COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2012-13 STAFF BUDGET BRIEFING

DEPARTMENT OF HUMAN SERVICES

(Division of Child Welfare, Division of Child Care, Division of Youth Corrections)

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

Prepared By:
Amanda Bickel, JBC Staff
December 1, 2011

For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

FY 2012-13 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE

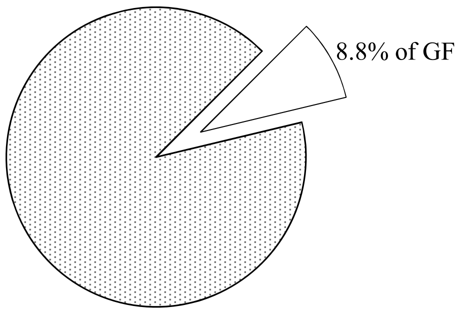
DEPARTMENT OF HUMAN SERVICES

(Division of Child Welfare, Division of Child Care, Division of Youth Corrections)

Table of Contents

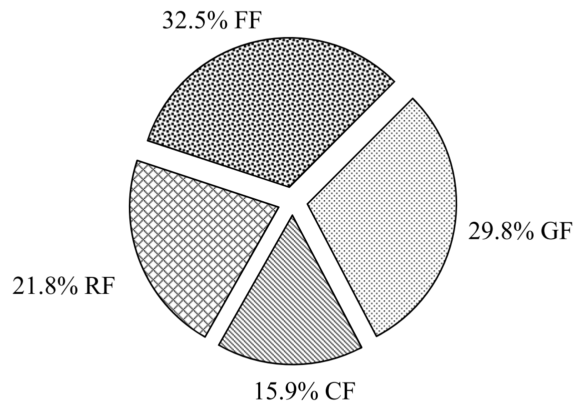
GRAPHIC OVERVIEW

Department's Share of Statewide General Fund

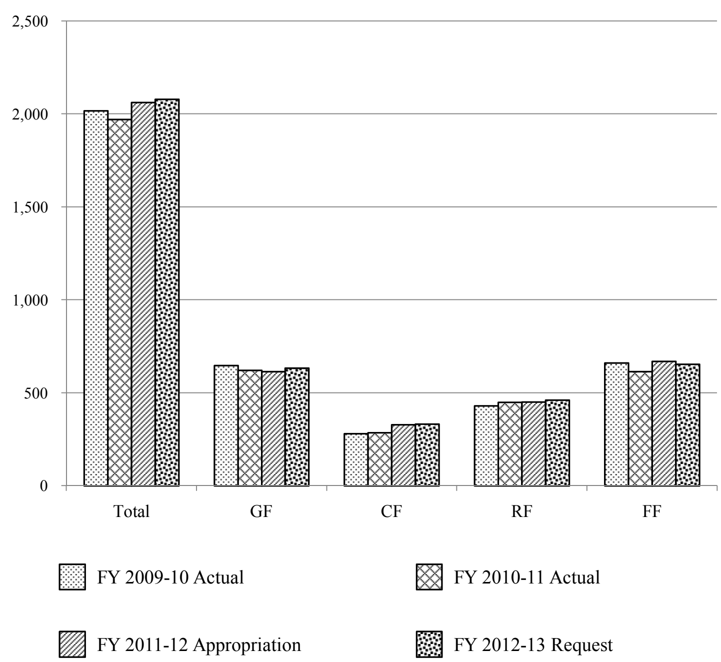


Note: If General Fund appropriated to the Department of Health Care Policy and Financing for human services programs were included in the graph above, the Department of Human Services' share of the total state General Fund would rise to 11.8%.

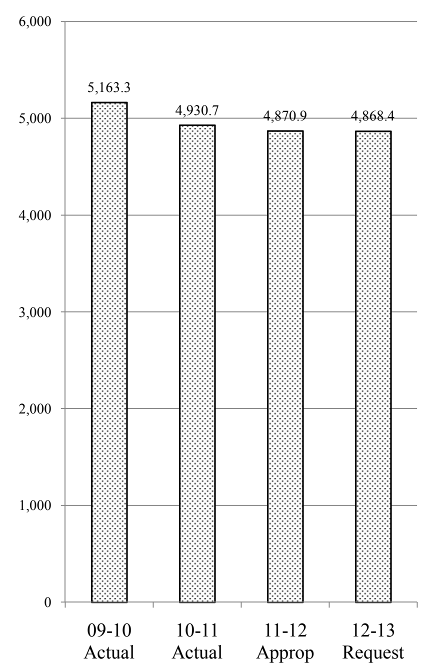
Department Funding Sources



Budget History
(Millions of Dollars)

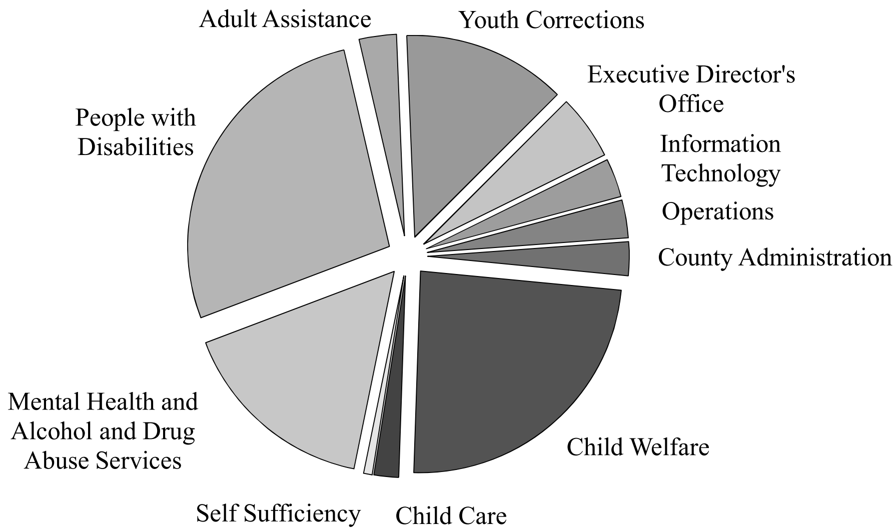


FTE History



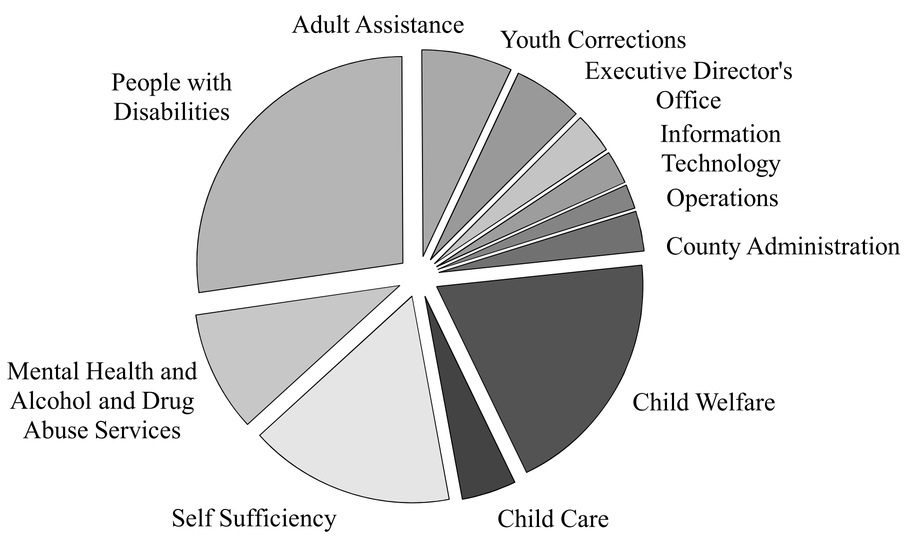
Unless otherwise noted, all charts are based on the FY 2011-12 appropriation.

Distribution of Net General Fund* by Division
FY 2011-12 Appropriation = $827.5 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 2011-12 Appropriation = $2.1 billion



FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Division of Child Welfare, Division of Child Care, Youth Corrections)

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.

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

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

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

In addition, the Division:

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

Factors Driving the Budget

Child Welfare

County departments of social services receive and respond to reports of potential child abuse or neglect under the supervision of the Colorado Department of Human Services. In FY 2010-11, counties received over 80,000 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 20 percent of county assessments result in the county providing child welfare services, which may include in-home support or court-ordered placement with kin, in a foster care home or 24-hour child care facility. Children may ultimately be returned to the family home, placed permanently with kin, or adopted by another family to ensure their safety. Adoptive placements for children and youth with special needs receive ongoing county subsidies.

Appropriations for child welfare programs for FY 2011-12 ($401.7 million) consist of 49.5 percent General Fund, 32.8 percent federal funds, and 17.7 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, which may include funds transferred from the Temporary Assistance to Needy Families block grant and/or county tax revenue. In recent years county spending has been declining, and in-net, counties under-spent state child welfare allocations in FY 2010-11. This parallels declines in most, although not all, county workload drivers, including number of out-of-home placements and number of open cases.

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 cycled between $74 and $98 million, based on eligibility and provider-reimbursement policies that are set at the county-level. The variation has largely reflected the amount of TANF block grant funds transferred by counties and spent for child care subsidies. At the peak, in FY 2001-02, counties transferred and spent $32.1 million of their TANF dollars for child care subsidies, resulting in total expenditures of $98.3 million. By FY 2006-07, transfers had fallen to $866,000, and the initial FY 2006-07 appropriation was reduced by $5.1

million to avoid a reversion, based on total expenditures of $74.3 million. Starting in FY 2007-08, total CCAP expenditures again began to rise. By FY 2008-09, expenditures had reached $96.7 million, based on regular allocations, transfers from the TANF block grant, and special federal allocations from the American Recovery and Reinvestement Act totaling $10.6 million.

Colorado Child Care Assistance Program (CCAP)

	FY 03-04	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**	**FY 08-09***	**FY 09-10***	**FY 10-11**
CCAP Appropriations ($ millions)	$73.4	$73.7	$74.9	$74.7	$75.7	$86.9	$86.0	$74.0
Percent Change	*n/a*	*0.4%*	*1.6%*	*-0.3%*	*1.3%*	*14.8%*	*-1.0%*	*-14.0%*
CCAP Expenditures (including TANF $$) ($ millions)	$86.3	$81.1	$76.3	$74.3	$86.4	$96.7	$96.5	$84.0
Percent Change	*n/a*	*-6.0%*	*-5.9%*	*-2.6%*	*16.3%*	*11.9%*	*-0.2%*	*-13.0%*

*FY 2008-09 and FY 2009-10 appropriations include one-time increases of $11.1 million and $10.4 million respectively from the American Recovery and Reinvestment Act of 2009.

Youth Corrections

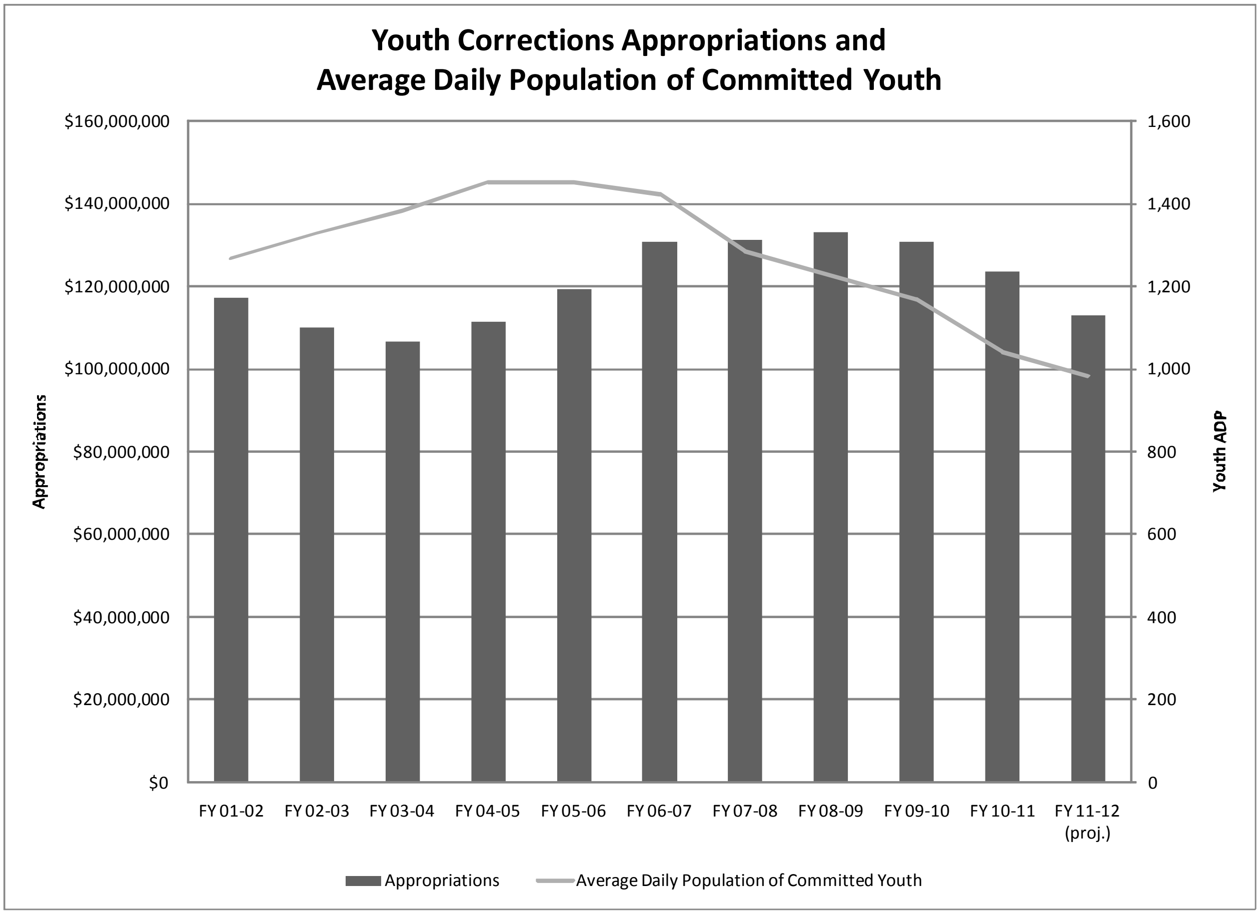
The Division of Youth Corrections provides for the housing of juveniles who are detained while awaiting adjudication (similar to adult jail), or committed for a period of time as a result of a juvenile delinquent adjudication (similar to adult prison). The Division also supervises juveniles during a mandatory parole period following all commitment sentences. The vast majority of the appropriation is from the General Fund.

The size of the population of detained, committed and paroled juveniles significantly affects funding requirements. However, as shown in the chart below, funding increases and declines have not always aligned with population changes.

✓ From FY 2000-01 through FY 2003-04, appropriations declined, despite increases in the population of committed youth, in response to state revenue constraints. Parole services and funding for alternatives to secure detention were cut due to the revenue shortfall. For detained (as opposed to committed) youth, S.B. 03-286 capped the youth detention population at 479, limiting any further funding increases associated with growth in the detention population.

✓ From FY 2006-07 through FY 2009-10, appropriations remained relatively flat, despite sharp declines in the population of committed youth, based on the redirection of funds within the Division's budget. During this period, savings derived from a reduction in the commitment population were in part used to increase services for youth transitioning to parole, and funding was provided for other program enhancements.

✓ Beginning in mid-FY 2010-11 and continuing in FY 2011-12, reductions were taken in response to the sharp declines in the population of committed and detained youth, as well as in response to statewide revenue constraints. Division funding was more closely aligned with the youth population, and cuts were taken in parole program services and in funding for alternatives to secure placements. In addition, pursuant to S.B. 11-217, the detention cap was lowered to 422, based on lower arrest rates and the number of youth in secure detention.



Figures in the table below are based on the actual average daily population (ADP) and population projections for ADP.

Youth Corrections Average Daily Population						
	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Projection
Commitment/1	1,425	1,286	1,228	1,171	1,038	984
Percent Change	*(2.0)%*	*(9.8)%*	*(4.5)%*	*(4.6)%*	*(11.4)%*	*(5.2)%*
Parole/1	517	508	435	443	418	415
Percent Change	*2.8%*	*(1.7)%*	*(14.4)%*	*1.8%*	*(5.6)%*	*(0.7)%*
Detention /2	415	409	399	363	352	333
Percent Change	*(2.7)%*	*(1.4)%*	*(2.4)%*	*(9.0)%*	*(3.0)%*	*(5.4)%*

/1 Population projection figures for FY 2011-12 reflect the average of the Legislative Council Staff and Department of Public Safety, Division of Criminal Justice forecast amounts (December 2010 forecasts).
/2 Population projection figures for FY 2011-12 are based on the average daily population for the first quarter (June-Sept. 2011).

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Child Welfare, Child Care, Youth Corrections)

DECISION ITEM PRIORITY LIST

10 **Child Care Assistance Program General Fund Refinance**

Division of Child Care

The Department proposes an ongoing refinance of $817,511 General Fund using federal Child Care Development Fund (CCDF) moneys in FY 2012-13 and beyond. The refinance would occur in the Child Care Assistance Program line item. *Statutory Authority: Section 26-2-804, C.R.S.*

Total Funds	**$0**
FTE	0.0
GF	(817,511)
FF	817,511

TOTAL REQUEST PRIORITY LIST

Total Funds	**$0**
FTE	0.0
GF	(817,511)
FF	817,511

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Child Welfare, Child Care, Youth Corrections)

BASE AND TECHNICAL CHANGE LIST

Annualize S.B. 11-076 (PERA Contributions)

Division of Child Welfare
Division of Child Care
Division of Youth Corrections

The FY 2012-13 budget restores the FY 2011-12 reduced State contribution to the Public Employees' Retirement Association (PERA) pursuant to S.B. 11-076.

Total Funds	**$1,337,656**
FTE	0.0
GF	1,248,809
CF	13,928
RF	9,433
FF	65,486

Annualization of FY 2010-11 SBA-8 (5% Operating Reduction)

Division of Child Welfare
Division of Child Care
Division of Youth Corrections

The FY 2012-13 budget request restores the FY 2010-11 five percent operating expenses reduction made for two years through a prior budget decision.

Total Funds	**$99,929**
FTE	0.0
GF	99,283
RF	646

Annualize FY 2010-11 BRI-5 "Refinance $3,000,000 of Child Welfare Services with TANF"

Division of Child Welfare

Restores General Fund that was temporarily refinanced with Temporary Assistance for Needy Families block grant reserves.

Total Funds	**$0**
FTE	0.0
GF	12,500,000
FF	(12,500,000)

Annualize FY 2011-12 Leap Year Funding

Division of Child Welfare
Division of Youth Corrections

Removes one-time leap year funding that was added in FY 2011-12 for contractors who are paid on a daily rate.

Total Funds	**($573,311)**
FTE	0.0
GF	(371,998)
CF	(74,334)
RF	(38,568)
FF	(88,411)

Annualize S.B. 11-217 "Concerning a reduction in the juvenile detention bed cap"

Division of Youth Corrections

The request annualizes S.B. 11-217, which reduced the cap on youth corrections detention beds from 479 to 422. Consistent with the plan approved by the JBC and the fiscal note for the bill, savings in FY 2011-12 were lower than ongoing savings due to short-term transition costs.

Total Funds	**($100,432)**
FTE	(1.7)
GF	(100,432)

TOTAL BUDGET BASE CHANGE NOT RELATED TO A POLICY ISSUE (TECHNICAL OR BASE CHANGE IN NATURE) PRIORITY LIST

Total Funds	**$763,842**
FTE	(1.7)
GF	13,375,662
CF	(60,406)
RF	(28,489)
FF	(12,522,925)

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2011-12 appropriation and its FY 2012-13 request for the Divisions of Child Welfare, Child Care, and Youth Corrections.

Table 1: Total Requested Change, FY 2011-12 to FY 2012-13 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2011-12 Appropriation	$315.7	$81.3	$17.5	$188.5	$603.0	1,108.9
FY 2012-13 Request	328.3	81.2	17.5	176.8	603.8	1,107.2
Increase / (Decrease)	$12.6	($0.1)	$0.0	($11.7)	$0.8	(1.7)
Percentage Change	4.0%	(0.1%)	(0.2%)	(6.2%)	0.1%	(0.2%)

Table 2: Total Department Requested Changes, FY 2011-12 to FY 2012-13 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
Decision Items	($0.8)	0.0	0.0	$0.8	$0.0	0.0
Technical/Base Changes	13.4	(0.1)	0.0	(12.5)	0.8	(1.7)
TOTAL	$12.6	($0.1)	$0.0	($11.7)	$0.8	(1.7)

FY 2012-13 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
(Child Welfare, Child Care, Youth Corrections)

BRIEFING ISSUE

ISSUE: Performance-based Goals and the Department's FY 2012-13 Budget Request

This issue brief summarizes the Department of Human Services report on its performance relative to its strategic plan and discusses how the FY 2012-13 budget request advances the Department's performance-based goals. Pursuant to the State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act (H.B. 10-1119), the full strategic plan for the Department of Human Services can be accessed from the Office of State Planning and Budgeting web site.

The issue brief assumes that the performance-based goals are appropriate for the Department. Pursuant to the SMART Government Act legislative committees of reference are responsible for reviewing the strategic plans and recommending changes to the departments. The issue brief also assumes that the performance measures are reasonable for the performance-based goals. Pursuant to the SMART Government Act the State Auditor periodically assesses the integrity, accuracy, and validity of the reported performance measures. Please note that the Department's full strategic plan includes five overarching highest priority objectives (goals), and 15 performance measures attached to the various goals, in additional to division-specific objectives and performance measures. This issue brief only deals with two overarching goals and four performance measures. The remaining overarching goals and performance measures will be evaluated in separate issue briefs.

DISCUSSION:

Performance-based Goals and Measures

1. **To improve the lives of the families we serve by helping them to achieve economic security.** (This goal and related performance measures have been covered as part of separate issue briefs.)

2. **To assure Colorado's children and youth have the opportunity to thrive in safe, nurturing and stable families in their communities.**

   Strategy: Improve the quality of the safety assessments completed in response to reports of suspected child maltreatment. The United States Department of Health and Human Services, Administration for Children and Families, has set substantial compliance at 95%, which states are to incrementally achieve through negotiations associated with their performance improvement plan.

   Performance Measure: Percentage of time the safety assessment process was completed accurately, in accordance with State Rules as found in Staff Manual Volume 7.

Percentage of time the safety assessment process was completed accurately		
Year	**Benchmark**	**Actual**
FY 2010-11	95.0% (federal goal)	46.0%
FY 2011-12*	95.0% (federal goal)	50.0%
FY 2012-13	53.0% (projected)	n/a

*Actual is based on first quarter SFY 2011-12 data. Data prior to FY 2010-11 is not available.

a. How is the Department measuring the specific goal/objective?
Administrative Review Division (ARD) data from the Assessment Evaluation will be utilized.

b. Is the Department meeting its objective, and if not, why?
The Department is not meeting the federal goal of 95%., but performance did improve between FY 2010-11 and the first quarter of FY 2011-12. The Department did not identify interim benchmarks for FY 2010-11 and FY 2011-12 and did not have data available prior to FY 2010-11, as this is a new measure.

Additional Background. The Department has been working to improve performance as part of its April 2011 Program Improvement Plan (PIP) negotiated with federal authorities pursuant to the 2009 federal Child and Family Services Review (CFSR) of the State.

Among the CFSR findings were:
- lack of consistency across review sites in the use of the "Colorado Assessment Continuum" (CAC) (Colorado is using the North Carolina Family Assessment Scale);
- lack of consistent safety and risk assessments throughout the life of the child's experience with the county;
- lack of documentation of safely and risk assessments in the Colorado Trails system; and
- lack of accountability of county departments in using the CAC.

One of the Department's three primary strategies for its PIP is to further strengthen and reinforce safety practices, including ensuring that assessments are completed according to state policy. Since the CFSR, the Department has been meeting with counties and providing additional training on CAC and has improved timeliness in completing assessments. Based on visits with counties, the Department determined that all counties were using the CAC, but there was confusion about the instructions for the protocol. Changes have been made to the instructions, and state staff monitor quarterly ARD reports for utilization of the CAC and timeliness of investigation reports.

c. How does the budget request advance the performance-based goal?
Staff believes the request is neutral to positive with respect to the goal. The budget request maintains funding for county child welfare services at a flat level, which requires restoring $12.5 million of General Fund that had been temporarily refinanced in prior years. As of FY 2010-11, both open child welfare assessments and open child welfare cases have declined, yet no related state funding reductions have been requested associated with this. However, it should also be noted that

no adjustments for inflation have been provided for multiple years, and total state funding for child welfare has declined since FY 2008-09.

Flat funding for FY 2012-13 is also requested for the lines items that fund the staff who monitor county child welfare programs.

Strategy: Involve families and youth in the Interagency Oversight Groups, which are the groups that oversee the Collaborative Management Programs (24-1.9 C.R.S) operating in some of the county departments. Family voice and choice in case planning is highly correlated with positive case outcomes.

Performance Measure: Decrease the average number of days per year (length of stay) a child (age 13-21 years of age) in care stays in out-of-home placement from FFY 2011-12 to FFY 2012-13.

Average Number of Days a Child Age 13-21 Stays in Out of Home Placement		
Year	**Benchmark**	**Actual**
FY 2007-08		217.9
FY 2008-09		224.3
FY 2009-10		225.1
FY 2010-11		229.9
FY 2011-12		n/a
FY 2012-13	212.8 (projected)	n/a

Fiscal year 2011-12 data is not yet available. Data for years prior to FY 2007-08 is not comparable.

a. How is the Department measuring the specific goal/objective?
Colorado Trails data gathered for the federal Adoption and Foster Care Analysis Reporting System (AFCARS) will be used for measuring this.

b. Is the Department meeting its objective, and if not, why?
Data for the last four years, including FY 2010-11, reflect an increase, rather than a decrease, in the average length of stay for children ages 13-21, indicating that the Department is not meeting its objective thus far. Whether the Department can reverse this trend will be more clear when FY 2011-12 and FY 2012-13 data are available.

Additional Background. The Department has been working to improve performance as part of its April 2011 Program Improvement Plan (PIP) negotiated with federal authorities pursuant to the 2009 federal Child and Family Services Review (CFSR) of the State.

Among the CFSR findings were:
- federal requirements were not met in the areas of achieving termination of parental rights, documentation of compelling reasons, permanency goal establishment, and adoptions;

- lack of accessibility and quality of some key services;
- a shortage of foster parents that creates challenges in placing children in placements well-matched to their needs;
- inconsistent efforts to maintain family connections;
- multiple and unstable placements; and
- inconsistent provision of independent living services for youth who were likely to transition from foster care to independent living.

Since the CFSR, the Department has taken a variety of steps to improve foster parent recruitment and retention, implemented the Relative Guardianship Assistance program in October 2009 to facilitate long-term placement of youth with relative guardians when a goal of reunification or adoption is no longer appropriate, sought to improve the quality and quantity of caseworker visits, and established a new system for tracking the services provided for older adolescents in out of home placement. Data collected indicate that the State has made improvements and parent and sibling visitation, preserving family connections, and relative placements, so that these items are now in substantial conformity with federal requirements.

Despite these steps, further action is needed. *One of the Department's three primary strategies for its PIP is to improve permanency and well-being outcomes by increasing access to consistent services irrespective of where in the State the children youth, and family live*. This includes: (1) increasing family involvement in case planning; (2) addressing the service array for children in out of home placement; and (3) reducing barriers to timely and appropriate permanency.

<u>Possible Reasons for Outcomes Trend</u>. Staff *suspects* that the reason for increases in length of stay despite the above efforts is two-fold:

1. As the total number of youth in out-of-home placement declines and youth with less severe needs remain in the family home, the needs of those remaining in placement are likely more serious. This is likely driving an increase in the average length of stay in placement.

2. The strategy described in the Department's new strategic plan--involving families and youth in the Interagency Oversight Groups for the Collaborative Management Programs--should help in addressing family involvement in case planning, improving the service array, and reducing barriers to placement. However, it is clearly only one of multiple steps that will need to be successfully implemented if child length of stay in placement is to be reduced. Department efforts are a work-in-progress.

c. How does the budget request advance the performance-based goal?
As described under the previous strategy, staff believes the budget request should have a neutral to positive impact on the this goal, as the request is for essentially flat funding for county child welfare services and department administration, despite declines in the number of child welfare assessments and open cases.

> ***Strategy: Collaboratively design, develop, implement, and evaluate a state and county-wide consensus-based child welfare best practice model by June 2015. The model***

will improve child and family outcomes. This strategy includes not only county input, but also other key stakeholder input, including other state agencies, service providers, children, families, etc.

Performance Measure: A compliance rate of 82.1% will be achieved for the CFSR (Child and Family Services Review) Safety Measure associated with protecting children and preventing removal or re-entry.

Compliance Rate on CFSR Safety Measure Associated with Protecting Children and Preventing Removal or Reentry		
Year	**Benchmark**	**Actual**
FY 2010-11		81.6%
FY 2011-12	80.0%	n/a
FY 2012-13	82.1% (projected)	n/a

*No actual data for FY 2011-12 nor data prior to FY 2010-11 is available.

a. How is the Department measuring the specific goal/objective?
Administrative Review Division data measuring protection of children and prevention of removal or re-entry.

b. Is the Department meeting its objective, and if not, why?
The Department's FY 2011-12 benchmark (lower than its FY 2010-11 actual) suggests that it expects FY 2011-12 performance to fall before any increase is achieved in FY 2012-13.

Additional Background. The Department has been working to improve performance as part of its April 2011 Program Improvement Plan (PIP) negotiated with federal authorities pursuant to the 2009 federal Child and Family Services Review (CFSR) of the State.

Among the CFSR findings were:
- The State's child welfare quality assurance process is not integrated into a larger quality assurance system and is focused primarily on the ten largest counties;
- children's education and mental health needs were not met;
- children's permanency goals were not established timely.

The first of the Department's three primary strategies for its PIP is to improve consistency in practice and performance on outcomes for children and families. Since the CFSR, the Department has been working to strengthen continuous quality improvement. It is engaged in what it describes as a two-pronged strategy that includes, in the near term, progressive incremental improvements in statewide performance and, concurrently, development and implementation of the "Colorado Practice Model", which is expected to shape the state's child welfare system and continuous quality improvement in the future.

Colorado Practice Model. Colorado was designated as a U.S. Department of Health and Human Services Mountains and Plains Child Welfare Implementation Center project site in November 2009.

The five-year award provides Colorado with sustained technical assistance resources to develop and implement systems reform. The Initiative is "an effort to develop a clear, consistent, and cohesive approach to practice and service delivery" throughout the State, phased in over three years. The State-level model was completed in October 2010, and describes the overall expectations for the child welfare system. This vision must then be fully operationalized in each county, including adoption of an effective continuous quality improvement system in every county.

Incremental Strategy and Improvements. In addition to progress on the Colorado Practice Model, changes have included: improvements to the system by which state reviews of cases, identifies problems, and ensures that any problems are adequately resolved by counties; and various steps by the state and counties to improve the integrity and timeliness of data entered into the Trails system. The State has significantly improved its performance in a number of areas, which have come into compliance with federal standards.

Outcomes Issues. While the Department has made progress on some measures, it has not improved on all. The implementation and evaluation of the Colorado Practice Model is a long-term project, and it would not be realistic to see immediate improvements. Nonetheless, as reflected in the Department's FY 2011-12 projection for this performance item, *there appears to be some evidence of worse performance in the last year on some statewide performance indicators.* As discussed at length in a later briefing issue, there have been significant declines in county support for child welfare services due to the recession, as well as a reduction in the overall child welfare population served. Either or both of these issues may play into near-term reductions in outcomes measure performance. However, variation among counties in funding, programs, and performance is too great to draw any firm conclusions.

c. How does the budget request advance the performance-based goal?
As described under the previous two strategies, staff believes the budget request should have a neutral to positive impact on the this goal, as the request is for essentially flat funding for county child welfare services and department administration, despite declines in the number of child welfare assessments and open cases.

3. **To assist the elderly and people with developmental disabilities to reach their maximum potential through increased independence, productivity and integration within the community.** (This goal and related performance measures will be covered as part of a separate issue brief.)

4. **To promote quality and effective behavioral health practices to strengthen the health, resiliency and recovery of Coloradans.** (This goal and related performance measures will be covered as part of a separate issue brief.)

5. **To develop and implement efficiency measures that maximize the resources of the Department and its partners.**

   Strategy: The Division of Child Care will analyze the cause for requests for Appeals/Waivers for stringency, and through training and rules reduction, reduce the *number of such requests by 5% annually. Appeal information will be collected quarterly and will be reviewed by the Appeal Panel and the Division's Management Team. The team will develop strategies, report out findings, and adhere to the Department's Rule Reduction Plan.*

Performance Measure: The total number of Appeals/Waivers requested will be reduced by 5% through rule change or rule reduction.

Number of Child Care Licensing Appeals/Waivers Requested		
Year	**Benchmark**	**Actual**
FY 2008-09		38
FY 2009-10		31
FY 2010-11		46
FY 2011-12	44	n/a
FY 2012-13	42	n/a

a. How is the Department measuring the specific goal/objective?
A quarterly review of the "Appeals/Waivers" will be established by the Division to determine the appropriate changes to meet the needs of the stakeholders. The Division will conduct an annual review to measure the 5% decrease in appeal/waiver requests through rule change or rule reduction.

Additional background. According to the Department's website and state department rule: "Any person who has applied for or been issued a certificate of license to operate a child care facility or child placement agency has the right to request a waiver of any rule or regulation which, in his/her opinion, works an undue hardship on the person, facility, or the community, or has been too stringently applied by a representative of the Department." The Department provides an appeal form and a "Request for Temporary Flexibility for Family Child Care Homes" form on its website. These are the appeals that staff presumes are being counted in this measure.

It appears to staff that there may be conflicting pressures with respect to child care licensing rules expansion and contraction. As reflected in this performance measure, the Department hopes to reduce the number of child care licensing appeals based both on training and rule reduction. Further, pursuant to Executive Order, the Department has been instructed to review and where feasible reduce rules that impose mandates on local governments and has been going through a rule review process to accomplish this. However, at the same time, the Division of Child Care is seeking to enhance the rules for licensed child care facilities (which are not, of course, local governments) so that a basic facility license would equate to a minimum "level I" child care quality standard.

Pursuant to Executive Order D 2011-005, directing state agencies to take specific steps to enhance relations with local government, the Department of Human Services has been reviewing and eliminating rules. According to the State Board of Human Services' Rule Reduction Review Repeals Timeline dated September 9, 2011, out of 472 child care rules, 23 are scheduled for repeal effective June 2012 and one was scheduled for repeal effective February 2012 pending hearings in late CY 2011 and early CY 2012.

However, it appears that while some rules may be eliminated, many others may be created. The Division distributed potential new rules for child care facilities in early CY 2011 and established a process for public discussion of them, with comments due mid-August 2011. In many respects these rules are more detailed and prescriptive than the prior version of the rules, consistent with the Division's desire to equate receipt of a child care license with a basic level of child care quality standard. Staff is uncertain how these new, potentially more detailed set of rules would intersect with changes described as rule reductions or repeals.

b. Is the Department meeting its objective, and if not, why?
Clearly in FY 2010-11, the Division saw a substantial increase--rather than decrease--in rules requested to be waived. Staff is uncertain whether a reduction in appeals is realistic for FY 2012-13 if the Department enhances, rather than reduces, licensing requirements.

c. How does the budget request advance the performance-based goal?
Staff believes the budget request should have a neutral impact on the this goal, as the request includes no significant increases or decreases related to child care licensing.

Other Staff Observations About Budget Request and Performance-based Goals

The Department notes that its new strategic plan was based on a statewide outreach effort to incorporate stakeholder, client, constituent, partner and employee input and ideas into its strategic plan. More than 258 people provided input through seven town meetings held throughout the State. In addition 47 partners and stakeholders provided written input, telephone interviews were conducted with more than 50 clients, 521 employees completed an online survey, and an additional 75 attended meetings to provide input.

This process has resulted in a list of strategic initiatives which are not fully reflected in the strategies and performance measures outlined. Some items related to the programs addressed in this briefing packet:

- An initiative to consolidate under the Department of Human Services of a number of existing early childhood services and funding streams. The consolidation will improve kindergarten readiness, third grade reading, prevention of child abuse and neglect, and treatment of early-identified problems.
- The Child Welfare Colorado Practice Model initiative, a data-driven continuous quality improvement effort that leverages best and promising practices through a county peer-to-peer relationship. The plan notes that the department will engage Casey Family Programs and the Annie E. Casey Foundation to further develop promising practices.
- Steps to right-size the Division of Youth Corrections to reflect both current and anticipated future demand.
- Development of an adolescent behavioral health continuum of care to help assure that youth have the best possible chances for succeeding once they reach adulthood.

Because many performance measures are new, the related historical data is very limited.

No performance measures were included related to the Division of Youth Corrections.

FY 2012-13 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
(Child Welfare, Child Care, Youth Corrections)

ISSUE: Treatment Services for Youth Involved in the Child Welfare and Youth Corrections Systems - Funding Streams, Financing Options, and a Coherent System of Care

This issue explores two related questions: (1) Can treatment services for youth involved in the child welfare and youth corrections systems be refinanced with Medicaid to reduce the burden on the General Fund? (2) Can refinancing be achieved without exacerbating fragmented funding and management of mental health services for troubled youth?

SUMMARY:

❑ In response to a legislative request for information, the Departments of Human Services and Health Care Policy and Financing have begun to examine whether certain youth corrections and child welfare services could be refinanced with Medicaid. Further work is still required.

❑ The current funding for mental health services for youth involved in the youth corrections and child welfare systems is already fragmented. This can create perverse financial and programmatic incentives. The Departments will need to ensure that any refinancing initiative does not exacerbate this situation.

RECOMMENDATION:

The Committee should request that the Departments of Health Care Policy and Human Services continue to investigate the potential and cost-implications of refinancing various child welfare and youth corrections services with Medicaid. Staff also recommends that the Committee ask the departments to revisit the optimal management and state oversight structure for Medicaid funds used to provide mental health treatment for youth involved in the child welfare and youth corrections systems and, if appropriate, to convene a workgroup with local representation to examine this.

DISCUSSION:

Introduction

Children and youth involved in the child welfare and youth corrections often have substantial mental health needs. The services and potential funding streams for meeting these needs are diverse. This briefing issue addresses two related issues:

- The joint responses of the Departments of Health Care Policy and Human Services to a legislative request for information (Multiple Department LRFI #2) on the feasibility of refinancing certain child welfare and youth corrections program costs with Medicaid.

- A broader discussion of the management and incentive structure for Medicaid funding used to support youth corrections and child welfare programming.

For background, it is important to note the current major sources for treatment dollars for children and youth.

- **Medicaid funds managed by the Behavioral Health Organizations (BHOs) pursuant to capitated contracts**. As the Committee is aware, the BHOs receive fixed amounts per Medicaid-eligible person per month (with amounts varying by region and by category of Medicaid-eligible person). In return, they are required to provide all medically necessary mental health services for Medicaid-enrollees in their catchment area, pursuant to the specific provisions of their contract with the State. The vast majority of treatment dollars for children and youth is incorporated in the BHO contracts. In FY 2011-12, a total of $43.2 million is provided through the capitated contracts to provide mental health services an eligible population of 18,879 children in foster care ($2,289 per eligible per year). An additional $63.0 million is provided through the capitated contracts to provide Medicaid mental health services for an eligible population of 316,392 low-income children ($199 per eligible per year). In addition, some youth corrections and child welfare Medicaid costs, as well as selected other Medicaid mental health and alcohol and drug treatment dollars are "carved out" of BHO contracts.[1]

- **Child welfare county block allocations managed by the 64 counties**. The $380 million in child welfare block allocations to counties incorporates funding for residential placements, treatment, and county administration. This consists primarily of non-Medicaid funds. However, it does include $14.3 million in Medicaid funds for the mental health treatment component for children placed in residential facilities or supported by the Children's Habilitation Residential Program (CHRP) waiver for children in foster care who have developmental disabilities. The use of these Medicaid dollars for qualified programs is directed by county decisions, rather than BHO decisions.

- **Youth corrections funds managed by the Department's Division of Youth Corrections for residential placements**. This $113 million budget consists primarily of non-Medicaid, General Fund dollars used for residential placement, treatment, and state administration of services for committed youth. It does include $1.3 million Medicaid funds for the mental health treatment component for children placed in community-based residential facilities. While most dollars are centrally-managed by the State, S.B. 91-94, including some funds for treatment, are channeled through **judicial districts**, as are youth probation dollars from the Judicial Department.[2]

Department Responses to Multiple-Department Legislative Request for Information #2
In light of longstanding concerns about whether federal funding was being maximized, the Joint Budget Committee agreed to a staff recommendation to include the following request in the letter to the Governor requesting information.

> Department of Health Care Policy and Financing, Executive Director's Office; and Department of Human Services, Division of Child Welfare and Division of Youth Corrections -- The Departments are requested to submit a report by November 1, 2011on the feasibility of refinancing multi-systemic therapy, functional family therapy, and similar intensive, evidence-based therapies that support family preservation and reunification for youth involved in the child welfare and youth corrections systems. The report is specifically requested to examine whether related General Fund expenditures could be refinanced with Medicaid funds for

---

[1]Some non-Medicaid mental health dollars are also managed by 17 community mental health centers. and some non-Medicaid alcohol and drug treatment dollars are managed by the five managed service organizations.

[2] Some youth diversion dollars flow through the Department of Public Health and Environment.

qualifying youth and families and whether this could be done in a manner that would not drive an overall increase in Medicaid costs.

The two departments responded with the results of their research to-date on this issue, noting that additional research was still required. The Departments identified several program areas that might be refinanced through Medicaid. However, determining cost neutrality and resolving issues with these refinancing strategies requires more in-depth research. *Staff appreciates the Departments' efforts to provide a serious response to the Committee's question.* While it is clear that additional research is needed, staff believes the Departments have made headway in examining key issues and believes that a renewed focus from both departments on these issues may offer long term financial benefits. The following summarizes key findings from the Departments' research.

Enrollment in Medicaid Services. As a result of exploring this issue, the Departments identified a limited number of unusual circumstances in which Medicaid-eligible youth are not being enrolled in Medicaid. Both Departments intend to pursue this issue further.

Functional Family Therapy/Multi Systemic Therapy. As described in the response, Functional Family Therapy (FFT) applies family intervention for at-risk youth of ages 10 to 18 whose problems range from acting out to conduct disorders to alcohol and/or substance abuse. The program has been replicated across juvenile justice, mental health settings, child welfare systems, prevention and diversion programs, aftercare and parole, and other settings. Typical positive outcomes include significant and long-term reduction in re-offending and violent behavior and reduced sibling entry into high-risk behaviors, among others. Multi-systemic therapy (MST) encompasses much of the FFT processes but goes beyond to focus on the youth's entire environment including families, schools, teachers, neighborhoods, and friends.

- The Departments determined that there are circumstances when FFT and MST treatments could be Medicaid reimbursed. *The Departments found that some states use Medicaid funding for MST using claims codes that have not been implemented in Colorado*. However, they are not certain whether these codes could be implemented in Colorado. Both departments are attempting to determine whether it would be feasible or desirable to fund these services through Medicaid. If so, the Departments would need to determine criteria for funding the services, how to deliver them if Medicaid funded and how to implement the changes.

- Determining whether adding this service could be done in a manner that would be cost neutral presents significant challenges. The Departments will need to engage in substantial research to determine the likely penetration rate for the services if they were added as a state-plan component. An outside contractor might be needed to assist with forecasting demand. If adding these services is ultimately determined to be desirable, federal approval and a Medicaid state plan change would then be necessary. *The entire process would likely take more than one year*.

- The Departments noted that *funding these services with Medicaid will likely be more advisable if a significant number of children's services providers are also Medicaid providers. Based on preliminary research, the Departments have found that most providers for FFT and MST services are Medicaid Behavioral Health Organizations (BHOs) or specialty clinics that subcontract with BHOs*. However, they also note that not all BHOs have qualified providers. They also note that if a provider is not or is not willing to become a Medicaid provider, it could require a child to shift providers, which could be disruptive.

Child Welfare Core Services. The Departments are researching all the child welfare core services to determine which ones could be covered by Medicaid. The Departments note that federal Medicaid rules prevent the State from funding any single service both from Medicaid and from other federal grant funds. As some core services are currently being funded through the TANF block grant, the departments must determine which services are most appropriately funded by Medicaid and which by General Fund, local funds, and TANF funds.

The departments note that there may be other General Fund services that could be shifted to Medicaid. If some services are shifted under the Medicaid umbrella, there would likely be legislative changes, programming changes, and some costs involved.

In response to staff questions, the Departments provided additional information on some of the core services issues and related cost implications. Overall, these responses underlined:

- Data gaps and inconsistencies regarding which children receiving child welfare "core services" are actually enrolled in Medicaid or should be enrolled in Medicaid or the Children's Basic Health Plan based on income and other factors.

- The variability among BHOs with respect to what mental health services are offered for children and the need for further investigation regarding how some of the core services actually provided align with mandated Medicaid services.

- The fact that counties sometimes *choose* to use General Fund and county dollars for services that should be eligible for Medicaid for reasons that range from services not being available through the BHO to dissatisfaction with the services offered, to a desire to maintain continuity of services for children who may have become Medicaid eligible after treatment had begun.

The Department of Human Services reported that $2.8 million of $8.6 million in mental health/substance abuse core services was paid for clients known to be Medicaid eligible. However, based on initial data reviewed, there appears to be inconsistency between the Department of Human Services' reports regarding which children receiving services are Medicaid eligible and which children or not. The Department of Human Services data indicated that *35 percent* of 2,866 children enrolled in core services were Medicaid eligible, while Department of Health Care Policy and Financing reported that *64 percent* were either enrolled in Medicaid or the Children's Basic Health Plan, with most of these on Medicaid.

Youth Corrections Services. The Department's research focused on youth who are on parole and youth who participate in Senate Bill 91-94 services, as Medicaid regulations prohibit Medicaid funding for anyone who is "incarcerated". Among the key findings:

- *It may be possible to treat youthful sex offenders in a community setting with Medicaid funding under the MST program*. In the states that fund MST through Medicaid, juvenile sex offender treatment is typically included. Currently the diagnosis codes associated with sex offenses are not covered under the BHO contracts. One mental health center actually has a direct contract with the Division of Youth Corrections for an offender-specific treatment program, but this is not being covered by Medicaid.

- The Departments also believe *there may be a potential for refinancing related to Senate Bill 91-94 funding that provides community alternatives to institutionalizing of youth* (both pre- or post-adjudication). These programs are funded through the Division of Youth Corrections but managed by the Colorado judicial districts. At present, the Department of Health Care Policy and Financing receives no funding for any programs related to the judicial districts and consequently does not have an ongoing working relationship with them. According to the Departments, it is possible that a fairly high percentage of youth in the S.B. 91-94 and youth or parole may be Medicaid eligible and already enrolled in Medicaid. However, additional time and funding would be required for a formal study on existing and potential Medicaid enrollment as well as to examine whether there are willing, able, and available Medicaid service providers for these services.

- Shifting MST or any other program funding to Medicaid for either youth corrections or child welfare present certain common problems.

    - Further study, and possibly additional funding, may be needed to retain a contractor to examine cost-implications and what changes would be cost-neutral.
    - If a service is added to the Medicaid State Plan, it may become available to more youth than those currently being served in the child welfare and youth corrections systems, making cost-neutrality difficult.
    - Providing more services through Medicaid may require expansion or modification of provider networks. If a contractor currently providing a service is unwilling to accept Medicaid (e.g., because the rate is lower than the amount currently being paid) services could be disrupted.
    - Changes to the Colorado Trails, Colorado Benefits Management, and Medicaid Management Information Systems may be necessary.

Next Steps. The Departments provided the following list of next steps.

- The Departments will work to ensure federal compliance by applying for Medicaid State Plan amendment(s) as needed.
- The Departments will work to amend State Medicaid Rules as needed.
- The Departments will work to identify the number of children and youth who are receiving the services described in this response and determine which ones are not already receiving Medicaid but who should be prescreened for Medicaid enrollment.
- The Departments will review and revise the BHO contracts as needed, to include diagnosis codes, treatment services, and quality measures required. The BHOs might object to changes in their contracts, but any objections will be addressed.
- The Departments will research available providers in the geographic areas of the state to determine where scarcity of qualified providers exists.
- The Departments will reach out to qualified providers to ask them to enroll or to contract with a BHO if they are agreeable to do so.
- The Departments will identify current costs for services and projected costs for services to be refinanced by Medicaid.
- The Departments will compare rates paid to service providers by DHS to rates paid by HCPF to service providers to identify any need for adjustments.
- The Departments will identify administrative costs and computer system costs to determine how much offsets need to be for cost neutrality.

- The Departments will sum all projected costs to verify cost neutrality has been achieved.
- The Departments will pursue any other issues that arise as a result of the above mentioned steps.

Management and Incentive Structure for Medicaid Funding for Youth Receiving Youth Corrections and Child Welfare Services

If the Departments of Human Services and Health Care Policy and Financing are going to examine whether additional expenditures can be refinanced with Medicaid, it is also important that they take a renewed look at the overall governance and management structure for Medicaid services that support child welfare and youth corrections. Staff does not believe that additional services should be carved into BHO contracts without establishing management systems and safeguards to ensure services needed by youth in the child welfare and youth corrections systems remain available when needed.

As previously noted, children and youth involved in the child welfare and youth corrections often have substantial mental health needs, and the potential funding streams for meeting these needs are diverse. The table below describes how financial responsibility for treatment of a child in the care of a county department or the Division of Youth Corrections changes, depending upon the severity of the child's needs. *Youth Corrections has been blended with counties in the table below because adolescents with similar profiles are served in both systems and often in the same community-based residential facilities.*

Financial Responsibility for Mental Health Services for Child in the Child Welfare and Youth Corrections Systems from Most- to Least-intensive/restrictive Type of Placement	
Type of Placement	**Financial Responsibility**
Psychiatric hospitalization (mental health institutes or private)	100% Medicaid - **Medicaid MH capitation (BHOs)**.
Psychiatric residential treatment facility (PRTF)	Youth Corrections or Child Welfare. 100% Medicaid - County capped child welfare allocations or youth corrections General Fund matches federal funds. **Based on DYC/county placement decisions; not part of MH capitation.** Used very little if at all by counties and DYC.
Youth Corrections Secure Facility	Committed youth only. 100% General Fund for any treatment services; **DYC makes treatment decisions.**
Therapeutic residential child care facility (TRCCF)	Youth Corrections or Child Welfare. Youth Corrections General Fund (for committed youth) or County capped child welfare allocations (for youth in county child welfare custody) + Medicaid for treatment portion of services. **Based on DYC/county placement decisions; not part of MH capitation.**
Residential child care facility	Youth Corrections or Child Welfare. Youth Corrections General Fund (for committed youth) or County capped child welfare allocations (for youth in county child welfare custody). In theory, youth in these placements do not need mental health services. If services are accessed, it is either through mental health capitation (the BHO) or included in the facility's regular daily rate.
Foster care placement	Child welfare only. County capped child welfare allocations. If mental health services are accessed, services paid through **MH capitation (BHOs) AND/OR through county capped child welfare allocations.**

Child/youth's family home	Child welfare or youth on parole or probation. For child welfare, **county capped child welfare allocations AND/OR MH capitation (BHOs) IF the child's family is eligible for Medicaid** and the particular type of treatment provided is deemed medically necessary and is a type of service the BHO offers. **For youth on parole, probation, or diversion, parole board/courts make decisions. Multiple potential funding sources** including MH capitation if youth qualifies. However, often General Fund is used.

As can be seen in the chart, **responsibility shifts back and forth.** A youth with severe mental health needs and significant behavioral problems might:

- Be covered by the BHO for inpatient hospitalization.
- If the youth were deemed "beyond parental control" s/he might be placed by a county in a residential facility funded out of the county child welfare block allocation.
- If behavior continued to be a problem, the same youth might be committed to the Division of Youth Corrections, where services might end up covered by General Fund appropriations.
- Or, if the youth improved, rather than going to DYC, s/he might return home where s/he might receive services provided by the BHO or by the county department of social services or might be served by another source of funding (e.g., S.B. 91-94 or probation service dollars).

Because these funding streams fall under the responsibility of separate entities, each with its own set of incentives and legal guidelines, the result can be services which are:

(1) less than ideal for the child to be served; and/or
(2) less than ideal from a state budget perspective.

Movement between Placements. When children and adolescents are placed in the child and adolescent beds at the state mental health institute at Pueblo or in other hospital placements, the BHOs generally cover the associated costs, because the associated Medicaid amounts were "carved in" to the mental health capitation program when capitation was first created. However, when a child or adolescent who is otherwise in an out of home placement is discharged from the institutes or another hospital, the costs of their residential care become part of the responsibility of the county. Thus, BHOs have a financial incentive to limit admission for hospitalization services and limit their duration (either at the institute child/adolescent beds or to private facilities), while counties have a financial incentive to use hospitalization services (and slow discharge) in lieu of the next step down (psychiatric residential treatment facilities) for which the counties are entirely financially responsible. While all parties presumably believe that children should be in the least intensive placement appropriate to their needs, financial considerations may color the positions that the various agencies take. **Arguments over financial responsibility may distract from a more appropriate focus on the individual child's needs**.

Quality of Care/Integration of Mental Health Services. As reflected in the chart above, children in the child welfare system who are in any but the most intensive levels of treatment (hospitalization or PRTF) may have their mental health needs met through capped allocations, through capped allocations matched by federal Medicaid dollars, or by the Medicaid mental health capitation program. In some cases, counties and residential providers have developed close relationships with their local behavioral health organization and are thus able to integrate appropriate mental health services into their overall package of child welfare services relatively seamlessly. In other cases, relationships between the counties and the BHOs are so poor that, in order to ensure that children and their families receive at least a bare minimum of appropriate services, counties may use other sources of funds to provide appropriate, integrated mental health services–even when the mental health capitation program is theoretically financially responsible for the associated costs. **In extreme situations, both counties and BHOs may be interested in "offloading" youth with significant mental health needs into the youth corrections system where neither is financial responsible.**

Recent Example: Mental health placement options for children in county custody. Staff visited a therapeutic residential treatment programs which complained about an increase in the severity of mental health needs of children in placement due to the closure of local hospitalization and intensive alternative treatment options. Nearby, a newly-opened intensive short-term mental health treatment program was *not* accepting any placements from county social services departments but only those referred directly from emergency rooms and authorized by BHOs. Based on past experience, staff imagines counties would be eager to use this new facility if costs were covered by the BHOs--while the capitated BHOs, which support placements at the facility, would be worried about counties placing children inappropriately or leaving them too long in the facility. The apparent result--at least at the time of staff's visit--was that the new facility had very few placements while other residential facilities asserted that they had children in placement with mental health needs they considered extreme.

From the perspective of youth in foster care who may need certain kinds of treatment, it is troubling that some appropriate treatment services may not be available to them through the BHOs. From a state budget perspective, it is also troubling. Both county and Medicaid mental health funding is capped. However, many treatment services paid out of a county budget will be covered with 100 percent General Fund and county funds. If those same services were being paid through Medicaid, half of the funding would be federal. Thus, at least in theory, if Medicaid were accessed as it should be, there would be additional resources available to meet other needs.

Recent Example: Youth Corrections placement for youth with mental illness. Staff observed a team placement meeting regarding an older youth with severe biologically-based mental health diagnosis who had committed violent acts when off his medications. Staff observed the collaborative placement team concur that the youth's problems were caused by mental illness but, after noting that the youth had not been able to gain admittance to Medicaid-funded residential treatment due to his violent history, the team decided that a DYC commitment placement would be the best solution for the youth. **All members of the group expressed regret about sending a youth to DYC due to mental illness but saw no other good placement option**.

While any given situation is unique, for a number of years, staff has heard concerns from Division of Youth Corrections personnel that their services are considered "so good" that in some cases judges will commit a youth to the Division to ensure that they receive appropriate treatment. Staff has also heard from providers serving DYC and child welfare youth that in some cases the "solution" to placement for a difficult, violent youth in the child welfare system is to have the youth committed to DYC. Finally, staff has heard frustration expressed by people involved in collaborative placement decisions about how frequently youth are sent to DYC due to inability to access adequate mental health services in the community (one informant estimated twice per month at one location).

From the perspective of the youth's future, it is concerning to see a commitment based on mental illness. It is also troubling from a budget perspective. While the treatment component of a therapeutic residential child care placement is covered by Medicaid, the vast majority of placement and treatment costs for youth in the custody of the Division are covered by 100 percent General Fund. In contrast, if residential or wrap-around services had been provided through the BHO, funding would have originated as a 50/50 General Fund/federal funds split--and amounts would already have been paid through the capitated system, rather than increasing the burden on the General Fund.

Efforts to Address the Problem of Multiple Funding Streams at the Local Level
H.B. 04-1451 Collaboratives. The State has long been aware of the problems created by multiple funding streams, and various steps have been put in place to help address the difficulty. One notable example is the Collaborative Management Incentive Programs created through H.B. 04-1451. The collaboratives are designed to bring together local representatives from multiple systems, as well as the child and his/her family, to jointly decide on placements for children with multi-system needs and involvement. The H.B. 1451 collaboratives, along with other regional initiatives, as have made significant progress in promoting cross-system collaboration at the local level.

Juvenile Assessment Centers. Another fine example of productive local collaboration is Juvenile Assessment Centers (JACs) that now exist in several judicial districts. Youth who have been picked up by the police (or whose family's bring them in) can undergo assessment and often access an array of co-located services at the centers. Services are supported by multiple agencies and funding streams.

Other Entities Examining these Issues. The Colorado Behavioral Health Task Force, originally created by HJR 07-1050, has examined, and continues to examine, options for creating a more coherent mental health system.[3] The Colorado Commission on Criminal and Juvenile Justice's Juvenile Task Force is currently looking at revisioning services for youth to provide a youth-centered system of care for troubled youth that incorporates multiple systems. A grant supported by a Department of Public Health and Environment and the Department of Human Services also promotes the development of coherent "systems of care" for youth involved in multiple systems and has published a guide on "blending and braiding" of funding streams including (among others) Temporary Assistance for Needy Families, H.B. 04-1451 Collaborative Management dollars, Core Services and other child welfare dollars, Medicaid Early Periodic Screening Diagnosis and Referral, and Community Services Block Grant dollars, among others.[4]

Next Steps
The Joint Budget Committee has already asked the Departments of Human Services and Health Care Policy and Financing to look at whether some services currently being funded by the General Fund could be supported by Medicaid. This process requires further work, to which the Departments appear committed. However, as part of this process, staff would also encourage the Departments to carefully consider how any Medicaid funding used to support child welfare services will be managed and what options may exist for ensuring a more "effective, efficient, and elegant" system of care for children and youth with multi-system involvement.

An **optimal system for youth <u>and</u> the State budget will focus on providing services early, preferably before a child is ever placed outside the home, and will align financial incentives so that all systems that might be involved in treating families and children have a consistent focus on serving and treating children in the family home and limiting use of out of home placement.** This is difficult to do given the current system. Further, if more services and dollars currently managed by counties and the Division of Youth Corrections are shifted to BHO control, there is risk of further mis-alignment of incentives. Specifically, a BHO may be less focused than a county or the Division of Youth Corrections in getting a child out of "the system" as quickly as possible--just as counties and DYC may have less incentive for getting a child/youth out of inpatient hospitalization as quickly as possible.

[3]Colorado HJR 07-1050 Behavioral Health Task Force Report, January 2008

[4]Centers for Systems Integration, "Colorado Guide 1: Blending and Braiding", January 2011

There are no easy answers to this complex problem. However, staff believes there is a significant renewed interest from the Executive in looking at current systems of care across departments, and staff would like to see this interest extended to how the State serves youth who already involved in child welfare or youth corrections systems--or who are at risk of this. It may be that more (or fewer) service components should be carved in or out of Medicaid mental health capitation.

At a minimum, staff believes there should be better mechanism for joint oversight by HCPF and DHS of the services provided for youth with multi-system involvement to ensure that local systems both provide high quality services-- and ensure state dollars are used as efficiently as possible. For example, *one option might be a state-level appeals board with high level representation from both departments* that could:

- review complaints and make final decisions regarding placement options and payment-sources for youth with multi-system involvement; and
- conduct systematic review of the kinds of placement decisions emerging from individual H.B. 04-1451 collaboratives and areas where collaboratives don't exist to understand what these placement decisions reveal about "holes" in the system of care.

Further research and discussion would the Departments would be needed to determine what such a body might look like and whether statutory change would be necessary or appropriate.

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Divisions of Child Welfare, Child Care, Youth Corrections)

BRIEFING ISSUE

ISSUE: The Child Welfare Funding Request

The Department's overall request for the Division of Child Welfare reflects very little change in total funding, but a $12.5 million increase in General Fund, due to the end of a temporary child welfare refinance. The request does not include any adjustments related to population served, inflation, or federal funding available. The availability of federal funds could have a significant impact on the FY 2012-13 child welfare budget.

SUMMARY:

- ❑ Colorado serves abused and neglected children through a state-supervised, county-administered system. Counties assume legal responsibility for protecting children. They investigate allegations of abuse and neglect, provide services in the family home, and seek court authority to remove children from the home if necessary.

- ❑ Counties are also responsible for managing capped funding provided by the State and covering additional costs if needed. However, the State is legally responsible for supervising counties and is responsible to federal authorities for ensuring appropriate services for abused and neglected children.

- ❑ The Department's request is for virtually flat funding for child welfare services, with a larger share of the total covered by the General Fund. Additional changes may be needed in response to federal funds available. The General Assembly will have discretion to decide whether a higher or lower funding level is appropriate, taking into consideration legal obligations and service and expenditure trends.

DISCUSSION:

Background - the Role of the State and Counties in Child Welfare Services. 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.

The State Division of Child Welfare has 57.0 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

Counties deliver direct services, 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. Pursuant to Title 19 of the Colorado Revised Statutes, counties are assigned legal responsibility for children found dependent and neglected.

As part of its oversight role, the State oversees the distribution of *capped allocations* to counties to enable them to fulfill their statutory obligations. *The total capped allocation amount is based on a discretionary decision by the General Assembly*. However, *counties* must ensure that they meet their statutory obligations, spending additional funds if necessary. Further, the *State* must ensure that it meets its legal obligations to *federal authorities* to ensure appropriate services for abused and neglected children in all counties of the State.

Background - The role of the Federal Government in Child Welfare Funding and Oversight. In FY 2011-12, $131 million (33 percent) of Division's budget originates as federal funds. As a condition for receipt of these 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). Through ASFA and related pieces of federal legislation, the federal government has assumed a significant role in overseeing the work of states and holding states accountable for improving child welfare outcomes in return for federal financial support.

The ASFA 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. ASFA made significant changes to the federal Title IV-E program, attempting to streamline placement with changes that included

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). Provisions support relative care-giving, improved outcomes for children in foster care, tribal foster care adoption access, and improved incentives for adoption.

Child and Family Services Improvements and Innovation Act (2011). Reauthorizes Title IV-B of the Social Security Act and allows States to again apply for Title IV-E waivers. Also extends the court improvement Program and requires more standardization of data collected from states.

clarifying what comprised "reasonable efforts" to prevent out-of-home placement.

One of the key principles of ASFA was a focus on results. The law 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. This was the beginning of what is now known as the Child and Family Services Reviews (CFSRs).

In early 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 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, now known as CFSRs, 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. Colorado has completed two reviews since the program's inception: one in 2002 and one in 2009. The federal government is now preparing for a third round of reviews. As for other states, both of Colorado's first two CFSRs resulted in "Program Improvement Plans". *If states fail to comply with their Program Improvement Plans, they are subject to fiscal sanction from federal authorities.*

Division of Child Welfare Appropriations and Services. Appropriations for child welfare programs for FY 2011-12 ($401.6 million) consist of $198.6 million (49.4 percent "net" General Fund (including Medicaid General Fund, 32.8 percent federal funds (including Medicaid federal funds), and 17.7 percent county funds and various cash fund sources.

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, with the exception of training staff that support on-the-job training in counties.

The vast majority of the appropriation for the Division of Child Welfare (97 percent) is allocated to counties. This includes amounts in the $334.8 million Child Welfare Services line item which counties may spend flexibly for a wide array of child welfare services, $44.8 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.

The chart below demonstrates the basic types of services provided by counties and the number of children served in FY 2010-11.

FY 2010-11 Child Welfare Referrals Received (Reports of Abuse/Neglect): 80,094 [families]

Children in Open Investigations: 60,791 [children]

Children in Open Child Welfare Cases: 39,403
Of these:

Served in Own Home: 17,001

Out of Home Placement: 11,246
Of these:

Adopted, receiving subsidies due to special needs: 11,156

In Foster/Group Homes: 53%

Kinship/Independent Living: 32%

Residential Facility: 15%

As discussed further in the next issue, over time, the mix of services and related expenditures in counties have changed.

FY 2012-13 Budget Request. The FY 2012-13 budget request is for largely flat total funding, as reflected in the chart below.

Division of Child Welfare FY 2012-13 Request - November 1, 2011							
	Total	**GF**	**CF**	**RF**	**FF**	**"Net" GF**	**FTE**
FY 2011-12 Appropriation	**$401,595,378**	**$191,356,886**	**$71,244,644**	**$14,459,476**	**$124,534,372**	**$198,586,624**	**57.0**
Annualize PERA and FY10-11 Operating Reduction	105,279	78,503	0	3,367	23,409	80,187	0.0
Annualize Refinance of Child Welfare Services with TANF	0	12,500,000	0	0	(12,500,000)	12,500,000	0.0
Annualize Leap Year Funding	(492,709)	(297,338)	(74,334)	(35,266)	(85,771)	(314,971)	0.0
FY 2012-13 Request	**$401,207,948**	**$203,638,051**	**$71,170,310**	**$14,427,577**	**$111,972,010**	**$210,851,840**	**57.0**
Percent change	*(0.1)%*	*6.4%*	*(0.1)%*	*(0.2)%*	*(10.1)%*	*6.2%*	*0.0%*

As shown, the most substantial change proposed is toRestore $12.5 million General Fund to reverse a temporary refinance of General Fund with Temporary Assistance for Needy Families dollars that occurred in FY 2009-10, FY 2010-11 and FY 2011-12. The federal funds were available for several years due to the American Recovery and Reinvestment Act, but these were one-time dollars, and it was always recognized that this adjustment would not extend past FY 2011-12.

The November 1 request does <u>not</u> include adjustments related to inflation, population, caseload, or federal revenue changes. **For FY 2012-13, some of the biggest questions facing Child Welfare funding involve federal funds.**

Federal funds include a mix of block grants, open-ended entitlements, and grant funds, as reflected in the table below. Under Title IV-E, which constitutes the majority of federal funding, the state typically receives 50 percent federal reimbursement for qualifying child welfare expenditures for low-income children in the child welfare system. Funding questions include:

(1) Congressional decisions related to reauthorization/ongoing funding level for the Temporary Assistance for Needy Families program and potential that the Supplemental Temporary Assistance for Needy Families Grant is gone for good effective FY 2011-12 (loss of $13.6 million to the State, with potential implications for all programs supported by TANF);

(2) Impact of the work of the Congressional "super-committee" and its apparent failure to reach agreement, leading to potential sequestration of some federal funds in FY 2012-13.

(3) Updated revenue projections for the Title IV-E program (reviewed in a separate issue).

Child Welfare Division - Federal Funds Appropriations and Issues	
FY 2011-12 Appropriation	**Federal Funds**
Title IV-E of the Social Security Act (open-ended entitlement)	$69,396,056
Title XX (Social Services Block Grant)	23,546,029
Temporary Assistance for Needy Families (TANF) Block Grant	23,500,000
Title IV-B of the Social Security Act (typically fixed, stable)	7,360,557
Child Abuse Prevention and Treatment Act Grant (typically fixed, stable)	431,730
Medicaid federal funds (reappropriated funds in DHS; open-ended entitlement)	7,229,738
Total	**$131,464,110**
Potential Changes for FY 2012-13	**Federal Funds**
Requested reduction in TANF/ matched by increase in General Fund, so net total funds impact $0	($12,500,000)
Balance of TANF funding (possible elimination of $13.6 million TANF Supplemental Grant beginning FY 2011-12 could be applied here if desired, resulting in a 2.7% reduction in the total child welfare budget if not backfilled)	up to ($11,000,000)
Rough Estimate: Potential reductions due to Congressional sequestration (assume half-year 10% cut SFY 2012-13): Title XX, Title IV-B, CAPTA; doubles in FY 2013-14 [assumes no Congressional legislative changes and therefore sequestration effective January 2013]	($1,581,916)
Impact of Title IV-E Revenue Trends	Uncertain

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Divisions of Child Welfare, Child Care, Youth Corrections)

BRIEFING ISSUE

ISSUE: County Child Welfare Allocation, Expenditure, and Workload Trends

County expenditures for child welfare services have fallen sharply since FY 2008-09. This decline has been much steeper than the decline in state child welfare funding and corresponds to reductions in the number of children in open child welfare cases, the number of out of home placements, and other key expense-drivers. It is not clear whether these trends are driving worse outcomes for kids.

SUMMARY:

❑ County child welfare expenditures fell by $27.5 million (6.9 percent) from FY 2008-09 to FY 2010-11. Over this same period, state child welfare allocations fell $10.9 million (2.8 percent) and will decline an additional 1.1 percent for FY 2011-12.

❑ The decline in expenditures corresponds with declines in the number of child welfare assessments (investigations of abuse or neglect), the numbers of cases opened, and the use of out of home placements. Child welfare open involvements fell by 6.0 percent from FY 2008-09 to FY 2010-11.

❑ There is some evidence that these trends may be driving worse outcomes for kids; however, it is far from conclusive.

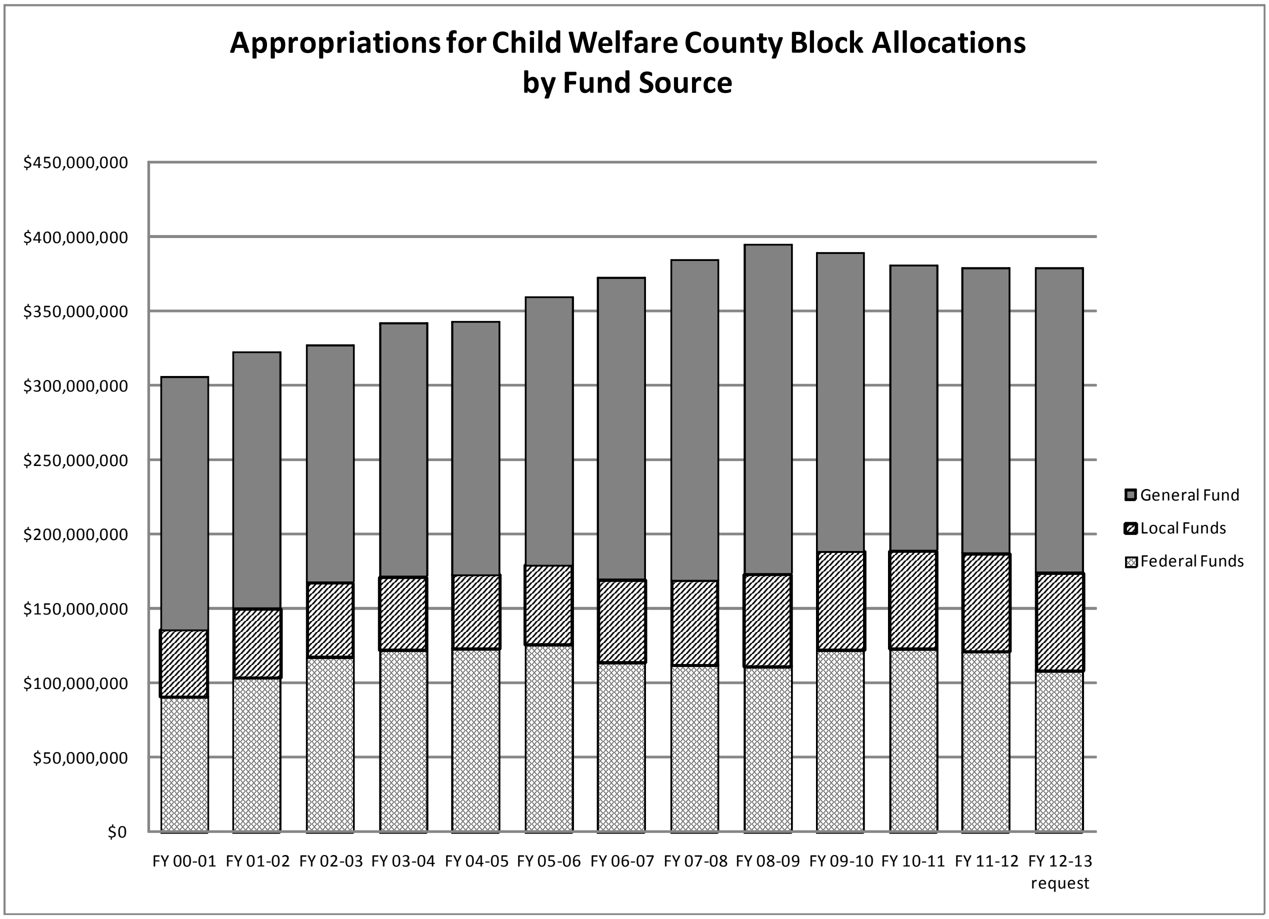
County allocations and financial responsibility. The vast majority of the appropriation for child welfare services (97 percent) is allocated to counties as "capped allocations" pursuant to 26-6-104, C.R.S. Capped allocations incorporate a required county share of expenditures (20 percent for most costs). 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.

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.[1] For most of this decade, the Child Welfare Allocations Committee used an "optimization model" to allocate capped allocations among counties. The model is designed to apply "squeezes" to funding for county practice that is outside a range determined by practitioners to be acceptable. Use of the

[1]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.

model was suspended in FY 2007-08 due to a variety of concerns and funding was allocated in similar proportions to FY 2006-07 for FY 2007-08 through FY 2010-11. The model is being used again in FY 2011-12 and is expected to be used in FY 2012-13.

Total county allocations for child welfare services increased through FY 2008-09, but have been reduced in the last four years. Over this period, the county responsibility for allocations has also increased from 14.6 percent to the current 17.4 percent of the total.

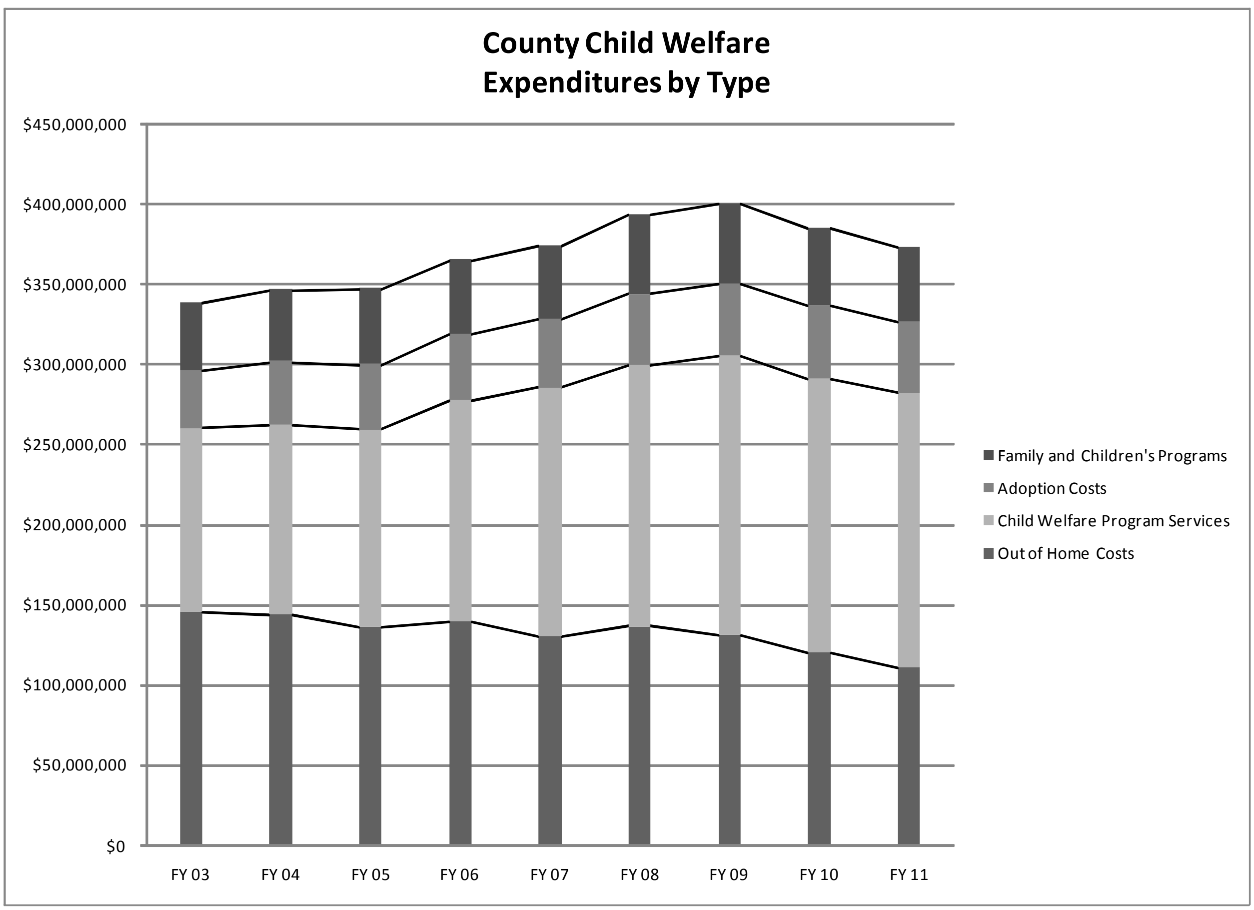


Counties have historically spent--in total--more than the annual block allocation, although this has always reflected a combination of over- and under-expenditures by individual counties. However, *for the first time ever, in FY 2010-11, counties, in net, under expended the child welfare allocation.* Net county expenditures above and below the required county share are reflected in the table below for the last six years. Even in FY 2010-11, some counties over-expended, while others under-expended. The only funds *reverted* were the federal portion of Medicaid funds in instances when counties used non-Medicaid services instead.

Appropriations for Child Welfare Allocations to Counties and County Over- and Under -expenditures						
	FY 05-06	**FY 06-07**	**FY 07-08**	**FY 08-09**	**FY 09-10**	**FY 10-11**
County Block Allocations* ($ millions)	$359.3	$370.4	$384.9	$394.9	$389.4	$384.0
Percent Change	*0.0%*	*3.1%*	*3.9%*	*2.6%*	*-1.4%*	*-1.4%*
County Expenditures In Excess/(Under) Capped Allocations ($ millions)	$14.2	$12.2	$20.4	$16.6	$12.8	($1.6)
Over/(Under) Expenditure as Percent of Capped Allocations	*4.0%*	*3.3%*	*5.3%*	*4.2%*	*3.3%*	*-0.4%*

*Includes appropriations in the Child Welfare Services and Family and Children's Programs line items.

County Expenditure Trends for Child Welfare. Counties have reduced expenditures more sharply than the state has reduced child welfare allocations, as suggested by the change from an over- to an under-expenditure of the child welfare allocation. As reflected in the chart below, *this decline has been driven almost entirely be a decline in county expenditures for out-of-home placements*. Meanwhile, expenditures for child welfare program services (primarily county administrative costs) have been relatively flat for the last three years, after increasing sharply through FY 2008-09.



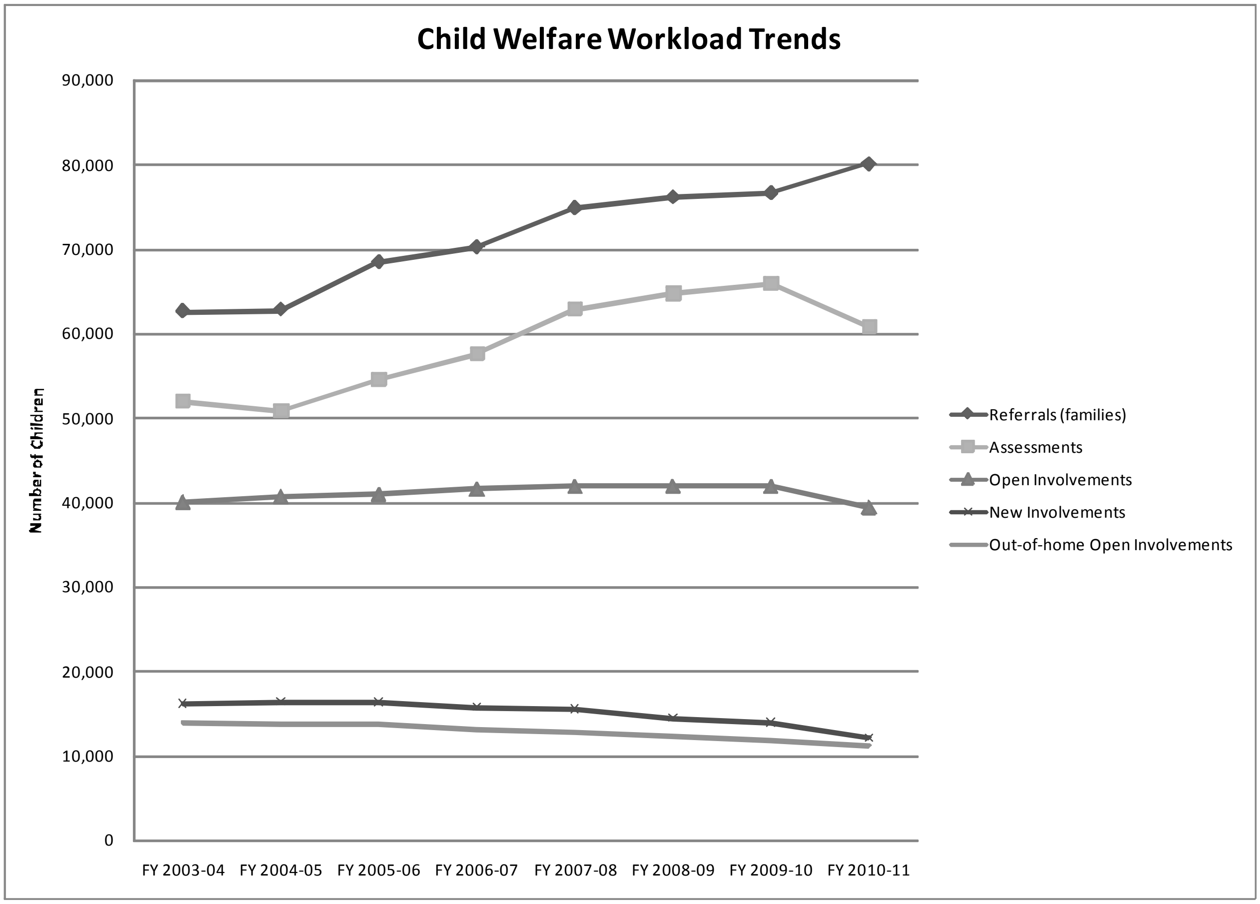
County cost drivers for Child Welfare Services. County expenditures for child welfare services are partially within their control but also include drivers beyond their control, such as the number of reports of abuse or neglect, the number of founded incidents, and judicial decisions about appropriate placements. Counties assume legal responsibility for children found dependent and neglected by the courts, regardless of the cost. However, they have considerable ability to decide how to respond to allegations of abuse and design appropriate services for children, including those that help to reduce or shorten out-of-home placement or keep children out of court-ordered placement altogether. Counties also determine compensation levels for their staff and negotiate rates with providers for 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 reports the county determines have sufficient basis to require further assessment;
(3) the number of children and families requiring child welfare services based on such assessments;
(4) the number of children receiving child welfare services who are removed from the home; and
(5) the cost of providing both residential care and family support services designed to limit out of home placement.

About forty percent 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 reflects trends in county workload drivers for child welfare services between FY 2003-04 and FY 2010-11. As reflected in the chart, child welfare referrals (reports to counties of potential abuse or neglect) and assessments (county child welfare investigations) have increased substantially in the last seven years. However, open child welfare cases (involvements) after increasing modestly have now declined, while new involvements and out-of-home open involvements have steadily declined.

Since FY 2003-04:

- The population of children/adolescents (0-17 years) in Colorado has increased 8.9 percent;
- Referrals have increased 28.1 percent (17.6 percent per child in the population);
- Assessments have increased 17.0 percent (7.4 percent per child in the state population);
- Open involvements have fallen 1.5 percent (9.6 percent per child in the population);
- New involvements have fallen 25.0 percent (31.1 percent per child in the population); and
- Out-of-home open involvements have fallen 18.8 percent (25.4 percent per child in the population).



Due to the "block" nature of county allocations, the data on how these trends have affected county spending is somewhat limited. However, based on trends in total expenditures, as well as cost-per-case data, it is fairly clear that:

- *The decline in child welfare expenditures is largely driven by the decline in out-of-home placements*. Expenditures in this category fell by 23 percent from FY 2003-04 to FY 2010-11. This corresponds to a decline in the number of days youth spent in out of home placement. Costs-per-day have been relatively flat, reflecting vigorous efforts (particularly by larger counties) to negotiate and maintain lower rates with providers.

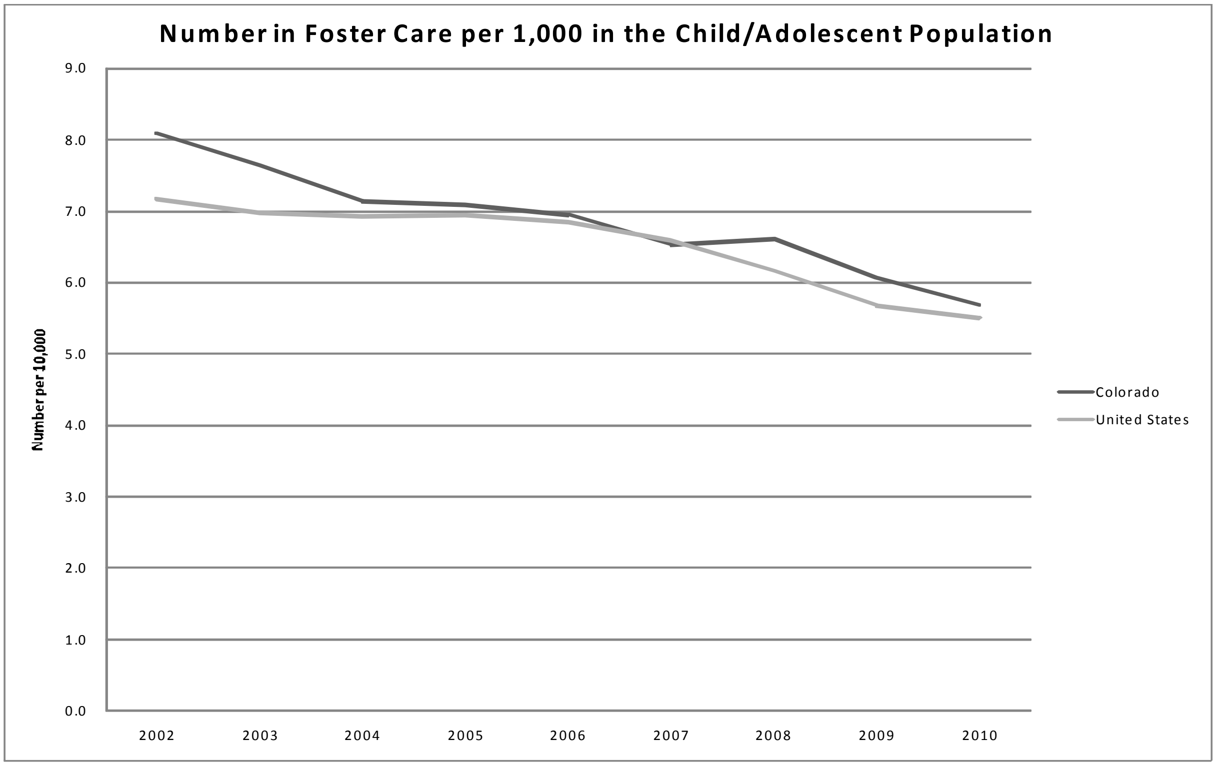
- Through FY 2008-09, the decline in out of home placements was balanced by increased costs in other areas--particularly in the catch-all "Program Services" category. However, *since FY 2008-09, savings from the out-of-home decline are more evident, as other expenditure categories have remained relatively flat.*

- *New for FY 2010-11: decline in the number of child welfare assessments (investigations of alleged child abuse) and in the number of child welfare open cases*, both of which had always increased in the past.[2] In response to staff questions, staff from several counties have estimated that approximately 30 percent of the county workload is related to initial investigations, while the balance is for ongoing cases.

- *Both assessments and other services provided to children who remain in the family home are grouped in the "Program Services" category*, where about 46 percent of total expenditures are classified. *Because this expenditure category is not desegregated, it is very difficult to tell why it grew so quickly through FY 2008-09 or why costs have been more contained since that time*. Given workload trends, staff assumes the growth in total and Program Costs through FY 2008-09 reflected, at least in part, county efforts to address the growth in referrals and investigations and to provide services in the family home as out-of-home placements fell. Salary growth was also a factor. More limited growth in Program costs since FY 2008-09 presumably reflects a reduction in the number of investigations of abuse and a decline in the overall number of children served, as well as other county cost-reduction efforts. Depending on the county, such efforts may have included keeping salaries flat, leaving positions vacant or furloughing staff, limiting in-home services provided, or simply providing more cost-effective services.

Colorado versus National Trends. Declines in out of home placements are not unique to Colorado. As reflected in the chart below, the penetration rate of children in out of home placement has been falling nationwide for many years. Further, Colorado's foster-care penetration rate per 10,000 in the child/adolescent population was, as of 2010, still somewhat above the national average.

[2]While the pattern varies among counties, the decline is evident in counties participating in the "differential response" (DR) pilot as well as those not participating. Staff's understanding is that DR counties would see a reduction in assessments but an increase in open cases counted, but this does not appear to be consistently reflected in the trends in DR versus other counties.



Sources: U.S. Department of Health and Human Services, Children's Bureau, Foster Care FY 2002-2010 Number of Children in Care on the Last Day of Each Federal Fiscal Year, Children's Bureau, based on data submitted as of June 15, 2011; U.S. Census Bureau, Intercensal Estimates of the Resident Population by Age and Sex for States July 1, 2000 to July 1, 2010

These trends reflect changes in what is considered best-practice in the field of child welfare. The pressure to reduce out of home placement reflects federal law and policy, enforced in part through federal Child and Family Services Reviews which have now been conducted twice in all states. The annual federal report on child maltreatment has also found a decline in child victimization rates from 2005 to 2009[3], and most recent national incident study also found a large decline in the incidence of child maltreatment in the United States since the early 1990s.[4]

[3]Child Maltreatment 2009, U.S. Department of Health and Human Services, Administration on Children Youth and Families, Children's Bureau

[4]The Fourth National Incidence Study of Child Abuse and Neglect (NIS-4) Report to Congress (2010) found a 19 percent decrease in the total number of maltreated children between 1993 and 2005-06, equivalent to a 26 percent decline in the per capita rate per 1,000 children in the population. However, it estimates that child protective services investigate the maltreatment of only 32 percent of children who experienced Harm Standard maltreatment and 43 percent of those who fit the Endangerment Standard

Impact of Funding and Service Trends on Children and Families. From a statewide perspective, there is some evidence that expenditure reductions may be worsening outcomes for children, but the link between total expenditures and outcomes is too tenuous to draw any firm conclusions. The table below compares overall Colorado Child and Family Service Review Composite Measures from 2007 to 2011. As can be seen, *there are some indications based on preliminary data that FY 2010-11 performance may be slightly worse than FY 2009-10 overall*. There are seven categories, rather than six, in which state performance does not meet the national standard comparing FFY 2009-10 to SFY 2010-11. Year-over-year performance in appears to have declined in nine categories while improving in seven categories based on data through June 2011.

Statewide Performance on Federal Child and Family Services Review Measures *- Shaded cells correspond to Items that do not meet federal standards*	Federal Standard	FFY 2007	FFY 2008	FFY 2009	FFY 2010	*SFY 2011*
<u>Safety Measures</u>						
Absence of Recurrence of Maltreatment	>=94.6%	95.3	94.9	95.8	95.7	*95.3*
Absence of Child Abuse and/or Neglect in Foster Care for 12 months	>=99.68%	99.41	99.46	99.60	99.46	*99.21*
<u>Permanency Measures</u>						
Percent of children whose exit to reunification is <=12 months	>= 75.2 %	76.4	77.7	79.5	78.1	*81.4*
Exits to reunification, median stay in months	<=5.4 months	5.7	5.8	5.4	5.4	*5.1*
Percent of entry cohort reunification is <=12 months	>= 48.4%	56.5	55.0	51.7	56.7	*61.4*
Percent of children who re-enter foster care in <=12 months	<= 9.9%	15.2	17.3	17.7	13.4	*20.2*
Percent of children who exit to adoption in <=24 months	>= 36.6%	57.2	56.0	59.4	50.6	*59.4*
Exits to adoption, median length of stay in months	<= 27.3 months	21.9	22.4	21.5	23.7	*22.0*
Percent of Children in care 17 + months adopted by end of the year	>= 20.7%	19.5	19.2	21.3	23.3	*19.0*
Percent of children in care 17 + months achieving legal freedom within 6 Months	>= 10.9%	3.2	2.3	4.1	2.3	*n/a*
Percent of children legally free adopted in <=12 months	>= 53.7%	57.7	58.3	52.0	62.6	*55.7*
Percent of children with exits to permanency prior to 18th birthday for children in care for 24 + Months	>= 29.1%	20.7	19.9	20.3	25.0	*19.7*
Percent of children with exits to permanency for children with parental rights terminated	>= 98.0%	97.0	95.1	97.2	97.2	*94.3*
Percent of children emancipated who were in foster care for 3 Years +	<=37.5%	32.4	30.2	27.0	25.3	*43.2*
Percent of children who had two or fewer placement settings for children in care for <=12 Months	>= 86.0%	85.9	87.5	86.4	88.1	*92.8*
Percent of children who had two or fewer placement settings for children in care for 12 - 24 Months	>= 65.4%	63.4	64.8	66.7	60.1	*73.3*
Percent of children who had two or fewer placement settings for children in care for 24 + Months	>= 41.8%	35.7	35.8	35.1	37.1	*33.0*

Source: Data through 2010 is based on the Department of Human Services, Division of Child Welfare, 2010 Annual Evaluation Report. Preliminary data for SFY 2010-11 is from the Child Welfare Scorecard Report. Note that this includes a one-quarter overlap with FFY 2010. Final FFY 2011 figures are not yet finalized.

While this data should raise some concern, <u>how much</u> is uncertain. The state fiscal year figures shown are not perfectly comparable to the prior federal fiscal year figures. Final figures for the year are still subject to revision. In addition, staff does not know to what extent this level of variation is statistically significant, to what extent it is driven by county reductions in expenditures, to what extent it is related to changes in the population being served as the size of this population drops, and to what extent it reflects county service changes. For example:

- If counties are serving a smaller number of children, but the needs of these children are greater, it would be reasonable to expect somewhat worse outcomes. Because the Department is thus far not using any standard instrument that would allow child needs to be compared across counties or across years, there is no way to know if this is the case.

- As discussed at length in previous staff budget briefings (summarized in an attached appendix), neither Department consultants nor staff have been able to link expenditure levels with counties' program outcomes, because *how* counties apply an increase or decrease in funding and other factors related to a county's programs and population has thus far had more influence than total funding levels. In informal discussions with some counties, it is clear that this year--as in past years--some changes counties have made have been consistent with best practice (*e.g*, more careful use of out-of-home placement or core services) while others are not (*e.g.*, holding caseworker positions open to close a budget gap).

- Given that best practice is now to retain children in the family home if this can be done safely, it would be reasonable to expect that less use of out of home placement would result in better--rather than worse--outcomes. However, whether this is the case will depend in part on how good a job counties do in providing placement alternatives and up-front services.

  As has been pointed out in a recent Casey Family Programs paper, the national CFSR measures identified above have been largely based on the existing national data collection systems on child maltreatment and child welfare services. These measures provide some information on the quality of services children in open child welfare cases receive, but "*there is much more information available about children who are placed in foster care and who eventually exit than about children who remain in the home, are returned home after a period of placement, but who are still at risk of child maltreatment.*"[5]

It is particularly important to keep an eye on what happens in the family home, given the reduction in the number of child welfare assessments by counties in FY 2010-11. The Department of Human Services conducts an annual review process in September of each year when it examines cases that were "screened out", *i.e.*, referrals that were not investigated, and whether the "screen out" was appropriate. *Although the Department had not completed its most recent screen-out analysis at the time this document went to print, results of this study should be considered when determining whether declines in county child welfare spending, particularly with respect to assessments, are negatively impacting children.*

[5]*The Role of Accountability in Child Welfare Finance Reform*, Casey Family Programs, April 2011, p. 5.

Attachment
Summary of Prior Analyses of the Relationship Between Expenditures and Outcomes

- ☐ A statistical analysis of 27 county's spending and outcomes by Policy Studies Inc. and American Humane (part of the September 2009 study submitted to the Department for consideration by the Child Welfare Action Committee) found a statistically consistent pattern of funding among counties resulting from the child welfare allocation model, but little or no correlation between funding and performance, even after correcting for factors such as poverty and ethnicity. The study concluded that variance is driven by decision-making at the county level.

- ☐ As reviewed in staff's FY 2011-12 budget briefing, staff examined county performance on Child and Family Services Review data indicators from 2006 through 2009 among the large ten counties that comprise about 84 percent of the budget. Staff compared the number of indicators for which the county had a "passing" score under the federal standard in 2007 versus 2009 with whether county child welfare expenditures had increased or decreased over the same period. Staff found no clear relationship between child welfare expenditures and change in performance on CFSR scores over time, even within a given county.

- ☐ As reviewed in staff's FY 2010-11 budget briefing, data on county-by-county expenditures and outcomes for child welfare and information on related systems indicated that counties that spend more for child welfare services tend to have *worse* results on child welfare outcomes, based on statewide indicator data from the federal Child and Family Services Review (CFSR). This largely reflects the fact that high rates of <u>poverty</u> correlate with high rates of child welfare expenditure and, to a lesser extent, with poor results on child welfare outcome measures.

- ☐ Finally, anecdotal information from counties over the last several years has indicated that in some cases they have achieved budget savings through steps that could be expected to worsen their performance outcomes (such as keeping caseworker positions vacant), while in other cases they have used steps that may improve performance, such as tailoring services more narrowly to a child's needs or using a utilization review process to limit the inappropriate use of out of home placement.

Attachment: FY 2010-11 Child Welfare Services Expenditures by County

County	Total FY 2010-11 Child Welfare Services Expenditures*	Total FY 2010-11 Allocation from Child Welfare Services*	(Deficit) / Surplus	(Deficit)/ Surplus as Percent of Allocation	Funds Used to Cover Deficits			Surplus Retained by County**
					Close-out Funds	TANF Transfer	County Funds	
Adams	$32,627,344	$32,228,197	($399,147)	(1.2)%	$399,147	$0	$0	$0
Arapahoe	30,073,484	31,801,050	1,727,566	5.4%	0	0	0	1,382,053
Boulder	14,964,862	15,024,339	59,477	0.4%	0	0	0	0
Denver	57,858,813	62,458,883	4,600,070	7.4%	0	0	0	2,392,036
El Paso	44,460,778	39,380,599	(5,080,179)	(12.9)%	3,361,270	1,718,910	0	0
Jefferson	26,909,208	28,108,380	1,199,172	4.3%	0	0	0	0
Larimer	16,034,834	15,861,024	(173,810)	(1.1)%	173,810	0	0	0
Mesa	11,604,971	11,448,315	(156,656)	(1.4)%	156,656	0	0	0
Pueblo	14,034,660	18,224,201	4,189,541	23.0%	0	0	0	301,647
Weld	20,226,584	17,454,196	(2,772,388)	(15.9)%	1,702,129	0	1,070,259	0
Other Counties***	59,552,627	58,054,454	(1,498,173)	(2.6)%	4,194,530	0	0	450,639
Total	**$328,348,165**	**$330,043,638**	**$1,695,473**	**0.5%**	**$9,987,542**	**$3,323,436**	**$1,070,259**	**$4,526,375**

*Child Welfare Expenditures include Family and Children's Programs over-expenditures that are transferred to Child Welfare Services at close-out. Allocation amounts reflect solely allocations for Child Welfare Services (not Family and Children's Programs). The total does not match the Child Welfare Services line item due to various adjustments related to transfers of Medicaid funds, federal Title IV-E revenue available, and "holdouts" appropriated to this line item.

**This reflects amounts counties were allowed to retain if the county: (1) participated in an Integrated Care Management or Collaborative Management agreement; (2) indicated at the beginning of the year that it wished to retain savings in the event of an under-expenditure and thus would not participate in closeout funds redistribution in the event of an over-expenditure; (3) met its Collaborative Management objectives (amount retained depended upon share of objectives met).

***Among other counties, there was a total of $4,194,530 in over-expenditures for counties that over-expended and $2,696,357 in under-expenditures for those counties that under-expended. Over-expenditures were fully covered by close-out funds, while, among those counties that under-expended, a total of $450,639 was retained under Collaborative Management agreements, while the balance was redistributed through the close-out process.

FY 2012-13Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Divisions of Child Welfare, Child Care, and Youth Corrections)

BRIEFING ISSUE

ISSUE: Federal Title IV-E Revenue Waiver Option

Under Title IV-E of the federal Social Security Act, Colorado earns partial federal reimbursement for some foster care and adoption services for low income children. Revenue from this source has been declining, and Colorado is working to enhance collections. Due to a recent change in federal law, Colorado has an opportunity to apply for a Title IV-E waiver from some federal regulations.

SUMMARY:

❏ States may earn federal reimbursement under Title IV-E of the federal Social Security Act for some services to low-income children who are placed outside their own homes. In general, the Title IV-E reimbursement rate is consistent with a state's federal Medicaid reimbursement rate (50/50 in Colorado).

❏ Colorado's federal Title IV-E revenues have declined in recent years, if additional funds available under the American Recovery and Reinvestment Act are excluded. This has been due in part to administrative issues that the State has been working intensively to address. However, the structure of the federal program is likely to drive-down federal revenues in the long-term.

❏ New federal legislation would enable Colorado to apply for a temporary Title IV-E waiver that might enable Colorado to continue to move toward less out-of home-placement without a negative impact on federal funds earned in the medium-term. Before the State proceeds with such a waiver, there are various issues that must be addressed to ensure that the waiver is in the state's financial interest.

RECOMMENDATION:

The Joint Budget Committee should sponsor legislation to facilitate the implementation of Title IV-E waiver. It should request input from the Department on: when it will be able to provide initial estimates on the form and fiscal impact of a waiver; statutory changes that might be desired; and the optimal timing for both the waiver application and any statutory changes. Any statutory change should require that a waiver be in the state's financial interest and, at a minimum, cost-neutral.

A footnote should be added to the FY 2011-12 Child Welfare Services line item to enable the Department to divert a limited amount of funding toward improving county Title IV-E claiming prior to the submission of any Title IV-E waiver application.

DISCUSSION:

Background - Federal Support for Child Welfare. Child welfare advocates have for many years highlighted the serious disconnect between the policies promoted through federal child welfare law and the federal financing mechanisms for child welfare.[6] Nationally, about 85 percent of federal funding specifically targeted to child welfare has been for out-of-home placement (Title IV-E foster care and adoption assistance) with the majority of this for foster care.[7] Similarly, in Colorado, over $80 million is received annually for Title IV-E foster care and adoption assistance, while under $8 million in federal grants reflected in the budget support family preservation and reunification. Even if an additional $24 million is allocated by the State from flexible Social Services Block Grant, as well as Temporary Assistance for Needy Families dollars diverted to Child Welfare are included, Title VI-E foster care and adoption assistance dwarfs other federal child welfare funding streams.

While federal funding focuses on foster care services, the federal law and regulatory environment places increasing emphasis on avoiding out of home placements, serving children and families in the family home, and reunifying families if this can be done safely. The federal Child and Family Services Reviews which are undergone by all states every four years and result in Program Improvement Plans for states (including Colorado) reflect this federal interest. Assisting a family in meeting needs for food, shelter, and child care, or assisting with mental health, alcohol, or drug treatment, can avert an outside placement or facilitate quick reunification.

The disconnect between the types of services states are encouraged to provide and federal funding streams are of particular concern since the only child welfare open-ended entitlement program (Title IV-E) is based specifically on out-of-home services provided to very low income children. Thus, as states respond to the pressure of current best-practice and federal policy by reducing out of home placement, the amount of federal funding they receive declines.

The Title IV-E Program. The mechanisms by which states earn Title IV-E revenue are complex and require constant attention from child welfare administrative staff, courts, and data management staff to ensure qualified expenses are properly recorded.

States may earn federal reimbursement under Title IV-E of the federal Social Security Act for some services to low-income children who are placed outside their own homes. In general, Title IV-E reimbursement is provided on a matching basis consistent with a state's federal match for its Medicaid program (usually 50/50 in Colorado). The program is an open-ended entitlement program, so there is no dollar limit on what any state may earn.

Qualifying Expenditures. Title IV-E reimbursement is provided for the following types of expenses:

---

[6] For example, *The Need for Federal Finance Reform: Ensuring Safe, Nurturing, and Permanent Families for Children*, Casey Family Programs, May 2010.

[7] Emilie Stoltzfus, *Child Welfare Issues in the 110th Congress*, Congressional Research Services, February 2, 2009.

- Maintenance (room and board) costs for children in foster care and for children with special needs who have been adopted;
- Administrative costs; and
- Training costs, associated with training staff and service providers.

In FY 2008-09, 56 percent of Colorado's Title IV-E revenue was received for administrative costs, while the remaining 44 percent was for maintenance (room and board) for low income youth in out of home placement.

Eligibility for Title IV-E. For related expenditures to qualify, a child must have been eligible for Aid to Families with Dependant Children (AFDC) <u>(based on the State AFDC income standards that were in place on July 16, 1996</u>) during the month a petition was filed for removal from the home or a voluntary placement agreement was signed. The child must have lived in the home of a person related to them (within 5 degrees of kinship) within six months of the eligibility month and be deprived of parental support. A court order must find that continuation in the child's home would be contrary to the child's welfare, and that reasonable efforts were made to prevent the removal.

Title IV-E Revenue Earning Mechanisms. Title IV-E revenue is generated in three ways:

- Direct payments for maintenance (room and board) for eligible children.
- Quarterly "random moment sampling" of county administrative activities.
- Direct reimbursement for certain administrative FTE and training activities that are Title IV-E specific.

For direct service line items in the Division of Child Welfare (child welfare services and family and children's programs line items), Title IV-E revenues are driven by actual maintenance (room and board payments) and quarterly "random moment sampling" of county administrative activities. For state child welfare administration, administrative review, and central department administration line items, federal Title IV-E revenues are <u>also</u> driven by quarterly "random moment sampling" of **county** (not state) administrative activities, and, for a limited number of positions and functions, direct Title IV-E support for the Department activity (*e.g.*, for staff responsible for oversight of Title IV-E claims).

Title IV-E Appropriations , Earnings, and Excess Federal Title IV-E Cash Fund. The Long Bill includes appropriations for Title IV-E funds throughout the Department; however, the vast majority of appropriations are to the Division of Child Welfare. Title IV-E funds are earned against each line item's expenditures, based on the earning mechanisms described above.

At the close of the year, the Department makes internal adjustments, so that Title IV-E revenue "over earned" in any line item is transferred to line items that have "under-earned". The Department uses Title IV-E revenue received to cover all appropriated amounts throughout the Department before determining if there is an excess of Title IV-E revenue available.

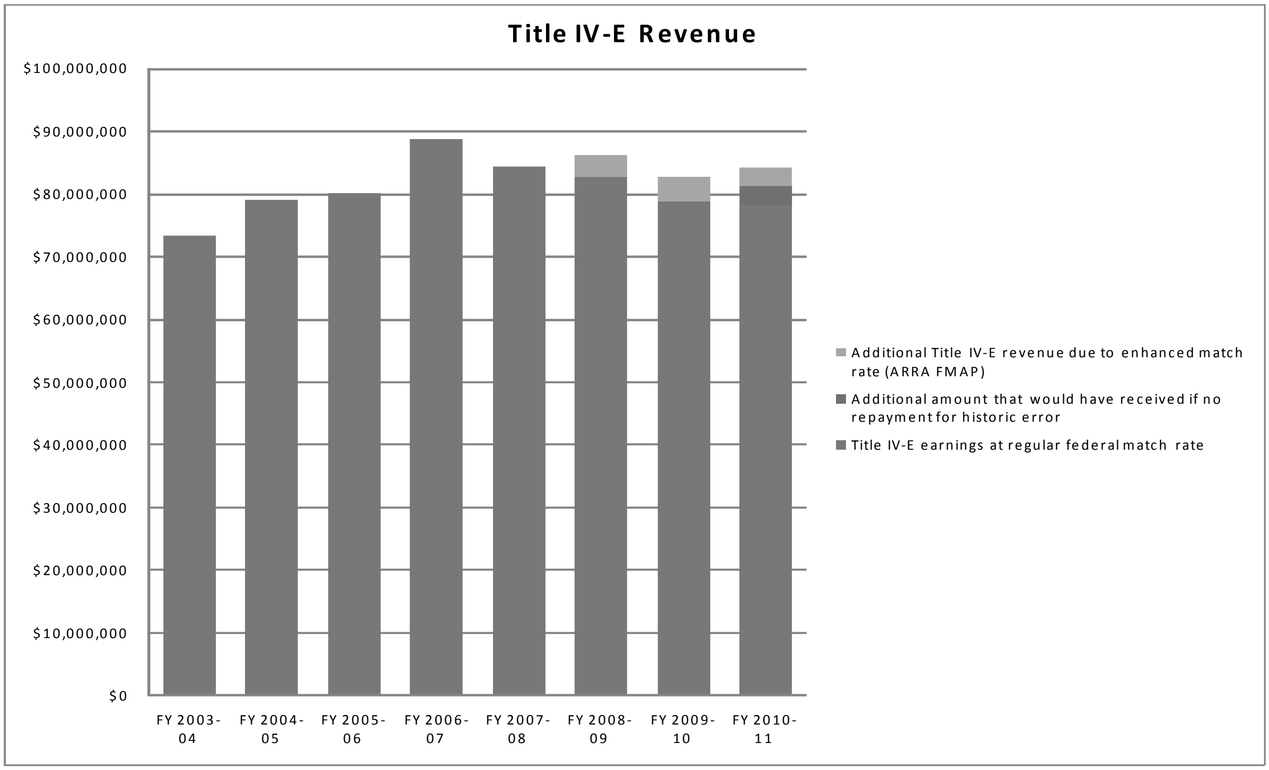
Pursuant to Section 26-1-111 (2) (d) (II) (C), C.R.S., federal funds earned in excess of appropriated amounts are deposited each year into the Excess Federal Title IV-E Cash Fund. Such funds are appropriated in the subsequent year (if any are available) to help counties defray the costs of performing administrative functions related to obtaining federal Title IV-E reimbursement and for other county activities associated with public assistance.

Incentives and Disincentives in the Colorado Title IV-E Program. *Although the federal Title IV-E program only financially rewards Colorado for placements that qualify for Title IV-E funding, Colorado's system for distributing funds to counties makes this essentially invisible*. In Colorado's capped allocations to counties, counties have not typically been aware of how much of their funding was provided by which source (other than the required county share). Thus, Colorado created an incentive to counties to serve children as appropriately as possible without regard to whether the placement earned Title IV-E federal revenue. As a result, Colorado's funding structure looks substantially like that of states that received Title IV-E waivers to cap federal Title IV-E allocations and eliminate incentives for out-of-home placement--except that Colorado received no related protection from federal authorities that its funding would not be reduced as a result.

Colorado's Excess Federal Title IV-E Cash Fund was created as a mechanism for encouraging counties to engage in Title IV-E claiming activities as vigorously as possible, despite the lack of incentives in the capped allocation structure. Under this mechanism, if counties did a good administrative job in claiming Title IV-E, they would reap some financial benefit. This would occur even though the overall state child welfare funding structure did not incentivize IV-E claiming.

In recent years, the Excess Federal Title IV-E funding mechanism has not been effective, because there has not been sufficient revenue to support the Fund. However, counties received a severe jolt when, beginning in FY 2008-09 and increasing FY 2009-10, they began to feel the impact of falling Title IV-E revenue. *By FY 2009-10, instead of receiving Excess Federal Title IV-E funds as a reward for strong collection efforts, all counties found their total block allocations restricted due to the <u>lack</u> of adequate Title IV-E revenue.*

Title IV-E Earning Trends. The chart below provides a history of Title IV-E earnings.



Due to the Title IV-E revenue trend, the State moved from a position in which Excess Title IV-E was available to support county administrative and other activities using the Excess Federal Title IV-E Cash Fund to one in which core county allocations for child welfare services were cut, as reflected in the table below.

Title IV-E Appropriations, Earning and Title IV-E Excess Revenue Department-wide

Year	Appropriation of Title IV-E Funds	Title IV-E Earnings	Title IV-E Excess /(Shortfall)
FY 2003-04	$69,564,846	$73,444,437	$3,879,592
FY 2004-05	72,441,851	79,101,735	6,659,885
FY 2005-06	74,712,056	80,211,690	5,499,635
FY 2006-07	84,571,156	88,777,718	4,206,562
FY 2007-08	82,124,990	84,463,547	2,338,556
FY 2008-09	w/o ARRA:	82,790,470	
ARRA adjustment		3,523,366	
FY 2008-09 with ARRA	87,806,633	86,313,836	(1,492,797)
FY 2009-10	w/o ARRA:	78,867,564	
ARRA adjustment		3,824,709	

Title IV-E Appropriations, Earning and Title IV-E Excess Revenue Department-wide			
Year	Appropriation of Title IV-E Funds	Title IV-E Earnings	Title IV-E Excess /(Shortfall)
FY 2009-10 with ARRA*	87,391,729	82,692,273	(4,699,456)
FY 2010-11	w/o ARRA or repayment:	81,329,543	
Adjustment to correct error		(2,988,657)	
FY 2010-11 ARRA adjustment		2,815,014	
FY 2010-11 with ARRA & correction	81,672,404	81,155,900	(516,504)

*Appropriation amount includes mid-year appropriations reductions but does not include a further $3,500,000 restriction imposed by the Department.

As shown, Title IV-E revenue earned increased through FY 2006-07 and declined from FY 2006-07 to FY 2010-11 if revenue received under the American Recovery and Reinvestment Act (ARRA) is excluded.

- The FY 2006-07 increase was largely due to changes that reduced Medicaid funding for child welfare services and thus allowed for increased access to Title IV-E.

- Following that, decreases occurred in FY 2007-08 and FY 2008-09 despite increases in overall funding for child welfare. These decreases were driven by a variety of factors explored further below.

- In FY 2008-09 and FY 2009-10 and part of FY 2010-11, federal funding was temporarily enhanced by a federal match rate of 62.5 percent (instead of 50 percent) for room and board expenditures approved under ARRA. This higher match rate was phased out over the course of FY 2010-11 and is no longer available.

- In FY 2010-11, the Department made significant inroads in reversing the downward Title IV-E trend.

Although FY 2010-11 earnings were still below appropriations, the overall earnings picture improved. In FY 2010-11, revenue came in higher than anticipated until the Department determined that it had been incorrectly incorporating child placement agency's administrative costs in its Title IV-E calculations for several years and thus had to reimburse the federal government $2,988,657. As a result, total Title IV-E was under-earned by $516,504, there were no funds available for deposit to the Excess Federal Title IV-E Reimbursements Cash Fund, and restrictions were imposed on allocations to counties. However, *if the federal repayment had not been required, a total of $2,472,153 would have been deposited into the Excess Federal Title IV-E Cash Fund. Staff had conservatively projected that $1.0 million would be deposited, and final revenue (excluding the required repayment to federal authorities) was thus $1.5 million above the projection.*

The table below compares how Title IV-E amounts were appropriated and earned in FY 2010-11 after the federal repayment was applied.

FY 2010-11 Title IV-E Earnings	Revenue Needed	Revenue Earned	Revenue over/(under) earned
Department Administration	$3,334,756	$3,081,484	($253,272)
Information technology	2,644,963	2605172	(39,791)
Child Welfare Training	3,021,417	2927311	(94,106)
Child Welfare Services and Family & Children's Programs	64,268,325	63,745,485	(522,840)
Child Welfare ARRA	2,815,014	2,815,014	0
Youth Corrections	2,336,010	2,729,515	393,505
County Pass-through	3,251,919	3,251,919	0
Total	**$81,672,404**	**$81,155,900**	**($516,504)**

Based on data for the first quarter of FY 2011-12, the Department is presently projecting total FY 2011-12 revenue of $77.2 million--a decline from the $81.3 million received in FY 2010-11, although about $600,000 more than current appropriations. This figure is likely to change over the course of the year.

Title IV-E Backfill. During FY 2008-09 through FY 2011-12 figure setting, JBC staff alerted the Committee to projected declines in IV-E revenue and incorporated these declines into figure-setting. The JBC and General Assembly took steps to partially backfill these declines. The table below summarizes actions taken over the last four years to compensate for declines in federal Title IV-E funding for child welfare services and related county administrative activities. As shown, as of FY 2011-12, annual appropriations incorporated a $12.4 million reduction in Title IV-E revenue below FY 2007-08 levels, with about half of this amount backfilled with General Fund and other fund sources.

Adjustments for Title IV-E Revenue Declines - FY 2008-09 through FY 2011-12

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Cumulative Total
Child Welfare Services	$0	($1,455,926)	$819,843	(1,983,503)	($2,619,586)
General Fund	634,518	597,230	5,689,483	(1,000,000)	5,921,231
Cash Funds (local match)	0	0	(178,806)	(398,301)	(577,107)
Federal IV-E	(634,518)	(2,053,156)	(7,176,036)	1,000,000	(8,863,710)
Federal Other (Title XX)	0	0	900,000	0	900,000
Federal IV-E ARRA	0	0	1,585,202	(1,585,202)	0
Title IV-E Administrative Activities/Excess Title IV-E Cash Fund	$0	($2,800,000)	($701,252)	0	($3,501,252)

Adjustments for Title IV-E Revenue Declines - FY 2008-09 through FY 2011-12					
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Cumulative Total
General Fund	0	0	1,000,000	(1,000,000)	0
Cash Funds (Excess IV-E)	0	(2,800,000)	(1,701,252)	1,000,000	(3,501,252)
Total Appropriation Impact	$0	($4,255,926)	$118,591	($1,983,503)	($6,120,838)
General Fund Backfill	634,518	597,230	6,689,483	(2,000,000)	5,921,231
Other Funds Backfill/Reduced	0	0	2,306,396	(1,983,503)	322,893
Title IV-E Reduced	(634,518)	(4,853,156)	(8,877,288)	2,000,000	(12,364,962)

Title IV-E Revenue Drivers. Title IV-E has been very difficult to project because total revenues are affected by a number of different factors.

- *Title IV-E reimburses states for costs related to out-of-home placement.* Use of out-of-home placement has been declining in Colorado and nationwide. This trend is generally considered to reflect best practice, although it has negative financial implications for Title IV-E earning. Child Welfare days in out of home placement has fallen steeply: by 3.4 percent in FY 2006-07, a further 4.0 percent in FY 2007-08, 4.4 percent in FY 2008-09, 9.0 percent in FY 2009-10, and 5.5 percent in FY 2010-11.

- *Income eligibility for Title IV-E is based on 1996 income standards.* Colorado's AFDC income standard in 1996 was among the lowest in the nation: $421 for a family of three.[8] As incomes--and the minimum wage--have increased, fewer children and families have qualified under the income-eligibility standards. Thus, the overall number of youth eligible for Title IV-E maintenance payments has declined more quickly than the number of youth in out of home placement. Due to high levels of unemployment, this portion of the trend may have been somewhat arrested during the recession.

- *Administrative effort and issues.* Title IV-E earning can be affected by the failure of courts to make findings that remaining in the child's home would be contrary to the child's welfare using the appropriate language. It may also be affected by failure of counties to complete necessary paperwork in a timely manner. It may be affected by errors in data systems or how data is recorded and drawn from data systems. Certain administrative changes can increase claims, while others can have a negative impact.

Colorado's decline in Title IV-E revenue is consistent with the national pattern tied to (1) declining use of out-of-home placement; and (2) declining numbers of Title IV-E eligible youth. Federal spending for Title IV-E in all categories (foster care, adoption assistance, and related administrative) peaked in 2002 at $6.73 billion and by 2007 had declined to $6.34 billion, a reduction of 5.8 percent.

---

[8]The standard ranged from $320 in Indiana to $2,034 in New Hampshire in 1996.

Similarly, federal analysis has reflected a declining trend in the percentage of children for whom states made IV-E maintenance payments compared to the number of children in foster care: from 48 percent of the total in 2001 to 43 percent in 2007 (Green Book, 2008, a publication of the U.S. House of Representatives).

However, based on recent history, it appears that a significant component of Colorado's earnings decline in recent years and its recent improvement reflects administrative issues, and not solely population trends. The generally positive trend in FY 2010-11 likely reflects changes in Department policies. Ongoing Department initiatives are likely to have a similarly positive impact on revenues in the near term. However, at some point Colorado will have maximized the impact of addressing administrative issues and the other Title IV-E drivers outlined above will again become more significant.

Efforts to Improve Title IV-E Revenue Collected. In light of the drop in Title IV-E claiming in FY 2009-10, the Department implemented various steps to improve claiming.

FY 2010-11: During FY 2010-11, the Department began to require the Administrative Review Division to check reviews whether Title IV-E determinations had been completed timely (within 45 days--as opposed to simply whether they are completed). It also implemented sanctions to require counties to cover any federal revenue lost due to a county's failure to make a timely Title IV-E eligibility determination. Although penalties levied have minimal, data from the Administrative Review Division indicates that during the pilot phase of the sanctions (April through June 2010, when performance was measured but no sanctions were levied) 83.9 percent of determinations were timely. In contrast, throughout FY 2010-11 and the first quarter of FY 2011-12, 91 percent or more of eligibility determinations were processed timely. This improvement could help to explain the higher level of claiming. The General Assembly also promoted Title IV-E administrative collections in FY 2010-11 through the provision of funds to support Title IV-E administrative claiming when excess Title IV-E was not available for this purpose.

Recent Initiatives: The Department has convened a workgroup of key state and county players to look at increasing federal financial participation and, in particular, Title IV-E claiming issues. This workgroup brought in a knowledgeable consultant to review Colorado's Title IV-E claiming. The initial report from the consultant, received in early November 2011, appears to indicate that there is potential for considerable additional Title IV-E claiming. An initial review of the report recommendations has indicated that steps should be taken in the immediate/short-term on most of the recommendations. However, in virtually all cases a smaller group needs to examine the recommendation in more detail. While some of the recommendations may be relatively straight-forward to implement, others will require additional analysis, and it is thus difficult at this point to know how much additional revenue may ultimately be generated as a result of this effort or how quickly such funds can be generated.

New Title IV-E Waiver Option. On September 30, 2011, the President signed into law S. 1542, the Child and Family Services Improvement and Innovation Act. Among other provisions, this bill renewed the authority of the federal Department of Health and Human Services to grant 10 new demonstration waivers per year designed to test innovative strategies in state child welfare programs between 2012 and FFY 2014. The authority is provided to grant waivers of up to five years, with the final set of demonstration waivers concluding September 30, 2019.

History of Waivers. Title IV-E waivers were first authorized in 1994 and, in 1997, federal authorities began to authorize flexible funding waivers that allow child welfare systems to expand a broad array of services designed to improve child welfare outcomes. Five states--California (for two counties), Oregon, Florida, Indiana, Ohio--received flexible funding waivers which have broadly supported early intervention, prevention, family support and expedited permanency planning. A total of 23 states (including Colorado) have at one time or another received Title IV-E waivers to test specific program innovations. However, although some existing waivers were allowed extensions*, no new waivers have been granted since 2006.*

The history of waiver programs has been mixed: some have been highly successful and have clearly demonstrated the impact of particular innovations or funding flexibility on reducing use of out-of-home placement and maintaining or improvement outcomes, while others (including Colorado's) have been prematurely terminated for perceived problems in implementation or impact or cost-neutrality.[9]

Most recently, facing an apparent inability or unwillingness in Congress to consider wholesale financial reform of federal child welfare funding, advocacy organizations, state human services directors, the National Conference of State Legislatures, and other interested parties have pressed for renewed waiver authority for the Title IV-E program. The recent legislation, which received bipartisan support, reflects this effort. It is important to note, however, that authority for innovation waivers is not identical to overall reform in federal child welfare funding, which many observers believe is still urgently needed.

The New Legislation: Pursuant to the legislation, a State shall be authorized to conduct a demonstration if the project is designed to accomplish at least one of three goals:

1. increasing permanency by reducing the time in foster placement;
2. increasing positive outcomes for youth in their homes and communities and improving safety and well being; and/or
3. preventing child abuse and neglect and re-entry into foster care.

The State must identify changes the State has made or plans to make in policies, procedures, or other elements of the State's child welfare program that will enable the State to successfully achieve the

[9]Synthesis of Findings, Title IV-E Flexible Funding Child Welfare Waiver Demonstrations, U.S. Department of Health and Human Services Children's Bureau, 2011 and James Bell Associates, Profiles of the Title IV_E Child Welfare Waiver Demonstration Projects, Prepared for the Children's Bureau, Administration for Children and Families, U.S. Department of Health and Human Services, June 2008.

goal or goals of the project.

The State must also demonstrate implemented or planned child welfare improvement policies within three years of the date of application (or 2 years after approval, whichever is later), including at least one policy that was not implemented prior to the application for a waiver. The list of possible polices includes:

- establishment of a bill of rights for children and youth in foster care;
- the development and implementation of a plan for meeting children's health and mental health needs;
- the inclusion of kinship guardianship assistance in the state plan; the extension of foster care to include assistance to youth ages 18 to 20;
- development and implementation of a plan to reduce the use of congregate care;
- substantially increasing the number of cases of siblings who are placed together above the number in FY 2008;
- development and implementation of a plan to improve recruitment and retention of high quality foster family homes;
- establishment of procedures to assist youth as they prepare for their transition out of foster care;
- inclusion in the state plan of procedures to assist youth age 16 and over in safely reconnecting with their biological family members if they so desire;
- the establishment of one or more programs designed to prevent entry into foster care or to provide permanency, including an intensive family finding program, a kinship navigator program, family counseling such as family group decision-making, family-based substance abuse treatment, or a program to identify and address domestic violence that puts youth at risk of entering foster care.

In evaluating an application for a demonstration project, the Secretary of FTE Department of Health and Human Services is specifically barred from considering whether requires random assignment and a control group.

Each program must be evaluated by an independent contractor using an approved evaluation design which provides for, among other items: comparison of methods of service delivery under the project versus under the State IV-E plan or plans with respect to efficiency, economy and other program management measures; and comparison of outcomes for children and families under the project.

Waiver Considerations: State and County Budget Perspective. Key points from a State and local budget perspective:

- Under a new provision incorporated in the federal legislation, the waiver must account for any additional federal, state, and local investments made, as well as any private investments made in coordination with the state during the two fiscal years preceding the application, and an assurance that the State will provide an accounting of that same spending for each year of an approved demonstration project, in other words, *for the period of the demonstration,* *the State (and/or selected participating counties) it appears the State would be agreeing to a maintenance of effort for child welfare services.*

- *Waivers must be "cost neutral" from a federal perspective.* Cost-neutrality is based on state- and waiver-specific measures, and, in analyzing the Act, the Congressional Budget Office specifically noted this when determining that the legislation would be cost neutral. From a State perspective, the appeal of a waiver demonstration would be, in part, to enable the State to continue to aggressively pursue reduced use of out-of-home placement without losing federal funds associated with a decline in placements. *Staff has assumed that federal authorities would agree that the State/counties participating in a waiver demonstration could maintain federal funding at a flat level, even if numbers of youth in out of home placement continued to decline. However, if cost-neutrality were, for example, based on an assumed long-term decline in out-of-home placement and associated federal funding levels, the appeal of a waiver might be considerably reduced.*

- *Timing on a waiver application is critical for Colorado.* The amount of waiver funding will likely be set based on a "baseline" figure. *The State needs to time any Title IV-E waiver application based on when it believes total Title IV-E claiming has been maximized.* As there are factors that could raise revenue (based on the initiatives described above), these initiatives must be set against factors that are likely to push revenue down (*i.e.*, declining rates of out of home placement and the continuing link between the 1996 AFDC income standard and Title IV-E eligibility for foster care IV-E eligibility).

- Any waiver approved is supposed to be for a demonstration of the impact of an innovative practice. With only 30 new waivers on-offer, there is likely to be considerable competition among other states for these waivers. *Staff assumes that to win a waiver, Colorado would need to be demonstrating a significant innovation.* Although a strict experimental design will not be required by federal authorities, some manner for comparing the impact of the waiver against what would have happened in the absence of a waiver will be required. In Colorado, one way to accomplish this would be to have some counties participate and others not. However, *exactly what innovation(s) would be tested or how impacts would be measured is still uncertain.*

State Statutory Change Related to a Waiver - 2012 or later? Staff understands that federal program guidelines regarding the new waivers will likely not be issued until the Spring. It will be very difficult for the State to complete its analysis of whether or when to pursue a Title IV-E waiver until then. However, *staff recommends the Committee engage the Department now in a discussion of whether some related statutory change during the 2012 session (or later) should be considered.*

If the State chooses to pursue a waiver, staff believes a statutory change would be desirable and likely necessary. To the extent a waiver imposes a "maintenance of effort" requirement on state and local funding, staff believes the General Assembly should be on board with such a waiver. While states have dropped out of waivers prematurely due to budget cuts and similar factors (and this is always an option), *staff believes the Executive and the General Assembly should start with the same* *expectations as to how a proposed waiver would affect state funding for the period of the waiver. Staff would recommend that, if statutory change is adopted, it should specify that the impact of the waiver on the state--as well as the federal government--would be "cost neutral"/ not require additional state expenditures*.

A change in the statute governing the Excess Federal Title IV-E Cash Fund is would also likely be required. If the State enters into a waiver agreement that caps federal Title IV-E funds, the entire concept of the Excess Federal Title IV-E Cash Fund at Section 26-1-111(2) (d), C.R.S., would likely need to be modified, as there might be no calculation of an "excess" in counties participating in a waiver.

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Child Welfare, Child Care, Youth Corrections)

BRIEFING ISSUE

ISSUE: The Division of Youth Corrections Population and Outcomes

SUMMARY:

- ❑ The youth corrections population continues to fall, although the rate of decline may be slowing. Staff currently believes the average population used to set the FY 2011-12 appropriation should be reasonably close. The December 2011 average daily population projections will provide the basis for a fuller discussion of both FY 2011-12 and FY 2012-13 population projections.

- ❑ As the size of the commitment population has fallen, needs of those remaining in the system appear to have become greater.

- ❑ Recidivism rates have remained flat or increased slightly, despite the Division's efforts to implement evidence-based practices and a "continuum of care". This may reflect the fact that the population's needs have become more severe, the length of time required to fully implement evidence-based programming throughout the system, or other factors.

RECOMMENDATION:

The Committee should discuss with the Department whether there are other measures that should be tracked longitudinally that might help to demonstrate the impacts of Division programs, including fiscal impacts. Staff anticipates such measures would be in addition to the current recidivism measures and scores on risk assessment instruments.

DISCUSSION:

Background - the Division of Youth Corrections Commitment Population
Any youth over the age of 10 who is convicted of violating state or federal law, certain county or municipal ordinances, or a related lawful court order may be committed to the custody of the Division of Youth Corrections as a juvenile delinquent.[1] Youth are committed to the Division for a determinate or indeterminate residential sentence, ranging from less than one year to seven years. Upon conclusion of their residential sentence, youth are subject to a period of mandatory parole. Youth may be brought before the Juvenile Parole Board at any point between the minimum and maximum time required by their sentence.

[1] Youth may not be committed for certain offenses (*e.g*, traffic offenses, fish and game offenses, tobacco). Further, youth over age 16 who commit a class 1 or 2 felony may fall under the jurisdiction of the criminal courts, rather than juvenile court.

- In FY 2010-11, an average of 1,038 youth were in residential, commitment placement on any given day. This includes placement in state-owned and operated secure facilities; privately operated secure and staff secure facilities, including state-owned facilities such as Ridge View; and other community-based residential placements (see chart below).. Many youth "step down" from more secure to less secure placements during their period of commitment.

- The average length of residential placement served in FY 2010-11 was 18.2 months.[2]

- The average age at commitment was 16.5 years, and 87 percent of newly-committed youth were male. Minority populations are disproportionately represented in the youth commitment population: 65 percent identified as African-American, Latino, Native American, or Asian American.[3]

- In FY 2010-11, an average of 388 youth were on parole on any given day. Pursuant to statute, most youth receive six months of mandatory parole. However, parole may be extended for youth with certain serious offenses. As a result, in FY 2010-11, the average length of stay on parole was 6.7 months.[4]

The Continuum of Care. The Division of Youth Corrections Continuum of Care initiative was launched in late FY 2005-06 to improve the transition for committed youth from residential services, to parole, to discharge. Implementation began with budgetary flexibility provided through a Long Bill footnote that was designed to enable the Division to invest in treatment, transition, and wrap-around services. However, it has since become integrated in the Division's overall philosophy, and with what it defines as its five key strategies to success: right service at the right time; quality staff; proven practices; safe environments; and restorative justice. The continuum includes a cycle of assessment, case planning and treatment for each youth, which is repeated periodically until discharge. By providing "*the right service at the right time*" the Division seeks to ensure that it helps to bring youth out of criminal justice involvement rather than sending them deeper into the system.

Historic and Recent Population Trends in the Division of Youth Corrections

As reflected in the chart below, after rising sharply from the 1990s through FY 2004-05, youth corrections commitment populations first stabilized and then began to fall sharply in Colorado. This decline is consistent with patterns seen across the United States and coincides with reductions in arrest and detention rates that have occurred despite an overall increase in the size of the youth population. As reflected in the charts below, the driver behind this population trend since FY 2005-

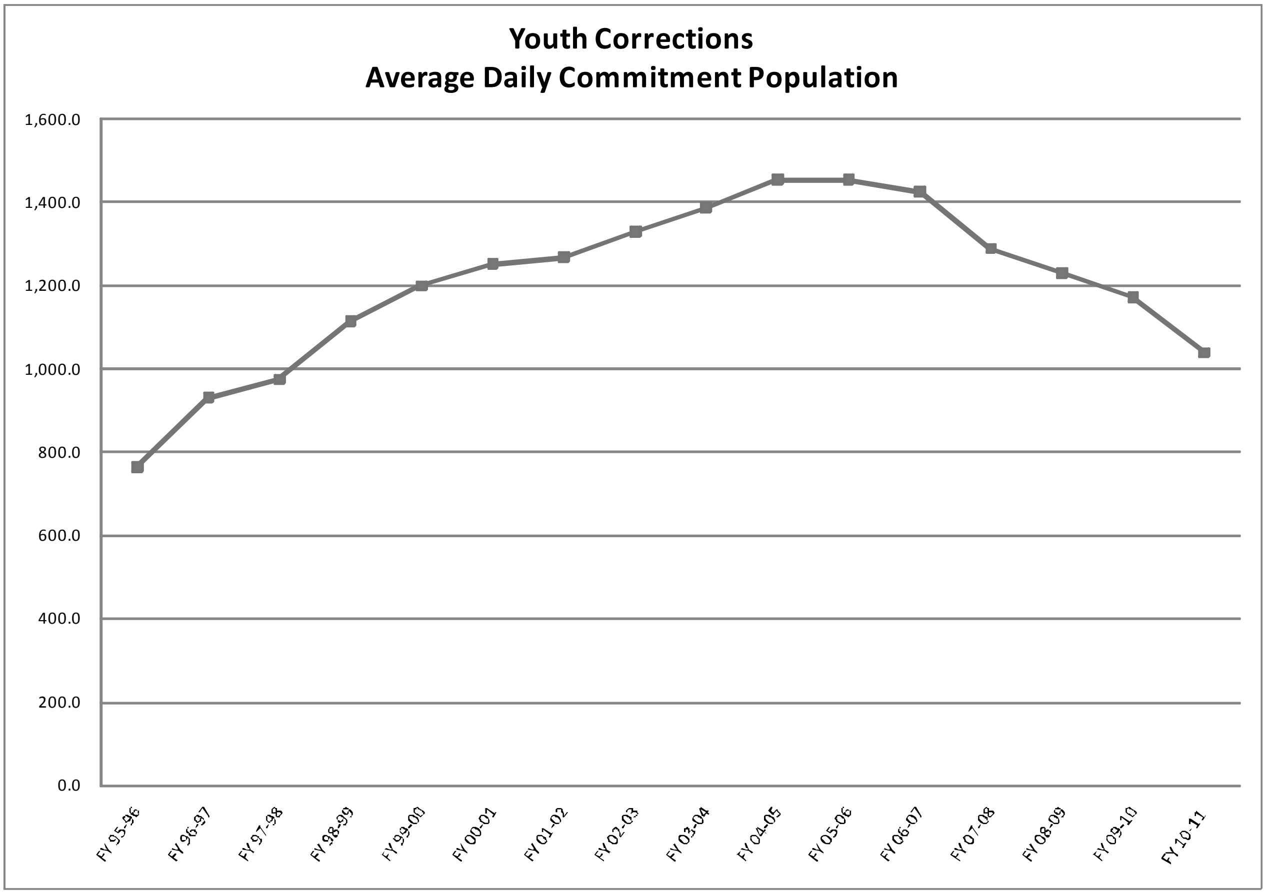
---

[2]Of youth sentenced in FY 2009-10, 99.0 percent received maximum sentences of two years or less.

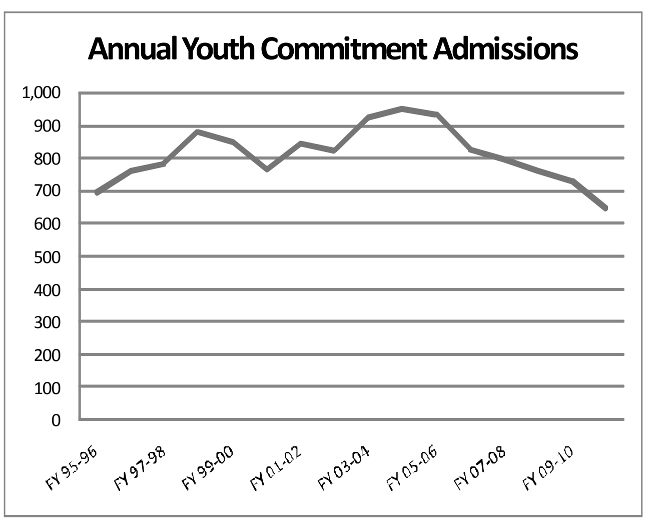
[3] FY 2009-10 data.

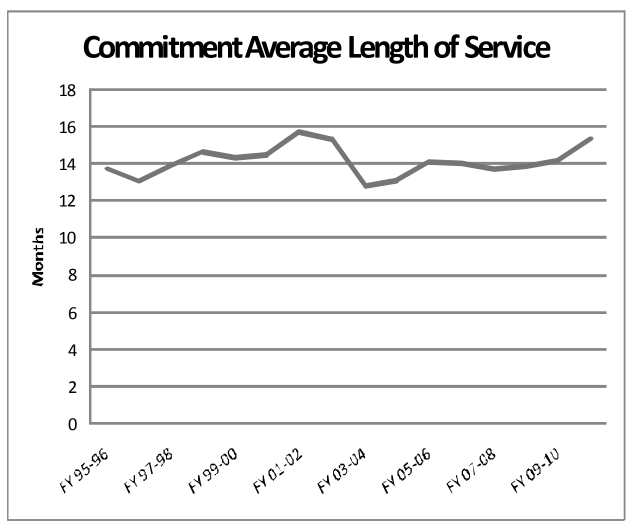
[4] Of the FY 2009-10 population, 12 percent received parole for longer than six months.

06 is initial entry into placement. The other possible driver behind a change in average daily

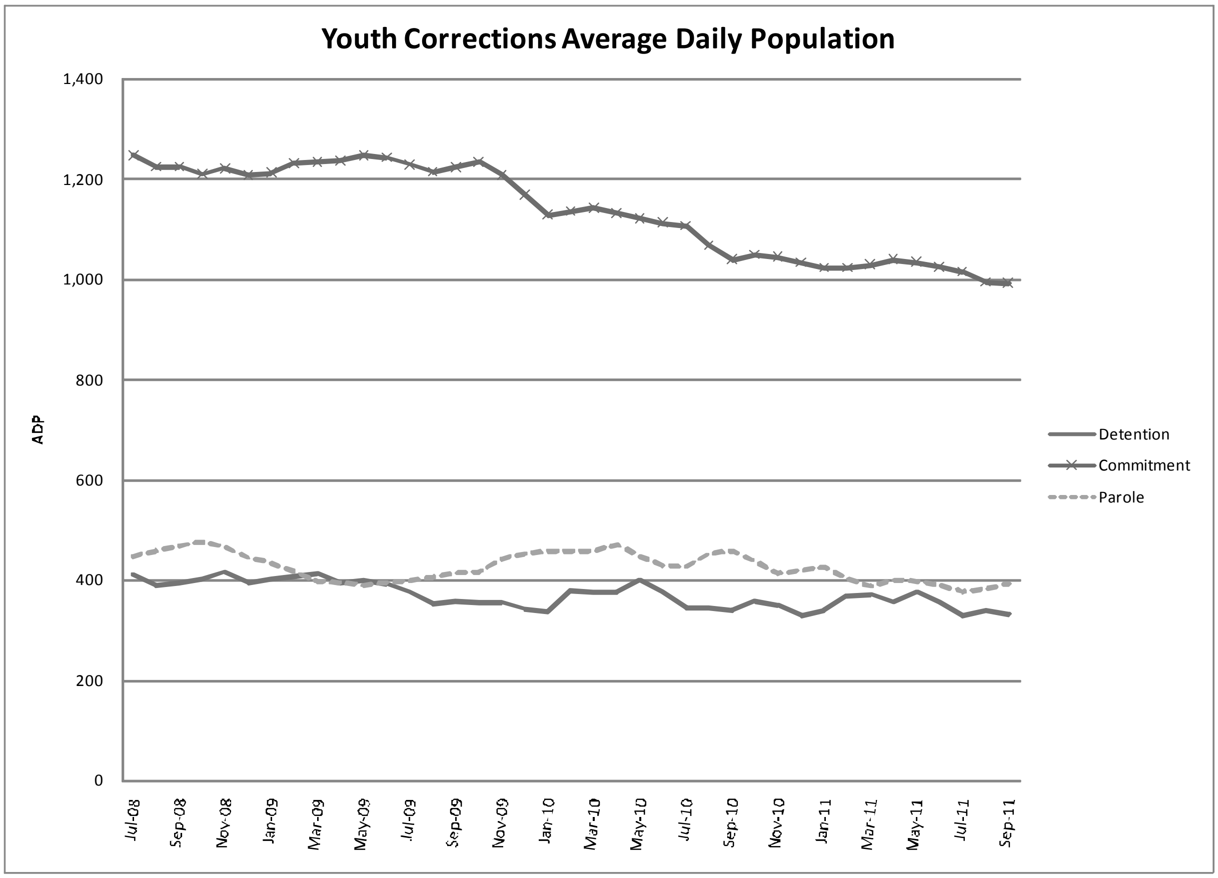


population--average length of service--has actually been increasing.





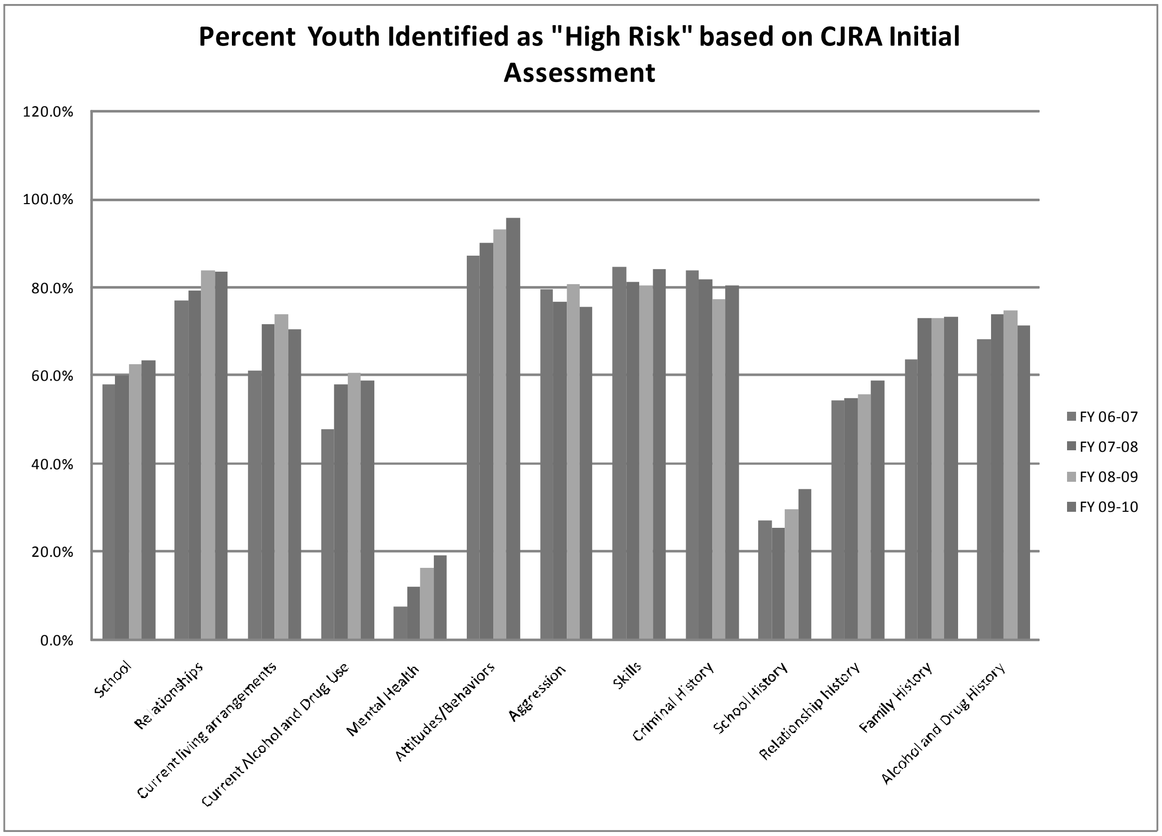
Based on data for the first quarter of FY 2011-12, it appears that commitment rates continue to fall, although the rate of decline is slower than in FY 2010-11. Further, for the last several years, it appears that the drop in placements has been greatest in the Fall and that the population has tended to stabilize in the second half of the fiscal year. In light of this, staff believes the commitment population estimate around the level included in the Long Bill (984 based on an average of the Legislative Council and Division of Criminal Justice estimates) may not be far off. However, the situation will be more clear after new population estimates are issued later this December.



Population Needs

The Department believes that the overall needs of the population it serves have become more severe as the size of the population shrinks. The Division's annual Continuum of Care annual report charts a decline in protective scores and increase in risk scores for the five year period from FY 2006-07 to FY 2010-11 in a number of key domains. The chart below shows the percent of youth classified as "high risk" based on their initial scores on the Colorado Juvenile Risk Assessment (CJRA) from FY 2006-07 through FY 2009-10. As shown, there are clearly higher initial needs in some categories. In other areas, the pattern is less clear.

Source: Division of Youth Corrections Management Reference Manual, FY 2009-10, January 2011



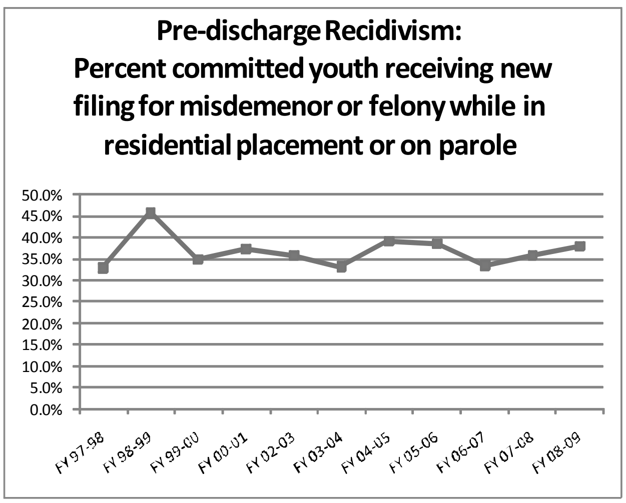
The Department has found that three initial CJRA domain scores are predictive of pre-discharge recidivism: relationship history, attitudes and behaviors, and skills. As reflected above, initial CJRA scores in two of these categories have become more severe.

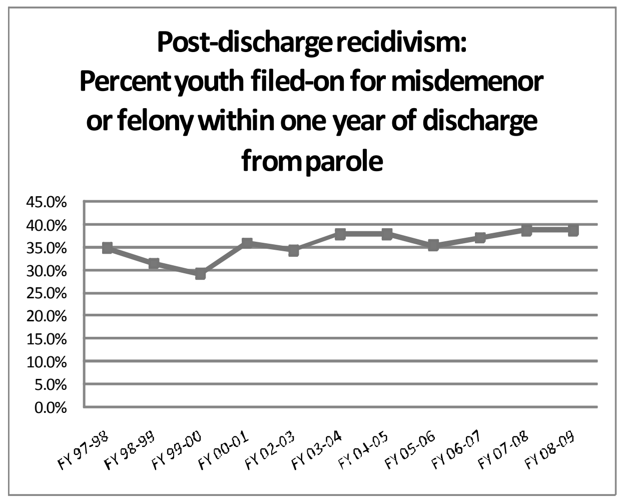
Service Outcomes

Recidivism Rates. Recidivism rates are one of the key measures of the effectiveness of Department programs. There are two types of recidivism tracked by the State and described below. It is important to note that different states used different measures of recidivism, so there is not a good basis for comparing states with respect to their rates. Note also that recidivism is a retrospective measure, i.e., post-discharge recidivism data for the cohort that exited the division in FY 2008-09 only became available in January 2011.

- Pre-Discharge Recidivism: A filing for a new felony or misdemeanor offense that occurred prior to discharge (while the youth is under DYC supervision) from the Division of Youth Corrections.

- Post-Discharge Recidivism: A filing for a new felony or misdemeanor offense that occurred within one year following discharge from the Division of Youth Corrections.



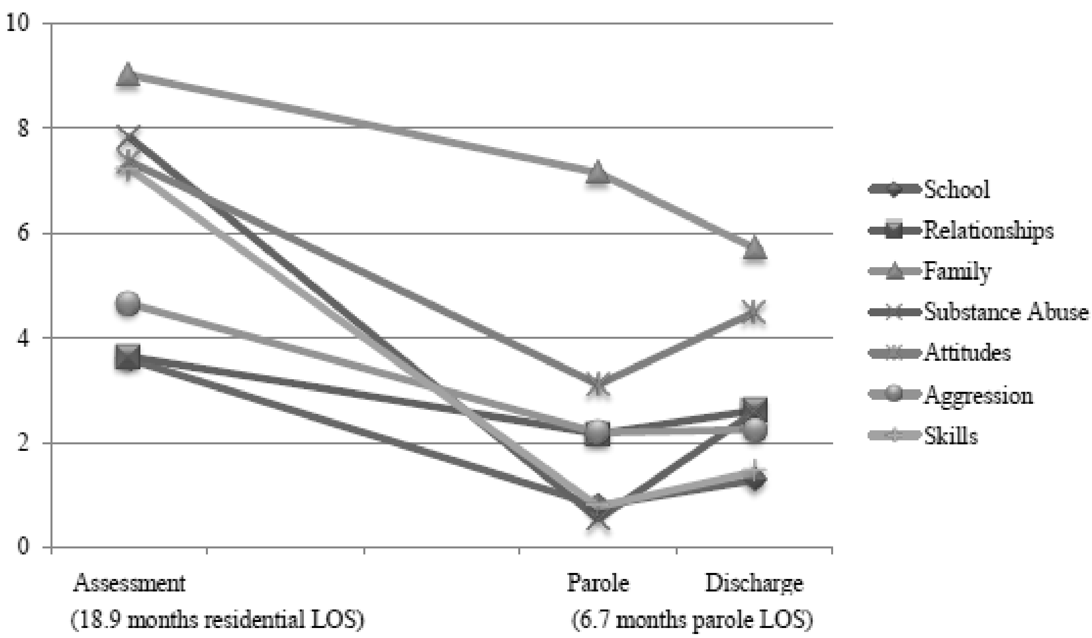


Some observations from the Department's annual recidivism report *(Recidivism Evaluation of Committed Youth Discharged in Fiscal Year 2008-09)*:

- Despite the apparent increasing trends in recidivism rates, changes across fiscal years are not statistically significant.
- Analysis of offense type indicates a reduction in criminal behavior severity (either no recidivism or less serious criminal activity) for over 75% of youth discharged, when comparing initial offense to any re-offense in the 12 months following discharge.
- Recidivism rates for the Ridge View facility are comparable (slightly worse) than for other Division males. Ridge View reflects pre-discharge recidivism of 40.4 percent (compared to 38.6 percent for other DYC males) and post-discharge recidivism of 43.6 percent (compared to 39.7 percent for other DYC males. Differences are not statistically significant, and the profile of youth served at Ridge View may place them at greater risk for re-offending.
- The majority of recidivism filings were for adult (criminal) filings: 62.8 percent of pre-discharge recidivists received at least one adult filing, and 87.7 percent of post-discharge recidivism filings were for a criminal offense.

Colorado Juvenile Risk Assessment Scores. One measure the Division has used to try to demonstrate the effectiveness of its programs is changing results on the Colorado Juvenile Risk Assessment (CJRA), between commitment, parole, and discharge, as demonstrated in the table below. The analysis particularly emphasizes: (1) the scale of reductions in family, aggression, skills, and substance abuse realms; and (2) that the precipitous reduction in risk from initial assessment to parole was largely clinically maintained between parole and discharge from parole. The Department's research has found that almost all dynamic risk scales are correlated with higher post-discharge recidivism rates. It notes that if providers target individual criminogenic needs during treatment, they should theoretically be reducing a youth's risk level and thus reducing the risk of re-offense.

Figure 17: Change in Domain Risk Scores: Assessment to Discharge



Source: Excepted from Division of Youth Corrections, Recidivism Evaluation of Committed Youth Discharged in Fiscal Year 2008-09

Use of Evidence-based Programs. The Division of Youth Corrections has placed substantial emphasis on the use of evidence based programs. For example, it has recently implemented *multi-disciplinary staffing* to more effectively involve families and youth in their longer-term placement options, which staff expects could lead to better long-term outcomes based on other studies of this approach.

In general, consultants employed by the Division to study division programs have consistently reflected on the benefits of the Division's evidence-based focus and the expectation that programs that have been shown elsewhere to be effective and cost-effective will prove to be so in Colorado. This seems reasonable. However, as also noted by reviewers, <u>the mere fact of the program is not enough if it is not implemented consistent with the evidence-based models</u>. This may help explain why recidivism outcomes, at least, do not appear to show more improvement. The Division is currently undergoing a *Performance Audit from the State Auditor's Office*, which is due out later in December. This may also help shed light on what is actually happening at Division facilities and whether this is consistent with the best practice that is intended to happen: the right service, at the right time, at the right place.

Finally, one focus of new Department management is the very *high levels of congregate care* (facility placements) for youth in Colorado, including both youth in child welfare and youth corrections placements. The State has brought in Casey Family Programs to help the State examine this issue. It is at least possible that some changes to the types of placements provided for youth in the system could also improve recidivism outcomes.

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Child Welfare, Child Care, Youth Corrections)

BRIEFING ISSUE

ISSUE: The Division of Youth Corrections Right Sizing Initiative

The Division of Youth Corrections average daily commitment population continues to fall. In response, the Department is taking steps to close facilities and to align the needs of the remaining population with available placements.

SUMMARY:

- ❏ To help the Division of Youth Corrections addressing population declines, the Long Bill included a footnote to provide funding flexibility for the Division between state-operated and contract placement line items. The Committee also requested a report on the Department's plans for using this flexibility, which was submitted November 1.

- ❏ The Department has announced closure of 40 state operated beds in FY 2011-12 (20 of which are at its newest Sol Vista facility) and has provided some information on its proposed plan, while leaving much of the detail for its FY 2011-12 supplemental request.

RECOMMENDATION:

If the Division of Youth Corrections submits an FY 2011-12 supplemental request that (1) includes adjustment for the December 2011 commitment population forecast (up or down); and (2) calculates the need for contract placements based on the assumption that state-operated beds will operate at 110 percent of capacity (whether or not actual operations are at this level), the Division should be given latitude to allocate funds between state-operated and contract placements as it sees fit. This would be consistent with the Committee's FY 2011-12 figure setting decisions.

However, if the Division is unable to operate within the confines of the above funding assumptions, the Committee will need to carefully scrutinize whether the elements of the plan that may increase per-person funding in state-operated facilities in FY 2011-12 (and FY 2012-13) are justified. This includes additional costs associated with operating state facilities at 100 percent of capacity and efforts to increase "critical post" staffing at other facilities.

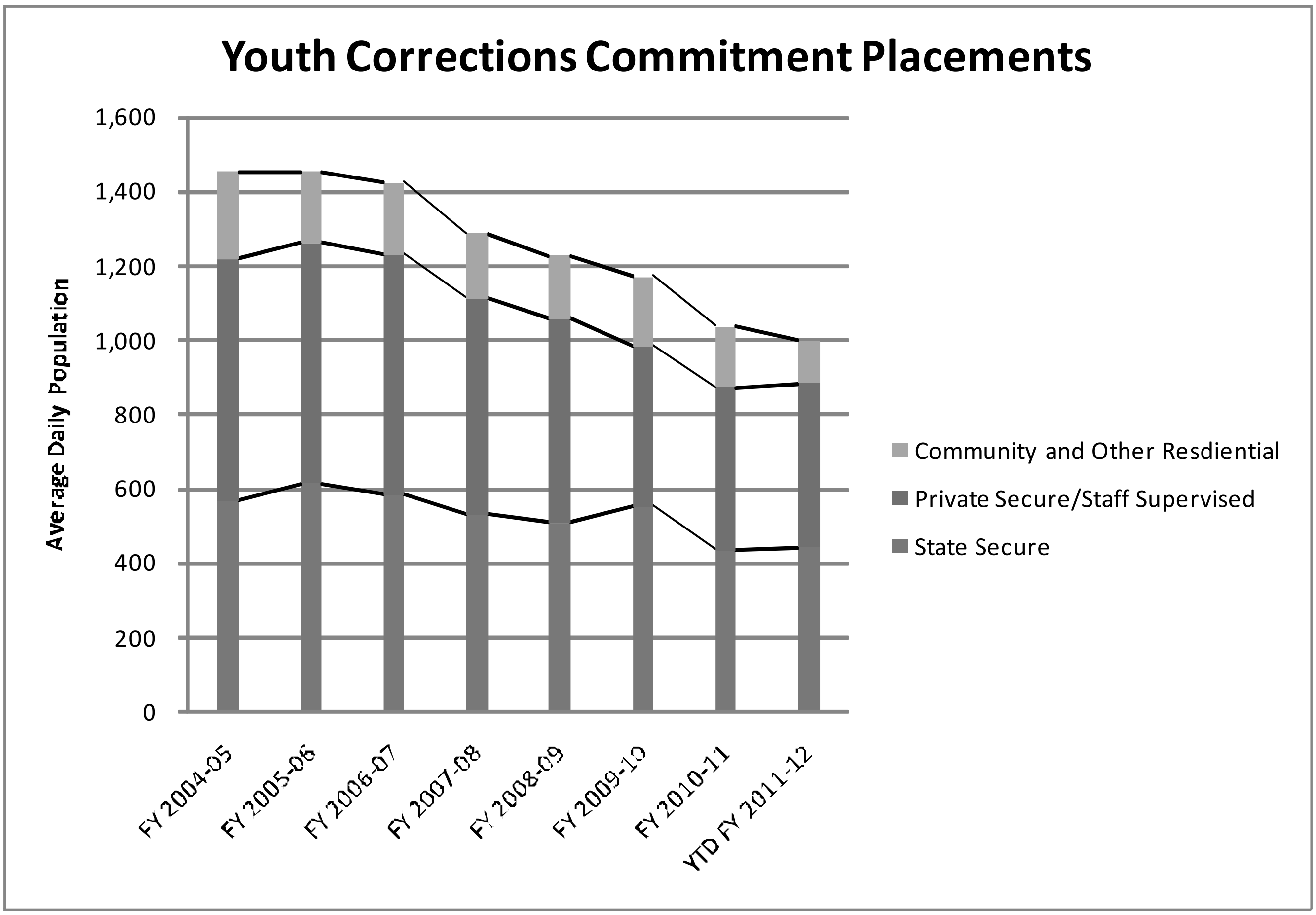
DISCUSSION:

Declining Youth Corrections Population and Type of Placement

The youth corrections commitment population has been declining since FY 2005-06, driven by a steady reduction in the number of youth committed to the system. Whatever the cause of the population decline, when combined with recent-year budget constraints, it has made providing "the right service at the right time" particularly challenging for the Division.

As reflected in the chart below, commitment populations fall into three broad categories:

State Secure	Placements in "hardened" facilities across the State, which are staffed by state FTE and are typically used to serve youth who present the most serious safety risks or who have "blown out" of other kinds of placement;
Private secure/ Staff supervised	72 percent of current placements in this category are in three facilities--Ridge View, Marler, and DeNier--which are state-owned but privately operated facilities. The remainder are privately owned and operated programs such as Jefferson Hills and Devereaux Cleo Wallace.
Community/ Other residential	This includes a variety of other placements, primarily consisting of community residential programs for youth who are transitioning to parole or who pose less of a community threat.

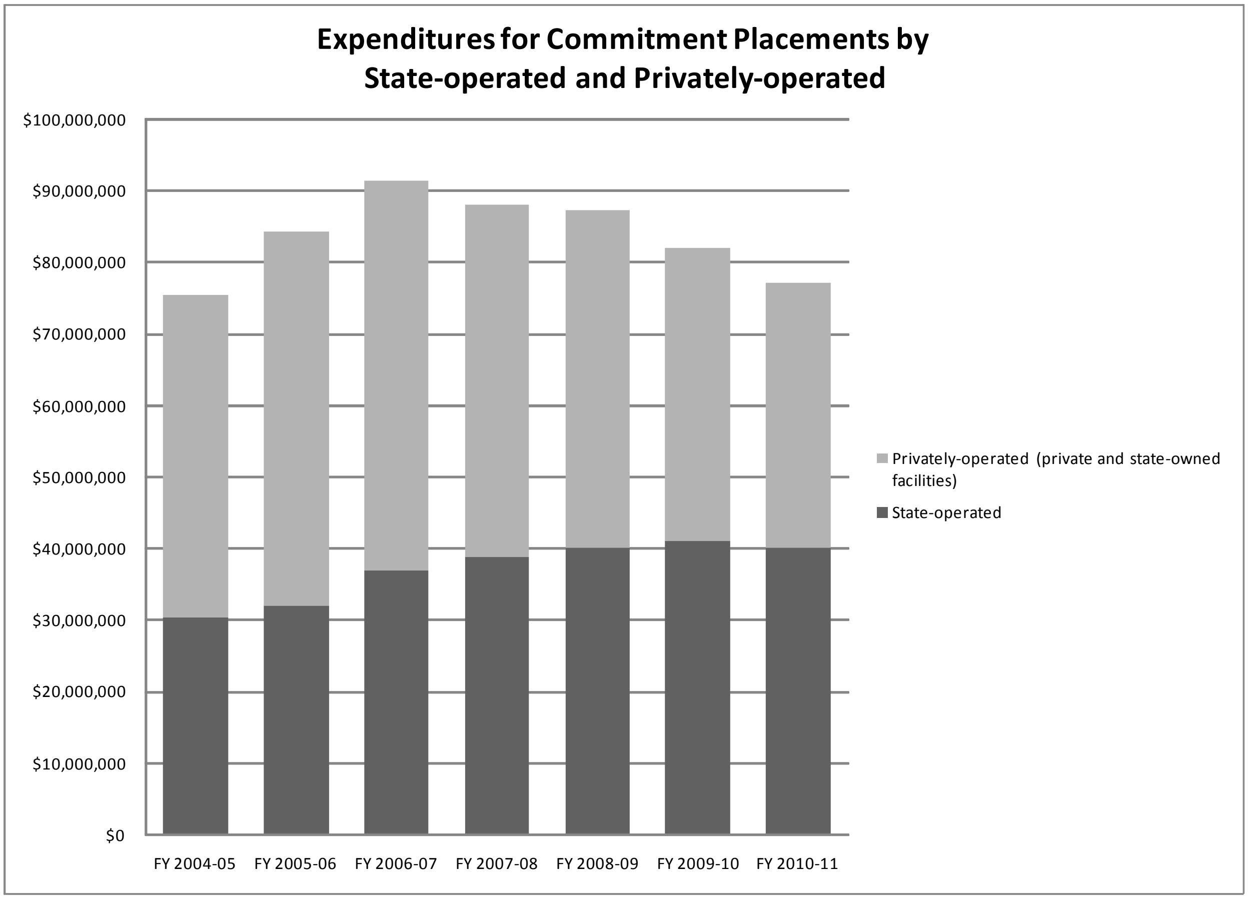


As shown in the chart, as the youth population has declined, placements in all three categories have fallen, with the sole exception of FY 2009-10 when the Governor required DYC state-operated facilities to operate at 120 percent of capacity. However, *the savings taken by the General Assembly associated with the declining population have been taken exclusively in the contract placement category*.[5] Even when a significant number of beds were closed in FY 2007-08 in the Lookout Mountain facility, associated dollars and FTE were retained in the Division. As shown in the chart below, funding for state commitment placements has been flat or increasing since FY 2006-07, even as the number of youth served in state-operated placements has fallen.

Most recently, in FY 2010-11, the Department shifted from what had historically been state operations at 110 percent of capacity to operations at 100 percent of capacity on the grounds that it did not have a sufficient number of youth requiring secure placement. While undoubtedly appropriate from a quality-of-care perspective, the impact of this change was to serve fewer youth with the same dollars in state operated facilities and to increase the number of contract placements that needed to be purchased. Contract placements still declined, but less dramatically than they would have if the Department had operated state facilities at 110 percent of capacity.[6]

[5] In FY 2009-10, state-operated facilities took the *pressure* of over-crowding to 120 percent, but the resulting cost-savings still appeared as a reduction in contract placements.

[6] Funding for FY 2010-11 was ultimately based on the assumption that the Department would operate for three quarters of the year at 100 percent of capacity and one quarter at 110 percent of capacity.



Source: Department-provided spreadsheet, November 2011; state-operated detention placements and state case-management costs for placements in state- and privately-operated facilities not included.

By the 2011 legislative session, it had become apparent that even if state-operated facilities were at 100 percent of capacity (and not 110 percent), an ongoing decline in the population meant an over-capacity of state operated beds. To keep state operated beds full would mean placing youth in more secure placements than their needs warranted.

In response to a request from the Joint Budget Committee, prior to figure setting for the FY 2011-12 Long Bill, the Department submitted "right sizing" options for the Committee addressing both the detention and the commitment population. The Department structured the options to reinvest savings realized from closures, so the overall budget impact of the options presented ranged from annualized savings of $781,337 to annualized costs of $156,445. In response, *the Committee ran legislation to reduce the detention cap (S.B. 11-217),* providing $1.2 million in annualized General Fund savings for detention. *It also added a FY 2011-12 Long Bill footnote providing the Department with flexibility between institutional facility and contract placements line items to help the Department address the "right sizing" problem for commitment placements.*

On October 5, 2011, the Department announced that it would be *closing one facility (the Sol Vista facility which had been opened in FY 2005-06) and closing the sole commitment pod in the Marvin Foote facility*, resulting in the closure of 40 state-operated beds over the course of the year. As requested, it also submitted a response to RFI #2 on November 1, 2011, providing an outline of its rightsizing plans.

FY 2011-12 Response to Request for Information #2

State-operated beds needed. The Division indicated that it had thoroughly analyzed recent trends within its commitment population, and applied various criteria to determine which youth *require* secure care, versus youth who could be safely managed and served in a less secure environment within a private contract placement. Using factors such as a youth's score on the Colorado Classification Instrument, special sentences (*e.g.*, aggravated/violent/repeat juvenile offender), high number of prior out-of-home placements, high number of recommitments, and high run risk, *the Division has determined that at any given time, just under 40 percent of the total population requires a secure placement.* Staff notes that, with the exception of FY 2009-10, since FY 2005-06 the Department's state-operated secure facilities have housed between 41 and 42 percent of its population.

In determining the number of beds to close, the Department assumed that an appropriate level of state capacity would 40 percent of an average daily population of 990. Based on this, it further determined that 40 state operated beds should be reduced from the current state-operated capacity of 434. Staff highlights two key assumptions in this calculation: (1) average daily population of 990 (just above the 983 ADP used for figure setting and as reasonable estimate based on ADP to-date); and (2) state facilities operate at 100 percent of capacity rather than the 110 percent of capacity requested by the Executive and used by the JBC for figure setting for FY 2011-12. [7] The fiscal implications of this difference could be significant: If the FY 2011-12 Purchase of Contract Placements line item had been calculated assuming state operations at 100 percent of capacity, the net General Fund budget would have been $2.3 million greater.

The Department's response provides additional detail on planned facility closures, although *key additional information on the full budget implications is still pending the FY 2011-12 supplemental submission.*

Sol Vista Facility

- Sol Vista is the newest of the existing youth corrections facilities and was opened in a brand new building on the Colorado Mental Health Institute at Pueblo campus in 2006
- Capital construction costs of $6.1 million were required for the facility (covered almost entirely with a federal grant) and additional annual operating funds of $3.6 million and 53.7 FTE were added when the facility opened.
- Department press releases have indicated that the building will be re-purposed for the CIRCLE program at Pueblo, an inpatient treatment program for individuals with a dual diagnosis of mental illness and substance abuse.

[7] The FY 2011-12 figure setting assumption for average daily population of 983 was based on the average between the Legislative Council December 2010 projection of 1,028 and the Division of Criminal Justice December 2010 projection of 947. As of September 2011, the total committed residential population had fallen to 992.

Sol Vista Closure. Sol Vista is a 20 bed facility for committed youth with significant mental health issues. According to the report, the Division has targeted a closure date effective January 1,2012. However, the Division began moving some youth and placing impacted staff in October; thus, complete closure could be achieved prior to January 1st, as the plan is to close one housing pod at a time. Youth currently residing there will either be transitioned to parole or a less structured setting, or be served at the Zebulon Pike Youth Service Center in Colorado Springs or the Lookout Mountain Youth Services Center in Golden. The closure impacts 51 FTE. The Department has already begun working with the staff to offer transfers to equivalent positions in other DYC facilities, or offer transfer opportunities into similar or equivalent vacant positions in the Department of Human Services and possibly the Department of Corrections through a more informal pre-layoff process.

Marvin Foote Closure. The Division is also closing one 20-room (24-bed) commitment housing pod at the Marvin W. Foote Youth Services Center (MWFYSC) in Englewood, CO effective November 1, 2011. Youth currently served there will be placed in contracted community programs or at the Mount View Youth Services Center in Jefferson County. The end result is that the MWFYSC will be downsized, and converted to a detention-only facility, rather than its current mixed-use serving detained and committed populations. The 12.0 FTE affected by this closure will be offered transfers to vacancies in other DYC facilities.

Why these facilities? The Department's report notes:

❑ Sol Vista was originally expected to expand to 40 beds, which would have resulted in a more cost effective operation. This did not occur due to declining populations and capital construction budget limits. Because of Sol Vista’s size and lack of economies of scale, it is the single most costly DYC facility. The average daily cost per youth for FY 2009-10 at Sol Vista was $459, as compared to a $193 per day average cost in other facilities statewide.

❑ The closure of a commitment pod at the Marvin Foote Youth Services Center, while generating minimal savings, converts a multi-purpose facility to a single use that is more manageable in terms of facility programs and services and more efficient in the reorganization of education and commitment resources to a centralized location.

Anticipated Outcomes. The Department lists a variety of outcomes it hopes to achieve with its plan. From these outcomes *it is evident that the plan involves not only deriving some savings from facility closures, but also "reinvesting" some of these savings to improve the quality of care in remaining placements*. This appears to reflect, in part, enhanced staffing at facilities where some of the mentally ill population from Sol Vista will be moved but is broader than that. The report highlights the following anticipated outcomes:

- Balance resources between state-operated and contract placements
- Provide youth with services that match their needs
- Create efficiencies
- Preserve community placement resources
- Ensure safety of youth and staff
- Ensure adequate treatment resources

- Ensure Appropriate Critical Post Coverage

In discussing these items, the report specifically notes that the plan includes:

- Redeploying resources formerly used by Sol Vista to enhance safety and programming at the Lookout Mountain facility in response to the greater proportion of youth with severe mental health issues and histories of aggressive behaviors that will be served at the Lookout Mountain facility.
- Providing adequate (possibly meaning enhanced) treatment resources, because youth remaining in the system have increasingly complex treatment needs
- "Leveraging" resources from both the Sol Vista and Foote Center closures to move closer to a more appropriate critical post relief factor within remaining State operated facilities. It indicates that this has "largely" been achieved within the existing resources with no new General Fund or FTE appropriations.

Estimated Savings/Cost Avoidance. Based on an estimated *six months* of savings at both facilities to be closed, the Department estimates total FY 2011-12 cost avoidance at $1,929,376 total, including $1.6 million in savings for the Sol Vista closures and $0.4 million for the Marvin Foote pod closure. Savings would double to $3.8 million in FY 2012-13, providing ongoing savings of $98,719 per year per bed closed. This puts estimated savings well above the average daily cost of a private commitment placement in a state-owned facility of $57,017 per year and even above the average estimated fully-loaded cost per DYC state-operated placement of $92,101 in FY 2010-11.[8]

The Department can achieve this level of savings due to the closure of the Sol Vista facility, which is extremely costly to operate because of its small size and intensive mental health services. The savings associated with the Sol Vista closure total **$160,933 per bed per year or $441 per day**. The cost for a placement at Jefferson Hills, which is treated as comparable in this spreadsheet, is less than half of that, at $196 per day. However, it needs to be noted that this Jefferson Hills figure does not include outside medical costs or educational funding.

The Department's report indicates that is working with the Governor's Office to determine how the $1,929,376 in cost-savings in FY 2011-12 (half-year) will be used and the exact amount of funds that will need to be transferred to the Purchase of Contract Placements line item for private placements. It specifically indicates an expected need of:

- $90,000 for safety improvements at Lookout Mountain;
- $132,554 for clinical staffing needs at Lookout Mountain; and
- $366,865 for critical post staffing.

Finally, the report indicates that a supplemental/budget amendment related to commitment population projections, based on Legislative Council and Division of Criminal Justice December projections is possible.

---

[8]Note that costs for state-operated and privately-operated facilities are not comparable, as privately-operated does not include per-pupil operating revenue or off-site Medicaid medical costs, while these amounts are included in state-operated figures.

Fully-loaded Cost per Youth Corrections Average Daily Population (ADP) Placement FY 2010-11			
	Cost per ADP per day	**ADP**	**Total**
State-operated commitment placements	$252.33	436.9	$40,239,095
State-operated detention placements	$170.06	452.0	$28,056,409
Privately owned and operated commitment placements*	$171.49	273.5	$17,119,743
Privately-operated commitment placements in state-owned facilities*	$156.21	347.7	$19,825,064
Case management/parole supervision	$24.19	1,476.5	$13,037,770
Non-allocated (S.B. 91-94, Victim Assistance, Interstate Compact, Managed Care Pilot)			$14,258,109
Total Expenditures FY 2010-11			**$132,536,190**

*These amounts do not include per-pupil operating revenue or off-site Medicaid medical cost amounts.
Source: Department-provided spreadsheet, November 2011.

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Divisions of Child Welfare, Child Care, and Youth Corrections)

BRIEFING ISSUE

ISSUE: Current Issues in the Division of Child Care

Counties have reduced support for child care programs due to the reduction in Temporary Assistance for Needy Families funds available, and there are waiting lists. However, due to statewide budget constraints, the Department has requested that additional federal funds be used to refinance General Fund, rather than increase funding for child care assistance. The State is also pursuing changes to the governance structure for early childhood programs, licensing rules, and a federal "Race to the Top" Early Learning Challenge Grant to improve child care quality.

SUMMARY:

❏ The Division of Child care oversees the state-supervised county-administered Colorado Child Care Assistance Program (CCCAP), which provides child care subsidies for low income families. It also supports the development of high quality child care and licenses child care facilities.

❏ The Colorado Child Care Assistance Program (CCCAP), which represents the majority of the state's child care budget, continues to shrink as counties eliminate transfers to the program from the Temporary Assistance for Needy Families block grant due to TANF limits. Waiting lists have appeared for the program in many parts of the State. However, due to statewide budget constraints, the Department has requested (R-10) that additional federal funds be used to refinance General Fund, rather than increase funding for child care assistance.

❏ The Executive Branch is pursuing both state statutory change, rule change, and federal funding that, if approved, could have a significant impact on early childhood programs.

DISCUSSION:

The Division of Child Care and Child Care Development Funds. The Division of Child Care has three primary responsibilities:

- The Division oversees the Colorado Child Care Assistance Program (CCCAP), which funds counties to provide child care subsidies to low-income families and families transitioning off of the Colorado Works program.

- The Division is also responsible for child care facility licensing (including for 24-hour facilities such as treatment residential child care facilities); and

- The Division is responsible for promoting statewide child care quality improvements, including the Child Care Councils authorized in Section 26-6.5-101, C.R.S.

There are five sources of funding for Division activities. The largest single share of Division funding is the federal Child Care Development Funds (CCDF) block grant (70 percent of the FY 2011-12 budget of $88.2 million). State General Fund of $16.3 million comprises about 19 percent of the budget, and local county match and licensing fees from child care facilities comprise most of the remaining 11 percent. In addition Temporary Assistance to Needy Families (TANF) funds that are authorized by counties (but are not appropriated in this part of the budget) have been a major funding source for child care subsidies.

Federal funds are used primarily for child care subsidies and quality improvement initiatives. Federal Child Care Development Funds (CCDF), like Temporary Assistance to Needy Families funds, are unusual in that the General Assembly is authorized under federal law to appropriate them. There are three types of CCDF funds: *mandatory* funds are received by all states based on historic expenditures prior to federal welfare reform; *matching* funds are based on the number of state's children who are under 13. These require a 1:1 non-federal match ; and *discretionary* funds were added as part of Welfare Reform. Discretionary funds are subject to federal sequestration procedures, although the other categories are not. Funding is based on various state populations in need. Federal funding comes with various "strings", including maintenance of effort requirements, a requirement that 4.0 percent of expenditures from all sources be tied to quality initiatives and that, of the federal discretionary funds, certain portions be targeted for particular functions, including infant and toddler care and school-age care and resource and referral services.

For many years, the Department held substantial reserves of CCDF funds. A significant portion of these reserves was spent down associated with a $14.7 million Child Care Automated Tracking System (CHATs) rebuild. In addition to this, staff has recommended adjustments to CCDF appropriations over multiple years, including both increases to appropriations and, more recently, refinance of General Fund, to gradually spend down remaining reserves. *For FY 2012-13, the Department has requested R-10, which would refinance an additional 817,511 General Fund with CCDF reserves.*

The table below reflects the Department's most recent estimate of CCDF funds. Actual FY 2010-11 federal receipts were about $1.6 million higher than originally projected. Thus, although staff had anticipated that reserves would decline over time. Department estimates submitted pursuant to RFI #5 reflected increases in reserve levels. However, this estimate (1) did not take into account R-10 (proposed refinance of General Fund) or the potential impact of federal sequestration of discretionary funding starting in FY 2012-13, which could affect approximately one-third of CCDF revenue. Staff has incorporated these two adjustments in the table below.

As shown, *if both of these events occur, staff projects a gradual spend-down of CCDF reserves, which staff considers a reasonable approach to budgeting CCDF funds*, both because federal funding has historically increased to fill the gap and because, if it does not, the resulting budget hole when reserves are exhausted is not too large. Note, however, that estimates of federal funding (and particularly sequestration estimates) are subject to change.

FEDERAL CHILD CARE DEVELOPMENT FUNDS (CCDF)						
	FY 2010-12	**FY 2012-13**	**FY 13-14**	**FY 14-15**	**FY 15-16**	**FY 16-17**
	Estimate	**Request/ Staff Est.**	**Projection**	**Projection**	**Projection**	**Projection**
FUNDS AVAILABLE:						
CCDF Funds Rolled Forward	$6,222,619	$7,216,388	$6,419,826	$4,678,687	$2,937,548	$1,196,409
New Annual CCDF Award	66,228,959	66,200,716	66,200,716	66,200,716	66,200,716	66,200,716
Potential Impact Sequestration (staff est.)	*0*	*(944,577)*	*(1,889,154)*	*(1,889,154)*	*(1,889,154)*	*(1,889,154)*
TOTAL CCDF FUNDS AVAILABLE	**$72,451,578**	**$72,472,527**	**$70,731,388**	**$68,990,249**	**$67,249,110**	**$65,507,971**
CCDF EXPENDITURES:						
CHATs Information System Operating	2,299,593	2,299,593	2,299,593	2,299,593	2,299,593	2,299,593
Other Indirect Costs and Information Systems	1,255,981	1,255,981	1,255,981	1,255,981	1,255,981	1,255,981
Child Care Assistance Program (CCCAP)	50,589,749	50,589,749	50,589,749	50,589,749	50,589,749	50,589,749
Child Care Licensing and Administration	3,409,331	3,409,331	3,409,331	3,409,331	3,409,331	3,409,331
Child Care Grants (including targeted)	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633
Early Childhood Councils	1,978,317	1,978,317	1,978,317	1,978,317	1,978,317	1,978,317
School-readiness Child Care Subsidization	2,228,586	2,228,586	2,228,586	2,228,586	2,228,586	2,228,586
R-10 - Refinance CCCAP	*0*	*817,511*	*817,511*	*817,511*	*817,511*	*817,511*
TOTAL EXPENDITURES	**$65,235,190**	**$66,052,701**	**$66,052,701**	**$66,052,701**	**$66,052,701**	**$66,052,701**
AVAILABLE FUNDS LESS EXPENDITURES	**$7,216,388**	**$6,419,826**	**$4,678,687**	**$2,937,548**	**$1,196,409**	**($544,730)**
Annual Grant Compared to Annual Expenditures including est. sequestration	993,769	(796,562)	(1,741,139)	(1,741,139)	(1,741,139)	(1,741,139)

Colorado Child Care Assistance Program. The Colorado Child Care Assistance Program (CCCAP) is the largest single component of the Division's budget (84 percent). Senate Bill 97-120 established CCCAP in statute at Section 26-8-801 through 806, C.R.S. 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. The formula for allocating funds among counties is based on utilization and poverty measures. Counties are responsible for covering any costs above their allocations, which they accomplish as needed using Temporary Assistance to Needy Families block grant funds.

Subject to available appropriations, counties are *required* to provide child care assistance (subsidies) to any person or family whose income is less than 130 percent of the federal poverty level. Recipients of assistance are responsible for paying a portion of child care costs. Counties are also *authorized* to provide child care assistance for a family transitioning off the Works Program or for any other family whose income is between 130 percent of the federal poverty level and 85 percent of the state median income ($54,108 for a family of three in 2010).[1]

Among the three categories of families served by the program---families receiving assistance from Colorado Works, families in transition from cash assistance, and other low-income families--low income families have always comprised the largest group, although the share on TANF has increased since the recession. For the period June 2009 through May 2010 (the most recent data available), TANF clients comprised 25 percent of participating households. Children in families earning 130 percent or less of the federal poverty level (including TANF clients) made up about 77 percent of cases.

Specific county eligibility policies do vary and have changed over time. Variations include the income levels served up to 85 percent of the median income, reimbursement rates for child care providers, and whether students in higher education programs are eligible. *An analysis contracted by the State Auditors in 2008 estimated that in FY 2004-05 the program served about 27 percent of those eligible; however, individual county coverage rates varied from 2 percent to 58 percent.*[2]

The appropriation is comprised of state-appropriated federal Child Care and Development Fund (CCDF) block grant amounts, state General Fund, and county maintenance of effort and administrative amounts. Each county is required to spend, as a maintenance of effort, its share of

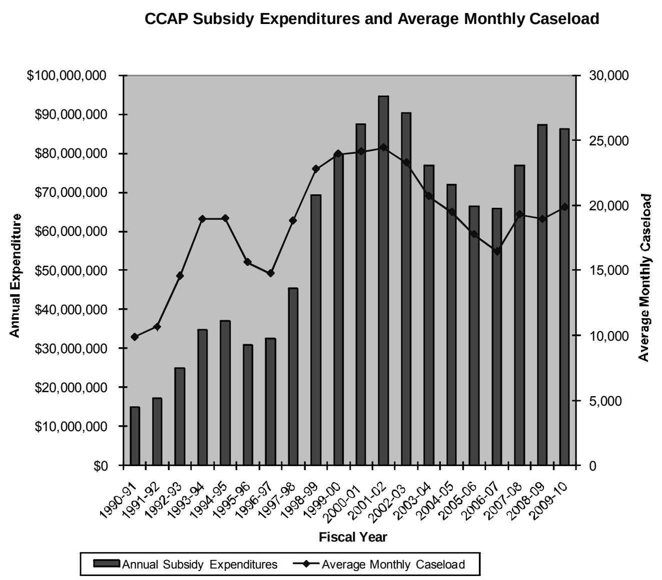
[1]The income level cap was revised upward from 225 percent of the federal poverty level to the federal maximum of 85 percent of the state median income pursuant to H.B. 08-1265.

[2]Analysis by Berkeley Policy Associates, cited in SAO Colorado Child Care Assistance Program Performance Audit, December 2008

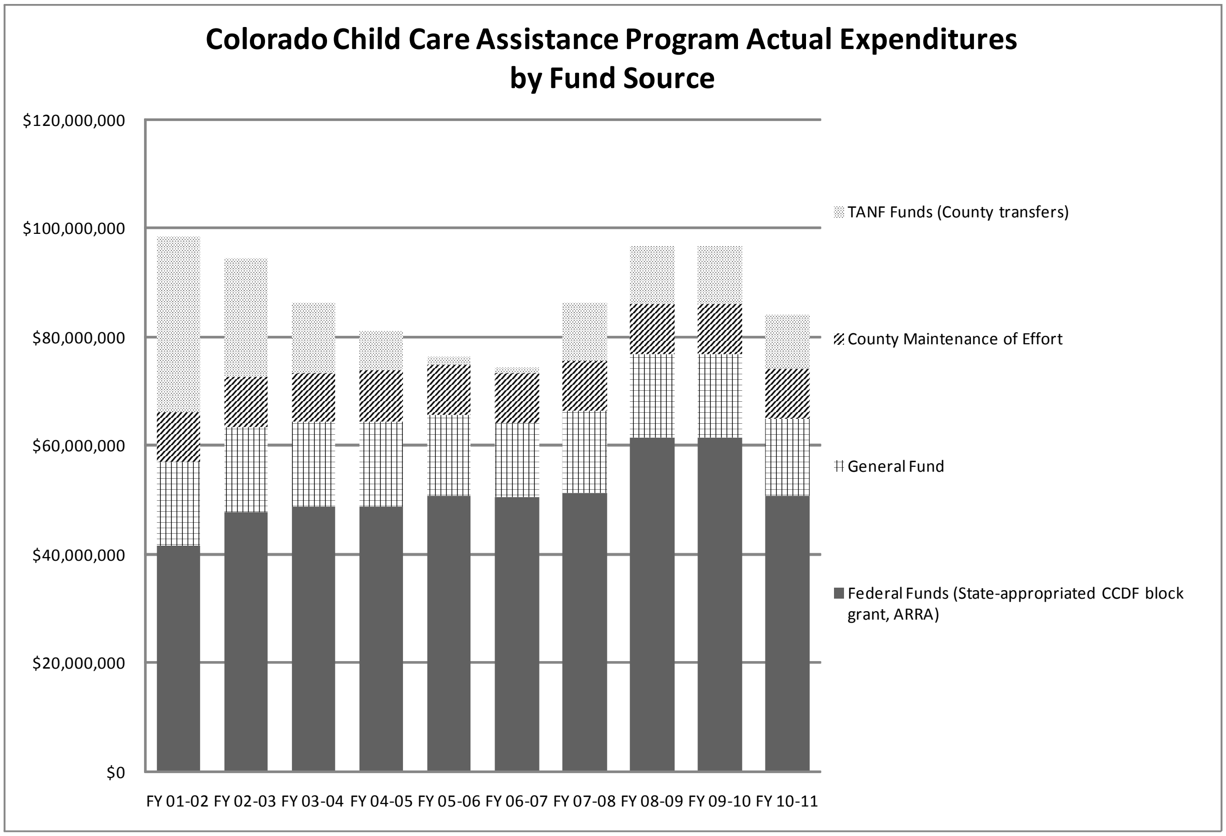
an amount identified in the Long Bill each year, as well as its share of program administration costs. Although not reflected in the Long Bill appropriations for Child Care, overall funding sources for the program may include large county transfers from their TANF Colorado Works block grants (effectively up to 20 percent of the annual TANF grant).

The chart illustrates the history of expenditures for CCCAP, as well as the average monthly number of children for whom subsidies are provided through CCCAP. *As reflected in the chart, the history of the program reflects bursts of funding and caseload expansion, followed by rapid contraction.*

Overall spending for child care generally occurs in an inverse relationship to other TANF spending, since major increase and declines are funded through county transfers from TANF. For the same reason, caseload for the child care assistance program increases and decreases in an inverse relationship to the TANF basic cash assistance program. *The unstable expenditure pattern in child care does not reflect changing demand for subsidized child care but is rather an artifact of counties' assessment of the availability of TANF funds.*



In the child care area, counties have responded to the recession, as they have historically, by shrinking their child care subsidy programs. This process was delayed in FY 2009-10 due to additional federal funding available under the American Recovery and Reinvestment Act, but is now clearly evident.



County steps to limit eligibility include:

- As of October 2011, 16 counties had CCCAP waiting lists, including four of the "big ten" (Arapahoe, Denver, Larimer, Mesa). Denver was the first to create a waiting list in February 2009, but others have since followed. As of September 2, there were 2,299 children (2,895 families) waiting for the CCAP program.[3]

- Counties have reduced program eligibility criteria. In December 2009, only one county was using income eligibility between 130 and 149 percent of the federal poverty guidelines, and seven counties between 150 and 184 percent. As of September 2011, 11 counties set initial eligibility between 130 and 149 percent of the federal poverty guidelines, and 18 were between 150 and 184 percent of the federal poverty guidelines.

- Finally, many counties have taken other steps to reduce eligibility or expenses such as barring the use of CCCAP for students and requiring single custodial parents to file for child support enforcement.

Counties nonetheless have difficulty rapidly adjusting spending for child care, as the impact of new

[3]This figure is smaller than that quoted last year, due to efforts to "clean out" wait lists and exclude those no longer interested/eligible.

eligibility criteria or freezes on new admissions only gradually affect their budgets. House Bill 10-1035, Concerning Eligibility Determination for CCCAP to Promote Stability further slowed the impact of eligibility-changes, as the bill extended the eligibility redetermination period from 6 to 12 months and thus reduced program turnover.

Current county eligibility policies and waiting lists are expected to increase the number of children who are either in the informal care of a friend or neighbor or whose parent is unable to work due to a lack of child care. The Department has provided data indicating that, at least as of FY 2009-10, the sum of total expenditures for individuals on the TANF program, those earning less than 130 percent of the federal poverty, plus state administrative costs ($80.6 million total) actually exceeded the total CCCAP budget ($74.0 million) excluding TANF transfer dollars.

Staff notes that *if the Committee wished to provide additional assistance to counties in addressing child assistance eligibility and waiting lists, it could choose to use additional federal funds available to increase child care funding, rather than using such funds to refinance General Fund as requested in R-10.*

The Early Childhood Leadership Commission, Governance Consolidation Initiatives, Quality Ratings, and Race to the Top

Early Childhood Leadership Commission. The Early Childhood Leadership Commission, first created by Executive Order and then authorized in statute through H.B. 10-1037, includes 35 members representing key state departments, public and private-sector early childhood stakeholders, and members of the General Assembly.[4] Its purpose, as outlined in statute, is to advance a comprehensive service delivery system for children from birth to eight years old. The fiscal note for the bill anticipated receipt of $1.3 million in federal funds to advance this effort, with the Commission repealed in 2013. The Commission has been used to lay the groundwork for restructuring early childhood programs in Colorado. This effort has been spurred by the potential for a large federal grant: the Race to the Top Early Learning Challenge Grant. On September 13, 2011, the Early Childhood Leadership Commission voted on several initiatives designed to improve Colorado's position in a Race to the Top application, including a proposal changing the State governance structure for early childhood.

Governance Proposal. The Commission was expected to report to the General Assembly by January 2012 recommending an overall governance system for early childhood programs. At its September meeting, the Commission recommended a governance structure that would consolidate services under a reorganized Department of Human Services, including shifting existing early childhood programs and funding streams from the Colorado Department of Public Health and Environment, the Department of Health Care Policy and Financing, and the Office of the Lieutenant Governor to the Department of Human Services. The Early Childhood and School Readiness Commission (on which Senator Steadman serves) voted to sponsor a related bill on October 24, 2011.

---

[4]Note that the Leadership Commission, located in the office of the Lieutenant Governor, is different from the Early Childhood and School Readiness Commission, which was reconstituted through H.B. 09-1343.

As currently drafted, the bill creates the Office of Early Childhood and Youth Development in the Department of Human Services, with functions that would include operating and overseeing a variety of programs currently in the Department of Human Services and other departments, including the Colorado Children's Trust Fund, the Tony Grampsas Youth Services Program, the Nurse Home Visitor Program, and the Family Resource Center Program (all now in the Department of Public Health and Environment), as well as programs currently in the Division of Child Care, early childhood mental health services, and Part C Early Intervention Services. The legislative declaration addresses the need to deal comprehensively with early childhood learning, health, mental health, and parent support and education and the fragmentation of the current system in multiple departments and 23 funding streams. Notably, while some programs are consolidated, the proposal does not include consolidation of many significant programs, including most in the Department of Education.

Race to the Top. According to federal documents, the Race to the Top grant focuses on improving early learning and development of programs for young children by supporting states' efforts to:

- increase the number and percentage of low-income and disadvantaged infants, toddlers, and preschoolers who are enrolled in high quality early learning programs;
- design and implement an integrated system of high quality early learning programs and services; and
- ensure that assessments conform with national best-practice recommendations.

The federal website states that funding will go to states with "ambitious yet achievable plans for implementing coherent, compelling, and comprehensive early learning education reform". A total of $500 million is available, with grants estimated to be in the $50 to $100 million range. On October 20, 35 states (including Colorado), the District of Columbia and Puerto Rico submitted applications. *This is clearly a highly competitive grant and, given Colorado's history with Race to the Top, there is certainly no guarantee that any grant will be forthcoming.*

Colorado's application, <u>if approved</u>, would provide $60 million in additional support for early childhood programs. *The grant application helps to articulate where the State hopes to go with respect its early childhood programs--although its ability to get there in the near-term will obviously be affected by whether or not the proposed grant is received.* If the State receives the grant, it is expected to start January 1, 2011 and to continue through December 2015.

As noted in the application, about 174,000 (40 percent) of children ages birth to kindergarten entry, live in families earning less than 200 percent of the federal poverty level. Among Colorado's young, high needs population are an estimated 65,352 young English language learners and 22,743 young children with developmental disabilities or delays.

As described in the grant application, *the goal is that children with high needs join all children in experiencing high quality early learning programs, thereby ensuring all children are ready for kindergarten.* Services for young children are supported in multiple state and federal departments. Some of the largest programs include: the Child Care Assistance Program (25,964) state-funded preschool (19,486); Early Head Start and Head Start (14,006), Part B and Part C services for children with developmental disabilities and delays (22,769), Title I early education programs (4,976), and the Nurse Family Partnership program (1,981), among others. The application calculates total state contributions for programs for young children at just under $170 million per year. As it notes, historically, services for children from birth to age 8 have been provided through over 23 public funding streams in five state departments.

Strategies described in the application include:

- Implement effective state governance, including a new Office of Early Childhood with support of local Early Childhood Councils, to increase access, quality, and equity at the local level.
- Evolve statewide tiered quality rating and improvement system, to ensure children receive the highest quality programming in all licensed settings.
- Integrate early childhood learning and development guidelines within all early learning systems elements to ensure a universal understanding of how children learn and grow.
- Leverage Colorado's comprehensive assessment system to ensure early identification and intervention for young children with high needs
- Create a great early childhood workforce
- Expand the kindergarten entry assessment

Quality Rating Through Licensing System. A specific requirement to qualify for the grant relates to developing and adopting a common statewide tiered quality rating and improvement system for providers. Colorado has had a voluntary system for many years, administered by Qualistar Colorado, a private partner. It is now attempting to incorporate a rating system into the state child care licensing process. Of the total grant proposal, the largest single component ($19.7 million) would be directed toward accelerating the integration of child care licensing in the quality rating system.

As outlined in the grant application, the Department's goal is that all early learning programs will be quality rated by December 2015. Staff understands that it expects to accomplish this by requiring that a child care facility license will represent, at a minimum, a "one star" (out of four) quality program. The Department has been working on changes to the quality rating system for some time, and has taken various steps to advance the effort, including through House Bill 11-1027 (Concerning the Creation of a Department of Defense Quality Child Care Standards Pilot Program) and various changes to state rules. Some state rules have been adopted and others are still undergoing review, that toughen basic licensing requirements.

On September 13, 2011 the Early Childhood Leadership Commission also approved funding for an RFP to develop an expanded quality rating system. Staff understands that this is focused on higher tiers of the quality rating system. It is anticipated that these higher quality rating components would be outside the overall state child care licensing system.

Child Care - Tension Between Quality Availability. There has always been tension in the child care budget between the twin goals of making child care as available as possible and improving the quality of child care. Federal welfare reform legislation that created the Child Care Development Fund block allocations was largely focused on ensuring that families had access to child care so that they could find and retain employment. This is reflected in the Colorado statutes implementing welfare reform and creating the Colorado Child Care Assistance Program at Section 26-2-801, C.R.S. et. seq.

At the same time, the federal law requires a certain level of expenditure on improving quality, and State policy makers have also focused in this area, as reflected in the creation of the Early Childhood Councils and similar quality improvement initiatives at Section 26.6.5-101, C.R.S, et. seq. *The emphasis on quality has increased in recent years both at the state and federal levels, as demonstrated in "Race to the Top".*

Some of the quality-emphasis has been related to child care assistance rates. Both federal and state law *encourage* (but do not require) counties to provide families with adequate choice in child care placements by establishing a goal of reimbursing providers at a rate no lower than the 75th percentile each county's market rate (i.e., a rate equal to or higher than that at which 75 percent of providers bill). State policy also encourages counties to use a system of "tiered reimbursement" whereby counties may choose to pay higher rates for higher quality programs. (House Bill 10-1026 established a grant program to encourage tiered reimbursement, effective if adequate funding were available). However, only a few counties use this option. As described above, the State is clearly moving in this direction and hopes to do so more quickly with Race to the Top funding.

From a public policy perspective, there is evidence that money spent on high quality early child care pays off in the long term in reduced public costs. However, high quality child care is expensive, and thus the choice has often seemed to be between serving fewer at-risk children in higher quality placements or more children in placements that might be of lower quality. *To the extent fewer children in total are served, the question becomes what happens to the children not served.* Given the high cost of formal child care, it is assumed that many low-income children whose parents are working are served in informal care, such as in the home of a relative or neighbor, rather than in any formal child care setting.

If the State receives "Race to the Top" funds that enable it to promote and reward high quality programs through higher levels of reimbursement paid by grant-funding, some of this tension may be temporarily addressed. However, *members of the legislature will need to continue to scrutinize how they balance the need for high quality placements with the need to provide a reasonable number of placements in the current fiscal environment.*

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation

DEPARTMENT OF HUMAN SERVICES
Reggie Bicha, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE
(B) Special Purpose

This document includes Executive Director's Office, Special Purpose line items that are specifically related to child welfare services and youth corrections. 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; funding to support staff who conduct background/employment screenings using records and reports of child abuse or neglect; funding for the child protection ombudsman contract; and staff and operating costs for the Juvenile Parole Board. Cash funds are from fees paid by those requesting background/employment checks. Reappropriated funds are transferred from the Department of Public Safety. The balance of Executive Director's Office line items are covered in other Department of Human Services briefing and figure setting documents.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Administrative Review Unit	**2,185,083**	**2,172,174**	**2,083,539**	**2,132,138**	
FTE	24.0	23.7	24.2	24.2	
General Fund	1,416,269	1,393,948	1,349,610	1,383,043	
Federal Funds	768,814	778,226	733,929	749,095	
Records and Reports of Child Abuse or Neglect	**474,010**	**493,520**	**567,611**	**577,448**	
FTE	7.2	7.6	7.5	7.5	
Cash Funds	474,010	493,520	567,611	577,448	
Child Protection Ombudsman Program	**0**	**66,695**	**370,000**	**370,000**	
General Fund	0	66,695	370,000	370,000	
Juvenile Parole Board	**234,917**	**245,332**	**243,285**	**247,281**	
FTE	2.9	3.0	3.0	3.0	
General Fund	200,587	199,564	199,013	202,200	
Reappropriated Funds	34,330	45,768	44,272	45,081	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Total Funds – (1) (B) Executive Director's Office, Special Purpose – Selected Line Items [non-add]	**3,713,684**	**3,686,881**	**4,134,707**	**4,203,818**	**1.7%**
FTE	**35.2**	**35.3**	**37.7**	**37.7**	**0.0%**
General Fund	1,616,856	1,660,207	1,918,623	1,955,243	1.9%
Cash Funds	474,010	493,520	567,611	577,448	1.7%
Reappropriated Funds	34,330	45,768	44,272	45,081	1.8%
Federal Funds	1,588,488	1,487,386	1,604,201	1,626,046	1.4%

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation

(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 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Administration	**3,096,026**	**3,626,699**	**3,592,042**	**3,674,600**	
FTE	**32.5**	**38.2**	**41.0**	**41.0**	
General Fund	2,338,423	2,822,672	2,778,121	2,843,014	
Reappropriated Funds	121,418	120,423	130,938	134,305	
Federal Funds	636,185	683,604	682,983	697,281	
Training	**5,827,898**	**6,225,059**	**6,127,139**	**6,134,611**	
FTE	**3.5**	**5.8**	**6.0**	**6.0**	
General Fund	2,871,971	2,991,855	2,996,049	3,000,279	
Cash Funds	37,230	37,230	0	37,230	
Federal Funds	2,918,697	3,195,974	3,093,860	3,097,102	
Foster and Adoptive Parent Recruitment, Training, and Support	**340,275**	**327,407**	**326,300**	**335,562**	
FTE	**1.0**	**0.6**	**1.0**	**1.0**	
General Fund	273,276	260,292	259,431	268,395	
Federal Funds	66,999	67,115	66,869	67,167	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Child Welfare Services	**336,157,346**	**331,169,644**	**334,835,846**	**334,343,137**	
General Fund	165,010,711	156,115,993	161,141,108	163,843,770	
Cash Funds	61,168,175	61,129,115	60,805,148	60,730,814	
Reappropriated Funds	13,070,654	12,176,287	14,328,538	14,293,272	
Federal Funds	96,907,806	101,748,249	98,561,052	95,475,281	
Excess Federal Title IV-E Distributions for Related County Administrative Functions	**0**	**0**	**1,000,000**	**1,000,000**	
Cash Funds	0	0	1,000,000	1,000,000	
Family and Children's Programs	**48,030,915**	**46,143,068**	**44,776,053**	**44,776,053**	
General Fund	31,224,534	31,916,198	24,132,328	33,632,328	
Cash Funds	5,213,955	5,113,437	5,113,437	5,113,437	
Federal Funds	11,592,426	9,113,433	15,530,288	6,030,288	
Performance-based Collaborative Management Incentives	**3,399,224**	**3,410,652**	**3,224,669**	**3,224,669**	
Cash Funds	3,399,224	3,410,652	3,224,669	3,224,669	
Independent Living Programs	**2,541,666**	**2,338,973**	**2,826,582**	**2,826,582**	
FTE	**4.0**	**4.0**	**4.0**	**4.0**	
Federal Funds	2,541,666	2,338,973	2,826,582	2,826,582	
Promoting Safe and Stable Families Program	**4,467,806**	**4,458,610**	**4,455,017**	**4,456,680**	
FTE	**1.5**	**1.5**	**2.0**	**2.0**	
General Fund	36,913	32,549	49,849	50,265	
Cash Funds	1,064,160	1,064,160	1,064,160	1,064,160	
Federal Funds	3,366,733	3,361,901	3,341,008	3,342,255	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Federal Child Abuse Prevention and Treatment Act Grant	**420,110**	**440,172**	**431,730**	**436,054**	
FTE	**3.0**	**2.6**	**3.0**	**3.0**	
Federal Funds	420,110	440,172	431,730	436,054	
Title IV-E Related County Administrative Functions	**0**	**465,864**	**0**	**0**	
General Fund	0	305,731	0	0	
Federal Funds	0	160,133	0	0	
Total Funds - (5) Division of Child Welfare	**404,281,266**	**398,606,148**	**401,595,378**	**401,207,948**	**(0.1%)**
FTE	**45.5**	**52.7**	**57.0**	**57.0**	**0.0%**
General Fund	201,755,828	194,445,290	191,356,886	203,638,051	6.4%
Cash Funds	70,882,744	70,754,594	71,244,644	71,170,310	(0.1%)
Reappropriated Funds	13,192,072	12,296,710	14,459,476	14,427,577	(0.2%)
Federal Funds	118,450,622	121,109,554	124,534,372	111,972,010	(10.1%)

(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 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Child Care Licensing and Administration	**6,215,878**	**6,434,191**	**6,486,315**	**6,589,293**	
FTE	**57.5**	**61.4**	**64.4**	**64.4**	
General Fund	2,081,444	2,232,018	2,205,189	2,259,138	
Cash Funds	621,744	650,162	758,031	770,824	
Federal Funds	3,512,690	3,552,011	3,523,095	3,559,331	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Fines Assessed Against Licensees	**4,918**	**19,999**	**20,000**	**20,000**	
Cash Funds	4,918	19,999	20,000	20,000	
Child Care Assistance Program	**75,618,195**	**74,802,572**	**73,976,592**	**73,976,592**	*
General Fund	15,354,221	14,604,221	14,104,221	13,286,710	
Cash Funds	9,183,907	9,182,622	9,182,622	9,182,622	
Federal Funds	51,080,067	51,015,729	50,689,749	51,507,260	
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Targeted Funds Requirements	**3,471,723**	**3,473,633**	**3,473,633**	**3,473,633**	
Federal Funds	3,471,723	3,473,633	3,473,633	3,473,633	
Early Childhood Councils	**2,985,201**	**2,479,040**	**1,978,317**	**1,978,317**	
FTE	1.2	1.0	1.0	1.0	
General Fund	1,006,161	0	0	0	
Federal Funds	1,979,040	2,479,040	1,978,317	1,978,317	
School-readiness Quality Improvement Program	**2,235,113**	**2,229,305**	**2,226,745**	**2,228,586**	
FTE	1.3	1.1	1.0	1.0	
Federal Funds	2,235,113	2,229,305	2,226,745	2,228,586	
Child Care Assistance Program - ARRA Funding	**10,405,227**	**0**	**0**	**0**	
Federal Funds	10,405,227	0	0	0	
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Targeted Funds Requirements - ARRA Funding	**6,347,700**	**0**	**0**	**0**	
Federal Funds	6,347,700	0	0	0	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Total Funds - (6) Division of Child Care	**107,283,955**	**89,438,740**	**88,161,602**	**88,266,421**	**0.1%**
FTE	**60.0**	**63.5**	**66.4**	**66.4**	**0.0%**
General Fund	18,441,826	16,836,239	16,309,410	15,545,848	(4.7%)
Cash Funds	9,810,569	9,852,783	9,960,653	9,973,446	0.1%
Federal Funds	79,031,560	62,749,718	61,891,539	62,747,127	1.4%

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation

(11) DIVISION OF YOUTH CORRECTIONS

(A) Administration

This section provides funding and state staff associated with providing policy direction for the DYC and administering and monitoring the quality of care provided to delinquent youth. The source of reappropriated funds is a grant from the Victims Assistance and Law Enforcement (VALE) Board.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Personal Services	**1,444,515**	**1,338,265**	**1,319,003**	**1,347,573**	
FTE	**15.9**	**16.3**	**15.4**	**15.4**	
General Fund	1,444,515	1,338,265	1,319,003	1,347,573	
Operating Expenses	**30,391**	**29,103**	**29,111**	**30,357**	
General Fund	30,391	29,103	29,111	30,357	
Victim Assistance	**26,121**	**26,238**	**27,631**	**29,203**	
FTE	**0.4**	**0.3**	**0.5**	**0.5**	
Reappropriated Funds	26,121	26,238	27,631	29,203	
Total Funds - (A) Administration	**1,501,027**	**1,393,606**	**1,375,745**	**1,407,133**	**2.3%**
FTE	**16.3**	**16.6**	**15.9**	**15.9**	**0.0%**
General Fund	1,474,906	1,367,368	1,348,114	1,377,930	2.2%
Reappropriated Funds	26,121	26,238	27,631	29,203	5.7%

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
(B) Institutional Programs					
This section provides funding and state staff associated with providing detention services and institutional care, including educational, medical, food, and maintenance services. The reappropriated funds primarily reflect transfers of federal funds from the Department of Education for school breakfast/lunch and special and vocational education.					
Personal Services	**44,135,871**	**43,338,883**	**42,291,860**	**43,123,919**	
FTE	**779.6**	**776.5**	**791.0**	**789.3**	
General Fund	44,135,871	43,338,883	42,291,860	43,123,919	
Operating Expenses	**3,746,588**	**3,423,140**	**3,382,033**	**3,402,337**	
General Fund	2,251,559	2,039,742	2,051,833	2,072,137	
Reappropriated Funds	1,495,029	1,383,398	1,330,200	1,330,200	
Medical Services	**8,307,298**	**8,046,831**	**6,924,667**	**6,991,612**	
FTE	**34.0**	**32.2**	**39.0**	**39.0**	
General Fund	7,895,215	6,991,074	6,924,667	6,991,612	
Reappropriated Funds	412,083	1,055,757	0	0	
Educational Programs	**6,076,544**	**6,155,964**	**5,742,063**	**5,806,255**	
FTE	**36.1**	**34.0**	**40.8**	**40.8**	
General Fund	5,486,363	5,407,851	5,405,397	5,465,479	
Reappropriated Funds	590,181	748,113	336,666	340,776	
Prevention/Intervention Services	**48,915**	**49,140**	**49,693**	**49,693**	
FTE	**0.0**	**0.0**	**1.0**	**1.0**	
Reappropriated Funds	48,915	49,140	49,693	49,693	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Enhanced Mental Health Services Pilot for Detention	**64,037**	**0**	**0**	**0**	
General Fund	64,037	0	0	0	
Total Funds - (B) Institutional Programs	**62,379,253**	**61,013,958**	**58,390,316**	**59,373,816**	**1.7%**
FTE	**849.7**	**842.7**	**871.8**	**870.1**	**(0.2%)**
General Fund	59,833,045	57,777,550	56,673,757	57,653,147	1.7%
Reappropriated Funds	2,546,208	3,236,408	1,716,559	1,720,669	0.2%

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
(C) Community Programs					
This section provides funding and state staff associated with providing case management services for committed youth and parolees, contracting for private residential placements, and funding Senate Bill 91-94 programs. The cash funds are from the contractor for the Ridge View Facility to pay for DYC's monitoring expenses pursuant to Section 19-2-411.5 (2)(e), C.R.S. The reappropriated funds reflect Medicaid funds transferred from the Department of Health Care Policy and Financing.					
Personal Services	**7,583,841**	**7,365,511**	**6,608,142**	**6,775,791**	
FTE	**108.5**	**104.8**	**97.8**	**97.8**	
General Fund	7,231,687	7,010,887	6,258,853	6,418,496	
Cash Funds	50,020	50,441	49,698	50,833	
Reappropriated Funds	45,514	45,411	44,658	45,688	
Federal Funds	256,620	258,772	254,933	260,774	
Operating Expenses	**346,564**	**330,976**	**324,140**	**337,444**	
General Fund	344,116	328,528	321,692	334,996	
Cash Funds	2,448	2,448	2,448	2,448	
Purchase of Contract Placements	**37,329,349**	**34,103,927**	**28,896,136**	**28,815,534**	
General Fund	35,109,655	31,491,814	26,721,276	26,646,616	
Reappropriated Funds	1,493,558	1,461,152	1,208,624	1,205,322	
Federal Funds	726,136	1,150,961	966,236	963,596	
Managed Care Pilot Project	**1,118,451**	**1,298,657**	**1,368,060**	**1,368,060**	
General Fund	1,085,115	1,263,970	1,335,391	1,335,391	
Reappropriated Funds	33,336	34,687	32,669	32,669	
S.B. 91-94 Programs	**13,238,558**	**12,926,386**	**12,031,528**	**12,031,528**	
General Fund	13,238,558	12,926,386	12,031,528	12,031,528	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Parole Program Services	5,696,259	5,360,526	4,180,771	4,180,771	
General Fund	4,819,099	4,468,867	3,289,112	3,289,112	
Federal Funds	877,160	891,659	891,659	891,659	
Juvenile Sex Offender Staff Training	36,811	36,910	47,060	47,060	
General Fund	8,148	8,300	8,810	8,810	
Cash Funds	28,663	28,610	38,250	38,250	
Total Funds – (C) Community Programs	**65,349,833**	**61,422,893**	**53,455,837**	**53,556,188**	**0.2%**
FTE	**108.5**	**104.8**	**97.8**	**97.8**	**0.0%**
General Fund	61,836,378	57,498,752	49,966,662	50,064,949	0.2%
Cash Funds	81,131	81,499	90,396	91,531	1.3%
Reappropriated Funds	1,572,408	1,541,250	1,285,951	1,283,679	(0.2%)
Federal Funds	1,859,916	2,301,392	2,112,828	2,116,029	0.2%
Total Funds - (11) Division of Youth Corrections	**129,230,113**	**123,830,457**	**113,221,898**	**114,337,137**	**1.0%**
FTE	**974.5**	**964.1**	**985.5**	**983.8**	**(0.2%)**
General Fund	123,144,329	116,643,670	107,988,533	109,096,026	1.0%
Cash Funds	81,131	81,499	90,396	91,531	1.3%
Reappropriated Funds	4,144,737	4,803,896	3,030,141	3,033,551	0.1%
Federal Funds	1,859,916	2,301,392	2,112,828	2,116,029	0.2%

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	Request vs. Appropriation
Total Funds - Department of Human Services					
Divisions Child Welfare, Child Care, Youth Corrections	**640,795,334**	**611,875,345**	**602,978,878**	**603,811,506**	**0.1%**
FTE	**1,080.0**	**1,080.3**	**1,108.9**	**1,107.2**	**(0.2%)**
General Fund	343,341,983	327,925,199	315,654,829	328,279,925	4.0%
Cash Funds	80,774,444	80,688,876	81,295,693	81,235,287	(0.1%)
Reappropriated Funds	17,336,809	17,100,606	17,489,617	17,461,128	(0.2%)
Federal Funds	199,342,098	186,160,664	188,538,739	176,835,166	(6.2%)

*This line item includes a decision item.

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Child Welfare, Child Care, Youth Corrections)

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **S.B. 11-217 (Hodge/Ferrandino):** Reduces the juvenile detention bed cap for the Division of Youth Corrections in the Department of Human Services from 479 beds to 422 beds beginning in FY 2011-12. Reduces the appropriation to the Department for FY 2011-12 by $1,078,828 General Fund and 8.3 FTE, including a reduction of $986,568 General Fund for the Division of Youth Corrections and $92,260 for centrally-appropriated line items. This is expected to annualize to a reduction of $1,087,000 General Fund and 10.0 FTE to the Division of Youth Corrections in FY 2012-13.

- ❑ **H.B. 11-1145 (McCann/Tochtrop):** Requires all child care workers hired on or after August 10, 2011 to have a fingerprint-based criminal history record check through both the Federal Bureau of Investigation (FBI) and the Colorado Bureau of Investigation. For FY 2011-12, includes an appropriation of $19,311 cash funds from the Child Care Licensing Cash Fund and 0.4 FTE for the Division of Child Care in the Department of Human Services for staff to review the results of the additional background checks and to issue clearance letters to child care facilities. Also for FY 2011-12, appropriates $151,800 cash funds, derived from fees paid by child care workers, to the Department of Public Safety for pass-through to the FBI to complete the additional background checks.

- ❑ **H.B. 11-1196 (Summers/Foster):** Increases county flexibility in funding for family services.

  - Allows counties to provide family preservation services based on a report of suspected abuse or neglect (rather than a finding of abuse or neglect) if the county determines that the family, without appropriate intervention services, may become involved in the child welfare, mental health, and juvenile justice systems. Requires such expenditures be considered when determining the annual child welfare funding allocation to counties.

  - Allows county departments of social services to draw down additional federal funding, subject to state approval and other conditions, for expenditures for qualified social services provided by other organizations and the administrative costs of certifying such expenditures as eligible for federal reimbursement. Allows the Department of Human Services to retain five percent of any federal funds received by a county under these provisions.

FY 2012-13 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Child Welfare, Child Care, Youth Corrections)

APPENDIX C: UPDATE OF FY 2011-12
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

1a **Department of Corrections, Management, Executive Director's Office Subprogram; Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Alcohol and Drug Abuse Division; and Division of Youth Corrections; Judicial Department, Probation and Related Services; and Department of Public Safety, Division of Criminal Justice; and Colorado Bureau of Investigation** -- State agencies involved in multi-agency programs requiring separate appropriations to each agency are requested to designate one lead agency to be responsible for submitting a comprehensive annual budget request for such programs to the Joint Budget Committee, including prior year, request year, and three year forecasts for revenues into the fund and expenditures from the fund by agency. The requests should be sustainable for the length of the forecast based on anticipated revenues. Each agency is still requested to submit its portion of such request with its own budget document. This applies to requests for appropriation from the Drug Offender Surcharge Fund, the Offender Identification Fund, the Sex Offender Surcharge Fund, the Persistent Drunk Driver Cash Fund, and the Alcohol and Drug Driving Safety Program Fund, among other programs.

Comment: The Division of Youth Corrections is in compliance with this footnote. The Division shares only one fund with other state agencies: the Sex Offender Surcharge Fund created in Section 18-21-103, C.R.S. The Judicial Department serves as the lead agency for this Fund. The following information was provided by the Judicial Department. This fund consists of 95 percent of sex offender surcharge revenues. These surcharges range from $75 to $3,000 for each conviction or adjudication. Moneys in the Fund are subject to annual appropriation to the Judicial Department, the Department of Corrections, the Department of Public Safety's Division of Criminal Justice, and the Department of Human Services to cover the direct and indirect costs associated with the evaluation, identification, and treatment and the continued monitoring of sex offenders. Pursuant to Section 16-11.7-103 (4) (c), C.R.S., the Sex Offender Management Board (SOMB) is required to develop a plan for the allocation of moneys deposited in this fund, and submit the plan to the General Assembly.

The following table details the allocation plan approved by the SOMB on September 16, 2011. This plan mirrors the plans submitted for both FY 2010-11 and FY 2011-12. To the extent projected expenditures exceed projected revenues (as they have in the past), the SOMB directs departments to restrict expenditures from the Fund. Additional information regarding historic spending from this fund is included in the briefing presentation for the Judicial Department.

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

Sex Offender Surcharge Fund Allocation Plan: FY 2012-13			
Department	**Description**	**Amount**	**% of Total**
Corrections	Management of sex offender data collection, including: entry of ViCAP; psychological and risk assessment test results; and demographics for use in treatment planning and research.	$29,311	5.5%
Human Services	Training and technical assistance to county departments, the Division of Youth Corrections, and the Division of Child Welfare.	38,250	7.2%
Judicial, Probation and Related Services	Direct services, beginning with the funding for sex offender evaluations, assessments and polygraphs required by statute during the pre-sentence investigation.	302,029	56.6%
Public Safety, Division of Criminal Justice	Administration and implementation of standards. Of the total allocation, $3,500 will be used to provide cross-system training	163,591	30.7%
TOTAL		**533,181**	**100.0%**

22 **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, except that the Department may not transfer funds from non-custodial line items to the Child Welfare Administration line item to increase funding for personal services.

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 07-08***	**FY 08-09***	**FY 09-10***	**FY 10-11***
Administration	$86,306	($316,200)	($425,345)	($197,701)
Training	(49,883)	(6,681)	27,452	(237,563)
Foster and Adoptive Parent Recruitment, Training, and Support	(33,665)	(9,953)	4,984	(104)

Transfers of General Fund and Federal Funds (Title IV-E) Spending Authority Among Division of Child Welfare Line Items				
Line Item	**FY 07-08***	**FY 08-09***	**FY 09-10***	**FY 10-11***
Child Welfare Services	(1,682,843)	(4,019,467)	(1,949,243)	(343,035)
IV-E Administrative Functions	306,669	0	0	(694,269)
Family and Children's Programs	1,373,416	4,352,301	2,355,329	1,490,116
Promoting Safe and Stable Families	0	0	(13,177)	(17,444)
Net Transfers	$0	$0	$0	$0

*In addition to amounts shown, the Department transferred $165,005 net General Fund in FY 2008-09, $877,351 in FY 2009-10, and $123,100 in FY 2010-11 to the Department of Health Care Policy and Financing for Administrative Case Management and adjustments based on the use of Medicaid-funded services. It also transferred $900,000 federal funds (Title XX) into Child Welfare Services from the Division of Child Care in FY 2008-09.

23 **Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- It is the intent of the General Assembly that $4,006,949 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: The Governor vetoed this footnote on the grounds that it violates separation of powers but also directed the Department to comply with the intent. 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 any annual provider rate increases.

The following table details the Department's allocation of the funds earmarked in FY 2010-11. Programs have been relatively stable, but the list reflects modest changes since FY 2009-10.

Allocation of Funding Earmarked for Community-based Services for Adolescents		
County Department(s)	**Amount Awarded**	**Program**
Adams	$287,039	Youth intervention program
Alamosa	62,560	Mentoring
Arapahoe	559,918	Multi-systemic therapy
Boulder	20,005	Multi-systemic therapy
Broomfield	55,573	Multi-systemic therapy
Chaffee	96,184	Mentoring
Conejos	61,187	Mentoring
Costilla	38,724	Mentoring
Denver	221,649	Multi-systemic therapy
Eagle	10,860	Family Centered Meeting Coordination
Elbert	163,894	Multi-systemic therapy, family coaching/youth mentoring, parenting with love and limits
El Paso	243,666	Functional family therapy, Multi-systemic therapy
Fremont	91,131	Functional family therapy
Garfield	38,178	Adolescent Mediation Services, Multi-systemic therapy
Gunnison / Hinsdale	38,402	Therapeutic Monitoring
Huerfano	11,699	Reconnecting youth
Jefferson	416,305	Multi-systemic therapy, team decision-making
Kit Carson	19,237	Functional family therapy
La Plata / San Juan / Montezuma / Dolores / Archuleta	307,949	Multi-systemic therapy and adolescent dialectical behavioral therapy
Larimer	214,497	Mediation, Functional family therapy, National Youth Program using mini-bikes
Mesa	284,712	Rapid response, day treatment for adolescents
Montrose	63,695	Promoting Healthy Adolescent Trends (PHAT)
Morgan	25,000	Parenting with Love and Limits
Pueblo	178,953	For Keeps Program
Teller	112,856	Multi-systemic therapy
Weld	383,076	Reconnecting youth
TOTAL	$4,006,949	

24 **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. Therefore, appropriations at the current level may not be available when reserves are exhausted.

Comment: The current projection for this cash fund, reflected below, indicates that reserves can continue to support the program through FY 2013-14, in part because of a modest increase in revenues and due to reductions in appropriations and spending designed to limit the "cliff effect". **Based on the current projection, appropriations will need to be reduced (or new revenue sources identified) in FY 2014-15 to address the $340,909 gap between revenue and expenditure levels.**

Performance-based Collaborative Management Incentive Cash Fund					
	Actual FY 09-10	**Actual FY 10-11**	**Estimated FY 11-12**	**Projected FY 12-13**	**Projected FY 13-14**
Cash balance beginning of year	2,171,861	1,604,839	1,077,947	737,038	396,129
Actual/anticipated cash inflow	2,832,202	2,883,760	2,883,760	2,883,760	2,883,760
Actual/appropriated cash outflow	3,399,224	3,410,652	3,224,669	3,224,669	3,224,669
Actual/anticipated liquid fund balance	1,604,839	1,077,947	737,038	396,129	55,220
Difference - cash inflow less outflow	(567,022)	(526,892)	(340,909)	(340,909)	(340,909)

30 Department of Human Services, Division of Youth Corrections, Institutional Programs; and Community Programs, Purchase of Contract Placements -- It is the intent of the General Assembly that General Fund appropriations may be transferred between line items in the Institutional Programs section and the Purchase of Contract Placements line item to facilitate the placement of youth in the most appropriate residential setting.

Comment: The Department does expect to use this flexibility in FY 2011-12. Its current plans were reported in response to RFI #2 and are addressed in a separate briefing issue.

31 Department of Human Services, Division of Youth Corrections, Institutional Programs; and Community Programs, Purchase of Contract Placements -- It is the intent of the General Assembly that up to 5.0 percent of the total General Fund appropriation to line items in the Institutional Programs section and up to 5.0 percent of the General Fund appropriation to the Community Programs, Purchase of Contract Placements line item may be transferred to the Community Programs, Parole Program Services line item to provide treatment, transition, and wrap-around services to youth in the Division of Youth Correction's system in residential and non-residential settings and/or to the Community Programs, S.B. 91-94 Programs line item to support community-based alternatives to secure detention placements.

Comment: In the past, the Division of Youth Corrections has used the flexibility afforded in this line item to fund its Continuum of Care Initiative. This initiative is based on principles of effective juvenile justice strategy such as: (1) state-of-the-art assessment; (2) enhanced treatment services within residential facilities; and (3) improved transitions to appropriate community-based services. As part of this strategy, the Continuum of Care Initiative seeks to provide the optimal length of stay in each stage of service as juvenile offenders move from secure residential to community-based parole services. Since the project's inception in FY 2005-06 through FY 2009-10, funding related to the Continuum of Care was progressively transferred from the Contract Placements line item to the Parole

Program Services line item. However, due to statewide budget constraints: (1) additional, funding of $9.15 million that could have been retained pursuant to the footnote was eliminated in FY 2008-09; (2) funding for Purchase of Contract Placements in FY 2010-11 and FY 2011-12 was reduced to align with projected population; and (3) funding for parole program services was also reduced in FY 2011-12 in response to the decline in the youth corrections population. (This returned parole services funding to approximately the per-person FY 2007-08 level, adjusted for inflation.) The Department reported that for FY 2010-11 no funding was transferred associated with the Continuum of Care.

32 Department of Human Services, Division of Youth Corrections, Community Programs, Purchase of Contract Placements -- The appropriation in this line item is calculated based on the assumption that secure facilities operated by the Division will house youth at 110 percent of capacity, consistent with historic practice.

Comment: The Governor vetoed this footnote on the grounds that it "clearly violates the separation of powers in Article III of the Colorado Constitution by attempting to administer the appropriation". The OLLS staff have noted that pursuant to Section 24-75-112(2)(b), C.R.S., footnotes "may... contain an explanation of any assumptions used in determining a specific amount of an appropriation".

Requests for Information

Requests Affecting Multiple Departments

2. **Department of Health Care Policy and Financing, Executive Director's Office; and Department of Human Services, Division of Child Welfare and Division of Youth Corrections** -- The Departments are requested to submit a report by November 1, 2011on the feasibility of refinancing multi-systemic therapy, functional family therapy, and similar intensive, evidence-based therapies that support family preservation and reunification for youth involved in the child welfare and youth corrections systems. The report is specifically requested to examine whether related General Fund expenditures could be refinanced with Medicaid funds for qualifying youth and families and whether this could be done in a manner that would not drive an overall increase in Medicaid costs.

   Comment: The Departments submitted the requested report on November 1, 2011. The response addressed in a separate issue brief in this packet.

Requests for the Department of Human Services

2. **Department of Human Services, Division of Youth Corrections** -- The Division is requested to provide a report to the Joint Budget Committee by November 1 of each year concerning its proposed and actual use of budgetary flexibility provided between institutional and purchase of contract placement appropriations. The report should specify funds that have been or are anticipated to be transferred and how the changes will affect numbers and types of institutional and community placements anticipated to be used for youth in commitment and detention placements.

Comment: The Departments submitted the requested report on November 1, 2011. The response addressed in a separate issue brief in this packet.

3. **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 $81,155,900 in Title IV-E revenue during FY 2010-11. A total of $81,672,404 was needed (based on amounts budgeted in the Long Bill plus "pass through" amounts for counties). The total shortfall of $516,504 was based on the amount budgeted in the Long Bill that was not fully earned. In the past, earnings have exceeded budgeted amounts and this excess was deposited to the Excess Federal Title IV-E Reimbursements Cash Fund; this is the third year a shortfall occurred instead. However, it should be noted that this was due to a determination by the Department that some past revenue had been collected in error and a resulting one-time adjustment in FY 2010-11. Further information on Title IV-E is included in a staff briefing issue.

As a result of the shortfall in revenue, the balance of the Excess Federal Title IV-E Reimbursements Cash Fund as of July 1, 2011 is $37,605. Distributions to counties from the Excess Federal Title IV-E Cash Fund are based on revenue from the prior year. This is the amount of disbursements from the Cash Fund anticipated.

5. **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 2010-11, 2011-12 and 2012-13 (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. An update to the information on the amount of federal funds anticipated to be available and requested to be expended by Long Bill line item should be provided to the Joint Budget Committee annually on or before January 15.

Child Care Development Funds - Requested Appropriations. The table below reflects the requested FY 2012-13 Child Care Development Fund (CCDF) spending reflected in the footnote report.

Long Bill Section and Line Items	SFY 2012-13 Requested CCDF Funds
Executive Director's Office - Personal Services, Workers Comp, Risk Management	$280,000
Information Technology Services - Personal Services/Operating/ Colorado Trails/computer center	540,406
Information Technology Services - CHATS - Child Care Automated System Maintenance (decision item)	2,299,593
Office of Operations - Administration	400,000
Office of Self Sufficiency - Electronic Benefits Transfer Service	35,575
Division of Child Care	
Child Care Licensing and Administration	3,409,331
Child Care Assistance Program (CCAP)	50,589,749
Early Childhood Councils, School Readiness, Grants (see numbers pages line items)	7,680,536
Total	$65,235,190

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. Note that the final new CCDF award received for FY 2010-11 was $1.6 million greater than originally anticipated.

Child Care Development Funds - Available and Expenditures		FY 2010-11 Actual	FY 2011-12 Estimate	FY 2012-13 Request*
Funds Available				
CCDF Fund Balance		$9,658,799	$6,222,619	$7,216,388
New Annual CCDF Award		65,867,883	66,228,959	66,200,716
	Total Available	**$75,526,682**	**$72,451,578**	**$73,417,104**
Components:	Mandatory Funds	10,522,302	10,522,302	10,173,800
	Discretionary Funds	31,740,269	29,182,903	29,921,386

Child Care Development Funds - Available and Expenditures			
	FY 2010-11 Actual	FY 2011-12 Estimate	FY 2012-13 Request*
Matching Funds	33,264,111	32,746,374	33,321,918
Total Expenditures*	**$69,304,063**	**$65,235,190**	**$65,235,190**
Difference (balance to roll forward)	**$6,222,619**	**$7,216,388**	**$8,181,914**

*Expenditure figure for FY 2012-13 does not include R-10, which refinances $817,511 General Fund with an equal amount of federal CCDF funds. If this additional expenditure is added, the balance to roll forward at the end of FY 2012-13 would be $7,364,403.

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 2009-10 was greatly exceeded (actual expenditures of $9,141,458, versus a requirement of $4,244,311). The Department's estimate for FY 2011-12 and request FY 2012-13 reflect an anticipated requirement of $3,783,428 and $3,778,846, respectively, versus anticipated/requested expenditures/appropriations of $7,485,599 in each year.

Matching Funds. The federal government requires a portion of its annual grant to the state to be matched with non-federal sources. The Department identified $28,874,023 in matching funds for FY 2010-11, and projects the same amounts for FY 2011-12 and FY 2012-13. 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 appropriations. The Department reflects $22,921,978 in matching funds appropriated in the Department of Human Services (primarily General Fund appropriated to the Division of Child Care, but also some indirect amounts), $2,411,096 General Fund for special education and $1,704,260 General Fund for the Colorado preschool program appropriated to the Department of Education, and $1,836,689 in spending by Mile High United Way (off budget).

Maintenance of Effort. In addition to the matching requirement detailed above, the Department is required to comply with federal maintenance of effort (MOE) requirements for receipt of the Child Care Development Funds. The MOE amounts identified are in addition to the matching funds. The Department expects to rely on required county maintenance of effort expenditures of $7,481,271 plus $1,792,537 county spending for the required share of administration costs to comply with this requirement.

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 2010-11, the Department expended $3,106,198 to comply with targeted funds requirements. For FY 2011-12 and FY 2012-13, the Department projects that it will be required to spend $3,855,409 and $3,845,676, respectively.

7. **Department of Human Services, Division of Youth Corrections, Administration** -- The Division is requested to continue its efforts to provide outcome data on the effectiveness of

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

Comment: The Departments submitted the requested report on January 1, 2011. The report focuses on recidivism in the youth corrections population, including pre-discharge recidivism (defined as a filing for a new felony or misdemeanor offense prior to discharge from the Division of Youth Corrections) and post-discharge recidivism (defined as filing for a new felony or misdemeanor offense that occurred within one year following discharge from the Division of Youth Corrections). This report address the cohort of youth discharged in *FY 2008-09.* It found:

- **Pre-discharge recidivism: thirty-eight percent** of youth discharged in FY 2008-09 received a new felony or misdemeanor filing prior to discharge.
- **Post-discharge recidivism: thirty-nine percent** of youth discharged in FY 2008-09 received a new felony or misdemeanor filing within one year following discharge from the Division.
- Over the past three evaluations there has been a slight increase in pre-discharge recidivism rates. Changes across fiscal years, however, are not statistically significant.
- Post-discharge recidivism rates have been fairly stable over the past 8 years. Changes across fiscal years are not statistically significant.

Additional information on Division outcomes is included in a staff briefing issue.

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

Comment: The Departments submitted the requested report on November 1, 2011.

Background. Pursuant to Parts 4 of Title 2 of Section 19, C.R.S., the Division of Youth Corrections operates detention facilities that serve a function similar to adult jail. State owned and operated facilities, and a small number of contract placements, provide secure short-term placements for youth who are pending adjudication or who have received short sentences (under 45 days).

A rise in demand for secure placements has at various points led the General Assembly to enact legislation to limit the use of secure placements.

- Projected growth in the detention population initially led to the passage of Senate Bill 91-94. That bill, as subsequently modified, provided resources to local judicial district programs for alternatives to secure detention and commitment placements. For FY 2011-12, a total of $12.0 million is appropriated.

- The continued growth of the detention population, as well as state revenue constraints, led to the passage of Senate Bill 03-286, which capped the total number of secure detention beds at 479. In light of further population declines, Senate Bill 11-217 reduced the detention cap to 422 effective FY 2011-12.

Pursuant to Section 19-2-121, C.R.S., a working group (formed by the Department of Human Services and the State Court administrator) annually review the criteria for detention and commitment, determine detention catchment areas, and allocate the number of juvenile detention beds to each judicial catchment area in the state. Each judicial district is responsible for managing available secure detention placements within the cap.

The funding allocated through S.B. 91-94 programs, combined with the cap on secure detention beds work in tandem with various other initiatives to limit the use of secure, state-funded detention placements. The Department submits a report addressing the S.B. 91-94 programs and the detention caps pursuant to an annual Request for Information. The following summarizes the most recent report.[1]

Youth Served by the S.B. 91-94 program

- S.B. 91-94 services impacted 8,152 unique youth during FY 2010-11 through screening for appropriate placement, re-offending risk assessment, planning for community-based services while the youth is in secure detention, and the provision of community-based services when youth are not in secure detention.

- The vast majority of youth in the detention system are served in the community (82.3 percent in FY 2010-11). However, nearly all youth are touched by S.B. 91-94 assessment services, including both those who are placed in secure detention and those who receive community-based services as an alternative to secure detention.

S.B. 91-94 Services and Successes

- Local flexibility allows the program to meet diverse youth needs within varied community resources. Each local program is managed by a local planning committee with broad representation.

- In FY 2010-11, 17 percent of the S.B. 91-94 budget was spent on treatment services (as opposed to assessments/screens and restorative services, where the majority of funding is directed). Local resources and collaborative efforts support and augment the use of DYC funds.

[1] Fox, Wass, and Gallagher, *Senate Bill 94 Evaluation Annual Report*, Center for Research Strategies, November 1, 2011.

- Judicial District success in achieving system wide performance goals is very high, both for preadjudicated and sentenced youth: 98 percent of youth complete services without failing to appear at court hearings, 97 complete services without incurring new charges, and 92 percent complete services with positive or neutral reasons for leaving.

Profiles of Youth in Secure Detention

- Of the 8,435 youth admitted to secure detention in FY 2010-11, 46 percent were placed due to a failure to appear in court or failure to comply with court requirements; 38 percent were pre-adjudicated; and 16 percent were sentenced to detention or due to a probation violation.

- Placements corresponded with screening results in 84 percent of cases. However, only a small percentage of youth who are recommended for staff-secure detention receive this, because of the lack of staff-secure beds. Several hundred youth who did not have a mandatory hold and who were assessed as low risk in comparison to others detained were nonetheless placed in secure detention. The report recommends looking at these youth in greater depth.

Use of Secure Detention

- Since FY 2006-07 the use of secure detention has consistently declined. This decline has continued despite juvenile population growth and cannot be fully accounted for by the statewide decrease in juvenile arrest rates. For purposes of historic comparison, the ADP of 353 in FY 2010-11 represents the lowest detention ADP on record and reflects a substantial decline both from the pre-detention-cap high of 602 in FY 1998-99 and the post-detention-cap high of 426 in 2006.

- During FY 2010-11, the maximum beds used at any point in the day averaged 416 beds (86.8 percent of the 479 bed FY 2010-11 detention cap). On average, 21 percent of facilities were at or above 90 percent capacity on any given day and at least one was above 90 percent of the cap on 307 days. The "total client load" (total number of youth served each day) averaged 418 youth per day. Median length of stay has been stable over the past five years (7.1 days in FY 2010-11).

Recommendations

- It is time set new goals for the judicial districts to achieve. Consider incorporating the "evidence based practice" inventory into these new goals.
- Link services and expenditures to individual youth and compare them to the youths' risk assessments to determine whether the detention system is providing the "right service at the right time".
- Explore whether youth who receive different kinds of placements and services have outcomes that differ from one another.
- Only one-quarter of juvenile arrests result in a detention screen. Consider looking at profiles of all youth arrested to ensure all at risk youth are receiving services, whether through DYC, S.B. 91-94, or other community system.

9. **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 of each year, information concerning the actual use of funds distributed through the child welfare allocation model, including data on expenses and children served by funding category. At a minimum, 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 1, 2011. The table below compares the expenditure trends based on the data submitted by the Department since FY 2004-05. Additional analysis of trends is included in an issue brief. Note that the methodology used in the tables below is not based on a weighted average of cost. Staff anticipates that in the future the Department will simply submit its allocation model data in response to this LRFI.

Child Welfare Expenditures and Caseloads: FY 2004-05 through FY 2009-10			
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
FY 2006-07	$3,838	$4,237	$155,110,458
FY 2007-08	$4,221	$3,949	$162,981,696
FY 2008-09	$4,677	$4,304	$174,268,650
FY 2009-10	$4,979	$4,328	$171,246,045
FY 2010-11	$5,375	$4,583	$171,361,257
% Change (FY 05 to FY 11)	*61.3%*	*47.9%*	*39.0%*
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
FY 2006-07	$65.68	$59.64	$130,260,933
FY 2007-08	$72.43	$66.38	$136,471,454
FY 2008-09	$84.21	$66.52	$130,760,470
FY 2009-10	$84.86	$66.73	$119,784,207
FY 2010-11	$79.10	$65.39	$110,418,858
% Change (FY 05 to FY 10)	*19.9%*	*8.7%*	*-18.8%*

Child Welfare Expenditures and Caseloads: FY 2004-05 through FY 2009-10			
Program Services	Cost Per Case - Small and Mid-sized Counties	Cost Per Case - 10 Large Counties	Annual Expenditures
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
FY 2006-07	$14.52	$14.61	$42,773,976
FY 2007-08	$13.90	$14.52	$44,178,436
FY 2008-09	$14.46	$14.32	$44,770,265
FY 2009-10	$14.78	$14.19	$45,327,396
FY 2010-11	$15.05	$14.07	$44,705,407
% Change (FY 05 to FY 10)	*1.1%*	*-7.4%*	*9.4%*

13. **Department of Human Services, Division of Youth Corrections, Community Programs, S.B. 91-94 Programs and Parole Program Services** -- The Division is requested to provide a report to the Joint Budget Committee by November 1 of each year concerning the continuum of care initiative and the impact of budgetary flexibility. This report should include the following information: (1) the amount of funds transferred to these line items in the prior actual fiscal year based on flexibility provided in the Youth Corrections budget; (2) the type of services purchased with funds transferred; and (3) the number of youth served with such expenditures.

Comment: *The Department's report indicated that in FY 2010-11, for the second year in a row, the Division was unable to make use of the flexibility afforded by this footnote due to budget restrictions.* As a result, the Division focused its report on the Division's continued efforts to reduce reliance on secure commitment and detention placements and increase evidence-based care consistent with best practices in the field.

Background. The Division of Youth Corrections Continuum of Care initiative was launched in late FY 2005-06 through budgetary flexibility intended to improve the transition for committed youth from residential services, to parole, to discharge. The elements of the Continuum, as it is now operationalized, flow from the Division's five key strategies: right service at the right time; quality staff; proven practice; safe enforcement; and restorative justice principles.

The continuum includes a cycle of assessment, case planning and treatment for each youth, which is repeated periodically until discharge. In order to ensure accurate and targeted information to support individualized case planning, the Division has developed a new risk assessment instrument, the

Colorado Juvenile Risk Assessment (CJRA), which is a modified version of the Washington State Juvenile Risk Assessment. The Division uses this instrument to assess the individual criminogenic risks and needs of juveniles and utilizing the results to provide appropriate evidence-based treatments.

Key Findings

- Youth needs have increased. Over the past five years, initial youth scores on the CJRA have shown a decline in "protective" factors and an increase in "risk" factors. Based on these trends, worse outcomes would be anticipated. Over the same time, the percent of youth in need of mental health intervention at entry to the system has increased from 43 percent to 56 percent, and the percent of youth in need of substance abuse treatment at entry has increased from 60 to 69 percent.

- Youth criminogenic risk and protective factors exhibit positive change as youth progress through the continuum of care from intake, to parole, to discharge.

- Inability to flexibly shift funds impacts service funding decisions. The report notes that decades of research show that evidence-based treatment options are associated with positive youth outcomes and lifetime savings to social systems, while supervision is associated with worsening youth outcomes and lifetime costs to social systems. However, supervision and support are less expensive to provide than treatment services. Due to budget reductions the percentage of total funding spent on treatment, as opposed to supervision, has declined (from 84 percent in FY 2008-09 to 76 percent in FY 2009-10). Nonetheless, in FY 2010-11, 78 percent of expenditures were for treatment services.

Recommendations. The report concluded that future evaluations need to look at the implementation of evidence-based principles and the level of adherence to these principles in department programming.

Additional information on the characteristics of the DYC population and related outcomes is included in a staff briefing issue.

16. **Department of Human Services, Division of Child Welfare** -- The Department is requested to provide to the Joint Budget Committee, by November 1 of each year, 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 1, 2011. 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 07-08**	**FY 08-09**	**FY 09-10**	**FY 10-11**
Parental Fees	$3,795,059	$4,134,645	$3,928,903	$3,580,643
Federal Supplemental Security Income (SSI)	3,580,594	3,740,812	3,714,983	3,866,664
Child Support	2,286,038	2,607,480	2,387,778	2,155,791
Federal Social Security Death Benefit (SSA)	1,195,936	1,059,784	1,466,614	1,280,515
Provider Recovery	155,324	113,041	105,570	44,868
Federal Social Security Disability Income (SSDI)	165,628	154,711	107,827	316,751
Other	134,618	266,806	106,344	77,784
Total Offsets	$11,313,197	$12,077,279	$11,818,019	$11,323,016

The "Other" category above includes offsets for medical adjustments, and miscellaneous items.

LOIS TOCHTROP, CHAIR
Senator
CINDY ACREE, VICE CHAIR
Representative
DEB GARDNER
Representative
LUCIA GUZMAN
Senator

State of Colorado

LEGISLATIVE AUDIT COMMITTEE
Legislative Services Building - Second Floor
200 East 14th Avenue
Denver, Colorado 80203

JAMES KERR
Representative
STEVE KING
Senator
JOE MIKLOSI
Representative
SCOTT RENFROE
Senator

October 31, 2011

Representative Cheri Gerou, Chair
Joint Budget Committee

Dear Representative Gerou:

The Legislative Audit Committee has been concerned about departments not implementing audit recommendations that they have agreed to implement. The State Auditor and her staff have developed a database to track recommendations and produce reports identifying those not implemented. We are providing this report for your consideration as you evaluate the budget requests for the Department of Human Services.

Attached you will find information regarding the following recommendations:

Department of Human Services		
Number of Recommendations	Audit of Origination	Audit Date
81	State of Colorado Statewide Single Audit	Fiscal Years Ended June 30, 2007, 2008 and 2009

Thank you for integrating this into your budget process.

Sincerely,

Senator Lois Tochtrop

Senator Lois Tochtrop, Chair
Legislative Audit Committee

Office of the State Auditor Recommendations
Financial Recommendations Not Entirely Implemented As of Fiscal Year Ending June 30, 2010

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	The Division of Facilities Management should address statutory compliance issues and strengthen controls over the rental of state-owned surplus facilities by: (c) instituting periodic secondary reviews of all leases of State-owned property, to ensure that they are current, documented on the approved Office of the State Architect lease agreement, clearly describe the property to be rented, and are properly authorized.	11c	Deficiency in Internal Control	Not Implemented	March 2011	11c	Significant Deficiency	N/A	Agree - original implementation date is June 2010								
Department of Human Services	The Division of Facilities Management should address statutory compliance issues and strengthen controls over the rental of state-owned surplus facilities by: (d) renegotiating any leases found after review to be inadequately documented, authorized, expired, or out of compliance.	11d	Deficiency in Internal Control	Partially Implemented	March 2011	11d	Significant Deficiency	N/A	Agree - original implementation date is June 2010								
Department of Human Services	Ensure that the financial data in COFRS related to counties' administration of public assistance programs are accurate and complete by: (a) developing a procedure by which to reconcile the County Financial Management System (CFMS) and COFRS data each month.	13b	Significant Deficiency	Not Implemented	June 2012	13a	Significant Deficiency	N/A	Agree - original implementation date is June 2010								
Department of Human Services	Ensure that the financial data in COFRS related to counties' administration of public assistance programs are accurate and complete by: (b) assigning responsibility to specific employees for conducting the monthly reconciliation process and the supervisory review of the process.	13c	Significant Deficiency	Not Implemented	June 2012	13b	Significant Deficiency	N/A	Agree - original implementation date is June 2010								
Department of Human Services	Ensure that the financial data in COFRS related to counties' administration of public assistance programs are accurate and complete by: (c) reconciling the CFMS and COFRS accounts of the reimbursement due the counties at the end of Fiscal Year 2009 and making the necessary adjustments.	13a	Significant Deficiency	Not Implemented	June 2012	13c	Significant Deficiency	N/A	Agree - original implementation date is June 2010								

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	Improve controls over financial reporting for Medicare Part D revenue and receivables at the Fort Logan and Pueblo Mental Health Institutes by ensuring monthly and fiscal year-end reconciliations are performed on the Part D revenue and related accounts receivable balances in COFRS to billings from the pharmacy subsystem, and making adjustments as appropriate.	15	Significant Deficiency	Partially Implemented	January 2011	14	Significant Deficiency	N/A	Agree - original implementation date is June 2010								
Department of Human Services	Improve controls over financial reporting of revenue and receivables at the Fitzsimons, Florence, Rifle, and Trinidad nursing homes operated by the Department by implementing and formally documenting a reconciliation process in which monthly and fiscal year-end reconciliations are performed on revenue and related accounts receivable balances in COFRS to amounts recorded in the Achieve-Matrix system, and making adjustments as appropriate.	18	Deficiency in Internal Control	Not Implemented	November 2010	15	Deficiency in Internal Control	N/A	Agree - original implementation date is February 2010								
Department of Human Services	Improve controls over the payroll process by ensuring that time sheets are certified within the timeframes specified in Department policy and are maintained and available for review.	14d	Significant Deficiency	Not Implemented	March 2011	16	Significant Deficiency	N/A	Agree - original implementation date is April 2010								
Department of Human Services	Improve controls over the preparation of fiscal year-end exhibits submitted to the Office of the State Controller by: (a) continuing to ensure that the staff who prepare the exhibits receive adequate training each year on exhibit preparation.	101a	Significant Deficiency	Partially Implemented	September 2011	17a	Significant Deficiency	N/A	Agree - original implementation date is August 2010								
Department of Human Services	Improve controls over the preparation of fiscal year-end exhibits submitted to the Office of the State Controller by: (b) continuing to conduct secondary reviews of exhibits, including in-depth, detailed reviews of all supporting documentation used to prepare the exhibits.	101b	Significant Deficiency	Partially Implemented	September 2011	17b	Significant Deficiency	N/A	Agree - original implementation date is August 2010								
Department of Human Services	Improve controls over the processing and deposit of background check payments to ensure that the payments are deposited with the State Treasurer in accordance with State Fiscal Rules.	20	Deficiency in Internal Control	Not Implemented	February 2011	18	Deficiency in Internal Control	N/A	Agree - original implementation date is March 2010								

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	Establish adequate controls over benefit authorization and issuance data for the cash programs by: (a) performing routine and comprehensive reconciliations among the Colorado Benefits Management System (CBMS), CFMS, the State's Electronic Benefits Transfer service provider, and COFRS to ensure that financial information is accurately and completely recorded.	21	Deficiency in Internal Control	Partially Implemented	September 2012	19a	Significant Deficiency	Deferred	June 2010	8a	Significant Deficiency	N/A	Agree - original implementation date is June 2010				
Department of Human Services	Establish adequate controls over benefit authorization and issuance data for the cash programs by: (b) ensuring that all reconciliations are reviewed by knowledgeable personnel not involved in preparing the reconciliations.	21	Deficiency in Internal Control	Partially Implemented	September 2012	19b	Significant Deficiency	Deferred	June 2010	8b	Significant Deficiency	N/A	Agree - original implementation date is June 2010				
Department of Human Services	Establish adequate controls over benefit authorization and issuance data for the cash programs by: (c) making any necessary adjustments in a timely manner to the appropriate systems.	21	Deficiency in Internal Control	Partially Implemented	September 2012	19c	Significant Deficiency	Deferred	June 2010	8c	Significant Deficiency	N/A	Agree - original implementation date is June 2010				
Department of Human Services	Continue to work with the county departments of human/social services to ensure the accuracy of SNAP/Food Assistance program eligibility determinations and benefits by: (a) monitoring the counties' maintenance of case file documentation, data entry, and follow up on Income, Eligibility, and Verification System (IEVS) discrepancies.	78	Material Weakness	Partially Implemented	Ongoing	100a	Material Weakness	N/A	Implemented and ongoing								
Department of Human Services	Continue to work with the county departments of human/social services to ensure the accuracy of SNAP/Food Assistance program eligibility determinations and benefits by: (b) ensuring that county review reports are provided to the counties within 60 days of completing the review and that corrective action plans are obtained from the counties within 30 days of the report.	78	Material Weakness	Partially Implemented	Ongoing	100b	Material Weakness	N/A	Implemented and ongoing								
Department of Human Services	Continue to work with the counties to ensure that applications for SNAP/Food Assistance benefits are processed within federal and state requirements.	101	Deficiency in Internal Control	Partially Implemented	September 2012	101	Significant Deficiency	N/A	Implemented and ongoing								

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	Continue to work with the county departments of human/social services to ensure the accuracy of eligibility determinations and benefit payments for the Temporary Aid for Needy Families/Colorado Works (TANF) program by monitoring and reviewing counties' case file documentation and data entry.	98	Deficiency in Internal Control	Partially Implemented	Ongoing	102	Deficiency in Internal Control	N/A	Implemented and ongoing								
Department of Human Services	Improve controls over the Child Support Enforcement program by: (c) ensuring that counties enforce medical support obligations by using the National Medical Support Notice, where appropriate.	97	Significant Deficiency	Partially Implemented	June 2011	103c	Significant Deficiency	N/A	Agree - implemented								
Department of Human Services	Strengthen controls over the reporting process for the federal Social Services Block Grant by: (a) ensuring staff preparing reports are adequately trained on the reporting requirements.	102	Deficiency in Internal Control	Partially Implemented	No implementation date provided	104a	Significant Deficiency	N/A	Agree - original implementation date is June 2009								
Department of Human Services	Strengthen controls over the reporting process for the federal Social Services Block Grant by: (b) ensuring that reports are reviewed by a supervisor prior to being submitted.	102	Deficiency in Internal Control	Partially Implemented	No implementation date provided	104b	Significant Deficiency	N/A	Agree - original implementation date is June 2009								
Department of Human Services	Strengthen controls over the reporting process for the federal Social Services Block Grant by: (c) correcting and resubmitting the 2008 "Post-Expenditure Report" to the federal awarding agency.	102	Deficiency in Internal Control	Partially Implemented	No implementation date provided	104c	Significant Deficiency	N/A	Agree - original implementation date is June 2009								
Department of Human Services	Strengthen controls over case file documentation for the Title IV-E Adoption Assistance program by using training and monitoring programs to ensure that county case workers are aware of all eligibility requirements of the Adoption Assistance program and maintain all required documentation in the case files.	95	Significant Deficiency	Not Implemented	January 2011	106	Deficiency in Internal Control	N/A	Partially agree - original implementation date is January 2010								
Department of Human Services	Ensure through continued monitoring and training that the counties are obtaining and maintaining in the case files all the documents required to demonstrate families' eligibility for Child Care and Development Program Cluster subsidies under the Colorado Child Care Assistance Program.	81	Significant Deficiency	Not Implemented	January 2011	107	Deficiency in Internal Control	N/A	Agree - original implementation date is October 2009 with full implementation by November 2010								

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	Improve the review of the Colorado Child Care Assistance Program provider attendance records by county departments of human/social services by: (a) providing guidance to the counties on how to select samples of providers' attendance sheets for review.	84	Significant Deficiency	Partially Implemented	March 2011	111a	Significant Deficiency	N/A	Agree - original implementation date is May 2010								
Department of Human Services	Improve oversight of quality initiative spending for Colorado Child Care Assistance Program by county departments of human/social services by: (b) requiring counties to institute formal grant processes for distributing quality initiative funds to child care providers and reviewing the counties' grant processes to ensure that counties distribute and monitor funds appropriately.	86	Significant Deficiency	Not Implemented	November 2010	112b	Significant Deficiency	N/A	Agree - original implementation date is January 2010								
Department of Human Services	Improve controls over the preparation of the Exhibit K and supporting documentation by: (b) ensuring adequate supervisory review of the Exhibit K and supporting documentation.	101	Significant Deficiency	Partially Implemented	September 2011	113b	Significant Deficiency	N/A	Agree - original implementation date is September 2010								
Department of Human Services	Improve controls over the preparation of the Exhibit K and supporting documentation by: (c) continuing to provide training to staff who prepare the Exhibit K and the supporting documentation.	101	Significant Deficiency	Partially Implemented	September 2011	113c	Significant Deficiency	N/A	Agree - original implementation date is September 2010								
Department of Human Services	Improve controls over administrative foster care funds expended by child placement agencies (CPAs) by: (a) evaluating the substance of the relationship between counties and CPAs based on OMB Circular A-133 criteria and concluding on whether CPAs should be considered vendors or subrecipients.	89	Significant Deficiency	Not Implemented	The agency disagrees with the recommendation	117a	Significant Deficiency	N/A	Agree - original implementation date is June 2010								
Department of Human Services	Improve controls over administrative foster care funds expended by child placement agencies (CPAs) by: (b) implementing requirements for audits of CPAs in accordance with the determination suggested in part "a" of the recommendation.	89	Significant Deficiency	Not Implemented	The agency disagrees with the recommendation	117b	Significant Deficiency	N/A	Agree - original implementation date is September 2010								
Department of Human Services	Improve controls over administrative foster care funds expended by child placement agencies (CPAs) by: (c) establishing procedures to review the CPA audits and follow up on any findings identified.	89	Significant Deficiency	Not Implemented	The agency disagrees with the recommendation	117c	Significant Deficiency	N/A	Agree - original implementation date is May 2010								

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	Improve controls over administrative foster care funds expended by child placement agencies (CPAs) by: (d) evaluating options for reviewing the allowability and appropriateness of CPA expenditures made with child welfare funds.	89	Significant Deficiency	Not Implemented	The agency disagrees with the recommendation	117d	Significant Deficiency	N/A	Agree - original implementation date is May 2010								
Department of Human Services	Ensure that county departments of human/social services pay foster care rates that reflect the foster child's level of care and service needs by: (a) continuing working with counties to develop and implement a validated, statewide level-of-care assessment tool.	87	Significant Deficiency	Partially Implemented	The agency disagrees with the recommendation	118a	Significant Deficiency	N/A	Agree - original implementation date is June 2010								
Department of Human Services	Ensure that county departments of human/social services pay foster care rates that reflect the foster child's level of care and service needs by: (b) updating the Trails system to include fields for recording the child's level of care and requiring counties to include this information in Trails whenever they enter new provider rates.	87	Significant Deficiency	Not Implemented	The agency disagrees with the recommendation	118b	Significant Deficiency	N/A	Agree - original implementation date is June 2010								
Department of Human Services	Ensure that county departments of human/social services pay foster care rates that reflect the foster child's level of care and service needs by: (c) conducting periodic file reviews at counties and analysis of actual rates paid by counties to ensure they are using level-of-care tools to assist with setting and negotiating appropriate foster care rates.	87	Significant Deficiency	Not Implemented	The agency disagrees with the recommendation	118c	Significant Deficiency	N/A	Agree - original implementation date is June 2010								
Department of Human Services	Improve internal controls over purchasing cards by: (a) continuing to train approving officials and cardholders on their responsibilities to ensure compliance with Department policy and imposing consequences for policy violations.	16	Significant Deficiency	Partially Implemented	December 2011	120a	Significant Deficiency	N/A	Agree - original implementation date is April 2010								
Department of Human Services	Improve internal controls over purchasing cards by: (b) updating all written purchasing card policies to indicate that recurring, automatic charges and payments are prohibited purchases, clearly communicating this requirement to all card holders, and ensuring that all established automatic payments currently being processed are identified and deactivated by the cardholders.	16	Significant Deficiency	Partially Implemented	June 2011	120b	Significant Deficiency	N/A	Agree - original implementation date is April 2010								

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	**Finding Classification**	**Implementation Status**	**Implementation Date or Disposition**	**Rec Number**	**Finding Classification**	**Implementation Status**	**Implementation Date or Disposition**	**Rec Number**	**Finding Classification**	**Implementation Status**	**Implementation Date or Disposition**	**Rec Number**	**Finding Classification**	**Implementation Status**	**Implementation Date or Disposition**
Department of Human Services	Improve internal controls over purchasing cards by: (c) utilizing the automated violation tracking system's reporting function to monitor the results of the Department's internal purchasing card audits and ensuring the actions taken by approving authorities in response to cardholder violations are adequate.	16	Significant Deficiency	Partially Implemented	June 2011	120c	Significant Deficiency	N/A	Agree - original implementation date is April 2010								
Department of Human Services	Improve internal controls over purchasing cards by: (d) ensuring purchasing card accounts are closed in a timely manner upon employee termination.	16	Significant Deficiency	Partially Implemented	June 2011	120d	Significant Deficiency	N/A	Agree - original implementation date is April 2010								
Department of Human Services	Improve internal controls over purchasing cards by: (e) coding all procurement card purchases accurately in COFRS.	16	Significant Deficiency	Partially Implemented	June 2011	120e	Significant Deficiency	N/A	Agree - original implementation date is April 2010								
Department of Human Services	Strengthen controls over travel expenditures by: (a) ensuring that employees and supervisors are consistent in their compliance with existing State and Department travel policies, through continuing periodic training and enforcement.	121a	Deficiency in Internal Control	Partially Implemented	May 2011	121a	Significant Deficiency	N/A	Agree - original implementation date is February 2010								
Department of Human Services	Strengthen controls over travel expenditures by: (b) recovering identified overpayments from employees.	121b	Deficiency in Internal Control	Partially Implemented	May 2011	121b	Significant Deficiency	N/A	Agree - original implementation date is June 2010								
Department of Human Services	Strengthen controls over travel expenditures by: (c) considering using its internal audit function to conduct periodic reviews to ensure compliance with State Fiscal Rules and Department policies over travel.	121c	Deficiency in Internal Control	Partially Implemented	May 2011	121c	Significant Deficiency	N/A	Agree - original implementation date is February 2010								
Department of Human Services	Strengthen its controls over the telecommunications payment process by ensuring that all divisions and programs perform monthly reviews of their telecommunications bills in the Telecommunications Financial Management System and submit signed certifications and any identified errors to Central Accounting.	19	Deficiency in Internal Control	Not Implemented	January 2011	122	Deficiency in Internal Control	N/A	Agree - original implementation date is April 2010								
Department of Human Services	Improve general computer controls over Trails and the Child Care Automated Tracking System (CHATS) by: (a) hardening system configuration settings for Trails as recommended under separate cover.	125a	Deficiency in Internal Control	Not Implemented	December 2010	125a	Deficiency in Internal Control	N/A	Agree - original implementation date is May 2010								

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	Improve general computer controls over Trails and the Child Care Automated Tracking System (CHATS) by: (b) promptly removing user access for terminated employees and strengthening procedures to ensure that employee termination notifications are initiated and acted upon in a timely manner.	125b	Deficiency in Internal Control	Not Implemented	December 2010	125b	Deficiency in Internal Control	N/A	Agree - original implementation date is May 2010								
Department of Human Services	Improve general computer controls over Trails and the Child Care Automated Tracking System (CHATS) by: (c) requiring supervisors to annually verify the accuracy and relevance of user access for the employees they supervise.	125c	Deficiency in Internal Control	Not Implemented	December 2010	125c	Deficiency in Internal Control	N/A	Agree - original implementation date is May 2010								
Department of Human Services	Improve general computer controls over Trails and the Child Care Automated Tracking System (CHATS) by: (e) implementing password parameters that comply with State Cyber Security Policies.	125e	Deficiency in Internal Control	Partially Implemented	December 2010	125e	Deficiency in Internal Control	N/A	Agree - original implementation date is November 2010								
Department of Human Services	The Division for Developmental Disabilities should improve controls to ensure service plan documentation is sufficient to support the service request and subsequent payments. Specifically, the Department should work with the Department of Health Care Policy and Financing to: (c) eliminate duplicate data entry of service requests in the CCMS and BUS systems by automatically populating the service request in CCMS from the service plan information contained in the BUS system.	126c	Deficiency in Internal Control	Not Implemented	2012	126c	Deficiency in Internal Control	N/A	Agree - original implementation date is October 2009								
Department of Human Services	The Division for Developmental Disabilities should improve its processes for reviewing service requests to ensure that an adequate basis exists for its approval and denial decisions and that clients are treated equitably. Specifically, the Department should: (b) implement an automated mechanism to track data on the number of reviews conducted, the number of and reasons for denials and reductions in service, and the number of service requests that are re-submitted and re-reviewed.	128b	Deficiency in Internal Control	Not Implemented	No implementation date provided	128b	Deficiency in Internal Control	N/A	Agency to re-evaluate resources annually; no implementation date provided								

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	The Division for Developmental Disabilities should improve its processes for reviewing service requests to ensure that an adequate basis exists for its approval and denial decisions and that clients are treated equitably. Specifically, the Department should: (d) develop a process for supervisory review of service request reviews.	128d	Deficiency in Internal Control	Not Implemented	August 2010	128d	Deficiency in Internal Control	N/A	Agree - original implementation date is December 2009								
Department of Human Services	The Division for Developmental Disabilities should establish mechanisms for monitoring the implementation and operation of appropriate fiscal controls to ensure accountability for services and payments. Specifically, the Department should: (a) develop and issue a comprehensive, written policy and procedures manual for CCBs and update the manual on a routine basis.	132a	Deficiency in Internal Control	Not Implemented	June 2011	132a	Deficiency in Internal Control	N/A	Agree - original implementation date is December 2009								
Department of Human Services	The Division for Developmental Disabilities should establish mechanisms for monitoring the implementation and operation of appropriate fiscal controls to ensure accountability for services and payments. Specifically, the Department should: (b) provide training on the policy and procedures manual to the CCBs.	132b	Deficiency in Internal Control	Not Implemented	June 2011	132b	Deficiency in Internal Control	N/A	Agree - original implementation date is December 2009								
Department of Human Services	Take immediate steps to correct the system problems related to inappropriate restoration payments and enforcement of sanctions in the Colorado Benefits Management System to lessen the risk of errors in benefit payments.	79	Significant Deficiency	Partially Implemented	June 2011	133	Material Weakness	Deferred	December 2009	86	Material Weakness	N/A	Agree - original implementation date is December 2009				
Department of Human Services	Ensure that SNAP/Food Stamps redeterminations and Change Report Forms are processed within federal and state guidelines, as applicable.	78	Material Weakness	Not Implemented	Ongoing	134	Material Weakness	Deferred	December 2009	87	Material Weakness	N/A	Agree - original implementation date is December 2009				
Department of Human Services	Strengthen controls over the Low Income Energy Assistance Program (LEAP) program by: (a) ensuring that eligibility is determined in a timely manner and vendors are contacted when required.	92	Significant Deficiency	Partially Implemented	September 2010	135a	Significant Deficiency	Deferred	September 2009	89a	Significant Deficiency	N/A	Agree - original implementation date is September 2009				
Department of Human Services	Strengthen controls over the Low Income Energy Assistance Program (LEAP) program by: (b) ensuring that required documentation is obtained to support LEAP eligibility, benefit determination, and Estimated Home Heating Cost changes by performing a periodic review of case files.	92	Significant Deficiency	Partially Implemented	September 2010	135b	Significant Deficiency	Deferred	September 2009	89b	Significant Deficiency	N/A	Agree - original implementation date is September 2009				

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	**Finding Classification**	**Implementation Status**	**Implementation Date or Disposition**	**Rec Number**	**Finding Classification**	**Implementation Status**	**Implementation Date or Disposition**	**Rec Number**	**Finding Classification**	**Implementation Status**	**Implementation Date or Disposition**	**Rec Number**	**Finding Classification**	**Implementation Status**	**Implementation Date or Disposition**
Department of Human Services	Strengthen controls over the Low Income Energy Assistance Program (LEAP) program by: (c) strengthening supervisory review process over data entry by instituting an effective supervisory review process.	92	Significant Deficiency	Partially Implemented	September 2010	135c	Significant Deficiency	Deferred	September 2009	89c	Significant Deficiency	N/A	Agree - original implementation date is September 2009				
Department of Human Services	Improve controls related to manual overrides of Colorado Child Care Assistance Program eligibility determinations within the Child Care Automated Tracking System (CHATS) by: (b) requiring that the counties establish supervisory review and approval for all overrides.	82	Significant Deficiency	Not Implemented	March 2011	136b	Significant Deficiency	Deferred	July 2009	95b	Significant Deficiency	N/A	Agree - original implementation date is July 2009				
Department of Human Services	Improve controls related to manual overrides of Colorado Child Care Assistance Program eligibility determinations within the Child Care Automated Tracking System (CHATS) by: (c) ensuring county case managers and supervisors are adequately trained in proper procedures for overrides.	82	Significant Deficiency	Not Implemented	March 2011	136c	Significant Deficiency	Deferred	July 2009	95c	Significant Deficiency	N/A	Agree - original implementation date is July 2009				
Department of Human Services	Improve controls related to manual overrides of Colorado Child Care Assistance Program eligibility determinations within the Child Care Automated Tracking System (CHATS) by: (d) building automatic supervisory review, approval, and reporting capabilities into the CHATS replacement system.	82	Significant Deficiency	Not Implemented	March 2011	136d	Significant Deficiency	Deferred	August 2010	95d	Significant Deficiency	N/A	Agree - original implementation date is August 2010				
Department of Human Services	Ensure that county departments of human/social services properly authorize child care for Colorado Child Care Assistance Program (CCCAP) participants by: (c) improving its monitoring of the counties' CCCAP operations by revising its county case file review process to include developing a risk-based approach that reviews those counties that manage larger CCCAP caseloads and determines why counties make errors.	83	Significant Deficiency	Not Implemented	March 2011	137c	Significant Deficiency	Deferred	July 2009	96	Significant Deficiency	N/A	Agree - original implementation date is July 2009				
Department of Human Services	Ensure that county departments of human/social services properly authorize child care for Colorado Child Care Assistance Program (CCCAP) participants by: (d) requiring that counties submit corrective action plans to address problems identified in part "c" and following up on these plans as appropriate.	83	Significant Deficiency	Not Implemented	March 2011	137d	Significant Deficiency	Deferred	July 2009	96	Significant Deficiency	N/A	Agree - original implementation date is July 2009				

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	Improve the review of Colorado Child Care Assistance Program provider attendance records by county departments of human/social services by: (a) verifying that counties are conducting the reviews in accordance with Department regulations during the Department's monitoring reviews.	84	Significant Deficiency	Partially Implemented	March 2011	138a	Significant Deficiency	Deferred	July 2009	98a	Significant Deficiency	N/A	Agree - original implementation date is July 2009				
Department of Human Services	Improve its oversight of county-owned child care providers to ensure an arm's-length bargaining relationship between counties and their county-owned providers and to provide assurance that Colorado Child Care Assistance Program payments are reasonable and necessary by: (a) reviewing and approving all rates negotiated between the county department of human/social services and the county-owned provider.	85	Significant Deficiency	Not Implemented	November 2010	139a	Significant Deficiency	Deferred	July 2009	99a	Significant Deficiency	N/A	Agree - original implementation date is July 2009				
Department of Human Services	Improve information for evaluating county administrative and case management costs in the child welfare allocation model by: (a) working with counties to identify and evaluate options for using or modifying existing systems to improve cost information.	88	Significant Deficiency	Partially Implemented	July 2012	140a	Significant Deficiency	Deferred	October 2009	103a	Significant Deficiency	Deferred	October 2009	103a	Significant Deficiency	N/A	Agree - original implementation date is October 2009
Department of Human Services	Strengthen controls over the Colorado Electronic Benefits Transfer (EBT) system by: (e) performing periodic reviews of EBT users, in conjunction with the counties, to ensure terminated users are identified and access levels for current employees remain appropriate.	16e	Deficiency in Internal Control	Not Implemented	August 2010	16e	Deficiency in Internal Control	Not Implemented	April 2010	16e	Deficiency in Internal Control	N/A	Agree - original implementation date is October 2010				
Department of Human Services	The Department of Health Care Policy and Financing and Department of Human Services should improve controls over CBMS user access by: (c) reviewing existing CBMS users and removing all unnecessary incompatible profiles.	91c	Deficiency in Internal Control	Not Implemented	December 2010	91c	Deficiency in Internal Control	Deferred	December 2009	91c	Deficiency in Internal Control	N/A	Agree - original implementation date is December 2009				
Department of Human Services	The Department of Health Care Policy and Financing and Department of Human Services should improve controls over CBMS user access by: (d) implementing a process to periodically review and certify the appropriateness of CBMS user access levels.	91d	Deficiency in Internal Control	Not Implemented	December 2010	91d	Deficiency in Internal Control	Deferred	August 2009	91d	Deficiency in Internal Control	N/A	Agree - original implementation date is August 2009				

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	Improve the accuracy and completeness of eligibility determinations for the Colorado Child Care Assistance Program (CCCAP) made by county departments of human/social services by: (d) strengthening the Department's and counties' monitoring and supervisory review systems as outlined in Recommendation No. 97 in the 2008 report.	94d	Deficiency in Internal Control	Not Implemented	December 2010	94d	Deficiency in Internal Control	Deferred	July 2009	94d	Deficiency in Internal Control	N/A	Agree - original implementation date is July 2009				
Department of Human Services	Improve its oversight of the foster parent certification process by: (a) requiring county departments of human/social services and child placement agencies to conduct periodic (e.g., annual) desk audits of their certified foster parents to ensure that the parents meet all applicable requirements and that their qualifications are documented in their files.	95a	Deficiency in Internal Control	Partially Implemented	September 2010	95a	Deficiency in Internal Control	Partially Implemented	The agency did not provided a revised implementation date	95a	Deficiency in Internal Control	Partially Implemented	June 2009	95a	Deficiency in Internal Control	N/A	Agree - original implementation date is July 2008
Department of Human Services	Improve its oversight of the foster parent certification process by: (b) developing and applying sanctions when the Department finds discrepancies between county and child placement agency (CPA) attestations and actual foster parent qualifications.	95b	Deficiency in Internal Control	Partially Implemented	September 2010	95b	Deficiency in Internal Control	Not Implemented	June 2010	95b	Deficiency in Internal Control	Deferred	July 2008	95b	Deficiency in Internal Control	N/A	Agree - original implementation date is July 2008
Department of Human Services	Improve its oversight of the foster parent certification process by: (d) working with county departments of human/social services to develop a solution for providing relevant child information to foster parents without violating confidentiality requirements.	95d	Deficiency in Internal Control	Partially Implemented	October 2010	95d	Deficiency in Internal Control	Partially Implemented	The agency did not provided a revised implementation date	95d	Deficiency in Internal Control	Deferred	October 2008	95d	Deficiency in Internal Control	N/A	Agree - original implementation date is October 2008
Department of Human Services	Increase monitoring and oversight of Core Services programs provided by county departments of human/social services to ensure counties provide these services only to families with children at risk of out-of-home placement. Specifically, the Department should: (b) develop written policies to impose fiscal sanctions and/or require repayment of funds from county departments of human/social services for cases in which Core Services eligibility has not been adequately documented.	100b	Finding not classified; not an internal control related issue	Partially Implemented	September 2010	100b	Finding not classified; not an internal control related issue	Not Implemented	May 2010	100b	Finding not classified; not an internal control related issue	Not Implemented	July 2009	100b	Finding not classified; not an internal control related issue	N/A	Agree - original implementation date is July 2008

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	Increase monitoring and oversight of Core Services programs provided by county departments of human/social services to ensure counties provide these services only to families with children at risk of out-of-home placement. Specifically, the Department should: (c) provide training and technical assistance to the counties to ensure that counties understand how to document eligibility for Core Services and that counties are aware of available Department sanctions if documentation is not sufficient.	100c	Finding not classified; not an internal control related issue	Partially Implemented	September 2010	100c	Finding not classified; not an internal control related issue	Partially Implemented	May 2010	100c	Finding not classified; not an internal control related issue	Partially Implemented	July 2009	100c	Finding not classified; not an internal control related issue	N/A	Agree - original implementation date is July 2008
Department of Human Services	Improve accountability for child welfare expenditures and foster care rates to ensure funds are used cost-effectively by: (a) analyzing the foster care rates being paid to providers, including county-certified providers, against provider costs and benchmark information on a periodic (e.g., annual) basis to determine if the rates being paid by county departments of human/social services are reasonable.	101a	Deficiency in Internal Control	Partially Implemented	September 2010	101a	Deficiency in Internal Control	Partially Implemented	March 2010	101a	Significant Deficiency	Deferred	July 2008	101a	Significant Deficiency	N/A	Partially agree - original implementation date is July 2008
Department of Human Services	Improve accountability for child welfare expenditures and foster care rates to ensure funds are used cost-effectively by: (d) identifying and considering implementing alternative rate-setting methodologies that rely on objective cost data, such as benchmarks on child care and administrative costs, to pay for foster care services.	101d	Deficiency in Internal Control	Partially Implemented	The agency did not provide a revised implementation date	101d	Deficiency in Internal Control	Partially Implemented	The agency did not provide a revised implementation date	101d	Significant Deficiency	Deferred	December 2008	101d	Significant Deficiency	N/A	Partially agree - original implementation date is December 2008
Department of Human Services	Ensure it is claiming Title IV-E–eligible reimbursements for foster care appropriately by: (b) ensuring Department staff and county departments of human/social services record and classify case management services in accordance with the direction provided by DHHS in Part (a).	104b	Deficiency in Internal Control	Partially Implemented	January 2011	104b	Deficiency in Internal Control	Partially Implemented	Summer 2010	104b	Significant Deficiency	Deferred	December 2008	104b	Significant Deficiency	N/A	Partially agree - original implementation date is December 2008

Agency	Recommendation	Statewide Single Audit, Fiscal Year Ending June 30, 2010 Current Recommendation or Disposition of Prior Recommendation				Statewide Single Audit, Fiscal Year Ending June 30, 2009 Report # 1994				Statewide Single Audit, Fiscal Year Ending June 30, 2008 Report # 1970				Statewide Single Audit, Fiscal Year Ending June 30, 2007 Report # 1901			
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition
Department of Human Services	Ensure it is claiming Title IV-E–eligible reimbursements for foster care appropriately by: (c) implementing procedures for verifying that counties are entering rate information into Trails accurately, including bed reservation rates, and for ensuring that payments to counties reflect adjustments for any federal funds claimed incorrectly for reimbursement under Title IV-E.	104c	Deficiency in Internal Control	Partially Implemented	October 2010	104c	Deficiency in Internal Control	Not Implemented	March 2010	104c	Significant Deficiency	Deferred	December 2008	104c	Significant Deficiency	N/A	Partially agree - original implementation date is December 2008
Department of Human Services	Ensure that CPAs pass along the correct child maintenance payments received from county departments of human/social services to foster parents by: (a) implementing routine, periodic reviews of the payments made from CPAs to foster parents to ensure that they match the payments received from counties.	90a	Deficiency in Internal Control	Partially Implemented	January 2011	106a	Deficiency in Internal Control	Partially Implemented	May 2010	106a	Significant Deficiency	Deferred	October 2008	106a	Significant Deficiency	N/A	Partially agree - original implementation date is October 2008
Department of Human Services	Ensure that CPAs pass along the correct child maintenance payments received from county departments of human/social services to foster parents by: (b) following up on identified over- or underpayments to foster parents to determine why the incorrect payments were made and to require that counties and CPAs rectify all incorrect payments.	90b	Deficiency in Internal Control	Not Implemented	The agency disagrees with this part of the recommendation	106b	Deficiency in Internal Control	Not Implemented	The agency did not provide a revised implementation date	106b	Significant Deficiency	Deferred	July 2008	106b	Significant Deficiency	N/A	Partially agree - original implementation date is July 2008