	DI #5
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	80,248	80,249	80,249	244,499	
Federal Funds	0	0	0	0	
Medicaid Funds	*80,248*	*80,249*	*80,249*	*244,499*	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Leased Space	195,088	200,209	200,209	200,209	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	195,088	200,209	200,209	200,209	
Federal Funds	0	0	0	0	
Medicaid Funds	*195,088*	*200,209*	200,209	*200,209*	
Resident Incentive Allowance	138,176	138,176	138,176	138,176	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	138,176	138,176	138,176	138,176	
Federal Funds	0	0	0	0	
Medicaid Funds	*138,176*	*138,176*	*138,176*	*138,176*	
Purchase of Services	262,661	263,291	263,291	263,291	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt/Reappropriated Funds	262,661	263,291	263,291	263,291	
Federal Funds	0	0	0	0	
Medicaid Funds	*262,661*	*263,291*	*263,291*	*263,291*	
(2) Other Program Costs					
General Fund Physician Services	n/a	244,460	155,127	88,009	
FTE		1.5	0.9	0.5	
General Fund		244,460	155,127	88,009	
ICF/MR Adaptations					
General Fund	*n/a*	*n/a*	240,000	0	

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
					Request v. Approp.
(B) Sub-total Regional Centers	43,831,120	46,537,863	49,224,333	54,196,840	10.1%
FTE	907.1	937.1	956.2	1,026.0	69.8
General Fund	0	244,460	395,127	88,009	-77.7%
Cash Funds	2,647,109	2,654,879	2,691,276	2,691,276	0.0%
Cash Funds Exempt/Reappropriated Funds	41,184,011	43,638,524	46,137,930	51,417,555	11.4%
Federal Funds	0	0	0	0	n/a
*Medicaid Funds**	*41,184,011*	*43,638,524*	*46,137,930*	*51,417,555*	11.4%
*Medicaid -- General Fund portion**	*19,849,009*	*20,997,594*	*22,089,464*	*24,689,150*	11.8%
Net General Fund	*19,849,009*	*21,242,054*	*22,484,591*	*24,777,159*	10.2%

* These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

(*Former 3*) Services for Children and Families

This section was consolidated in the Developmental Disability Services, Community Services section in FY 2007-08. It formerly included funding to deliver early intervention, family support, and children's extensive support services to children and families in community settings. The primary source of cash funds exempt was Medicaid revenue; local match contributions to community centered boards were also reflected.

Program Funding	23,381,037	*appropriations moved to Community Services, Program Costs*
General Fund	16,872,836	
Cash Funds	0	
Cash Funds Exempt/Reappropriated Funds	6,508,201	
Federal Funds	0	
Medicaid Funds	5,273,063	
Medicaid - General Fund portion	2,362,986	
Net General Fund	*19,235,822*	

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Federal Special Education Grant for Infants, Toddlers and Their Families (Part C) - Federal Funds	6,618,033			0	
FTE	6.5				
Child Find - General Fund	1,000,000		0	0	
					Request v. Approp.
Sub-total Services for Children and Families	30,999,070	0	0	0	n/a
FTE	6.5	0.0	0.0	0.0	n/a
General Fund	17,872,836	0	0	0	n/a
Cash Funds	0	0	0	0	n/a
Cash Funds Exempt/Reappropriated Funds	6,508,201	0	0	0	n/a
Federal Funds	6,618,033	0	0	0	n/a
*Medicaid Funds**	5,273,063	0	0	0	n/a
*Medicaid - General Fund portion**	2,362,986	0	0	0	n/a
*Net General Fund**	*20,235,822*	*0*	*0*	*0*	n/a

* These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**

(C) Work Therapy Program

Primary functions: Provide sheltered work opportunities to residents of state operated regional centers and the Mental Health Institute at Fort Logan. Cash amounts reflect payments from private businesses and government agencies for work completed.

					Request v. Approp.
Program Costs	254,269	398,024	464,589	467,116	0.5%
FTE	1.5	1.5	1.5	1.5	0.0
General Fund	0	0	0	0	n/a
Cash Funds	237,879	305,646	464,589	467,116	0.5%
Cash Funds Exempt/Reappropriated Funds	16,390	92,378	0	0	n/a
Federal Funds	0	0	0	0	n/a
Medicaid Funds	*0*	*0*	*0*	*0*	n/a

					Request v. Approp.
Sub-total Developmental Disability Services	369,569,965	359,311,357	435,125,306	459,975,687	5.7%
FTE	944.2	975.0	997.0	1,068.0	71.0
General Fund	37,207,844	31,089,588	32,751,186	32,569,399	-0.6%
Cash Funds	2,884,988	2,960,525	43,232,439	44,911,915	3.9%
Cash Funds Exempt/Reappropriated Funds	322,859,100	318,601,827	352,309,179	375,641,876	6.6%
Federal Funds	6,618,033	6,659,417	6,832,502	6,852,497	0.3%
Medicaid Funds	*287,311,476*	*318,375,443*	*351,817,865*	*375,150,562*	6.6%
Net General Fund	*174,082,805*	*187,141,797*	*206,064,577*	*217,509,014*	5.6%

	FY 2006-07	FY 2007-08	FY 2008-09		FY 2009-10	
	Actual	**Actual**	**Appropriation**		**Request**	**Change Requests**
(D) Division of Vocational Rehabilitation						
(Primary functions: provides the services and equipment necessary to help individuals with disabilities secure and/or retain employment. Funds Independent Living Centers to provide assisted living and advocacy services						
Rehabilitation Programs - General Fund Match	23,421,414	23,689,950	19,409,647		24,799,499	DI #NP-1, NP-2
FTE	194.0	215.8	224.7		224.7	
General Fund	4,948,368	5,044,183	4,127,841		5,275,880	
Cash Funds	0	0	0		0	
Cash Funds Exempt/Reappropriated Funds	0	0	0		0	
Federal Funds	18,473,046	18,645,767	15,281,806		19,523,619	
Medicaid Funds	*0*	*0*	0		*0*	
Rehabilitation Programs - Local Funds Match	22,388,256	24,571,732	29,314,972	S*	23,751,404	DI #NP-1, NP-2, NP-6
FTE	13.8	19.8	27.0	S*	18.0	
General Fund	0	0	0		0	
Cash Funds	39,938	64,968	1,034,500		1,035,219	
Cash Funds Exempt/Reappropriated Funds	4,734,143	6,621,923	5,224,824	S*	3,999,608	
Federal Funds	17,614,175	17,884,841	23,055,648	S*	18,716,577	
Medicaid Funds	*0*	*0*	0		*0*	
Business Enterprise Program for People who are Blind	1,463,596	791,220	943,822		969,250	DI #NP-1, NP-2
FTE	5.3	6.4	6.0		6.0	
General Fund	0	0	0		0	
Cash Funds	136,298	128,770	200,320		205,735	
Cash Funds Exempt/Reappropriated Funds	175,584	39,802	0		0	
Federal Funds	1,151,714	622,648	743,502		763,515	
Medicaid Funds	*0*	*0*	*0*			

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation		FY 2009-10 Request	FY 2009-10 Change Requests
Business Enterprise Program - Program Operated Stands, Repair Costs, and Operator Benefits	630,175	319,843	659,000	0	659,000	
General Fund	0	0	0		0	
Cash Funds	412,676	161,169	477,990		477,990	
Cash Funds Exempt/Reappropriated Funds	55,528	26,644	0		0	
Federal Funds	161,971	132,030	181,010		181,010	
Medicaid Funds		0	0		0	
Independent Living Centers and State Independent Living Council	1,630,640	1,700,182	1,936,377		1,936,377	
FTE	0.0	0.0	0.0		0.0	
General Fund	1,266,648	1,366,848	1,487,351		1,487,351	
Cash Funds	0	0	44,902		44,902	
Cash Funds Exempt/Reappropriated Funds	44,902	44,902	0		0	
Federal Funds	319,090	288,432	404,124		404,124	
Medicaid Cash Funds	*0*	*0*	0		*0*	
Independent Living Centers - Vocational Rehabilitation Program	283,333	0	0		0	
FTE	0.0	0.0	0.0		0.0	
General Fund	62,501	0				
Cash Funds	0	0				
Cash Funds Exempt/Reappropriated Funds	0	0				
Federal Funds	220,832	0				
Medicaid Funds	*0*	*0*				

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
Appointment of Legal Interpreters for the Hearing Impaired (tranfer to EDO)	0	0	0	0	
General Fund	0	0			
Cash Funds	0	0			
Cash Funds Exempt/Reappropriated Funds	0	0			
Federal Funds	0	0			
Medicaid Funds	0	0			
Colorado Commission for the Deaf and Hard of Hearing	593,922	0	0	0	
FTE	2.0		0.0	0.0	
General Fund	93,692				
Cash Funds	0				
Cash Funds Exempt/Reappropriated Funds	500,230				
Federal Funds	0				
Medicaid Funds	*0*	*0*			
Colorado Commission for the Deaf and Hard of Hearing Cash Fund - Cash Funds	222,282		0	0	
Colorado Commission for Individuals who are Blind or Visually Impaired	n/a		0	0	
FTE					
General Fund					
Cash Funds					
Cash Funds Exempt/Reappropriated Funds					
Federal Funds					

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Older Blind Grants	467,339	0	450,000	450,000	
General Fund	0		0	0	
Cash Funds	0		45,000	45,000	
Cash Funds Exempt/Reappropriated Funds	45,000		0	0	
Federal Funds	422,339		405,000	405,000	
Medicaid Funds	*0*	*0*	0	0	
Traumatic Brain Injury Trust Fund**	1,291,272	1,811,115	2,411,498	3,025,031	DI #19, NP-2
FTE	0.9	1.4	1.5	1.5	
General Fund			0	0	
Cash Funds	1,291,272	1,811,115	2,411,498	3,025,031	
Cash Funds Exempt/Reappropriated Funds	0	0	0	0	
Federal Funds	*0*	*0*	0	0	
Medicaid Funds	*0*	*0*	*0*	*0*	
Estimated Federal Social Security Administration Reimbursement - Federal Funds	n/a	n/a	813,741	813,741	
Study of Employment of Persons with Developmental Disabilities (S.B. 08-04) -- General Fund	n/a	n/a	34,293	50,875	
FTE			0.5	1.0	
					Request v. Approp.
(D) Sub-total Vocational Rehabilitation	51,100,957	51,072,927	55,973,350	56,455,177	0.9%
FTE	215.1	242.0	259.7	251.2	(8.5)
General Fund	6,371,209	6,411,031	5,649,485	6,814,106	20.6%
Cash Funds	811,194	354,907	4,214,210	4,833,877	14.7%
Cash Funds Exempt/Reappropriated Funds	5,555,387	6,733,271	5,224,824	3,999,608	-23.4%
Federal Funds	38,363,167	37,573,718	40,884,831	40,807,586	-0.2%
Medicaid Funds	*0*	*0*	*0*	*0*	n/a
Net General Fund	*6,371,209*	*6,411,031*	*5,649,485*	*6,814,106*	20.6%

* Excludes interim supplemental reduction for disability navigators (June 2008) not yet enacted.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests

**FY 2006-07 and FY 2007-08 actuals shown for informational purposes and not included in totals. The line item was located in the Mental Health and Alcohol and Drug Abuse Services section prior to FY 2008-09.

(E) Homelake Domiciliary and State and Veterans Nursing Homes

(1) Homelake Domiciliary

Primary functions: operates a 46-bed assisted living facility for veterans. Cash funds exempt amounts reflect client fees.

Note: This section is eliminated in FY 2007-08 in favor of a single General Fund line item for Homelake state subsidy.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
Personal Services	897,341	0	0	0	
FTE	15.6				
General Fund					
Cash Funds					
Cash Funds Exempt/Reappropriated Funds					
Federal Funds					
Medicaid Funds					
Operating Expenses	271,217	0	0	0	
General Fund					
Cash Funds					
Cash Funds Exempt/Reappropriated Funds					
Federal Funds					
Medicaid Funds					
Utilities	116,765	0	0	0	
General Fund					
Cash Funds					
Cash Funds Exempt/Reappropriated Funds					
Federal Funds					
Medicaid Funds					

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
(1) Sub-total Homelake Domiciliary	1,285,323	*see section total*	*see section total*	*see section total*	
FTE	15.6				
General Fund	176,154				
Cash Funds	0				
Cash Funds Exempt/Reappropriated Funds	785,246				
Federal Funds	323,923				
Medicaid Funds	*0*				
Net General Fund	*176,154*				

(2) State and Veterans Nursing Homes

Primary Functions: Operation and management of the six state and veterans nursing homes and Homelake Domiciliary. Cash Funds (formerly Cash Funds Exempt) reflect client fees. Cash funds and federal funds are for information only. The nursing homes are enterprises and have continuous spending authority.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
Homelake Domiciliary State Subsidy					
General Fund	n/a	178,888	186,130	186,130	
Legislative Oversight Committee on the State and Veterans Nursing Homes					
Cash Funds Exempt/Reappropriated Funds	18,748	0	0	0	
Nursing Home Consulting Services					
General Fund	391,253	195,627	195,627	195,627	
Nursing Home Indirect Cost Subsidy					
General Fund	n/a	541,925	800,000	800,000	

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
Program Costs	44,057,081	44,427,166	49,521,945	49,521,945	
FTE	640.0	625.3	673.4	673.4	
General Fund	0	0	0	0	
Cash Funds	92,280	1,871	38,627,117	38,627,117	
Cash Funds Exempt/Reappropriated Funds	34,227,193	34,601,827	0	0	
Federal Funds	9,737,608	9,823,468	10,894,828	10,894,828	
Medicaid Funds	*0*	*0*	*0*	*0*	
(2) Subtotal - State and Veterans Nursing Homes	44,448,334	*see section total*	*see section total*	*see section total*	
FTE	640.0				
General Fund	391,253				
Cash Funds	92,280				
Cash Funds Exempt/Reappropriated Funds	34,227,193				
Federal Funds	9,737,608				
Medicaid Funds	0				
Net General Fund	*391,253*				
					Request v. Approp.
(E) Total - Homelake Domiciliary and State and Veterans Nursing Homes	45,733,657	45,343,606	50,703,702	50,703,702	0.0%
FTE	655.6	625.3	673.4	673.4	0.0
General Fund	567,407	916,440	1,181,757	1,181,757	0.0%
Cash Funds	92,280	1,871	38,627,117	38,627,117	0.0%
Cash Funds Exempt/Reappropriated Funds	35,012,439	34,601,827	0	0	n/a
Federal Funds	10,061,531	9,823,468	10,894,828	10,894,828	0.0%
Medicaid Funds	*0*	*0*	*0*	*0*	n/a
Net General Fund	*567,407*	*916,440*	*1,181,757*	*1,181,757*	0.0%

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	FY 2009-10 Change Requests
					Request v. Approp.
(9) TOTAL - SERVICES FOR PEOPLE WITH DISABILITIES	**466,404,579**	**455,727,890**	**541,802,358**	**567,134,566**	**4.7%**
FTE	**1,814.9**	**1,842.3**	**1,930.1**	**1,992.6**	**62.5**
General Fund	**44,146,460**	**38,417,059**	**39,582,428**	**40,565,262**	**2.5%**
Cash Funds	**3,788,462**	**3,317,303**	**86,073,766**	**88,372,909**	**2.7%**
Cash Funds Exempt/Reappropriated Funds	**363,426,926**	**359,936,925**	**357,534,003**	**379,641,484**	**6.2%**
Federal Funds	**55,042,731**	**54,056,603**	**58,612,161**	**58,554,911**	**-0.1%**
Medicaid Funds*	***287,311,476***	***318,375,443***	***351,817,865***	***375,150,562***	**6.6%**
Net General Fund*	***181,021,421***	***194,469,268***	***212,895,819***	***225,504,877***	**5.9%**

GRAND TOTAL - EXECUTIVE DIRECTOR'S OFFICE (disability line items), OFFICE OF OPERATIONS, SERVICES FOR PEOPLE WITH DISABILITIES	**503,753,801**	**495,997,293**	**583,692,724**	**612,052,693**	**4.9%**
FTE	**2,256.1**	**2,296.3**	**2,402.6**	**2,474.6**	**72.0**
General Fund	**63,988,224**	**59,041,675**	**60,299,395**	**62,825,166**	**4.2%**
Cash Funds	**4,541,782**	**4,108,872**	**88,533,901**	**91,097,086**	**2.9%**
Cash Funds Exempt/Reappropriated Funds	**375,617,540**	**373,770,614**	**370,979,841**	**394,188,045**	**6.3%**
Federal Funds	**59,606,255**	**59,076,132**	**63,879,587**	**63,942,396**	**0.1%**
Medicaid Funds*	***292,534,260***	***324,336,181***	***357,872,260***	***381,463,393***	**6.6%**
*Net General Fund**	*203,474,577*	*218,074,253*	*236,639,984*	*250,921,197*	**6.0%**

* These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- **S.B. 08- 02 (Boyd/Soper): Family Caregivers for Developmentally Disabled.** Specifies that Department of Human Services may purchase services and support for persons with developmental disabilities from a family care giver in the family home if it is determined that this provides services in the least restrictive environment. Requires the Department to promulgate associated rules.

- **S.B. 08- 04 (Keller/B. Gardner): State Employment of Persons with Developmental Disabilities.** Establishes a program to promote the employment of persons with developmental disabilities by the State. Requires the Department of Human Services to establish a work group with the Department of Personnel to study the issue, and requires the work group to make recommendations to both departments by January 1, 2009. If actions can be taken without statutory or constitutional change, requires the departments to promulgate associated rules and implement the program. Specifies that if statutory or constitutional change is required, the program shall not be implemented unless such constitutional or statutory change is enacted.

- **H.B. 08- 1031 (Pommer/Keller): Developmentally Disabled Waiting List Navigator.** Creates a pilot program for developmental disability waiting list navigators. The pilot program is to be established in one or more community centered board regions to assist individuals waiting for state-funded developmental disability services and their families. Identifies the role of the navigator in helping families to understand the waiting list process and access alternative resources while they are waiting for state-funded services; navigators will also be involved in associated surveys and outreach. Requires the Department to submit a report on the pilot program by November 1, 2009 to the Joint Budget Committee and the House and Senate Health and Human Services Committees. Appropriates $500,000 General Fund to the Department of Human Services for FY 2008-09 and makes this appropriation available until June 30, 2010.

- **H.B. 08- 1047 (B. Gardner/Boyd): State Set Asides for Severely Disabled.** Creates a set-aside program for non-profit agencies that bid for state services solicitations if these agencies employ individuals with severe disabilities. Establishes a process by which non-profits may become self-certified vendors, based on certification that 75 percent of those employed will have severe disabilities and at least 20 percent will have developmental disabilities. Requires the Department of Human Services, in collaboration with the Department of Personnel, to identify specific services for which self-certified vendors may bid, and requires state agencies to first solicit bids from self-certified vendors for services on this list. Specifies that contracts may be awarded to self-certified vendors at a fair and reasonable price of up to 15 percent above market rate, subject to available appropriations.

- ❑ **H.B. 08- 1220 (Buescher/Keller): Developmental Disability Statutory Cleanup.** Modifies Department of Human Services statutes concerning services for individuals with developmental disabilities to ensure that these are consistent with federal Medicaid waiver requirements. Among other changes, codifies a program that enables counties to use local funds to match federal Medicaid funds for services to individuals with developmental disabilities.

- ❑ **H.B. 08-1246 (Green/Keller): Caregiver Abuse Registry for Developmentally Disabled.** Creates a registry of care givers with a substantiated allegation of abuse against persons with developmental disabilities in the Department of Human Services. Creates a work group in the Department to develop a plan for implementing such a registry. Requires a report on these efforts to the Health and Human Services Committees of the House and Senate by January 30, 2009. Authorizes the Department of Human Services to accept gifts, grants, and donations of public and private funds for purposes of studying and implementing the registry, with funds deposited to the Care Giver Abuse Registry Cash Fund created by the bill. Specifies that the provisions of the bill are not required to be implemented until $33,000 has been received.

- ❑ **H.B. 08-1268 (White/Johnson): DHS Authority to Rent Lands.** Authorizes the Department of Human Services to rent surplus facilities on its campuses. Rental income is deposited to the Buildings and Grounds Cash Fund created by the bill and is subject to annual appropriation to operate, repair, and remodel the rental facilities.

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APPENDIX C: UPDATE OF FY 2008-09 LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

38 **Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Program Costs --** It is the intent of the General Assembly that expenditures for these services be recorded only against the Long Bill group total for Program Costs.

Comment: As authorized, staff anticipates that actual amounts will be recorded only against the Long Bill group total within the state accounting system (COFRS). However, for actual year FY 2007-08, the Department did provide additional detail on expenditures for the components of the Program Costs line item based on Medicaid Management Information System and Community Contract and Management System reports. These figures were used to provide actual year data in the numbers pages for FY 2007-08.

39 **Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Program Costs –** This appropriation includes funding for the following additional caseload: (1) comprehensive residential services for 305 adults for an average of six months, including 45 persons transitioning from foster care, 62 emergency placements, 78 "high risk" waiting list placements, and 120 regular waiting list placements; (2) supported living services for 345 adults, including 28 persons transitioning from the Children's Extensive Support program for an average of six months, 200 others added for an average of six months, and 117 added for a full year (12 months); and (3) family support services, for an average of six months, for 100 additional families.

Comment: The Governor's veto message indicated that he had directed the Department to treat this as an assumption used to calculate the appropriation and not as a limitation on the appropriation. The Department's response to RFI #40, concerning the allocation and use of these new resources, indicates that its efforts are generally consistent with the budgetary assumptions in this footnote. Additional information is included under RFI #40.

40 **Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Other Community Programs, Preventive Dental Hygiene --** The purpose of this appropriation is to assist the Colorado Foundation of Dentistry in providing special dental services for persons with developmental disabilities.

Comment: The Department confirmed that it has entered into a contract for the full amount with the Colorado Foundation of Dentistry.

Requests for Information

6 **Department of Health Care Policy and Financing, Executive Director's Office; and Department of Human Services, Services for People with Disabilities –** The Departments are requested to develop a plan with respect to how the State will limit any inappropriate proliferation of intermediate care facilities for the mentally retarded (ICFs/MR) in the community and how it will manage any growth in the number of such facilities to ensure that state and federal funding for persons with developmental disabilities is used efficiently. The Departments are requested to submit such a plan, including any recommendations for statutory changes, by October 1, 2008.

Comment: The Governor's May 15, 2008 response to the Committee's requests for information indicated that he was directing the Departments to comply with the request to the extent feasible and to submit the report no later than December 1, 2008. *Because of the delayed submission date, staff is unable to provide information on the Departments' response in this briefing packet.*

35 **Department of Human Services, Office of Operations; Department Totals** -- The Department is requested to examine its cost allocation methodology and report its findings to demonstrate that all state-wide and departmental indirect costs are appropriately collected and applied. The Department is requested to submit a report to the Joint Budget Committee on or before November 15, 2008, that should include: (1) Prior year actual indirect costs allocated by division and corresponding earned revenues by type (cash, reappropriated, and federal); (2) the amount of such indirect costs applied within each division and to Department administration line items in the Executive Director's Office, Office of Operations, and Office of Information Technology Services; (3) a comparison between indirect amounts applied and the amounts budgeted in the Long Bill; and (4) a schedule identifying areas in which collections could potentially be increased and a description of the obstacles to such increases where the discrepancy between the potential and actual collections is $50,000 or more.

Comment: The Department was directed to comply to the extent feasible. The report was submitted as requested. This footnote is requested because the size and complexity of Department of Human Services indirect cost collections do not enable them to be budgeted in a manner consistent with indirect cost collections in other departments.

The table below summarizes the information provided with respect to amounts collected and applied.

FY 2007-08 INDIRECT COSTS COLLECTED AND APPLIED BY REVENUE SOURCE				
OFFICE per COFRS Function Code	**CASH**	**CASH EXEMPT**	**FEDERAL**	**Grand Total**
INDIRECT COSTS COLLECTED				
Colo Dept of Human Services - Agency Termination Pay	$2,590	$6,821	$104,671	$114,082
Colo Dept of Human Services - Department Wide: Depreciation, State Auditor Charges, HCPF Indirect Cost Billing	4,764	132,486	698,269	835,519
Executive Director Office-Budget Office	67,206	199,593	601,795	868,594
Executive Director Office-Office of Performance Improvement	26,964	188,289	738,747	954,000
Office of Operations	80,450	652,585	2,113,040	2,846,075
Office of Information Technology Services	34,042	934,658	4,107,470	5,076,170
Office of Children, Youth, and Families	452	3,368	11,698	15,518
Office of Adult, Disability and Rehabilitation Services	194,428	0	191,794	386,222
Regional Centers (Medicaid)	0	335,553	0	335,553
Nursing Homes	95,780	0	0	95,780
Office of Behavioral Health & Housing	0	4,300	0	4,300
Mental Health Institutes	143,640	333,108	0	476,748
Office of Self-Sufficiency	0	0	419,337	419,337
Grand Total	650,316	2,790,761	8,986,821	12,427,898
INDIRECT COSTS APPLIED				
Executive Director Office-Budget Office	211,607	1,302,350	1,056,582	2,570,539
Executive Director Office-Office of Performance Improvement	181,613	118,760	1,695,134	1,995,507
Office of Operations	216,857	1,049,493	2,521,338	3,787,688
Office of Information Technology Services	40,239	320,158	2,952,292	3,312,689
Office of Adult, Disability and Rehabilitation Services	0	0	409,393	409,393
Office of Self-Sufficiency	0	0	14,844	14,844
DHS - Agency Termination Pay	0	0	152,453	152,453
SCO Audit billing	0	0	184,785	184,785
Grand Total	650,316	2,790,761	8,986,821	12,427,898

The Department also provided the following explanation of areas in which indirect cost collections could be higher but were restricted, based on Department or legislative decisions. Staff believes a number of these items deserve further investigation, and the State may wish to take steps to increase collections. Staff hopes to work with the Department on this issue further over the next year.

Areas in which Indirect Collections are Lower than Permitted and Explanation				
	SFY 08 Revenues allowed by federal rules	**SFY 08 Revenues collected**	**Difference (under-earned)**	**Department Explanation/Notes**
Substance Abuse Prevention and Treatment Block Grant	$417,412	$238,638	($178,774)	In SFY 08 only $240,443 indirect costs were appropriated in the Long Bill for this Grant. The Division of Alcohol and Drug Abuse had higher legal charges during the year. As a result, indirect charges exceeded the appropriated amount and had to be covered by General Fund. At this time the Department is not recommending a change to the appropriation, as this would reduce program funding.
Child Care Development Block Grant	881,358	211,568	(669,790)	The Department has followed Long Bill letter-note annotations (presumably historical) that have capped indirect from this grant at $280,000. An additional federal cap of 5.0 percent of administrative expenditures has never been reached. The impact of a change would be to increase funding for administrative expenditures and decrease funding for program expenditures. This is a legislatively-appropriated block grant, and there are funds reserves; however, at this time the Department is not recommending use of reserves for program costs.
Records and Reports of Child Abuse or Neglect	788,648	64,247	(724,401)	This Fund derives from fees paid for background screening checks, usually for child care providers and is used to cover related direct and indirect costs. Sufficient revenue was not earned to cover most indirect costs, and the difference was covered by the General Fund. The Department is not currently recommending a change, but will be reviewing fees and procedures.
Donated Foods	188,768	0	(188,768)	The administrative grants for commodities are less than $1.0 million. One has a federal administrative cap and two others are used exclusively for program cots. At this time the Department is not recommending a change that would reduce funding for programs.
IDEA - Part C (Infants and Toddlers with Disabilities	65,659	0	(65,659)	No indirect revenues have been collected on any of the IDEA grants. The Department has committed to the U.S. Department of education that it will not charge indirect costs until a restricted indirect cost rate or cost allocation plan is negotiated and approved. By accepting the grants, the Department is agreeing not to charge indirect costs. No change is recommended.
Low Income Energy Assistance Program	356,828	51861	(304,967)	The Department internally limits indirect earnings to $50,000 per year. The impact of increasing indirect earnings would be to decrease funding for program expenditures. No change is recommended at this time.

Areas in which Indirect Collections are Lower than Permitted and Explanation				
	SFY 08 Revenues allowed by federal rules	**SFY 08 Revenues collected**	**Difference (under-earned)**	**Department Explanation/Notes**
Division of Youth Corrections	1,549,516	0	(1,549,516)	The Department recommends no changes since DYC is almost 100 percent General Fund
TANF Block Grant	2,299,844	734,273	(1,565,571)	The Department has followed Long Bill letter-note annotations that have capped indirect earnings. The federal grant indirect is capped at 15.0 percent of administrative expenditures, which as never been reached. The impact of increasing indirect collections would be to increase funding for administrative expenditure and decrease funding in the Long Term Reserve. This could adversely affect the state's Maintenance of Effort requirement. These are state appropriated federal funds. At this time, the Department is not requesting a change to the appropriation.
Veterans Nursing Homes	637,705	637,705	0	The Department has followed Long Bill letter note annotations to correct $95,780 from the nursing homes. The homes also transferred $541,925 from a General Fund appropriation, made to the nursing homes for indirect costs.
Child Welfare Block --Title XX	2,743,018	0	(2,743,018)	The Long Bill letter-note annotations do not reflect any charges from this grant to indirect expenditures; the entire amount is spent in program areas:,Out of Home Placement, CCAP appropriation, County Admin. And CW staff Developments. The impact of a change would be to increase funding for administrative expenditures and decrease funding for program expenditures. The Department does not recommend a change.
TOTAL	$9,928,756	$1,938,292	($7,990,464)	

40 **Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Program Costs** -- The Department is requested to provide a report to the Joint Budget Committee by October 1, 2008, concerning its plans for distributing this funding for new caseload and for ensuring that new placements are brought on-line as quickly as possible. It is the intent of the Joint Budget Committee that, in distributing funding to expand caseload, the Department take into consideration, among other factors, the need to reduce regional inequities in the numbers of persons served per capita of the general population.

Comment: The Department was directed to comply to the extent feasible. It submitted the requested report. The General Assembly added comprehensive residential services for 305 adults, supported living services for 345 adults, and family support services for 100 additional families. Most of the new placements were for an average of six months in FY 2008-09.

Many of the placements were targeted at particular sub-components of the population by the General Assembly, as detailed in FY 2008-09 Long Bill Footnote 49.

The Department reported that the new funds were allocated using the following basic criteria:

Foster care transition (45 comprehensive residential placements), **emergency** (62 comprehensive residential placements), and **Children's Extensive Support transition to adult supported living** (28 supported living placements) are being distributed based on requests by community centered boards (CCBs) to serve individual people who meet the specified criteria.

Comprehensive and supported living "regular" adult waiting list placements (100 of the comprehensive waiting list placements and 317 of the supported living placements). These placements are being distributed based on waiting list guidelines in which individuals who are placed earliest on the waiting list (have the earliest "Order of Selection" date) are served first. The Department identified all individuals who had been on the waiting list prior to July 28, 2001 for the comprehensive program and January 29, 2002 for the supported living program. Placements were distributed among CCBs based on each CCB's percentage of individuals within the top 500 by Order of Selection.

High Risk (78 comprehensive residential placements). These were distributed based on an equity formula, which takes into account each CCB's current service allotment-to-population ratio and demonstrated need for placement of individuals meeting the definition of "high risk" based on available data. The criteria include individuals over 40 (whose caretakers are therefore assumed to be aging) and persons with severe medical and behavioral needs. Funds were distributed proportionally to those CCBs that had fewer funds per 1,000 citizens than the statewide average.

Transitioning to Ensure Appropriate Placement. 20 of the 120 "regular" waiting list placements have been directed toward moving individuals in waiver placements at the regional centers that have been identified as appropriate for moving to the community.

Family Support Services Program (100 placements). Funds were distributed proportionately to those CCBs that had fewer funds per 1,000 citizens than the statewide average.

The Department has taken various steps to ensure prompt implementation. Of the 750 new placements, 567 were allocated as of August 15, 2008. Allocations for the remaining 83 were still pending due to holds pending an emergency situation (58 comprehensive), finalization of the regional center plan for community placements (20), and finalization of the transition from Children's Extensive Support to Supported Living (5). Of the total allocated, 29 had been enrolled as of August 15.

The CCBs are required to report monthly on their enrollment process for the adult placements. In response to a staff question at the end of October 2008, the Department noted that:

"We are 25% into the new year with 18.4% of the enrollments completed for what has been allocated to the CCBs. Although enrollments appear to be lagging compared to how far we are into the new year, second quarter data (*i.e.*, January data) will be more revealing since the first quarter is always low....some CCBs are doing very well with enrollments, however there are five CCBs that are lagging. Of particular concern is [the Resource Exchange in Colorado Springs (TRE)] with funding for 129 new enrollments but only one completed as of this report. If TRE were at 25% then the overall enrollments would also be at 25%. We are working with TRE to determine what adjustments may be necessary, including pulling some of the allocations and redistributing to other CCBs."

41 **Department of Human Services, Services for People with Disabilities, Regional Centers for People with Developmental Disabilities** -- The Department is requested to submit a proposal by November 1, 2008, concerning any plans for conversion of Grand Junction Regional Center and Pueblo Regional Center to an ICF/MR billing structure.

Comment: The Department was directed to provide the requested information as part of its November 3, 2008 Budget Request, as necessary. The budget request indicated that the Department was planning to proceed with plans for conversion of Grand Junction Regional Center and Pueblo Regional Center to ICF/MR, but it did not include any associated budget adjustments to accomplish this. The request indicated that the additional funding required for this would derive from the planned downsizing of the regional centers. Staff notes that some budgetary adjustments will be required to proceed with conversion, even if there was no additional "net" General Fund cost. Specifically, there would need to be adjustments to transfer/reduce certain Medicaid State Plan costs that would be moved to the regional center budget. There would also need to be adjustments related to the impact of ICF/MR fees on the regional centers (a funding device that saves General Fund). Given that the Department has not submitted these associated budget adjustments, it is not clear to staff whether it really intends to proceed with regional center ICF/MR conversion in FY 2009-10 for the remaining two regional center sites.

42 **Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Rehabilitation Programs -- Local Funds Match –** The Department is requested to provide a report to the Joint Budget Committee, by November 1 of each year, that details deferred cash and reappropriated funds on its books as of the close of the preceding fiscal year.

Comment: The Department submitted the requested report. The report indicated that the Division of Vocational Rehabilitation (DVR) had developed a plan to spend down its deferred revenue as match to available federal vocational rehabilitation dollars. Due to a shortfall of federal funds, however, DVR expended most of its deferred revenue in FY 2007-08 directly on consumer goods and services. The amount remaining on DVR's books as of the close of

FY 2007-08 for deferred cash and reappropriated funds was $1,097,658. Of this amount, $1,000,000 is required by the Long Bill to be used for FY 2008-08 expenditures. The remaining amount will also be spent in the current year on customer (case) services expenditures.