Two items are included below:

1. FY 2011-12 Staff Budget Briefing, Department of Human Services (Division of Child Welfare, Division of Child Care, Division of Youth Corrections, December 7, 2010 (pp. 2-119)

2. FY 2011-12 Staff Budget Briefing, Department of Human Services (Division of Child Welfare, Division of Child Care, Division of Youth Corrections) - ADDENDUM: Additional Issue on Title IV-E (pp.120-128)

COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2011-12 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:
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December 7, 2010

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FY 2011-12 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)

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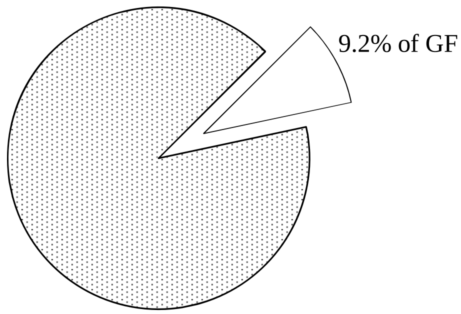
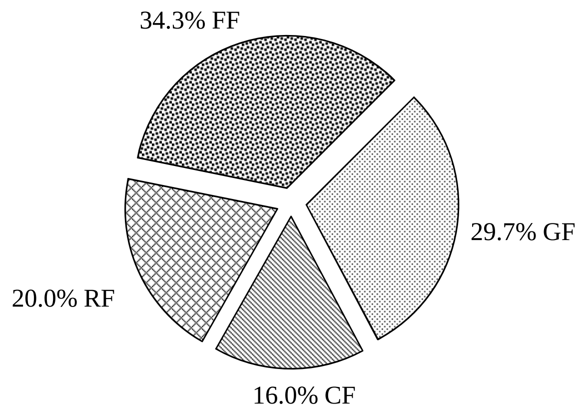
FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Human Services

GRAPHIC OVERVIEW

Department's Share of Statewide General Fund

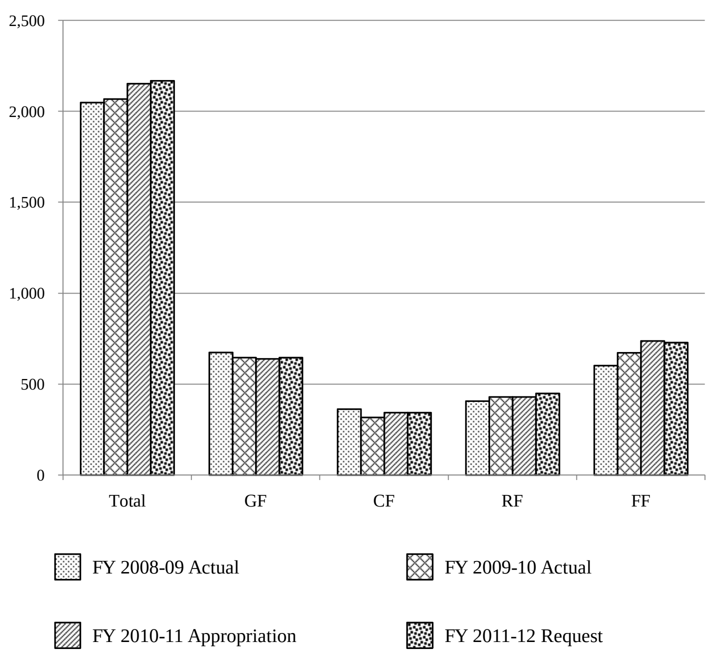


Department Funding Sources

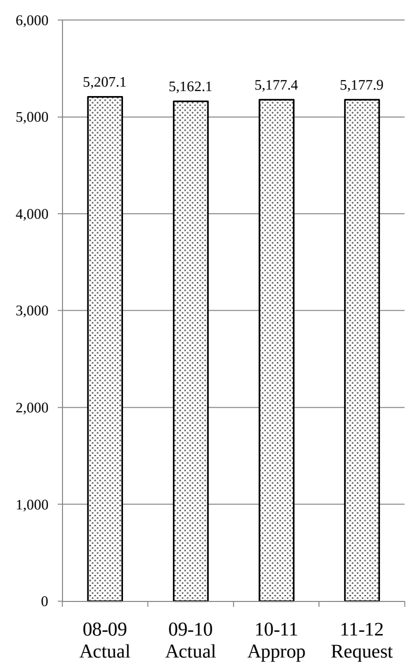


Note: If General Fund appropriated to the Department of Health Care Policy and Financing for human services programs were included in the graph above, the Department of Human Services' share of the total state General Fund would rise to 11.4%.

Budget History
(Millions of Dollars)

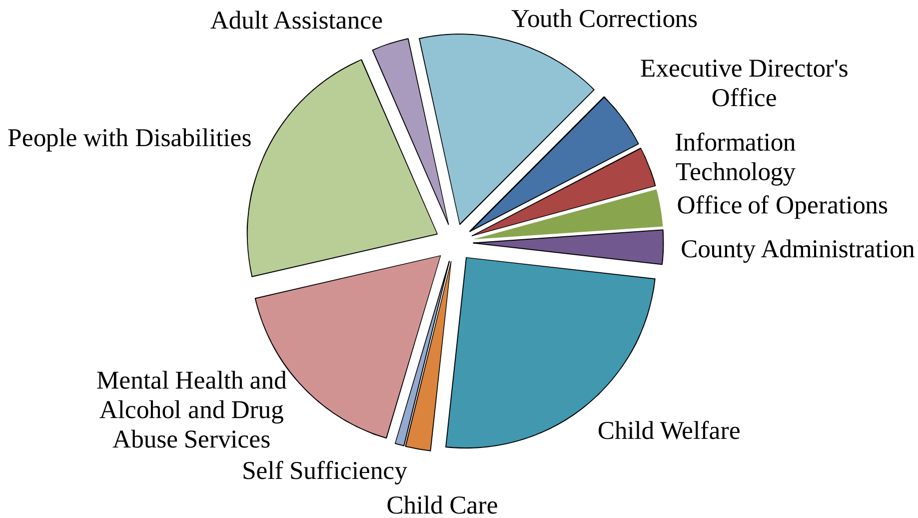


FTE History



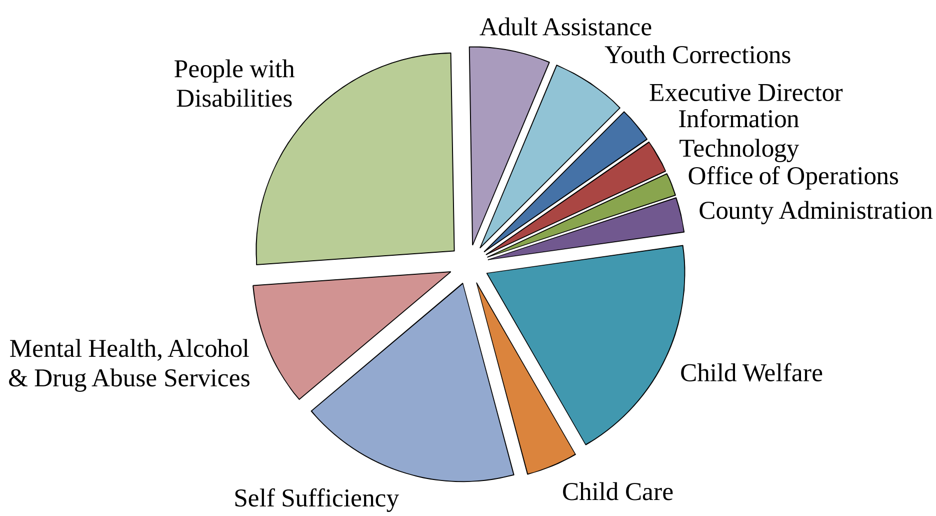
Unless otherwise noted, all charts are based on the FY 2010-11 appropriation.

Distribution of Net General Fund by Division*
FY 2010-11 Appropriation $797.2 million

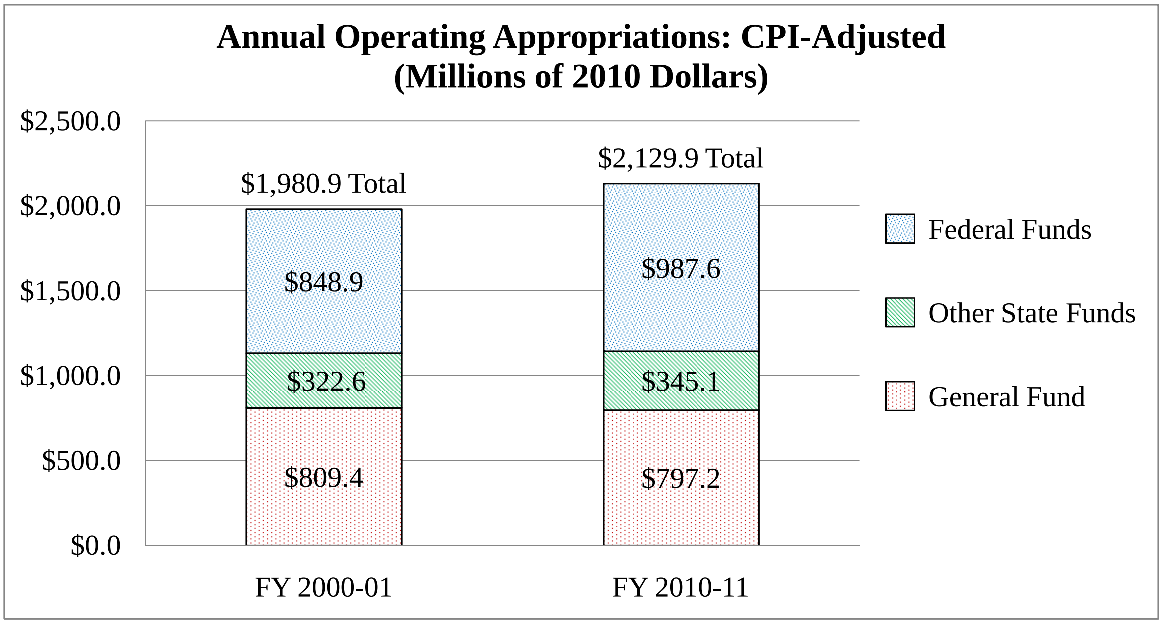


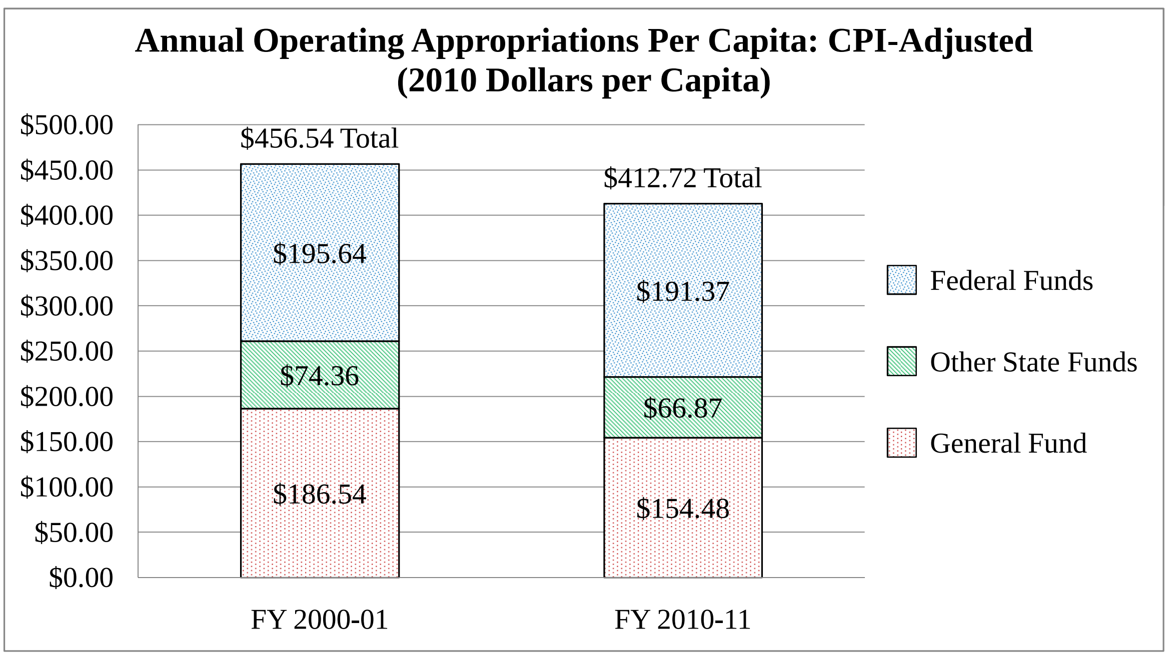
*Net General Fund includes General Fund appropriated to the Department of Human Services and General Fund appropriated to the Department of Health Care Policy and Financing for human services programs.

Distribution of Total Funds by Division
FY 2010-11 Appropriation $2,153.1 million



FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Human Services
COMPARISON OF FY 2000-01 AND FY 2010-11 APPROPRIATIONS





NOTES: (1) All appropriations above *exclude* duplicate appropriations (i.e., these appropriations exclude reappropriated funds for FY 2010-11 and, for FY 2000-01, exclude amounts that would have been classified as reappropriated funds). For this department, the majority of reappropriated funds are for transfers from the Department of Health Care Policy and Financing. In this chart, these amounts are shown as General Fund and federal funds in the Department of Human Services, based on how the funds are initially appropriated in the Department of Health Care policy and Financing, and are excluded from the Department of Health Care Policy and Financing appropriation. Other duplicate appropriations in the Department of Human Services are entirely excluded from the chart. This includes transfers from the Department of Education to support vocational rehabilitation programs, transfers from the Department of Corrections for facility support services on the Department of Human Services' Pueblo campus, and funds transferred within the Department of Human Services for administrative support services, among other items.

(2) For the purpose of providing comparable figures, FY 2000-01 appropriations are adjusted to reflect changes in the Denver-Boulder-Greeley consumer price index (CPI) from 2000 to 2010. Based on the Legislative Council Staff September 2010 Economic and Revenue Forecast, the CPI is projected to increase 21.9 percent over this period.

(3) In the per capita chart, above, appropriations are divided by the Colorado population (for 2000 and 2010, respectively). Based on the Legislative Council Staff September 2010 Economic and Revenue Forecast, Colorado population is projected to increase by 18.9 percent over this period.

FY 2011-12 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 2009-10, counties received 76,628 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 18 percent of county assessments result in the county providing child welfare services, which may include in-home support or court-ordered placement in a foster care home or 24-hour child care facility. Of the 41,848 children who received child welfare services in FY 2009-10, 18,954 (45.3 percent) remained in their own home, 11,905 (28.4 percent), were in foster care, and 10,989 (26.2 percent) were foster children who had been adopted but continued to receive support from county departments.

Appropriations for child welfare programs for FY 2010-11 ($406.7 million) consist of 48.9 percent General Fund, 32.9 percent federal funds, and 18.1 percent county funds and various cash fund sources. The vast majority of funds appropriated (over 97 percent) are made available to county departments for the provision of child welfare services. County expenditures are driven by:

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

Each year, the General Assembly decides whether to increase child welfare funding to cover caseload increases and inflationary increases in the cost of providing services. A county that overspends its annual share of state and federal funds is required to cover the over-expenditure with other funds, which may include funds transferred from the Temporary Assistance to Needy Families block grant and/or county tax revenue. County child welfare expenditures have exceeded the annual appropriation in each of the last six fiscal years for which data is available.

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

Child Care

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

In recent years, actual *expenditures* for the program have 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)

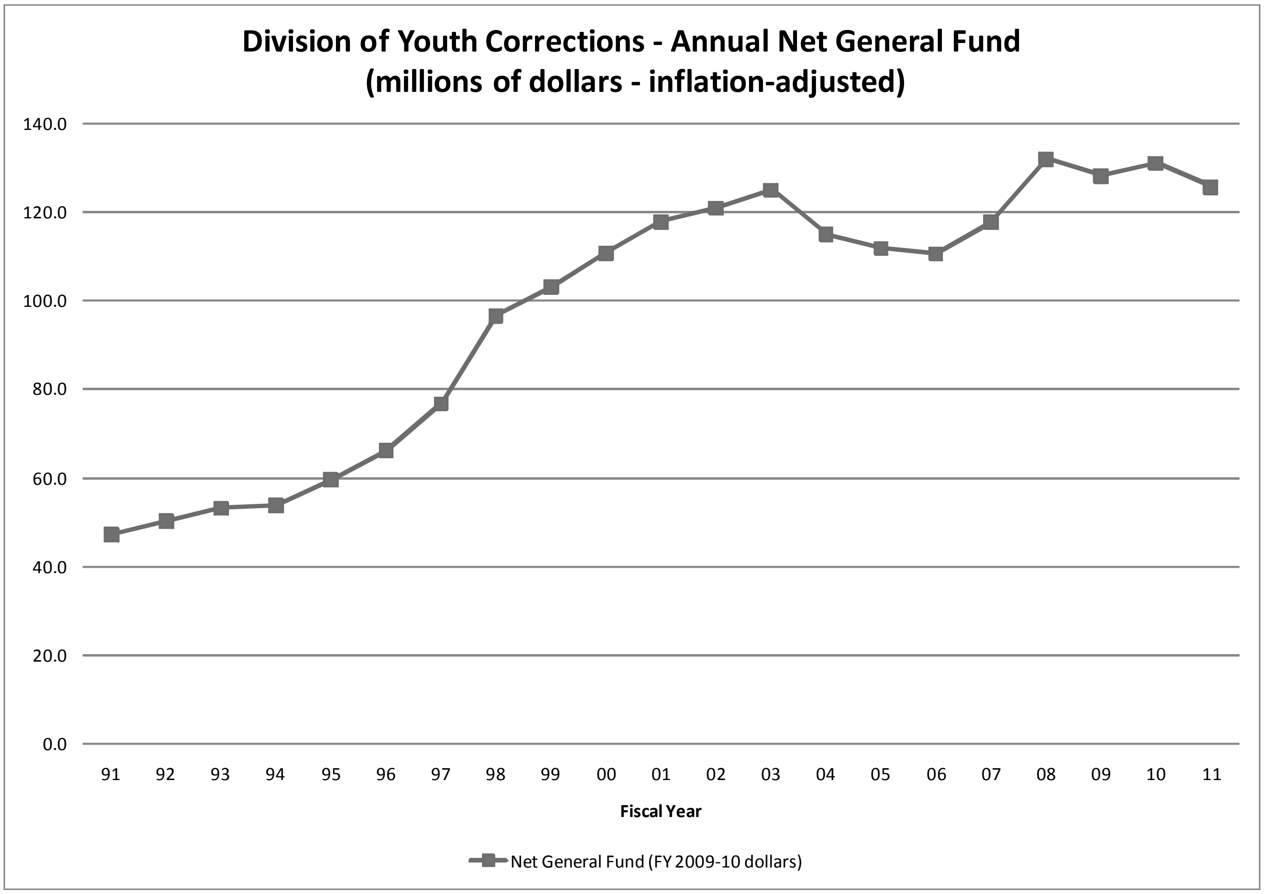
	FY 02-03	**FY 03-04**	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**	**FY 08-09***	**FY 09-10***
CCAP Appropriations ($ millions)	$72.5	$73.4	$73.7	$74.9	$74.7	$75.7	$86.9	$86.0
Percent Change	*0.0%*	*1.2%*	*0.4%*	*1.6%*	*-0.3%*	*1.3%*	*14.8%*	*-1.0%*
CCAP Expenditures (including TANF $$) ($ millions)	$94.5	$86.3	$81.1	$76.3	$74.3	$86.4	$96.7	$96.5
Percent Change	*0.0%*	*-8.7%*	*-6.0%*	*-5.9%*	*-2.6%*	*16.3%*	*11.9%*	*-0.2%*

*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

Historical Growth. Appropriations to the Division of Youth Corrections grew significantly through FY 2007-08 but have declined in recent years. From FY 1990-91 through FY 2010-11, the *net* General Fund appropriation to the Division grew from $50.4 million (in FY 2009-10 dollars) to $126.7 million, an increase of $76.5 million. This increase represents a compound annual growth rate of 4.7 percent over the 20-year period after accounting for inflation. The following graph depicts the annual *net* General Fund appropriations to DYC for the past 20 years in FY 2009-10 dollars.

Annual Growth Rate. From FY 1990-91 through FY 2001-02, the annual growth rate in inflation-adjusted *net* General Fund appropriations to DYC ranged from 3.1 percent to 26.3 percent. From

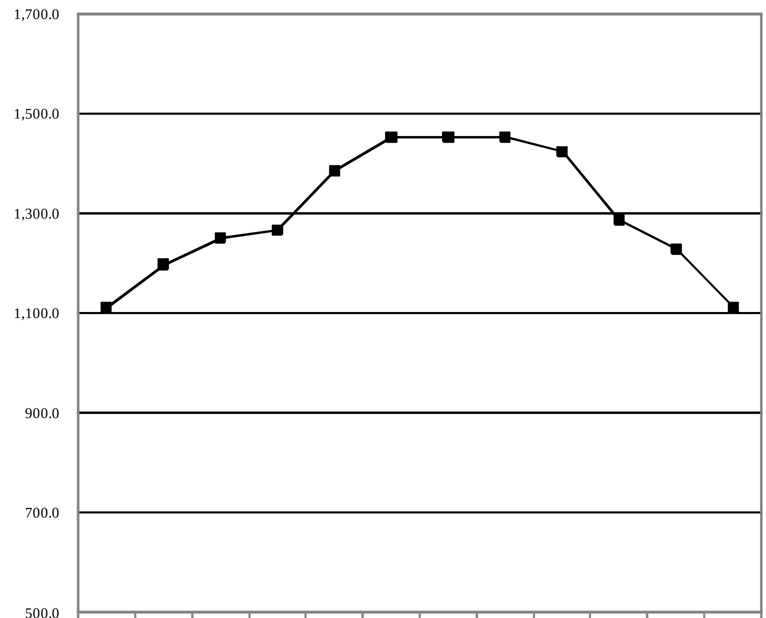


FY 2002-03 through FY 2004-05, appropriations were reduced, reflecting the shortage of General Fund dollars. From FY 2004-05 through FY 2006-07, the inflation-adjusted *net* General Fund appropriations increased due in part to overall funding increases and in part to changes in federal policy that reduced the share of costs covered by federal Medicaid funds. However, in the period from FY 2006-07 through FY 2010-11, the annual growth rate again declined due to declines in the numbers of youth committed to the division and funding reductions associated with the recession.

<u>Population Growth</u>

Commitment. Fiscal year 2005-06 represented the first year since FY 1986-87 that the Division saw a decline in its commitment average daily population (ADP) from the previous year. Since that time, commitment rates have fallen steadily. The decline appears to be related to trends in delinquency filings and commitment admissions, both of which have fallen. (There has not been a reduction in commitment length of stay or a reduction in recidivism rates that would explain the change in the commitment ADP, despite the fact that the Division attributes the ADP reductions in part to its Continuum of Care Initiative, which is a program designed to transition youth from residential placements into the community.) The residential commitment length of stay (LOS) in FY 2009-10 was 18.9 months. The graph below reflects the changes in commitment beds.

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

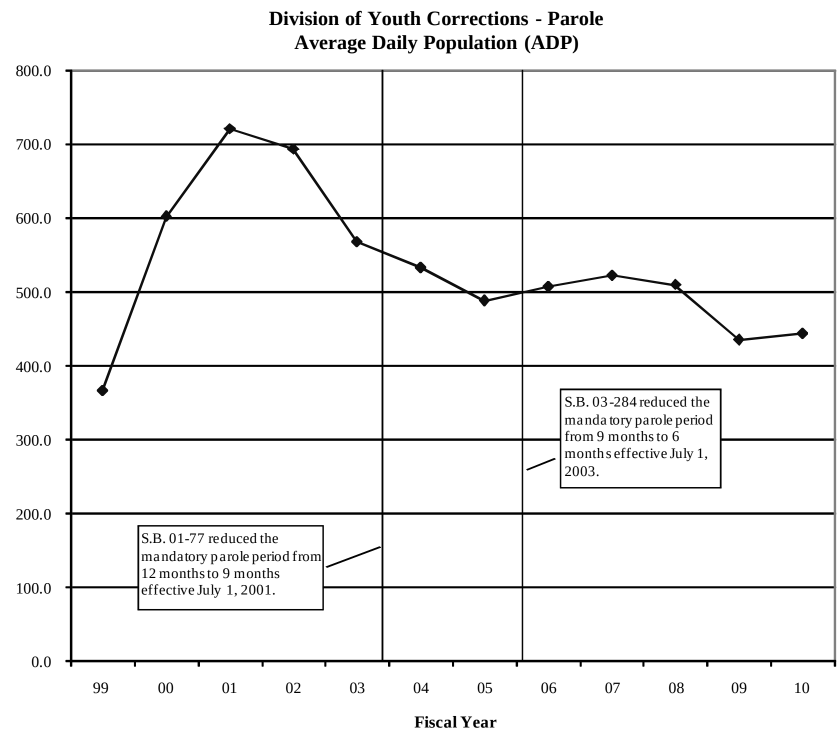


	99	00	01	02	03	04	05	06	07	08	09	10
Commitment ADP	1,112.2	1,198.3	1,251.8	1,266.8	1,385.8	1,453.5	1,453.5	1,453.4	1,424.5	1,287.4	1,228.3	1,112.5
Percent Growth	14.2%	7.7%	4.5%	1.2%	9.4%	4.9%	0.0%	0.0%	-2.0%	-9.6%	-4.6%	-9.4%

Parole. Legislation requiring mandatory parole for all committed juveniles produced a large increase in the parole population in the late 1990s. Changes in the period of mandatory parole have resulted in significant changes in the average daily population (ADP) of paroled youths. Paroled youth require case managers, monitoring and transitional services. In recent years, funding for parole services has increased, despite declines in the parole population, to support a more intensive array of services.

Pursuant to S.B. 03-284, the mandatory parole length was shortened from nine to six months, effective May 1, 2003. However, since the passage of S.B. 03-284, the parole length of stay (LOS) has consistently exceeded the mandatory parole period of 6 months. For many high-risk youth, the Parole Board has the statutory authority to extend parole for an additional 15 months if there is a "finding of special circumstances" for youth adjudicated for certain offenses (e.g., violent offense, sex offenses, etc.). After declining to 6.6 months in FY 2007-08, the parole LOS again increased to 6.8 months in FY 2009-10.

The graph below shows the changes in the parole population. As shown, after the passage of S.B. 03-284, youth who had been sentenced under the old 9-month mandate were being released at the same time as youth who were being released under the new six-month parole sentence. This resulted in a precipitous increase in parole discharges and a statewide decline in parole ADP. In general, the parole ADP lags the commitment ADP, and declines in the parole ADP starting in FY 2006-07 reflect the overall declines in commitment ADP. However, in FY 2009-10 there was an increase in the parole ADP, possibly due to Department efforts to bring some youth before the parole board at an earlier date, as well as an increase in the parole length of stay. The graph below depicts the changes in the parole population.

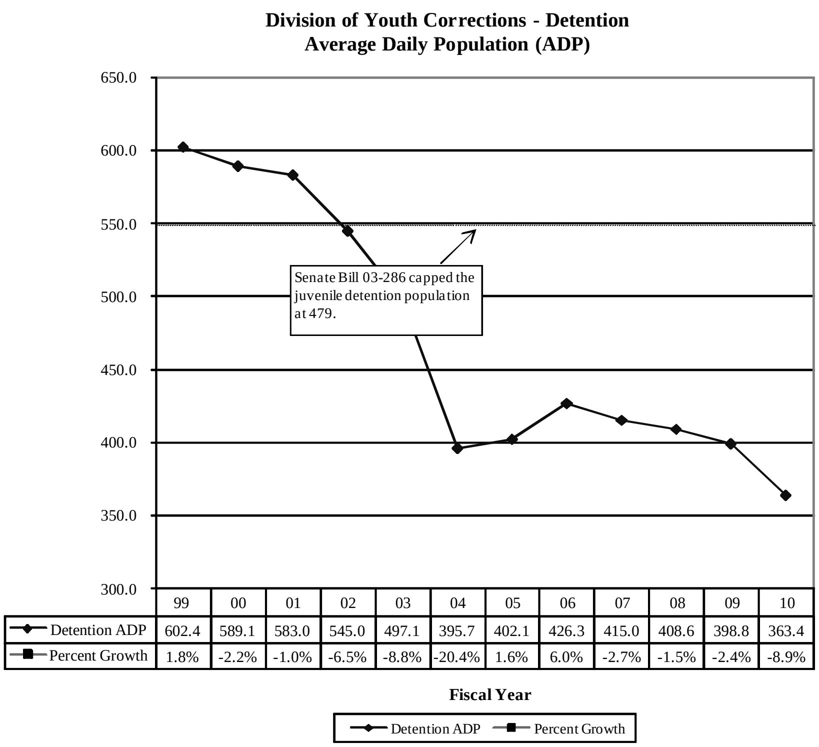


Detention. Detention facilities hold youth while awaiting a hearing. Judges can also sentence adjudicated youth to a period of up to 45 days in a detention facility (Section 19-2-911, C.R.S.). The average length of stay in a secure detention facility has ranged from 10.4 days to 15.7 days from FY 1992-93 through FY 2009-10. In FY 2009-10, the average length of stay was 14.2 days.

The growth in secure detention beds was relatively high in the early 1990s. Actions by the General Assembly to fund alternatives to secure detention and to cap the number of secure detention beds helped to change this trend. Senate Bill 91-94 provided authorities with alternatives to secure detention, including electronic monitoring and day treatment, which helped to reduce the growth. Although funding for S.B. 91-94 programs was reduced as a result of the 2003 recession, it was subsequently restored. The FY 2010-11 Long Bill appropriation of $13.3 million for S.B. 91-94 programs reflects an 8.1 percent increase over the FY 2002-03 funding level.

Senate Bill 03-286 established a ‘cap’ or limit of 479 on the number of state-funded detention beds. Each of the State’s 22 judicial districts has been allocated a portion of the 479 beds. Statutory language provides that districts may borrow beds within an established ‘catchment’ area and mandate that districts have procedures in place for emergency release of detained youth in the event that a district is unable to borrow a bed. As a result of this legislation, use of secure detention beds declined. Prior to the cap, local jurisdictions were given substantial discretion as to which youth could be admitted into detention. Currently, local jurisdictions still have this level of discretion, but now it must be balanced by the reality of a finite number of allocated beds.

After the S.B. 03-283 detention cap was implemented, local jurisdictions reported considerable strain adjusting, and many individual jurisdictions exceeded their cap on any given day. However, the ADP for secure detention beds has continued to fall since FY 2005-06, reflecting a reduction in usage particularly in the admission of truants, status offenders, and other less serious offenders. The average statewide ADP in FY 2009-10 was 116 below the statewide cap of 479 and no locality hit its cap on any day during the year.



	99	00	01	02	03	04	05	06	07	08	09	10
Detention ADP	602.4	589.1	583.0	545.0	497.1	395.7	402.1	426.3	415.0	408.6	398.8	363.4
Percent Growth	1.8%	-2.2%	-1.0%	-6.5%	-8.8%	-20.4%	1.6%	6.0%	-2.7%	-1.5%	-2.4%	-8.9%

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

DECISION ITEM PRIORITY LIST

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

Decision Item	GF	CF	RF	FF	Total	Net GF*	FTE
1	$185,194	$185,194	$0	$270,422	$640,810	$185,194	0.0
Additional Funding for Electronic Benefits Transfer Service (EBTS)							
2	2,357,640	0	0	2,357,640	4,715,280	2,357,640	0.0
Additional Funding for Food Assistance Administration							
3	(6,129,032)	0	13,594,096	0	7,465,064	668,016	0.0
Reallocation of Resources and Funding Increase for Emergency Placements in Community Services for People with Developmental Disabilities Program Costs							
4	3,648,368	0	5,030,723	0	8,679,091	6,163,730	0.0
Services for People with Disabilities - New Funding Developmental Disabilities Services							
5	0	0	(548,765)	0	(548,765)	0	0.0
Transfer of Sol Vista Youth Services Center FTE to the Division of Youth Corrections							
Division of Youth Corrections. The request is to transfer 5.0 FTE for Sol Vista clinical staff from the Colorado Mental Health Institute at Pueblo(CMHIP) appropriation to the appropriation for the Division of Youth Corrections (DYC). The change would also eliminate $548,765 reappropriated funds spending authority for funds currently transferred from DYC to CMHIP. Sol Vista is a 20-bed DYC facility for committed youth with severe mental health needs and is located on the CMHIP campus. Sol Vista clinical staff were previously employed by CMHIP under an agreement with DYC. The proposal would shift the clinical staff to direct employment with DYC. *Statutory authority: Section 19-2-403 (1), C.R.S..*							
Total	**$62,170**	**$185,194**	**$18,076,054**	**$2,628,062**	**$20,951,480**	**$9,374,580**	**0.0**
Total for Items in this Packet	**$0**	**$0**	**($548,765)**	**$0**	**($548,765)**	**$0**	**0.0**

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

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

BASE REDUCTION ITEM PRIORITY LIST

Reduction Item	GF	CF	RF	FF	Total	Net GF*	FTE
1	($9,197,473)	$0	$5,733	($3,682)	($9,195,422)	($9,194,607)	0.0
Purchase of Contract Placements Line Item Appropriation Reduction **Division of Youth Corrections.** The request **continues** a $9.2 million reduction to the Youth Corrections Purchase of Contract Placements line item that was first taken through FY 2008-09 supplemental action based on reductions in the size of the youth corrections commitment population. The Department had previously treated this reduction as temporary. Therefore, for the last two years, it has added back $9.2 million through "annualization" only to remove the funds again through a base reduction request. The current request differs from the one submitted for FY 2010-11 in that the Department now proposes to permanently reduce the funding. The proposed reduction amount is slightly greater than the amount in prior years and is based on the December 2009 Legislative Council Staff projection of commitment placement funding required in FY 2011-12. *Statutory authority: Sections 19-2-410 (1), 19-2-402, and 19-2-403, C.R.S..*							
2	0	0	(23,919)	0	(23,919)	0	0.5
Convert Contractual Services to FTE in the Telecommunications Equipment Distribution Program							
3	(2,700,688)	0	0	0	(2,700,688)	(2,700,688)	0.0
Eliminate County Tax Base Relief Appropriation							
Total	**($11,898,161)**	**$0**	**($18,186)**	**($3,682)**	**($11,920,029)**	**($11,895,295)**	**0.5**
Total for Items in this Packet	**($9,197,473)**	**$0**	**$5,733**	**($3,682)**	**($9,195,422)**	**($9,194,607)**	**0.0**

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

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

NON PRIORITIZED CHANGE LIST

Base Reduction Item	GF	CF	RF	FF	Total	Net GF*	FTE
NP-1	(2,813)	0	(4,256)	(2,228)	(9,297)	(4,941)	0.0
2% Across the Board Personal Services Reduction (HCPF Impact to DHS)							
NP-2	0	0	(325,593)	0	(325,593)	(159,471)	0.0
HCPF BRI-2 Medicaid Fee-For-Service Payment Delay							
Various. The Department of Health Care Policy and Financing proposes to implement a permanent three-week delay in the payment of fee-for-service Medicaid claims. The amount shown is the impact on Department of Human Services Medicaid-funded programs. *Statutory authority: Section 25.5-4-401, C.R.S. (requires statutory change to implement request).*.							
NP-3	9,955	1,880	15,184	13,333	40,352	17,485	0.0
HCPF CHP+ Program Reductions							
NP-4	(1,171,795)	0	(316,239)	(336,666)	(1,824,700)	(1,325,718)	0.0
2% Across the Board Personal Services Reduction (DHS Impact)							
Various. The proposal is for a one-time 2.0 percent reduction to the General Fund portion of all personal services appropriations. The reduction is to be achieved through vacancies or alternative personal services actions departments feel are necessary to implement the reduction. *Statutory authority: Sections 24-37-301 and 34-37-304 (d), C.R.S.*.							
NP-5	0	0	214,920	0	214,920	107,460	0.0
HCPF - CBMS Compliance with Low Income Subsidy and Disability Determination Services Federal Requirements							
NP-7	(3,034,793)	(205,236)	(1,196,670)	(824,860)	(5,261,559)	(3,555,727)	0.0
Statewide PERA adjustment							
Various. The request is for a continuation of S.B. 10-146, which decreased the State's PERA contribution rate by 2.5 percent of staff salaries and increased the employee contribution by a corresponding 2.5 percent. *Statutory authority: Section 24-51-401 (1.7) (a), C.R.S. (requires modification to implement request).*							
NP-8	2,143	151	11,144	2,287	15,725	7,517	0.0
Annual Fleet Vehicle Replacement							
NP-9	10,115	188	407	8,607	19,317	10,261	0.0
Printing of Statewide Warrants and Mainframe Documents							
NP-10	(438,817)	(556)	(109,381)	(25,343)	(574,097)	(491,642)	0.0
Pro-Rated Benefits							
Total	**($4,626,005)**	**($203,573)**	**($1,710,484)**	**($1,164,870)**	**($7,704,932)**	**($5,394,776)**	**0.0**

Base Reduction Item	GF	CF	RF	FF	Total	Net GF*	FTE
Total for Items in this Packet	**($4,206,588)**	**($203,573)**	**($1,710,484)**	**($1,164,870)**	**($7,704,932)**	**($5,394,776)**	**0.0**

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

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

OVERVIEW OF NUMBERS PAGES

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2010-11 appropriation and its FY 2011-12 request. A large portion of the Department's reappropriated funds are Medicaid-related transfers from the Department of Health Care Policy and Financing (HCPF). Roughly half of the corresponding HCPF appropriations are General Fund. Net General Fund equals the direct GF appropriation shown, plus the GF portion of the HCPF transfer.

Total Requested Change Child Welfare, Child Care, Youth Corrections
FY 2010-11 to FY 2011-12 (millions of dollars)

Category	GF	CF	RF	FF	Total	Net GF	FTE
FY 2010-11 Appropriation	$338.4	$84.4	$18.9	$191.1	$632.8	$345.0	1,157.1
FY 2011-12 Request	342.9	84.1	18.9	185.2	631.1	351.5	1,162.1
Increase / (Decrease)	$4.5	($0.3)	$0.0	($5.9)	($1.7)	$6.5	5.0
Percentage Change	1.3%	-0.4%	0.0%	-3.1%	-0.3%	1.9%	0.4%

The following table highlights the individual changes contained in the Department's FY 2011-12 budget request, as compared with the FY 2010-11 appropriation, for the portion of the Department covered in this briefing packet. For additional detail, see the numbers pages in Appendix A.

Requested Changes, FY 2010-11 to FY 2011-12

Category	GF	CF	RF	FF	Total	Net GF	FTE
Executive Director's Office (line items in this packet ONLY)							
Annualize prior year legislation (S.B. 10-143, S.B. 10-171)	$228,785	$8,166	$0	$14,408	$251,359	$228,785	0.0
Statewide decision items to reduce personal servies, PERA (NP-4, NP-7)	(61,533)	(9,837)	(809)	(15,166)	(87,345)	(61,533)	0.0
Subtotal	**$167,252**	**($1,671)**	**($809)**	**($758)**	**$164,014**	**$167,252**	**0.0**
Division of Child Welfare							

Category	GF	CF	RF	FF	Total	Net GF	FTE
Adjustments for leap year and Medicaid delayed payments (statewide policy and NP-2)	$297,338	$74,334	$41,518	$85,771	$498,961	$318,097	0.0
Annulize prior year legislation (S.B. 10-143)	49,698	0	3,025	29,852	82,575	51,211	0.0
Eliminate enhanced federal match for Medicaid & Title IV-E (FMAP)	3,911,137	(398,301)	0	(5,496,339)	(1,983,503)	5,567,729	0.0
Statewide decision items to reduce personal services, PERA (NP-4, NP-7)	(111,520)	0	(5,339)	(23,409)	(140,268)	(114,200)	0.0
Subtotal	**$4,146,653**	**($323,967)**	**$39,204**	**($5,404,125)**	**($1,542,235)**	**$5,822,837**	**0.0**
Division of Child Care							
Annulize prior year legislation (S.B. 10-143)	$44,252	$12,755	$0	$33,710	$90,717	$44,252	0.0
Annualize FY 11 transfer of funds to ITS for new CHATS system	0	0	0	(516,250)	(516,250)	0	0.0
Statewide decision items to reduce personal services, PERA (NP-4, NP-7)	(80,579)	(12,793)	0	(38,077)	(131,449)	(80,579)	0.0
Subtotal	**($36,327)**	**($38)**	**$0**	**($520,617)**	**($556,982)**	**($36,327)**	**0.0**
Division of Youth Corrections							
Restore prior-year cuts to flexible funds and managed care pilot	$9,221,421	$0	$0	$0	$9,221,421	$9,221,421	0.0
Annualize prior year legislation (S.B. 10-143, H.B. 10-1413)	1,618,260	1,166	990	5,973	1,626,389	1,618,755	0.0
Leap year adjustment	108,131	0	4,435	3,682	116,248	110,349	0.0

Category	GF	CF	RF	FF	Total	Net GF	FTE
Eliminate enhanced federal Medicaid match (FMAP)	0	0	0	0	0	300,247	0.0
Transfer FTE (DI 5)	0	0	0	0	0	0	5.0
Eliminate flexible funds (BR 1)	(9,197,473)	0	5,733	(3,682)	(9,195,422)	(9,194,607)	0.0
Statewide decision items to reduce personal services, PERA (NP-4, NP-7)	(1,583,907)	(1,135)	(7,649)	(5,841)	(1,598,532)	(1,584,921)	0.0
Subtotal	**$166,432**	**$31**	**$3,509**	**$132**	**$170,104**	**$471,244**	**5.0**
Total Change	**$4,444,010**	**($325,645)**	**$41,904**	**($5,925,368)**	**($1,765,099)**	**$6,425,006**	**5.0**

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

BRIEFING ISSUE

ISSUE: Significant Actions Taken from FY 2007-08 to FY 2010-11 to Balance the Budget

If General Fund appropriations to the Department of Health Care Policy and Financing that are transferred to the Department of Human Services are included, the General Fund appropriation to the Department of Human Services decreased by $43.2 million (5.1 percent) from FY 2007-08 to FY 2010-11. However, total appropriations to the Department of Human Services have increased since FY 2007-08, based primarily on federal funds increases. Since the most recent economic downturn started in 2008, increases for caseloads have been limited, provider rates have declined, beds in state facilities have been closed, and staff compensation has been restricted. However, federal funds increases, including federal funds temporarily available under the American Recovery and Reinvestment Act, have offset General Fund reductions and helped to limit the depth of cuts.

SUMMARY:

❑ **Division of Child Welfare:**

The General Assembly has used various refinancing mechanisms to reduce the General Fund share of child welfare costs. This includes refinancing county block allocations with federal Temporary Assistance to Needy Families (TANF) funds ($19.5 million in FY 2010-11); using the enhanced federal Medicaid match (FMAP) available under the American Recovery and Reinvestment Act to temporarily refinance child welfare servies ($3.9 million under Title IV-E and $1.7 million under Medicaid Title XIX); and requiring counties to pay a full 20 percent share of costs for out-of-home placements ($8.1 million). A number of these actions are temporary: the FMAP refinance will phase out in FY 2010-11, and $12.5 million of the TANF refinance will no longer be available after FY 2011-12.

The General Assembly has also reduced total funding for capped county allocations for child welfare services and family and children's programs from the FY 2008-09 peak and has not authorized increases for counties associated with increases in inflation and population. Total appropriations have fallen $10.9 million (2.8 percent) from the FY 2008-09 peak, returning them to 0.2 percent below the FY 2007-08 level. In constant dollars, per child in the Colorado population, child welfare allocations to counties have fallen 7.9 percent since FY 2007-08. This has occurred in part due to declines in federal revenue sources, which have offset other budget increases.

❑ **Division of Child Care.** The General Assembly has refinanced General Fund appropriations for the Child Care Assistance Program, Child Care Councils, and child care indirect costs with

$1.5 million from Child Care Development Fund reserves starting in FY 2010-11. It also reduced child care licensing staff by 3.5 FTE and $218,904 General Fund per year, beginning mid-year FY 2009-10.

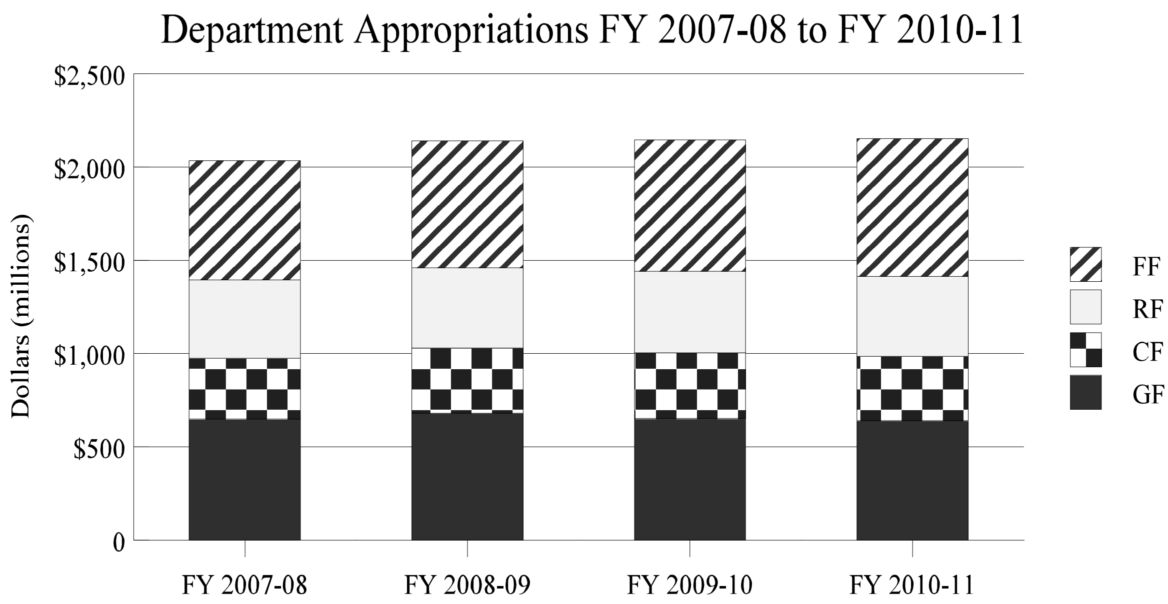
- ❑ **Division of Youth Corrections.** Starting in FY 2008-09, the General Assembly cut $9.1 million General Fund not required for the purchase of contract placements (due to declines in the average daily population), rather than allowing these funds to be reinvested in the DYC budget. The General Assembly has also required Youth Corrections facility to continue to operate at higher capacity ($2.3 million General Fund savings in FY 2010-11), refinanced some services with federal Medicaid and Title IV-E funds ($1.7 million General Fund savings in FY 2010-11), reduced contract provider rates by 2.0 percent ($1.3 million General Fund savings in FY 2010-11), reduced overall client-staff ratios for client managers ($0.6 million savings in FY 2010-11), and eliminated or reduced various specialized programs, such as the mental health pilot for detention (eliminated with savings of $0.6 million General Fund in FY 2010-11).

DISCUSSION:

FY 2007-08 to FY 2010-11, total appropriations to the Department of Human Services increased by approximately 5.9 percent ($119 million). Most of this increase ($99 million) was provided through federal funds, including technical adjustments to show $44 million in federal funds not previously reflected in the Long Bill. If these technical adjustments are excluded, appropriations to the Department increased by 3.7 percent ($75 million), including $55 million federal funds. The Department appropriation also increased by $19 million cash funds (primarily local and client share amounts) and $11 million reappropriated funds (primarily Medicaid funds).

These increases were partially offset by a decrease of $10 million General Fund. If General Fund amounts transferred from the Department of Health Care Policy and Financing are included, appropriations to the Department of Human Services that originate as General Fund decreased by $43 million (5.1 percent). This General Fund decrease was largely attributable to a temporary increase to the Federal Medicaid Assistance Percentage (FMAP), which offset General Fund otherwise required in FY 2010-11.

Appropriations to the Department of Human Services for FY 2007-08 through FY 2010-11 are illustrated in the bar chart and detailed in the table below. As illustrated in the bar chart, General Fund and total appropriations increased in FY 2008-09. Since then, General Fund appropriations have declined while total appropriations have increased just 0.6 percent in the three years ($13.2 million) from FY 2008-09 to FY 2010-11. "Net" General Fund (shown in the table but not the chart) includes General Fund appropriated directly to the Department of Human Services *and* the General Fund portion of Medicaid funds that support Human Services programs.



Department of Human Services Appropriations FY 2007-08 to FY 2010-11						
	Total Funds	**General Fund**	**Cash Funds**	**Reappropriated Funds**	**Federal Funds**	**"Net" General Fund /a**
FY 2007-08 /b	$2,033,711,435	$649,483,006	325,981,045	$418,626,692	$639,620,692	*$840,401,436*
FY 2008-09	2,139,923,470	680,013,238	350,103,548	429,630,630	680,176,054	*877,648,618*
FY 2009-10	2,144,727,107	651,948,502	351,463,783	438,101,302	703,213,520	*811,376,049*
FY 2010-11 /c	2,153,111,241	639,803,262	344,632,848	429,957,794	738,717,337	*797,219,689*
Increase/(Decrease) /d	$119,399,806	($9,679,744)	$18,651,803	$11,331,102	$99,096,645	*($43,181,747)*
Percent Change /d	5.9%	(1.5)%	5.7%	2.7%	15.5%	*(5.1)%*

a/ "Net" General Fund includes General Fund appropriated directly to the Department of Human Services (DHS) and the General Fund portion of Medicaid funds appropriated to Department of Health Care Policy and Financing and transferred to DHS.
b/ FY 2007-08 Appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09. Source: Page 200 of the FY 2008-09 Appropriations Report, plus 2009 legislation affecting FY 2007-08 appropriations (S.B. 09-189).
c/ The FY 2010-11 federal funds appropriation includes the addition of $35,279,032 for county child care and child welfare TANF reserves and $9,044,825 for federal refugee services that were not previously reflected in the Long Bill. If these adjustments are excluded, federal funding grew by 8.6 percent and total funding by 3.7 percent between FY 2007-08 and FY 2010-11.
d/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

Overall funding trends reflect:

❏ Increases in FY 2008-09 and FY 2009-10 related to caseload growth (for developmental disability placements, child welfare services, and mental health services), and increases in

General Fund appropriations to cover fixed facility costs when alternative sources are not available (such as for the mental health institutes).

- ❑ Efforts to offset caseload and General Fund cost increases in FY 2009-10 and FY 2010-11 by reducing provider reimbursements and closing units in institutional facilities (the mental health institutes and regional centers for people with developmental disabilities).

- ❑ Use of cash and federal funds to temporarily refinance General Fund (most notable in child welfare and developmental disability services) or to temporarily enhance spending (most notable in self-sufficiency programs). Funding available under ARRA reduced the General Fund portion of child welfare appropriations and the General Fund portion of Medicaid funds transferred from the Department of Health Care Policy and Financing for Human Services programs. It also provided large, temporary increases in funding for child care, subsidized employment, and housing supports.

Beginning in January of 2009 and continuing through the 2010 Session, the General Assembly has taken a number of actions to reduce General Fund expenditures to the Human Services divisions covered in this write-up: Child Welfare, Child Care, and Youth Corrections. These actions are discussed in more detail below.

Division of Child Welfare

In Colorado, child welfare services are state supervised and county administered. Counties investigate allegations of abuse, provide supportive services to families, and if needed to ensure a child's safety (as determined by a court), remove a child from the family home. The state provides training for county workers and oversight of county performance.

The majority of funding for child welfare services (97 percent) is distributed to counties as capped allocations. If counties spend more than these amounts, they are responsible for covering the balance. County costs are driven by factors beyond their control (such as the number of child abuse referrals and court orders to provide certain services) and by factors within their control (such as the rates they pay to staff and providers and the effectiveness of their services, which may allow a child to remain in the family home and limit the length of expensive out-of-home placement).

Division of Child Welfare Appropriations FY 2007-08 to FY 2010-11

	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	"Net" General Fund /a
FY 2007-08 /b	$408,493,131	$202,397,807	65,559,950	$35,003,098	$105,532,276	*$219,899,357*
FY 2008-09	419,288,194	216,971,202	71,756,627	18,635,914	111,924,451	*226,289,159*
FY 2009-10	412,279,855	201,231,836	72,974,991	14,641,650	123,431,378	*206,871,156*
FY 2010-11	406,734,684	193,454,250	73,767,696	14,427,178	125,085,560	*199,011,248*

Division of Child Welfare Appropriations FY 2007-08 to FY 2010-11						
Increase/(Decrease) /c	($1,758,447)	($8,943,557)	$8,207,746	($20,575,920)	$19,553,284	*($20,888,109)*
Percent Change /c	(0.4)%	(4.4)%	12.5%	(58.8)%	18.5%	*(9.5)%*

a/ "Net" General Fund includes General Fund appropriated directly to the Department of Human Services (DHS) and the General Fund portion of Medicaid funds appropriated to Department of Health Care Policy and Financing and transferred to DHS.
b/ FY 2007-08 Appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09.
b/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

Background on Budget Trends

As shown in the table above, total funding for the Division of Child Welfare has fallen 0.4 percent since FY 2007-08, while General Fund, including the General Fund portion of Medicaid funds ("net" General Fund), has fallen 9.5 percent. Both total and General Fund support increased from FY 2007-08 to FY 2008-09 and then fell in FY 2009-10 and FY 2010-11.

Significant factors driving *increases* in the total child welfare budget include:

❏ Department staff and county training increases - In response to a variety of reports that raised concern about the quality of Colorado's Child Welfare programs, between FY 2007-08 and FY 2010-11, the General Assembly added $2.6 million and 21.0 FTE for additional state administrative staff and additional training for county staff.

❏ Caseload and inflationary increases to capped county allocations - The General Assembly authorized a $11 million total funds increase in FY 2008-09 and a $4.4 million total funds increase in FY 2009-10 to assist counties in addressing growth in the child and adolescent population. A 1.5 percent provider rate increase ($5.7 million) was also added in FY 2008-09. Two-thirds of these increases for caseload and rates were subsequently eliminated through reductions to block allocations and rate reductions applied in FY 2009-10 and FY 2010-11 (described below). A net increase of $6.7 million was retained, but reduced access to federal funds (described below) has offset this.

Decreases unrelated to balancing and *increases in the General Fund share* of the child welfare budget were driven by:

❏ Declines in federal funding provided under Title IV-E of the Social Security Act. Title IV-E provides for a partial reimbursement (usually 50 percent) for room and board for very low-income youth who are placed out of the home, as well as related administrative costs. Since FY 2007-08, the General Assembly has applied $6.9 million in General Fund and $2.5 million from other sources to offset most of a $9.9 million decline in federal Title IV-E funding for county child welfare allocations. In addition, a $4.5 million reduction in appropriations for counties from the Excess Federal Title IV-E Cash Fund has been only partially offset with a $1.0 million General Fund appropriation to support county Title IV-E administrative activities.

❏ Declines in federal Medicaid funding accessed by counties for child welfare services. Counties have reduced their use of Medicaid for therapeutic out-of-home services, driving a $20 million reduction in reappropriated funds for child welfare services since FY 2007-08. The General Fund portion of unspent Medicaid funds has been moved to the Child Welfare budget, and thus the "real" loss of funds is $10 million in federal Medicaid funds with no "net" General Fund impact. Nonetheless, the loss of federal moneys has affected total funds available to serve the child welfare population.

Major Budget Balancing Actions from FY 2007-08 to FY 2010-11

1. Refinance General Fund for Child Welfare Services and Family and Children's Programs ("core" family preservation services) with federal Temporary Assistance to Needy Families (TANF) funds. The refinance was $12.5 million in FY 2009-10 and $19.5 million in FY 2010-11. Of the total, $12.5 million was refinanced with reserves that are expected to be exhausted by FY 2012-13, at which point either General Fund backfill or cuts to child welfare or self-sufficiency programs will be required.

2. Reduce total funding for capped county allocations for child welfare services and family and children's programs from the FY 2008-09 peak/ do not authorize increases for counties for caseload and inflation. Total appropriations have fallen $10.9 million (2.8 percent) from the FY 2008-09 peak, returning them to 0.2 percent below the FY 2007-08 level. In constant dollars, per child in the Colorado population, child welfare allocations to counties have fallen 7.9 percent since FY 2007-08.
   - For FY 2009-10, capped allocations were ultimately reduced by $4.0 million total funds ($2.1 million net General Fund) from FY 2008-09 levels. The initial FY 2009-10 appropriation included a minimal population increase, but a 2.4 percent block reduction was applied through FY 2009-10 supplemental action, bringing funding below FY 2008-09 levels.
   - For FY 2010-11, provider rate cuts ranging from 1.53 to 2.0 percent were applied to county allocations, resulting in a $6.0 million total funds ($3.8 million General Fund) reduction.
   - In addition to the actions above, capped allocations fell due to reduced access to federal support, which was largely (but not entirely) backfilled by the General Assembly.

3. Require counties to pay a larger share of child welfare costs. Starting January 2010, increase county responsibility for residential facility child welfare costs from 10 percent to 20 percent, resulting in a $8.1 million annual increase in county cash funding for child welfare services and a matching decrease in the General Fund required.

4. Pursuant to the American Recovery and Reinvestment Act, temporarily refinance General Fund with an enhanced federal match rates (Federal Medicaid Assistance Percentage or FMAP) for the Medicaid and Title IV-E programs. The enhanced federal match rate phases

out in FY 2010-11, and the actual refinance is now expected to be less than the amount budgeted for FY 2010-11.

- Under the Title IV-E program, for FY 2008-09, $3.3 million was refinanced; for FY 2009-10, $3.9 million was refinanced; and for FY 2010-11, $3.9 million was refinanced, and the budget reflected the expectation that up to $1.4 million additional federal funds might be received, although there was no related General Fund reduction.
- Under the Medicaid program, temporarily refinance General Fund with an enhanced federal Medicaid match rate in the Department of Health Care Policy and Financing. Adjustments provide savings of $1.7 million "net" General Fund in FY 2009-10 and FY 2010-11.

5. Eliminate new child welfare programs originally authorized for FY 2008-09 and FY 2009-10. A new child welfare mental health pilot ($2.5 million total funds, including $1.8 million General Funds in the first year) was initially approved for FY 2008-09 and then delayed seven years. New funding for Functional Family Therapy programs ($3.3 million General Fund, including $2.6 million General Fund) was added and then eliminated for FY 2009-10.

Division of Child Care

The Division of Child Care includes: (1) funding for the Child Care Assistance Program, the state-supervised county-administered program to child care subsidies for low-income (83 percent of total appropriations); (2) funding for various grant programs designed to improve the quality of available child care (10 percent of total appropriations); and (3) funding for state FTE and contract staff responsible for licensing and monitoring of child care facilities throughout the State (about 7 percent of total appropriations but majority of the 66.0 FTE in this division).

Division of Child Care Appropriations FY 2007-08 to FY 2010-11

	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	"Net" General Fund /a
FY 2007-08 /b	$91,974,615	$18,651,536	9,909,506	$1,022,167	$62,391,406	*$18,651,536*
FY 2008-09	108,234,634	18,791,669	9,951,299	0	79,491,666	*18,791,669*
FY 2009-10	104,595,734	18,531,569	10,069,229	0	75,994,936	*18,531,569*
FY 2010-11	90,062,264	17,361,838	9,950,708	0	62,749,718	*17,361,838*
Increase/(Decrease) /c	($1,912,351)	($1,289,698)	$41,202	($1,022,167)	$358,312	*($1,289,698)*
Percent Change /c	(2.1)%	(6.9)%	0.4%	(100.0)%	0.6%	*(6.9)%*

a/ "Net" General Fund includes General Fund appropriated directly to the Department of Human Services (DHS) and the General Fund portion of Medicaid funds appropriated to Department of Health Care Policy and Financing and transferred to DHS.
b/ FY 2007-08 Appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09.
b/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

Background on Budget Trends

As reflected in the chart, total and General Fund support for the Division of Child Care peaked in FY 2008-09 and has since declined to 2.1 percent below the FY 2007-08 appropriations level. Two points are of particular note:

- ❑ Funding in FY 2008-09 and FY 2009-10 was unusually high due to one-time federal funding available under the American Recovery and Reinvestment Act (ARRA) of 2009. A total of $11.1 million was added in FY 2008-09 and $13.6 million in FY 2009-10. By FY 2010-11, these funds had been fully expended and were no longer reflected in the budget.

- ❑ Actual county spending for the Child Care Assistance Program (child care subsidies) often varies substantially from the amount budgeted in the Division, based on county decisions to transfer funds from the TANF block grant to the child care subsidy program. Historically, the size of the child care subsidy program has ranged from $70 to $100 million per year, depending upon whether counties make such transfers and expend TANF funds for this purpose.

Major Budget Balancing Actions from FY 2007-08 to FY 2010-11

1. Starting FY 2010-11, refinance General Fund appropriations for the Child Care Assistance Program, Child Care Councils, and child care indirect costs with $1.5 million from Child Care Development Fund reserves.

2. Reduce child care licensing staff by 3.5 FTE and $218,904 General Fund per year, beginning mid-year FY 2009-10.

Division of Youth Corrections

The Division of Youth Corrections is responsible fore the supervision, care and treatment of: (1) detained juveniles awaiting adjudication; (2) juveniles committed or sentenced to the Department by the courts; and (3) juveniles on parole from a facility operated or contracted for by the Division. Funding for the division supports both state-operated facilities and contract placements for juveniles. The Division also administers the S.B. 91-094 program that provides alternatives to secure detention or commitment.

Division of Youth Corrections Appropriations FY 2007-08 to FY 2010-11						
	Total Funds	**General Fund**	**Cash Funds**	**Reappropriated Funds**	**Federal Funds**	**"Net" General Fund /a**
FY 2007-08 /b	$131,390,790	$126,520,121	89,426	$3,631,923	$1,149,320	*$127,460,580*
FY 2008-09	133,358,256	128,718,470	89,548	3,389,757	1,160,481	*129,537,307*
FY 2009-10	130,780,333	125,059,127	90,718	3,737,876	1,892,612	*125,829,559*
FY 2010-11	132,844,637	125,819,469	91,139	4,439,586	2,494,443	*126,862,324*

Division of Youth Corrections Appropriations FY 2007-08 to FY 2010-11						
Increase/(Decrease) /c	$1,453,847	($700,652)	$1,713	$807,663	$1,345,123	*($598,256)*
Percent Change /c	1.1%	(0.6)%	1.9%	22.2%	117.0%	*(0.5)%*

a/ "Net" General Fund includes General Fund appropriated directly to the Department of Human Services (DHS) and the General Fund portion of Medicaid funds appropriated to Department of Health Care Policy and Financing and transferred to DHS.
b/ FY 2007-08 Appropriations have been adjusted to reflect the same "cash funds" and "reappropriated funds" format implemented in FY 2008-09.
b/ Increase/(Decrease) and Percent Change compare FY 2007-08 and FY 2010-11.

Background on Budget Trends

As reflected in the table, total and "net" General Fund support for the Division of Youth Corrections peaked in FY 2008-09. The total FY 2010-11 appropriation reflects a 1.1 percent increase compared with FY 2007-08, while "net" General Fund is 0.5 percent lower.

Funding for the Division of Youth Corrections has historically been driven by the size of the youth corrections population. The General Assembly began to depart from this approach starting in FY 2006-07, when it began to allow the Division to retain some funding, even though caseload figures had begun to decline. Based on the most recent projections from Legislative Council Staff and the Division of Criminal Justice, FY 2010-11 commitment rates are expected to be approximately 15 percent below FY 2007-08 levels, with similar declines evident in detention and parole placements, although overall funding for the Division has remained relatively flat.

Major Budget Balancing Actions from FY 2007-08 to FY 2010-11

1. Starting in FY 2008-09, $9.1 million General Fund not required for the purchase of contract placements (due to declines in the average daily population FY 2008-09) was removed from the budget. The Department had hoped to be able to retain these funds to further improve services, but this was not feasible due to statewide fiscal constraints. These funds have not been reinstated.

2. Require DYC facilities to operate at 120 percent of capacity in FY 2009-10 and return to operating at 110 percent of capacity in FY 2010-11 (consistent with the operating practice prior to FY 2009-10). This provided one-time savings of $3.9 million total funds ($3.8 million General fund) in FY 2009-10 and ongoing savings of $2.4 million total funds ($2.3 million General Fund) in FY 2010-11, compared with costs of operating at 100 percent of capacity.

3. Modify licensing for Ridge View Youth Services Center to provide access to federal Title IV-E an Medicaid funds, allowing for net General Fund savings of $1.7 million per year, starting mid-year FY 2009-10.

4. Starting mid-year FY 2009-10, apply 2.0 percent provider rate reductions for contract placements and services, resulting in full-year savings of $1.4 million total funds ($1.3 million General Fund).

5. Modify DYC staff-to-client ratios for client managers beginning mid-year FY 2009-10. This provides full-year savings of $642,000 General Fund and 9.6 FTE.

6. Eliminate or reduce some specialized programs. Starting in FY 2009-10, the mental health pilot for detained youth was phased out, providing $580,000 General Fund per year in savings, $357,995 General Fund and 1.8 FTE initially added for functional family therapy programs was removed, and funding for the youth corrections managed care pilot (Boulder IMPACT) was reduced ($71,000 General Fund in FY 2010-11).

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

BRIEFING ISSUE

ISSUE: Child Welfare Funding Request and Reduction Options

The Department's overall request for the Division of Child Welfare reflects no change in total funding, but an increase in General Fund, due to the expiry of federal stimulus legislation. The request does not include any adjustment to address likely further declines in federal funding for child welfare based on declines in out-of-home placements.

SUMMARY:

- ❑ The Department's overall request for the Division of Child Welfare reflects a decrease of $1.5 million (0.4 percent) in total funding, and an increase of $5.8 million (2.9 percent) in net General Fund.

- ❑ For the second year in a row, no increase has been requested for child welfare caseload. No increase or reduction is requested for provider rates. However, the request includes a 0.4 percent decline in allocations to counties due to the expiry of some federal stimulus funds. The requested General Fund increase is also due to the expiry of federal stimulus legislation. With these exceptions, requested funding is flat. The request does not include any adjustment to address likely further declines in federal funding for child welfare based on declines in out-of-home placements.

- ❑ Options for budget reductions include eliminating some of the large increases for state administration and county training provided in recent years, cuts to county child welfare allocations, or further refinancing of state funds with county dollars or federal TANF funds. Because additional declines in federal funding have not been incorporated in the request, *the question facing the General Assembly may be whether to backfill falling federal revenue--rather than whether to take a further cuts to county allocations*.

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.

Funding for the Division of Child Welfare. Appropriations for child welfare programs for FY 2010-11 ($406.7 million) consist of 48.9 percent "net" General Fund (including Medicaid General Fund, 32.9 percent federal funds (including Medicaid federal funds), and 18.1 percent county funds and various cash fund sources. Federal funds include funding under Title XX of the Social Security Act (the Social Services Block Grant), Title IV-B of the Social Security Act, the Temporary Assistance to Needy Families (TANF) Block Grant, and Title IV-E of the Social Security Act. Under Title IV-E, which constitutes the majority of federal funding, the state receives partial federal reimbursement for qualifying child welfare expenditures for low-income children in the child welfare system. The reimbursement is usually at the rate of $.50 on each $1.00 spent by the state. The Division's reappropriated funds are Medicaid funds transferred from the Department of Health Care Policy and Financing.

About 3 percent of the Division's appropriation covers state administrative activities and training for county casework staff. The training itself is contracted with various institutions of higher education, with the exception of a new training staff that will 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 $339.2 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.

FY 2011-12 Budget Request. The FY 2011-12 budget request is for largely flat total funding. To the overall base funding of $406.7 million total funds and $199.0 million "net" General Fund, the only significant changes proposed:

- ❑ Decrease county allocations $2.0 million and increase General Fund by $5.6 million associated with the expiry of federal stimulus legislation (enhanced federal match rate (FMAP) for Title IV-E).

- ❑ Increase county allocations $493,000, including $315,000 General Fund for a leap year adjustment.

- ❑ Apart from the items outlined above, **the request does not include an adjustment for further declines in federal Title IV-E revenue consistent with recent-year trends**. In FY 2010-11, the General Assembly provided $9.2 million in backfill from the General Fund and other fund sources to address declines in federal reimbursements. These declines are associated in large part with declines in child welfare out-of-home placements. *If no related budget adjustments are made, the FY 2011-12 budget may include an effective further decline in the range of 2.0 percent to county child welfare allocations due simply to insufficient federal revenue.* This topic is addressed in further detail in a separate issue.

Options for Budget Reductions. The ***General Assembly's options*** for budget reduction (or increases) for Child Welfare Services fall into two general categories:

- Adjustments to funding for state administrative and oversight funding, state training for county staff and similar central functions; or
- Adjustments to funding for allocations to counties.

<u>State Administration and Child Welfare Worker Training</u>. Division of child welfare funding for administrative and county-worker training activities, as well as for the Administrative Review Division (which provides on-site reviews of some county activities) have received very substantial increases in the last several years, including 21.0 new FTE in the Child Welfare Division and 3.0 FTE for the Administrative Review Division.

- For the Division of Child Welfare, this represented an increase of nearly 60 percent in FTE.
- For the Administrative Review Division it represented an increase of 13.5 percent in FTE.
- The child welfare training budget increase by 32 percent.

These staffing and training increases present obvious targets for budget cuts. Staff would not recommend eliminating all these increases, although staff also does not believe state administration should be held entirely harmless if cuts to county allocations are required. Most of the increases have been part of a broad effort to improve the state's capacity to oversee county child welfare programs. In the Division of Child Welfare, the increases were tied to an overall organizational restructuring emanating from the Organizational Assessment and Recommendations for Improvements for the Colorado Division of Child Welfare (Policy Studies Inc. and American Humane, February 19, 2009), as well as to the State Auditor's Office 2007 foster care services review. The increases for the Administrative Review Division were tied to concerns about the timeliness of ARD review of out-of-home placements and potential violations of federal requirements. Increases for the training academy were associated with recommendations of the Child Welfare Action Committee and the adoption of S.B. 09-164 requiring child welfare workers to complete training and state certification prior to assuming a caseload.

The following is list of funding increases provided for child welfare and related administration staff, as well as additional funding for training provided in the last three years.

Recent-year Child Welfare Administration and Training Funding Increase - Cuts Options					
	General Fund	**Federal Funds**	**Total**	**FTE**	
New administrative review positions added in late FY 2008-09 (annualized FY 2009-10)	$134,585	$72,469	$207,054	3.0	FTE were added in late FY 2008-09/ to address problems in the timeliness of reviews of children in out of home placement (a federal requirement). Some or all of these new positions could be eliminated, particularly in light of declines in out of home placements. Failure to meet federal review standards could result in federal sanctions, but the most serious concerns now appear to be addressed.
New child welfare administrative positions added in FY 2008-09 and FY 2009-10 (annualized in FY 2010-11)	860,787	114,938	975,725	15.0	FTE for the Child Welfare Administration line item were increased by from 26.0 FTE in FY 2007-08 to the current 41.0 to address the recommendations of an analysis of the Division's administrative staffing needs and to address problems in state child welfare oversight that were raised in various audits and reports. Some or all of the new positions could be eliminated.
Funding added for child welfare training academy in FY 2009-10 (annualized in FY 2010-11)	898,858	681,640	1,580,498	6.0	Increased funding for child welfare training enabled the State to create a formal "academy" and require child welfare staff and supervisors to complete training prior to employment pursuant to S.B. 09-164. If all funding were eliminated, statutory changes that enabled the Department to require pre-employment training should also be eliminated. Staff believes up to 5.0 of the FTE and approximately $500,000 of the General Fund could be reduced without statutory change, although the Department might need to revise rules and counties might need to wait longer for staff training.
Total Increases	$1,894,230	$869,047	$2,763,277	24.0	

Because state administrative costs represent a relatively small share of the total budget for the division (less than 3 percent), even if all state administrative and training funding were completely eliminated, the percentage impact on the total Division budget would be limited.

County Allocations. The vast majority of the Division's budget is delivered as capped allocations to counties. Cuts or increases to county funding thus often take the form of a percentage increase or decrease, and the impact of the increase or decrease can be difficult to determine because each of the 64 counties may choose to manage its increase or decrease in a different way.

As noted above, staff believes the current budget request includes an effective decline in county allocations for FY 2011-12 in the range of 2.0 percent due to falling federal revenue. In light of this, *the question facing the General Assembly may be whether to backfill falling federal revenue and how to do so--rather than whether to take a further cuts to county allocations*. Nonetheless, if the General Assembly needs to reduce county allocations for child welfare to achieve General Fund savings, the options fall in the following categories:

- **Percentage Adjustments**. A 1.0 percent decrease (or increase) to total county allocations (including both Family and Children's Programs and the main Child Welfare Services line item) translates to a decrease or increase of $3.8 million, including $1.93 million General Fund.

- **County Share.** The county contribution for child welfare services currently represents 18.0 percent of total allocations. A portion of county administrative funding and some funding for Family and Children's programs is still 100 percent General Fund. These are a legacy of the Child Welfare Settlement Agreement in the early 1990s and efforts to ensure that certain "core" services were available throughout the State. Increasing county share to 20 percent for all services could shift $7.7 million in costs from the state to county budgets. Staff notes that many county budgets are also in poor condition.

- **County Title IV-E Administration.** $1.0 million General Fund backfill was provided in FY 2010-11 to attempt to sustain county efforts to identify children eligible for federal Title IV-E reimbursement, in light of reductions to federal funds available for this purpose. The impact of this funding on federal receipts is not yet know.

- **Further refinance General Fund in Child Welfare with TANF.** A total of $19.5 million General Fund is refinanced for FY 2010-11 with Temporary Assistance to Needy Families federal block grant funds. Of this amount, $7.0 million is expected to be ongoing, while the remaining $12.5 million will need to be replaced with General Fund in FY 2012-13 or other cuts to TANF programs for low income families will be required. Any further refinance of child welfare would require cuts to TANF programs, including county allocations for the Colorado Works program. The status of TANF programs is discussed in the staff November 16, 2010 budget briefing document.

The following issue focuses on how county allocations and spending have been affected by recent-year funding declines and any relationship to outcomes in order to assist the Committee in determining appropriate child welfare funding levels.

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

BRIEFING ISSUE

ISSUE: Trends in County Allocations and Impacts on Families in Children

Allocations to counties for child welfare services have declined by $10.9 million (2.8 percent) since FY 2008-09. While funding is down, there is no clear evidence thus far that the reductions have had a detrimental impact on families. Due to variations in county practice and the complexity of child welfare systems, it is not possible to clearly relate variations in spending to variations in county outcomes.

SUMMARY:

❏ Allocations to counties for child welfare services have declined by $10.9 million (2.8 percent) since FY 2008-09. Inflation-adjusted, per-capita of the State population, funding has declined by 9.5 percent in the last ten years, with most of the decline since FY 2008-09.

❏ While funding is down, there is no clear evidence thus far that the reductions have had a determinental impact on families. A significant component of the reductions is in out-of-home placements, but such reductions may reflect better, rather than worse, practice.

❏ Neither staff nor the Department have been able to clearly associate funding levels with child welfare outcomes due the variations among counties and complexity of the factors involved.

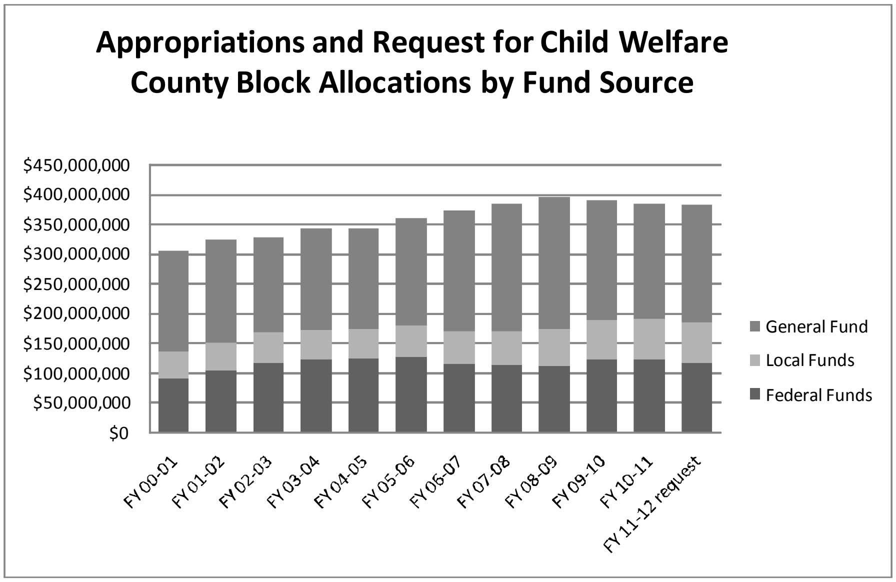
County allocations and financial responsibility. The vast majority of the appropriation for child welfare services (97 percent) is allocated to counties as "capped allocations" pursuant to 26-6-104, C.R.S. Capped allocations incorporate a required county share of expenditures (20 percent for most costs).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

[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.

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 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 will be used again in FY 2011-12.

Total county allocations for child welfare services increased through FY 2008-09, but have been reduced in the last two years. Over this period, the county responsibility for costs has also increased from 14.6 percent to the current 18.0 percent of the total.

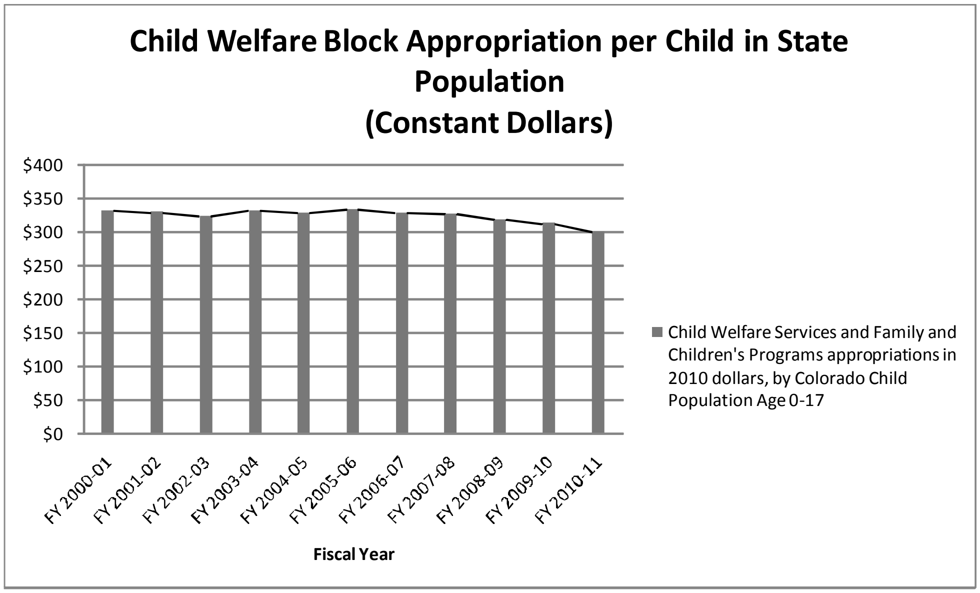


County expenditures beyond the required county share are reflected in the table below for the last five years.

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

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

Per-capita, inflation-adjusted Funding Trends in Child Welfare. Although total funding for child welfare county allocations have increased over the last ten years, funding per-capita (Colorado child and adolescent population), adjusted for inflation, has fallen by 9.5 percent over this period, with most of this decline occurring since FY 2007-08.



While per-capita funding is down, *how counties have managed these reductions, and whether the reductions are detrimental or not, is difficult to determine*. This is particularly true as program practice across counties varies.

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 children and families requiring child welfare services;
(3) the number of children who are removed from the home; and
(4) the cost of providing residential care and other services.

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

FY 2009-10 Colorado Child and Adolescent Population - Ages 0-17: 1,281,607

Child Welfare Referrals: 76,628 [families]

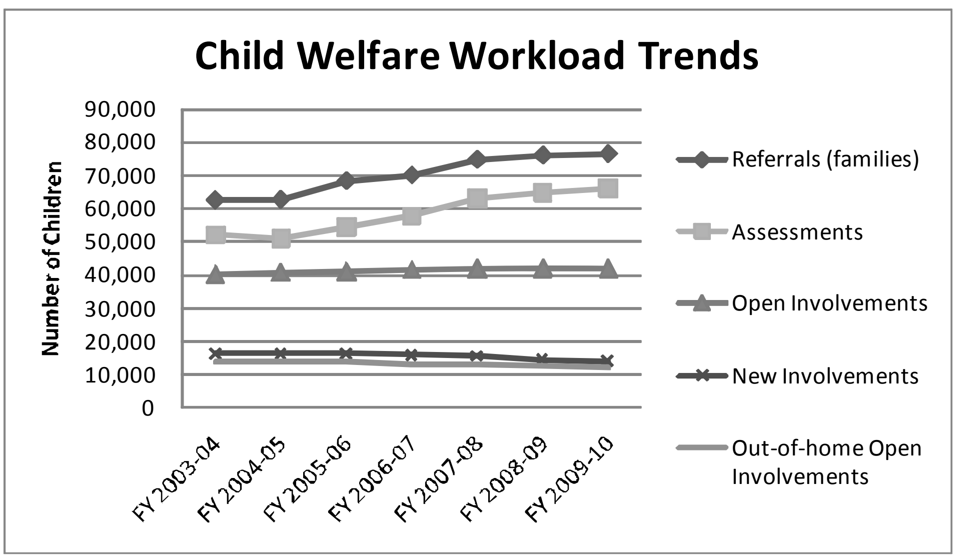
Child Welfare Investigations: 65,947 [children]

Children in Open Child Welfare Cases: 41,848
[new cases: 13,947]

Of these:

Served in Own Home: 18,954	Out of Home Placement: 11,905	Adopted, Receiving Subsidies: 10,989.

The chart below reflects trends in county workload drivers for child welfare services between FY 2003-04 and FY 2009-10. 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) have increased very modestly, while new involvements and out-of-home open involvements have each declined. In response to staff questions, staff from several counties estimated that approximately 30 percent of the county workload is related to initial investigations, as opposed to ongoing cases.

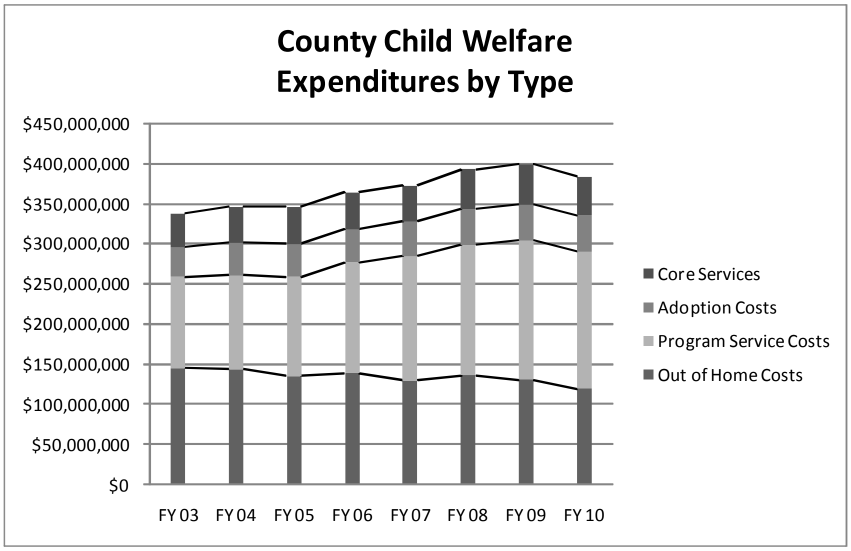


If adjusted to reflect involvement per child in the overall Colorado population, over the last seven years:

- Referrals have increased 11.9 percent;
- Assessments have increased 15.9 percent;
- Open involvements have fallen 4.5 percent;

- New involvements have fallen 21.3 percent; and
- Out-of-home open involvements have fallen 21.5 percent.

However, due to the "block" nature of county allocations, the data on how these trends have affected county spending is somewhat limited. Changes to the funding categories that are tracked are reflected in the chart below.



County *"program costs"* have grown sharply as out-of-home placement hosts have declined. This primarily reflects costs for county case workers and support staff. However, whether this is based on increases in numbers of county staff or simply increases in county staff salaries cannot be determined.

Colorado Placement Trends v. Other States
Based on AFCARS and NCANDS federal data sets, between FY 2004-05 and FY 2007-08 Colorado's reductions in out-of-home placements (0.4 percent in this data) were far less than those of some other states (*e.g.*, 42 percent decline in Hawaii). Further, the number of children in care in Colorado per 1,000 children in the population (about 5.4) place it in the "middle of the pack" compared to other states. (Email communication from Melissa Correia, Casey Family

The decline in *out-of-home placement costs* is based on the overall decline in the number of out-of-home open involvements and a decline in the days of placement per open involvement. The average cost per day per placement has increased.

The modest increase in *adoption subsidy* costs reflects a substantial growth in the number of adoption subsidy open cases, offset by declines in the average amount of subsidy provided per child.

Notably, as reflected in the attached table on child welfare "close-out", despite reductions in state funding many counties *under-spent* child welfare allocations in FY 2009-10 and were able to retain and reinvest the savings in related programs, based on their participation in H.B. 1451 collaborative agreements and similar initiatives.

National Context: Fourth National Incidence Study of Child Abuse and Neglect (NIS-4) Report to Congress (2010)

The NIS-4 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. The probability that the decline is due to chance factors is less than 10 percent.

The study found strong correlations between socioeconimc status and all categories of maltreatment. It appears that the observed socioeconomic status difference in the incidence of maltreatment reflect real difference in the extent to which children in different socioeconomic conditions are being abused or neglected and not merely issues of visibility.

Investigation of maltreatment has increased, but investigation rates still remain fairly low. Consistent with prior findings, 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 Reductions to Available Funding on Children and Families. Staff asked the Department to comment on whether it could shine a light on what is happening to children as child welfare budgets tighten, particularly in light of comments to the JBC from the Office of the Child's Representative in the Judicial Department that raises concerns about insufficient case-workers, delays in processing cases, and youth being pushed into the delinquency system due to insufficient child welfare services for teens. The Department responded:

> "The Department does not currently track or capture the data necessary to make this sort of comparison...As budgets tighten, counties are able to determine the best possible strategy to fund those services necessary for the safety, well-being, and permanency of children. It is the strategy of the Colroado Practice Initiative to improve the effectiveness and efficiency of county practice, and adjust services to meet the Child Welfare budgets."

In past years, staff has made considerable efforts to determine the relationship between funding and outcomes. These analyses have not been satisfactory, and this year's efforts are no different.

- 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 in part reflects the fact that high rates of poverty correlate with high rates of child welfare expenditure and, to a lesser extent, with poor results on child welfare outcome measures.

- 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.

- Most recently, the Department provided staff with Child and Family Services Review data indicators from 2006 through 2009 on county performance among the large ten counties that comprise about 84 percent of the budget. Looking at the 15 permanency indicators for which data was provided, staff compared the number of indicators for which the county had a "passing" score under the federal standard in 2007 versus 2009. As shown below, 6 counties improved on the number "passed", 1 was neutral, and 3 had worse scores. During this period, overall state spending for child welfare services was increasing but spending levels changed substantially at the individual county level. *The results of this rough analysis also reflect no clear relationship between child welfare expenditures and change in performance on CFSR scores even within a given county*. While it is possible that 2010 data, when child welfare funding fell sharply, might show different results, staff believes that there are too many intervening factors (changes children in need, changes in county practice) to draw any satisfactory conclusions.

	Out of 15 CFSR permanence composite data measures, for how many did the county meet the national standard?			
	2007	2009	Increase/ (Decrease)	Change in County Expenditures for Child Welfare FY 06-07 to FY 08-09
Adams	6	8	2	0.4%
Arapahoe	8	6	(2)	8.8%
Boulder	7	10	3	19.3%
Denver	4	3	(1)	-1.1%
El Paso	10	10	0	6.5%
Jefferson	7	9	2	11.7%
Larimer	7	8	1	1.3%
Mesa	7	4	(3)	10.4%
Pueblo	5	6	1	-1.7%
Weld	4	6	2	16.1%

Staff consulted informally with a few counties as to the kinds of steps they had taken to bring budgets under control given recent-year cuts.

- *Counties admitted to some strategies that they expected to generate worse results for children*, such as keeping caseworker positions vacant and thus increasing caseloads or ensuring that they were not serving any youth over the age of 18.

- *They also reported that they felt some cost-saving strategies had also improved their performance*: focusing Family and Children's Services dollars more narrowly to ensure that particular services related to an individual child's needs, using only providers their data indicated were successful, and applying "utilization review" processes to caseworker recommendations for out-of-home placements to ensure such placements were made only when appropriate.

Attachment: FY 2009-10 Child Welfare Services Expenditures by County							
County	Total FY 2009-10 Child Welfare Services Expenditure	Total FY 2009-10 Allocation from Child Welfare Services Line Item[2]	(Deficit) / Surplus	(Deficit)/ Surplus as Percent of Allocation	Funds Used to Cover Deficit/Surpluses Retained		
					Close-out Funds	TANF Transfer	County Funds
Adams	$32,230,688	$32,247,554	$16,866	0.1%	$0	$0	$0
Arapahoe	30,164,318	31,772,031	1,607,713	5.1%	0	0	0
Boulder	17,679,832	15,051,568	(2,628,264)	-17.5%	163,904	2,464,360	0
Denver	60,804,078	62,532,985	1,728,907	2.8%	0	0	0
El Paso	41,665,278	39,244,419	(2,420,859)	-6.2%	442,259	1,978,600	0
Jefferson	28,346,291	28,155,057	(191,234)	-0.7%	191,234	0	0
Larimer	16,770,755	15,920,966	(849,789)	-5.3%	297,447	552,342	0
Mesa	13,181,176	11,430,256	(1,750,920)	-15.3%	146,393	1,604,526	0
Pueblo	14,715,482	18,246,023	3,530,541	19.4%	0	0	0
Weld	22,261,673	17,354,516	(4,907,157)	-28.3%	160,032	1,535,080	3,212,046
Other Counties	61,073,340	56,635,750	(3,243,714)	-5.7%	0	1,386,989	65,321
Total	**338,892,911**	**328,591,125**	**(9,107,910)**	**-2.8%**	**1,401,269**	**9,521,897**	**3,277,367**

[2] The allocation and spending shown is for the Child Welfare Services line item only. It applies all over- and under-expenditure adjustments to the Child Welfare Services line item. The Total Allocation includes reductions for federal Medicaid funds allocated for TRCCF, PRTF and CHRP placements that were not used because counties spent less on such care than anticipated. A portion of the Child Welfare Services appropriation is used to pay for statewide expenses not reflected here.

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: Child Welfare System Change

Since 2007, various studies have highlighted weaknesses in Colorado's state-supervised county-administered child welfare system. The Child Welfare Action Committee, created by the Governor in 2008, has made extensive recommendations for system change. Many of these changes have been implemented through executive and legislative action. Two proposals which would have shifted some or all child welfare administrative activities from a county-administered to a state-administered structure have been rejected. The Department is proceeding with a wide range of activities to implement systems change recommendations.

SUMMARY:

❑ For the last several years, various studies, as well as media attention, have highlighted weaknesses in Colorado's state-supervised county-administered child welfare system. The Child Welfare Action Committee, which issued three reports between its creation in 2008 and completion in 2010, served a central role in shaping system reform efforts.

❑ Some changes were implemented through new legislation and budget action during the 2008, 2009, and 2010 legislative sessions. This includes increased child welfare staffing, authorization for a child welfare training academy and a new child welfare ombudsman program, and creation of a differential response pilot to test alternatives to court-ordered placement for less severe cases of abuse and neglect. The State is proceeding with a variety of other initiatives that are designed to improve consistency of practice and outcomes, including the five-year federally-supported Colorado Practice Initiative.

❑ Two controversial recommendations of the Child Welfare Action Committee, that would have provided for some additional direct administration by the State will not move forward at this time. A working group chose not to address one proposal and voted against the second.

DISCUSSION:

Background: Child Welfare System Studies
Over the last 3.5 years, child abuse fatalities and a number of reports have highlighted weaknesses in Colorado's child welfare system and recommended a variety of changes.[3] In response to these studies, the Governor and the General Assembly have taken variety of steps, ranging from providing funding

[3]See attachment for a list of the most relevant reports.

for additional studies and research (*e.g.*, creation of the Child Welfare Action Committee) to adding new Division of Child Welfare staff, expanding funding for caseworker training, creating a new Child Welfare Ombudsman office, and authorizing a "differential response" pilot program.

The studies and reports have included a wide array of data and recommendations, but there have been some consistent themes. Many of the studies have pointed to:

- the challenges of a county-administered system;
- inadequate state oversight of the system;
- the need for additional training throughout the system;
- resource issues (e.g., county staffing levels, provider supports);
- cross-system/co-occurring issues such as domestic violence and mental health; and
- problems with data and the state's case management system for child welfare (Colorado Trails).

Colorado Child Welfare Action Committee

The Child Welfare Action Committee served as an organizing point for proposed system changes. The Child Welfare Action Committee was created by executive order in April 2008 to provide recommendations on how to improve Colorado's child welfare system.[4] It was then legislatively authorized and funded through H.B. 08-1404. The Committee submitted 13 recommendations in October 2008, 16 new recommendations in October 2009, and a final report with an additional six recommendations June 9, 2010.

Child Welfare Action Committee recommendations from the *first two interim reports* that have been accepted by the Governor and are in many cases in the process of being implemented:

❑ Recommendations from both the first and second interim reports for increased **training** for caseworkers and other child welfare staff, studying county staff workloads, and promoting use of **evidence based practice** by counties such as "differential response" to reports of abuse;

❑ Recommendations to improve **transparency and accountability** for both state and county actors, ranging from clarifying a set of "guiding principles" for a statewide system of care to establishing a Child Ombudsman;

❑ Recommendations to **improve state department capacity to oversee counties**. This includes increased staffing and development of new units such as an Office of Quality Improvement Assurance (to determine outcome and performance measures and develop random sampling of performance audits for county departments) , as well as establishing a system of corrective action and sanctions for counties not meeting standards.

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[4]The Committee was created through executive order but then funded through H.B. 08-1404.

Additional recommendations from the *June 2010 Child Welfare Action Committee final report* address:

- ❏ Recommendations to **improve how the child welfare system addresses co-occurrence of domestic violence, mental health and substance abuse issues** with child welfare issues. Specific recommendations in this area included: improved worker training on co-occurring issues, standardized child welfare policies and screening tools for co-occurring issues, representation of individuals with related expertise on child protection and other collaborative teams, joint analysis of the Medicaid behavioral health organizations and their services for children in child welfare, and review of some related statutory changes.

Most of the new recommendations do not appear controversial (particularly as those that could be controversial involve further study).

Working Group on Structure of Colorado's Human Services System and Centralized Call Center
Two interim recommendations of the Child Welfare Action Committee (released October 2009) were highly controversial. These recommendations were to shift direct service responsibilities from counties to the State..

> <u>Hybrid Structure</u>: The Child Welfare Action Committee recommended that Colorado move to a hybrid structure of human services delivery. The proposal was to create two new types of entities - state regional offices and county regional offices. Smaller counties would have been required to be subsumed by regional state offices, while large county regional offices would have had an option to convert.
>
> <u>Centralized Call Center</u>: The Child Welfare Action Committee recommended a centralized call center that would receive all incoming child abuse/neglect calls on a 24/7 basis. The call center was to be staffed with state employees and trained and qualified as social workers with a bachelors degree and training from the Child Welfare Training Academy.

The Governor did **<u>not</u>** accept these two recommendations but instead issued a new Executive Order in May 2010 for a Working Group to further examine them. The working group on the structure of Colorado's Human Services system and a centralized call center for child abuse and neglect referrals issued its final report October 15, 2010.

> <u>Hybrid Structure</u>: **The Working Group chose not to vet this recommendation**. It noted that changing the state's organizational structure would be a monumental task, requiring a great deal of research, planning, and participation. There would need to be consensus of the state, county departments , and other partners to support such a significant changes. The group did not feel consensus had been achieved. It did recommend a workload study for county caseworkers and state agencies (similar to a recommendation of the Action Committee).

Centralized Call Center: **The Working group voted not to support legislation for the implementation of a centralized call center on a vote of 18 to 2.** The Working group concluded that the intake improvements are in-process, there is no funding available for the project, the current system has advantages and there is no evidence that a centralized call center provides better outcomes. The group did, however agree on 17 recommendations associated with further improving state rules, oversight, data collection, and training, and county processes and accountability for the handling of child welfare referrals.

The November 1, 2010 budget request does not include any budget requests related to implementing the final recommendations of the Child Welfare Action Committee or the Working Group on the Structure of Colorado's Human Services System and Centralized Call Center. Many of the recommendations can be implemented without budget or legislative changes. Legislation related to some recommendations could be introduced during the 2011 session, but any fiscal impact is presently unknown.

Implementing Systems Change

The process of identifying system-change recommendations appears to be largely over: the State and counties now proceeding with the "heavy lifting" of actually implementing a wide range of system improvements and initiatives. Some of the most significant changes, including those that involved legislative action and budget initiatives, are reviewed below.

Colorado Practice Initiative. 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. The first year of work for the Practice Initiative has focused on the development and implementation of a "model of practice" in Colorado. A broad "base practice model" outlining general approaches to be used throughout the State has been finalized. Beginning in October 2010, (phase 2) the project will focus on phased-in implementation of the model at the county level. Phase 3 will involve ongoing implementation and evaluation, and for phase 4, each county will install a continuous quality improvement system

Child Welfare Staff and State Organizational Restructuring. Between FY 2008-09 and FY 2009-10, the General Assembly approved the addition of a 21.0 new FTE in the Division of Child Welfare and 3.0 FTE in the Administrative Review Division: an increase of nearly 60 percent to Division staffing at a cost of $1.5 million ($1.0 million General Fund). Much of the new staffing was tied to Division organizational restructuring and efforts to ensure the Department provides more consistent oversight of counties.

Child Welfare Training Academy. S.B. 09-164 authorized the Department to require child welfare workers to complete state-provided training before taking on a caseload. An FY 2009-10 budget decision item authorized the related funding of $1.6 million, including $0.9 million General Fund (this includes 6.0 of the FTE described above). The request built on an existing system of state training for caseworkers was designed in part to ensure sufficient classes so that workers did not have to wait for training.

Child Welfare Ombudsman. S.B. 10-171 creates a new Child Protection Ombudsman Program ($370,000 General Fund), contracted through the Department of Human Services. The program is required to receive and review complaints and make recommendations to the Governor and the General Assembly on improvements to the Child Welfare System.

Colorado Consortium on Differential Response. H.B. 10-1226 authorized a differential response child welfare pilot program to allow counties to offer voluntary services to families who are deemed to be a low- to moderate safety risk to a child, rather than referring these cases to dependency and neglect hearings in court. A $1.8 million federal research and development award from the National Quality Improvement Center on Differential Response in Child Protective Services will examine the effects of a differential response practice model on outcomes for children and families. The pilot project will evaluate the model from February 1, 2010 to June 30, 2013 in five counties: Arapahoe, Fremont, Garfield, Jefferson, and Larimer.

Colorado Disparities Resource Center. The Colorado Disparities Resource Center was launched with the American Humane Association in May 2009 to address issue of service disparities in child welfare based on race and ethnicity. The project was initially supported with $242,342 in Colorado Temporary Assistance to Needy Families (TANF) funds through the TANF Statewide Strategic Uses Fund (SSUF). An additional $400,000 SSUF grant will help support the project though June 30, 2012.

Corrective Action Practice Handbook/Child Welfare Rules. One element of systems improvement is ensuring that the State has sufficient "teeth" to demand county compliance with state child welfare services rules. Pursuant to State Auditor's Office recommendations (as well as those in other system-improvement reports), the State Board of Human Services adopted new rules, effective September 1, 2010 to clarify state oversight and responsibilities and a corrective action process for counties. A Corrective Action Practice handbook for counties was also issued. The rules and Handbook outline a formal process through which the State raises concerns about county processes, conducts audits, and receives county responses and monitors corrective action. The new rules provide for a state sanction to withhold the State Department's reimbursement for a county director's salary for each month of non-compliance, among other sanctions such as fiscal disallowance and state take-over of program.

Appendix - Child Welfare System Studies

Note: Full copies of most the following reports may be accessed at the Department of Human Services website (www.cdhs.state.co.us). State Auditor's Office reports are available on-line from the Auditor's Office website (http://www.leg.state.co.us/OSA/coauditor1.nsf//ReportPublic?openform).

- State Auditor's Office Performance Audit of Foster Care Services - May 2007 and Foster Care Financial Services - September 2007: Identified many concerns about the quality of care provided to children in foster care, the Department's supervision of county foster care programs, and the Department's financial oversight of foster care services.
- Child Maltreatment and Fatality Report - April 2008: Explored the specific circumstances surrounding the 13 child abuse fatalities that occurred in Colorado in 2007 and made associated recommendations for system changes.
- Senate Bill 07-64 Foster Care and Permanency - May 31, 2008: Included analysis and 16 recommendations designed to improve foster care and permanency outcomes.
- Interim Report of the Child Welfare Action Committee - October 31, 2008: The Action Committee was established by Executive Order, and funded via H.B. 08-1404, to provide recommendations on improving the Colorado child welfare system.
- Organizational Assessment and Recommendations for Improvements for the Colorado Division of Child Welfare (Policy Studies Inc. and American Humane) -- February 19, 2009: Recommended changes to the Division of Child Welfare's organizational structure, staffing, leadership model and culture, and the establishment of clear "operational boundaries" (role in relationship to the counties).
- Colorado Child Welfare Organization Structure and Capacity Analysis Project (Policy Studies Inc. and American Humane)--September 24, 2009: Examined the effectiveness of the child welfare system in its current structure and made recommendations for re-structuring the state-supervised county-administered system.
- The Child Welfare Action Committee's Second Interim Report --September 28, 2009. Makes an additional 29 recommendations for changes to the child welfare system.
- Federal Child and Family Services Review (second round)--March 2009 onsite, with final September 2009 report.
- Final Report of the Governor's Child Welfare Action Committee, June 9, 2010.
- Final Report of the Governor's Working Group on the Structure of Colorado's Human Services System and the Centralized Call Center for Child Abuse and Neglect Referrals, October 15, 2010.

BRIEFING ISSUE

ISSUE: The Federal Child and Family Services Review

The final report from the 2009 federal Child and Family Services Review (CFSR) of child welfare services was received at the end of CY 2009. Since that time, the State has been negotiating a new Performance Improvement Plan (PIP) to address CFSR issues. The document is expected to be completed shortly. The new PIP will take into account progress Colorado has already made and will be integrated with other systems change initiatives.

SUMMARY:

- ❑ Pursuant to the federal Adoption and Safe Families Act of 1997, the federal government has identified specific outcome measures that will be used to determine whether states are complying with federal law and whether states' child welfare systems are meeting the needs of children and families.

- ❑ The federal government conducted its second Child and Family Services Review (CFSR) for Colorado in 2009. Colorado was not in substantial conformity with any of the seven CFSR outcomes. It was also not in substantial conformity with five of the seven systemic factors that affect the State's capacity to deliver services leading to improved outcomes. Like all states that have been reviewed, Colorado will be required to submit and implement a performance improvement plan (PIP) in order to avoid financial sanctions.

- ❑ Colorado's CFSR performance on systemic factors appears to be worse than most other states that have undergone "second round" CFSR reviews; however its outcomes results appear to similar to or somewhat better than the average for other states.

- ❑ Colorado's PIP is expected to take into account progress the State has already made and to integrate other quality improvement initiatives that are already underway.

Background. Approximately 33 percent of the Child Welfare appropriation originates as federal funds.[5] This includes fairly stable grant funding, including the Title XX Social Services Block Grant and funding provided under Title IV-B of the Social Security Act, the federal portion of Medicaid funding transferred from the Department of Health Care Policy and Financing, and Temporary Assistance to Needy Families block grant amounts that are currently being used in place of General

[5] Including Medicaid federal funds reflected as reappropriated funds and the impact of the American Recovery of and Reinvestment Act of 2009.

Fund. The largest component of the Division's federal funding is authorized under Title IV-E of the Social Security Act. Under IV-E, the state receives partial federal reimbursement for qualifying child welfare expenditures for low-income children in the child welfare system. Most of the reimbursement is at the rate of $.50 on each $1.00 spent by the state.[6]

Key federal Child Welfare Legislation

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

Multi-ethnic Placement Act (1994 amend 1996) Aimed at removing barriers to permanency for children in foster care and ensuring that adoption and foster placements are not delayed or denied based on race, color or national origin.

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

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

As a condition for receipt of federal funds, states agree to comply with a wide range of federal requirements, many of which were authorized under the 1997 Adoption and Safe Families Act (ASFA). This legislation reflected an attempt to balance between the competing goals of reunifying families, ensuring children's safety, and moving children into permanent placement within reasonable time frames. In particular, ASFA reflected a federal reaction to evaluations that had revealed long delays in the court process for terminating parental rights and making children eligible for adoption. A significant number of children in foster care nationally were awaiting adoption, and many children waited three to five years for an adoptive home.[7] ASFA made significant changes to the federal Title IV-E program, attempting to streamline placement with changes that included clarifying what comprised "reasonable efforts" to prevent out-of-home placement.

One of the key principles of ASFA was a focus on results, requiring states to not only ensure that procedural safeguards are in place, but to determine whether their efforts are leading to positive outcomes for children and families. ASFA required the federal Department of Health and Human Services (DHHS) to identify useful outcome measures to evaluate states' progress in meeting the needs of children and families in the child welfare system. In January 2000, the federal DHHS issued final regulations governing foster care, adoption, and child welfare programs (Titles IV-B and IV-E of the

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[6] Excludes adjustments to federal share included in the American Recovery and Reinvestment Act of 2009.

[7] Green, Rob and Karen Tumlin. October 1999. *State Efforts to Remake Child Welfare: Responses to New Challenges and Increased Scrutiny.* Washington D.C.: Urban Institute. Occasional Paper Number 29.

Social Security Act). The new rules, which became effective March 27, 2000, provided further guidance for states in implementing both ASFA and the Multiethnic Placement Act.

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

The federal government launched a second round of CFSRs starting in FFY 2006-07. As for the first-round, states were assessed based on safety, permanency, and child and family well being outcomes and systemic factors. Also, as for the first round, states were assessed based on statewide data submitted to federal authorities and case reviews conducted during an on-site visit. However, various changes were made to the CFSR measures and processes, making comparison between first- and second-round CFSR results difficult.

2002 Child and Family Services Review. Colorado's first CFSR was completed by federal authorities in August 2002. The 2002 initial review determined that Colorado did not achieve substantial compliance with six of the seven safety, permanency, and well-being outcomes that were evaluated and with one of the seven systemic areas evaluated. Colorado was required to complete a Performance Improvement Plan (PIP), based on a 2003 agreement, to be completed March 2007. Data available at the end of this period indicated that problem areas remained; however, Colorado entered into negotiations with federal authorities concerning whether or not it had substantially complied. More than two years later, in 2009, federal authorities determined that the State did substantially comply, and thus Colorado was not subject to fiscal sanction.

2009 Child and Family Services Review. Colorado's second CFSR on-site review was completed by federal authorities in March 2009 and the resulting report was received September 2009. The 2009 review was based on the following data: (a) a statewide assessment, prepared by the state department; (b) a state data profile prepared by federal authorities based on child welfare data for federal FY 2006-07; (c) detailed on-site review of 65 child welfare cases (40 foster care and 25 in-home service) in Denver, Fremont, and Larimer counties; and (d) interviews and focus group conducted at the state level and the three counties. The results included an outcomes assessment, and a systemic factors assessment.

CFSR assessed the State performance with regard to its substantial conformity with seven child and family outcomes. Each outcome incorporated one or more of 23 items included in the review, and each item was rated as a strength or an area needing improvement, based on the results of case reviews. For a state to be in substantial conformity with an outcome, 95 percent or more of the cases reviewed had to be rated as having substantially achieved the outcome. Two outcomes (Safety Outcome 1 and Permanency Outcome 1) were also evaluated based on state performance with regard to national data indicators. The CFSR also assessed the State performance with regard to its substantial conformity with seven systemic factors that have an impact on the state's ability to deliver child welfare services.

The review concluded:

- Colorado was not in substantial conformity for any of the seven outcomes measures.
- Colorado was not in substantial conformity for five of the seven systemic measures.
- Colorado also failed to meet the national standards for two of six national data indicators: absence of child abuse and/or neglect in foster care and placement stability.

The table below summarizes the state's outcomes measures and compares the outcomes with the outcomes of 32 other states that had completed their second round CFSRs at the time of Colorado's evaluation.

Although Colorado's performance appeared poor, information provided on the federal website for the Agency for Families and Children indicated that its performance on outcomes measures was, on average, somewhat better than other states (higher on four measures and lower on three measures).[8] Colorado did perform more poorly on systemic factors than other states, and its performance was worse than its performance on the 2002 CFSR, when it was in substantial conformity for six out of seven measures. Colorado failed to achieve substantial conformity on five of seven systemic measures in 2009. On three of these measures, the majority of other states achieved substantial conformity.

2009 CFSR Outcomes	**Outcomes Percent Achieved**		
	Colorado Percent substantially achieved*	**Average Percent Achieved Across 32 States***	**Colorado higher/(lowe r) than average**
Safety			
1. Children are, first and foremost, protected from abuse and neglect	73.0%	72.0%	1.0%
2. Children are safely maintained in their homes when possible and appropriate.	66.2%	68.0%	-1.8%
Permanency			
1. Children have permanency and stability in their living situations	37.5%	40.0%	-2.5%
2: The continuity of family relationships and connections is preserved	75.0%	67.0%	8.0%
Well-Being			

[8] Data based on power point presentation on the Agency for Families and Children website (http://www.acf.hhs.gov/programs/cb/cwmonitoring/results/agencies_courts.ppt)

2009 CFSR Outcomes	Outcomes Percent Achieved		
	Colorado Percent substantially achieved*	Average Percent Achieved Across 32 States*	Colorado higher/(lower) than average
1: Families have enhanced capacity to provide for children's needs	47.7%	45.0%	2.7%
2. Children receive services to meet their educational needs	86.0%	87.0%	-1.0%
3. Children receive services to meet their physical and mental health needs	82.0%	76.0%	6.0%

*95 percent was required for "substantial conformity"

2009 CFSR Systemic Factors	Colorado in Substantial conformity?	Number of 32 states in substantial conformity	Colorado better/worse/ similar to majority states
Statewide Information System	NO	27	Worse
Case Review System	NO	1	Similar
Quality Assurance System	NO	28	Worse
Staff and Provider Training	NO	22	Worse
Service Array and Resource Development	NO	8	Similar
Agency Responsiveness to the Community	YES	31	Similar
Foster and Adoptive Parent Licensing Recruitment, and Retention	YES	22	Similar

One of the most striking CFSR results was the variation in performance among the counties where case reviews occurred. As reflected in the table below, there was substantial variation in strengths and weaknesses. The top performer for each outcome category below is shown in bold; the weakest is underlined. As shown, Fremont performed best in 5 of 7 areas, but worst in one. Larimer performed best in two areas, but worst in four. Denver was not a top performer in any area but only performed worst in two. Given the limited number of cases reviewed (32 in Denver, 16 in Fremont, and 17 in Larimer), findings are not "statistically significant", but the performance variations are nonetheless indicative of the range of practice in various parts of the State.

Outcomes by County	Percent Substantially Achieved		
	Denver	Fremont	Larimer
Safety 1: Children are, first and foremost, protected from abuse and neglect	<u>65.0%</u>	**87.5%**	75.0%
Safety 2: Children are safely maintained in their homes when possible and appropriate	62.5%	**94.0%**	<u>62.0%</u>

Outcomes by County	Percent Substantially Achieved		
	Denver	Fremont	Larimer
Permanency 1: Children have permanency and stability in their living situations	20.0%	45.0%	**67.0%**
Permanency 2: The continuity of family relationships and connections is preserved	75.0%	64.0%	**89.0%**
Well-Being 1: Families have enhanced capacity to provide for children's needs	44.0%	**69.0%**	35.0%
Well-Being 2: Children receive services to meet their educational needs	85.0%	**100.0%**	60.0%
Well-Being 3: Children receive services to meet their physical and mental health needs	84.0%	**86.0%**	73.0%

Program Improvement Plan. Based on these results, Colorado will be required to commit to a Program Improvement Plan (PIP). An draft plan was due December 28, 2009; however, *at present (December 2010), the details of Colorado's Performance Improvement Plan are still being negotiated.* The Department now expects to have a PIP finalized by the end of 2010. Failure to comply with the terms of the performance improvement plan may result in fiscal sanction. However, states are not required to attain the 95 percent standard established for the CFSR Onsite Review or the national standards for data indicators by the end of the PIP. Instead, for each outcome that is not in substantial conformity or item rated as needing improvement, each State specifies: (1) how much improvement the State will demonstrate and/or the activities it will implement to address areas needing improvement; and (2) the procedures for demonstrating achievement of these goals.

The Department has indicated that:

❏ The PIP will be based on items that are deemed to still require improvement as of the date the PIP is finalized. Given that more than 1.5 year have passed since the CFSR on-site, and three years have passed since the data used for the State's CFSR data submission (FFY 2006-07 data), there are a number of areas that were deemed out of compliance during the CFSR which Colorado expects will *not* be part of its PIP.

❏ For PIP performance outcome components, states are required to demonstrate that, for at least one quarter, they have achieved a performance improvement on data submissions consistent with a federal formula. This is generally an easier standard to achieve than the requirements included in the PIP for round I of the CFSR.

❏ Some of the delay in finalizing the PIP is due to a federal request that Colorado align improvements associated with the PIP with the implementation of Colorado's new Practice Initiative. The Practice Initiative is an effort to develop a clear, consistent approach to child welfare practice and service delivery throughout Colorado. The new federally-funded Mountains and Plains Child Welfare Implementation Center is supporting a three-year project in Colorado to help develop a statewide child welfare practice model. This model will be phased in across the state in groups of counties with statewide implementation no later than 2015. Some elements of the Practice Initiative, such as a requirement that counties appoint quality practice teams to regularly review their performance on state and federal data measures, fit well with federal system improvement goals.

Progress on CFSR Systemic Issues. Staff requested that the Department provide a high level overview of the progress it was making on the areas in which performance improvements would be required. It provided the following response.

Variations in County Performance. There was not a clear pattern or trend for outcomes across the three counties. No one county performed excellently or poorly, each county had areas of excellence and areas needing improvement. There is a lack of consistency of county quality assurance connected to Administrative Review Division's quality assurance activities.
Department Status: To address this problem, the State applied for and received technical assistance and training resources to develop and implement a Practice Model across the State. Implementation of the model will include development of quality practice teams and a compendium of county practices to raise the standard of practice across the state and to increase consistency in practice.

Caseworker turnover and waiting for training was a consistent theme.

Department Status: In January of 2010, the Department, with the support of the General Assembly, implemented the Child Welfare Training Academy. Workers must complete the Academy Training and meet Core Competencies in order to be certified to work in county departments.

Parental involvement in case planning. There is a lack of assessment of foster parent and biological parent needs and engagement in the service planning process.
Department Status: Training has occurred in numerous venues across the state to improve this area. Additionally, a state/county Permanency Task Group are developing the minimum expectations regarding Family Engagement.

Caseworker contacts. There is a lack of quality in the contacts between the caseworker and children families, and foster parents. There is a lack of sibling visitation.
Department Status: A state/county workgroup has been meeting to address both the quality and quantity of caseworker contacts with children, families and foster parents. This has resulted in change to policy reflected in rules for county departments.

Protection of Siblings and use of Assessment Tools. Assessment of and contact with siblings in the home of the child alleged to be abused or delinquent is not occurring. There is a lack of consistent use of assessment tools.
Department Status: State Child Protection Program Staff are providing more direct supervision of county department staff in this area through on-site visits at counties, observation of county staff use of the assessments, provision of over the shoulder support, and training. Training is occurring in

specific counties as well as regionally. Colorado Trails was modified to require completion of the North Carolina Family Assessment tool in child protection cases.

Progress on CFSR Outcomes Data Measures. The Department also reported that it had made substantial progress on national data measures that are used to assess performance. In the original submission of FFY 2006-07 data Colorado was found to not meet the national standard on nine of fifteen composite measures. In its FFY 2007-08 data submission, Colorado exceeded the needed improvement factor designated by the Administration of Children and Families on five of those nine measures. Following this, the only factors remaining still requiring improvement were the items shown below. At present Colorado is in the process of resubmitting FFY2008-09 and FFY 2009-10 data. Based on FFY 2008-09 data provided to staff, it appears that only one item (shaded) is still out of compliance as of 2009. *However, the Department was unwilling to provide 2010 data on the grounds it could still change. As a result staff does not know whether this data shows worse results*.

	Federal standard	**2007 data (used CFSR)**	**Improved level required**	**2009 data**
C1-2 Exits to reunification, median stay in months	5.4 months	6.0 months	5.74 months	5.5 months
C1-4 Percent children who re-enter foster care in less than 12 months	<9.9 percent	16.0 percent	15.28 percent	18.7 percent
C3-2 Percent child exits to permanency for children with termination of parental rights	<98.0 percent	95.5 percent	96.36 percent	95.7 percent
C4-3 Percent children with two or fewer placement settings for children in care for 24+ months	<41.8 percent	35.7 percent	37.16 percent	37.0 percent
Remaining 11 permanency composite measures and 2 safety measures sufficiently improved as of 2008 data				

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Division of Youth Corrections)
BRIEFING ISSUE

ISSUE: Division of Youth Corrections Budget Request and Balancing Options

The budget request reflects essentially flat funding the Division of Youth Corrections. However, the average daily population for youth commitment populations has continued to fall, and, as a result, staff anticipates significant budget reductions for FY 2010-11 and FY 2011-12 for purchase of contract placements. If needed, other budget reduction options include reductions to funding for the detention continuum (S.B. 91-94) and parole services, and/or legislation to further cap detention beds, reduce mandatory parole requirements, or reduce sentences.

SUMMARY:

❏ The current FY 2010-11 appropriation and FY 2011-12 executive request for the Youth Corrections Purchase of Contract Placements line item are based on the December 2009 Legislative Council Staff youth commitment population projection. In September 2010 interim forecasts, Legislative Council staff and the Department of Public Safety, Division of Criminal Justice staff both revised their projections downward. Actual figures through October 2010 are consistent with these lower projections.

❏ Based on changes in the population projection, staff anticipates that approximately $8.7 million General Fund appropriated to the Division in FY 2010-11 may not be needed. In addition, staff expects funding required for FY 2011-12 to be $7.4 to $9.1 million General Fund lower than the Department's November 2010 budget request. These figures are subject to change based on subsequent forecasts.

❏ If needed, other budget reduction options include reductions to funding for the detention continuum (S.B. 91-94) and parole services, and/or legislation to further cap detention beds, reduce mandatory parole requirements, or reduce sentences

DISCUSSION:

Background

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. This includes detention, a short-term hold on youth who are awaiting adjudication (similar to adult jail) and commitment, a longer-term sentence to the custody of the Division (similar to adult prison).

Costs for the division have historically been driven by average daily population (ADP) of youth in commitment, as well as parole and detention. *More recently, budget adjustments for ADP have been based solely on changes to the commitment population, and all changes have been to the purchase of contract placements from private operators (including those operating in state-owned, as well as privately-owned, facilities).* The table below reflects the FY 2009-10 actual average cost per day per youth for all major DYC service categories.

Cost per Youth Corrections Average Daily Population (ADP) Placement			
	Cost per ADP per day	**ADP**	**Total**
State-operated commitment placements	$225.87	499.3	$41,161,615
State-operated detention placements	$165.79	454.0	$27,472,907
Privately owned and operated commitment placements*	$152.23	311.7	$17,320,072
Privately-operated commitment placements in state-owned facilities	$158.42	381.0	$22,030,480
Case management/parole supervision	$23.10	1,635.2	$13,577,634
Non-allocated (S.B. 91-94, Victim Assistance, Interstate Compact, Managed Care Pilot)			$14,375,842
Total Division Expenditures FY 2009-10			**$135,938,550**
Additional costs allocated to DYC from Office of Operations, EDO for state-operated placements (FY 2008-09 data)	$21.06	925.0	$7,110,982
Total Youth Corrections Costs			**$143,049,532**

*Excludes medical costs, which are billed outside the Division.

Commitment Population Projections Used to Calculate DYC Budget

The General Assembly typically receives commitment population projections from the Division of Criminal Justice (DCJ) in the Department of Public Safety and from the Legislative Council Staff (LCS). These population projections are typically taken into consideration by the General Assembly when determining the appropriations for the Division of Youth Corrections. Both LCS and DCJ prepared interim forecasts in September 2010, which are described below. New projections will be available in late December 2010.

After peaking in FY 2004-05 and FY 2005-06, the DYC commitment population began to decline in FY 2006-07 and proceeded to drop sharply in FY 2007-08. Current projections are for further declines in FY 2010-11 that flatten out in FY 2011-12.

- For FY 2009-10, the General Assembly used the seven-month average for the year to set supplemental funding levels. This drove funding at a level significantly below the December 2009 LCS projection. However, final utilization for FY 2009-10 nonetheless came in below even this amount, and the Division reverted $1.7 million in the Purchase of Contract Placements line item.

- For FY 2010-11, the LCS December 2009 forecast was used to set funding levels. For FY 2011-12, the Department has also used the December 2009 LCS forecast in its request.

The table below compares the September 2010 projections from LCS and DCJ, as well as estimates used for recent-year appropriations and the Department's request.

2010 Commitment ADP Projections						
	FY08 Actual	**FY 09 Actual**	**FY 10 Actual**	**FY 11 Proj.**	**FY 12 Proj.**	**FY 13 Proj.**
Legislative Council Staff						
Actual/Sept. 2010 Projection	1,287	1,228	1,171	1,092	1,087	1,095
ADP Growth From Prior Year	(138)	(59)	(58)	(79)	(5)	8
Percent Growth From Prior Year	(9.6)%	(4.6)%	(4.7)%	(6.7)%	(0.5)%	0.7%
Division of Criminal Justice						
Actual/Sept. 2010 Projection	1,287	1,228	1,171	1,048	1,057	1,073
ADP Growth From Prior Year	(138)	(59)	(58)	(123)	9	16
Percent Growth From Prior Year	(9.6)%	(4.6)%	(4.7)%	(10.5)%	0.9%	1.5%
Estimates Used for Appropriation/Current Request*	1,275	1,206	1,202	1,226	1,222	n/a

*The request used the December 2009 LCS projection for FY 2011-12.

The table below reflects new estimates for the parole ADP. In recent years, parole funding has not been adjusted based on changes in ADP. However, if the Committee chooses to reduce current levels of funding for parole, the projected population should be taken into account.

2010 Parole ADP Projections						
	FY 08 Actual	**FY 09 Actual**	**FY 10 Actual**	**FY 11 Proj.**	**FY 12 Proj.**	**FY 13 Proj.**
Legislative Council Staff						
Actual/Sept. 2010 Projection	509	437	443	461	477	484
ADP Growth From Prior Year	(9)	(72)	6	18	16	7
Percent Growth From Prior Year	(1.7)%	(14.1)%	1.4%	4.1%	3.5%	1.5%
Division of Criminal Justice						
Actual/Sept. 2010 Projection	509	437	443	428	418	424
ADP Growth From Prior Year	(9)	(72)	6	(15)	(10)	6
Percent Growth From Prior Year	(1.7)%	(14.1)%	1.4%	(3.4)%	(2.3)%	1.4%

Fiscal Impact of Revised Population Projections

Based on the final FY 2009-10 commitment actual population, the FY 2010-11 actual population to-date, and both the LCS and DCJ September 2010 interim commitment projections, staff expects funding required for FY 2010-11 and FY 2011-12 contract placements to be substantially less than the current appropriation for FY 2010-11 and the current Department request for FY 2011-12.

As reflected in the table below:

- Staff would estimate savings for FY 2010-11 at $8.8 million, including $8.7 million General Fund, based on the average commitment population through October 2010.
- Staff would estimate savings for FY 2011-12 between $7.6 and $9.3 million ($7.4 to $9.1 million General Fund) based on the LCS and DCJ interim forecasts.

While these figures are expected to change, based on December projections and additional actual data, staff does believe savings will be substantial.

Potential Budget Savings Based on Changes in Commitment ADP	
FY 2010-11	
ADP used for Appropriation (December 2009 LCS forecast)	1,226.0
YTD FY 2010-11 ADP (October 2010)	1,066.0
ADP Difference	(160.0)
Estimated Total Savings @ $55,234 per ADP	**($8,837,443)**

Potential Budget Savings Based on Changes in Commitment ADP	
Net General Fund component of savings	***($8,662,575)***
FY 2011-12	
ADP used for Request (December 2009 LCS forecast)	1,222.0
ADP based on September 2009 LCS Interim forecast	1,087.0
ADP Difference	(135.0)
Estimated Total Savings @ $56,128 per ADP (contract placements)	**($7,577,252)**
Net General Fund component of savings	***($7,424,122)***
to	
ADP based on September 2009 DCJ Interim forecast	1,057.0
Difference to ADP used for request (December 2009 LCS forecast)	(165.0)
Estimated Total Savings @ $56,128 per ADP (contract placements)	**($9,259,575)**
Net General Fund component of savings	***($9,075,543)***

The above savings estimates are based on the assumption that, in light of the current fiscal environment, the General Assembly will *not* allow the Department to retain these additional savings for reinvestment in the Division's "continuum of care." Although footnote authority would allow excess funds to be transferred to other line items to enhance services, the Department's current Base Reduction #1, eliminates any funding in the Purchase of Contract Placements line item that exceeds amounts required for contract placements. *Note that these amounts are in addition to the Base Reduction #1 proposal to continue $9.15 million in prior year reductions from the Purchase of Contract Placements line item and to base contract placements funding for FY 2011-12 on the December 2009 LCS population projection.*

Other Budget Reduction Options

The executive request does not include any significant budget reduction proposals, with the exception that it proposes that a previous cut be made permanent. (Base reduction #1 would make permanent an FY 2008-09 decision not to *increase* funding for the Continuum of Care by $9.15 million). If needed due to revenue constraints, the General Assembly could consider a variety of additional program cuts. Potential reductions fall into the following categories:

Reduce S.B. 91-94: A reduction of $2.0 million General Fund to the current $13.0 million appropriation would return the level of funding per juvenile filing to the level in place inflation adjusted per juvenile filing around FY 2001-02 and FY 2006-07 (about $800/juvenile filing). A larger portion of the $13.0 million General Fund appropriation could be cut if desired (with some risks to the demand for detention beds.) A $4.0 million cut was taken related to the 2003 recession. The Department has noted that S.B. 91-94 programs do have fixed costs, although a portion of the funding need may be affected by arrest rates, detention screens, and similar factors. This funding has been minimally reduced since the onset of the recession.

Reduce Parole Program Services: A total of $5,267,532 was added to the parole program services line, with increases occurring between FY 2005-06 and FY 2009-10 for "continuum of care" expenses which both support youth on parole (2/3) and youth in residential placement (1/3). The initial increase of $2.0 million restored parole services to the level in place before the 2003 recession cuts. Subsequent funding has expanded beyond that level. During the increase period from FY 06 to FY 10, the average daily population (ADP) for commitment fell by 19% and the ADP for parole fell 12%. A $3.0 million cut would return Parole Program Services funding to approximately its inflation adjusted level per ADP for parole services that existed in FY 2001-02 and in FY 2006-07 before further increases under "continuum of care" (translates to $6,212/ADP based on Sept 2010 LCS Parole projection). A smaller cut of $1.0 to $2.0 million would enable the Division to retain more of its enhanced programing.

Reduce the Detention Cap: Savings could be achieved by reducing the cap on secure youth corrections detention beds from the current 479. If the cap were reduced by 40 ADP, savings on the order of $2.0 million might be feasible if the General Assembly were prepared to close a state detention facility. This could present logistical problems for law enforcement based on longer travel-time to a secure facility. Reducing units and associated staffing would be preferable from this perspective but would result in a smaller level of savings. The Division estimates that closing one 20-bed pod without closing a facility would result in $316,816 and 6.4 FTE savings (doubled for 40 beds). Closing one 12 bed pod would result in $327,611 General Fund and 4.8 FTE in savings. The use of secure detention has been declining. The ADP for detention beds in FY 2009-10 was 363.4 or 76 percent of the legal detention bed cap, although there are still some strains on the system (see separate issue). No related budget reductions have thus far been taken.

Reduce the maximum sentence for less serious offenders from two years to 18 months : An estimated $1.4 million General Fund could be saved by reducing the maximum determinate sentence provided for under Section 19-2-909, C.R.S. from two years to 18 months. This amount would be savings in the third year. In the first year, the Department estimates no impact, in the second, savings are estimated at 6.0 ADP, in the third year, savings are estimated at 26.0 ADP.

Reduce Mandatory Parole: The General Assembly could consider a modification to Section 19-2-1002, C.R.S. to reduce mandatory parole from six months to a more flexible period (e.g., four to six months). It could also reduce the maximum additional parole (currently parole of up to 21 months) for certain categories of serious offenders. Mandatory parole was first implemented in 1996 to ensure that all youth received some post-sentence supervision. It was ultimately reduced from one year to six months in 2003. A significant factor in the reduction was financial.

Staff believes Section 19-2-1002, C.R.S.[9] should be modified to allow the parole board latitude to provide for *less* parole. *The Department has expressed the opinion that this would not result in substantial placement change,* because it expects the Parole Board will always apply the maximum. This is possible--particularly if the Department is unwilling to recommend anything but a full six months of parole. Nonetheless, staff suggests that if a youth is sentenced to a "non-mandatory" sentence, *i.e.*, one in which there is flexibility in the length of residential placement up to two years, parole should have a similar flexible profile. *Even if the length of some parole placements shortened from just six months to four or five months and mandatory parole was identified as a period of "four to six months", this might provide for some savings without a negative impact on outcomes.* The General Assembly could also consider reducing the length of extended parole (currently up to 21 months for the most serious offenders). At present, the ability to extend parole for about 10 percent of the population drives an average parole length of stay that is almost one month longer than the 6 month mandatory parole. Staff does not yet have an estimate of associated savings.

Other changes could be considered, up to and including: (1) eliminating any mandatory parole, while providing for greater flexibility for "step down" to a community-integration placement. For example, a sentence of "up to 24 months" could be modified in statute to *include* any post-residential/parole sentence phase; and/or (2) eliminating the Juvenile Parole Board and thus leaving the Division of Youth Corrections with greater control and flexibility to structure step-down services. (Colorado is one of only nine states using a Juvenile Parole Board or similar independent entity; others rely on executive departments or the courts.) *This could potentially reduce lengths of stay, although the impact might be small.* Data provided by the Division indicates that over the last three years, for those cases in which the parole board has discretion (about 61 percent of cases heard), the parole board has denied parole in 4.3 to 6.4 percent of cases (depending on the year) and lengthened parole in 6.1 to 8.0 percent of cases (14.1 percent for the first part of the current year). About 50 to 70 youth receive later or longer parole out of about 1,000 cases heard each year.

[9] In particular, Section 19-2-1002 (9) (c). C.R.S., which provides for early parole discharge under some very rigorous circumstances could be softened to allow the Division and parole board greater flexibility.

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

BRIEFING ISSUE

ISSUE: The Division of Youth Corrections Continuum of Care

The Division of Youth Corrections Continuum of Care initiative seeks to ensure that youth committed to the Division receive the right service at the right time and transition successfully from residential treatment, to parole to discharge. The program is supported through a significant increase in funding for parole program services. There is some evidence that the Continuum of Care is having a positive impact, but the program can take little credit for the overall decline in the commitment population.

SUMMARY:

❏ The Division of Youth Corrections Continuum of Care initiative was launched in FY 2005-06, using budgetary flexibility authorized by the General Assembly. The initiative seeks to ensure that youth committed to the Division receive the right service at the right time and transition successfully from residential treatment, to parole to discharge.

❏ There is some evidence that Continuum services provided by the Division have an impact, based on the results of youth assessments, declining rates of recommitment, and stable pre-discharge recidivism in the face of a more acute population. However, the evidence is mixed, as post-discharge recidivism rates have increased, and lengths of stay have not declined. The Continuum can take little if any credit for the overall decline in the commitment population and any associated budget savings.

❏ In an effort to support the Continuum, the General Assembly is now spending more than twice as much per youth on parole as it was in FY 2001-02 (before the cuts imposed due to the 2003 recession).

DISCUSSION:

Background - the Division of Youth Corrections. 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.[10] 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

[10]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.

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.

- In FY 2009-10, an average of 1,171 youth were in residential, commitment placement on any given day. About 43 percent of these were in state-owned and operated secure facilities; 42 percent in privately operated (but usually state-owned) staff-secure facilities; and 16 percent in community or other residential placements. Many youth "step down" from more secure to less secure placements during their period of commitment.
- The average length of residential placement served was 18.9 months. Of youth sentenced in FY 2009-10, 99.0 percent received maximum sentences of two years or less.
- The average age at commitment was 16.8 years, and 85 percent of committed youth were male.
- In FY 2009-10, an average of 443 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. In FY 2009-10, parole was extended for 12 percent of youth for an average of an additional 6.3 months.

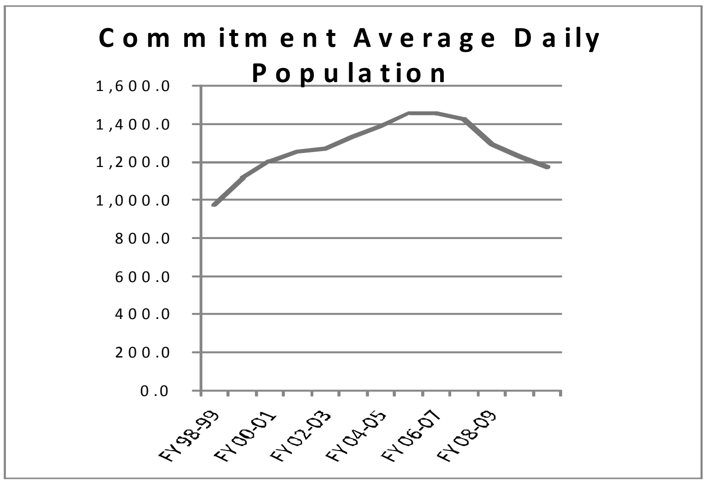
The Continuum of Care. The Division of Youth Corrections Continuum of Care initiative was launched in late FY 2005-06 to improve the transition for committed youth from residential services, to parole, to discharge. As described in the November 2010 report to the JBC on the program:

> "The Division of Youth Corrections Commitment Continuum of Care model is an integrated approach to providing a complete range of programs and services that meet the changing needs of youth and families at every phase, from commitment to the point of discharge from parole".

The report goes on to note that the elements of the Continuum 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. *The Continuum of Care reflects the Division's efforts to follow best practice principles and ensure that the array of services it provides help to bring youth out of criminal justice involvement rather than sending them deeper into the system*.

The Department's annual program report focuses on parole program services, and is based on the Continuum's genesis in funding flexibility provided by the General Assembly that allowed for an increase in Parole Program Services funding (described below). However, from the Division's perspective, the Continuum of care is much broader and permeates the institutional placements it provides, not just the services and funding for transitioning youth from institutional placement to parole and discharge.

Funding Flexibility and the Continuum of Care. The implementation of the Continuum of Care in the DYC began with increased budget flexibility. In FY 2005-06, the General Assembly provided flexibility by adding a Long Bill footnote to specify that up to 10.0 percent of the General Fund appropriation to the contracts placement line item could be used to provide treatment, transition, and wrap-around services to youth in the Division in residential and non-residential settings. The expectation was that any savings the Division was able to generate in contract placements (*e.g.*, through reduced recidivism or a shorter average length of stay) could be reinvested in programs and services that might further reduce recidivism or length of stay. At the time, the Department was being fully funded for residential caseload but had sustained cuts in funding to parole program services and Senate Bill 91-94 funding (for alternatives to detention at commitment placements), as a result of the 2003 recession.

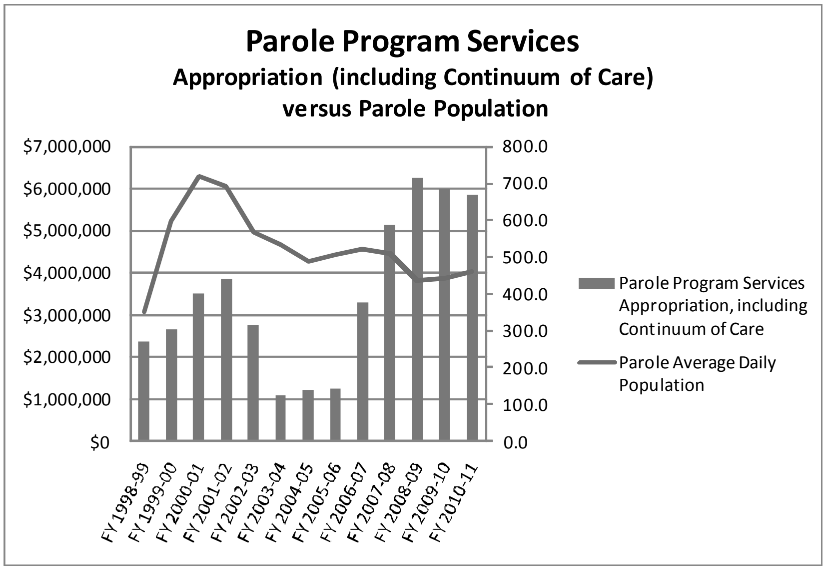


At this point, commitment placements began to fall, resulting in substantial reductions in the need for contract placements funding. Between FY 2005-06 and FY 2009-10, the commitment average daily population fell by 19.5 percent.

Consistent with the provisions of the footnote (and subsequent iterations that increased flexible funding to 15 percent of the Purchase of Contracts line item in FY 2006-07 and 20 percent in FY 2007-08) the Division directed funds not needed for contract placements to enhancing parole program services and transitional services for youth preparing for parole. In the subsequent years, the Department requested, and the General Assembly approved, moving these dollars from the Purchase of Contracts placement line item to the Parole Program Services line item. Most recently, this included an increase of $779,763 for Parole Program Services in FY 2009-10. Transfers from the contract placements line item drove an increase of $4.5 million in the parole program services line item between FY 2005-06 and FY 2009-10. High levels of funding have been largely retained in the Parole Program Services line item (with a small adjustment for a provider rate reduction), despite low parole populations, and a continuation level of funding is requested for FY

"Cuts" to the Continuum of Care

Beginning in FY 2008-09, $9.15 million not needed for DYC purchase of contract placements was cut from the budget, rather than being "reinvested" in the Continuum of Care. For FY 2011-12, the Department proposes to make this reduction permanent, pursuant to BRI #1. *This was not a cut of funds that had previously been used for the continuum of care, but a cut of funds that could have gone to the continuum of*



2011-12. In the FY 2010-11 Long Bill, the Division's flexibility was modified to add transfers *from* the Institutional Programs budget section and *to* the S.B. 91-94 programs line item, in order to promote alternatives to the use of secure detention placements, if appropriate. However, the total amount of transfers was restricted to 5.0 percent of appropriations, given statewide budget constraints and the need to realize savings as feasible.

26 **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.

Parole Program Services Expenditures and Youth Served. For the period covered by the Division's most recent Continuum of Care report (FY 2009-10), the report identified the entire Parole Program Services appropriation as the funds directed to the Continuum of Care. Thus, the information below is an explanation of how the parole program services appropriation is used to serve essentially all youth on parole or in transition to parole. However, the report also notes that continuum transitional services were also funded through the personal services line item for institutional programs.

Of the 2,404 youth who were committed to the Division and/or on parole during FY 2009-10, 1,708 received Continuum of Care services. This included virtually all youth on parole during FY 2009-10 (1,108 out of 1,269 youth who spent time on parole), and more than half of youth who were only in residential placement in FY 2009-10 (600 out of 1,135 youth), who received transition services. On average, each youth received servies for 7.6 months during FY 2009-10, which exceeds the six month mandatory parole period and is greater than the current average parole LOS of 6.8 months. For youth served in FY 2009-10 who were matched to services from the last two years, *transition services began on average 4.5 months prior to a youth's actual parole date.*

Ninety percent of $5.9 million expended in the Parole Program Services line item in FY 2009-10 ($5.3 million) was paid to a contractor who manages most parole services. An additional $439,000 was used to support treatment services at Mount View Youth Services Center, and $103,000 was paid to child placement agencies for housing for youth on parole without a viable family to return to. An additional $237,604 was paid from the institutional programs personal services line item to the contractor for transition services.

The table below summarizes the types and number of treatment services purchased with Continuum of Care Initiative funds (76 percent of total expenditures). An additional 10 percent of expenditures were for support-related services that help to provide youth with tangible goods and services (*e.g.*, clothing, transportation and housing) required for independent living. The remaining 14 percent went to the purchase of surveillance-based supervision services including electronic home monitoring and substance use monitoring (urinalysis).

Treatment Expenditures by Type of Service July 2009 - June 2010		
Type of Service	**Amount Spent**	**Percent of Spending**
Community Transition*	$1,760,724	44.1%
Job/Skills Training	593,082	14.9%
Family Services	294,707	7.4%
Independent Living	274,368	6.9%
Family Therapy	207,499	5.2%
Experiential Therapy	196,743	4.9%
Individual Therapy	173,915	4.4%
Offense Specific Treatment	150,036	3.8%
Advocacy and Case Management	80,241	2.0%
Restorative Justice	73,541	1.8%
Specialized Assessment and Evaluation	55,203	1.4%
Evidence-based Behavior Training	43,250	1.1%
Day Treatment	42,783	1.1%
Substance Abuse Treatment	43,404	1.1%
Group Therapy	4,208	0.1%
Total	**$3,993,704**	**100.0%**

*Bundled, packaged services paid to a contractor.

Program Outcomes. The Department's report points to indication's of the Continuum of Care's success. Staff believes that there are indications of success, but that the evidence is not clear cut.

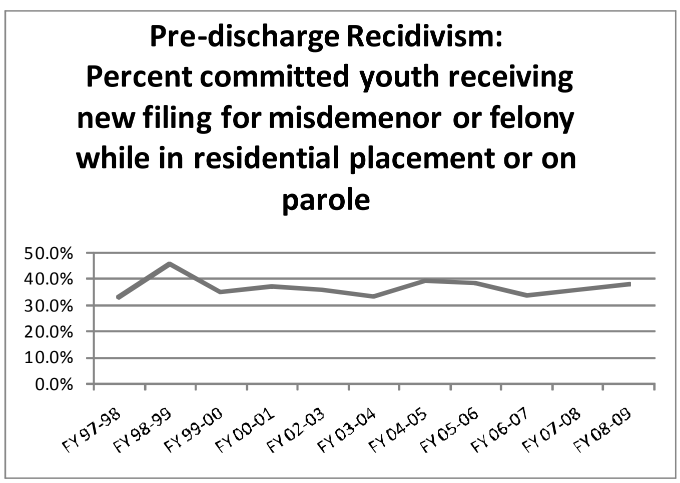
Evidence of Continuum of Care Success. The report highlights several items as evidence of success.

- Changes in youth's scores for risk- and protective factors on the Department's primary assessment instrument, 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 clinically maintained between parole and discharge from parole. As it notes: "Clinically significant maintenance of that [large] reduction in risk represents a powerful positive change and exceeds the results that might reasonably be expected..."

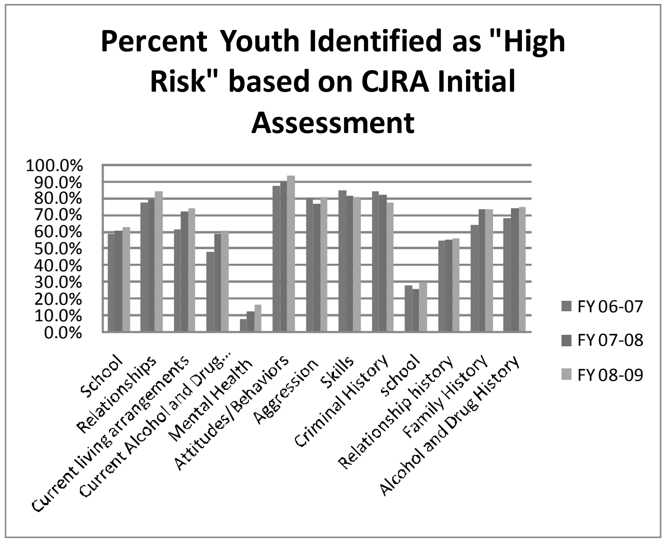
Average Score - Risk Factors on Colorado Juvenile Risk Assessment (CJRA)
Lower Score = Lower Risk
Youth Discharged in FY 2009-10

	Assessment	Parole	Discharge	Percent change - Assessment to Discharge
Family	10.2	6.8	5.5	(46.1)%
Substance Abuse	8.2	.6	2.4	(70.7)%
Relationships	3.8	2.2	2.2	(42.1)%
School	3.8	.7	1.3	(65.8)%
Attitudes	8.1	3	3.8	(53.1)%
Skills	7.1	1.9	2.0	(71.8)%
Aggression	5.0	.85	.94	(81.2)%
Mental Health	.5	.13	.15	(70.0)%

- Relatively flat pre-discharge recidivism rates and declining rates of recommitment (youth receiving a new commitment to the Division, based on a new charge, while in the Division's custody or on parole), despite increases in the severity of youth needs. Recommitments to the Division (counted when the youth receives the new sentence) have declined from about 8.8 percent of youth served in FY 2005-06 to 6.5 percent in FY 2009-10. Staff has concerns about some data elements



used in the report[11], but there is some indication of these trends.

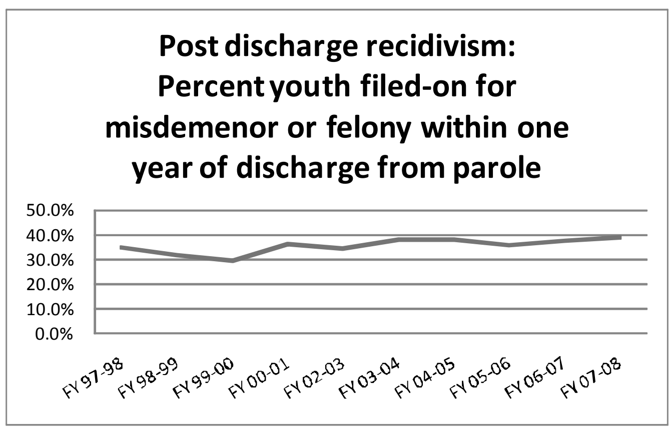


Trends on the scores of new commitments on the CJRA included in the Department's FY 2008-09 management reference manual (published June 2010 and the most recent available) indicate increases in the acuity of the population in most--although not all--areas. Criminal history, which is one of the most consistent predictors of recidivism, has actually fallen, but there have been annual increases for the last three years in 9 of 13 risk categories.

Insufficient Evidence of Success. Despite the evidence of success highlighted in the Department's report, there are other items that raise questions about whether the Continuum of Care initiative is having the desired impacts.

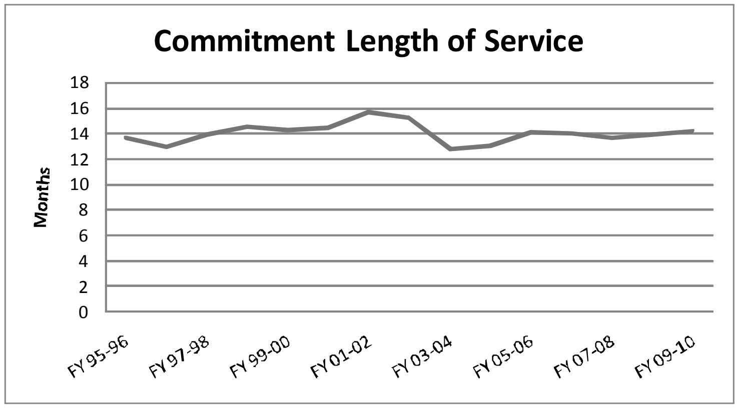
- Post discharge recidivism rates have increased, despite the implementation of the Continuum of Care in FY 2005-06 (an issue entirely ignored in the Continuum of Care report). For the cohort discharged in FY 2004-05, the year before the Continuum of Care was implemented, post-discharge recidivism was 37.9 percent. For the cohort discharged in FY 2007-08 (three years after the Continuum was implemented and the last for which data is available) was 38.8 percent. *This is the highest post-discharge recidivism since post-discharge recidivism figures have been tracked.*

- Lengths of stay are flat or increasing for both commitment and parole, as acknowledged in the report. The only way in which management of the continuum could have an impact on the size of the commitment population would be if it had resulted in reduced youth length of service. As reflected in the chart, and acknowledged in the report, there is no clear evidence of this.

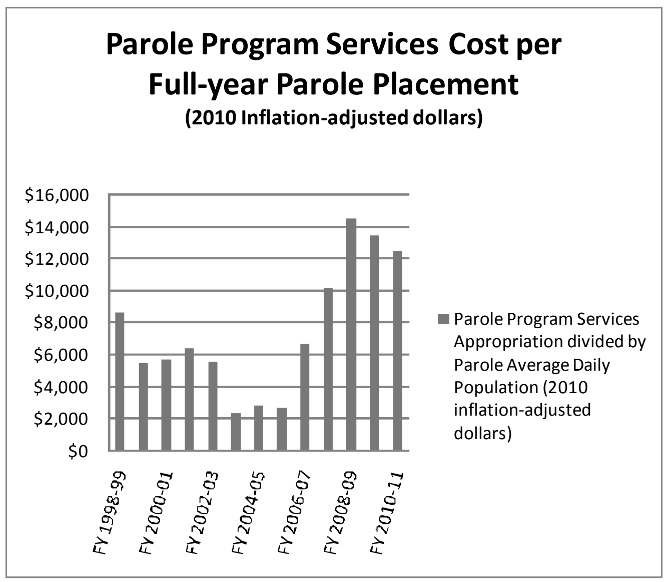


[11] The report uses FY 2009-10 pre-discharge recidivism rates, which will increase over the course of FY 2010-11 to demonstrate . It also uses changes in the average CJRA scores at initial assessment to demonstrate that the population's needs have become more severe between FY 2006-07 and FY 2009-10. However, the particular data used in the report does not appear to be comparable across years, because the FY 2006-07 data includes only youth committed that year, while the FY 2009-10 data includes all committed youth served by the Division in FY 2009-10.

The average daily population of committed youth has declined substantially since FY 2005-06, and this has frequently been used to point to the Continuum's success. However, *declines in average daily population ties solely to how many youth are committed to the Division in the first place, rather than what happens to youth while in the Division's custody, given that lengths of service are flat*. The Continuum of Care report acknowledges: "...while DYC's engagement in the [S.B. 91-94] program and participation in statewide [H.B. 04-1451] may ameliorate the number of new commitments by helping to provide communities with the resources to improve services to youth before further penetration of the juvenile justice system, the over-arching trends are too interwoven to attribute reductions to any single effort or policy."



Next Steps? Staff believes that the Division has made serious efforts to use data to guide its programs and to follow best-practice recommendations in the literature. The General Assembly has provided substantial financial support in this effort through the funding flexibility and increases in parole program services line item. *Even after adjusting for inflation, the General Assembly is now spending more than twice as much per youth on parole as it was in FY 2001-02 (before the cuts imposed due to the 2003 recession). This would be more easily justified if there were strong evidence that the additional funding resulted in reduced recidivism*. As indicated in the Continuum of Care report, the lack of even greater increases in recidivism may demonstrate the program's success, but the evidence is not clear cut.



In light of this, staff believes the Committee could consider:

- Some further reductions to funding for parole program services ($1.0-$2.0 million); and/or

- Requesting the Department to explain what steps it proposes to improve and demonstrate cost-effectiveness of this level of support. The Department and its evaluators emphasize that systems change takes time and that full impacts may therefore not be demonstrable immediately. Staff also recognizes that there are a complex array of factors that may affect criminal justice outcomes. Nonetheless, particularly given current levels of funding, the Division needs to continually evaluate whether "course corrections" are needed to achieve the ultimate goal of reduced recidivism.

National evidence that mandatory parole or after-care reduces recidivism is very limited. A review of "aftercare" programs (reintigrative services that prepare out-of home placed juveniles for community reentry) by the Office of Juvenile Justice and Delinquency Prevention noted that while some studies in the 1990s reported encouraging results, "recent evaluations of aftercare programming have not yielded as promising results as earlier program evaluations."[12] A study by the Washington State Institute for Public Policy, which studied public policy initiatives for the Washington state legislature, studied a "natural experiment" in which youth released during FY 1998-99 received no mandatory parole. It found no differences in recidivism rates between these youth and those discharged with mandatory parole in the prior or subsequent cohort.[13] Washington has since restructured its program around a more treatment-oriented approach. Colorado is also using a more treatment-oriented approach, but it will need to continue to work to demonstrate its program is having the desired result.

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[12]A five-year multistate implementation of the Intensive After Care Program, which provided intensive supervision and services and focused on reintegration and a gradual transition was studied using an experimental design. The outcomes showed that the program did not significantly affect recidivism. Similarly, an evaluation by the Boys and Girls Club of America of Targeted Reentry, which also provided intensive reintegration services, also found little difference in recidivism rates between the group receiving services and the control group. (Office of Juvenile Justice and Delinquency Prevention, OJJDP Model Programs Guide, Aftercare http://www.ojjdp.gov/mpg/progTypesAftercare.aspx)

[13]Washington eliminated mandatory parole for 57 percent of offenders for a period of 12 months in SFY 1998-99 before reinstating it. The Washington State Institute for Public Policy compared youth released in FY 1997-98 and in FY 1999-00 who received mandatory parole and had a similar acuity profile to those released in SFY 1998-99 without parole. The study found no significant difference in re-offense rates during a 36 month follow-up. Washington State subsequently reorganized its provision of servies around use of Functional Family Parole for reintegration. (Washington State Institute for Public Policy, The Effects of Parole on Recidivism: Juvenile Offenders Released from Washington State Institutions, July 2006)

FY 2011-12 Joint Budget Committee Staff Budget Briefing
Department of Human Services
(Division of Youth Corrections)
BRIEFING ISSUE

ISSUE: The Youth Corrections Detention Continuum and S.B. 91-94

Over the last two decades, the General Assembly has taken steps to reduce the use of secure detention placements through the creation of the S.B. 91-94 program and capping detention beds. Use of secure detention placements has dropped dramatically in recent years, but the system is still under some strain. Further investigation is needed to determine whether use of secure detention can be further reduced.

SUMMARY:

❑ Over the last two decades, the General Assembly has taken steps to reduce the use of secure detention placements through the creation of the S.B. 91-94 program and capping detention beds. Secure detention placements have dropped dramatically in recent years, due in part to sharp declines in arrest rates, as well as the impact of these policies.

❑ Based on the Department's annual report, the S.B. 91-94 programs have been successful in focusing the use of secure detention resources on high-needs youth and ensuring youth in a range of placements appear as required for court. However, detention beds are still subject to capacity strain under the detention cap, and further investigation is needed to determine whether secure detention use can be further reduced.

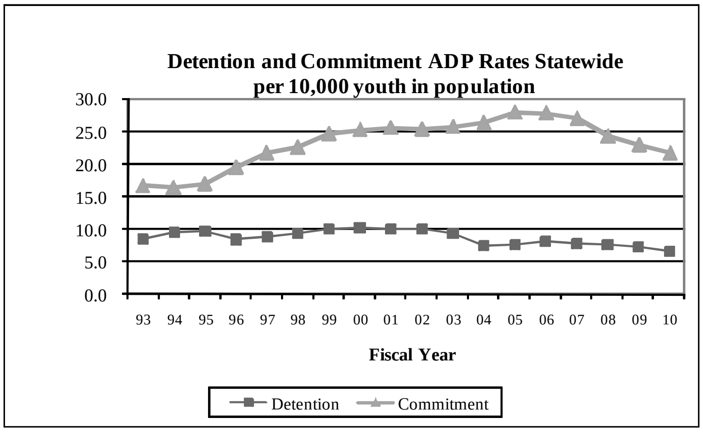
DISCUSSION:

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 2010-11, a total of $13.0 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.



Pursuant to Section 19-2-121, C.R.S., a working group formed by the Department of Human Services and the State Court administrator to annually review the criteria for detention and commitment, determine detention catchment areas, and annually 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 an annual report addressing the S.B. 91-94 programs and the detention caps pursuant to a Request for Information submitted to the Governor (RFI 33 for the FY 2010-11 Long Bill). The remainder of this issue summarizes the FY 2009-10 Senate Bill 94 annual report, submitted to the JBC November 1, 2010.[14]

Trends in Use of Secure Detention Beds

Overall, the use of secure detention placements has fallen dramatically in recent years. This in part reflects dramatic declines in overall arrest rates, but also reflects the impact of capping detention beds and the use of S.B. 91-94 to limit use of secure detention placements. According to the Department's FY 2009-10 S.B. 91-94 annual report, across the past 15 years of monitoring, the FY 2009-10 level of 6.7 per 1,000 youth in the population is the absolute and relative lowest detention rate ever achieved as a share of the state population.

The report includes data on five different measures of secure detention use:

- Total client load, which represents the total number of youth served each day
- The maximum beds used at any given point during the day
- Days on which maximum bed use is at or above 90 percent of bed capacity
- Average length of service; and
- Average daily population

All indicators reflect steadily reduced strain on the system as the demand for secure detention beds has dropped. However, the analysis indicates significant strain remains based on a number of indicators. Maximum beds used at any given point in the day averaged 385 or 80.4 percent of

[14]Bartsch, Keller, Selby, *Senate Bill 94 Evaluation Annual Report*, Triwest Group, October 26, 2010.

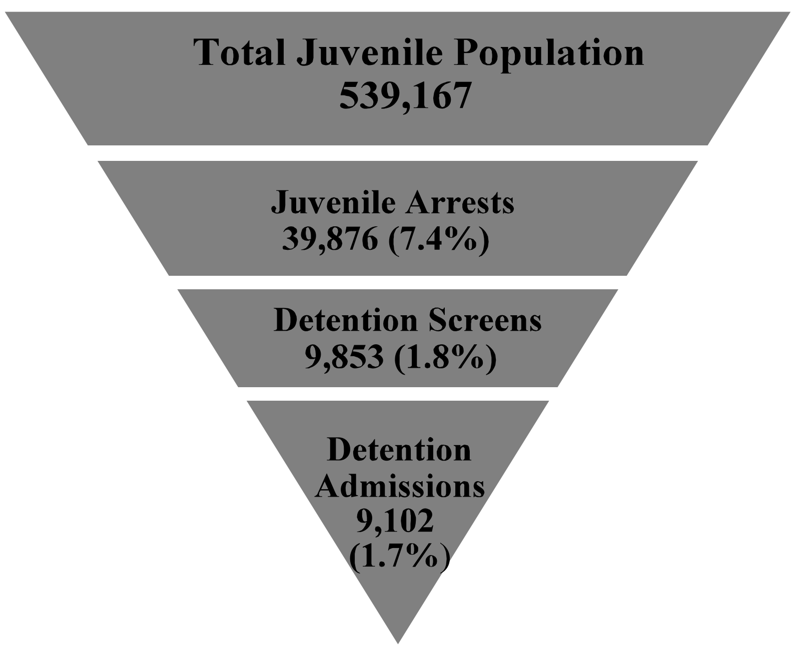
capacity, down from 87 percent of capacity in FY 2008-09. Further, maximum bed use of 479 was never exceeded on any day: use ranged from 332 to 431. Nonetheless, examining the continued pressure on secure detention beds, the report notes:

- Total client load, which captures the flow of youth admitted and released, whether not the youth stayed overnight, was at 437 in FY 2009-10 (down from 472 in FY 2008-09). The report suggests that utilization averaging 407 beds (85 percent of the 479 bed cap) would represent "an optimal balance of facility management and cost efficiency". By this measure, the FY 2009-10 average client load of 437 is still higher than optimal.

- In FY 2009-10, on average 3.1 facilities (25.8 percent) were at or above 90 percent capacity on any given day. While the overall incidence use is decreasing, on all but 12 days, there was at least one facility at 90 percent or higher capacity, suggesting little or no excess capacity.

Secure Detention within the Detention Continuum: Youth Served by S.B. 91-94
The following chart depicts the profile of youths "filtered" to secure detention. Since FY 2008-09, the Division and Judicial Districts have used a comprehensive screening and assessment process to determine which youth are appropriate for secure detention placement: the Juvenile Detention and Screening Assessment Guide (JDSAG) which focuses on risk to fail to appear in court and the Colorado Juvenile Risk Assessment (CJRA), which assess the potential fo youth to re-offend. These tools inform the decisions in individual judicial districts as to appropriate placement, but judicial discretion and local policies shape final decisions.

Juvenile Justice Filtering Process to Detention
FY 2009-10



- The most frequently used initial placement is secure detention (85.2 percent of the total). Use of secure detention as an initial placement has been *increasing*.
- The next most frequently used placement is placement at home with services (6.9 percent). This reflects a *decrease* from prior years.

Ultimately, 81 percent of detained youth are served in the community. However, use of community-based placement on any given day *decreased* 21 percent between FY 2008-09 and FY 2009-10, while use of secure detention decreased only 8.0 percent.

Pre-adjudicated youth are not the only secure detention users. On any given day, secure detention beds were used as follows:

- 39 percent preadjudicated;
- 43 percent reflect warrants/remands for youth who failed to appear for court appearances or to comply with court-ordered sanctions;
- 15 percent are sentenced to detention placement;
- less than 4 percent are detained for other reasons.

Progress in Achieving Performance Goals
Progress in achieving goals and objectives is shown in the table below. Figures reflect improvements over FY 2008-09.

Goals and Objectives for Pre-adjudicated and Sentenced Youth FY 2009-10		
Service Area Goal	**Measurable Objectives**	**Performance**
Pre-adjudicated Youth - To successfully supervise pre-adjudicated youth placed in community-based detention services.	1. Percent of enrolled pre-adjudicated youth that complete S.B. 91-94 services without FTAs (Failure to Appear for Court).	97.8% of youth had no FTAs
	2. Percent of enrolled pre-adjudicated youth that complete S.B. 91-94 services without new charges.	96.4% of youth had no new charges
	3. Percent of pre-adjudicated youth served through S.B. 91-94 that complete the period of the intervention with a positive or neutral leave reason.	92.5% of youth had positive or neutral leave reason
Sentenced Youth - To successfully supervise sentenced youth placed in community-based detention services.	1. Percent of enrolled sentenced youth that complete S.B. 91-94 services without FTAs.	99% of youth had no FTAs

	2. Percent of enrolled sentenced youth that complete S.B. 91-94 services without new charges.	96.8% of youth had no new charges
	3. Percent of sentenced youth served through S.B. 91-94 that complete the period of intervention with a positive or neutral leave reason.	89.9% of youth had positive or neutral leave reason

Overall, the Department's report emphasizes that the S.B. 91-94 program continues to be successful in accomplishing the General Assembly's vision of reducing overuse of secure detention facilities. Judicial District S.B. 91-94 programs continue to be highly successful at achieving their goals and objective. Many have also taken the initiative to access other funds or program services for S.B. 94 youth.

The report notes that there areas for ongoing work.

- A better understanding of judicial discretion and local policies and how they relate to best practice is needed. Forty-six percent of those screened as needing placement at home with services received more restrictive placements, and over half of these youth were screened as at low risk to reoffend, suggesting additional opportunity to reduce use of secure detention.

- The report recommends an exploratory case study to examine key decision points and processes related to placement. It also recommends examining the relationship between initial placement, community-based treatment options, and other local practices to definitively determine the extent to which individual judicial districts could further reduce the use of secure detention for reasons that are contrary to best practices (such as a sanction for truancy).

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 and Budget Options in the Division of Child Care

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. This issue reviews the successful roll-out of the new CHATS information technology system, reduced access and waiting lists for the Child Care Assistance Program, and budget reduction options in the Division of Child Care.

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. It recently completed the successful roll-out of a new information technology system that serves the CCCAP program.

❑ The majority of the state's child care budget is allocated to CCCAP. This program is administered by counties, which are responsible for establishing local eligibility for the program and setting provider reimbursements in their geographic area. The program has a significant history of rapid program expansion, followed by rapid program contraction. Counties are currently restricting access and establishing waiting lists due to budget concerns.

❑ General Fund in the Division could be reduced through cuts to the Child Care Councils, CCCAP, or child care licensing programs.

DISCUSSION:

The Division of Child Care. The Division of Child Care has three primary responsibilities:

- The Division oversees the Child Care Assistance Program (CCAP), 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 block grant (70 percent of the FY 2010-11 budget of $90.1 million). State General Fund of $17.4 million comprises about 19 percent of the budget, and local county match and licensing fees from child care facilities comprise 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. 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 has held substantial reserves of CCDF funds. A significant portion of these reserves have been spent down, largely associated with a $14.7 million Child Care Automated Tracking System (CHATs) rebuild.

The remainder of this issue touches on three current issues:

- Successful roll-out of the new CHATS information technology system
- Reduced funding available for the Child Care Assistance Program and restrictions to family access
- Budget reduction options in the Division of Child Care

Roll-out of the New Childcare Automated Tracking System (CHATS). The Child Care Automated Tracking System (CHATS) is a data system that supports the Department and all counties in managing the subsidized child care program. Planning and development of a replacement for the prior main-frame system has been a focus of Department efforts since a FY 2003-04 feasibility study and initial capital construction appropriation in FY 2007-08. The new system is a web-based system that uses "point of sale" technology. The "point of sale" technology allows a family to "swipe" a child care assistance program "credit card" that reflects the family's child care assistance program allocation.

On November 1, 2010, the CHATS project successfully completed the final phase of implementation, and all Colorado counties are now using the CHATS system statewide. The roll-out of the final phase of point of sale implementation was scheduled for completion December 2, 2010. This follows the pilot and phased roll-outs to different part of the State that began in June 2010. The Department reports that the project has received extremely positive feedback on the system and the smooth implementation from both state and county users. The system was implemented with an overall 99 percent case conversation success rate and a 94 percent satisfaction with the training program.

Given the State's spotty record in development of new information technology systems, staff believes the apparent technical success of this project is noteworthy. The capital cost of the project was $14.7 million. Ongoing maintenance costs were originally projected at $1.2 million but have already increased and may still undergo additional changes. The original feasibility study projected savings associated with reduced improper payments and fraud of $10.2 million per year after the system was fully established. Staff anticipates savings of about half this amount but nonetheless expects it will be cost-effective.

Colorado Child Care Assistance Program. The Colorado Child Care Assistance Program (CCCAP) is the largest single component of the Division's budget (83 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 ($23,806 for a family of three in 2010) and 85 percent of the state median income ($54,108 for a family of three in 2010).[15]

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 (about 85 percent). Children in families

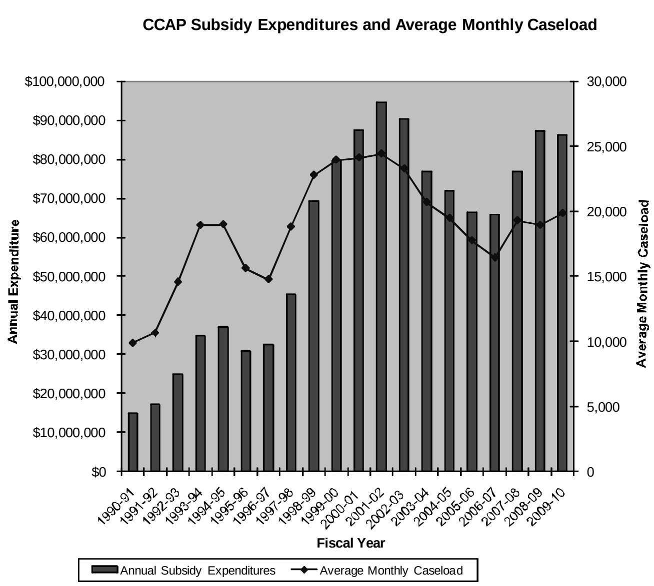
[15]The income level cap was revised upward from 225 percent of the federal poverty level to the federal maximum of 85 percent of the state median income pursuant to H.B. 08-1265.

earning 130 percent or less of the federal poverty level make up about 75 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.[16]

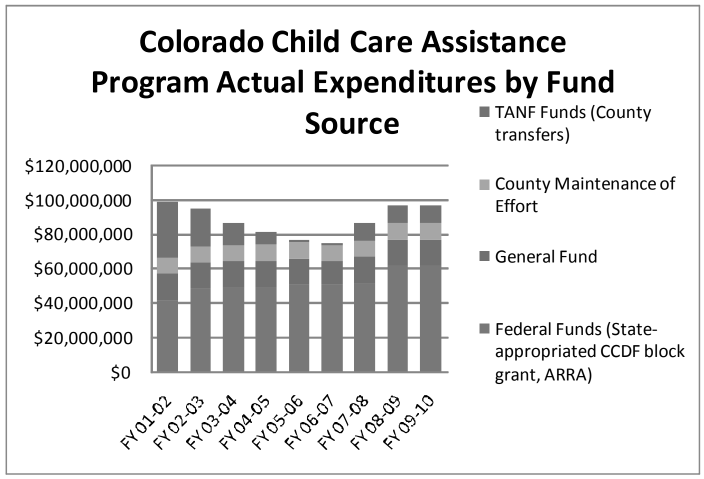
The appropriation is comprised of state-appropriated federal Child Care and Development Fund (CCDF) block grant amounts, state General Fund, and county maintenance of effort and administrative amounts. Each county is required to spend, as a maintenance of effort, its share of an amount identified in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

CCCAP Appropriations and Expenditure History. 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.* Both the annual appropriation for CCCAP and the number of children for whom subsidies were provided increased rapidly in the early 1990s. However, the caseload increased at a faster rate than appropriations, requiring the Department to institute a caseload freeze in January 1995. In July 1995, this caseload freeze was replaced with specific allocations to individual counties. Although the allocation method reduced utilization temporarily, both state and local funding then increased until federal welfare reform in FY 1997-98. At this point, growth in the program began to be fueled by a combination of federal CCDF block grant funds and transfers to this block grant from the TANF block grant.



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

Expenditures for the program peaked in 2001-02, with county expenditures of TANF transfer dollars for the program totaling almost $32 million. However, beginning in FY 2000-01, counties began spending more TANF funds for the Works Program to address an increasing Works Program caseload. As counties depleted their reserves of TANF funds, they again took action to reduce their CCCAP caseloads (*e.g.*, reducing income eligibility standards, instituting waiting lists). Spending declined until 2006-07, when expenditures had dropped below the level that required TANF transfers, and the program reverted almost $840,000 General Fund at year end. In FY 2007-08, $2.0 million was diverted to expand child care councils (H.B. 07-1062) and counties again began to increase expenditures through increased provider reimbursement rates and eligibility caps, as well as increased administrative spending. The program peaked in FY 2008-09 with expenditures of $96.8 million.



Spending in FY 2008-09 and FY 2009-10 was supported through additional federal funds provided under the American Recovery and Reinvestment Act ($11.1 million appropriated in FY 2008-09 and $10.4 million in FY 2009-10). These funds have now been exhausted.

- Overall spending for child care generally occurs in an inverse relationship to other TANF spending, since major increase and declines are funded through transfers from TANF.

- Associated with the above, 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 appears to be less a reflection of changing demand for subsidized child care than an artifact of counties' assessment of the availability of TANF funds.**

- **Counties seem to have difficulty rapidly adjusting spending for child care**, as the impact of new eligibility criteria or freezes on new admissions only gradually affect their budgets. Changes to provider reimbursements, however, can occur more rapidly.

Staff has for many years supported efforts to establish more state control over components such as program eligibility and believes the State may ultimately wish to consider setting TANF transfers for Child Care at the state, rather than county level, which would set a more dependable funding level. (The Department rejected a proposal along these lines from the State Auditor's Office.) Although the Department is making some systemic changes to the program in response to a 2008 SAO performance audit, the Department reports it has not decided how to proceed on options related to standardizing eligibility or reimbursement rates on a regional basis. *Staff believes further movement in this* *direction is unlikely for now.*

CCCAP Program Availability. Many counties are in the process of shrinking the program in FY 2010-11 in light of the other demands on their TANF block grant funds. Based on past history, as well as the funding picture for the TANF block grant (need projected to exceed funds available in FY 2011-12), funding and utilization of the Child Care Assistance Program may well continue to fall over the next several years. There may also be at least temporary reductions associated with the roll-out of the new CHATS system, as payment error rates are reduced.

Data provided indicates that:

- Fourteen counties now have CCCAP waiting lists, including four of the "big ten". Denver was the first to create a waiting list in February 2009, but others have since followed. As of November 18, there were 5,205 children (2,895 families) waiting for the CCAP program.

- 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 November 2010, 8 counties are at the minimum 130 percent level, and 14 set between 135 and 175 percent of poverty.

- 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.

Staff anticipates that H.B. 10-1035, Concerning Eligibility Determination for CCCAP to Promote Stability (Massey/Steadman) may also affect program access. The bill extends the eligibility redetermination period from 6 to 12 months and thus reduces program turnover. While reducing turnover will not change the number of children served at any given time, the total number of children and families served during a year may decline by up to 33 percent (a reduction of about 12,500 children and 7,800 families). This could contribute to waiting lists in some counties.

Budget Reduction Options. Child Care budget reduction options are as follows:

<u>Child Care Councils</u>. Remaining General Fund support for the Child Care Councils ($500,000) could be eliminated. Councils coordinate programs to improve the quality and availability of Child Care in their regions. They have a total appropriation of $3.0 million, including federal funds and General Fund. While some General Fund for the Councils has been refinanced with federal funds, funding has not been reduced due to state revenue shortfalls. The Child Care Councils program expanded the previous program of consolidated pilot programs through H.B. 07-1062 (a $2.0 million appropriation was added through transfer of funds from the CCCAP program.) While the Councils serve an important role in promoting quality child care, the level of harm associated with cutting funding appears to staff to be less than the impact of cuts to many other human services programs.

Child Care Assistance Program. General Fund support for the CCCAP program (child care subsidies) could be reduced or even eliminated, providing General fund savings of up to $14.6 million. If the entire General Fund amount were cut, the State could expect to lose up to $12.6 million in matching federal funds, and the total program could be reduced by up to $27.2 million or about 36 percent of the CCCAP appropriation. About 7,000 children and their parents would lose child care subsidies, limiting the ability of those parents to work. *While a cut of this magnitude would be very painful, a more modest reduction--in the $2.0 million range--could likely be sustained without affecting federal matching funds. This would represent a 2.7 percent reduction to the CCCAP appropriation, which has not thus far received reductions to total funding related to the state revenue shortfall. It is possible that a larger cut could be taken without affecting the federal match, given federal rules effective October 2007 that give states increased flexibility in what expenditures are counted as matching funds*. While staff is concerned about CCCAP waiting lists and access problems in many counties, counties do not appear to have prioritized CCCAP in their own budgets: they have typically adjusted funding based primarily on availability of "excess" TANF dollars. A modest state reduction would have far less impact on program access than individual county decisions about the use of TANF transfer funds.

Child Care Licensing Staff. In addition to the above options, child care licensing staff could be further reduced from the 3.5 FTE cut thus far. However, in the absence of large reductions to licensing staff numbers, savings would be modest. The Division has 39 FTE licensing staff with average salaries of $58,392 per year. A 2009 report by the National Association of Child Care Resource and Referral Agencies ranked Colorado a respectable 22nd among the states for oversight of child care centers. It scored very well for the online accessibility of inspection reports and quite well related to percent of homes licensed. However, this was offset by very poor scores on licensing staffing ratios (licensing caseload of 140:1 rather than 50:1) and its inability to monitor centers four times per year. In Colorado, licensing centers may be visited as little every two years, although centers that are new or have a history of problems are visited more frequently.

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests

DEPARTMENT OF HUMAN SERVICES
Executive Director: Karen Beye

(1) EXECUTIVE DIRECTOR'S OFFICE

The primary function of this division is general department administration. This document includes Executive Director's Office, Special Purpose line items that are specifically related to child welfare services 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.*

(B) Special Purpose

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
Administrative Review Unit	2,000,821	2,185,084	2,196,359	2,170,199	NP-4, NP-7
FTE	22.2	24.0	25.2	25.2	
General Fund	1,196,083	1,416,270	1,426,693	1,401,291	
Federal Funds	804,738	768,814	769,666	768,908	
Records and Reports of Child Abuse or Neglect - Cash Funds	566,937	474,010	577,496	575,825	NP-7
FTE	6.2	7.2	7.5	7.5	
Juvenile Parole Board	247,971	234,917	248,050	244,895	NP-4, NP-7
FTE	3.0	2.9	3.0	3.0	
General Fund	196,097	200,587	202,282	199,936	
Reappropriated Funds	51,874	34,330	45,768	44,959	
Child Protection Ombudsman - General Fund	n/a	n/a	175,000	370,000	
					Request v. Approp
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	2,815,729	3,006,268	3,196,905	3,360,919	5.1%
FTE	31.4	35.7	35.7	35.7	0.0
General Fund	1,392,180	1,621,687	1,803,975	1,971,227	9.3%
Cash Funds	566,937	574,529	577,496	575,825	-0.3%
Reappropriated funds	51,874	45,768	45,768	44,959	-1.8%
Federal Funds	804,738	764,284	769,666	768,908	-0.1%

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests

(5) DIVISION OF CHILD WELFARE

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

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
Administration	2,426,087	3,096,026	3,668,920	3,615,325	NP-4, NP-7
FTE	25.8	32.5	41.0	41.0	
General Fund	1,676,095	2,338,423	2,846,726	2,790,367	
Reappropriated funds	57,100	121,418	133,906	131,592	
Federal Funds	692,892	636,185	688,288	693,366	
For Information Only					
Medicaid Reappropriated Funds	*90,100*	*133,422*	*133,906*	*131,592*	
Medicaid Funds - General Fund therein	*45,050*	*66,709*	*66,952*	*65,785*	
Net General Fund	*1,721,145*	*2,405,132*	*2,913,678*	*2,856,152*	
Training	4,931,859	5,827,898	6,545,439	6,541,288	NP-4, NP-7
FTE	0	3.5	6.0	6.0	
General Fund	2,341,374	2,871,971	3,231,076	3,227,253	
Cash Funds	37,230	37,230	37,230	37,230	
Federal Funds	2,553,255	2,918,697	3,277,133	3,276,805	
Foster and Adoptive Parent Recruitment, Training, and Support	323,859	340,275	328,140	326,860	NP-4, NP-7
FTE	1.0	1.0	1.0	1.0	
General Fund	257,115	273,276	261,030	259,751	
Federal Funds	66,744	66,999	67,110	67,109	

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
Child Welfare Services /a	345,340,609	336,157,346	339,194,894	337,710,352	NP-2
General Fund	171,716,693	165,010,711	157,932,633	162,141,108	
Cash Funds	62,775,661	61,168,175	63,997,369	63,673,402	
Reappropriated funds	12,872,178	13,070,654	14,293,272	14,334,790	
Federal Funds	97,976,077	96,907,806	102,971,620	97,561,052	
For Information Only					
Medicaid Reappropriated Funds	*13,865,508*	*13,070,654*	*14,293,272*	*14,334,790*	
Medicaid Funds - General Fund therein	*6,932,754*	*5,028,740*	*5,490,045*	*7,167,396*	
Net General Fund	*178,649,447*	*170,039,451*	*163,422,678*	*169,308,504*	
Additional County Expenditures for Child Welfare Block [non-add]			Not appropriated;	Not appropriated;	
Transfer to Title XX from TANF	15,509,896	9,521,897	see note a/ below	see note a/ below	
County Funds	1,053,178	3,277,367			
Total Child Welfare Expenditures [non-add]	361,903,683	348,956,610			
			0		
Excess Federal Title IV-E Distributions for Related County Administrative Functions					
Cash Funds	1,735,971	0	0	0	
Excess Federal Title IV-E Reimbursements					
Cash Funds	813,856	0	0	0	
Title IV-E Related County Administrative Functions [new line item]					
General Fund	n/a	n/a	1,000,000	1,000,000	
Family and Children's Programs	50,042,150	48,030,915	44,776,053	44,776,053	
General Fund	42,735,769	31,224,534	28,132,328	28,132,328	
Cash Funds	5,213,955	5,213,955	5,113,437	5,113,437	
Federal Funds	2,092,426	11,592,426	11,530,288	11,530,288	
Performance-based Collaborative Management Incentives					
Cash Funds	3,167,603	3,399,224	3,555,500	3,555,500	

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
Independent Living Programs - Federal Funds	2,468,806	2,541,666	2,826,582	2,826,582	
FTE	0.0	0.0	4.0	4.0	
Promoting Safe and Stable Family Programs	4,445,190	4,467,806	4,457,448	4,458,786	NP-4, NP-7
FTE	1.5	1.5	2.0	2.0	
General Fund	27,926	36,913	50,457	50,096	
Cash Funds	1,064,160	1,064,160	1,064,160	1,064,160	
Federal Funds	3,353,104	3,366,733	3,342,831	3,344,530	
Federal Child Abuse Prevention and Treatment Act Grant					
Federal Funds	469,908	420,110	381,708	381,703	NP-7
FTE	3.0	3.0	3.0	3.0	
Child Welfare Action Committee (H.B. 08-1404)	346,216	0	0	0	
General Fund	340,907		0	0	
Cash Funds	5,309		0	0	
					Request v. Approp
TOTAL - (5) CHILD WELFARE b/	416,512,114	404,281,266	406,734,684	405,192,449	-0.4%
FTE	31.3	41.5	57.0	57.0	0.0
General Fund	219,095,879	201,755,828	193,454,250	197,600,903	2.1%
Cash Funds	74,813,745	70,882,744	73,767,696	73,443,729	-0.4%
Reappropriated Funds	12,929,278	13,192,072	14,427,178	14,466,382	0.3%
Federal Funds	109,673,212	118,450,622	125,085,560	119,681,435	-4.3%
For Information Only*					
Medicaid Reappropriated Funds	*13,955,608*	*13,204,076*	*14,427,178*	*14,466,382*	*0.3%*
Medicaid Funds - General Fund therein	*6,977,804*	*5,095,449*	*5,556,997*	*7,233,181*	*30.2%*
Net General Fund	*226,073,683*	*206,851,277*	*199,011,247*	*204,834,084*	*2.9%*

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

a/ Additional County Expenditures for Child Welfare Block amounts are shown for informational purposes and are not appropriated in this section. This includes the actual expenditure of county funds and federal Temporary Assistance to Needy Families (TANF) funds that were transferred from Colorado Works County Block Grants or from County Reserve Accounts to the federal Title XX Social Services Block Grant in order to cover county expenditures related to child welfare. Associated appropriations of TANF funds are reflected in the Office of Self Sufficiency.

b/ Actual expenditures include multiple transfers, including those authorized pursuant to Long Bill footnote and transfers to and from the Department of Health Care Policy and Financing pursuant to Section 24-75-106, C.R.S.

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
(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 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
Child Care Licensing and Administration	6,280,823	6,215,878	6,551,553	6,512,662	NP-4, NP-7
FTE	58.6	57.5	64.0	64.0	
General Fund	2,431,287	2,081,444	2,251,456	2,215,129	
Cash Funds (fees and fines)	626,868	621,744	748,086	748,048	
Federal Funds (CCDF and Title IV-E)	3,222,668	3,512,690	3,552,011	3,549,485	
Fines Assessed Against Licensees - (CF)	18,000	4,918	20,000	20,000	
Child Care Assistance Program Automated System Replacement (FF-	47,675	103,246	0	0	
Child Care Assistance Program /a	74,968,579	75,618,195	74,802,572	74,286,322	
General Fund	15,354,221	15,354,221	14,604,221	14,604,221	
Cash Funds (local funds)	9,201,753	9,183,907	9,182,622	9,182,622	
Federal Funds (CCDF and Title XX)	50,412,605	51,080,067	51,015,729	50,499,479	
Child Care Assistance Program - ARRA Funding - FF	11,064,462	10,405,227	0	0	
Additional County Child Care Assistance Program Expenditures [non-add]					
Transfer to Child Care from TANF block grant (including expenditures from county reserves created by prior-year TANF transfers) (FF)	10,731,866	10,180,148	Not appropriated; see note a/ below	Not appropriated; see note a/ below	
Total Child Care Assistance Program expenditures [non add]	96,764,907	96,203,570			
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Targeted Funds Requirements (FF-CCDF)	3,473,583	3,471,723	3,473,633	3,473,633	

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
Comply with Federal Targeted Funds Requirements - ARRA Funding (FF-CCDF)	0	3,173,850	0	0	
Early Childhood Councils [formerly Pilot for Community Consolidated Child Care Services]	2,979,597	2,985,201	2,985,201	2,985,201	
FTE	0.7	1.2	1.0	1.0	
General Fund	1,006,161	1,006,161	506,161	506,161	
Federal Funds (CCDF)	1,973,436	1,979,040	2,479,040	2,479,040	
School-readiness Quality Improvement Program [formerly School-readiness Child Care Subsidization Program] - (FF - CCDF)	2,226,834	2,235,113	2,229,305	2,227,464	NP-7
FTE	0.5	1.3	1.0	1.0	
					Request v. Approp
(6) TOTAL - DIVISION OF CHILD CARE	101,059,553	101,039,501	90,062,264	89,505,282	-0.6%
FTE	59.8	60.0	66.0	66.0	0.0
General Fund	18,791,669	18,441,826	17,361,838	17,325,511	-0.2%
Cash Funds	9,846,621	9,810,569	9,950,708	9,950,670	0.0%
Reappropriated Funds	0	0	0	0	n/a
Federal Funds	72,421,263	72,787,106	62,749,718	62,229,101	-0.8%

a/ Additional County Child Care Assistance Program Expenditures are shown for informational purposes and are not appropriated in this section of the Long Bill. These amounts include the actual expenditure of federal TANF funds that were transferred from County Block Grants or from County Reserve Accounts (both associated with the ColoradoWorks Program) to federal Child Care Development Funds in order to cover county expenditures related to child care. Associated appropriations of TANF funds are reflected in the Office of Self Sufficiency.

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
(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.					
Personal Services - General Fund	1,303,755	1,444,515	1,351,783	1,325,914	NP-4, NP-7
FTE	11.5	15.9	15.4	15.4	
Operating Expenses - General Fund	30,285	30,391	29,111	29,111	
Victims Assistance - Reappropriated Funds	28,224	26,121	29,599	28,027	NP-7
FTE	0.0	0.4	0.5	0.5	
					Request v. Approp
(11) DIVISION OF YOUTH CORRECTIONS					
Subtotal - (A) Administration	1,362,264	1,501,027	1,410,493	1,383,052	-1.9%
FTE	11.5	16.3	15.9	15.9	0.0
General Fund	1,334,040	1,474,906	1,380,894	1,355,025	-1.9%
Reappropriated Funds	28,224	26,121	29,599	28,027	-5.3%
(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 - General Fund	42,267,224	44,135,871	43,427,375	43,262,660	DI 5, NP-4, NP-7
FTE	779.3	779.6	794.3	799.3	
Operating Expenses	3,494,857	3,746,588	3,369,950	3,369,950	
General Fund	2,076,957	2,251,559	2,039,750	2,039,750	
Reappropriated Funds	0	1,495,029	1,330,200	1,330,200	
Federal Funds	1,417,900		0	0	
Capital Outlay - General Fund	0	0	0	0	

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
Medical Services - General Fund	7,934,777	8,307,298	7,989,118	7,982,441	NP-4, NP-7
FTE	36.2	34.0	39.0	39.0	
General Fund	7,934,777	7,895,215	7,000,118	6,993,441	
Reappropriated Funds	0	412,083	989,000	989,000	
For Information Only					
Medicaid Reappropriated Funds	*0*	*412,083*	*989,000*	*989,000*	
Medicaid Funds - General Fund therein	*0*	*99,570*	*349,003*	*494,500*	
Net General Fund	*7,934,777*	*7,994,785*	*7,349,121*	*7,487,941*	
Enhanced Mental Health Services Pilot for Detention - General Fund	260,726	64,037	0	0	
Educational Programs	5,916,443	6,076,544	5,788,767	5,780,444	NP-4, NP-7
FTE	35.0	36.1	40.8	40.8	
General Fund	5,353,439	5,486,363	5,444,874	5,440,661	
Reappropriated Funds	563,004	590,181	343,893	339,783	
Federal Funds	0	0	0	0	
Prevention / Intervention Services	48,965	48,915	49,693	49,693	
FTE	0.0	0.0	1.0	1.0	
Reappropriated Funds	48,965	48,915	49,693	49,693	
Federal Funds	0	0	0	0	
					Request v. Approp
(11) DIVISION OF YOUTH CORRECTIONS					
Subtotal - (B) Institutional Programs	59,922,992	62,379,253	60,624,903	60,445,188	-0.3%
FTE	850.5	849.7	875.1	880.1	5.0
General Fund	57,893,123	59,833,045	57,912,117	57,736,512	-0.3%
Reappropriated Funds	611,969	2,546,208	2,712,786	2,708,676	-0.2%
Federal Funds	1,417,900	0	0	0	n/a
For Information Only*					
Medicaid Reappropriated Funds	*0*	*412,083*	*989,000*	*989,000*	0.0%
Medicaid Funds - General Fund therein	*0*	*99,570*	*349,003*	*494,500*	41.7%
Net General Fund	*57,893,123*	*59,833,045*	*58,261,120*	*58,231,012*	-0.1%

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

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests

(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.

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
Personal Services	7,929,462	7,583,841	7,436,906	7,300,038	NP-4, NP-7
FTE	114.3	108.5	107.4	107.4	
General Fund	7,585,467	7,231,687	7,081,823	6,945,769	
Cash Funds	48,850	50,020	50,441	50,472	
Reappropriated Funds	44,520	45,514	45,870	44,893	
Federal Funds	250,625	256,620	258,772	258,904	
For Information Only					
Medicaid Reappropriated Funds	*44,520*	*45,514*	*45,870*	*44,893*	
Medicaid Funds - General Fund therein	*22,260*	*22,757*	*22,935*	*22,416*	
Net General Fund	*7,607,727*	*7,254,444*	*7,104,758*	*6,968,185*	
Operating Expenses	359,898	346,564	330,980	330,980	
General Fund	357,410	344,116	328,532	328,532	
Cash Funds	2,488	2,448	2,448	2,448	
Capital Outlay - General Fund			0	0	
Purchase of Contract Placements	42,774,182	37,329,349	42,802,281	43,244,988	BR 1
General Fund	41,274,243	35,109,655	39,839,607	40,272,146	
Reappropriated Funds	1,499,939	1,493,558	1,618,662	1,628,830	
Federal Funds	0	726,136	1,344,012	1,344,012	
For Information Only					
Medicaid Reappropriated Funds	*1,499,939*	*1,480,396*	*1,618,662*	*1,628,830*	
Medicaid Funds - General Fund therein	*749,970*	*622,081*	*654,582*	*814,416*	
Net General Fund	*42,024,213*	*35,731,736*	*40,494,189*	*41,086,562*	
Managed Care Pilot Project	1,390,441	1,118,451	1,296,639	1,368,060	
General Fund	1,357,105	1,085,115	1,263,970	1,335,391	
Reappropriated Funds	33,336	33,336	32,669	32,669	
For Information Only					
Medicaid Reappropriated Funds	*33,336*	*33,336*	*32,669*	*32,669*	
Medicaid Funds - General Fund therein	*16,668*	*16,668*	*16,335*	*16,335*	
Net General Fund	*1,373,773*	*1,101,783*	*1,280,305*	*1,351,726*	

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
S.B. 91-94 Programs - General Fund	13,228,039	13,238,558	13,031,528	13,031,528	
Parole Program Services	6,433,220	5,696,259	5,863,847	5,863,847	
General Fund	5,529,773	4,819,099	4,972,188	4,972,188	
Federal Funds	903,447	877,160	891,659	891,659	

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
Juvenile Sex Offender Staff Training	40,175	36,811	47,060	47,060	
General Fund	8,810	8,148	8,810	8,810	
Cash Funds	31,365	28,663	38,250	38,250	
					Request v. Approp
(11) DIVISION OF YOUTH CORRECTIONS					
Subtotal - (C) Community Programs	72,155,417	65,349,833	70,809,241	71,186,501	0.5%
FTE	114.3	108.5	107.4	107.4	0.0
General Fund	69,340,847	61,836,378	66,526,458	66,894,364	0.6%
Cash Funds	82,703	81,131	91,139	91,170	0.0%
Reappropriated Funds	1,577,795	1,572,408	1,697,201	1,706,392	0.5%
Federal Funds	1,154,072	1,859,916	2,494,443	2,494,575	0.0%
For Information Only*					
Medicaid Reappropriated Funds	*1,577,795*	*1,559,246*	*1,697,201*	*1,706,392*	0.5%
Medicaid Funds - General Fund therein	*788,898*	*661,506*	*693,852*	*853,167*	*23.0%*
Net General Fund	*70,129,745*	*62,497,884*	*67,220,310*	*67,747,531*	0.8%
					Request v. Approp
TOTAL - (11) DIVISION OF YOUTH CORRECTIONS	133,440,673	129,230,113	132,844,637	133,014,741	0.1%
FTE	976.3	974.5	998.4	1,003.4	5.0
General Fund	128,568,010	123,144,329	125,819,469	125,985,901	0.1%
Cash Funds	82,703	81,131	91,139	91,170	0.0%
Reappropriated Funds	2,217,988	4,144,737	4,439,586	4,443,095	0.1%
Federal Funds	2,571,972	1,859,916	2,494,443	2,494,575	0.0%
For Information Only*					
Medicaid Reappropriated Funds	*1,577,795*	*1,559,246*	*2,686,201*	*2,695,392*	0.3%
Medicaid Funds - General Fund therein	*788,898*	*661,506*	*1,042,855*	*1,347,667*	*29.2%*
Net General Fund	*129,356,908*	*123,805,835*	*126,862,324*	*127,333,568*	0.4%

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

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	Change Requests
					Request v. Approp
TOTAL - HUMAN SERVICES - CHILD WELFARE, CHILD CARE, YOUTH CORRECTIONS (INCLUDING RELATED LINE ITEMS IN EXECUTIVE DIRECTOR'S OFFICE)	653,828,069	637,557,148	632,838,490	631,073,391	-0.3%
FTE	1,098.8	1,111.7	1,157.1	1,162.1	5.0
General Fund	367,847,738	344,963,670	338,439,532	342,883,542	1.3%
Cash Funds	85,310,006	81,348,973	84,387,039	84,061,394	-0.4%
Cash Funds Exempt/Reappropriated Funds	15,199,140	17,382,577	18,912,532	18,954,436	0.2%
Federal Funds	185,471,185	193,861,928	191,099,387	185,174,019	-3.1%
For Information Only*					
Medicaid Reappropriated Funds	*15,533,403*	*14,763,322*	*17,113,379*	*17,161,774*	*0.3%*
Medicaid Funds - General Fund therein	*7,766,702*	*5,756,955*	*6,599,852*	*8,580,848*	*30.0%*
Net General Fund	*375,614,440*	*350,720,625*	*345,039,384*	*351,464,390*	*1.9%*

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

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- ❑ **S.B. 10-171 (Newell/Gagliardi):** Requires the Department of Human Services to establish and administer a Child Protection Ombudsman Program by contract with a public agency or private nonprofit organization. The program is required to: (1) receive and review complaints; (2) investigate and resolve cases when appropriate; (3) evaluate and make recommendations for the creation of a statewide grievance policy; (4) make recommendations to improve the child welfare system; (5) promote best practices, and (6) report to the Governor and the General Assembly. Provides an appropriation of $175,000 General Fund to the Department of Human Services for FY 2010-11; this is expected to annualize to $370,000 General Fund for FY 2011-12.

- ❑ **S.B. 10-195 (Newell/Solano):** Creates in state law the Early Childhood Leadership Commission in the Governor's Office and specifies its membership, purpose, and duties. No appropriation is provided; however, it is anticipated that up to $1.3 million federal funds will be received and deposited in the Early Childhood Leadership Commission Cash Fund to support the Commission's work.

- ❑ **H.B. 10-1035 (Massey/Steadman):** Modifies the eligibility determination process for the Colorado Child Care Assistance Program in the Department of Human Services. Among other changes: (1) extends the eligibility redetermination period for all program participants from six months to twelve months; (2) eliminates the requirement that a parent report income and activity changes during the twelve-month eligibility period, unless the changes puts the family's income above 85 percent of the median state income; and (3) aligns the eligibility redetermination period for children who are enrolled in Head Start so that child care assistance and Head Start eligibility are redetermined at the same time. Provides a one-time appropriation of $249,700 federal Child Care Development Funds for FY 2010-11 for changes to the Child Care Assistance and Tracking System.

- ❑ **H.B. 10-1106 (Casso/Sandoval):** Brings several aspects of Colorado law concerning child welfare into compliance with federal law. Includes changes for finger-print requirements for group home parents and staff; requires a child's best interest be the primary consideration when determining where to place a child for adoption; specifies that preference be given to a child's relative when making a foster care or pre-adoptive placement, if the relative can safely meet the child's needs; and requires that child placement agencies recruit and retain foster and adoptive parents who reflect the racial, ethnic, cultural, and linguistic background of children in the agency's care. Allows the race, ethnicity, or national origin of a child and potential adoptive or foster families to be considered under extraordinary circumstances, but states that a placement shall not be delayed due to these factors. Provides an appropriation to the Department of Public Safety, Colorado Bureau of Investigation related to finger-print checks.

- ❑ **H.B. 10-1338 (McCann/Steadman):** Allows a person who has two or more prior felony convictions to be eligible for probation, with certain exceptions. Among other adjustments, increases the appropriation to the Department of Human Services for FY 2010-11 for child welfare services by $1,719,794 to mitigate the reduction in funding for county staff salaries and benefits, community provider rates, and Medicaid treatment rates (including $991,919 General Fund, $343,959 local cash funds,$308,707 federal Title IV-E funds, and $75,209 reappropriated funds transferred from the Department of Health Care Policy and Financing (HCPF)).

- ❑ **H.B. 10-1413 (Levy/Newell):** Raises the minimum age for filing criminal charges against a juvenile in district court (a process known as "direct filing"). Raises the minimum age for direct filing from 14 to 16, except in cases of first- or second-degree murder or a sex offense combined with an aggravating condition or history (*e.g.*, crime of violence, habitual juvenile offender). Includes the following appropriations for FY 2010-11: (1) $371,880 General Fund to the Department of Human Services, Division of Youth Corrections; and (2) $135,678 General Fund to the Department of Corrections, Youthful Offender System. Partially offsets these increases with a $266,803 General Fund reduction for the Department of Corrections' External Capacity Subprogram. Results in a net appropriations increase of $240,755 General Fund for FY 2010-11. Specifies that enactment of H.B. 10-1413 is continent upon whether the enactment of H.B. 10-1360 results in a General Fund savings for FY 2010-11 that is equal to or greater than the General Fund appropriations in H.B. 10-1413. House Bill 10-1413 was enacted with savings at this level.

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

APPENDIX C: UPDATE OF FY 2009-10
LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

1 **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 October 15, 2010. This plan mirrors the plans submitted for both FY 2009-10 and FY 2010-11.

Sex Offender Surcharge Fund Allocation Plan: FY 2011-12			
Department	**Description**	**Amoun t**	**% 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%**

As detailed in the following table, the SOMB is requesting a continuation level of appropriations for FY 2011-12 ($533,181). However, requested appropriations are anticipated to exceed projected fund revenues in FY 2011-12 by $116,032. It is anticipated that the SOMB will again direct departments to restrict spending in FY 2011-12 (by a total of $100,000, including $55,000 for Judicial) in order to avoid exceeding available funds.

Sex Offender Surcharge Cash Fund: Revenue and Expenditure Trends					
Description	**FY 08-09 Actual**	**FY 09-10 Actual**	**FY 10-11 Proj.**	**FY 11-12 Proj.**	**FY 12-13 Proj.**
Beginning Fund Balance	$81,178	$42,469	$61,874	$77,061	$61,029
Revenues	409,108	419,266	415,073	417,149	419,234
Expenditures:					
Judicial	258,272	226,522	302,029	302,029	302,029
Judicial Spending Restrictions			(75,507)	(55,000)	(55,000)
Corrections	24,035	21,983	29,311	29,311	29,311
Human Services	31,365	28,663	38,250	38,250	38,250
Public Safety	134,145	122,693	163,591	163,591	163,591
Other Spending Restrictions			(57,788)	(45,000)	(45,000)
Total Expenditures	447,817	399,861	399,886	433,181	433,181

Sex Offender Surcharge Cash Fund: Revenue and Expenditure Trends					
Description	FY 08-09 Actual	FY 09-10 Actual	FY 10-11 Proj.	FY 11-12 Proj.	FY 12-13 Proj.
Ending Fund Balance	**42,469**	**61,874**	**77,061**	**61,029**	**47,082**
Annual Change in Fund Balance		19,405	15,187	(16,032)	(13,947)
Fund Balance as Percent of Annual Expenditures	*9.5%*	*15.5%*	*19.3%*	*14.1%*	*10.9%*

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.

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

Comment: This footnote was first added in FY 2007-08, and was vetoed for FY 2007-08, FY 2008-09, and FY 2009-10. *For FY 2010-11, the Governor did not veto the footnote, but, similar to direction in prior years, directed the Department to comply only to the extent feasible.* In his message, the Governor indicated that he felt that the footnote goes beyond expressing legislative intent and violates the separation of powers by attempting to administer the appropriation. He indicated that he was not vetoing the footnote because it was framed as the intent of the General Assembly. He therefore directed the department to consider the General Assembly's suggestions during the implementation of the project. *The Department has consistently indicated that it intends to comply, with the exception that the Executive Director would make the final "go/no go" decision, taking into consideration the recommendation of the steering committee.*

In response to staff questions, the Department provided the following update on its compliance with the footnote.

- Steering Committee – The Steering Committee was seated and has been active throughout the CHATS project. The Committee includes participation of a county commissioner, a county human services director, and a representative for the provider and the client community, along with other members identified by the Department.

- Pilot of the System – This footnoted requirement was met through a phased-in implementation schedule of the new system, which included an eleven-week pilot phase consisting of five counties that represent twenty-five percent of the statewide caseload.

- Steering Committee Authority – The Steering Committee, including the county representatives, brought the recommendation of "go" to the Executive Director at the time of the Pilot Phase go-live decision, as well as moving into the Phase 1 go-live phase at the conclusion of the pilot phase.

- Ongoing costs of maintenance and administration of the system to be covered through savings or reductions to CCCAP and remaining Child Care Development Fund reserves – the Division will comply with this requirement at the time of implementation and forward.

Additional Background. Most funding associated with this project is appropriated in the Capital Construction budget. Funding for the project was first appropriated in the FY 2007-08 budget. In June and September 2008, the JBC authorized interim supplemental adjustments to address project cost increases and a delay in development. Cost estimates and the capital construction appropriation increased from $8.5 million to $14.7 million federal Child Care Development Funds, and the project's official "start date" for purposes of the three-year capital construction appropriation became June 23, 2008. Following further delays, active development finally began in May 2009. Roll-out was successfully completed November 1, 2010.

The Department's budget request for FY 2011-12 includes the annualization of an FY 2010-11 request to transfer funding for the project to the Office of Information Technology Services to support ongoing system maintenance costs. An ongoing annual appropriation of $1.4 million federal Child Care Development Funds (previously appropriated to the Child Care Assistance Program line item) has been authorized for system maintenance and training for the new Child Care Automated Tracking System line item in the Office of Information Technology Services. *This amount is consistent with estimates for a full year of ongoing costs included in the project's feasibility study, plus an additional $166,000 for training costs. However, staff anticipates that amounts may be further adjusted based on updated cost data.* (The $1.2 million CHATs appropriation projected in the feasibility study has already been augmented by a $166,000 increase for ongoing CHATS training and an $801,000 increase for CHATs share of state infrastructure costs.)

21 **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 portion of the footnote related to not transferring to Child Welfare Administration was added for FY 2010-11). 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 06-07	FY 07-08*	FY 08-09*	FY 09-10*
Administration	($39,318)	$86,306	($316,200)	($425,345)
Training	(84,968)	(49,883)	(6,681)	27,452
Foster and Adoptive Parent Recruitment, Training, and Support	(31,070)	(33,665)	(9,953)	4,984
Child Welfare Services	166,148	(1,682,843)	(4,019,467)	(1,949,243)
Excess IV-E Reimbursements	0	306,669	0	0
Family and Children's Programs	(10,792)	1,373,416	4,352,301	2,355,329
Promoting Safe and Stable Families	0	0	0	(13,177)
Net Transfers	$0	$0	$0	$0

*In addition to amounts shown, the Department transferred $714,357 net General Fund in FY 2007-08 and $165,005 net General Fund in FY 2008-09 and $877,351 in FY 2009-10 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.

21a **Department of Human Services, Division of Child Welfare, Child Welfare Services --** Pursuant to Section 26-5-104 (6), C.R.S., subject to Department rules, counties are authorized to negotiate rates, services, and outcomes with child welfare services providers and are thus not required to provide a specific rate decrease for any individual provider. This provision does not apply, however, to Medicaid treatment rates. The funding appropriated for this line item includes a decrease of $6,635,156 based on a 2.0 percent decrease in funding for county staff salaries and benefits, community provider rates including subsidized adoption rates, and Medicaid treatment rates.

Comment: This footnote is provided for informational purposes to explain the General Assembly's action and the extent to which this action may affect rates actually paid to providers.

<u>21b</u> **Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- Pursuant to Section 26-5-104 (6), C.R.S., subject to Department rules, counties are authorized to negotiate rates, services, and outcomes with child welfare services providers and are thus not required to provide a specific rate decrease for any individual provider. The funding appropriated for this line item includes a decrease of $913,797 based on a 2.0 percent decrease in funding for community provider rates.

<u>Comment</u>: This footnote is provided for informational purposes to explain the General Assembly's action and the extent to which this action may affect rates actually paid to providers.

21c **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.

<u>Comment</u>: 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 to date--prior to the imposition of a 2.0 percent reduction for FY 2010-11.

Allocation of Funding Earmarked for Community-based Services for Adolescents		
County Department(s)	Amount Awarded	Program
Adams	$292,897	Youth intervention program
Alamosa	63,837	Mentoring
Arapahoe	571,345	Multi-systemic therapy
Archuleta	83,970	Moral recognition therapy and responsibility training
Broomfield	56,707	Multi-systemic therapy
Chaffee	98,147	Mentoring
Conejos	62,436	Mentoring
Costilla	39,514	Mentoring
Denver	226,173	Multi-systemic therapy and strengthening families
Elbert	157,035	Multi-systemic therapy
El Paso	248,639	Multi-systemic therapy
Fremont	92,992	Functional family therapy
Garfield	22,427	Adolescent mediation services
Gunnison / Hinsdale	39,186	Functional family therapy
Huerfano	11,938	Reconnecting youth
Jefferson	424,801	Multi-systemic therapy and team decision-making
Kit Carson	19,629	Functional family therapy
La Plata / San Juan / Montezuma / Dolores / Archuleta	314,233	Multi-systemic therapy and adolescent dialectical behavioral therapy
Larimer	196,833	National Youth Program Using Mini-bikes and family group conferencing
Mesa	290,522	Rapid response and day treatment for adolescents
Montrose	64,995	Multi-systemic therapy
Pueblo	182,605	Youth outreach
Summit	21,810	Mentor-supported substance abuse treatment
Teller	115,159	Multi-systemic therapy
Weld	390,894	Reconnecting youth
TOTAL	$4,088,723	
Less 2.0 percent applied to all amounts above	($81,774)	Based on 2.0 percent provider rate decrease approved for FY 2010-11.
FY 2010-11 Total	$4,006,949	

21d 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 2011-12, in part because the Department did not fully spend appropriated amounts in FY 2009-10. The projection reflects a reduction in spending (from $3,555,500 to $2,893,839) in FY 2012-13 to avoid over-spending available revenue. **Beginning in FY 2012-13, when reserves will be exhausted, staff anticipates that appropriations will need to be reduced.** If spending for FY 2010-11 and FY 2011-12 is at the currently-appropriated level, appropriations will need to be reduced from $3.6 to $2.9 million in FY 2011-12. **On an ongoing basis, appropriations will need to be reduced (or new revenue sources identified) to address the $755,500 gap between revenue and expenditure levels.**

Performance-based Collaborative Management Incentive Cash Fund

	Actual FY 08-09	Estimated FY 09-10	Projected FY 10-11	Projected FY 11-12	Projected FY 12-13
Cash balance beginning of year	3,070,676	2,171,861	1,604,839	849,339	93,839
Actual/anticipated cash inflow	2,568,788	2,832,202	2,800,000	2,800,000	2,800,000
Actual/appropriated cash outflow	3,467,603	3,399,224	3,555,500	3,555,500	2,893,839
Actual/anticipated liquid fund balance	2,171,861	1,604,839	849,339	93,839	0
Difference - cash inflow less outflow	(898,815)	(567,022)	(755,500)	(755,500)	(93,839)

26 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: 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. Additional information related to the Department's Continuum of Care initiative is discussed pursuant to RFI #35 and a staff issue in this briefing packet. 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. The Department's response to FY 2009-10 RFI #42/FY 2010-11 #35 reflects FY 2009-10 Continuum of Care expenditures of $5,896,100 from the Parole Program Services line item. Additional funding of $9.15 million that could have been retained pursuant to the footnote was eliminated in FY 2008-09 due to statewide revenue constraints. This was originally identified as a temporary reduction, but the Department's FY 2011-12 request permanently eliminates the related funding pursuant to Base Reduction #1.

Requests for Information

24. **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, 2010. 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 06-07**	**FY 07-08**	**FY 08-09**	**FY 09-10**
Parental Fees	$3,515,732	$3,795,059	$4,134,645	$3,928,903
Federal Supplemental Security Income (SSI)	3,658,661	3,580,594	3,740,812	3,714,983
Child Support	2,263,407	2,286,038	2,607,480	2,387,778
Federal Social Security Death Benefit (SSA)	1,370,546	1,195,936	1,059,784	1,466,614
Provider Recovery	140,088	155,324	113,041	105,570
Federal Social Security Disability Income (SSDI)	143,058	165,628	154,711	107,827

Payments to Service Providers From Non-Appropriated Revenue Sources				
Description	**FY 06-07**	**FY 07-08**	**FY 08-09**	**FY 09-10**
Other	99,699	134,618	266,806	106,344
Total Offsets	$11,191,191	$11,313,197	$12,077,279	$11,818,019

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

25. **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 $82,692,273 in Title IV-E revenue during FY 2009-10. A total of $83,891,729 was needed (based on amounts budgeted in the Long Bill plus "pass through" amounts for counties). The total shortfall of $1,199,456 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 second year a shortfall occurred instead. Further information on this topic 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, 2010 is $37,605. Distributions to counties from the Excess Federal Title IV-E Cash Fund are based on revenue from the prior year. As this revenue was virtually $0, no FY 2010-11 disbursements from the Cash Fund are anticipated.

26. **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 actual expenditures for the last two fiscal years for services that are now funded through this consolidated line item. Such data should include the following: (a) program services expenditures and the average cost per open involvement per year; (b) out-of-home placement care expenditures and the average cost per child per day; and (c) subsidized adoption expenditures and the average payment per child per day.

Comment: The Department provided the requested report on November 1, 2010. The table below compares the expenditure trends based on the data submitted by the Department since FY 2004-05 As indicated in the table:

The Program Costs category has increased sharply over the last five years with respect both to total expenditures (38.9 percent increase) and with respect to cost per case for both large and small counties (49.4 percent and 39.7 percent, respectively). This category encompasses county case workers and administration as well as related services that do not fit into the out-of-home placement or subsidized adoption costs categories.

Total expenditures for out-of-home placement have fallen by 11.9 percent over the last five years, while cost per case has risen for both small-to-medium and large counties (28.6 percent and 10.9 percent, respectively). This reflects the fact that fewer days of out of home placement are being provided, although at a higher cost per day based on the mix of placements and cost per placement.

Conversely, total expenditures for adoption subsidies have increased by 10.9 percent over the last five years, while cost per case has fallen for both small-to-medium and large counties (0.7 percent and 6.6 percent, respectively). This reflects an increase in the total number of children for whom adoption subsidies are paid, despite reductions in the average rates paid per child. (Subsidy rates are typically negotiated with adoptive parents for children with special needs.)

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
% Change (FY 05 to FY	*49.4%*	*39.7%*	*38.9%*
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

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**
% Change (FY 05 to FY	*28.6%*	*10.9%*	*-11.9%*
Subsidized Adoption	**Average Daily Cost Per Child - Small and Mid-sized**	**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
% Change (FY 05 to FY	*-0.7%*	*-6.6%*	*10.9%*

27. Department of Human Services, Division of Child Welfare, Title IV-E Related County Administrative Functions -- The Department is requested to provide a report, by January 15, 2011 that addresses the Department's recommendations for maximizing the collection of revenue authorized under Title IV-E of the federal Social Security Act. The recommendations should address executive initiatives to maximize revenue, any proposals for statutory change to Section 26-1-111 (2) (d) (II) (C), C.R.S., how this line item is being used to promote Title IV-E collections, and the Department's assessment of whether ongoing General Fund support for a Title IV-E Related County Administrative Functions line item is warranted.

Comment: The Governor's response to the request for infromation, included in his later dated May 27, 2010, indicated that he would direct the Department to comply by including it in the January 3, 2011 supplemental/budget amendment request, if applicable. In its November 1, 2010 submission, the Department included a request for continuation of the $1.0 million appropriation for this line item in FY 2011-12.

28. Department of Human Services, Division of Child Care, Child Care Assistance Program -- The Department is requested to submit a report to the Joint Budget Committee by October 1, 2010 concerning the Child Care Assistance Program. The report is requested to address whether the Department, after consultation with counties and other interested parties, would recommend that eligibility for this program and/or provider reimbursement rates be set by the State. This recommendation could include eligibility/reimbursement rates that vary by region (metro, rural, mountain resort), even if they were set by the state. The Department is requested to include in the report: (1) an analysis of the programmatic and fiscal implications of such a change on program participants, providers, counties and state government; (2) how any recommended changes might be phased-in; and (3) what statutory modifications would be required. The report is requested to take into account the results of the State Auditor's Office audit of the Child Care Assistance Program required pursuant to H.B. 07-1062.

Comment: A December 8, 2008 Colorado Child Care Assistance Program (CCCAP) audit recommended that the Department consider a more unified eligibility process (consistent with the JBC staff recommendation in prior years). In response, the Department agreed to convene a committee to examine this and related recommendations that might drive substantial changes in this program. *As reflected below, the Department appears not to have reached a final decision on the key questions posed by the JBC related to setting eligibility and reimbursement on a Statewide basis.*

The Department convened a group of county directors and their designees and state staff from the Division of Child Care to discuss the questions posed by the JBC. This Committee reviewed the recommendations related to the standardizeation of eligibility and reimbursement for CCCAP. The first meeting was held October 15, 2009 with two subsequent meeting on February 9, 2010 and March 24, 2010. The questions posed to the Committee and responses are described below.

Question: How will the cost of living, population and family earnings fluctuations be addressed in the urban, rural, and resort communities?

Response: The counties have recommended that reimbursement rates and eligibility should not be set by the State. However, the State does not have a formal stand on this and will be exploring future options.

Question: What allocation distribution system would replace the existing process to ensure adequate funding in all areas of the State in order to meet a common eligibility and provider rate structure?

Response: After reviewing recommendations in the State audit concerning the allocation methodology (recommendation #17), the group recommended substantial changes, cindluing developing a more defensible estimate of poulation in need, incorporating valid calcuations of recommended rate levels (75th percentile) into the model, reevaluating the methodology and determining how much should be based on popualtion in need and costs of serving the popuation, consider incorporating performance incentives, and evaluate the model on an ongoing basis to ensure it meets the purposes set forth in statute and reduces over- and under-expenditures. The Committee further recommended that the State modify the closeout process by which funds are redistribute at year end by determining why counties overspend and establishing criteria for receiving closeout funds to prioritize counties with unexpected caseload increases over counties with higher administrative costs.

Question: Is there a common policy that addresses education and job training eligibility in those counties that have higher education impacts?

Response: common policy that addresses educaton and job training eligibility is an idea that will be explored by the State to ensure consistent access to services throughout the State.

Question: If the State mandates a common transition proces to mitigate the "cliff effect" what are the fiscal impacts and how will the polciy impact health and safety issues on families?

Response: The Committee believes in transitioning families to help mitigate the "cliff effect". This may be difficult to implement, as additional resources will be required.

33. **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.

<u>Comment:</u> The Department provided a report on January 1, 2010. Key related findings are incorporated in briefing issues in this packet on the Continuum of Care.

34. **Department of Human Services, Division of Youth Corrections, Community Programs, S.B. 91-94 Programs and Parole Program Services and** -- 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 prior actual fiscal years based on flexibility provided in the Youth Corrections budget; (2) the type of services purchased with funds transferred; (3) the number of youth served with such expenditures; (4) the impact of such expenditures; and (5) an evaluation of the effectiveness of budgetary flexibility in reducing the need for commitment and secure detention placements.

<u>Comment</u>: The Department submitted the requested report by November 1, 2010. The information provided is incorporated in a briefing issue in this packet.

35. **Department of Human Services, Division of Youth Corrections, Community Programs, S.B. 91-94 Programs** -- The Department is requested to submit to the Joint Budget Committee no later than November 1 of each year a report that includes the following information by judicial district and for the state as a whole: (1) comparisons of trends in detention and commitment incarceration rates; (2) profiles of youth served by

S.B. 91-94; (3) progress in achieving the performance goals established by each judicial district; (4) the level of local funding for alternatives to detention; and (5) identification and discussion of potential policy issues with the types of youth incarcerated, length of stay, and available alternatives to incarceration.

Comment: The Department provided a report on November, 1, 2010, addressing each of the items requested. The response is discussed in a briefing issue in this packet.

37. **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 2009-10, 2010-11, and 2011-12 (the actual, estimate, and request years): (a) the total amount of federal funds available, and anticipated to be available, to Colorado, including funds rolled forward from previous state fiscal years; (b) the amount of federal funds expended, estimated, or requested to be expended for these years by Long Bill line item; (c) the amount of funds expended, estimated, or requested to be expended for these years, by Long Bill line item where applicable, to be reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; and (d) the amount of funds expended, estimated, or requested to be expended for these years that are to be used to meet the four percent federal requirement related to quality activities and the federal requirement related to targeted funds.

Comment**:** The Department submitted the requested report on November 1, 2010.

Child Care Development Funds - Requested Appropriations. The table below reflects the requested FY 2011-12 Child Care Development Fund (CCDF) spending reflected in the footnote report.

Long Bill Section and Line Items	SFY 2011-12 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	535,922
Information Technology Services - CHATS - Child Care Automated System Maintenance (decision item)	1,690,969
Office of Operations - Administration	400,000
Office of Self Sufficiency - Electronic Benefits Transfer Service	35,575
Division of Child Care	

Long Bill Section and Line Items	SFY 2011-12 Requested CCDF Funds
Child Care Licensing and Administration	3,402,011
Child Care Assistance Program (CCAP)	50,915,729
Early Childhood Councils, School Readiness, Grants (see numbers pages line items)	8,181,978
Total	$65,442,184

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 primary differences between FY 2008-09, FY 2009-10 and FY 2010-11 expenditures include: the impact of 2009 federal American Recovery and Reinvestment Act (ARRA) funding and costs associated with the final development of a new Child Care Automated Tracking System (CHATS) in FY 2009-10.

Child Care Development Funds - Available and Expenditures				
		FY 2009-10 Actual	FY 2010-11 Estimate	FY 2011-12 Request
Funds Available				
	CCDF Fund Balance	$31,318,378	$9,658,799	$4,810,652
	New Annual CCDF Award	64,285,021	64,089,381	63,942,353
	Total Available	**$95,603,399**	**$73,748,180**	**$68,753,005**
Components:	Mandatory Funds	10,515,239	10,522,302	10,173,800
	Discretionary Funds	37,187,142	30,508,949	30,291,415
	Matching Funds	33,375,412	32,716,929	28,287,790
	ARRA Discretionary Funds	13,579,077	0	0
Total Expenditures		**$85,944,600**	**$68,937,528**	**$65,442,184**
Difference (balance to roll forward)		**$9,658,799**	**$4,810,652**	**$3,310,821**

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 2008-09 was greatly exceeded (actual expenditures of $9,308,608, versus a requirement of $4,242,495). The Department's estimate for FY 2010-11 and request FY 2011-12 reflect an anticipated requirement of $3,680,261 versus anticipated/requested expenditures/appropriations of $10,800,623.

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 $27,715,123 in matching funds for FY 2009-10, and projects the same amounts for FY 2010-11 and FY 2011-12. 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 $22,520,781 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), $2,158,960 General Fund for special education and $1,960,659 General Fund for the Colorado preschool program appropriated to the Department of Education, and $1,074,723 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. As in the past, the Department expects to rely on required county maintenance of effort expenditures of $9,584,387 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 2009-10, the Department expended $7,221,869 to comply with targeted funds requirements (including ARRA funds). For FY 2010-11 and FY 2011-12, the Department projects that it will be required to spend $3,044,816 and $3,617,264, respectively.

COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2011-12 STAFF BUDGET BRIEFING

DEPARTMENT OF HUMAN SERVICES

(Division of Child Welfare, Division of Child Care, Division of Youth Corrections)
ADDENDUM: Additional Issue on Title IV-E

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

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December 7, 2010

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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: Federal Title IV-E Revenue Trends

Under Title IV-E of the federal Social Security Act, Colorado earns federal reimbursement of at least 50 percent for some foster care and adoption services for low income children. Revenue from this sources has been declining and is likely to decline further, based on the structure of the federal program and out-of-home placement trends. Despite efforts to recognize and compensate for declines in federal revenue in the FY 2010-11 appropriation, staff now estimates a $3.0 million shortfall due in part to final federal action on reimbursement rates (FMAP) for FY 2010-11.

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, Title IV-E reimbursement is provided consistent with a state's federal match for its Medicaid program (usually 50/50 in Colorado).

❑ Colorado's Title IV-E revenues were $6.2 million lower than originally anticipated for FY 2009-10, leading to a 1.9 percent cut to county child welfare allocations *on top of* budget balancing cuts of 2.0 percent.

❑ Despite efforts to recognize and compensate for declines in federal revenue in the FY 2010-11 appropriation, staff now estimates a $3.0 million shortfall due in part to final federal action on reimbursement rates (FMAP) for FY 2010-11. Additional budget adjustments for FY 2011-12 may be needed to reflect the impact of declining Title IV-E receipts.

DISCUSSION:

Background - Federal Title IV-E. 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, although adjusted by the American Recovery and Reinvestment Act). 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:
- 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.

FY 2009-10 Federal Title IV-E Shortfall. For the second time in a row, in FY 2009-10, Title IV-E revenue received fell below appropriations of Title IV-E funds. As a result, there were no funds available for deposit to the Excess Federal Title IV-E Reimbursements Cash Fund, county allocations for child welfare services were restricted by the Department, and an additional end-of-year cut was imposed, in addition to mid-year appropriations reductions.

The table below compares how Title IV-E amounts were appropriated, reduced, restricted, and still under-earned, as well as the impact of these reductions on counties. As reflected in the table, county child welfare services comprise the majority of Title IV-E appropriations and revenues. Note that the JBC chose to rely on the Department restrictions, in lieu of deeper supplemental budget reductions, in the event that revenues came in higher than JBC staff or the Department projected. *Overall, the impact of the Title IV-E revenue issues in FY 2009-10 was that county allocations for child welfare services and Family and Children's Programs (child welfare "block" allocations) were reduced by 1.9 percent, in addition to the 2.0 percent that had been imposed by the General Assembly due to General Fund revenue restrictions and budget balancing actions, for a total reduction of 3.9 percent cut in FY 2009-10.*

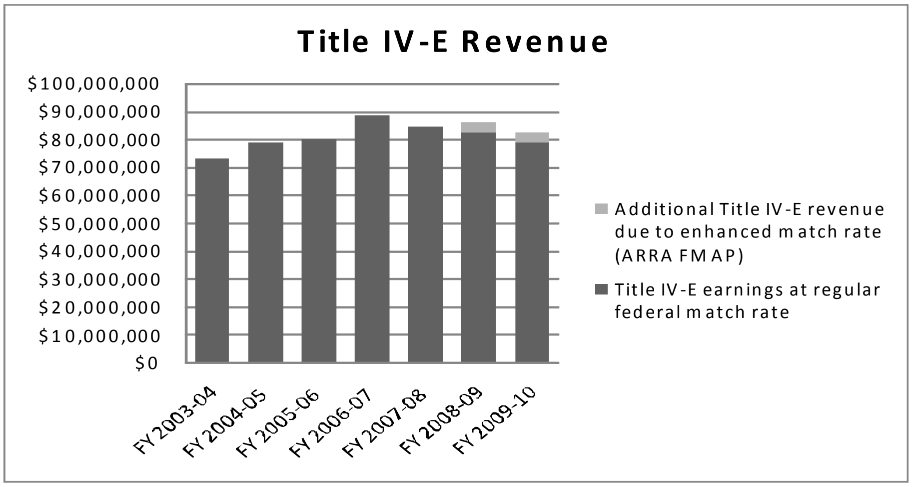
FY 2009-10 Title IV-E Revenue

	IV-E Revenue Needed	Revenue Earned/Booked	IV-E Revenue (Over)/Under Applied
Department Administration, including Child Welfare	$3,066,986	$2,847,780	$219,206
Information Technology (Colorado Trails, CBMS)	2,868,730	3,118,499	(249,769)
Child Welfare Training	2,724,854	2,641,352	83,502
Child Welfare Services and Family & Children's Services			
FY 2009-10 Long Bill (excludes ARRA amount)	71,621,043		
Supplemental reduction for budget-balancing	-868,243		
Mid-year supplemental reduction due to IV-E projection	(1,455,926)		
Additional department restriction due to IV-E projection	(3,500,000)		
Subtotal	66,665,117	65,044,907	1,620,210
Child Welfare ARRA Revenue	3,824,709	3,824,709	0
Youth Corrections	1,891,185	2,364,877	(473,692)
County Pass-throughs (county indirects; not CW services)	2,850,149	2,850,149	0
TOTAL	150,556,846	82,692,273	1,199,456

Impact Title IV-E Revenue Shortfall on FY 2009-10 County Allocations

Total county allocations in FY 2009-10 Long Bill (CW Services, Family & Children's Programs)	$399,265,111
Reduction to county allocations from FY 10 Long Bill related to IV-E (shaded cells above)	(6,155,382)
Reduction to county share (local funds) due to IV-E revenue restriction	(1,194,031)
Other FY 2009-10 supplemental reductions (budget balancing reduction - total)	(8,413,972)
Final FY 2009-10 county allocations	383,501,726
All reductions as a percent original appropriation	**-3.9%**

Title IV-E Earning Trends. Colorado has been experiencing a significant decline in Title IV-E earning for the last several years, as reflected in the chart below.



Revenue increased in FY 2006-07 due to changes that reduced Medicaid funding for child welfare services and thus allowed for increased access to Title IV-E (a State cannot receive both Medicaid and Title IV-E reimbursements for the same expenditures). Since that time, revenue has declined. Decreases occurred in FY 2007-08 and FY 2008-09 despite increases in overall funding for child welfare. In FY 2008-09 and FY 2009-10, federal funding was enhanced by a federal match rate of 62.5 percent (instead of 50 percent) for room and board expenditures approved under the American Recovery and Reinvestment Act of 2009 (ARRA). However, this higher match rate is phased out over the course of FY 2010-11.

As a result of the Title IV-E trend, the State has 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 are 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

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 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	
FY 2009-10 with ARRA*	87,391,729	82,692,273	(4,699,456)

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

The decline in Title IV-E appears to be driven by a number of 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 been falling ever more 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, and 9.0 percent in FY 2009-10.

- Income eligibility for Title IV-E is based on 1996 income standards. As incomes--and the minimum wage--have increased, fewer children and families have qualified under the income-eligibility standards. Thus, even among children in out-of-home placement, the percentage deemed to be Title IV-E eligible has been in decline (from 18.9 percent in FY 2005-06 to 17.1 percent in FY 2008-09). Due to high levels of unemployment, this portion of the trend may be somewhat arrested at present.

- 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. Finally, certain administrative changes (such as facilitating random moment sampling of child placement agencies) can increase claims. The Department has not thus far indicated the extent to which various county and court practices may be negatively affecting Title IV-E earning.

Colorado's decline in Title IV-E revenue is consistent with the national pattern. 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 (Green Book, 2008, a publication of the U.S. House of Representatives). Various efforts to modify the Title IV-E funding structure, including through expanding the use of Title IV-E "waivers" (similar to

Medicaid waivers) have not to-date passed both houses of Congress. However *it is critical that Colorado be poised to respond rapidly should additional waiver opportunities become available.*

FY 2010-11 Title IV-E appropriation and General Fund backfill. During FY 2010-11 figure setting, JBC staff alerted the Committee to the steep declines in IV-E revenue and incorporated these declines into figure-setting. The JBC and General Assembly took steps to backfill these declines, as had been done to a more limited extent in prior years. For FY 2010-11, this required an additional $6.7 million General Fund (including appropriations to support county Title IV-E administrative activities) and eliminated nearly half the savings from other budget reduction initiatives in the Division. The table below summarizes actions taken over the last three years to compensate for declines in federal Title IV-E funding for child welfare services and related county administrative activities.

Backfill for Title IV-E Declines - FY 2008-09 through FY 2009-10

	FY 2008-09	FY 2009-10	FY 2010-11	Cumulative Total (FY 09 to FY 11)
Child Welfare Services	$0	($1,455,926)	$819,843	($636,083)
General Fund	634,518	597,230	5,689,483	6,921,231
Cash Funds (local match)	0	0	(178,806)	(178,806)
Federal IV-E	(634,518)	(2,053,156)	(7,176,036)	(9,863,710)
Federal Other (Title XX)	0	0	900,000	900,000
Federal IV-E ARRA	0	0	1,585,202	1,585,202
Title IV-E Administrative Activities/Excess Title IV-E Cash Fund	$0	($2,800,000)	($701,252)	($3,501,252)
General Fund	0	0	1,000,000	1,000,000
Cash Funds (Excess Title IV-E)	0	(2,800,000)	(1,701,252)	(4,501,252)
Total Backfill for IV-E Shortfalls	$634,518	$597,230	$9,174,685	$10,406,433
General Fund Backfill	634,518	597,230	6,689,483	7,921,231
Other Funds Backfill	0	0	2,485,202	2,485,202

Additional FY 2010-11 Shortfall. It now appears that if the General Assembly wishes counties to have access to allocations at the level appropriated in the FY 2010-11 Long Bill, additional backfill may be required. This is for two reasons:

- Final federal action on the enhanced match rate for Medicaid and Title IV-E for FY 2010-11 was lower than the amount anticipated for the Long Bill. The Long Bill reflected the assumption that the reimbursement for Title IV-E room and board costs would be 56.2 percent throughout FY 2010-11. Instead, this is the match rate for the first two quarters of FY 2010-11. In the third quarter, the reimbursement falls to 53.2 percent, and in the fourth quarter it falls to 51.2 percent. This is equivalent to a rate of 54.2 percent over the course of the year.

- The share of expenditures that will qualify for the enhanced match rate is expected to be lower than was projected during figure setting. Based on FY 2009-10 actual figures, it is apparent that ARRA receipts for FY 2009-10 (and thus FY 2010-11) were over-estimated.

This estimate includes no change to the "regular" Title IV-E reimbursement estimate, which staff had already estimated would decline by 6.3 percent from the FY 2009-10 level.

	Title IV-E at regular reimbursement rate	Title IV-E ARRA revenue (enhanced reimbursement rate)	ARRA revenue as percent regular revenue
FY 2009-10 Actual	$65,044,907	$3,824,709	5.9%
FY 2010-11 Appropriation (56.2% enhanced match for room & board, higher qualifying expenses)	61,255,286	5,496,339	9.0%
FY 2010-11 Revised Estimate (54.2% enhanced match for room and board, lower qualifying expenses)	61,255,286	2,439,980	4.0%
Estimated IV-E Shortfall for FY 2010-11 due to ARRA shortfall	0	($3,056,359)	

During figure setting, staff noted that the $1,585,202 in ARRA funding used to assist in the backfill of the "regular" Title IV-E shortfall was uncertain and noted that, if revenue did not come in at this level, there should not be an expectation that it would be replaced with General Fund. The balance of funding ($1,471,157) represents federal ARRA funds that were used to refinance General Fund on a supposedly temporary basis. **There is not, however, any specific legal requirement that the General Fund be reinstated.** If funds are not available to backfill the lost revenue, counties will simply need to absorb the reduction and the associated county match within their FY 2010-11 budgets (a reduction of approximately 0.9 percent).

FY 2011-12 Title IV-E. The Department's November FY 2011-12 budget request makes no effort to address the likelihood that Title IV-E revenue will continue to decline, apart from the end of the enhanced match available under ARRA. However, given that total FY 2009-10 revenue came in even lower than was projected, it is not unreasonable to anticipate further declines. Between FY 2008-09 and FY 2009-10, revenues for county child welfare allocations fell by $4.7 million (6.7 percent). Because this decline was partially compensated for by additional earnings for youth corrections, department-wide Title IV-E revenues fell by $3.9 million (4.7 percent) over this period.

A federal funds revenue decline of 7.0 percent from the FY 2010-11 Title IV-E revenue projection for child welfare allocations would translate to a revenue reduction of $4.3 million and, if not backfilled, **a cut on the order of an additional 1.1 percent** to child welfare allocations to counties in FY 2011-12. *Given ongoing revenue restrictions, this further cut may be unavoidable. However, at a minimum, staff would expect the Department to recognize the reduction in budget documents and (ultimately) county allocations, so that counties are not faced with unexpected, mid-year restrictions as they were in FY 2009-10.*