M E M O R A N D U M

TO: **Members of the Joint Budget Committee**

FROM: **Amanda Bickel, JBC Staff**

SUBJECT: **Staff Technical Comebacks - Department of Human Services, Divisions of Child Welfare, Child Care, Youth Corrections, Office of Self Sufficiency**

DATE: **March 14, 2012**

The following items represent minor technical corrections and additional information from the staff figure setting presentations dated March 7, 2012 and February 21, 2012.

<u>Division of Youth Corrections, Community Services, Purchase of Contract Placements</u>

FY 2011-12: During the figure setting presentation for the Division of Youth Corrections, the Committee voted to add funds to enable the Division to operate state facilities at 100 percent of design capacity, rather than 110 percent, during the last quarter of FY 2011-12. The fiscal impact of this change is reflected in the table below.

Division of Youth Corrections, Purchase of Contract Placements FY 2011-12

	Total	**GF**	**RF**	**FF**	**Net GF**
FY 2011-12 Appropriation (enacted)	$32,678,826	$30,218,055	$1,430,296	$1,030,475	*$30,933,203*
Long Bill add-on - Eliminate DYC Overcrowding last quarter FY 2012	<u>651,124</u>	<u>579,329</u>	<u>28,438</u>	<u>43,357</u>	*<u>593,548</u>*
Recommended FY 2011-12 Appropriation	**$33,329,950**	**$30,797,384**	**$1,458,734**	**$1,073,832**	***$31,526,751***

Consistent with the Committee's vote, staff **would also reduce by the FY 2011-12 appropriation for the Division of Child Care, Child Care Assistance Program, by $593,548 General Fund.**

FY 2012-13: Staff has made adjustments to eliminate some minor discrepancies between the Department request and staff recommendation for this line item. The differences (totaling less than $4,000) relate to the rates assumed for certain types of placements. A revised staff recommendation is included below. For the Committee's information, the table below also includes a more detailed break-out of the components of the Department's contract placements supplemental. Please note that this table builds the recommendation from the current, enacted appropriation and does not incorporate the FY 2010-11 appropriation adjustment described above.

Division of Youth Corrections, Purchase of Contract Placements FY 2012-13

	Total	**GF**	**RF**	**FF**	**Net GF**
FY 2011-12 Appropriation (enacted)	$32,678,826	$30,218,055	$1,430,296	$1,030,475	*$30,933,203*
Eliminate state facility overcrowding (full year impact)	2,576,285	2,377,042	112,767	86,476	*2,433,426*
Add contract placements in lieu of 40 state operated beds (annualize FY 2011-12 adjustment)	1,138,043	1,030,379	75,081	32,583	*1,067,920*

Division of Youth Corrections, Purchase of Contract Placements FY 2012-13

	Total	GF	RF	FF	Net GF
Population Forecast Adjustment	(1,374,523)	(1,289,349)	(60,416)	(24,758)	*(1,319,557)*
Annualize FY 2011-12 Leap Year Funding	(80,602)	(74,660)	(3,302)	(2,640)	*(76,311)*
Recommended FY 2012-13 Appropriation	**$34,938,029**	**$32,261,467**	**$1,554,426**	**$1,122,136**	***$33,038,680***

Pots Adjustments Related to Division of Youth Corrections BA #6 - Contract Placements Supplemental

During figure setting for the Division of Youth Corrections, staff noted that the staff recommendation on a shift-differential adjustment associated with the Division's facility closures was pending. In addition, based on additional information from the Department, *staff is revising all of the recommended changes to "pots" amounts in the Executive Director's Office associated with the Division's "right sizing" initiative (part of the Budget Amendment #6 - Purchase of Contract Placements figures)*. Pots adjustments were not included in the request, but staff feels they are appropriate given the large number of staff being reduced (46.0 FTE compared to the FTE when the original "pots runs" were completed at the end of FY 2011-12). The new recommendation for these adjustments is shown below. Most of the changes from the staff figure setting presentation are small; however, the Health, Life, Dental amount is a much larger reduction than the figure included in the original staff figure setting presentation.

Staff Recommendation **BA #6 Contract Placements Supplemental** **Pots Adjustments Associated with Closure of State-operated DYC Beds**	**Total (General Fund)**
Amortization Equalization Disbursement (AED)	$75,910
Supplemental AED	65,236
Short-term Disability	4,198
Health, Life, and Dental	302,237
Shift Differential	45,296
Total	**$492,877**

Legislative Requests for Information

During figure setting for the Divisions of Child Welfare and Youth Corrections, staff noted that there might be revisions to the staff recommendation on Multiple-Department Legislative Request for Information #2, based on further consultation with the Department. A revised staff recommendation, for this request, which incorporates Departmental input, is included below. Note that this version of the request focuses on providing a coherent system of care for youth with multi-system-involvement and not solely on refinancing options.

2. **Department of Health Care Policy and Financing, Executive Director's Office; and Department of Human Services, Division of Child Welfare, Mental Health and Alcohol and Drug Abuse Services, and Division of Youth Corrections** -- The Departments are requested to submit a report by November 1, 2012, that examines how to provide an effective system of care for youth who are involved in the child welfare, youth corrections, and behavioral health systems. The services provided within such a system of care may include, but need not be limited to, multi-systemic therapy; functional family therapy, targeted case management, and similar intensive, evidence-based therapies that support family preservation and reunification . The report is specifically requested to examine whether related General Fund expenditures could be refinanced with Medicaid funds for Medicaid-eligible youth and families and whether this could be done in a manner that would promote more coordinated service delivery and would not drive an overall increase in state General Fund costs.

In addition, Senator Steadman moved, and the Committee approved, a new request for information related to Child Welfare training. A proposed draft for this is also included below.

N **Department of Human Services, Division of Child Welfare, Training** -- The Department is requested to provide, by November 1, 2012, an assessment of how the child welfare training academy could be improved, including, but not limited to: (1) changes that would make training more accessible for participants who come from counties that are located far from academy training centers; and (2) expanding training to county staff on an ongoing basis to ensure that all staff have a common understanding of current law, rule, and best practice. The response should include an estimate of the additional funding that would be required to implement such changes.

Disability Determination Services

Office of Self Sufficiency, Disability Determination Services - Due to a staff user error in entering data in the new JBC CLIMBS data base, staff did not accurately reflect annualization of the S.B. 11-076 PERA Contribution bill in the figure setting write-up for this line item. A corrected staff-recommendation line item table is reflected below.

	Total	**FF**	**FTE**
FY 2011-12 Appropriation	16,733,285	16,733,285	121.7
Annualize S.B. 11-076 (PERA Contributions)	**168,853**	**168,853**	0.0
Reflect anticipated federal funding for disability determination services	3,000,000	3,000,000	0.0
Recommended FY 2012-13 Appropriation	**$19,902,138**	**$19,902,138**	**121.7**

Additional Note Related to Pending Items - Self Sufficiency and Child Welfare TANF Adjustments

The Committee has not yet voted on line items in the Office of Self Sufficiency that require TANF funding and the two largest line items in the Division of Child Welfare. Please note that, if the Committee chooses to make reductions or increases to funding for Colorado Works County Block Grants or Child Welfare Services, *the staff recommendation would be to also adjust the local cash funds component (county MOE requirement for Colorado Works County Block Grants and 20 percent county share for Child Welfare) commensurate with any adjustments to TANF funding.*

FY 2011-12 Contract Placements with Supplemental Add-on

Table 1 - Projection Based on Average of DCJ and LCS December 2011 Forecasts	Commitment	Detention	Total
Forecasted Beds	993.8	422.0	1,415.8
Minus Boulder Impact	(7.0)		(7.0)
Minus State Capacity	(467.1)	(405.0)	(872.1)
Contract Beds	**519.7**	**17.0**	**536.7**

100 % commitment capacity	434.5
110% capcity	478.0
120% capcity	521.4
3/4 @ 110%; 1/4 @ 100%	467.1

DCJ Forecast	1,006.5
LCS Forecas	981.0
JBC "middle'	993.8

Table 2 - Estimated Need Based on Averages To-date - FY 2011-12	Contract Beds	Estimated Rate	Total	General Fund	Medicaid RF	Federal Funds	*Net GF*
TRCCF Treatment (38.5%)	199.9	$177.90	13,015,769	13,015,769	0	0	*13,015,769*
TRCCF Fee-for-Service		$18.50	1,353,523	0	1,353,523	0	*676,762*
CPA (1.1%)	6.0	$79.78	175,197	175,197	0	0	*175,197*
RCCF (60.4%)	313.9	$142.15	16,331,244	16,331,244	0	0	*16,331,244*
Total Commitment Beds	**519.8**		**30,875,733**	**29,522,210**	**1,353,523**	**0**	**30,198,972**
Detention Beds (after SB 11-217)	17.0	$137.80	857,392	857,392	0	0	*857,392*
DYC Continuation Adjusted for Caseload			**31,733,125**	**30,379,602**	**1,353,523**	**0**	***31,056,364***
IV-E Maintenance Billings	49.8	$56.41		(1,028,174)	0	1,028,174	*(1,028,174)*
JBC Staff Recommendation - Excluding "Right Sizing"			**31,733,125**	**29,351,428**	**1,353,523**	**1,028,174**	***30,028,190***
Adjustment for "Right Sizing" (offset by other reductions)			**1,596,825**	**1,445,956**	**105,211**	**45,658**	***1,498,562***
Total Contract Placmements (includes S.B. 11-217 adjustment)			**$33,329,950**	**$30,797,384**	**$1,458,734**	**$1,073,832**	**$31,526,752**

Medicaid atch rate	50.0%
Days in year	**366**

Assumptions:

1. Uses mid-point between the DCJ forecast and LCS forecast from December 2011.
2. Estimated beds for Boulder Impact Project reflect February 2011 DYC estimated capacity for FY 2011-12.
3. Assumes 422 detention beds pursuant to Section 19-2-1201, C.R.S. Of these, 405 are in state-operated facilities
4. Assumes contract rates provided by the Division of Youth Corrections in its Jan 2012 submission.
5. The percentage of PRTF, TRCCF, and RCCF placements, as a percent of total commitment beds, is based on the estimated ratio provided by the Division of Youth Corrections as a part of its Jan 2012 submission

FY 2011-12 Federal Title IV Funding Calculations:			
Total Community Placement ADP	**519.8**	Rate for IVE maintenance used $	112.81
Estimated percent placed at Ridge View	47.9%	at 50% IV E revenue	50%
Resulting Youth at Ridge View	**249.0**	Resulting revenue rate per day $	56.41
Penetration Rate of Youth at Ridge Viev	20%		
Resulting Youth for IV-E claims	**49.8**		

Purchase of Contract Placements Calculation FY 2012-13

Table 1 - Projection Based on Average of DCJ and LCS December 2011 Forecasts	Commitment	Detention	Total
Forecasted Beds	970.7	422.0	1,392.7
Minus Boulder Impact	(7.0)		(7.0)
Minus State Capacity (w/o realignment)	(434.5)	(405.0)	(839.5)
Contract Beds	**529.2**	**17.0**	**546.2**

DCJ Forecast	983.3
LCS Forecast	958.0
Average	970.7

100 % commitment capacity	434.5
110% capcity	478.0
120% capcity	521.4

Table 2 - Estimated Need Based on Averages To-date - FY 2012-13

	Contract Beds	Estimated Rate	Total	General Fund	Medicaid RF	Federal Funds	*Net GF*
TRCCF Treatment (38.5%)	203.5	$177.90	13,213,967	13,213,967	0	0	*13,213,967*
TRCCF Fee-for-Service		$18.50	1,374,134	0	1,374,134	0	*687,067*
CPA (1.1%)	6.1	$79.78	177,630	177,630	0	0	*177,630*
RCCF (60.4%)	319.6	$142.15	16,582,366	16,582,366	0	0	*16,582,366*
Total Commitment Beds	**529.2**		**31,348,097**	**29,973,963**	**1,374,134**	**0**	**30,661,030**
Detention Beds (after SB 11-217)	17.0	$137.80	855,064	855,064	0	0	*855,064*
DYC Continuation Adjusted for Caseload			**32,203,161**	**30,829,027**	**1,374,134**	**0**	***31,516,094***
IV-E Maintenance Billings	50.7	$56.41		(1,043,895)	0	1,043,895	*(1,043,895)*
JBC Staff Recommendation - Excluding "Right Sizing"			**32,203,161**	**29,785,132**	**1,374,134**	**1,043,895**	***30,472,199***
Adjustment for Realignment			**2,734,868**	**2,476,335**	**180,292**	**78,241**	***2,566,481***
Total Contract Placmements			**$34,938,029**	**$32,261,467**	**$1,554,426**	**$1,122,136**	**$33,038,680**

Assumptions:

1. Uses mid-point between the DCJ forecast and LCS forecast from December 2011.
2. Estimated beds for Boulder Impact Project reflect February 2011 DYC estimated capacity for FY 2012-13.
3. Assumes 422 detention beds pursuant to Section 19-2-1201, C.R.S. Of these, 405 are in state-operated facilities
4. Assumes contract rates provided by the Division of Youth Corrections in its Jan 2012 submission.
5. Calculations in Table 1 and at the top of Table 2 reflect the use of DYC state-operated capacity prior to realignment (bed closures) in FY 2011-12. The realignment adjustment (closure of 40 state-operated beds) is then addressed as as separate component (adjustment for realignment).
6. The percentage of PRTF, TRCCF, and RCCF placements, as a percent of total commitment beds, is based on the estimated ratio provided by the Division of Youth Corrections as a part of its Jan 2012 submission

FY 2011-12 Federal Title IV Funding Calculations:			
Total Community Placement ADP	**529.2**	Rate for IVE maintenance used $	112.81
Estimated percent placed at Ridge View	47.9%	at 50% IV E revenue	50%
Resulting Youth at Ridge View	**253.5**	Resulting revenue rate per day $	56.41
Penetration Rate of Youth at Ridge View	20%		
Resulting Youth for IV-E claims	**50.7**		

Realignment Calculation - FY 2012-13

Table 2 - Contract Beds Due to Realignment							
	Contract Beds	**Estimated Rate**	**Total**	**General Fund**	**Medicaid CF**	**Federal Funds**	***Net GF***
TRCCF Treatment	26.7	$191.32	1,864,509	1,864,509	0	0	*1,864,509*
TRCCF Fee-for-Service		$18.50	180,292	0	180,292	0	*90,146*
CPA	0.0	$79.78	0	0	0	0	*0*
RCCF	13.3	$142.15	690,067	690,067	0	0	*690,067*
Total Commitment Beds	**40.0**		**2,734,868**	**2,554,576**	**180,292**	**0**	**2,644,722**
DYC Continuation Adjusted for Caseload			**2,734,868**	**2,554,576**	**180,292**	**0**	***2,644,722***
IV-E Maintenance Billings	3.8	$56.41		(78,241)	0	78,241	*(78,241)*
JBC Staff Recommendation			**2,734,868**	**2,476,335**	**180,292**	**78,241**	***2,566,481***

COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2012-13 STAFF FIGURE SETTING

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

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March 7, 2012

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FY 2012-13 FIGURE SETTING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE

DEPARTMENT OF HUMAN SERVICES
(Division of Child Welfare, Division of Child Care, Division of Youth Corrections)

TABLE OF CONTENTS

Numbers Pages..2

Narrative

General Remarks..12

Executive Director's Office (Child Welfare/Youth Corrections Related)..14

Child Welfare..18

Temporary Assistance for Needy Families (Includes Pending Items)..24

Child Care..52

Youth Corrections..73

Long Bill Footnotes and Requests for Information..98

Appendix
Department of Human Services Federal Sequestration Projection

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
DEPARTMENT OF HUMAN SERVICES					
Reggie Bicha, Executive Director					
(1) EXECUTIVE DIRECTOR'S OFFICE					
(B) Special Purpose					
Administrative Review Unit	**2,185,083**	**2,172,174**	**2,083,539**	**2,132,138**	**2,095,086**
FTE	24.0	23.7	24.2	24.2	24.2
General Fund	1,416,269	1,393,948	1,349,610	1,383,043	1,359,049
Federal Funds	768,814	778,226	733,929	749,095	736,037
Records and Reports of Child Abuse or Neglect	**474,010**	**493,520**	**567,611**	**577,448**	**567,260**
FTE	7.2	7.6	7.5	7.5	7.5
Cash Funds	474,010	493,520	567,611	577,448	567,260
Child Protection Ombudsman Program	**0**	**66,695**	**370,000**	**370,000**	**370,000**
General Fund	0	66,695	370,000	370,000	370,000
Juvenile Parole Board	**234,917**	**245,332**	**243,285**	**247,281**	**243,143**
FTE	2.9	3.0	3.0	3.0	3.0
General Fund	200,587	199,564	199,013	202,200	198,891
Reappropriated Funds	34,330	45,768	44,272	45,081	44,252

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
(5) DIVISION OF CHILD WELFARE					
Administration	3,096,026	3,626,699	3,592,042	3,674,600	3,612,737
FTE	32.5	38.2	41.0	41.0	41.0
General Fund	2,338,423	2,822,672	2,778,121	2,843,014	2,796,813
Reappropriated Funds	121,418	120,423	130,938	134,305	131,836
Federal Funds	636,185	683,604	682,983	697,281	684,088
Training	5,827,898	6,225,059	6,127,139	6,134,611	6,128,761
FTE	3.5	5.8	6.0	6.0	6.0
General Fund	2,871,971	2,991,855	2,996,049	3,000,279	2,996,983
Cash Funds	37,230	37,230	0	37,230	37,230
Federal Funds	2,918,697	3,195,974	3,093,860	3,097,102	3,094,548
Foster and Adoptive Parent Recruitment, Training, and Support	340,275	327,407	326,300	335,562	334,294
FTE	1.0	0.6	1.0	1.0	1.0
General Fund	273,276	260,292	259,431	268,395	267,382
Federal Funds	66,999	67,115	66,869	67,167	66,912
Child Welfare Services	336,157,346	331,169,644	334,835,846	334,343,137	333,343,137
General Fund	165,010,711	156,115,993	161,141,108	163,843,770	163,843,770
Cash Funds	61,168,175	61,129,115	60,805,148	60,730,814	60,730,814
Reappropriated Funds	13,070,654	12,176,287	14,328,538	14,293,272	14,293,272
Federal Funds	96,907,806	101,748,249	98,561,052	95,475,281	94,475,281

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Excess Federal Title IV-E Distributions for Related County Administrative Functions	0	0	1,000,000	1,000,000	1,350,000
Cash Funds	0	0	1,000,000	1,000,000	1,350,000
Family and Children's Programs	48,030,915	46,143,068	44,776,053	44,776,053	44,776,053
General Fund	31,224,534	31,916,198	24,132,328	33,632,328	33,632,328
Cash Funds	5,213,955	5,113,437	5,113,437	5,113,437	5,113,437
Federal Funds	11,592,426	9,113,433	15,530,288	6,030,288	6,030,288
Performance-based Collaborative Management Incentives	3,399,224	3,410,652	3,224,669	3,224,669	3,224,669
Cash Funds	3,399,224	3,410,652	3,224,669	3,224,669	3,224,669
Independent Living Programs	2,541,666	2,338,973	2,826,582	2,826,582	2,826,582
FTE	4.0	4.0	4.0	4.0	4.0
Federal Funds	2,541,666	2,338,973	2,826,582	2,826,582	2,826,582
Promoting Safe and Stable Families Program	4,467,806	4,458,610	4,455,017	4,456,680	4,453,284
FTE	1.5	1.5	2.0	2.0	2.0
General Fund	36,913	32,549	49,849	50,265	49,416
Cash Funds	1,064,160	1,064,160	1,064,160	1,064,160	1,064,160
Federal Funds	3,366,733	3,361,901	3,341,008	3,342,255	3,339,708
Federal Child Abuse Prevention and Treatment Act Grant	420,110	440,172	431,730	436,054	436,054
	3.0	2.6	3.0	3.0	3.0
Federal Funds	420,110	440,172	431,730	436,054	436,054

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Title IV-E Related County Administrative Functions	**0**	**465,864**	**0**	**0**	**0**
General Fund	0	305,731	0	0	0
Federal Funds	0	160,133	0	0	0
Total Funds - (5) Division of Child Welfare	**404,281,266**	**398,606,148**	**401,595,378**	**401,207,948**	**400,485,571**
FTE	**45.5**	**52.7**	**57.0**	**57.0**	**57.0**
General Fund	201,755,828	194,445,290	191,356,886	203,638,051	203,586,692
Cash Funds	70,882,744	70,754,594	71,244,644	71,170,310	71,520,310
Reappropriated Funds	13,192,072	12,296,710	14,459,476	14,427,577	14,425,108
Federal Funds	118,450,622	121,109,554	124,534,372	111,972,010	110,953,461

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation	
(6) DIVISION OF CHILD CARE						
Child Care Licensing and Administration	6,215,878	6,434,191	6,486,315	6,589,293	6,505,173	
FTE	57.5	61.4	64.4	64.4	64.4	
General Fund	2,081,444	2,232,018	2,205,189	2,259,138	2,220,727	
Cash Funds	621,744	650,162	758,031	770,824	770,824	
Federal Funds	3,512,690	3,552,011	3,523,095	3,559,331	3,513,622	
Fines Assessed Against Licensees	4,918	19,999	20,000	20,000	20,000	
Cash Funds	4,918	19,999	20,000	20,000	20,000	
Child Care Assistance Program	75,618,195	74,802,572	73,976,592	73,976,592	73,976,592	*
General Fund	15,354,221	14,604,221	14,104,221	13,286,710	13,604,221	
Cash Funds	9,183,907	9,182,622	9,182,622	9,182,622	9,182,622	
Federal Funds	51,080,067	51,015,729	50,689,749	51,507,260	51,189,749	
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Targeted Funds Requirements	3,471,723	3,473,633	3,473,633	3,473,633	3,473,633	
Federal Funds	3,471,723	3,473,633	3,473,633	3,473,633	3,473,633	
Early Childhood Councils	2,985,201	2,479,040	1,978,317	1,978,317	1,977,345	
FTE	1.2	1.0	1.0	1.0	1.0	
General Fund	1,006,161	0	0	0	0	
Federal Funds	1,979,040	2,479,040	1,978,317	1,978,317	1,977,345	
School-readiness Quality Improvement Program	2,235,113	2,229,305	2,226,745	2,228,586	2,227,574	
FTE	1.3	1.1	1.0	2.0	1.0	
Federal Funds	2,235,113	2,229,305	2,226,745	2,228,586	2,227,574	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Child Care Assistance Program - ARRA Funding	**10,405,227**	**0**	**0**	**0**	**0**
Federal Funds	10,405,227	0	0	0	0
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Targeted Funds Requirements - ARRA Funding	**6,347,700**	**0**	**0**	**0**	**0**
Federal Funds	6,347,700	0	0	0	0
Total Funds - (6) Division of Child Care	**107,283,955**	**89,438,740**	**88,161,602**	**88,266,421**	**88,180,317**
FTE	**60.0**	**63.5**	**66.4**	**67.4**	**66.4**
General Fund	18,441,826	16,836,239	16,309,410	15,545,848	15,824,948
Cash Funds	9,810,569	9,852,783	9,960,653	9,973,446	9,973,446
Federal Funds	79,031,560	62,749,718	61,891,539	62,747,127	62,381,923
(11) DIVISION OF YOUTH CORRECTIONS					
(A) Administration					
Personal Services	**1,444,515**	**1,338,265**	**1,319,003**	**1,347,573**	**1,321,168**
FTE	15.9	16.3	15.4	15.4	15.4
General Fund	1,444,515	1,338,265	1,319,003	1,347,573	1,321,168
Operating Expenses	**30,391**	**29,103**	**29,111**	**30,357**	**30,357**
General Fund	30,391	29,103	29,111	30,357	30,357

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation	
Victim Assistance	**26,121**	**26,238**	**27,631**	**29,203**	**28,658**	
FTE	0.4	0.3	0.5	0.5	0.5	
Reappropriated Funds	26,121	26,238	27,631	29,203	28,658	
Total Funds - (A) Administration	**1,501,027**	**1,393,606**	**1,375,745**	**1,407,133**	**1,380,183**	
FTE	**16.3**	**16.6**	**15.9**	**15.9**	**15.9**	
General Fund	1,474,906	1,367,368	1,348,114	1,377,930	1,351,525	
Reappropriated Funds	26,121	26,238	27,631	29,203	28,658	
(B) Institutional Programs						
Personal Services	**44,135,871**	**43,338,883**	**41,079,510**	**41,107,227**	**40,326,652**	*
FTE	779.6	776.5	771.0	749.3	752.3	
General Fund	44,135,871	43,338,883	41,079,510	41,107,227	40,326,652	
Operating Expenses	**3,746,588**	**3,423,140**	**3,382,033**	**3,354,975**	**3,336,475**	*
General Fund	2,251,559	2,039,742	2,051,833	2,024,775	2,006,275	
Reappropriated Funds	1,495,029	1,383,398	1,330,200	1,330,200	1,330,200	
Medical Services	**8,307,298**	**8,046,831**	**6,827,560**	**6,797,396**	**6,548,356**	*
FTE	34.0	32.2	37.5	36.0	36.0	
General Fund	7,895,215	6,991,074	6,827,560	6,797,396	6,548,356	
Reappropriated Funds	412,083	1,055,757	0	0	0	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation	
Educational Programs	6,076,544	6,155,964	5,552,958	5,498,044	5,375,308	*
FTE	36.1	34.0	37.8	34.8	34.8	
General Fund	5,486,363	5,407,851	5,216,292	5,157,268	5,034,532	
Reappropriated Funds	590,181	748,113	336,666	340,776	340,776	
Prevention/Intervention Services	48,915	49,140	49,693	49,693	49,693	
FTE	0.0	0.0	1.0	1.0	1.0	
Reappropriated Funds	48,915	49,140	49,693	49,693	49,693	
Enhanced Mental Health Services Pilot for Detention	64,037	0	0	0	0	
General Fund	64,037	0	0	0	0	

Total Funds - (B) Institutional Programs	**62,379,253**	**61,013,958**	**56,891,754**	**56,807,335**	**55,636,484**
FTE	**849.7**	**842.7**	**847.3**	**821.1**	**824.1**
General Fund	59,833,045	57,777,550	55,175,195	55,086,666	53,915,815
Reappropriated Funds	2,546,208	3,236,408	1,716,559	1,720,669	1,720,669

(C) Community Programs

Personal Services	7,583,841	7,365,511	6,608,142	6,775,791	6,640,855
FTE	108.5	104.8	97.8	97.8	97.8
General Fund	7,231,687	7,010,887	6,258,853	6,418,496	6,283,560
Cash Funds	50,020	50,441	49,698	50,833	50,833
Reappropriated Funds	45,514	45,411	44,658	45,688	45,688
Federal Funds	256,620	258,772	254,933	260,774	260,774

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation	
Operating Expenses	**346,564**	**330,976**	**324,140**	**337,444**	**337,444**	
General Fund	344,116	328,528	321,692	334,996	334,996	
Cash Funds	2,448	2,448	2,448	2,448	2,448	
Purchase of Contract Placements	**37,329,349**	**34,103,927**	**32,678,826**	**34,938,014**	**34,941,983**	*
General Fund	35,109,655	31,491,814	30,218,055	32,261,452	32,265,421	
Reappropriated Funds	1,493,558	1,461,152	1,430,296	1,554,426	1,554,426	
Federal Funds	726,136	1,150,961	1,030,475	1,122,136	1,122,136	
Managed Care Pilot Project	**1,118,451**	**1,298,657**	**1,368,060**	**1,368,060**	**1,368,060**	
General Fund	1,085,115	1,263,970	1,335,391	1,335,391	1,335,391	
Reappropriated Funds	33,336	34,687	32,669	32,669	32,669	
S.B. 91-94 Programs	**13,238,558**	**12,926,386**	**12,031,528**	**12,031,528**	**12,031,528**	
General Fund	13,238,558	12,926,386	12,031,528	12,031,528	12,031,528	
Parole Program Services	**5,696,259**	**5,360,526**	**4,180,771**	**4,180,771**	**4,180,771**	
General Fund	4,819,099	4,468,867	3,289,112	3,289,112	3,289,112	
Federal Funds	877,160	891,659	891,659	891,659	891,659	
Juvenile Sex Offender Staff Training	**36,811**	**36,910**	**47,060**	**47,060**	**47,060**	
General Fund	8,148	8,300	8,810	8,810	8,810	
Cash Funds	28,663	28,610	38,250	38,250	38,250	

*This line item includes a decision item.

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Staff Recommendation
Total Funds – (C) Community Programs	**65,349,833**	**61,422,893**	**57,238,527**	**59,678,668**	**59,547,701**
FTE	**108.5**	**104.8**	**97.8**	**97.8**	**97.8**
General Fund	61,836,378	57,498,752	53,463,441	55,679,785	55,548,818
Cash Funds	81,131	81,499	90,396	91,531	91,531
Reappropriated Funds	1,572,408	1,541,250	1,507,623	1,632,783	1,632,783
Federal Funds	1,859,916	2,301,392	2,177,067	2,274,569	2,274,569
Total Funds - (11) Division of Youth Corrections	**129,230,113**	**123,830,457**	**115,506,026**	**117,893,136**	**116,564,368**
FTE	**974.5**	**964.1**	**961.0**	**934.8**	**937.8**
General Fund	123,144,329	116,643,670	109,986,750	112,144,381	110,816,158
Cash Funds	81,131	81,499	90,396	91,531	91,531
Reappropriated Funds	4,144,737	4,803,896	3,251,813	3,382,655	3,382,110
Federal Funds	1,859,916	2,301,392	2,177,067	2,274,569	2,274,569
Total Funds - Department of Human Services - Child Welfare, Child Care, Youth Corrections Divisions	**702,089,505**	**670,766,341**	**671,161,355**	**680,249,660**	**677,924,817**
FTE	**1,208.0**	**1,208.2**	**1,224.9**	**1,199.9**	**1,201.9**
General Fund	378,008,468	360,353,299	354,275,684	371,372,107	370,195,341
Cash Funds	83,827,126	83,559,683	83,938,377	84,725,810	85,058,255
Reappropriated Funds	31,363,822	30,683,099	33,693,427	35,965,603	35,942,787
Federal Funds	208,890,089	196,170,260	199,253,867	188,186,140	186,728,434

*This line item includes a decision item.

FY 2012-13 Figure Setting
DEPARTMENT OF HUMAN SERVICES
Division of Child Welfare, Division of Child Care, Division of Youth Corrections

GENERAL REMARKS

Net General Fund. Many of the line items covered in this figure-setting packet include substantial amounts of Medicaid funding transferred from the Department of Health Care Policy and Financing (HCPF). These amounts are shown as reappropriated funds in the Department of Human Services, but there is a substantial General Fund component included in the original appropriations made in HCPF. The related line items in HCPF are not addressed in figure setting for that Department. In order to allow the Committee to understand the full General Fund impact of decisions, many of the summary tables for lines covered in this packet include a "Net GF" column. This column reflects the total General Fund impact when the HCPF appropriations are included.

Common policy adjustments in this packet. The following adjustments are reflected repeatedly in this packet.

- **Restore PERA Contribution.** Staff calculations annualize the impact of S.B. 11-076, restoring the employer contribution for retirement benefits (payments to PERA, the Public Employees Retirement Association) to the level in effect in FY 2009-10, consistent with Committee common policy. This change reduces the employee share of retirement contributions by 2.5 percent of the employee's salary and increases the state share by the same amount.

- **Base personal services reduction – 2.0 Percent.** Consistent with Committee common policy, staff has applied a 2.0 percent base reduction to salaries in line items that include personal services. The 2.0 percent base reduction is calculated from the estimated FY 2011-12 total for salaries from the budget request "schedule 14" plus a 2.0 percent reduction for PERA and Medicare amounts associated with these salaries.

- **Restore FY 2010-11 Operating Expense Reduction.** The Department's FY 2010-11 SBA-8 provided for operating expense reductions in multiple department line items. The original request was designed to achieve a 5.0 percent reduction in General Fund operating expenses for the Department, excluding a large portion of operating expenses in institutional facilities. The Governor's Office required that all departments submit such a request, but departments were given flexibility in how the cut was applied. The Human Services request was not distributed evenly across Department line items. Further, the original request indicated that this reduction was for two years only (FY 2010-11 and FY 2011-12). Staff's understanding at the time was that the Committee had approved the Department request as submitted. The staff recommendation for FY 2012-13 therefore reflects restoring this funding consistent with common policy on annualizations.

Executive Director's Office line items. This packet includes recommendations for selected line items in the Executive Director's Office that are directly related to Youth Corrections and Child Welfare programs. Other Executive Director's Office line items are set as part of other Department of Human Services figure setting presentations.

Federal Funding. Many line items in this packet are expected to be affected by sequestration which, based on current federal law, would begin to take effect in January 2013. The Department of Human Services has provided staff with a ***preliminary*** estimate of the impact of sequestration on its programs. Based on information from the American Public Human Services Association, this preliminary estimate reflects reductions of 7.5 percent per year starting in FY 2012-13 compounding to reach a 50 percent reduction to affected programs from current funding levels by 2021. While some key health and human services programs are protected from sequestration--including Medicaid, Title IV-E, TANF, the majority of the Child Care Development Funds, and the Supplemental Nutrition Assistance Program—many other programs would be severely affected if this preliminary estimate is correct and if Congress does not take action to further modify and target federal budget cuts. The Department's analysis is included as an attachment to this packet.

Staff has shared this analysis with the National Conference of State Legislatures staff. They have indicated that *they believe the FY 2012-13 amounts are reasonable estimates based on current law*; however they also point out that the Federal Executive budget request assumes no sequestration and provides alternative budget cut and revenue increase proposals. Furthermore, *they do not believe it is reasonable to assume reductions based on sequestration for FY 2013-14 or future years based on current law. Cuts to discretionary programs for FY 2013-14 and beyond are anticipated, but exactly what cuts will be determined by federal appropriators.*

In general, staff has not incorporated adjustments related to these potential federal funding changes into recommended appropriation levels. *The Department has indicated that it intends to submit an interim supplemental reflecting the impact of sequestration on the FY 2012-13 appropriation* but indicates that it does not presently have sufficient information from federal authorities to accurately identify changes.

Staff also believes the federal funding picture is too unsettled to make related adjustments productive in most cases—and it may remain so until the Fall. There is still a considerable chance that budget reduction measures other than the sequester may be implemented, and the final result may be affected by the outcome of the November 2012 general election. Nonetheless, for federal funding sources appropriated by the General Assembly, staff has included a discussion of the potential impact of sequestration to provide the Committee with additional context for making budget decisions.

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

ADMINISTRATIVE REVIEW UNIT

This line item provides funding for the Department's "Administrative Review Unit"(ARU), which is responsible for implementing a wide variety of federal requirements related to quality assurance for the child welfare system and some youth corrections placements.

Staffing Summary	FY 2010-11 Actual	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.
Director (General Professional VII)	0.3	1.0	1.0	1.0
Supervisors (General Professional VI)	3.0	3.0	3.0	3.0
Compliance Investigators/Other	20.4	20.2	20.2	20.2
TOTAL	23.7	24.2	24.2	24.2

The ARU is responsible for ensuring that the State has a child welfare quality assurance system that operates throughout the State and is able to identify service adequacy, quality, strengths, and needs, to report on areas needing improvement, and to evaluate the effectiveness of system improvement efforts.

The majority of ARU staff time is devoted to providing federally-mandated periodic on-site case reviews of children and youth who are placed in out-of-home residential care. These reviews include children and youth placed out of the home by county departments of social services, as well as youth placed in a community setting by the Division of Youth Corrections. These face-to-face reviews are open to participation by all involved parties (the child's birth parents, foster parents, guardian ad litem, probation officer, caseworker, etc.). Federal law requires that these face-to-face case reviews be conducted by an independent entity, separate from a state's child welfare division. The reviews ensure that the child is safe, receiving required and appropriate services, and that progress is being made to either return the child or youth home safely or achieve permanency through another means. They also ensure that the county has appropriately determined the child or youth's eligibility for federal Title IV-E funds.

ARU staff also conduct periodic desk-audit reviews of a random sample of individual cases (in a single county or a group of smaller counties) to examine initial assessments and in-home and out-of-home placement decisions and activities.

Finally, the ARU evaluates various systemic data indicators which are used for quality-review purposes by counties, the State and federal authorities. It publishes quarterly data reports by county on various Child and Family Services Review safety, permanency, and well being outcome measures and prepares topical reports on key system-wide issues such Colorado child fatalities, appropriateness of county decisions to "screen out" (not assess) certain cases, and the implementation of Colorado's child welfare risk assessment tool.

In mid-FY 2008-09, 3.0 FTE were added to address problems with timeliness in completing federally-required reviews of out-of-home placements. In FY 2011-12, 1.0 FTE was removed due to declines in the out-of-home placement caseload, while the Department internally reassigned 2.0 FTE to be in-home review coordinators.

The Department requests $2,132,138 total funds, including $1,383,043 General Fund and 24.2 FTE. The request includes the annualization of S.B. 11-076 (PERA contributions) and the annualization of FY 2010-11 SBA-8 (5% operating expense reduction). The staff recommendation is reflected in the table below and is calculated consistent with common policy. Federal funds are from Title IV-E of the Social Security Act.

	Total	GF	FF	FTE
Personal Services				
FY 2011-12 Appropriation	1,892,205	1,225,244	666,961	24.2
Annualize S.B. 11-076 (PERA Contributions)	43,266	28,100	15,166	0.0
Common Policy 2.0 Percent Personal Services Reduction	(37,052)	(23,994)	(13,058)	0.0
Subtotal - Personal Services	**1,898,419**	**1,229,350**	**669,069**	**24.2**
Operating Expenses				
FY 2011-12 Appropriation	191,334	124,366	66,968	0.0
Annualization of FY 2010-11 SBA-8 (5% Operating Reduction)	5,333	5,333	0	0.0
Subtotal - Operating Expenses	**196,667**	**129,699**	**66,968**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$2,095,086**	**$1,359,049**	**$736,037**	**24.2**

<u>Records and Reports of Child Abuse or Neglect</u>

This line item provides funding for the Department to maintain records of abuse and neglect and to perform related functions. The Department of Human Services uses records and reports of child abuse or neglect for the purpose of conducting background screening checks (generally requested by employers and agencies to screen potential child care employees, child care facility license applicants, and prospective adoptive parents). Fees paid for screening checks are used to cover the direct and indirect costs of performing background checks and administering provisions related to the appeals process and the release of information contained in records and reports[1]. Functions related to records and reports of abuse and neglect are currently performed as follows:

- County departments of social services enter confirmed reports of child abuse or neglect in the state Department's automated system (Colorado Trails) within 60 days of receiving the complaint.

- County departments of social services provide notice to a person responsible in a confirmed report of child abuse or neglect of the person's right to appeal the county department's finding to the state Department within 90 days.

[1] These fees are also used to cover a portion of the costs of related legal services and administrative law judge services.

- Such a person may request: (1) a paper review of the county's confirmed report and record by the Department of Personnel and Administration, Division of Administrative Hearings; or (2) a fair hearing (either by telephone or in person) by the Division of Administrative Hearings before an administrative law judge, at which the state Department would bear the burden of proof. The notice includes information as to how the individual can access the county department's dispute resolution process.

- The state Department's Office of Appeals issues final agency decisions upon review of an administrative law judge's final decision. The final agency decision continues to advise the individual who filed the appeal of his/her right to seek judicial review in the state district court.

In FY 2007-08, 1.3 FTE was added to this line item to help address a backlogs in child abuse dispute reviews and to avoid a backlog for background checks. The fee for a background check is currently $33.

Records and Reports Staffing Summary	**FY 2010-11 Actual**	**FY 2011-12 Approp.**	**FY 2012-13 Request**	**FY 2012-13 Recomm.**
Administrative support and Technicians (background/employment screening and issuance of final agency decisions)	3.0	3.5	3.5	3.5
General Professionals (represent Department at hearings and settlement conferences)	3.8	4.0	4.0	4.0
TOTAL	**7.6**	**7.5**	**7.5**	**7.5**

The Department requests $577,448 cash funds and 7.5 FTE. The request includes the annualization of S.B. 11-076 (PERA contributions). The staff recommendation is reflected in the table below and is calculated consistent with common policy. Cash funds are from fees deposited to the Records and Reports Fund.

	Total	**CF**	**FTE**
Personal Services			
FY 2011-12 Appropriation	529,540	529,540	7.5
Annualize S.B. 11-076 (PERA Contributions)	9,837	9,837	0.0
Common Policy 2.0 Percent Personal Services Reduction	(10,188)	(10,188)	0.0
Subtotal - Personal Services	**529,189**	**529,189**	**7.5**
Operating Expenses			
FY 2011-12 Appropriation	38,071	38,071	0.0
Subtotal - Operating Expenses	**38,071**	**38,071**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$567,260**	**$567,260**	**7.5**

Child Protection Ombudsman

This program was created through Senate Bill 10-171 (Newell/Gagliardi). The bill required 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 receive and review complaints, investigate and resolve cases when appropriate, evaluate and make recommendations for the creation of a statewide grievance policy, make recommendations to improve the child welfare system, promote best practices, and report to the Governor and the General Assembly. (Complaints relating to the Judicial Branch and judicial proceedings are to be referred to the Judicial Branch). Subject to available appropriations, the Department is required to make legal counsel available to the program in the performance of its duties, and may provide legal representation to the ombudsman in any action brought against the ombudsman in connection with his or her duties. At the beginning of the third year after program implementation, the State Auditor's Office is required to conduct a performance and fiscal audit of the program.

The Child Protection Ombudsman office opened in May 2011. Because this was later than anticipated, some funds were reverted in FY 2010-11. The fiscal note for the bill assumed that the $370,000 General Fund appropriated would support contract service costs for an Ombudsman's office with four staff, as well as legal services for the Ombudsman ($29,097 of the total is set aside for this). The FY 2011-12 Ombudsman contract is consistent with the fiscal note.

The Department requests, and staff recommends, a continuation level of funding of $370,000 General Fund.

JUVENILE PAROLE BOARD

Pursuant to Section 19-2-206 (6), C.R.S., the Department of Human Services is responsible for providing clerical support for the Juvenile Parole Board (JPB). The juvenile parole board administrator is appointed by the executive director of the Department of Human Services.

The Juvenile Parole Board is a nine-member body responsible for reviewing and approving parole applications for adjudicated juveniles in the custody of the Division of Youth Corrections (DYC). Authority for the Juvenile Parole Board is established in Section 19-2-206, C.R.S. The full board is required to meet no less than once per month (Section 19-2-206 (4), C.R.S.). Members of the Juvenile Parole Board are reimbursed for expenses incurred in the performance of their duties. In addition to the reimbursement of expenses, the four citizen board members and the local elected official member receive a per diem of one hundred fifty dollars per day spent transacting official business of the board. House Bill 08-1156 (Casso/Gibbs) clarified the role of the Juvenile Parole Board and added a victims' rights coordinator position, using reappropriated funds transferred from the Department of Public Safety.

Executive Director's Office - Juvenile Parole Board Staffing Summary	FY 2010-11 Actual	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.
Board Administrators and Support Staff	2.3	2.2	2.2	2.2
Victims' Rights Coordinator	0.7	0.8	0.8	0.8
TOTAL	3.0	**3.0**	**3.0**	**3.0**

The Department requests $247,281, including $202,200 General Fund, and 3.0 FTE. The request includes the annualization of S.B. 11-076 (PERA contributions). The staff recommendation is reflected in the table below. Reappropriated funds are from the Victim Assistance Fund, transferred from the Department of Public Safety.

	Total	GF	RF	FTE
Personal Services				
FY 2011-12 Appropriation	220,996	176,724	44,272	3.0
Annualize S.B. 11-076 (PERA Contributions)	3,996	3,187	809	0.0
Common Policy 2.0 Percent Personal Services Reduction	(4,138)	(3,309)	(829)	0.0
Subtotal - Personal Services	**220,854**	**176,602**	**44,252**	**3.0**
Operating Expenses				
FY 2011-12 Appropriation	22,289	22,289	0	0.0
Subtotal - Operating Expenses	**22,289**	**22,289**	**0**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$243,143**	**$198,891**	**$44,252**	**3.0**

(5) DIVISION OF CHILD WELFARE

The Division of Child Welfare supervises the child welfare programs that are administered by Colorado's 64 counties. The Department of Human Services also conducts periodic on-site reviews of children who are in residential care. County responsibilities include: (1) receiving and responding to reports of potential child abuse or neglect; and (2) providing necessary and appropriate child welfare services to the child and the family, including providing for the residential care of a child when a court determines that it is necessary and in the best interests of the child and community to remove the child from the home.

Child Welfare Systems Change. Over the last several years, child abuse fatalities and a number of reports have highlighted weaknesses in Colorado's child welfare system and recommended changes. 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).

In response to these studies, the Governor and the General Assembly have taken a variety of steps, ranging from providing funding for additional studies and research (*e.g.*, creation of the Child Welfare Action Committee) to adding new Division of Child Welfare staff and expanded funding for caseworker training. The Child Welfare Action Committee, which issued three reports between its creation in 2008 and completion in 2010, served a central role in shaping a number of system reform efforts.

Some of the changes initiated during the Ritter administration that have been continued, include:

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 (later reduced to 2.0 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). This expansion in state staffing was largely untouched by the recession.

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. A state base practice model reflecting state standards of care was completed in October 2010, and the model was rolled out to the first cohort of counties in FY 2010-11. It is expected to be rolled out to all counties by September 2014. The model incorporates a system by which counties engage in continuous, data-based review of their performance and continuous quality improvement. The Practice Initiative is also central to Colorado’s Performance Improvement Plan for responding to its 2009 federal Child and Family Services Review.

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 (subsequently reduced to $1.2 million) and 6.0 of the FTE described above. The request built on an existing system of state training for caseworkers. The new administration has indicated it would like to update the curriculum and expand the Academy to provide ongoing training for senior work staff, supervisors, leaders, and foster parents.

Child Welfare Ombudsman. S.B. 10-171 created 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. Senate Bill 12-011 (Spence/Summers) would remove the five-county limit on the differential response pilot. Counties that choose to be added to the pilot are expected to have increased workload and costs at the front-end but may realize future cost savings to the extent families are diverted from more expensive placements and deeper system involvement.

The Department's new Executive Director, Reggie Bicha, has also recently announced a new strategic plan for advancing child welfare practice in the State. The plan reflects continued focus, development and expansion of:

- the Colorado Practice Model,
- Differential Response, and
- the Training Academy.

It also reflects some new initiatives, such as:

Use of Data to Manage Performance. The administration is particularly highlighting its new data-based performance management strategy (C-Stat) for tracking real-time performance data across the state in child welfare (as well as other program areas). It is also highlighting a new county scorecard to drive county practice improvement.

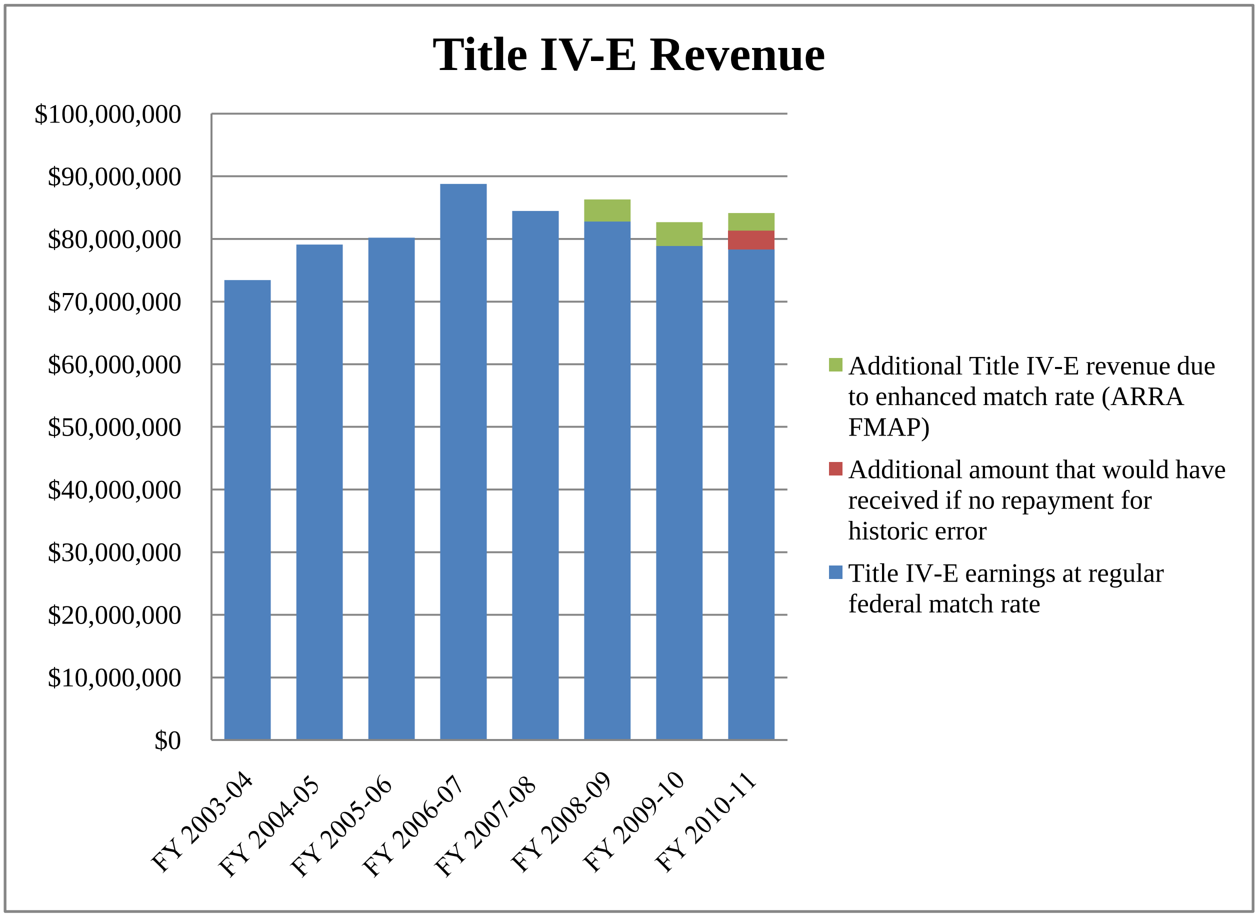
Reforming Funding. The administration has expressed a desire to align funding sources with outcomes. Staff understands that this may include bringing in consultants to help the Department move forward on this issue, which has been a topic of conversation (but no substantive change) for many years.

Engaging the Public and Partners. The Department indicates it is interested in new legislation that would allow the Department to publicly share information (good and bad) regarding child welfare investigations. It also indicates it wishes to establish a new *governance council* for child welfare, chaired by the Executive Director, and including county commissioners, foster parents, providers, advocates, and families served. C-stat information would also be made publicly available.

New Pathways for Adolescents with Behavioral Health Needs. Department plans in this area are not yet clear, although some of these changes may be shaped in part by the S.B. 10-153 Behavioral Health Transformation Council. As discussed in the JBC staff budget briefing for child welfare, JBC staff has significant concerns about how adolescents with behavioral health needs are handled in the child welfare, mental health, and DYC systems. Staff is therefore pleased to see renewed Department focus on the issue.

Title IV-E Waiver. Title IV-E is an open-ended federal entitlement through which states are partially reimbursed for the room-and-board and administrative costs associated with foster care and adoption services for very poor youth. In Colorado, the reimbursement rate is 50 percent for most qualified expenditures, and the State receives over 80 million per year in federal Title IV-E revenue.

Title IV-E Revenue Decline. As for many other states, Colorado's Title IV-E revenue has been on an overall downward trend for a number of years due to the decline in out-of-home placement, as well as to an income standard that has not changed since 1996. County and state administrative issues have also had an impact. Title IV-E does not provide reimbursement for services provided to keep a child in the family home, even though the federal legal and regulatory environment places increasing emphasis on avoiding out of home placements, serving children and families in the family home, and reunifying families if this can be done safely.



The decline in revenue since FY 2008-09 has been addressed by the State through a combination of reductions to county funding allocations and General Fund backfill, as reflected in the table below.

Adjustments for Title IV-E Revenue Declines - FY 2008-09 through FY 2011-12					
	FY 2008-09	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**Cumulative Total**
Child Welfare Services	$0	($1,455,926)	$819,843	(1,983,503)	($2,619,586)
General Fund	634,518	597,230	5,689,483	(1,000,000)	5,921,231
Cash Funds (local match)	0	0	(178,806)	(398,301)	(577,107)
Federal IV-E	(634,518)	(2,053,156)	(7,176,036)	1,000,000	(8,863,710)
Federal Other (Title XX)	0	0	900,000	0	900,000
Federal IV-E ARRA	0	0	1,585,202	(1,585,202)	0
Title IV-E Administrative Activities/Excess Title IV-E Cash Fund	$0	($2,800,000)	($701,252)	0	($3,501,252)
General Fund	0	0	1,000,000	(1,000,000)	0
Cash Funds (Excess IV-E)	0	(2,800,000)	(1,701,252)	1,000,000	(3,501,252)
Total Appropriation Impact	$0	($4,255,926)	$118,591	($1,983,503)	($6,120,838)
General Fund Backfill	634,518	597,230	6,689,483	(2,000,000)	5,921,231
Other Funds Backfill/Reduced	0	0	2,306,396	(1,983,503)	322,893
Title IV-E Reduced	(634,518)	(4,853,156)	(8,877,288)	2,000,000	(12,364,962)

The Department of Human Services now projects that, absence a change in the Title IV-E reimbursement mechanism, Title IV-E revenue will likely continue to fall at the rate of 5 to 10 percent per year due to anticipated ongoing reductions in the use of congregate care placements. This is anticipated *despite* various new initiatives designed to improve Title IV-E claiming.

Title IV-E Waiver Option. On September 30, 2011, the President signed into law S. 1542, *the Child and Family Services Improvement and Innovation Act*. Among other provisions, this bill renewed the authority of the federal Department of Health and Human Services to grant 10 new demonstration waivers per year designed to test innovative strategies in state child welfare programs between 2012 and FFY 2014. The authority is provided to grant waivers of up to five years, with the final set of demonstration waivers concluding September 30, 2019. Title IV-E waivers were first authorized in 1994, but, until the passage of this legislation, no new waivers had been granted since 2006.

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

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

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

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

The federal application for the waivers has not yet been released, leaving key questions about the waivers unanswered. However, key considerations for the state include:

- *Maintenance of Effort.* For the period of the demonstration, it appears the State and participating counties might be agreeing to a maintenance of effort for child welfare services expenditures.

- *Cost Neutrality.* Waivers must be "cost neutral" from a federal perspective. It is unclear how cost-neutrality will be calculated, i.e., whether flat or declining federal funding will be assumed.

- *Time-frames.* Based on the Department's most recent analysis, it appears that the faster a waiver is implemented for Colorado, the better. The amount of waiver funding will be set based on a "baseline" figure, and Colorado projects that ongoing, substantial declines in out-of-home placement will likely outweigh other factors intended to increase Title IV-E collections.

- *Colorado chances, and the need for a strong demonstration project.* With only 30 new waivers on-offer, there is likely to be considerable competition among other states for these waivers. Staff assumes that to win a waiver, Colorado would need to demonstrate a significant innovation. It is likely that in a Colorado proposal, some counties would participate in a waiver and others not, which would provide a comparison group.

Recent Update. On February 2, 2012, the federal Department of Health and Human Services issued a notice announcing that States wishing to apply for a waiver are encouraged to provide a letter of intent. States usually have 60-90 days to submit this sort of document, although neither instructions nor a time line for the application process have been provided. The Department reports that Colorado is currently drafting a letter of intent based on the information provided in the notice.

The Department also reports that two workgroups have been formed on this issue. One (in which JBC staff has been involved) has been looking at how to increase IV-E revenue and the fiscal impacts of a waiver. The second is examining the potential content of a waiver application. Four areas of focus have been recommended.

- family engagement using differential response;
- intensive family finding to locate relatives or kin;

- the development and implementation of a recruitment and retention plan to improve the use of a continuum of family foster homes, and
- the development and implementation of a plan that ensures congregate care is used appropriately and reduces the placement of children and youth in such care.

The recommendations from the workgroup are being aligned with the Department's recommendations, which are to focus on both prevention of placement and prevention of re-entry into placement through post-placement services.

Staff Recommendation on Statutory Change. Staff believes that, if the Department wishes to pursue a Title IV-E waiver, it should request the JBC to sponsor legislation authorizing this. It is not certain that such legislation is strictly required, given the existing statutory authority of the Department related to federal funding and Title IV-E; however, to the extent that such a waiver will affect the amount of state funding required for child welfare services, staff believes there should be a shared understanding between the Executive and Legislative branches regarding the implications of a waiver. The Department is not prepared to say with certainty that it wishes to pursue a waiver until the waiver application is released (anticipated mid-April). Until this occurs, staff also cannot be certain that a waiver will be in the best interests of the State. *The staff recommendation on this issue is therefore still pending. However, based on conversations with Department staff, JBC staff does believe it is likely that the Department will approach the Committee to sponsor a late-bill on this topic. While both the Department and staff position on this issue may change if there are major surprises in the federal waiver application, based on the recent history of Title IV-E revenue and ongoing declines in out-of-home placements, staff continues to be supportive of the concept.*

Temporary Assistance for Needy Families Funding for Child Welfare Programs and R-3. Since the beginning of the recession, the Department has requested, and the General Assembly has approved, multiple actions to refinance General Fund appropriations in the Child Welfare Services and Services for Children and Families line items with Temporary Assistance for Needy Families block grant funds. As of FY 2011-12, a total of $23.5 million General Fund had been refinanced with TANF funds. These refinance actions have fallen into two categories:

- *Refinance actions specifically identified as temporary.* These actions were based on the availability of state-controlled reserves which had been created, in part, by additional funding made available under the American Recovery and Reinvestment Act. As of FY 2011-12, these actions comprised $12.5 million of the TANF appropriations in the Division of Child Welfare and were expected to end in FY 2012-13. *As anticipated, the Department has requested that these temporary refinance actions, totaling $12.5 million, be reversed in FY 2012-13 and that TANF funding be reduced and General Fund appropriations for Child Welfare programs be increased by the same amount.* This includes reversing FY 2009-10 Budget Amendment #36, which refinanced $9.5 million in Services for Children and Families for three years and FY 2010-11 BRI-5, which refinanced $3.0 million in Child Welfare Services for two years.

- *Refinance actions identified as ongoing.* After the temporary refinance is eliminated, a total of $11.0 million in TANF appropriations remains in the appropriation for Child

Welfare Services and Services for Children and Families. This funding was expected to be ongoing, and TANF appropriations for these child welfare programs were paired with eliminating TANF appropriations for the Statewide Strategic Use Fund and the TANF Program Maintenance Fund.

As the Committee is aware, the State is now facing a serious shortfall in TANF funding due to the combination of an imbalance between base TANF appropriations and ongoing annual revenue (a $10.4 million problem) and Congressional failure to reauthorize TANF Supplemental Grants in FY 2011-12 (a $13.6 million problem). Together, these two problems drive a 16 percent reduction in TANF program funding, which will need to be progressively addressed between FY 2011-12 and FY 2013-14.

"Regular" TANF Block Grant	$136,056,690
Supplemental Grant	13,569,691
Base TANF Revenue - Prior Years	**149,626,381**
FY 2011-12 Long Bill TANF Approp.	172,488,134
Eliminate temporary child welfare refinance	(12,500,000)
Base TANF Appropriations - FY 2012-13	**159,988,134**
Gap Base Revenue and Base Appropriations	**(10,361,753)**
Loss of Supplemental Grant starting FY 2011-12	($13,569,691)
Total shortfall to be addressed when no reserves	**($23,931,444)**
Percent Reduction in TANF Funding	-16.0%

During the staff figure setting presentation for Self Sufficiency programs on February 21, 2012, staff recommended that Child Welfare Services TANF appropriations be reduced by $1.0 million in FY 2012-13 to help address this problem. This portion of the staff recommendation on R-3 (TANF Solvency) was not requested by the Executive, and the Committee has not yet taken action on it or on any of the Self Sufficiency line items that include TANF funding.

Staff Recommendation on R-3 (TANF Solvency)
From Feb. 21, 2012 Presentation

	TANF Base FY 2012-13	**Staff Rec. FY 2012-13**	**Recommended Changes**	**Percent Change**
Colorado Works TANF Allocations to Counties (County Block Grants, Block Grant Support Fund, Reimbursement to Counties due to MOE Reduction)	$135,237,861	$127,841,772	-11,693,493	-8.6%
Information Technology & Indirect Costs	6,318,057	6,318,057	0	0.0%
Colorado Works State Administration (Administration, Evaluation, County Training, Program Maintenance Fund, Workforce Development Council)	2,467,205	2,152,997	-362,054	-14.7%
Refugee Assistance	2,805,334	2,705,334	-100,000	-3.6%
Low Income Energy Assistance	1,500,000	0	-1,500,000	-100.0%

Domestic Abuse Program	659,677	629,677	-30,000	-4.5%
Child Welfare Programs	**11,000,000**	**10,000,000**	**-1,000,000**	**-9.1%**
Total	**159,988,134**	**145,302,587**	**-14,685,547**	**-9.2%**

Requested v. Recommended Changes to Federal TANF Funds Appropriations for FY 2012-13 By Line Item – From Feb 21, 2012 Presentation

	Requested Changes	**Recommended Changes**
Colorado Works Administration	($60,208)	($128,047)
County Block Grants	(5,168,767)	(5,168,767)
Reimbursement to Counties for Prior Year Expenditures Due to MOE Reduction*	(5,524,726)	(5,524,726)
County Block Grant Support Fund	0	(1,000,000)
County Training	(114,000)	(114,000)
Domestic Abuse Program	(30,000)	(30,000)
Workforce Development Council	0	(20,007)
Colorado Works Program Maintenance Fund	0	(100,000)
Low Income Energy Assistance Program	0	(1,500,000)
Refugee Assistance	(50,000)	(100,000)
Child Welfare Services	**0**	**(1,000,000)**
Total Reductions	**($10,947,701)**	**($14,685,547)**

The recommended change to Child Welfare Services would represent a 0.3 percent reduction to the Child Welfare Services FY 2011-12 line item appropriation of $334.8 million.

New Information Related to TANF funding and Staff Recommendation.

1. *The Department has reported the receipt of an additional $2,267,611 TANF Contingency Funds in FY 2011-12.* This brings the total FY 2011-12 Contingency Fund receipts up to $11,338,055. These one-time moneys could either be used to reduce the level of cut in FY 2011-12 or FY 2012-13.

2. *The Department has reported that it currently projects the unspent amount that could be transferred from the Statewide Strategic Use Fund in FY 2012-13 will be $1,009,363.* This amount is subject to change; however, there will be no new allocations made out of uncommitted funds in FY 2011-12, so the only changes that might occur relate to final actual expenditure of existing contracts. All goods and services funded must be received or provided by June 30, 2012. Grantees have until August 15, 2012 to submit final paperwork and invoices. In addition, the Colorado State University evaluation of the SSUF continues through October 31, 2012. It is anticipated that all necessary remittances from the SSUF will be made by December 31, 2012.

3. During the staff figure setting presentation on the Office of Self Sufficiency, staff expressed the opinion that the TANF appropriation for Reimbursement to Counties for Prior Year Expenditures Due to MOE Reduction could be eliminated without a statutory change. (The Department had requested the JBC sponsor a related bill.) Staff's position was that, instead of the current practice of reimbursing counties for prior-year MOE

expenditures through the "Reimbursements" line item, the county TANF maintenance of effort requirement included in County Block Grants line item could be reduced by $5.5 million in the subsequent year. *The Office of Legislative Legal Services concurs that the staff recommendation is consistent with statute and that the* Reimbursement to Counties for Prior Year Expenditures Due to MOE Reduction *line item may be eliminated without statutory change.* As indicated in an email response from Ed DeCecco dated 3/2/2012: "…the [JBC staff] proposed method of reducing a county maintenance of effort based on a past year actually seems to track the statutory language".

Child Welfare Staffing. The table below outlines overall staffing, including positions that are funded outside the division or off-budget.

Current Staffing Organizational Chart				
Unit	**Function**	**FTE in CW Admin line item**	**FTE in other CW line items**	**FTE off-budget/ outside CW**
Children, Youth, and Families Director	The Child and Family Services Director oversees Child Welfare, Child Care, and Youth Corrections.	1.0	0.0	0.0
Training	1.0 Director and 6.0 staff - Child Welfare Training Academy	1.0	6.0	0.0
Child Welfare Management	1.0 Director of child welfare, 2.0 deputy directors, 1.0 support position. 1.0 FTE deputy was added instead of an administrative assistant position (*i.e.*, not officially approved by GA)	4.0	0.0	0.0
Child Protection	Oversees grants and policies related to child protection (1.0 FTE off-budget grant position)	5.0	4.0	1.0
Permanency	Oversees grants and state policies related to services designed to support a child and family where there is an imminent risk of out-of-home placement, adoption programs, and programs for adolescents	7.0	4.0	0.0
Financial	Oversees distribution of funds to counties	7.0	0.0	0.0
Research and data	Oversight for Trails and federal data-reporting (2.0 FTE appropriated in the Governor's Office of Information and Technology Services)	5.0	0.0	1.8
Quality assurance	Inspection county-run foster homes and response to complaints (1.0 FTE appropriated in the Division of Child Care)	5.0	1.0	1.0
Special initiatives	Oversight CFSR, Core Services, other initiatives	6.0	1.0	0.0
Total		**41.0**	**16.0**	**3.8**

Overview of Request. The Department's request reflects very little change in total funding, but a $12.5 million increase in General Fund, due to the end of a temporary child welfare refinance, as reflected in the table below.

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

ADMINISTRATION

This line item provides funding for those Department staff who supervise, manage, or provide administrative support for child welfare programs. The Division includes a child protection unit that oversees grants and policies related to child protection, a permanency unit, that oversees grants and state policies designed to support a child and family where there is an imminent risk of out-of-home placement, adoption programs, and programs for adolescents, a financial unit that oversees distribution of funds to counties, a research and data group that oversees Trails data and federal data reporting, a quality unit assurance unit that inspects county-run foster homes and responds to complaints, and a unit that oversees various special department initiatives.

Staffing Summary - (5) Division of Child Welfare, Administration	FY 2010-11 Actual	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.
Management	1.0	2.0	2.0	2.0
General Professionals VI and VII	6.5	7.0	7.0	*7.0*
General Professionals IV and V	26.7	28.0	28.0	28.0
Administrative Support, Program Assistants	4.1	4.0	4.0	4.0
TOTAL	**38.3**	**41.0**	**41.0**	**41.0**

For FY 2012-13, the Department requests $3,674,600 total funds, including $2,910,167 "net" General Fund and 41.0 FTE. The request includes annualization of S.B. 11-076 (PERA Contributions) and FY 2010-11 SBA 8 (5% operating reduction).

The staff recommendation is reflected in the table below and is calculated consistent with common policy. Reappropriated funds are Medicaid amounts transferred from the Department of Health Care Policy and Financing.

	Total	GF	RF	FF	FTE	*Net GF*
Personal Services						
FY 2011-12 Appropriation	3,129,244	2,336,793	124,901	667,550	41.0	*2,399,244*
Annualize S.B. 11-076 (PERA Contributions)	68,121	51,102	2,721	14,298	0.0	*52,463*
Common Policy 2.0 Percent Personal Services Reduction	(61,863)	(46,201)	(2,469)	(13,193)	0.0	*(47,436)*
Subtotal - Personal Services	**3,135,502**	**2,341,694**	**125,153**	**668,655**	**41.0**	***2,404,271***
Operating Expenses						
FY 2011-12 Appropriation	462,798	441,328	6,037	15,433	0.0	*444,347*
Annualization of FY 2010-11 SBA-8 (5% Operating Reduction)	14,437	13,791	646	0	0.0	*14,114*
Subtotal - Operating Expenses	**477,235**	**455,119**	**6,683**	**15,433**	**0.0**	***458,461***
Total Recommended FY 2012-13 Appropriation	**$3,612,737**	**$2,796,813**	**$131,836**	**$684,088**	**41.0**	***2,862,732***

TRAINING

This line item has historically provided funding for the Department to provide necessary training for county and state staff, direct service providers (e.g., foster parents), county attorneys, guardians ad litem, court-appointed special advocates, and court personnel. Most curriculum development and training is provided by outside contractors, typically departments of social work at several colleges and universities. The appropriation for training was increased in FY 2005-06 due to a staff recommended transfer from the Family and Children's Programs line item. This action represented the consolidation of training funding into one line item.

Child Welfare Training Academy. For FY 2009-10, the General Assembly approved a large increase for this line item. Funding to increase available training was provided through a Long Bill decision item (FY 2009-10 DI#7) while policy changes to create a child welfare training academy were included in S.B. 09-164. Pursuant to S.B. 09-164, the Department is responsible for identifying specific child welfare job titles that are required to obtain certification as a mandatory condition of employment and to promulgate related rules. In the Long Bill, funding was provided to increase both the frequency and length of training for county child welfare caseworkers and supervisors and to add a state-supervised on-the-job component. This facilitated the State's ability to require that certain training be completed before a new child welfare workers takes cases. When annualized in FY 2010-11, the cost was $1.6 million, including $0.9 million General Fund and 6.0 FTE. For FY 2011-12, the appropriation for this line item was reduced by $0.4 million, including $0.2 million General Fund, reflecting the expectation that courses would be offered every 3 weeks, rather than every 2 weeks.

Staffing Summary - (5) Division of Child Welfare, Child Welfare Staff Training	FY 2010-11 Actual	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.
General Professional III	4.9	5.0	5.0	5.0
Administrative Assistants	0.9	1.0	1.0	1.0
TOTAL	**5.8**	**6.0**	**6.0**	**6.0**

The Department requests $6,134,611, including $3,000,279 General Fund. This includes annualization of S.B. 11-076 (PERA contributions).

The staff recommendation is reflected in the table below and is calculated consistent with common policy. Federal funds reflect amounts received under Title IV-E of the Social Security Act. The cash funds amount is local funds.

	Total	GF	CF	FF	FTE
Personal Services					
FY 2011-12 Appropriation	285,945	161,078	0	124,867	6.0
Annualize S.B. 11-076 (PERA Contributions)	7,472	4,230	0	3,242	0.0
Common Policy 2.0 Percent Personal Services Reduction	(5,850)	(3,296)	0	(2,554)	0.0
Subtotal - Personal Services	**287,567**	**162,012**	**0**	**125,555**	**6.0**
Operating Expenses					
FY 2011-12 Appropriation	25,370	14,222	0	11,148	0.0
Subtotal - Operating Expenses	**25,370**	**14,222**	**0**	**11,148**	**0.0**
Other					
FY 2011-12 Appropriation	5,815,824	2,820,749	37,230	2,957,845	0.0
Subtotal - Other	**5,815,824**	**2,820,749**	**37,230**	**2,957,845**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$6,128,761**	**$2,996,983**	**$37,230**	**$3,094,548**	**6.0**

FOSTER AND ADOPTIVE PARENT RECRUITMENT, TRAINING, AND SUPPORT

This line item represents the consolidated funding the Department receives related to the recruitment and retention of foster and adoptive parents. It was intended to encourage the Department to address the shortage of foster and adoptive parents in a comprehensive manner. Funding is provided to support 1.0 FTE charged with monitoring and improving counties' adoptive and foster parent recruitment and retention activities and providing technical assistance to counties. This position was first funded in FY 2001-02 to meet one of the requirements of the federal *Adoption and Safe Families Act*, which requires states to have an identifiable process for assuring diligent recruitment and retention of foster and adoptive families that reflect the ethnic and racial diversity of children for whom placements are needed. This funding was also intended to assist counties in ensuring that placement resources are available so that children in foster care can reside close to their homes, sibling groups can be placed together, and adolescents and children with developmental disabilities or mental health issues can be placed in the least restrictive, most appropriate placement.

The Department requests $335,562, including $268,395 General Fund, and 1.0 FTE. The request includes annualization of S.B. 11-076 (PERA Contributions) and FY 2010-11 SBA 8 (5% operating reduction).

The staff recommendation is reflected in the table below and is calculated consistent with common policy. Federal funds reflect amounts received under Title IV-E of the Social Security Act.

	Total	GF	FF	FTE
Personal Services				
FY 2011-12 Appropriation	76,662	61,222	15,440	1.0
Annualize S.B. 11-076 (PERA Contributions)	1,489	1,191	298	0.0
Common Policy 2.0 Percent Personal Services Reduction	(1,268)	(1,013)	(255)	0.0
Subtotal - Personal Services	**76,883**	**61,400**	**15,483**	**1.0**
Other				
FY 2011-12 Appropriation	249,638	198,209	51,429	0.0
Annualization of FY 2010-11 SBA-8 (5% Operating Reduction)	7,773	7,773	0	0.0
Subtotal - Other	**257,411**	**205,982**	**51,429**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$334,294**	**$267,382**	**$66,912**	**1.0**

CHILD WELFARE SERVICES

This line item provides the primary source of funding for counties to administer child welfare programs and deliver associated services to children and families. This line item thus provides funding for: (1) county administration for child welfare related activities; (2) out-of-home residential care; (3) subsidized adoptions; and (4) other necessary and appropriate services for children and families.

County Capped Allocations. Pursuant to Section 26-5-104 (4), C.R.S., counties receive capped funding allocations for the administration and provision of child welfare services. Counties are allowed to use capped allocation moneys for child welfare services without categorical restriction. Those counties that serve at least 80 percent of the total child welfare services population (the largest ten counties, currently) receive individual capped allocations, and the remaining small- and medium- sized counties receive separate capped allocations. Each county's allocation consists of local, state, and federal funds. The Department uses *state and federal* funds appropriated through the Child Welfare Services line item to reimburse county departments of social services for approximately 80 percent of related expenses, up to the amount available in each county's allocation.

Allocation Formula. Current law directs the Department of Human Services, with input from the Child Welfare Allocations Committee[1], to annually develop formulas for allocating child welfare funding among counties. In determining such formulas, the Department is to take into consideration historical expenditures, a comparison of such expenditures to the associated caseload, and other factors "that directly affect the population of children in need of child welfare services in a county" [Section 26-5-104 (3) (a), C.R.S.]. A county's allocation may be amended due to "caseload growth ... or changes in federal law or federal funding" [Section 26-5-104 (4) (e), C.R.S.]. In the event that the Department and the Child Welfare Allocations Committee do not reach an agreement on the allocation formula by June 15 of any state fiscal year for the following fiscal year, the Department and the Child Welfare Allocations Committee are to submit alternatives to the Joint Budget Committee for selection of an allocation formula.

Prior to FY 2001-02, each county's allocation of child welfare funding was based largely on historical data, including the county's out-of-home care expenditures and the county's share of open child welfare cases. In FY 2000-01, a department consultant and the Child Welfare Allocations Committee began work on an "optimization model" for use in allocating annual capped allocations among counties. The model was actively used for allocations through FY 2006-07. The allocation model sought to: (1) identify factors that drive costs in child welfare for which reliable data is available; and (2) determine which of these cost drivers should be "optimized" within a desired range. Drivers in the model include the following:

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

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

The optimization model came under fire due in part to large year-to-year funding shifts which counties found difficult to predict or manage. As a result, its use was suspended in FY 2007-08 and a subcommittee was formed to make recommendations related to the model. For FY 2007-08, the allocations committee chose to use the allocations model but to set a "floor" for

[1] The Child Welfare Allocations Committee consists of eight members, four appointed by Colorado Counties, Inc. (CCI) and four appointed by the Department of Human Services. If CCI does not appoint a representative from the county that has the greatest percentage of the state's child welfare caseload (i.e., Denver), the Department is required to do so.

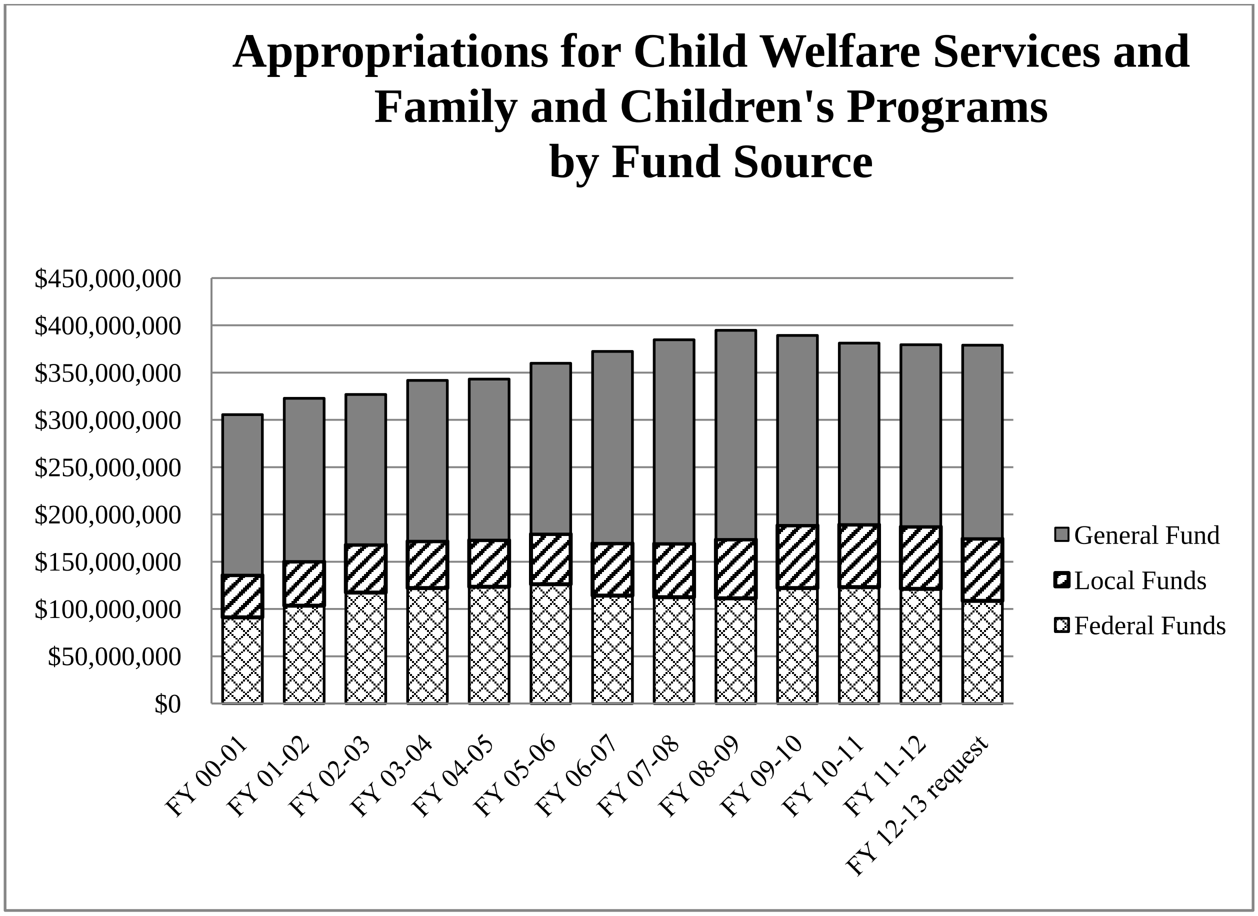
reductions for small and medium-sized counties of 5.0 percent of their FY 2006-07 allocations and to not allow allocations for the state's 10 biggest counties to fall below their FY 2006-07 level. For FY 2008-09, FY 2009-10, and FY 2010-11 the allocation committee voted to allocate funding received based on the percent of the total allocation received by each county in FY 2006-07.

The allocations committee voted to reactivate the optimization model for 2011-12. Changes were incorporated to make funding more stable and predictable, including (1) FY 2011-12 allocations were based on applying squeezes and drivers identified in December 2009; (2) expenditures applied in the allocation formula were limited to the amount of a county's child welfare allocation and were supposed to exclude county over-expenditures; and (3) counties with less than an average of 100 open involvements over the previous 3 years on a rolling average were excluded (excludes the 24 smallest counties). In other respects, the FY 2011-12 approach was generally the same as that used in FY 2006-07. The Allocations Committee is currently considering additional changes which may affect FY 2012-13 and/or future years. This discussion is ongoing.

End-of-year Close-out. Pursuant to Section 26-5-104 (7), C.R.S., the Department is authorized, based upon the recommendations of the Allocations Committee, to allocate any unexpended funds at fiscal year-end to any county that has over spent its capped allocation. In addition, a “mitigation fund” is set aside at the beginning of the year for distribution to small counties that over-expend, as their expenditures are less-easily managed than those of larger counties. A county may only receive "close-out" funds for authorized expenditures attributable to caseload increases beyond those anticipated when the allocations were made, and for expenditures *other than* those attributable to administrative and support functions.

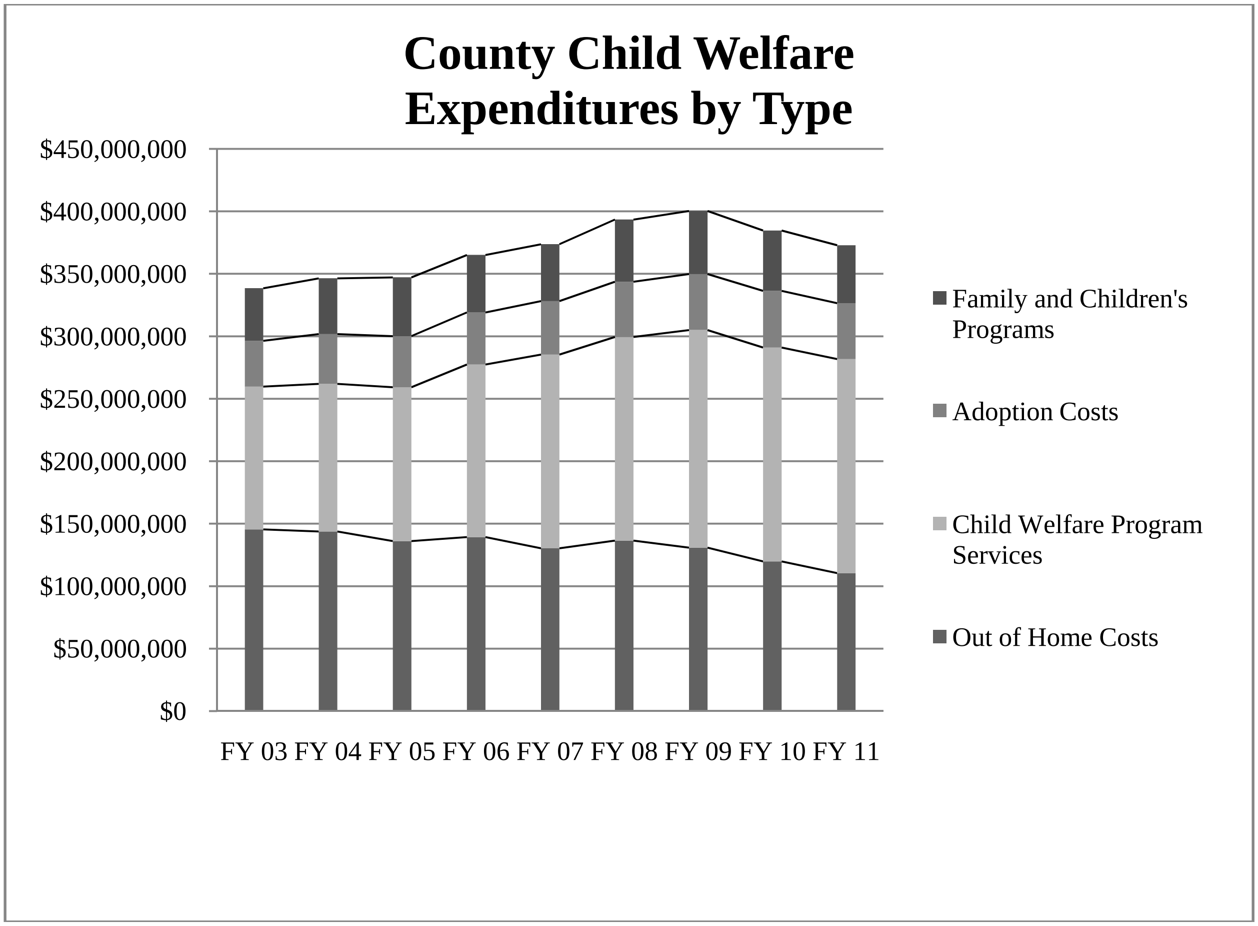
At one time, most county under-expenditures were redistributed to counties with over-expenditures. However, in recent years, most counties have become part of the H.B. 11-1451 Collaborative Management Incentives program (or a predecessor managed care program), which often allows counties to retain a significant share of any of their allocation that is unexpended at the end of the year.

Trends in State Appropriations. Child Welfare block allocations have declined since FY 2008-09 and, as significantly, have not been increased associated with inflation or state population growth. The General Assembly has taken steps to partially backfill declining federal Title IV-E revenue, however, thus avoiding even steeper declines.



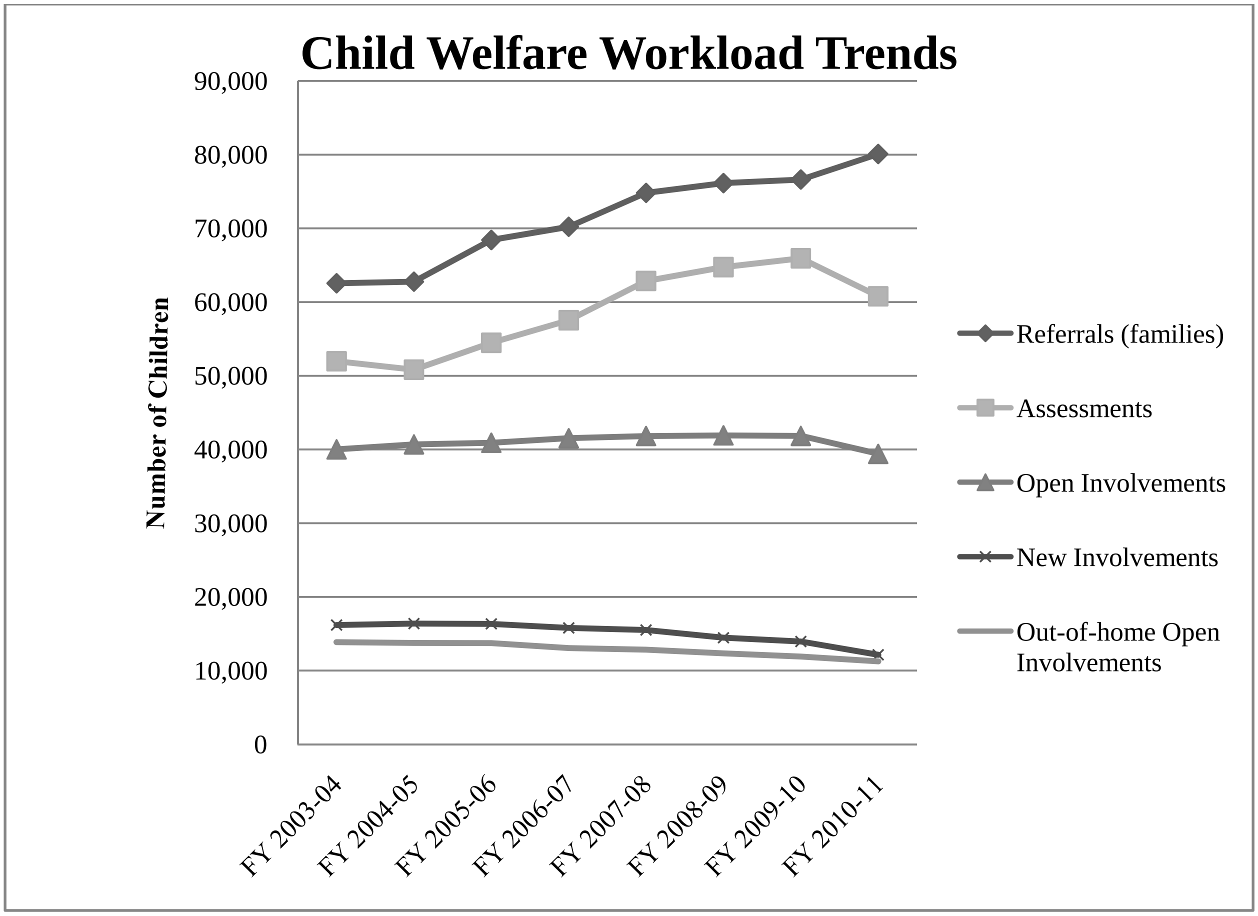
Trends in County Expenditures and Workload. As the General Assembly has curtailed block allocations, *counties have reduced spending even more sharply*. Whereas, in the past, counties over-expended allocations, by FY 2010-11 counties—in net—underexpended their total child welfare allocation.[1]

[1] Some counties over-expended and others under-expended. The only amounts reverted were federal Medicaid funds.



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.

The chart below shows the major drivers for county child welfare expenditures. As shown, for the first time in FY 2010-11, county assessments (investigations) fell, as did the number of open-involvements—even though the total number of child welfare referrals continued to increase. In response to staff questions, the Department has reported that its annual 2011 "screen out" review—which examines the cases counties "screened out" and thus did not assess—showed little evidence of counties inappropriately "screening out" cases in 2011. Indeed, performance was improved over prior years.



Child Welfare Outcomes. It is unclear whether the decline in county child welfare spending is having a negative impact on child welfare outcomes. As reflected in the chart below, on a state-wide level, there has been a generally positive trend in state outcomes since FFY 2007. For FY 2011, performance has improved in some categories and worsened in others.

Staff has been unable to correlate spending and outcomes at either the state or the county level. Some decisions to save money are likely to result in worse outcomes (*e.g.*, freezing caseworker positions and requiring caseworkers to carry more cases). In other cases decisions that save money may be consistent with best practice, *e.g.*, reducing the use of out-of-home placements in favor of better family support services. Simply spending more or less money does not automatically result in better outcomes on the performance measures currently in use.

Statewide Performance on Federal Child and Family Services Review Measures *- Shaded cells correspond to Items that do not meet federal standards*	**Federal Standard**	**FFY 2007**	**FFY 2008**	**FFY 2009**	**FFY 2010**	***FFY/SFY 2011***
Safety Measures						**SFY**
Absence of Recurrence of Maltreatment	>=94.6%	95.3	94.9	95.8	95.7	*95.3*
Absence of Child Abuse and/or Neglect in Foster Care for 12 months	>=99.68%	99.41	99.46	99.60	99.46	*99.21*
Permanency Measures						**FFY**
Percent of children whose exit to reunification is <=12 months	>= 75.2 %	76.4	77.7	79.5	78.1	76.7
Exits to reunification, median stay in months	<=5.4 months	5.7	5.8	5.4	5.4	5.4
Percent of entry cohort reunification is <=12 months	>= 48.4%	56.5	55.0	51.7	56.7	55.1
Percent of children who re-enter foster care in <=12 months	<= 9.9%	15.2	17.3	17.7	13.4	17.3
Percent of children who exit to adoption in <=24 months	>= 36.6%	57.2	56.0	59.4	50.6	56.8
Exits to adoption, median length of stay in months	<= 27.3 months	21.9	22.4	21.5	23.7	22.2
Percent of Children in care 17 + months adopted by end of the year	>= 20.7%	19.5	19.2	21.3	23.3	20.5
Percent of children in care 17 + months achieving legal freedom within 6 Months	>= 10.9%	3.2	2.3	4.1	2.3	1.5
Percent of children legally free adopted in <=12 months	>= 53.7%	57.7	58.3	52.0	62.6	63.7
Percent of children with exits to permanency prior to 18th birthday for children in care for 24 + Months	>= 29.1%	20.7	19.9	20.3	25.0	21.5
Percent of children with exits to permanency for children with parental rights terminated	>= 98.0%	97.0	95.1	97.2	97.2	96.8
Percent of children emancipated who were in foster care for 3 Years +	<=37.5%	32.4	30.2	27.0	25.3	26.5
Percent of children who had two or fewer placement settings for children in care for <=12 Months	>= 86.0%	85.9	87.5	86.4	88.1	87.8
Percent of children who had two or fewer placement settings for children in care for 12 - 24 Months	>= 65.4%	63.4	64.8	66.7	60.1	66.6
Percent of children who had two or fewer placement settings for children in care for 24 + Months	>= 41.8%	35.7	35.8	35.1	37.1	34.5

FY 2011-12 County Expenditures to Date. The tables below reflect the multi-year trend in county child welfare allocations and expenditures and the preliminary allocations versus projected expenditures for FY 2011-12 (based on a straight-line projection from the first six months of the year). As shown:

- County expenditures continue to fall. In aggregate, county expenditures are poised to fall by 9.1 percent since FY 2008-09, compared with a decline in state allocations to counties of just 3.4 percent over the same period.

- As always, some counties are projected to over-expend in FY 2011-12, while others are projected to under-expend. However, only two of the "big ten" counties are currently expected to over-expend for FY 2011-12. These two counties are projected to over-expend by a total of $3.6 million, while the remaining eight large counties are projected to under-expend by $12.5 million. Among the smaller counties, 31 appear likely to over-expend; however, these over-expenditures can likely be fully addressed by a final round of end-of-year mitigation allocations and by savings from counties that are projected to under-expend.

Child Welfare Services Expenditure by County
Actual FY 2008-09 to Projected FY 2011-12

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Projected	Percent Change FY 09 to FY 12
Adams	$32,217,687	$32,230,688	$32,627,343	$32,907,578	2.1%
Arapahoe	29,449,093	30,164,318	30,073,484	30,729,527	4.3%
Boulder	18,937,500	17,679,832	14,964,862	15,740,093	-16.9%
Denver	73,128,321	60,804,078	57,858,813	54,156,762	-25.9%
El Paso	40,536,465	41,665,278	44,460,778	42,166,588	4.0%
Jefferson	31,179,370	28,346,291	26,909,208	27,906,653	-10.5%
Larimer	17,899,871	16,770,755	16,034,834	15,139,766	-15.4%
Mesa	13,121,964	13,181,176	11,604,971	10,789,913	-17.8%
Pueblo	15,159,069	14,715,482	14,034,660	13,391,058	-11.7%
Weld	20,878,587	22,261,673	20,226,583	19,023,254	-8.9%
Other Counties	61,475,930	61,073,340	59,552,627	59,882,022	-2.6%
Total Expenditures	**$353,983,857**	**$338,892,911**	**$328,348,164**	**$321,833,212**	**-9.1%**
State Allocations to Counties*	341,904,852	$330,798,272	$332,261,404	330,230,835	-3.4%
Expenditure above/(below) Allocation	**$12,079,005**	**$8,094,6397**	**($3,913,240)**	**($8,397,623)**	

*Allocation figures from Child Welfare Services line item (excludes Services for Children and Families). Total allocation includes the end-of-year mitigation distribution to smaller counties.

Child Welfare Services FY 2011-12 Preliminary Allocations and Projected FY 2011-12 Expenditures by County				
	Allocation	**Expenditure**	**Variance**	**Percent Variance**
Adams	33,108,657	32,907,578	(201,079)	-0.6%
Arapahoe	32,269,917	30,729,527	(1,540,390)	-4.8%
Boulder	14,502,501	15,740,093	1,237,592	8.5%
Denver	60,340,911	54,156,762	(6,184,149)	-10.2%
El Paso	43,117,516	42,166,588	(950,928)	-2.2%
Jefferson	28,339,678	27,906,653	(433,025)	-1.5%
Larimer	15,808,587	15,139,766	(668,822)	-4.2%
Mesa	11,666,754	10,789,913	(876,841)	-7.5%
Pueblo	15,012,962	13,391,058	(1,621,904)	-10.8%
Weld	16,627,746	19,023,254	2,395,508	14.4%
Other Counties	59,435,606	59,882,022	446,416	0.8%
Total	330,230,835	321,833,212	(8,397,623)	-2.5%

Allocation figures from Child Welfare Services line item (excludes Services for Children and Families).
Other Counties allocation includes the end-of-year mitigation distribution to smaller counties.

While it appears there might be a substantial <u>net</u> underexpenditure for Child Welfare Services, this is very unlikely to translate into a reversion. The net $8.4 million underexpenditure is comprised of under-expenditures and over expenditures: $8.3 million in overexpenditures by over-expending counties and $15.1 million in underexpenditures by underexpending counties plus the anticipated impact of a final round of "mitigation funding" for the smaller counties. However, only a portion of the underexpending counties' surplus will be distributed to over-expending counties, because counties are allowed to retain surplus funds under H.B. 04-1451 Collaborative Management Incentives and a similar earlier program. *If it is assumed that half of the under-expending counties' savings ($7.5 million) are retained by the under-expending counties (approximately consistent with the FY 2010-11 experience), the vast majority of the under-expenditure evaporates.* Any that remains is comprised of the federal portion of unspent Medicaid funds.

Analysis of Potential Child Welfare (Under)/Over Expenditure at Close-Out FY 2011-12*		
	Prior to mitigation pool distribution:	
1	Overexpenditures by counties projected to overexpend	$8,327,977
2	Underexpenditures by counties projected to underexpend	(15,090,452)
3	Estimated 50% of underexpenditures retained by underexpending counties	7,545,226
4	Underexpended funds available for redistribution to overexpending counties	(7,545,226)
	Funds available to offset overexpenditures:	
5	Mitigation pool (4% of balance of state allocations distributed at close-out)	(2,408,352)
6	Funds available for redistribution (row 4)	(7,545,226)
7	Total funds available to offset overexpenditures:	(9,953,579)
	Underexpenditure estimate	
8	Overexpending counties' shortfall (row 1)**	8,327,977
9	Funds available to offset overexpenditures (row 7; larger than row 8)	(9,953,579)

	Analysis of Potential Child Welfare (Under)/Over Expenditure at Close-Out FY 2011-12*	
10	Potential set-aside for IV-E administrative activities per footnote	500,000
11	Difference - Potential Underexpenditure	(1,125,602)
12	Projected underexpenditure of federal Medicaid funds	(1,678,941)
13	Underexpenditure is smaller than federal Medicaid underexpenditure	**YES**

*Note: This table is provided for illustration only; specific close-out results will differ. In particular, the extent to which over-expenditures will qualify to be offset based on statutory criteria, and the extent to which underexpending counties will qualify to retain a portion of their underexpended funds is unknown.

Social Services Block Grant. Consistent with State Supreme Court decisions and the Long Bill headnotes, the Social Services Block Grant (SSBG; Title XX) is treated as state-appropriated federal funds because federal law allows the transfer of other block grant funds (TANF) into the SSBG Block Grant. The vast majority of SSBG funds ($23,590,313) is appropriated for the Child Welfare Services and Family and Children's Programs line items (an additional $2.0 million is appropriated in County Administration, $100,000 in the Division of Child Care; and an additional $2.0 million does not appear to be specifically appropriated to any line item). The Department is currently projecting a reduction of $2.1 million in SSBG revenue for FFY 2012-13, based on federal sequestration, with a loss on a similar scale in subsequent years. **Given that 85 percent of SSBG is used for child welfare county allocations, it seems likely that child welfare programs would be affected by sequestration at the level of $1 to $2 million per year in FY 2012-13**.

Title IV-E Projection. 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. Colorado experienced a significant decline in Title IV-E earning from FY 2006-07 through FY 2009-10 and the declining trend is generally expected to continue, although this trend may be partially ameliorated in the near-term by Department initiatives to increase Title IV-E collections and a Title IV-E waiver (should the State receive one).

Child Welfare Services and Services for Children and Families Line Items. The Child Welfare Services and Services for Children and Families line items, combined, account for over 82 percent of total Title IV-E earnings. The table below reflects the actual and projected Title-IV-E revenue anticipated to be earned by the Child Welfare Services and Services for Children and Families line items. As shown:

- Based on a straight-line projection of six months of FY 2011-12 revenue, staff projects that total FY 2011-12 earning in these line items will decline by 3.9 percent from the FY 2010-11 level. (The FY 2010-11 figure is adjusted to exclude the impact of the American Recovery and Reinvestment Act and a federal reimbursement in FY 2010-11.)

- Based on the average annual growth trend from FY 2006-07 through projected FY 2011-12, staff projects that FY 2012-13 revenue will decline by 2.6 percent from the FY 2011-12 level.

Title IV-E Revenue Earned in Child Welfare Services and Services for Children and Families Line Items*			
	Title IV-E Revenue	Change from Prior Year	Percent Change from Prior Year
FY 2006-07	$73,119,891		
FY 2007-08 Actual	$71,984,322	($1,135,569)	-1.6%
FY 2008-09 Actual	$69,746,975	($2,237,347)	-3.1%
FY 2009-10 Actual	$65,044,907	($4,702,068)	-6.7%
FY 2010-11 Actual	$66,734,052	$1,689,145	2.6%
FY 2011-12 Projection	**$64,141,076**	($2,592,976)	-3.9%
FY 2012-13 Projection	**$62,482,210**	($1,658,866)	-2.6%

*Actual amounts shown exclude additional payments received under the American Recovery and Reinvestment Act and an FY 2010-11 reduction due to a one-time federal funds repayment.

- The requested FY 2012-13 Title IV-E appropriation for child welfare services and Services for Children and Families is greater than the projection, as shown in the table below.

FY 2012-13 Department request for Title IV-E Appropriation v. Staff Revenue Projection	
Base Title IV-E appropriation – Child Welfare Services and Services for Children and Families	$62,981,478
Leap year adjustment	(85,771)
Total Requested Appropriation	62,895,707
Projected FY 2011-12 revenue for these line items	62,482,210
Estimated shortfall in Title IV-E revenue to support appropriation	**($413,497)**

Because the discrepancy between the projection and the request is small in the context of the overall projection, and because Title IV-E revenue has been extremely difficult to project, staff is not recommending a related reduction in the appropriation at this time. However:

- **There is a risk that counties will receive less funding in FY 2012-13 than the appropriated amount if Title IV-E revenue falls at or below the projected level.**

- In the absence of a new Title IV-E waiver or other significant changes in the Title IV-E revenue picture, **staff anticipates that the appropriation for Child Welfare Services will need to be reduced in FY 2013-14 to reflect reduced federal revenue and/or General Fund backfill will need to be provided.**

- In addition, **staff anticipates that there will be no Excess Federal Title IV-E moneys available for deposit to the Excess Federal Title IV-E Cash Fund in FY 2013-14.**

Overall Title IV-E Projection and Excess Federal Title IV-E Cash Fund. Although Child Welfare Services and Services for Children and Families drive the bulk of the Title IV-E revenue trend, Title IV-E revenue is earned and spent throughout the Department. If the total revenue received in a given year is greater than the total appropriations of Title IV-E revenue in the Long Bill, the balance "spills over" into the Excess Federal Title IV-E Cash Fund. These excess dollars are then distributed to counties in the subsequent fiscal year. Changes in overall Title IV-E revenue, while largely driven by Child Welfare Services, have also been affected in the past by initiatives that increase or decrease state Title IV-E eligible activities such as expansion of child welfare state staff, the Training Academy, or changes in the Division of Youth Corrections, such as a change to the licensing for the Ridge View facility. While there are no such major initiatives for FY 2012-13, it is possible that some Department efforts to improve Title IV-E collections will have an impact on collections. The table below provides a rough estimate of total Title IV-E receipts for FY 2011-12 and FY 2012-13, based on the trend since FY 2006-07, and the impact on the Excess Federal Title IV-E Cash Fund.

Total Title IV-E and Excess Federal Title IV-E Cash Fund Projection				
	Appropriation of Title IV-E Funds	**Title IV-E Revenue**	**Percent Change from Prior Year**	**Excess to Federal Title IV-E Cash Fund/(shortfall)**
FY 2006-07	$84,571,156	$88,777,718		$ 4,206,562
FY 2007-08	82,124,990	84,463,547	-4.9%	2,338,556
FY 2008-09	84,283,267	82,790,470	-2.0%	(1,492,797)
FY 2009-10	83,567,020	78,867,564	-4.7%	(4,699,456)
FY 2010-11	78,857,390	78,340,886	-0.7%	(516,504)
FY 2011-12 projection	77,159,166	**78,477,734**	-3.5%	**1,318,567**
FY 2012-13 projection	77,159,166	**76,565,822**	-2.4%	**(593,344)**

*Revenue and appropriation amounts shown exclude additional payments received under the American Recovery and Reinvestment Act.

Risks to the Projection. As discussed previously, the decline in Title IV-E has been 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 dramatically in Colorado and nationwide.

- Income eligibility for Title IV-E is based on 1996 income standards for most children (although eligibility for adoption assistance is being gradually disconnected from this income standard).

- Administrative effort and issues. Title IV-E earning may be affected by the failure of courts to make findings that enable the State to claim Title IV-E. It may be affected by failure of counties to complete necessary paperwork in a timely manner. Further, certain administrative changes (such as segregating certain expenditures so that they can be identified as 100 percent Title IV-E eligible rather than allocated based on random moment sampling) can increase claims. These impacts can be significant: were it not for a need to correct a historic error, Colorado's overall Title IV-E revenue would have increased in FY 2010-11, even though out-of-home placements continued to fall.

The State is currently engaged in a significant effort to address administrative issues that could increase Title IV-E claiming. At the same time, the State is also engaged in an effort to reduce the use of congregate care, which could reduce Title IV-E claiming. Finally, the Department may pursue a Title IV-E waiver, which might partially or entirely "lock in" Title IV-E revenue at a historic level. The Department currently believes that the downward trend in placements will likely outweigh the positive impact of Title IV-E administrative initiatives on total Title IV-E receipts; however, there is considerable uncertainty about the final impact of these various competing influences.

Line Item Request and Recommendation. The Department request is for $334,343,137 total funds, including a reduction of $492,709 to eliminate FY 2011-12 leap year funding and annualization of FY 2010-11 BRI-5 which refinanced $3.0 million General Fund in this line item with federal TANF funds. The staff recommendation includes these adjustments and also includes an additional $1.0 million reduction in federal TANF funding for this line item, as reflected below.

	Total	**GF**	**CF**	**RF**	**FF**	***Net GF***
FY 2011-12 Appropriation	334,835,846	161,141,108	60,805,148	14,328,538	98,561,052	*168,305,377*
Annualize FY 2010-11 BRI-5 "Refinance $3,000,000 of Child Welfare Services with TANF"	0	3,000,000	0	0	(3,000,000)	*3,000,000*
Annualize FY 2011-12 Leap Year Funding	(492,709)	(297,338)	(74,334)	(35,266)	(85,771)	*(314,971)*
TANF Long-Term Reserve Solvency	(1,000,000)	0	0	0	(1,000,000)	*0*
Total Recommended FY 2012-13 Appropriation	**$333,343,137**	**$163,843,770**	**$60,730,814**	**$14,293,272**	**$94,475,281**	***$170,990,406***

EXCESS TITLE IV-E DISTRIBUTIONS FOR RELATED COUNTY ADMINISTRATIVE FUNCTIONS

States are allowed to earn federal Title IV-E funds (Title IV-E refers to a section of the federal Social Security Act) for a number of activities associated with providing services to certain children who are placed outside their own homes. Pursuant to Section 26-1-111 (2) (d) (II) (C), C.R.S., federal funds earned in excess of these appropriations are deposited each year into the Excess Federal Title IV-E Cash Fund. Such funds are appropriated in the subsequent year for distribution to counties, including for county administrative activities related to Title IV-E.

Funding for this line item was not available in FY 2009-10, FY 2010-11, or FY 2011-12 due to the lack of Excess Federal Title IV-E revenue from the prior fiscal year. Revenue had been anticipated for FY 2011-12, but was unavailable due to the need to repay federal authorities for a prior year error. A $1.0 million General Fund appropriation was provided in FY 2010-11 to compensate for the lack of Excess funds, and a footnote added through the supplemental process in FY 2011-12 allows the Department to hold out up to $500,000 from the main child welfare line item to address Title IV-E administrative initiatives.

The Department requested a continuation of $1,000,000 for this line item. **The staff recommendation is for $1,350,000, based on the current staff projection for excess federal Title IV-E revenue in FY 2011-12, which will spill over to the Excess Federal Title IV-E Cash Fund for FY 2012-13** (see discussion for Child Welfare Services line item). *Based on past experience, however, staff notes that this revenue may not materialize.*

FAMILY AND CHILDREN'S PROGRAMS

This line item was established largely as a result of the Child Welfare Settlement Agreement (which was finalized in February 1995). The settlement agreement required a number of improvements in the child welfare system, including: (1) an increase in the number of county caseworkers and supervisors; (2) improvements in the amount and types of training provided to caseworkers, supervisors, and out-of-home care providers; (3) the provision of core services to children and families (described below); (4) improvements in investigations, needs assessments, and case planning; (5) improvements in services to children placed in residential care; (6) increased rates for out-of-home care providers and elimination of certain rate disparities; and (7) the development of a unitary computerized information system (the Colorado Trails System). In January 2002, the parties agreed that the Department and counties were in substantial compliance with the terms of the settlement agreement, and it was terminated.

This line item historically provided funding for three purposes (staff, training, and core services), but the General Assembly transferred staff and training to other line items. Currently, the line item funds only "core services" to families with children that are at imminent risk of placement outside the home.

Description of "Core Services". This program serves children who are dependent and neglected or abused, delinquent or in conflict with their families or communities through various supportive services. Section 19-3-208, C.R.S., specifies a basic set of child welfare services counties are required to provide to eligible children and families. Certain additional services are required to be made available and provided based upon the State's capacity to increase federal funding or any other moneys appropriated for these services and as determined necessary and appropriate by individual case plans. These services, supported in part through this line item, include:

- transportation to services;
- child care;
- in-home supportive homemaker services;
- diagnostic, mental health, and health care services;
- drug and alcohol treatment services;
- after care services to prevent a return to out-of-home placement;
- family support services while a child is in out-of-home placement including home-based services, family counseling, and placement alternative services;
- financial services in order to prevent placement; and
- family preservation services, which are brief, comprehensive, and intensive services provided to prevent the out-of-home placement of children or to promote the safe return of children to the home. Such services are further described and authorized at 26-5.5-101 through 106, C.R.S.

In addition, pursuant to Section 26-5.3-105, C.R.S., "emergency assistance" shall be made available to or on behalf of children at imminent risk of out-of-home placement. Emergency assistance includes:

- 24-hour emergency shelter facilities;
- information referral;
- intensive family preservation services;
- in-home supportive homemaker services;
- services used to develop and implement a discrete case plan; and
- day treatment services for children.

Pursuant to Department rules, to be eligible for core services, a child must be at imminent risk of out of home placement (or in such placement) to qualify for services. House Bill 11-1196 expanded the use of family preservation services as identified in Section 26-5.5-104, C.R.S., to families *at risk of involvement* in the child welfare system. This may result in the expansion of Core Services to a broader range of families, although the impact is not yet clear.

Program Evaluation. The Department prepares an annual Core Services Program Evaluation report. As reflected in the FY 2010-11 report, core services funds are allocated to counties in the following categories: substance abuse treatment, mental health services, home-based services, intensive family therapy, life skills, sexual abuse treatment, day treatment and county-designated. During FY 2010-11, 13,200 children and youth and 10,922 adult caregivers received at least one core service.

Program changes highlighted in the most recent report include an increasing focus on outcomes and increasing ability (through the Colorado Trails system) to collect outcome data. For children and youth whose original core service goal was to remain in the home, 90 percent were maintained in the home. For those who were placed out of the home, 67 percent returned home or were placed with relatives. Further, for children and youth participating in the core services program, the proportion of substantiated cases of child abuse dropped from 41 percent in the 12 months prior to core services to 3.2 percent in the 12 months following core services. Overall, just under two-thirds of cases are considered by caseworkers to have closed with “successful” or “partially successful” outcomes.

County Allocations. County allocations for Core Services are set by the Department of Human Services. The allocation of funds in this line item among counties has been essentially stagnant for many years. Recently, there has been discussion in the Child Welfare Allocation Committee, which is responsible for recommending the allocation of funds appropriated to the Child Welfare Services line item, of possible changes to the allocation of funds for Family and Children’s Programs. No resolution has been reached to-date.

Additional/specified uses of funds in this line item:

- Pursuant to a Long Bill footnote, a portion of the funding in this line item is specifically set aside for evidence-based programs targeted at adolescents.

- The Department has often transferred funds between this line item and a line item in the Department of Health Care Policy and Financing so that counties may draw down federal matching funds for child welfare Administrative Case Management. A total of $123,100 General Fund was transferred from this line item to HCPF in FY 2010-11 for this purpose.

Line Item Request and Recommendation. The Department requests a continuation of $44,776,053, including $33,632,328 General Fund. This includes an increase of $9,500,000 General Fund to annualize FY 2009-10 BA #36 (Refinance Core Programs). Staff recommends the request, including the requested annualization of FY 2009-10 BA #36.

	Total	GF	CF	FF
FY 2011-12 Appropriation	44,776,053	24,132,328	5,113,437	15,530,288
Annualize FY 2009-10 BA #36: Refinance Core Programs	0	9,500,000	0	(9,500,000)
Subtotal - Other	**44,776,053**	**33,632,328**	**5,113,437**	**6,030,288**
Total Recommended FY 2012-13 Appropriation	**$44,776,053**	**$33,632,328**	**$5,113,437**	**$6,030,288**

PERFORMANCE-BASED COLLABORATIVE MANAGEMENT INCENTIVES

This line item was first appropriated in FY 2005-06 to provide spending authority for the Department to provide incentives to counties pursuant to H.B. 04-1451 and previous legislation.

House Bill 04-1451, as amended by H.B. 08-1005. House Bill 04-1451, codified at Section 24-1.9-101 through 104, C.R.S., authorizes (but does not require) each county department of social services to enter into a memorandum of understanding (MOU) with local representatives of various agencies to promote a collaborative system of services to children and families. If a county department elects to enter into an MOU pursuant to this bill, the MOU is required to include local representatives from the following agencies:

- the local judicial districts, including probation services;
- the health department, whether a county, district, or regional health department;
- the local school district or school districts;
- each community mental health center;
- each behavioral health organization (BHO);
- the Division of Youth Corrections; and
- alcohol and drug abuse managed service organizations.

The statute encourages local agencies to enter into MOUs by region, and recommends that the agencies seek input, support, and collaboration from key stakeholders in the private and non-profit sectors, as well as from parent advocacy or family advocacy organizations.

Parties to each MOU are required to establish collaborative management processes that are designed to: (1) reduce duplication and eliminate fragmentation of services; (2) increase the quality and effectiveness of services; and (3) encourage cost-sharing among service providers.

The bill also authorizes departments and agencies that provide oversight to the parties to the MOU to issue waivers of state rules under certain conditions.

Participating entities may agree to attempt to meet certain performance measures, specified by the Department and the Board of Human Services. Local interagency groups that choose this option are eligible to receive incentive moneys from the "Performance-based Collaborative Management Incentive Cash Fund". Incentive moneys, which are allocated by the Department to those interagency groups that meet or exceed the specified performance measures, are to be reinvested in services for children and families.

In addition, parties to an MOU are to create a procedure to allow General Fund savings realized as a result of the MOU to be reinvested in services for children and families. General Fund savings associated with the program, that are to be retained by participating counties, are to be determined based on rules established by the State Board of Human Services. This mechanism, as implemented in the Child Welfare Services line item, often has a substantially greater fiscal impact on participating counties than the "Incentives" line item, as it enables many counties to keep unspent portions of their child welfare services funding allocations.

The number of collaborative management programs has grown significantly in the last several years. As of FY 2011-12, 32 counties were participating in collaboratives. Nine of the 10 largest counties have implemented Collaborative Management to varying degrees, *i.e*. different populations of children and families who would benefit from multi-agency services are identified according to the county and community's needs. The remaining large county participates in the similar Integrated Care Management program.

Program Evaluation. The Department is authorized to contract for external evaluation of the program. The second-year evaluation report was released in November 2011. The report reflects the continued expansion of the program across the state and strong participation of most mandated MOU participants. Statute requires the MOU to include authorization for the establishment of *individualized service and support teams*. These teams are critical to implementing the goals of the program, as they provide for multi-system "staffing" of youth with multi-system involvement and thus development of an integrated service plan for these children and youth. Participating sites all reported active teams (typically multiple teams). In FY 2010-11, 7,000 individuals received services through these teams, while over 19,000 participated in services or efforts more generally associated with the collaboratives (e.g., services paid by incentive funds or provided by partnering agencies.)

Various measures indicate that the program is achieving its statutory goals despite various challenges, including funding. Performance indicators for the various collaborative reflect a high level of success in achieving goals related to placement stability and prevention of out-of-home placement (youth in the child welfare system) and reducing recidivism (youth involved in the juvenile justice system). Collaboratives have found it harder to achieve goals in categories such as reducing school truancy and decreasing hospitalization/inpatient services. The program continues to work on standardizing outcome measurements across collaborative.

Funding for the Program. House Bill 04-1451 amended a number of existing statutory provisions to change the destination of approximately $2.1 million in civil docket fee revenue. For FY 2007-08, the Performance Incentive Cash Fund was repealed and all moneys in the fund were transferred into the Performance-based Collaborative Management Incentive Cash Fund. In addition, the fund received transfers from the family stabilization services fund and from docket fees in civil actions - dissolution of marriage - as specified in Section 13-32-101 (1) (a), C.R.S. Current program funding levels exceed the annual fund revenue of approximately $2.8 million per year.

Line Item Request and Recommendation. The Department requests, and staff recommends, a continuing level of appropriation of $3,224,669 cash funds. In FY 2011-12, the JBC took action to reduce the appropriation for this line item, recognizing that appropriations exceeded revenues and that these needed to be brought in line. The current projection for this cash fund, reflected below, indicates that reserves can continue to support the program at the current level through FY 2013-14, although the appropriation will need to be reduced after that.

Performance-based Collaborative Management Incentive Cash Fund					
	Actual FY 09-10	**Actual FY 10-11**	**Projected FY 11-12**	**Projected FY 12-13**	**Projected FY 13-14**
Cash balance beginning of year	2,171,861	1,604,839	1,077,947	737,037	396,128
Actual/anticipated cash inflow	2,832,202	2,883,760	2,883,760	2,883,760	2,883,760
Actual/appropriated cash outflow	3,399,224	3,410,652	3,224,669	3,224,669	3,224,669
Actual/anticipated liquid fund balance	1,604,839	1,077,947	737,037	396,128	55,219

INDEPENDENT LIVING PROGRAM

This line item reflects, for informational purposes, federal Title IV-E "Chafee Foster Care Independence Program" funds that are available to states to provide services for youth up to age 21 who are, or will be, emancipating from out-of-home residential care. While some counties use other existing funding sources to support staffing units devoted to independent living and emancipation services, federal Chafee funds provide the primary source of funding for independent living services in Colorado. These federal funds support direct services to eligible youth, as well as technical assistance, program and policy development, monitoring, and program administration.

Studies concerning the circumstances of youth after leaving foster care indicate that this population is at higher risk of experiencing unemployment, poor educational outcomes, poor health, long-term dependency on public assistance, and increased rates of incarceration when compared to their peers in the general population. Since 1986, the federal government has provided states with funding to develop independent living programs intended to minimize these negative effects and prepare youth for adulthood.

Independent living programs are designed for youth who need to develop the skills necessary to lead self-sufficient, healthy, productive and responsible interdependent lives. Services are focused on encouraging the development of support systems within the community, education, career planning, money management, securing and maintaining a stable source of income and affordable housing, and health and safety. It is a goal that all youth that leave the program have completed their high school education and are continuing to participate in an educational program or obtaining a training certificate in a specific skill area and are working while in the program. County departments of social services have the flexibility to provide direct services in the manner that works well for their county and the population they serve.

This program also works in conjunction with other programs to provide services to youth emancipating from foster care, such as by arranging for housing vouchers and educational training vouchers for youth who have aged out of foster care.

Line Item Request and Recommendation. The Department requests a continuation level of funding for this line item of $2,826,582 federal funds. **Staff recommends the Committee approve the Department's request for a continuation level of funding for this line item of $2,826,582 federal funds and 4.0 FTE,** including $247,858 for personal services and $2,578,724 for distributions to counties. *Based on actual spending in recent years, it appears to staff that a reduction in this line item may be warranted. At the time this document went to print, however, the level of spending projected for FY 2012-13 was still unclear. Staff will bring this issue back to the Committee if appropriate based on further information.*

PROMOTING SAFE AND STABLE FAMILIES PROGRAM

This program, authorized under Sub-Part 2 of Title IV-B of the federal Social Security Act, provides funding for local communities to provide a variety of services to families in times of need or crises. This program promotes permanency and safety for children by providing support to families in a flexible, family-centered manner through a collaborative community effort. While a small portion of the federal funds are used to support 2.0 FTE state staff responsible for administering the program, the majority of the funds are made available to local communities and tribes.

Each local site is required to have a Community Advisory Council comprised of governmental and community stakeholders, family advocates and parents, and consumers to help direct the project. Currently, 41 counties and the Ute Mountain Ute tribe receive funding to:

I. Reunify children placed in the foster care system with their families;
II. support and promote adoption or permanent placement with kin for children who cannot be safely returned home; and
III. prevent child abuse and neglect in at-risk families.

The vast majority of funds are awarded to local communities. A portion is set aside to provide support to adoptive families, and the remainder is used for administrative costs, technical assistance, and training.

Pursuant to S.B. 12-130, this program would be moved from the Division of Child Welfare to the new Office of Early Childhood.

A 25 percent match is required to draw down the federal funds. The General Fund is used to provide the match for the portion of the funds that are used for state-level staff and activities, and local communities are required to provide the match for the funds they receive.

Line Item Request and Recommendation. The Department requests $4,456,680, including $50,265 General Fund, and 2.0 FTE for this line item**.** The staff recommendation in the table below is based on a Committee common policy calculation.

	Total	GF	CF	FF	FTE
Personal Services					
FY 2011-12 Appropriation	184,340	45,737	0	138,603	2.0
Annualize S.B. 11-076 (PERA Contributions)	1,663	416	0	1,247	0.0
Common Policy 2.0 Percent Personal Services Reduction	(3,396)	(849)	0	(2,547)	0.0
Subtotal - Personal Services	**182,607**	**45,304**	**0**	**137,303**	**2.0**
Other					
FY 2011-12 Appropriation	4,270,677	4,112	1,064,160	3,202,405	0.0
Subtotal - Other	**4,270,677**	**4,112**	**1,064,160**	**3,202,405**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$4,453,284**	**$49,416**	**$1,064,160**	**$3,339,708**	**2.0**

FEDERAL CHILD ABUSE PREVENTION AND TREATMENT ACT GRANT

This line item reflects funding and staff responsible for administering grants available pursuant to Section 106 of the Child Abuse Prevention and Treatment Act (CAPTA), as amended by Public Law 105-235. A five year reauthorization for the program was signed into law on December 20, 2010. Under federal law, states have five years to spend the funds available through this grant program. Funding is allotted to states annually on a formula basis according to each state's ratio of children under the age of 18 to the national total. This grant program requires each state to submit a five-year plan and an assurance that the state is operating a statewide child abuse and neglect program that includes specific provisions and procedures. Among other things, these assurances include:

- establishment of citizen review panels;
- expungement of unsubstantiated and false reports of child abuse and neglect;
- preservation of the confidentiality of reports and records of child abuse and neglect, and limited disclosure to individuals and entities permitted in statute;
- provision for public disclosure of information and findings about a case of child abuse and neglect that results in a child fatality or near fatality;
- the appointment of a guardian ad litem to represent a child's best interests in court;
- expedited termination of parental rights for abandoned infants, and provisions that make; and conviction of certain felonies grounds for termination of parental rights.

The reauthorized version of the bill:

- expands the child protective services target population to include infants who have Fetal Alcohol Spectrum Disorder;

- supports additional collaboration between child protective services, domestic violence and other services and makes services for children exposed to domestic violence an eligible expenditure;
- encourages the use of "differential response" in child welfare practice. Differential response is defined as "a state or community-determined formal response that assesses the needs of the child or family without requiring a determination of risk or occurrence of maltreatment."

The CAPTA State Grant program provides states with flexible funds to improve their child protective service systems in one or more of the following areas:

- the intake, assessment, screening, and investigation of reports of abuse and neglect;
- protocols to enhance investigations;
- improving legal preparation and representation;
- case management and delivery of services provided to children and their families;
- risk and safety assessment tools and protocols;
- automation systems that support the program and track reports of child abuse and neglect;
- training for agency staff, service providers, and mandated reporters; and
- developing, strengthening, and supporting child abuse and neglect prevention, treatment, and research programs in the public and private sectors.

Line Item Request and Recommendation. The Department requests $436,054 federal funds and 3.0 FTE, including annualization of S.B. 11-076 (PERA contributions). The staff recommendation is reflected in the table below. Staff did not include adjustments for the 2.0 percent personal services reduction, as this will have no substantive impact on federal funding received.

	Total	FF	FTE
Personal Services			
FY 2011-12 Appropriation	206,029	206,029	3.0
Annualize S.B. 11-076 (PERA Contributions)	4,324	4,324	0.0
Subtotal - Personal Services	**210,353**	**210,353**	**3.0**
Other			
FY 2011-12 Appropriation	225,701	225,701	0.0
Subtotal - Other	**225,701**	**225,701**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$436,054**	**$436,054**	**3.0**

(6) DIVISION OF CHILD CARE

The Division of Child Care has three primary responsibilities:

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

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

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

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

S.B. 12-130. Senate Bill 12-130, if enacted, would consolidate a variety of early childhood programs in the Department of Human Services. This bill was supported by the Early Childhood Leadership Commission (in the Office of the Lieutenant Governor) and recommended by the Early Childhood and School Readiness Legislative Commission, which consists of ten legislators (including Senators Hodge and Steadman) and is currently staffed by the Colorado Children's Campaign. As passed by the Senate Appropriations Committee, the bill would relocate the following programs to a new <u>Office of Early Childhood in the Department of Human Services</u>:

From other sections of the Department of Human Services:

- all programs currently in the Division of Child Care;
- Early Intervention Services for Children with Developmental Disabilities ages 0-2 (including Part C; now in the DHS Services for People with Disabilities section);
- Promoting Safe and Stable Families (now in the Division of Child Welfare)

From the Department of Public Health and Environment:

- the Family Resource Center Program
- the Colorado Children's Trust Fund and its board; and
- the Nurse Home Visitor Program

In addition, via executive order, it is anticipated the Governor would transfer from the Department of Health Care Policy and Financing:

- Early Periodic Screening, Diagnosis and Treatment program

The bill would also create a separate new Division of Youth and Community Development in the Department of Human Services, which would include the following program, transferred, from the Department of Public Health and Environment:

- Tony Grampsas Youth Services Program

If this occurs, staff anticipates modifications to the structure of the Long Bill. If the bill is enacted prior to Long Bill introduction, the introduced Long Bill would be modified. Alternatively, changes would be made through the bill's appropriation clause (more likely, given the bill's progress through the legislative process).

Based on the current structure of the Long Bill and the current form of S.B. 12-130, the staff recommendation would be to reflect the bill's changes through the following changes to Long Bill structure:

(1) Rename the Division of Child Care (Division 6) "Early Childhood and Youth and Community Development Programs"

(2) Create two subsections in this renamed Long Bill section: (1) Office of Early Childhood; and (2) Division of Youth and Community Development

(3) Include in each subsection all the programs assigned to them pursuant to the new legislation

Although the fiscal note for this bill currently reflects creating entirely new department divisions 12 and 13 for the Office of Early Childhood and Division of Youth and Community Development, staff believes the staff proposal is more practical. In particular, staff does not believe it makes sense to create a new Long Bill section for the single Tony Grampsas $3.6 million program. Staff also notes that the Department's Long Bill does not dictate its administrative structure (there are currently a variety of programs listed in one section of the Long Bill that the Department administratively manages in a different division).

Federal Child Care Funds. Unlike most sources of federal funds, the General Assembly has the authority to appropriate federal Child Care Development Funds (CCDF). The CCDF funds available to the state each year consist of three components. Each component, summarized below, has its own rules regarding funding and periods of obligation and expenditure.

- *Mandatory Funds* - Each state receives fixed "mandatory" funds based on the historic federal share of federal child care expenditures (Title IV-A programs) prior to federal welfare reform: $10.17 million per year, for Colorado. No state match is required to spend mandatory funds. If a state also chooses to expend federal "matching" funds, a state must obligate its mandatory funds by the end of the federal fiscal year in which they are granted, with no limit on the liquidation period. *These funds are exempted from federal sequestration.*

- *Matching Funds* - A state's allocation of federal matching funds is based on the state's relative share of children under age 13. A state is required to match expenditures of this source of funds based on its applicable federal medical assistance percentage rate (50/50 for Colorado). This amount changes each year. Matching funds are available to a state if:

(a) its mandatory funds are obligated by the end of the federal fiscal year in which they are awarded; (b) within the same fiscal year, the state meets the federal child care *maintenance of effort (MOE) requirement*; and (c) its federal and state shares of the matching funds are obligated by the end of the fiscal year in which they are awarded. Matching funds must be fully expended in two years. With respect to the MOE requirement, a state must continue to spend at least the same amount on child care services that it spent on the Title IV-A child care programs in FFY 1994 or FFY 1995, whichever was greater, to be eligible for its share of the matching funds. *These funds are exempted from federal sequestration.*

Colorado uses the local share of Child Care Assistance Program expenditures to comply with federal child care MOE requirements and uses multiple sources of funds to comply with federal matching funds requirements. These include the General Fund portion of Child Care Assistance Program expenditures and portion of Colorado Preschool Program expenditures, among others.

- *Discretionary Funds* - The allocation of these funds among states is based on: a state's relative share of children under age five; a state's relative share of children receiving free or reduced price school lunches under the National School Lunch Act; and, a state's per capita income. This amount changes each year. No state match is required to spend discretionary funds. States have two years to obligate their Discretionary funds and an additional year to liquidate those obligations. *These funds are subject to federal sequestration.*

  Since FFY 2001, Congress has required certain portions of discretionary funds be targeted to certain activities. A state is required to spend these *targeted discretionary funds* each year for activities designed to enhance the quality of care, including infant and toddler care as well as school-age care and resource and referral services. In addition to these targeted funds, a states must spend at least *four percent* of all of its expenditures for child care (including the state share of matching funds) on quality activities. Examples of quality activities include:

  - practitioner training and technical assistance;
  - grants or loans to allow programs to purchase needed equipment, make minor renovations, develop new curricula, or pursue accreditation;
  - use of the federal funds to train or to lower caseloads for licensing staff; and
  - grant programs specifically aimed at improving wages for child care providers.

In addition to the Child Care Development Fund federal allocations:

- *TANF Transfer Funds* - The State may effectively transfer up to 20 percent of its Temporary Assistance to Needy Families (TANF) block grant to the Child Care Development Fund (CCDF) block grant.[1] Because most TANF funds are allocated to

[1]Transfer of up to 30 percent to either CCDF or the Title XX (Social Services) block grant is permitted, with a maximum of 10 percent to Title XX. As the transfer to Title XX is consistently used up for child welfare services, up 20 percent is available for transfer to CCDF.

counties, the State has historically allowed counties to determine the share of their TANF allocations they will transfer to the child care block. In its 2008 audit of the Child Care Assistance Program, the State Auditor's Office noted that the General Assembly could make this decision at the front- end by appropriating a share of the annual TANF allocation to child care programs. However, because counties presently have wide discretion in structuring their Colorado Works and Child Care Assistance Programs, the Department has supported leaving TANF-transfer decisions at the county level. Because of this, there have been large swings in the amount of total spending for child care programs that has been outside of the control of the General Assembly.

Federal Child Care Development Funds and the Budget Control Act of 2011. Of the total Federal CCDF funds, one component (the discretionary grant) is subject to the federal sequestration procedures outlined in the federal Budget Control Act of 2011. Based on current federal law, these cuts begin to take effect in FY 2012-13 because the Joint Select Committee on Deficit Reduction failed to reach agreement on specific budget reduction measures. Based on information presently available, the Colorado Department of Human Services projects a 7.5 percent reduction each year in the discretionary grant, starting in FY 2012-13. The cuts would be cumulative, based on the Department's understanding, with a further 7.5 percent reduction to the base in each subsequent year, as reflected in the table below. *As has been discussed previously, the impact of the Budget Control Act on any specific appropriation is still uncertain, particularly for any year after FY 2012-13, and impacts may be modified based on future Congressional action.*

Preliminary Estimate – Federal Sequestration of Child Care Development Funds (federal fiscal years; additional reductions would apply in subsequent years)

	FFY 2011 (Final)	FFY 2012 (Initial)	FFY 2013	FFY 2014
Current Base				
Discretionary	$27,524,224	$28,442,448	$28,442,448	$28,442,448
Mandatory	10,173,800	10,173,800	10,173,800	10,173,800
Match	28,615,665	28,270,446	28,270,446	28,270,446
Total	$66,313,689	$66,886,694	$66,886,694	$66,886,694
Sequester from Current Base (7.5 Percent from Discretionary - Cumulative)	0	0	(2,133,184)	(4,106,379)
Base with Sequestration	$66,313,689	$66,886,694	$64,753,510	$62,780,315

Request R-10 and Federal Child Care Development Funds Projection. For many years, the Department held substantial reserves of CCDF funds. A significant portion of these reserves was spent down associated with a $14.7 million Child Care Automated Tracking System (CHATs) rebuild. In addition to this, staff has recommended adjustments to CCDF appropriations over multiple years, including both increases to appropriations and, more recently, refinance of General Fund, to gradually spend down remaining reserves while, at the same time, annual federal allocations have tended to increase.

For FY 2012-13, the Department requested R-10, which would refinance an additional 817,511 General Fund with CCDF reserves as a General Fund savings measure. **Based on the Budget Control Act and the Department's preliminary projections on the impact of federal sequestration, the staff recommendation is to refinance only $500,000 General Fund and to make this a temporary refinance lasting only through FY 2013-14.** With this approach, staff anticipates that significant budget reductions related to federal sequestration (about $5.7 million) would first occur in FY 2015-16, as reflected in the chart below.

In the absence of sequestration, staff would recommend either a larger General Fund refinance and/or an increase in funding for child care programs to increase CCDF expenditures by $1.5 to $2.0 million, based on projected reserves of $7.6 million at the beginning of FY 2012-13, the most recent annual federal CCDF grant (FFY 2012) of $66.9 million, and ongoing projected expenditures (without the R-10 refinance) of $65.4 million. However, this does not seem prudent given the potential for significant federal cuts starting in FY 2012-13. **If these cuts do not materialize, staff will likely recommend an increase in the appropriation for FY 2013-14.**

FEDERAL CHILD CARE DEVELOPMENT FUNDS (CCDF) - Staff Recommendation - Including Sequestration Estimate

Staff Est.	FY 2011-12 Estimate Projection	FY 2012-13 Request/ Projection	FY 13-14 Projection	FY 14-15 Projection	FY 15-16 Projection	FY 16-17 Projection
FUNDS AVAILABLE:						
CCDF Funds Rolled Forward	6,263,682	7,581,955	6,559,314	3,933,821	0	0
New Annual CCDF Award						
Discretionary	28,212,892	28,442,448	28,442,448	28,442,448	28,442,448	28,442,448
Mandatory	10,173,800	10,173,800	10,173,800	10,173,800	10,173,800	10,173,800
Match	28,356,751	28,270,446	28,270,446	28,270,446	28,270,446	28,270,446
Potential Impact Sequestration on Discretionary	0	(1,599,888)	(3,613,080)	(5,475,283)	(7,197,821)	(8,791,168)
TOTAL CCDF FUNDS AVAILABLE	73,007,125	72,868,761	69,832,928	65,345,232	59,688,873	58,095,526
CCDF EXPENDITURES:						
CHATs Information System Operating	2,325,656	2,709,933	2,299,593	2,299,593	2,299,593	2,299,593
Other Indirect Costs and Information Systems	1,419,898	1,419,898	1,419,898	1,419,898	1,419,898	1,419,898
Child Care Assistance Program (CCCAP)	50,589,749	50,589,749	50,589,749	50,589,749	50,589,749	50,589,749
Child Care Licensing and Administration	3,409,331	3,409,331	3,409,331	3,409,331	3,409,331	3,409,331
Child Care Grants (including targeted)	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633
Early Childhood Councils	1,978,317	1,978,317	1,978,317	1,978,317	1,978,317	1,978,317
School-readiness Child Care Subsidization	2,228,586	2,228,586	2,228,586	2,228,586	2,228,586	2,228,586
R-10 - Refinance CCCAP	0	500,000	500,000	0	0	0
Cut Needed from FY 13-14 Base Due to Sequestration	0	0	0	(53,875)	(5,710,234)	(7,303,581)
TOTAL EXPENDITURES	65,425,170	66,309,447	65,899,107	65,345,232	59,688,873	58,095,526
AVAILABLE FUNDS LESS EXPENDITURES	7,581,955	6,559,314	3,933,821	0	0	0
Annual Grant Compared to Annual Expenditures Including Sequestration	1,318,273	(1,022,641)	(2,625,493)	(3,933,821)	Expenditure Cuts Assumed	Expenditure Cuts Assumed

CHILD CARE LICENSING AND ADMINISTRATION

Staffing Summary	FY 2010-11 Actual	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.
Management, General Professional VI and VII	6.7	6.3	6.3	6.3
Program Assistants	4.2	4.5	4.3	4.3
General Professional/ Licensing Specialists	43.8	47.7	47.2	47.2
Administrative and Technical Support	6.7	5.9	5.5	5.5
TOTAL	61.4	64.4	64.0	64.0

The Division of Child Care is responsible for inspecting, licensing and monitoring child care facilities throughout the state, including child care homes and centers, preschool and school-age child care programs, homeless youth shelters, and summer camps, as well as 24-hour facilities (such as residential treatment facilities, residential child care facilities, and child placement agencies). In some counties, the Division contracts with local entities (*e.g.*, county departments of social services, county health departments, child placement agencies) to perform licensing functions for certain types of facilities. In addition, the Division supervises the county-administered Child Care Assistance Program, and it performs several quality-related functions. This line item provides funding for all Division staff, except the 1.0 FTE associated with the School-readiness Child Care Subsidization Program and the 1.0 FTE associated with the Early Childhood Councils. Of the total appropriation for this line item:

I. 39.2 FTE and 72 percent of the total funding (56 percent of the General Fund) relate to licensing all child care facilities and monitoring less-than-24-hour child care facilities;

II. 10.0 FTE and 14 percent of the total funding (34 percent of the General Fund) relate to monitoring 24-hour child care facilities; and

III. 14.6 FTE and 14 percent of the total funding (11 percent of the General Fund) relate to general administration of the Division (the Division Director, staff that administer the Child Care Assistance Program and child care grants program, staff that provide training and technical assistance to providers and county staff, and staff that ensure compliance with federal laws and regulations).

The Division licenses or certifies about 9,000 facilities (7,088 licenses estimated for FY 2011-12). Facilities include 4,300 family child care homes, 2,000 child care centers and preschools, about 900 school-age facilities and about 400 24-hour facilities ranging from group homes to camps, among other categories.

Licensing Fees. Pursuant to Section 26-6-105, C.R.S., the Department is to establish license fees pursuant to rules promulgated by the State Board of Human Services. Such fees are not to exceed the direct and indirect costs incurred by the Department. The Department is to develop and implement an objective, systematic approach for setting, monitoring, and revising child care licensing fees by developing and using an ongoing method to track all direct and indirect costs associated with child care inspection licensing, developing a methodology to assess the relationship between licensing costs and fees, and annually reassessing costs and fees and reporting the results to the State Board. The Department is to consider the licensed capacity of facilities and the time required to license facilities.

In recent years, child care licensing fees have covered between 11 and 15 percent of the costs of the licensing program: cash funds represented about 13 percent of the portion of the child care administration budget allocated for licensing 24-hour and other facilities in FY 2009-10. Fees have been adjusted approximately every five years, with the most recent increase September 1, 2008. Fees range from $24 per year for a smaller family child care home to $792 for an initial license for a residential child care facility, with higher fees for secure facilities.

Licensing Caseloads. Division staff expected to license 7,088 child care homes and facilities in FY 2011-12, a decline of 4.6 percent from FY 2010-11. The Department reports that the number of licensed family child care homes continue to decline, while the number of 24 hour facilities has remained fairly stable.

As part of budget reduction initiatives in FY 2008-09, the Department requested, and the General Assembly approved, a reduction in child care licensing staff (3.5 FTE or 8.2 percent of the licensing staff). This left licensing caseloads at about 150 cases per worker (excludes "weighting" for larger facilities). The Division applies a risk-based system in the licensing process. Well established, high performing child care centers may be visited as little as once every three years, although centers that are new or have a history of problems are visited more frequently.

Quality Rating Through Licensing. Colorado has had a voluntary system of facility quality rating for many years, administered by Qualistar Colorado, a private partner. It is now attempting to incorporate a rating system into the state child care licensing process. It had hoped to accelerate this process through a Race to the Top Early Learning Challenge Grant, which it did not receive. However, it is nonetheless pursing related licensing changes. The Department's goal, as described in the Race to the Top grant proposal, was that all early learning programs would be quality rated by December 2015. Staff understands that it expects to accomplish this by requiring that a child care facility license will represent, at a minimum, a "one star" (out of four) quality program. Higher tiers of the quality rating system would continue to be outside the overall state child care licensing system.

The Department has been working on changes to the quality rating system for some time, and has taken various steps to advance the effort, including through House Bill 11-1027 (Concerning the Creation of a Department of Defense Quality Child Care Standards Pilot Program) and various changes to state rules. Some state rules have been adopted and others are still undergoing review, that toughen basic licensing requirements.

Department Request and Staff Recommendation. The Department requests $6,589,293 ($2,259,138 General Fund) and 64.4 FTE, including the annualization of S.B. 11-076 (PERA contributions) and annualization of FY 2010-11 SBA-8 (5% operating reduction).

The staff recommendation is detailed in the table below and is consistent with common policy.

	Total	GF	CF	FF	FTE
Personal Services					
FY 2011-12 Appropriation	4,211,396	1,923,234	619,051	1,669,111	64.4
Annualize S.B. 11-076 (PERA Contributions)	89,848	40,819	12,793	36,236	0.0
Common Policy 2.0 Percent Personal Services Reduction	(84,120)	(38,411)	0	(45,709)	0.0
Subtotal - Personal Services	**4,217,124**	**1,925,642**	**631,844**	**1,659,638**	**64.4**
Operating Expenses					
FY 2011-12 Appropriation	457,855	281,955	138,980	36,920	0.0
Annualization of FY 2010-11 SBA-8 (5% Operating Reduction)	13,130	13,130	0	0	0.0
Subtotal - Operating Expenses	**470,985**	**295,085**	**138,980**	**36,920**	**0.0**
Licensing Contracts					
FY 2011-12 Appropriation	1,817,064	0	0	1,817,064	0.0
Subtotal - Other	**1,817,064**	**0**	**0**	**1,817,064**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$6,505,173**	**$2,220,727**	**$770,824**	**$3,513,622**	**64.4**

FINES ASSESSED AGAINST LICENSES

Senate Bill 99-152 created the Child Care Cash Fund, which consists of fines collected from licenses by the Department [see 26-6-114 (5), C.R.S.]. Moneys in the Fund are continuously appropriated to the Department "to fund activities related to the improvement of the quality of child care in the state of Colorado". **The Department requested a continuation level of $20,000. Staff recommends the request.**

CHILD CARE ASSISTANCE PROGRAM

The Colorado Child Care Assistance Program (CCCAP) is the largest single component of the Division's budget (84 percent). Senate Bill 97-120 established CCCAP in statute at Section 26-8-801 through 806, C.R.S. Child care subsidy programs, such as CCCAP, were promoted under 1996 federal welfare reform legislation to help families become financially independent.

Pursuant to Sections 26-1-11 and 26-1-201, C.R.S., the Department supervises CCCAP services administered by county departments of human/social services. As for other public assistance programs, counties serve as agents of the State and are charged with administering the program in accordance with Department regulations. The formula for allocating funds among counties is based on utilization and poverty measures. Counties are responsible for covering any costs above their allocations, which they accomplish as needed using Temporary Assistance to Needy Families block grant funds.

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

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

Specific county eligibility policies do vary and have changed over time. Variations include the income levels served up to 85 percent of the median income, reimbursement rates for child care providers, and whether students in higher education programs are eligible. An analysis contracted by the State Auditors in 2008 estimated that in FY 2004-05 the program served about 27 percent of those eligible; however, individual county coverage rates varied from 2 percent to 58 percent.[1]

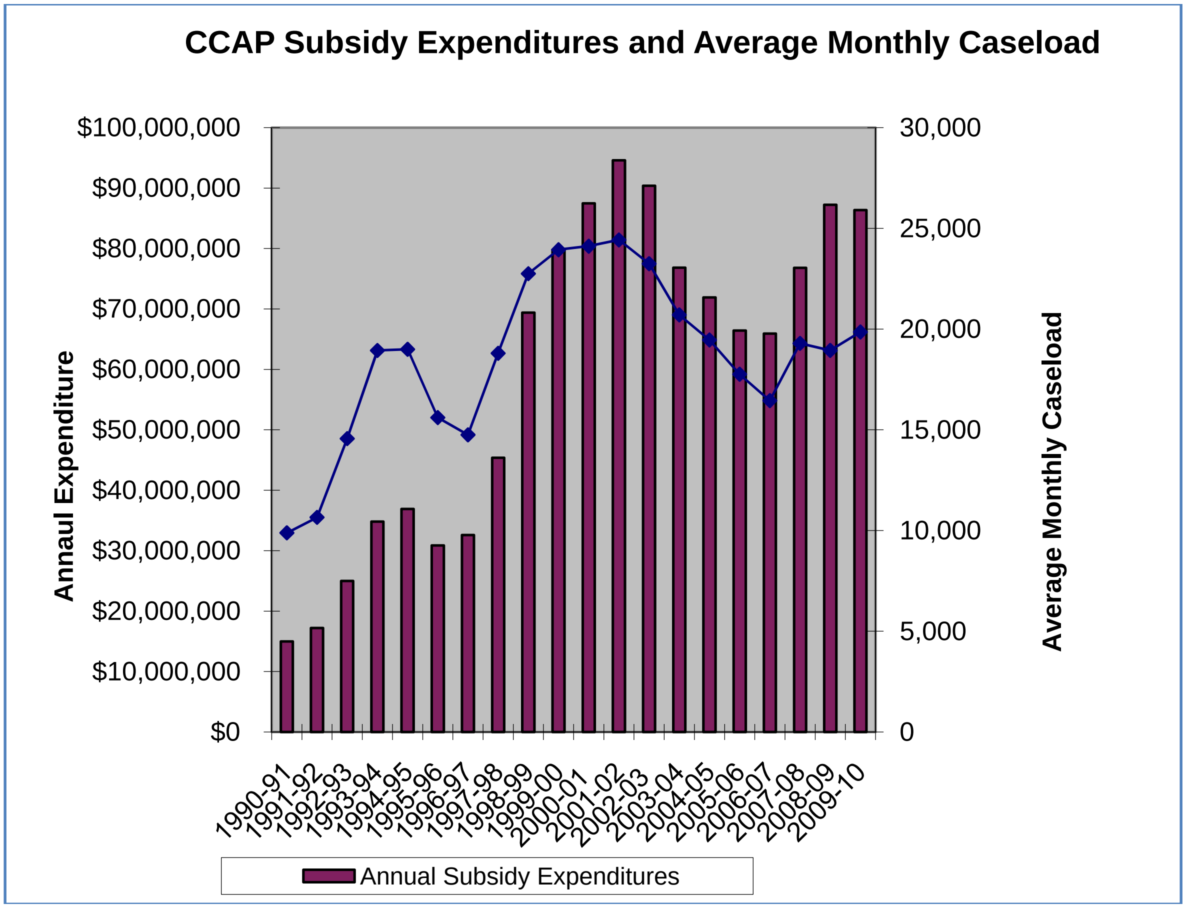
The appropriation is comprised of state-appropriated federal Child Care and Development Fund (CCDF) block grant amounts, state General Fund, and county maintenance of effort and administrative amounts. Each county is required to spend, as a maintenance of effort, its share of an amount identified in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

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

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

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


CCAP Subsidy Expenditures and Average Monthly Caseload
Annaul Expenditure
Average Monthly Caseload
$100,000,000
$90,000,000
$80,000,000
$70,000,000
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
30,000
25,000
20,000
15,000
10,000
5,000
0
1990-91
1991-92
1992-93
1993-94
1994-95
1995-96
1996-97
1997-98
1998-99
1999-00
2000-01
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2002-03
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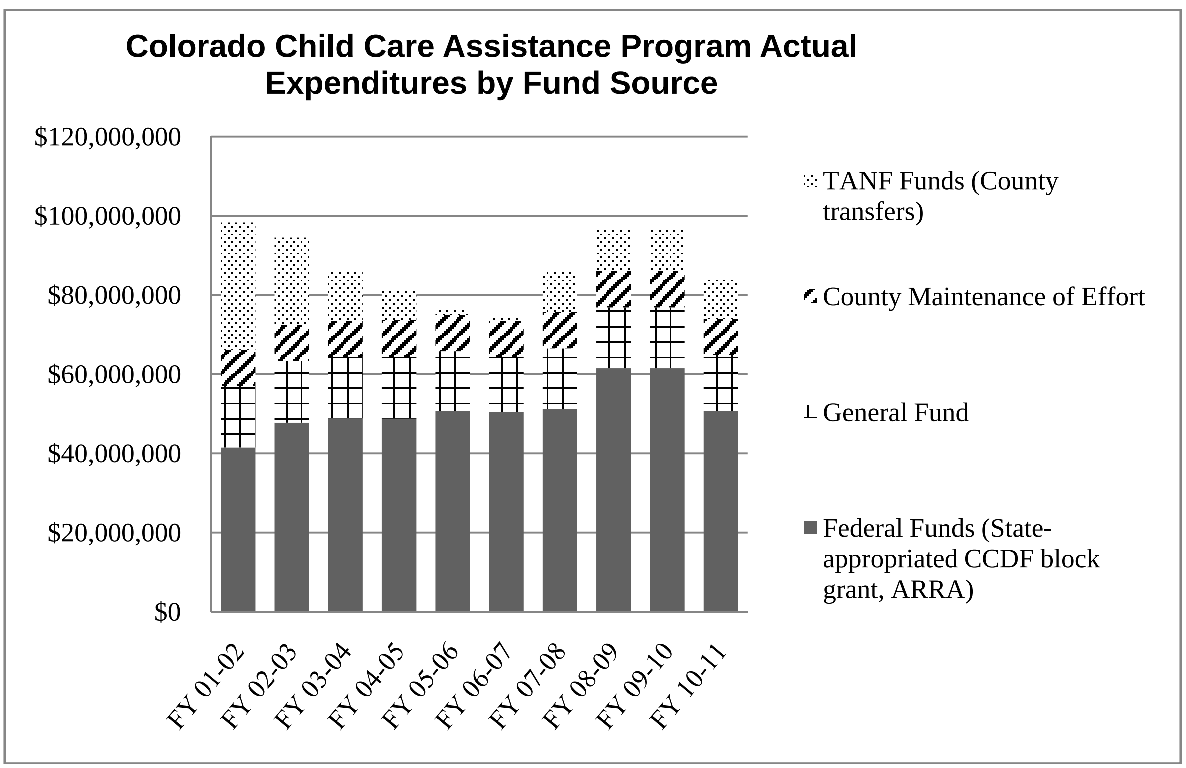
2007-08
2008-09
2009-10
Annual Subsidy Expenditures


Colorado Child Care Assistance Program Actual Expenditures by Fund Source
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$0
FY 01-02
FY 02-03
FY 03-04
FY 04-05
FY 05-06
FY 06-07
FY 07-08
FY 08-09
FY 09-10
FY 10-11
TANF Funds (County transfers)
County Maintenance of Effort
General Fund
Federal Funds (State-appropriated CCDF block grant, ARRA)

As reflected in the charts, 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 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.

Expenditures peaked again in FY 2008-09 at $96.8 million. Counties then began to respond to the recession, as they have historically, by shrinking their child care subsidy programs, although the process was delayed in most counties due to additional federal funding available under the American Recovery and Reinvestment Act in FY 2008-09 and FY 2009-10. Starting as early as 2009 for some counties, counties stopped accepting new applicants and established waiting lists. Currently, 16 counties have waiting list, including four of the "big ten". Counties have also tightened eligibility criteria to reduce program participation, as reflected in the chart below.

Colorado Child Care Assistance Program (CCCAP) Eligibility Levels by County and Wait List Data - Percent of Federal Poverty Guideline (FPG)

County	Sept-2009 Eligibility as a Percent of 2009 Poverty Limits	Sept-2010 Eligibility as a Percent of 2009 Poverty Limits	Sept-2011 Eligibility as a Percent of 2010 Poverty Limits	Sept-2009 # Cases on Wait List *	Sept-2010 # Cases on Wait List *	Sept-2011 # Cases on Wait List *
Adams	225%	165%	135%			
Alamosa	185%	185%	185%			
Arapahoe	185%	135%	135%		160	445
Archuleta	185%	130%	130%	18	48	
Baca	200%	200%	200%			
Bent	225%	225%	225%			
Boulder	225%	185%	185%		558	
Broomfield	185%	185%	185%			
Chaffee	165%	165%	165%			
Cheyenne	165%	165%	165%			
Clear Creek	185%	185%	185%			31
Conejos	225%	225%	225%			
Costilla	185%	185%	225%			
Crowley	225%	225%	225%			
Custer	225%	225%	225%			
Delta	185%	185%	185%			
Denver	225%	225%	165%	858	1625	401
Dolores	185%	160%	160%			
Douglas	200%	200%	175%			
Eagle	150%	150%	150%	15	2	1
Elbert	185%	185%	185%			
El Paso	185%	140%	140%			
Fremont	225%	225%	225%			
Garfield	225%	225%	225%			
Gilpin	225%	225%	225%			
Grand	190%	190%	190%			
Gunnison	175%	175%	175%			13
Hinsdale	175%	175%	175%			1
Huerfano	225%	225%	225%			
Jackson	185%	190%	190%			
Jefferson	225%	165%	165%			
Kiowa	225%	225%	225%			

County	Sept-2009 Eligibility as a Percent of 2009 Poverty Limits	Sept-2010 Eligibility as a Percent of 2009 Poverty Limits	Sept-2011 Eligibility as a Percent of 2010 Poverty Limits	Sept-2009 # Cases on Wait List *	Sept-2010 # Cases on Wait List *	Sept-2011 # Cases on Wait List *
Kit Carson	185%	130%	170%			
Lake	185%	185%	185%			
La Plata	200%	200%	200%		335	
Larimer	185%	185%	150%		387	279
Las Animas	225%	225%	225%			
Lincoln	185%	130%	130%			
Logan	130%	130%	130%	5	2	
Mesa	225%	225%	225%			48
Mineral	225%	130%	130%			
Moffat	225%	225%	225%			
Montezuma	160%	160%	160%			
Montrose	185%	150%	150%		64	53
Morgan	200%	200%	150%			
Otero	225%	225%	225%			
Ouray	260%	225%	225%			
Park	200%	300%	300%			
Phillips	185%	185%	185%			
Pitkin	200%	225%	185%			
Prowers	200%	130%	130%			1
Pueblo	185%	185%	185%			
Rio Blanco	225%	225%	185%			
Rio Grande	225%	130%	130%			
Routt	225%	130%	130%		32	32
Saguache	200%	200%	170%			
San Juan	225%	225%	225%			
San Miguel	260%	225%	200%			
Sedgwick	225%	200%	200%			
Summit	225%	200%	150%		17	38
Teller	170%	135%	135%			2
Washington	225%	225%	225%			
Weld	185%	185%	170%			
Yuma	200%	175%	175%			4
				896	**3230**	**1349**

* 1.7 child per case

Projected CCCAP Expenditures for FY 2011-12. The table below reflects projected CCCAP expenditures for FY 2011-12, based on seven months of actual expenditures. As anticipated, counties have sharply reduced their expenditures. In some counties, the expenditure reduction is so great that it now appears that the entire CCCAP appropriation for FY 2011-12 could be underspent and a significant amount of General Fund reverted. This reflects the policy changes outlined above, but may also reflects impacts from the new Child Care Automated Tracking System (CHATS), which was rolled out in FY 2010-11. This system was expected to reduce county expenditures by $5 to $10 million per year associated with reduced fraud and improper payments. Expenditures to-date may also be affected by system problems that result in manual billing and therefore expenditure delays.

Child Care Assistance Program - Expenditure and Appropriation History and Projection				
Fiscal Year	Closeout Expenditure	Percent Change	Appropriation	Percent Change
SFY 02	$98,291,475		$65,048,209	
SFY 03	94,481,674	-3.9%	71,336,427	9.7%
SFY 04	85,850,643	-9.1%	71,336,427	0.0%
SFY 05	80,426,556	-6.3%	73,135,525	2.5%
SFY 06	76,299,719	-5.1%	75,768,237	3.6%
SFY 07	74,301,618	-2.6%	74,739,132	-1.4%
SFY 08	86,589,306	16.5%	75,668,323	1.2%
SFY 09*	93,377,372	7.8%	86,933,041	14.9%
SFY 10*	96,402,192	3.2%	86,682,657	-0.3%
SFY 11	86,330,780	-10.4%	74,802,572	-13.7%
SFY 12	66,896,285	-22.5%	73,976,592	-1.1%

*SFY 2008-09 and 2009-10 appropriation amounts include ARRA funds.
**SFY 2010-12 projection reflects a straight-line projection based on seven months of actual expenditures.

Projected FY 2011-12 Expenditures by County				
	Allocation	**Projected Expenditures**	**Expenditures (Over)/Under Allocation**	**Percent (over)/under Allocation**
Adams	8,055,200	7,778,382	276,818	3.4%
Arapahoe	7,851,147	5,374,397	2,476,750	31.5%
Boulder	3,399,191	3,199,282	199,909	5.9%
Denver	12,219,221	12,684,772	(465,552)	-3.8%
El Paso	9,872,735	9,680,287	192,448	1.9%
Jefferson	6,470,390	4,894,955	1,575,435	24.3%
Larimer	4,086,646	2,931,611	1,155,036	28.3%
Mesa	2,526,967	2,248,567	278,400	11.0%
Pueblo	3,083,549	3,037,789	45,760	1.5%
Weld	3,701,648	3,759,903	(58,255)	-1.6%
Other Counties	12,709,897	11,279,340	1,430,558	11.3%
Total	$73,976,592	$66,869,285	**$7,107,307**	**9.6%**
Overexpenditures by over-expending counties			**(1,138,674)**	
Underexpenditures by underexpending counties			**8,245,980**	

As shown, expenditures to-date suggest that this program could revert over $7 million General Fund for FY 2011-12. Depending upon the budget picture for FY 2011-12, the Committee could consider some of the following FY 2011-12 budget actions for this program:

- Apply a one-time General Fund reduction for FY 2011-12 of $7.0 million and redirect the funds.
- Apply a one-time federal funds reduction for FY 2011-12 of $7.0 million. This will bolster the reserves of Child Care Development Funds, allowing the State to avoid program reductions associated with federal sequestration in future years, to refinance Child Care General Fund appropriations in the future, or for other purposes.
- Allow unexpended General Fund to revert at the end of the year, adding to revenue available for FY 2012-13.

The Department reported to staff on Monday morning that it expects to work with counties to avoid any underexpenditure, and it now expects that the FY 2011-12 amounts will be fully spent. *Among other actions, counties are expected to lift current waiting lists.* In light of this, **staff recommends maintaining the budget as is and anticipating that, if there is an underexpenditure, amounts will revert to the General fund.**

Staff continues to believe that the degree of county control over the child care subsidy program is problematic. Counties, as a group, have tended to dramatically increase spending when the economy is doing well (because TANF funds are available) and dramatically decrease spending when concerned about their budgets. Their ability to control child care spending is constrained by limited turnover in the program and the slow speed at which any change in eligibility affects program spending in either a positive or negative direction. Further, the ability of 64 counties to project their child care expenses and make related program adjustments is quite variable. *Staff would once again urge the Executive, as well as legislators engaged in this issue, to consider whether a program with more state-direction might be able to serve low-income families on a more consistent basis across the state.*

Department Request and Staff Recommendation. The Department requests $73,976,592, including $13,286,710 General Fund. The request includes the refinance of $817,511 General Fund with federal Child Care Development Funds pursuant to R-10. As previously discussed, the staff recommendation is to refinance $500,000 General Fund, rather than $817,511 General Fund. Cash funds reflect the local county share.

	Total	**GF**	**CF**	**FF**
FY 2011-12 Appropriation	73,976,592	14,104,221	9,182,622	50,689,749
Child Care Assistance Program General Fund Refinance	0	(500,000)	0	500,000
Total Recommended FY 2012-13 Appropriation	**$73,976,592**	**$13,604,221**	**$9,182,622**	**$51,189,749**

The staff recommendation is based on the assumption that, if the JBC takes action related to the FY 2011-12 CCCAP underexpenditure, it will do this via a one-time General Fund reduction for FY 2011-12. Should the Committee instead choose to reduce the federal funds appropriation in the line item in FY 2011-12, thus increasing the reserve of CCDF funds, it could refinance a larger amount of General Fund with CCDF in FY 2012-13.

GRANTS TO IMPROVE THE QUALITY AND AVAILABILITY OF CHILD CARE AND TO COMPLY WITH FEDERAL REQUIREMENTS FOR TARGETED FUNDS

This line item was created in FY 2007-08 and combined the former "Grants to Improve the Quality and Availability of Child Care" and "Federal Discretionary Child Care Funds Earmarked for Certain Purposes" line items.

"Quality" requirement. The federal government requires that 4.0 percent of expenditures for Child Care and Development Fund-supported activities be used to improve service quality. The 4.0 percent calculation is based on total CCDF expenditures, including state expenditures required to match a portion of the federal CCDF grant and county transfers of TANF funds to CCDF. The Department's estimate for FY 2011-12 and request FY 2012-13 reflect an anticipated requirement of $3,778,846.

"Targeted Funds" requirements. Federal law concerning Child Care Development Funds also requires specific dollar amounts of the "discretionary grant" funding under CCDF be "targeted" (formerly known as "earmarked") for specific purposes. These targeted amounts are for: (1) infant/toddler programs; (2) school age and/or resource and referral programs; and (3) quality expansion activities such as professional development, mentioning, provider retention, equipment supply, facility start-up and minor facility renovation. Funding used to meet the "target" requirement may not also be used to meet the "quality" requirement (although many expenditures could be assigned to either category).

The Department seeks to target grant funds reflected in this line item to those areas determined to provide the greatest long-term gains. These areas include: increasing the efficiency and effectiveness of local child care services; raising the level of professional development in the field and providing early childhood training opportunities for child care providers; providing child care resource and referral services for families and child care providers; and, improving the ability of child care providers to prepare children for entering elementary school.
Funds are used for a wide variety of contracts with the Department of Education, Qualistar Early Learning (which coordinates the network of local resource and referral agencies, among other programs), the Early Childhood Councils, and various institutions of higher education.

The table below reflects the Department's anticipated requirement for targeted funds for the state fiscal year, as reported in response to the annual request for information on Child Care Development Funds.

SFY 2012-13 Targeted Funds Requirement (Estimated)	Quality Expansion	Infant Toddler	School Age Resource and Referral	Total
Estimated Open Targeted Funds as of July 1, 2012	571,464	330,953	59,002	961,419
Additional Targeted Funds Open During SFY 2012-13 (75% of Estimated FFY 2013 Targeted Funds)	1,714,392	992,859	177,006	2,884,257
Total Targeted Funds Open in SFY 2012-13	2,285,856	1,323,812	236,008	3,845,676

Line Item Recommendation. The table below compares the combined federal requirements for "targeted" and "quality" funding with anticipated spending**,** based on the Department's response to the Committee's FY 2011-12 Request for Information #5**. The Department has requested, and staff recommends, a continuation level of appropriation for this line item of $3,473,633.**

This exceeds the minimum federal requirements for spending for targeted funds requirements and quality requirement spending, as reflected in the table, below.

Federal Requirements	Amount
Federal 4% quality requirement	$3,778,846
Federal "targeted funds" requirement	3,845,676
Total federal quality and target requirement	7,624,522
"Quality" and "Target" Projected Expenditures	
Office of Operations & Executive Director's Office	5,099
Child Care Licensing and Administration (portion of line item)	3,123,343
Child Care Pilots/Early Childhood Councils	1,978,317
School Readiness Quality Improvement	2,236,015
TANF transfer funds spent on quality (none assumed)	0

Federal Requirements	Amount
Subtotal	7,342,774
Grants to Improve the Quality of Child Care and to Comply with Federal Requirements for Targeting Funds - **Request and Recommendation**	**$3,473,633**
Total	$10,816,407
"Quality" Spending in Excess of Federal Requirements	**$3,191,885**

Of the total appropriation in this line item, an estimated $710,254 supports the Early Childhood Councils.

EARLY CHILDHOOD COUNCILS

Since FY 1997-98, the Department of Human Services has worked with the Department of Education to provide grant funds and technical assistance to local communities to design consolidated programs of comprehensive early childhood care and education services intended to serve children in low-income families. The "pilot programs", as they were named, were allowed to blend various sources of state and federal funding and could apply for waivers of state rules. The pilots were used to identify best practices relative to increasing quality, meeting the diverse needs of families seeking child care, and integrating early childhood care with education programs. The law authorizing pilots was repealed and reenacted pursuant to H.B. 07-1062 [Solano/Williams] to create the Early Childhood Councils program. House Bill 07-1062, codified at Section 26-6.5-101 et. seq., C.R.S., replaced the pilot program for consolidated child care services with a new, statewide system of early childhood councils. Councils represent public and private stakeholders in a local community who work to develop and improve local early childhood services and to create a seamless network of such services statewide.

House Bill 07-1062 also required a contracted evaluation of the early childhood council system. An evaluation was completed and submitted by the Center for Research Strategies on June 30, 2010. The evaluation concluded the "the Councils are making progress in their efforts to build the foundations of local Early Childhood systems by developing their internal capacity related to staffing, communication mechanisms, strategic planning, assessment and evaluation. They are also working to build public engagement and.... increase opportunities for new funding...." The evaluation identified various barriers to success and leverage points for change including improving marketing efforts, strengthening partnerships with key stakeholders, improving use of evaluation tools, and strengthening Council's internal capacity.

Prior to FY 2000-01, funding for this program was included in other line items (the Child Care Services line item in FY 1998-99, and the Child Care Grants line item in FY 1999-00). Funding for the pilot program was then reflected in its own line item starting in FY 2000-01 (the Pilot Program for Community Consolidated Child Care Services) until being renamed the Early Childhood Councils line item after the enactment of H.B. 07-1062. House Bill 07-1062 also transferred $2.0 million ($1.0 million General Fund) from the Child Care Assistance Program line item to expand this program starting in FY 2007-08. The appropriation for the line item was cut by $500,000 through FY 2010-11 supplemental action and an additional $500,000 through

FY 2011-12 figure setting action. In total, the line-item has been cut by one-third from the FY 2009-10 level.

Line Item Request and Recommendation. The Department requested continuation funding of $1,978,317 federal Child Care Development Funds and 1.0 FTE for this line item for FY 2011-12. The staff recommendation is calculated consistent with Committee common policy and is reflected in the table below. Contractual amounts include direct support for an estimated 30 early childhood councils and a contract with the Department of Education for technical assistance to the Councils.

	Total	FF	FTE
Personal Services			
FY 2011-12 Appropriation	47,505	47,505	1.0
Common Policy 2.0 Percent Personal Services	(972)	(972)	0.0
Subtotal - Personal Services	**46,533**	**46,533**	**1.0**
Operating Expenses			
FY 2011-12 Appropriation	950	950	0.0
Subtotal - Operating Expenses	**950**	**950**	**0.0**
Other (Contractual)			
FY 2011-12 Appropriation	1,929,862	1,929,862	0.0
Subtotal - Other	**1,929,862**	**1,929,862**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$1,977,345**	**$1,977,345**	**0.0**

SCHOOL READINESS QUALITY IMPROVEMENT PROGRAM

Background Information. House Bill 02-1297 [Section 26-6.5-106, C.R.S.] created the School-readiness Child Care Subsidization Program to improve the quality of certain licensed child care facilities whose enrolled children ultimately attend low-performing neighborhood elementary schools. The legislation was reauthorized in H.B. 05-1238 [Hefley/Williams] and the program renamed the School Readiness Quality Improvement Program. The program provides grants to child care facilities in areas served by low-performing schools.

Statute specifies that school-readiness quality improvement program funding shall be awarded to early childhood care and education councils for subsidies to local early care and education providers based upon allocations made at the state department. The program targets the school readiness of young children who will ultimately attend eligible elementary schools that have on overall performance rating of “low”" or "unsatisfactory" or that have an overall rating of “average” but have received a CSAP overall academic improvement rating of "decline" or "significant decline”.

The program provides subsidies over a three year period to participating child care centers and family child care homes to cover the cost of equipment, supplies, minor renovations, curricula, staff education, scholarships, training, and bonuses for facility staff for demonstrating quality improvements and addressing problems identified in the ratings.

The act requires the Early Childhood and School Readiness Commission to adopt a voluntary school-readiness rating system to measure the quality of services provided by a child care provider to prepare children to enter elementary school. It requires early childhood care and education councils to submit reports by January 1, 2009, and every three years thereafter, and required a consolidated report to the Education Committees of the General Assembly on or before April 1, 2009, and on or before April 1 every three years thereafter.

Program Implementation. Funding was allocated to 14 grantees (early childhood care and education councils), which use strategies such as mentoring, provider training, and provision of supplies to improve quality of care. The program served approximately 6,750 children in 464 classrooms at 149 sites during the most recent grant cycle. Based on the number of children served, supports are for an average of about $250 per child served or $3,000 to $4,000 per classroom or family child care home.

All sites participating in the program undergo initial evaluation by Qualistar and then have follow-up evaluations. Each site receives a baseline overall quality rating score (one, two, three, or four stars, with four being the highest achievable). These ratings are based on five measurement areas:

- Learning Environment -- a program's health and safety standards, classroom environment, curriculum and activities, interactions between adults and children, and the daily schedule
- Family Partnerships -- how a program develops relationships with families, serves as a resource for them, and offers them opportunities to be part of their children's early learning experience
- Training and Education -- work experience and the average level of early childhood education attained by the providers working in the home or center
- Adult-to-Child Ratios -- average ratios in a classroom over a 10-day period, from the time the program opens until it closes
- Accreditation -- whether a program is accredited through a national accrediting agency

Each site receives detailed information about its strengths and weaknesses in each of the five areas, as well as a list of concrete action steps recommended to improve program quality. The evaluation also includes a list of additional services that will be made available through the program to support quality improvement efforts. Specific quality rating information for providers receiving one or more stars is also made available to parents and members of the public through Qualistar's website [Qualistar.org].

- During the most recent program cycle, the total number of participating child care facilities considered "high quality" increased from 59 percent to 72 percent. Conversely, participating facilities that were considered "low quality" decreased from 41 percent to 27 percent of facilities.

- The first three-year grant cycle also reflected significant impact, with the percentage of programs achieving 3 or 4 stars increasing from 36 percent at baseline to 77 percent at second follow-up, and the programs achieving 0, 1, or 2 stars decreasing from 64 percent at baseline to 23 percent at second follow up.

Request and Recommendation. The Department requests $2,181,602 federal Child Care Development Funds, including annualization of S.B. 11-076 (PERA contributions). The staff recommendation, calculated consistent with Committee common policy, is reflected in the table below.

	Total	FF	FTE
Personal Services			
FY 2011-12 Appropriation	45,345	45,345	1.0
Annualize S.B. 11-076 (PERA Contributions)	1,841	1,841	0.0
Common Policy 2.0 Percent Personal Services Reduction	(1,012)	(1,012)	0.0
Subtotal - Personal Services	**46,174**	**46,174**	**1.0**
Other			
FY 2011-12 Appropriation	2,181,400	2,181,400	0.0
Subtotal - Other	**2,181,400**	**2,181,400**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$2,227,574**	**$2,227,574**	**1.0**

(11) DIVISION OF YOUTH CORRECTIONS

The Division of Youth Corrections (DYC) in the Department of Human Services is responsible for management and oversight of delinquent juveniles who are detained while awaiting adjudication, and for those who are committed to the Department after adjudication. In addition, juveniles may be sentenced for up to 45 days to a detention facility.

The Division's responsibility for committed juveniles extends through a mandatory parole period (a minimum of six months) during which the youth is in the community. Finally, the Division allocates funds by formula to each judicial district in accordance with S.B. 91-94 for the development of local alternatives to incarceration.

Youth Corrections Appropriation and Population History. The chart on the following pages provides the history of youth corrections appropriations and populations served over the last ten years. As reflected in the chart, he average daily population in all categories—commitment, parole, and detention has fallen over the last ten years.

- The commitment population has fallen by 31.6 percent from its FY 2004-05 peak
- The parole population has fallen by 29.1 percent from its most recent peak in FY 2006-07
- The detention population has fallen by 26.2 percent from its most recent peak in FY 2005-06

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 driven primarily by a reduction in delinquency filings and commitment admissions, both of which have fallen sharply, although average length of stay has also declined recently and is now at 17.6 months.

Parole. Legislation requiring mandatory parole for all committed juveniles produced a large increase in the parole population in the late 1990s. Pursuant to S.B. 03-284, the mandatory parole length was shortened from nine to six months, effective May 1, 2003. The parole board has authority to extend parole by up to 15 months for youth adjudicated for certain offenses, leading to a current average length of stay of 6.6 months. The parole population lags the commitment population, and declines in parole generally reflect the declining commitment population.

Detention. Detention facilities hold youth while awaiting a hearing. Judges may also sentence adjudicated youth to a period of up to 45 days in a detention facility (Section 19-2-911, C.R.S.). A large share of the population is comprised of youth who have violated probation. The average length of stay is currently 15.2 days.

The demand for secure detention beds grew quickly 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. Senate Bill 03-286 established a ‘cap’ or limit of 479 on the number of state-funded detention beds. Senate Bill 11-217 lowered the cap to 422 in recognition of further declines in the detention population. Each of the State's 22 judicial districts is allocated a portion of the capped beds.

After the first detention cap was implemented, local jurisdictions reported considerable strain adjusting, and many individual jurisdictions exceeded their cap on any given day. However, daily placements for secure detention beds have continued to fall since FY 2005-06. This reflects recent declines in arrest rates, the number of youth screened for detention placements, and the number of youth on probation, as well as a reduction in usage in the admission of truants, status offenders, and other less serious offenders.

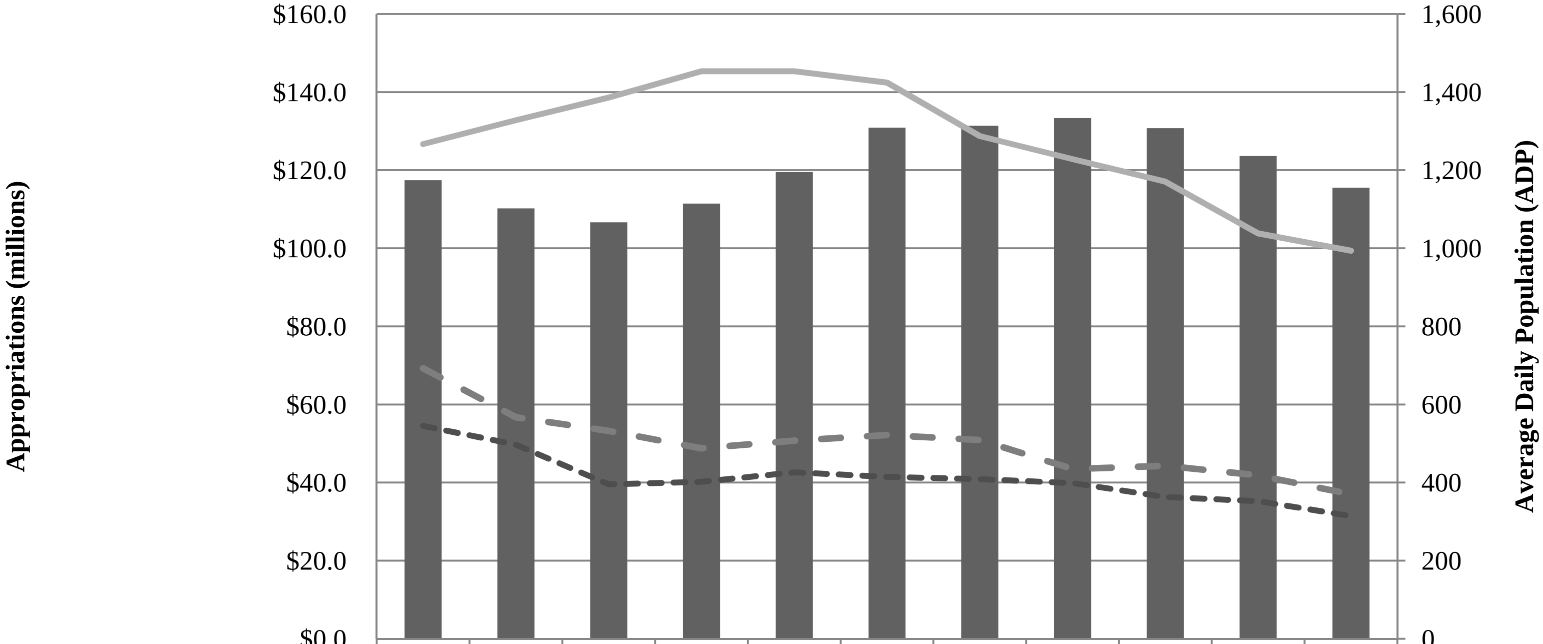
Appropriations. As reflected in the chart, funding levels have not always followed population patterns, as appropriations have also reflected policy decisions by the General Assembly to restrict funding in response to budget constraints or to increase per-person funding to provide better services for youth. However, in light of both budget constraints and population declines, funding has been reduced by 13.4 percent since FY 2008-09.

Youth Corrections Outcomes and November 2011 SAO Performance Audit. *The Continuum of Care.* The Division of Youth Corrections Continuum of Care initiative was launched in late FY 2005-06 to improve the transition for committed youth from residential services, to parole, to discharge. Implementation began with budgetary flexibility provided through a Long Bill footnote that was designed to enable the Division to invest in treatment, transition, and wrap-around services. However, it has since become integrated in the Division's overall philosophy, and with what it defines as its five key strategies to success: right service at the right time; quality staff; proven practices; safe environments; and restorative justice. The continuum includes a cycle of assessment, case planning and treatment for each youth, which is repeated periodically until discharge. By providing "*the right service at the right time*" the Division seeks to ensure that it helps to bring youth out of criminal justice involvement rather than sending them deeper into the system.

The impact of the Continuum of Care on Division outcomes has been difficult assess. For a number of years, the Division's data on recidivism indicated that recidivism rates were flat or even increasing; however, the most recent January 2012 report, which assesses the cohort discharged in FY 2009-10, reflects some improvement in recidivism rates. The Division also points to the results of youth "risk and protective" factors on its Colorado Juvenile Risk Assessment instrument as evidence that its programs have a significant positive impact on youth in its care.

SAO Audit. The State Auditor's Office has released a November 2011 performance audit of the Division. The report found various specific management problems at Division facilities. For example, it found that at 44 percent of facilities visited, policies did not prohibit potential victims and aggressors from being housed in the same sleeping room. It found one facility had implemented a behavior management program that promoted an environment of bullying. In general, the audit highlighted a high level of variation in how facilities are run and that, whatever the Division's goals with respect to providing "the right service, at the right time, at the right place", this may not be consistently happening on the ground.

Youth Corrections Appropriations and Average Daily Population



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12 (proj)
Appropriations (millions)	$117.4	$110.2	$106.7	$111.5	$119.5	$130.9	$131.4	$133.4	$130.8	$123.6	$115.5
Commitment ADP	1,267	1,328	1,386	1,454	1,453	1,425	1,287	1,228	1,171	1,038	994
Parole ADP	692.9	567.2	532.3	487.9	507.4	521.7	509.3	434.9	443.2	418.4	370.1
Detention ADP	545.0	497.1	395.7	402.1	426.3	415.0	408.6	398.8	363.4	352.4	314.5

Note: FY 2011-12 population figures reflect year-to-date through January 2012 for parole and detention populations and the average of the Legislative Council Staff and Department of Public Safety, Division of Youth Corrections projections for the commitment population.

Projections for FY 2011-12 and FY 2012-13. Both the Division of Criminal Justice and the Legislative Council Staff provide population estimates for the Division of Youth Corrections. These estimates are considered by the Joint Budget Committee when determining appropriations, as population growth and inflation are the main factors in the need for additional appropriations.

Commitment Population. For the FY 2011-12 supplemental appropriation, the Committee approved the Department's request to use an average of the Legislative Council Staff and Division of Criminal Justice December 2011 projections for setting funding levels for the commitment population. **The Department requests, and staff recommends, using the average of the two projections when setting the FY 2012-13 budget for the commitment population.**

As shown in the chart below, this would dictate using an average daily commitment population of 970.7 for FY 2012-13. Recent monthly data is included in the chart on a subsequent page. After ticking upward in November and December, the commitment population fell again in January.[2] Based on this, *staff believes it likely that the final commitment figures for FY 2011-12 will be close to the 993.8 figure used for FY 2011-12 supplemental figure setting. Both Legislative Council Staff and Division of Criminal Justice staff have projected a further decline of 2.3 percent in FY 2012-13,* so it seems reasonable to continue to use an average of their two projections for FY 2012-13.

Commitment Average Daily Placements						
	FY 08-09 Actual	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Project	FY 12-13 Project	FY 13-14 Project
Legislative Council Staff						
Actual/Dec. 2011 Projection	1,228.3	1,170.6	1,038.1	981.0	958.0	947.0
ADP Growth From Prior Year	(59.1)	(57.7)	(132.5)	(57.1)	(23.0)	(11.0)
Percent Growth From Prior Year	-4.6%	-4.7%	-11.3%	-5.5%	-2.3%	-1.1%
Division of Criminal Justice						
Actual/Dec. 2011 Projection	1,228.3	1,170.6	1,038.1	1,006.5	983.3	960.6
ADP Growth From Prior Year	(59.1)	(57.7)	(132.5)	(31.6)	(23.2)	(22.7)
Percent Growth From Prior Year	-4.6%	-4.7%	-11.3%	-3.0%	-2.3%	-2.3%
Used for Appropriation/ FY 12-13 Request and Recommendation	1,206.0	1,232.0	1,037.0	993.8	**970.7**	n/a

Parole Population. In recent years, the DYC budget has not been consistently adjusted for changes in the parole population, although reductions to Parole Program Services and the number of client managers were applied in FY 2011-12. The Department has argued that about 40 percent of its parole program costs are associated with maintaining certain capacity in the system and that costs do not therefore adjust with population on a 1-to-1 basis. In light of the cuts taken in FY 2010-11 and FY 2011-12, *staff has not recommended further parole cost adjustments for FY 2012-13. However, the Committee should be aware that the population continues to decline and that additional cuts could therefore be an option.*

[2] New commitments in January 2012 (24) were *less than half* of the January 2011 new commitments (53).

Parole Average Daily Placements						
	FY 08-09 Actual	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Project	FY 12-13 Project	FY 13-14 Project
Legislative Council Staff						
Actual/Dec. 2011 Projection	434.9	443.2	418.4	390.0	381.0	375.0
ADP Growth From Prior Year	(74.4)	8.3	(24.8)	(28.4)	(9.0)	(6.0)
Percent Growth From Prior Year	-14.6%	1.9%	-5.6%	-6.8%	-2.3%	-1.6%
Division of Criminal Justice						
Actual/Dec. 2011 Projection	434.9	443.2	418.4	372.4	363.8	355.4
ADP Growth From Prior Year	(74.4)	8.3	(24.8)	(46.0)	(8.6)	(8.4)
Percent Growth From Prior Year	-14.6%	1.9%	-5.6%	-11.0%	-2.3%	-2.3%
Year-to-date				**370.1**		

Detention Population. Legislative Council Staff and the Division of Criminal Justice have not done projections for the detention population since the detention population caps were imposed. However, it appears that population trends are now being dictated by factors other than the caps, *i.e.*, the population continues to fall below the levels that might be anticipated based on the current caps. The Joint Budget Committee sponsored S.B. 11-217 to lower the detention cap by 57 beds to 422 beds, based on declines in the detention population. **Staff is now concerned that, based on the current rate of decline in the detention population, a further reduction in the cap may be appropriate.** *Between June 2011 and January 2012, the detention population fell from 354.5 to 275.1— a decline of 22.4 percent, reflecting an average monthly decline of 3.6 percent.*

Staff applied the following conservative assumptions to develop a rough projection of the FY 2011-12 and FY 2012-13 detention population:

- assume that the detention population *increases* modestly for the remainder of the year (by 0.9 percent per month as occurred in FY 2010-11);
- assume there is no change in average population from June 2012 through June 2013.

Staff would still project an average daily population for FY 2011-12 of 300 and an average population of 278 in FY 2012-13. This would put actual utilization far below the detention cap for FY 2012-13. As outlined in the Division's annual S.B. 91-94 report, actual utilization will always be below the cap, and this is appropriate. However, when actual utilization falls below 75 percent of the cap, there are unlikely to be many facilities that exceed even 90 percent of their cap on any given day.

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Project	FY 2012-13 Project
Joint Budget Committee Staff					
Actual/ Projection	398.8	363.4	352.4	300.0	287.0
ADP Growth From Prior Year	(9.8)	(35.4)	(11.0)	(52.4)	(13.0)
Percent Growth From Prior Year	-2.4%	-8.9%	-3.0%	-14.9%	-4.3%

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Project	FY 2012-13 Project*
Detention Cap	479	479	479	422	422
Actual/Projection as % Cap	83.3%	75.9%	73.6%	71.1%	**68.0%**
Year-to-date ADP				**312.8**	
Jan 2012				**275.1**	

***Under an alternative staff projection scenario, assuming FY 2012-13 declines comparable to FY 2011-12 to-date, this figure could fall as low as 257.0 ADP and 60.9 percent of the cap.**

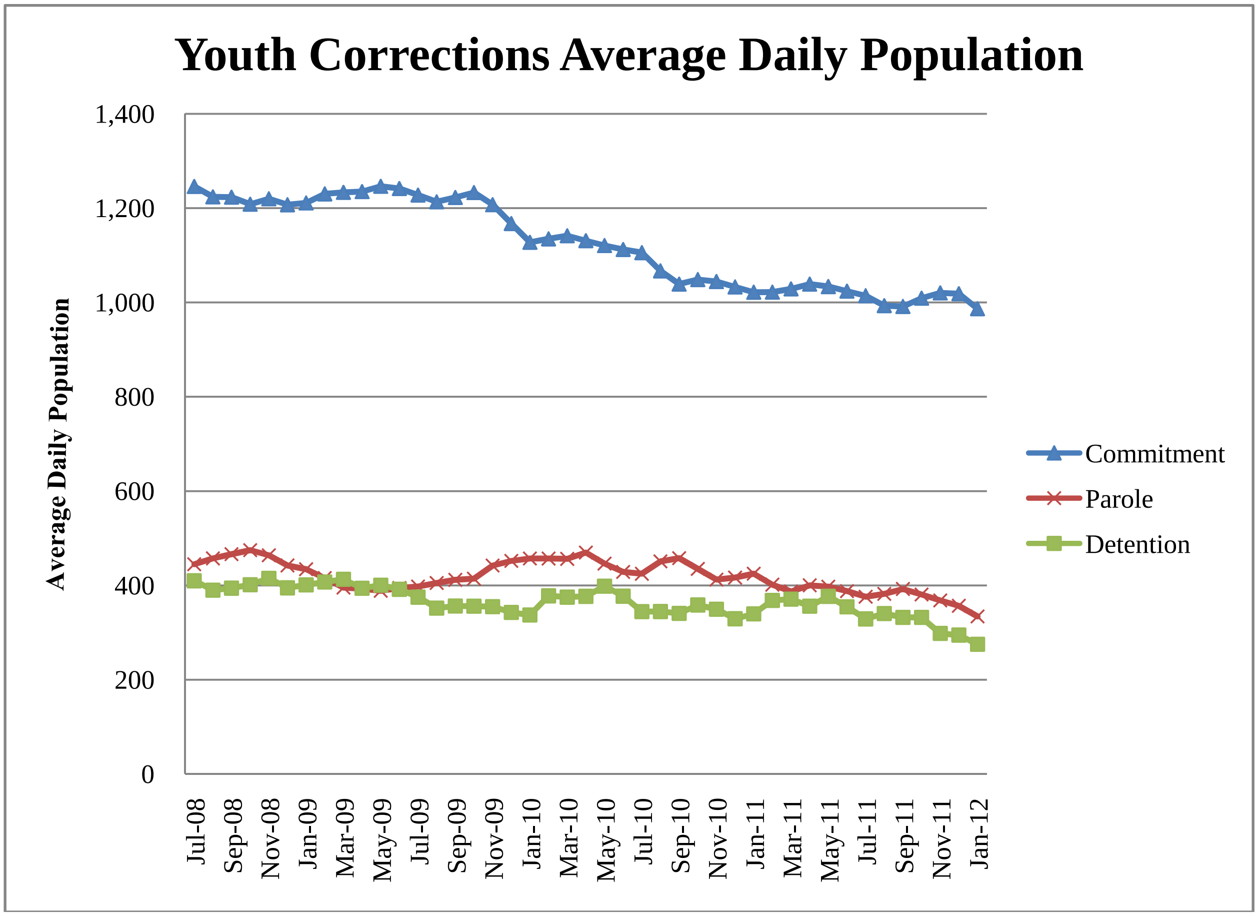
Staff notes that:

- the Department has historically taken the position that funding for detention beds cannot be reduced unless the detention cap is reduced;
- the legislative session provides a limited window of time for taking any action to reduce the cap;
- staff is concerned about the State making expenditures for facilities that are not fully used;
- based on current trends, staff expects the cap could be lowered by an additional 40-60 beds providing savings in the $800,000 to $1.3 million range;
- the cap was just lowered effective FY 2011-12, and some of the strikingly sharp decline in FY 2011-12 may be related to that;
- there are advantages to maintaining program stability and not adjusting the cap again too quickly.

Staff first raised this issue with the Department last week and received a response Monday morning. *The Department acknowledges that the detention average daily population has continued to decline, but it does not believe that an additional reduction to the State's juvenile capacity is warranted at this time*. In light of the large numbers of changes recently in the system, it feels it would be prudent to allow sufficient time between major changes to the system to ensure that all impacted entities have time to fully adjust. It also believes it would be best to solicit input from the impacted stakeholders (local judicial districts) prior to any further reductions.

If the Committee is interested in pursuing this issue further for FY 2012-13, staff would suggest:

- that it requests formal input from the Department and an estimate of potential budgetary savings; and
- that it requests Legislative Council Staff and/or Division of Criminal Justice staff to develop population projections for the detention population. *Even if the Committee chooses not to pursue this issue during the 2012 legislative session, staff suggests that the Committee request detention projections as part of the December 2012 population projections so that it is better prepared to take action during the 2013 legislative session, if appropriate.*



Budget Amendment #6 (Supplemental #7) – Contract Placements Supplemental
The Department requests an increase of $1,271,871 total funds ($1,113,854 net General Fund) above the $2,284,128 total funds ($2,109,053 net General Fund) increase approved for FY 2011-12. This request incorporates a large number of changes to the Division of Youth Corrections budget, including:

- An adjustment for the projected commitment population for FY 2012-13, using the average of the Legislative Council Staff and Division of Criminal Justice projections. This includes applying the average case mix and rates approved for the FY 2011-12 Contract Placements supplemental.
- A change to the assumptions for contract placements to reflect the expectation that state-operated beds will operate at 100 percent of capacity, rather than 110 percent of capacity.
- Annualization of the "right sizing" of Department-operated facilities, including closure of the Sol Vista facility and one pod in the Marvin Foote facility (40 beds total) in mid-FY 2011-12.
- Proposed "reinvestment" of the net savings from the closure of facilities (savings after the purchase of a like-number of contract placements) to increase critical post staffing

throughout Department facilities, as well as to cover additional social work and educational costs in state-operated facilities specifically related to "right sizing".

The table below summarizes the Department's request from the FY 2011-12 Long Bill (i.e., it does not incorporate supplemental action already taken).

FY 2012-13 Summary of Impacts to Purchase of Contract Placements	**Total**	**General Fund**	**Reapprop. Funds**	**Federal Funds**	**Medicaid CF**	**Medicaid GF**	**Net GF**
Gov Request Nov 1	$ 28,815,534	$ 26,646,616	$ 1,205,322	$ 963,596	$ 1,205,322	$ 602,661	$ 27,249,277
Increase Based on Caseload Projections	$ 811,327	$ 761,459	$ 56,045	$ (6,177)	$ 56,045	$ 28,022	$ 789,481
Increase Requested for Reducing Overcrowding	$ 2,576,285	$ 2,377,042	$ 112,767	$ 86,476	$ 112,767	$ 56,384	$ 2,433,426
Increase Requested for Capacity Realignment	$ 2,734,868	$ 2,476,335	$ 180,292	$ 78,241	$ 180,292	$ 90,146	$ 2,566,481
Total Increase in Purchase of Contract Placements	$ 6,122,480	$ 5,614,836	$ 349,104	$ 158,540	$ 349,104	$ 174,552	$ 5,789,388
Total Amount in Purchase of Contract Placements	**$ 34,938,014**	**$ 32,261,452**	**$ 1,554,426**	**$1,122,136**	**$ 1,554,426**	**$ 777,213**	**$ 33,038,665**
Transfers from (11) Division of Youth Corrections, (B) Institutional Programs Appropriations to Fund Changes per Capacity Alignment Line Item Flexibility							
Personal Services	$ (2,016,692)	$ (2,016,692)	$ 0	$ 0	$ 0	$ 0	$ (2,016,692)
Operating Expenses	$ (47,362)	$ (47,362)	$ 0	$ 0	$ 0	$ 0	$ (47,362)
Medical Services	$ (194,216)	$ (194,216)	$ 0	$ 0	$ 0	$ 0	$ (194,216)
Educational Programs	$ (308,211)	$ (308,211)	$ 0	$ 0	$ 0	$ 0	$ (308,211)
Total	$ (2,566,481)	$ (2,566,481)	$ 0	$ 0	$ 0	$ 0	$ (2,566,481)
				Net impact to Net General Fund due to realignment			$ 0
Total Impact for All Changes Including Reductions	**$ 3,555,999**	**$ 3,048,355**	**$ 349,104**	**$ 158,540**	**$ 349,104**	**$ 174,552**	**$ 3,222,907**

As reflected in the table, the Department's approach reflects:

- Making all changes related to capacity alignment (*i.e.*, downsizing of state-operated facilities) cost *and savings* neutral;
- Separately requesting increases/adjustments for the additional costs associated with shifting to operating facilities at 100 percent of capacity, rather than 110 percent ($2.4 million) and other changes in the projected average daily placements and cost per placement.

Staff Analysis and Recommendation.

- As previously discussed, consistent with the request, staff recommends the average of the Legislative Council Staff and Division of Criminal Justice December 2011 commitment population projections when setting the FY 2012-13 budget. This is an average daily commitment population of 970.7 or 23.ADP below the FY 2011-12 projection.

Information on the Department's overall right-sizing proposal and the impact of changes in the commitment case mix and Ridge View facility rates on contract placement costs were covered in the staff supplemental presentation dated January 20, 2012. They are therefore not addressed here. However, although staff recommended the supplemental request, certain elements require further review for FY 2012-13. These items are discussed below and include:

- Assumption that Department will operate at 100 percent of capacity in FY 2012-13
- Proposed reinvestment of any net savings in additional critical post staffing
- Calculation details on positions eliminated, new positions hired, and operating costs

Staff recommends most components of the Departments' request. However, staff has recommended some modest additional adjustments that result in net General Fund savings in FY 2012-13 and thus partially offset the additional costs of this request in FY 2012-13. Staff also considers the Department's request for new critical post staffing an optional component of the request. Although staff has recommended it, it could be eliminated if desired by the Committee.

Operating State Facilities at 100 Percent of Design Capacity. The net General Fund impact of this component of the request is $2.4 million. The Department believes that attaining and maintaining a long-term level of overcrowding has various negative consequences:

- It drives up caseloads for staff who provide supervision and treatment services, decreasing their effectiveness, and also places limits on the physical space available for treatment.
- It reduces the Division's ability to place youth appropriately, based on the results of its standardized assessment instruments.
- It results in lower-risk youth being placed in settings designed for youth with more intensive safety and security needs. This exposes lower-risk youth to negative peer behavior and is contrary to evidence-based practice, which has demonstrated that matching youth risk and need with service is critical to positive outcomes.

Staff recommends the request. Staff notes that the requirement that the Department operate at 110 percent of capacity was solely implemented as a money-saving measure. Staff concurs with the Department that it is better practice to operate facilities at 100 percent of design capacity. Staff also acknowledges that, as the youth commitment population has fallen, the likelihood that operating facilities at 110 percent of capacity will result in inappropriate placements has increased.

Critical Post Staffing. The net General Fund impact of this component of the request is $671,000 and 14.0 FTE. In FY 2007-08, the Department submitted a request to begin addressing a problem in critical post staffing at its facilities. Critical posts represent positions essential to the safety and security of youth and staff in a facility, *i.e.*, the line-staff correctional/youth security officers responsible for the care, supervision, and oversight of juveniles placed in 24-hour facilities. The request noted that all the DYC state operated facilities were experiencing a continual shortage of staff to cover all critical posts, resulting in risks for youth and staff: increases in escapes, assaults, and workers' compensation claims.

The Division had determined that one of the major factors was the relief factor for 24-hour posts. Due to the Family and Medical Leave Act, more staff were on extended leave resulting in uncovered positions. In addition, increases in training requirements had resulted in fewer total hours available for critical posts. In FY 2004-05, the Division identified over 11,400 shifts (equating to 44.0 FTE at 2,080 hours per FTE) that would have gone uncovered because of staff shortages. To avoid this, staff were called in on days off, asked to work a double shift, to cover additional youths, or to cancel treatment sessions to ensure adequate supervision.

The request indicated that 50.3 FTE additional FTE would address the Division's problems by adjusting the relief factor for critical post staffing to 1.74 FTE per 8, hour 7 day per week post or 5.22 FTE per 24 hour, 7 day per week post. The Division's staffing levels are based on a critical relief factor of 1.6 FTE per 8 hour 7 day per week post, i.e., they assume that that 4.8 FTE is sufficient to cover a 24 hour 7 day per week post, taking into consideration time off for staff leave and holidays. However, a staffing study completed in FY 2004-05 by Voorhis Associates had demonstrated that this was insufficient based on the actual leave used by staff.

The FY 2007-08 request, which was approved, was for just 7.5 FTE to address critical post staffing at the Marvin Foote facility. The Department reports that it was then allowed to keep 18.0 FTE staff, despite closing 46 beds at the Lookout Mountain facility in FY 2008-09, in order to assist in addressing the critical post issue. The current budget amendment as submitted January 11, 2012, reflects an expectation that the Division will add 11.0 critical post FTE through the "excess" savings from closing Sol Vista. However, in subsequent documents, 14.0 FTE has been cited.

Staff has some concerns about the request because the assumed need for additional critical post staffing was based on facility coverage ratios in FY 2004-05 and, presumably, the number of beds in Department facilities at that time. The Voorhis study referenced in the Department's request cites 952 beds in calculating staffing needs, while the Department's FY 2012-13 capacity based on its bed utilization plan and budget is 799. Staff has not been able to fully account for all the changes in beds and staff and how that may have affected critical post staffing needs.

However, staff also notes that:

- The Voorhis study actually reflected a need for an additional 236 staff for adequate coverage—a figure the Division has never attempted to pursue; and
- Based on touring various Division facilities and a variety of anecdotal informal, staff does believe that Division staffing for critical posts is "thin", and staff expects that even an increase of 14.0 FTE will not fully address the need.

In light of these factors, staff is recommending this component of the request. However, *if the Department expects to request further "critical post" increases in the future, it will need to do a better job of outlining its ongoing staffing coverage issues.* Staff is not suggesting a new, costly staffing study but merely additional examination of current Department data.
For example:

- Can the Department reconcile how critical post staffing levels and facility beds have changed over time?

- If training requirements have further increased since 2005 (as indicated by the Department) what is the specific impact on staffing needs? If data-input requirements are negatively affecting coverage (as suggested in one write-up), are there management options for addressing this?
- To the extent vacancies are associated with *unpaid* FMLA staff leave, is there really a need for additional dollars to cover the vacancies or simply better ways to cover temporary vacancies, *e.g.*, through pool staff?
- Is all of the critical post coverage needed associated with legitimate staff absences? Could coverage needs be reduced by management strategies to reduce any improper use of leave?

Detail on staff and operating expense adjustments. The table on the following page reflects the recommended line item adjustments associated with annualizing this request. Items that differ from the Department request (which netted to $0) are highlighted and include the following:

- Reductions for operating expenses in all line items reflecting reduction of 40.0 ADP youth. The reduction for educational operating expenses is based on the average educational operating expenses in FY 2010-11 excluding contracted services. The reduction for medical operating expenses is based on the FY 2010-11 actual for contractual medical services divided by the average daily population of youth in secure placements. The reduction in the Institutional Operating Expense line item is based on reducing net FTE in the Institutional Personal Services line item by 37.0 x $500/FTE.

- Reductions in "pots" due to the large number of positions eliminated. Note that the adjustment for shift is still pending further information from the Department.

	Position	full year FTE	2011-12	2012-13	Annualization from FY 2011-12
Appropriation Impacts due to Closures					
Medical Services					
Medical Personal Services					
Sol Vista	Nurse I	2.0	64,356	136,438	
Foote	Nurse I	1.0	32,751	69,395	
		3.0	97,107	205,833	
Operating Exp (Purchased Svc)				180,335	
	Net Reduction	3.0	**97,107**	**386,168**	289,061
Educational Programs					
Educational Personal Services					
Sol Vista	State Teacher I	3.0	93,815	198,891	
Sol Vista	State Teacher III	1.0	37,326	79,133	
Foote	State Teacher I	2.0	57,964	122,885	
		6.0	189,105	400,910	
	Add'l contract cost			(70,000)	
		6.0	189,105	330,910	
Operating Expenses				52,624	
	Net Reduction	**6.0**	**189,105**	**383,533**	194,428
Institutions, Operating Exp.					
	Sol Vista			47,362	
	FTE-related			18,500	
	Net Reduction			**65,862**	65,862
Institutions, Personal Services					
Sol Vista	Multiple	45.0	1,159,967	2,342,636	
Foote	Multiple	9.0	219,431	465,033	
Multiple	Critical Post Staffing	-14.0	(76,364)	(613,648)	
Lookout Mtn.	Clinical Staff addition	-3.0	(40,684)	(173,600)	
	One-time cost		(50,000)	0	
	Net Reduction	**37.0**	**1,212,350**	**2,020,420**	808,070
Purchase of Contract Placements			**(1,498,562)**	**(2,567,938)**	(1,069,376)
Executive Director's Office					
	HLD			16,948	16,948
	STD			4,496	4,496
	AED			81,292	81,292
	SAED			69,860	69,860
	Shift			pending	pending
	Net Reduction			**172,596**	172,596
GRAND TOTAL REDUCTION		**46.0**		**460,641**	**460,641**

(A) ADMINISTRATION

This section of the Division is responsible for establishing program policies and procedures for the treatment of juveniles in the custody of the Division and monitoring compliance with these standards. Also, this section collects data and provides strategic planning. Other duties include contract management and victim notification. Support for accounting, facility maintenance, and human resource functions is provided by other divisions within the Department of Human Services.

PERSONAL SERVICES

This line item funds salaries, PERA, and Medicare for administrative and management staff of the Division. The workload for the Personal Services line item in the Administration section is driven by the number of employees and programs in the Division that require supervision and strategic guidance, and by the amount and complexity of research and statistical data requested by the legislature, general public, and DYC's own management.

As the DYC commitment population changes, the number of youth in contract placements changes as well. Although the direct care of the youths is provided by the private sector, any caseload growth requires DYC to manage a larger number of contracts with private providers (including contracts with licensed Psychiatric Residential Treatment Facilities and Therapeutic Residential Child Care Facilities, medical and mental health treatment providers, local school districts, and colleges).

Staffing Summary - (11) Division of Youth Corrections (A) Administration	FY 2010-11 Actual	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.
Management	3.1	3.1	3.1	3.1
Research / Statistics	9.8	8.9	8.9	8.9
Support Staff	3.4	3.4	3.4	3.4
TOTAL	**16.3**	**15.4**	**15.4**	**15.4**

Line Item Request and Recommendation. The Department requests an appropriation of $1,347,573 General Fund and 15.4 FTE for this line item, including the annualization of S.B. 11-076 (PERA contributions). The staff recommendation is reflected in the table below and is calculated consistent with common policy.

	Total	GF	FTE
FY 2011-12 Appropriation	1,319,003	1,319,003	15.4
Annualize S.B. 11-076 (PERA Contributions)	28,570	28,570	0.0
Common Policy 2.0 Percent Personal Services Reduction	(26,405)	(26,405)	0.0
Total Recommended FY 2012-13 Appropriation	**$1,321,168**	**$1,321,168**	**15.4**

<u>OPERATING EXPENSES</u>

This line item provides operating funds for the administrative and management staff of the Division. Expenditures are for general office supplies; office equipment maintenance, purchases, and repairs; and travel. **The Department requests $30,357 General Fund**, including annualization of FY 2010-11 SBA-8 (5% Operating Reduction). **Staff recommends the request**, which is consistent with common policy.

<u>VICTIM ASSISTANCE</u>

This line item provides spending authority and 0.5 FTE to help DYC fulfill its obligation to keep victims informed. For victims of qualifying charges (crimes against persons), DYC provides notification of all movements and status changes of the perpetrator within the youth corrections system, such as escapes and return to custody, eligibility for visits to the community and cancellation of visits, hearings involving the perpetrator, re-commitments, transfer to the adult system, death, and expiration of commitment. The victim has the right at any of these events to provide statements for review.

Fund Source Overview. The source of reappropriated funds for the victim assistance program is a grant from the Division of Criminal Justice in the Department of Public Safety, made pursuant to Section 24-33.5-506, C.R.S. The State Victims Assistance and Law Enforcement Advisory Board (State VALE Board), created in Section 24-33.5-508, C.R.S., advises the Division of Criminal Justice on what grants to make. Revenue for the State VALE fund comes from a percentage of surcharges on criminal offenders levied at the judicial district level, with a small amount coming from the Department of Corrections' Prison Industry Enhancement Program (federal) of which a certain amount must be used to provide direct services to crime victims.

Line Item Request and Recommendation. The Department requests $29,203 reappropriated funds, including the annualization of S.B. 11-076 (PERA contributions). The staff recommendation is reflected in the table below and is calculated consistent with common policy.

	Total	RF	FTE
Personal Services			
FY 2011-12 Appropriation	24,406	24,406	0.5
Annualize S.B. 11-076 (PERA Contributions)	1,572	1,572	0.0
Common Policy 2.0 Percent Personal Services Reduction	(545)	(545)	0.0
Subtotal - Personal Services	**25,433**	**25,433**	**0.5**
Operating Expenses			
FY 2011-12 Appropriation	3,225	3,225	0.0
Subtotal - Operating Expenses	**3,225**	**3,225**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$28,658**	**$28,658**	**0.5**

(B) INSTITUTIONAL PROGRAMS

This section of the Division funds state-operated detention and commitment facilities, and diagnostic and program services for juveniles while they are in a DYC institution. Additional services for juveniles who leave an institutional setting, for example to a community placement or parole, are funded through the Community Programs section.

PERSONAL SERVICES

This line item pays salaries for the majority of program, supervisory, and support staff at DYC institutions. Educational and medical staff are funded in separate line items, and physical plant staff are funded through the Office of Operations, with limited exceptions.

Institutional Programs Staffing Summary	FY 2010-11 Actual	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.
Management / General Professional	19.7	18.9	19.7	19.7
YS Counselors, Social Workers, Teachers	107.7	116.9	122.2	122.2
Security Officers	575.7	587.7	574.0	574.0
Food Services	40.9	39.3	40.9	40.9
Support Staff and Other	32.5	28.2	32.5	32.5
Sup #7/BA #6 (Contract Placements)	n/a	-20.0	-40.0	-37.0
TOTAL	**779.6**	**774.1**	**749.3**	**752.3**

Line Item Request and Recommendation. The Department requests an appropriation of $41,107,227 General Fund and 749.3 FTE for this line item. The request includes:

- annualization of S.B. 11-076 (PERA Contributions);
- annualization of S.B. 11-217 (Detention Cap);
- BA #5 (Contract Placement Supplemental).

The staff recommendation includes these items, with a slight adjustment to the BA #5 calculation due to the base salary used for the critical post staffing component and the number of FTE assumed for the critical post positions. The recommendation also includes the 2.0 percent personal services reduction, consistent with common policy, as reflected in the table below.

	Total	GF	FTE
FY 2011-12 Appropriation	41,079,510	41,079,510	771.0
Annualize S.B. 11-076 (PERA Contributions)	910,908	910,908	0.0
Annualize S.B. 11-217 "Concerning a reduction in the juvenile detention bed cap	(78,849)	(78,849)	(1.7)
Common Policy 2.0 Percent Personal Services Reduction	(776,847)	(776,847)	0.0

	Total	GF	FTE
Division of Youth Corrections Contract Placement Supplemental	(808,070)	(808,070)	(17.0)
Total Recommended FY 2012-13 Appropriation	**$40,326,652**	**$40,326,652**	**752.3**

OPERATING EXPENSES

This line item funds the operation of DYC facilities, including such expenses as uniforms for staff and juveniles, custodial and laundry supplies, telephone fees, office equipment, and counseling supplies. Nearly half of the appropriation is for food and food service supplies, but food costs are paid primarily by the federal school breakfast and lunch program. Reappropriated funds in the line item are funds transferred from the Department of Education for the federal school breakfast and lunch program.

Line Item Request and Recommendation. The Department $3,354,975, including $2,024,775 General Fund and $1,330,200 reappropriated funds, for this line item. The request includes:

- annualization of FY 2010-11 SBA-8 (5% Operating Reduction);
- annualization of S.B. 11-217 (Detention Cap); and
- BA #5 (Contract Placement Supplemental).

The staff recommendation includes these items, with a slight adjustment to the BA #5 calculation, as previously discussed. The recommendation is reflected in the table below.

	Total	GF	RF
FY 2011-12 Appropriation	3,382,033	2,051,833	1,330,200
Annualization of FY 2010-11 SBA-8 (5% Operating Reduction)	41,887	41,887	0
Annualize S.B. 11-217 "Concerning a reduction in the juvenile detention bed cap"	(21,583)	(21,583)	0
Division of Youth Corrections Contract Placement Supplemental	(65,862)	(65,862)	0
Total Recommended FY 2012-13 Appropriation	**$3,336,475**	**$2,006,275**	**$1,330,200**

MEDICAL SERVICES

Personnel, contract, and operating costs associated with providing medical services to DYC youth were consolidated into one line item several years ago to enable better tracking of costs and to provide the Division with more flexibility in managing medical expenses. The table below provides a general outline of the program components in this line item

Medical Services Major Components	Dollars (millions)	Serves
DYC Personnel	$3.0	Committed youth in state facilities
Medical services contracts for mental health services	1.8	Mainly committed youth - some overlap to detained youth in state operated facilities

Medical Services Major Components	Dollars (millions)	Serves
Operating expenses and supplies for clinics at facilities	0.2	Mainly committed youth - some overlap to detained youth in state operated facilities
Outside medical services contracts - hospitalization, outpatient, specialty, dental and pharmaceutical	2.0	Committed youth in state facilities and the Marler and DeNier state owned/privately operated facilities
Total	**$7.0**	

Youth in privately owned, privately operated contract facilities (none of which are physically secure) are eligible for Medicaid, and medical costs for these youths are billed directly to the Medicaid program. Previously, all three state-owned, privately operated facilities (Ridge View, Marler, and DeNier) were secure facilities and not eligible for Medicaid; however, the Ridge View facility is no longer classified as a secure facility, and medical costs for youth in the facility are now billed directly to the Department of Health Care Policy and Financing.

The allocation of costs within line-item categories is outlined below.

Personal Services. This portion of the line item pays for staff in state-operated facilities who provide routine medical care and administer medications, especially psychotropics. It also includes funding for personal services contracts. The Division's primary contract for medical services is with Devereaux Cleo Wallace to provide acute mental health services at Lookout Mountain Youth Services Center in the Cypress Unit. Also, the Division uses contract dollars to pay Colorado Access for managing specialty off-site medical needs. The Division spends smaller amounts on contracts for infrequently used on-site medical services, such as psychiatrists, and on contracts for medical services in areas where it is difficult to recruit state FTE.

Medical Services Staffing Summary	FY 2010-11 Actual	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recommended
Program administration and Support Staff	2.0	2.0	2.0	2.0
Dentist	1.0	1.0	1.0	1.0
Mid-level Providers (e.g., nurse practitioners)	12.8	14.0	14.5	14.5
Nurses / Health Professionals	14.0	15.8	16.3	16.3
Psychologist / Social Worker / Counselor	5.4	6.2	5.2	5.2
Sup #7/BA #6 (Contract Placements)	n/a	-1.5	-3.0	-3.0
TOTAL	**35.2**	**37.5**	**36.0**	**36.0**

Operating Expenses. This represents the estimated operating expenses and supplies for Department clinics and facilities.

Other. This primarily represents medical services purchased from outside entities (*e.g.*, hospitals) for youth in state-owned or state-operated commitment facilities. The purchased services in this line item reflect costs for youth in state-owned and operated facilities and youth in two state-owned, privately operated facilities (Marler and DeNier). Federal rules prohibit youth in secure state-owned institutions from accessing Medicaid, and, therefore, this line item historically provided General Fund for medical costs for youth in the state-owned, privately operated facilities, as well as the state operated secure facilities.

Medical costs for youth in privately owned and operated contract facilities, as well as the Ridge View facility, are billed directly to Medicaid by providers. Similarly, detained youth who have not been committed, and therefore are not officially a ward (legal custody) of the State, may retain the Medicaid status they had prior to detention for the short duration of their stay.

Line Item Request and Recommendation. The Department requests an appropriation of $6,797,396 General Fund and 36.0 for this line item. The request includes:

- annualization of S.B. 11-076 (PERA Contributions);
- annualization of FY 2010-11 SBA-8 (5% Operating Reduction); and
- BA #5 (Contract Placement Supplemental).

The staff recommendation includes these items, with an adjustment to the BA #5 calculation to incorporate anticipated contractual medical expense reductions. The recommendation also includes the 2.0 percent personal services reduction, consistent with common policy, as reflected in the table below.

	Total	GF	FTE
Personal Services			
FY 2011-12 Appropriation	4,215,245	4,215,245	37.5
Annualize S.B. 11-076 (PERA Contributions)	60,542	60,542	0.0
Common Policy 2.0 Percent Personal Services Reduction	(57,088)	(57,088)	0.0
Division of Youth Corrections Contract Placement Supplemental	(108,726)	(108,726)	(1.5)
Subtotal - Personal Services	**4,109,973**	**4,109,973**	**36.0**
Operating Expenses			
FY 2011-12 Appropriation	200,000	200,000	0.0
Annualization of FY 2010-11 SBA-8 (5% Operating Reduction)	6,403	6,403	0.0
Subtotal - Operating Expenses	**206,403**	**206,403**	**0.0**
Other			
FY 2011-12 Appropriation	2,412,315	2,412,315	0.0
Division of Youth Corrections Contract Placement Supplemental	(180,335)	(180,335)	0.0
Subtotal - Other	**2,231,980**	**2,231,980**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$6,548,356**	**$6,548,356**	**36.0**

EDUCATIONAL PROGRAMS

This line item funds personal services and operating expenses associated with education, primarily in state-operated commitment facilities. In contract commitment facilities, and in detention facilities, education is the responsibility of local school districts and paid for with the help of state per pupil operating revenue (PPOR). A limited portion of the Educational Programs line item is used to supplement PPOR-funded services at detention facilities with health education, such as AIDS prevention and substance abuse prevention.

There are three sources of federal funds for this line item that appear as reappropriated funds because the money is transferred from the Department of Education: (1) the Carl D. Perkins Vocational Education Act for vocational training ($30,000); (2) Title I of the Elementary and Secondary Education Act for disadvantaged youth ($206,336); and (3) the Individuals with Disabilities Education Act for special education ($107,557).

Educational Programs Staffing Summary	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Recommended
Support Staff	2.8	2.8	2.8	2.8
Teachers	31.2	38.0	33.0	33.0
Sup #7/BA #6 (Contract Placements)	n/a	-3.0	-.6.0	-6.0
TOTAL	**34.0**	**37.8**	**34.8**	**34.8**

Line Item Request and Recommendation. The Department requests an appropriation of $5,498,044, including $5,157,268 General Fund and $340,776 reappropriated funds, and 34.8 FTE for this line item. This request includes:

- annualization of S.B. 11-076 (PERA Contributions);
- annualization of FY 2010-11 SBA-8 (5% Operating Reduction); and
- BA #5 (Contract Placement Supplemental).

The staff recommendation includes these items, with an adjustment to the BA #5 calculation to incorporate anticipated educational operating expense reductions. The recommendation also includes the 2.0 percent personal services reduction, consistent with common policy, as reflected in the table below.

	Total	GF	RF	FTE
Personal Services				
FY 2011-12 Appropriation	2,599,873	2,399,294	200,579	37.8
Annualize S.B. 11-076 (PERA Contributions)	56,040	51,930	4,110	0.0
Common Policy 2.0 Percent Personal Services Reduction	(47,414)	(47,414)	0	0.0
Division of Youth Corrections Contract Placement Supplemental	(211,804)	(211,804)	0	(3.0)
Subtotal - Personal Services	**2,396,695**	**2,192,006**	**204,689**	**34.8**
Operating Expenses				

	Total	GF	RF	FTE
FY 2011-12 Appropriation	480,920	452,065	28,855	0.0
Annualization of FY 2010-11 SBA-8 (5% Operating Reduction)	8,152	8,152	0	0.0
Division of Youth Corrections Contract Placement Supplemental	(52,624)	(52,624)	0	0.0
Subtotal - Operating Expenses	**436,448**	**407,593**	**28,855**	**0.0**
Other				
FY 2011-12 Appropriation	2,472,165	2,364,933	107,232	0.0
Division of Youth Corrections Contract Placement Supplemental	70,000	70,000	0	0.0
Subtotal - Other	**2,542,165**	**2,434,933**	**107,232**	**0.0**
Total Recommended FY 2012-13 Appropriation	**$5,375,308**	**$5,034,532**	**$340,776**	**34.8**

PREVENTION/INTERVENTION SERVICES

This line item provides spending authority for an intra-agency agreement between DYC and the Alcohol and Drug Abuse Division (ADAD) located in the Division of Mental Health. Historically, the funds have supported drug and alcohol assessment and training for substance abuse counselors in DYC facilities. The dollars transferred to DYC (reappropriated funds) are initially appropriated as federal funds in ADAD.

The Department requests, and staff recommends, a continuation appropriation of $49,693 reappropriated funds and 1.0 FTE, for this line item.

(C) COMMUNITY PROGRAMS

This section of the Division funds contract placements of juveniles typically in community settings with lower security levels than state-operated institutions. This section also supports case management that begins during a juvenile's stay in commitment and continues through the end of parole. Finally, this section funds S.B. 91-94 programs intended to divert juveniles from detention and commitment, or reduce their length of stay.

PERSONAL SERVICES

This line item supports personal services for case managers, support staff, and regional administrators, who are responsible for overseeing contract placements and the overall operation of DYC services in the area. Beginning in FY 1997-98, the Division combined the role of case manager and parole officer, so the same individual tracks a juvenile through the system from commitment to the end of parole. During FY 2009-10 supplemental figure setting, the Committee approved a Department request to re-align its caseload for its client management system effective October 1, 2009. Under the resulting approach, it applies a ratio of 1:25 for youth in residential placement and 1:18 for youth on parole.

The source of cash funds in this line item is a reimbursement by the operator of the Ridge View facility to offset the cost of monitoring the facility pursuant to Section 19-2-411.5 (2) (e), C.R.S. Reappropriated funds represent Medicaid amounts, and federal funds are received under Title IV-E of the Social Security Act.

Community Programs Staffing Summary	FY 2010-11 Actual	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Recomm.
Management	4.0	4.0	4.0	4.0
Case Managers	87.2	80.0	80.0	80.0
General Professional	2.2	2.3	2.3	2.3
Support Staff	11.4	11.5	11.5	11.5
TOTAL	**108.5**	**97.8**	**97.8**	**97.8**

The Department requests $6,775,791, including $6,418,496 net General Fund, and 97.8 FTE for this line item. This includes the annualization of S.B. 11-076 (PERA Contributions).

The staff recommendation is detailed below, and is calculated consistent with Committee common policy.

	Total	GF	CF	RF	FF	FTE
FY 2011-12 Appropriation	6,608,142	6,258,853	49,698	44,658	254,933	97.8
Annualize S.B. 11-076 (PERA Contributions)	167,649	159,643	1,135	1,030	5,841	0.0
Common Policy 2.0 Percent Personal Services Reduction	(134,936)	(134,936)	0	0	0	0.0
Total Recommended FY 2012-13 Appropriation	**$6,640,855**	**$6,283,560**	**$50,833**	**$45,688**	**$260,774**	**97.8**

Budget Reduction Option - Reduction in Client Management Positions

Based on declines in the youth corrections population, if the Committee applies a ratio for client managers of 1:25 for youth in residential placement and 1:18 for youth on parole, the FTE in this line item could be reduced by 4.5 FTE. This is based on using the average of the Legislative Council Staff and Division of Criminal Justice population projections and the current 64.0 FTE client managers. **If the Committee wishes to apply the reduction, associated General Fund savings would be $307,914 for personal services**, calculated using a base salary of $61,313 for a Youth Services Counselor II position, plus PERA and Medicare, and an additional $3,206 for operating expenses.

OPERATING EXPENSES

This line item provides operating funds for the FTE in the personal services line item above. The single largest expenditure category from this line item is fuel expenditures, reflecting the mobile nature of case management work. The source of cash funds is fees collected from the Ridge View contractor to offset the cost of monitoring operations in DYC facilities, which is required pursuant to Section 19-2-411.5 (2) (e), C.R.S.

The Department requests $337,444, including $334,996 General Fund and $2,448 cash funds. This amount includes annualization of FY 2010-11 SBA-8 (5% Operating Reduction). Staff recommends the request, as detailed in the table below.

	Total	GF	CF
FY 2011-12 Appropriation	324,140	321,692	2,448
Annualization of FY 2010-11 SBA-8 (5% Operating Reduction)	13,304	13,304	0
Total Recommended FY 2012-13 Appropriation	**$337,444**	**$334,996**	**$2,448**

PURCHASE OF CONTRACT PLACEMENTS

This line item provides funding for the Division to contract with private for-profit and non-profit organizations to house and treat youth. This includes both contracts with privately owned and operated facilities and contracts with privately operated programs in state-owned facilities (Ridge View, Marler, and DeNier). Year-to-date, placements in state-owned, privately operated facilities comprise 54 percent of the placements funded through this line item (ADP of 303.6). All of the contracts funded through this line item are for residential services. Non-residential services are paid for through other line items. The source of reappropriated funds is Medicaid funds transferred from the Department of Health Care Policy and Financing for mental health services in residential child care facilities. Federal funds are from Title IV-E of the Social Security Act.

The Department requests $34,938,014, including $32,261,452 General Fund. This includes annualization of the FY 2011-12 leap year adjustment and Budget Amendment #5 (Contract Placements Supplemental). The staff recommendation varies slightly from the request due to rounding in the Contract Placements Supplemental calculation (realignment figure). Further detail on the staff calculation is included in an appendix.

	Total	GF	RF	FF
FY 2011-12 Appropriation	32,678,826	30,218,055	1,430,296	1,030,475
Annualize FY 2011-12 Leap Year Funding	(80,602)	(74,660)	(3,302)	(2,640)
Division of Youth Corrections Contract Placement Supplemental	2,343,759	2,122,026	127,432	94,301
Total Recommended FY 2012-13 Appropriation	**34,941,983**	**32,265,421**	**1,554,426**	**1,122,136**

The Contract Placements Supplemental incorporates:

- An increase of $2.6 million ($2.4 million net General fund) to operate state facilities at 100 percent of capacity and not overcrowd;
- An increase of $1.1 million net General Fund to annualize the impact of “right sizing” on Department facilities, *i.e.*, the purchase of additional contract placements due to closure of 40 state-operated beds mid- FY 2011-12;
- A reduction of $1.4 million ($1.3 million net General Fund) due to the projected reduction in the average daily population, based on the average of the Legislative Council Staff and Division of Criminal Justice December 2011 commitment projections.

MANAGED CARE PILOT PROJECT

This line item is used to fund the Boulder County Impact Project, which is a managed care agreement between the Division of Youth Corrections and Boulder County for handling delinquent youth. The program serves as an umbrella for a wide range of Boulder county programs designed to assist at-risk youth involved in child welfare, youth corrections, and mental health systems and draws on multiple funding streams, including this one. The program has reported that, since its inception, it has been able to reduce use of detention beds by 25 percent and use of contract commitment beds by over 40 percent, as well as reducing use of hospitalization.

The original IMPACT agreement with Youth Corrections provided Boulder with the funds associated with their youth corrections contract placements and fixed their maximum use of state facility beds at the level in place at that time (the late 1990s). The Boulder agreement with DYC specifies that if its use of state commitment beds exceeds its cap, it will reimburse the State for the related costs. Reappropriated amounts in the line item are Medicaid funds.

Line Item Request and Recommendation. The Department requests a continuing appropriation of $1,368,060, including $1,351,726 *net* General Fund, for this line item. Staff recommends the request.

SENATE BILL 91-94 PROGRAMS

Senate Bill 91-94 authorized the creation of local, judicial-district based programs designed to provide alternatives to incarceration for pre-adjudicated and adjudicated youth. These programs work to reduce the incarcerated population by impacting the number of admissions into DYC facilities, or by reducing the length of stay for youths placed in DYC facilities. Senate Bill 91-94 funds are also used in each judicial district to implement a uniform intake screening and assessment of all youth taken into custody by law enforcement. The goal of this intake screening is to determine the most appropriate placement for youth. Four levels of placement are identified on the screening instrument, including secure detention, staff secure detention, residential/shelter, and home detention with monitoring.

Of the funds appropriated to this line item, the Division reserves three percent for research, evaluations, technical assistance, and audits. The remainder of the money is allocated by formula to programs in each judicial district.

Line Item Request and Recommendation. The Department requests a continuing appropriation of $12,031,528 General Fund, for this line item. Staff recommends the request.

Budget Reduction Option – S.B. 91-94

This line item was reduced by $1.0 million in FY 2011-12. As described in staff's figure setting for FY 2011-12, a further reduction could be considered in light of the large declines in arrest rates, juvenile filings, and detention admissions, all of which have fallen by over 30 percent since FY 2000-01.

PAROLE PROGRAM SERVICES

This line item was created in FY 1998-99 through the consolidation of several line items providing wrap-around services to parolees and pre-parolees. The funds are designed to assist in a successful transition from commitment to parole, and in successful completion of parole. In addition, some of the services, such as electronic monitoring, create conditions in the community that may make the Parole Board more comfortable with releasing a juvenile to parole sooner.

Source of Federal Funds. The source of federal funds is Title IV-E funding. Title IV-E provides assistance to states in paying a portion of the cost associated with maintaining certain youth in out-of-home placements. The youth must meet eligibility criteria based on family income and committing circumstances (best interests of the child and reasonable efforts to avoid out-of-home placement). The placement must be in a non-institutional, non-secure, community-based setting. Many of DYC's youth and placements meet the criteria.

The Division uses random moment sampling (RMS), a federally approved method of accounting for personal services time spent on Title IV-E eligible activities. Under RMS, an automated system calls client managers arbitrarily to determine what they are doing at that moment and for the preceding hour, and whether that activity qualifies for Title IV-E reimbursement. Then, based on the percentage of Title IV-E eligible youth in the system, the agency can claim the federal funds. All Title IV-E revenue for the Division is appropriated to this line item, with the exception of contract placements amounts associated with Ridge View placements.

Recent Line Item History. Funding for this line item grew substantially through FY 2008-09, as savings associated with decreased commitment populations were transferred to this line item to support the Division's Continuum of Care initiatives. The line item was reduced from $5.9 million to the current $4.2 million between FY 2010-11 and FY 2011-12 in light of the sharp declines in commitment and parole populations. Funding for FY 2011-12 was based on providing $10,150 per parole average daily placement and a projected parole ADP of 412. The Department has indicated that approximately 40 percent of this budget is used to maintain capacity for services, regardless of the number of youth on parole, while the balance is more clearly variable based on clients served.

Line Item Request and Recommendation. The Department requests a continuation level of funding of $4,180,771, including $3,289,112 General Fund. Staff recommends the request.

JUVENILE SEX OFFENDER STAFF TRAINING

This line item was added through a supplemental appropriation in FY 2002-03 for the purpose of funding training costs for DYC staff. Pursuant to the provisions of H.B. 00-1317 (Tool / Anderson), the Sex Offender Management Board (SOMB) was required to develop standards for the evaluation and identification of juvenile sex offenders. The standards developed by the SOMB are founded on best practices, which include an emphasis on informed supervision. Implementing this concept involves a list of supervisory roles and duties for all individuals who have a direct care or custodial relationship with a juvenile sex offender, which includes facility staff, case managers, parents, teachers, coaches, etc. The Division estimates that, on average, approximately 250 youth in its custody either have been adjudicated for a sexual offense or have charges that include an underlying factual basis for a sexual offense. This estimate includes the population in residential treatment or under parole supervision.

The Department requests a continuation appropriation of $47,060 total funds, including $38,250 cash funds (Sex Offender Surcharge Fund) to train Department staff and contractors so that they can continue the process of complying with standards developed by the Sex Offender Management Board. The remaining $8,810 General Fund is from H.B. 07-1093, which requires DYC to develop policies and procedures regarding sexual assaults that occur in facilities for which they are responsible.

Staff recommends that the Committee approve an appropriation of $47,060, including $8,810 General Fund and $38,250 cash funds, for this line item. The source of cash funds is the Sex Offender Surcharge Fund established in Section 18-21-103 (3), C.R.S.

DEPARTMENT OF HUMAN SERVICES
Division of Child Welfare, Division of Child Care, Division of Youth Corrections

FY 2012-13 LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

Staff recommends the following footnotes be continued **as modified**:

22a **Department of Human Services, Division of Child Welfare, Child Welfare Services –** The Department may hold out up to ~~$500,000~~ $1,000,000 total funds in this line item for activities designed to maximize Colorado's receipt of federal funds under Title IV-E of the Social Security Act. Expenditures may include, but need not be limited to, distributions to counties for Title-IV-E-related administrative costs, incentive payments to counties for improved Title IV-E claiming, automated system changes, and/or purchase of contract services designed to help the State in maximizing Title IV-E receipts. Funds held out pursuant to this footnote shall be in addition to other amounts authorized to be held out from county child welfare services allocations. ~~Any amount that is held out pursuant to this footnote that is not fully expended in FY 2011-12 shall be rolled forward for expenditure in FY 2012-13.~~

Comment: This footnote was first added through FY 2011-12 supplemental action. Staff recommends continued flexibility in light of the need to maximize federal Title IV-E revenue and the likelihood that the State will pursue a Title IV-E waiver.

30 **Department of Human Services, Division of Youth Corrections, Institutional Programs; and Community Programs,** ~~Purchase of Contract Placements~~ -- It is the intent of the General Assembly that A TOTAL OF UP TO $5.0 MILLION OF General Fund appropriations may be transferred between line items in the Institutional Programs section and the COMMUNITY PROGRAMS LINE ITEMS FOR Purchase of Contract Placements PAROLE PROGRAM SERVICES, AND S.B. 91-94 PROGRAMS to facilitate the placement AND TREATMENT of youth in the most appropriate ~~residential~~ setting, TO SUPPORT APPROPRIATE TREATMENT, TRANSITION, AND WRAP-AROUND SERVICES FOR YOUTH IN RESIDENTIAL AND NON-RESIDENTIAL SETTINGS, AND TO SUPPORT COMMUNITY-BASED ALTERNATIVES TO SECURE DETENTION PLACEMENTS, EXCEPT THAT THIS TRANSFER AUTHORITY MAY NOT BE USED TO REDUCE THE S.B. 91-94 PROGRAMS LINE ITEM .

Comment: In FY 2011-12, two different footnotes provided budgetary flexibility to the Division. The staff recommendation is to consolidate these into a single footnote. Staff also recommends applying a limit to the budgetary flexibility provided to ensure that the General Assembly retains some oversight over appropriations in this section and to ensure that S.B. 91-94 program funding is not reduced without authorization from the General Assembly. This flexibility is still expected to be sufficient to enable the Division to close a facility or pod and transfer funds to support additional community placements if warranted by the needs of the population.

Staff recommends the following footnotes be **continued:**

22 **Department of Human Services, Division of Child Welfare** -- It is the intent of the General Assembly to encourage counties to serve children in the most appropriate and least restrictive manner. For this purpose, the Department may transfer funds among all line items in this long bill group total for the Division of Child Welfare, except that the Department may not transfer funds from non-custodial line items to the Child Welfare Administration line item to increase funding for personal services.

Comment: The Department has annually transferred moneys when necessary.

23 **Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- It is the intent of the General Assembly that $4,006,949 of the funds appropriated for this line item be used to assist county departments of social services in implementing and expanding family- and community-based services for adolescents. It is the intent of the General Assembly that such services be based on a program or programs that have been demonstrated to be effective in reducing the need for higher cost residential services.

Comment: The Governor has vetoed this footnote on the grounds that it violates separation of powers but also directed the Department to comply with the intent. This targeted funding was added by the General Assembly between FY 2003-04 and FY 2005-06 with the intent of ensuring that new child welfare funding be used as effectively as possible.

Staff recommends the following footnotes be **eliminated**:

24 **Department of Human Services, Division of Child Welfare, Performance-based Collaborative Management Incentives** -- The total appropriation in this line item exceeds the projected ongoing revenue stream for the Collaborative Management Incentives Cash Fund. Therefore, appropriations at the current level may not be available when reserves are exhausted.

Comment: This footnote has been in place for many years, and staff believes that most concerned stakeholders are likely aware of the limits on available funding.

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

Comment: Staff recommends consolidating this footnote with footnote 30, as described above.

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

Comment: If the Committee approves the Department's request for Purchase of Contract Placements for FY 2012-13, facilities will no longer house youth at 110 percent of capacity.

Legislative Requests for Information

Staff recommends the following requests be continued, **as modified**.

Requests Affecting Multiple Departments

2. **Department of Health Care Policy and Financing, Executive Director's Office; and Department of Human Services, Division of Child Welfare, MENTAL HEALTH AND ALCOHOL AND DRUG ABUSE SERVICES and Division of Youth Corrections** -- The Departments are requested to submit a report by November 1, ~~2011~~ 2012 ~~on the~~ THAT CONTINUES TO EXAMINE the feasibility of refinancing multi-systemic therapy, functional family therapy, and similar intensive, evidence-based therapies that support family preservation and reunification for youth involved in the child welfare and youth corrections systems. The report is specifically requested to examine whether related General Fund expenditures could be refinanced with Medicaid funds for qualifying youth and families and whether this could be done in a MANNER THAT WOULD PROMOTE A MORE COHERENT SYSTEM OF CARE AND would not drive an overall increase in ~~Medicaid~~ STATE GENERAL FUND costs.

Comment: Staff recommends requesting that the Departments of Human Services and Health Care Policy and Financing continue to pursue this issue and the related issue of how any refinancing might improve, rather than harm, the current fragmented system for serving youth in the child welfare and youth corrections systems with behavioral health needs. *Staff hopes to meet with both departments in the near future and may bring a revised version of this request to the Committee after this meeting.*

Requests for the Department of Human Services

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

Comment: This request ensures routine reporting on the use of budgetary flexibility.

Staff recommends the following requests be **continued.**

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

Comment: This request provides data important for figure setting.

5. Department of Human Services, Totals -- The Department is requested to submit annually, on or before November 1, a report to the Joint Budget Committee concerning federal Child Care Development Funds. The requested report should include the following information related to these funds for state fiscal years 2010-11, 2011-12 and 2012-13 (the actual, estimate, and request years): (a) the total amount of federal funds available, and anticipated to be available, to Colorado, including funds rolled forward from previous state fiscal years; (b) the amount of federal funds expended, estimated, or requested to be expended for these years by Long Bill line item; (c) the amount of funds expended, estimated, or requested to be expended for these years, by Long Bill line item where applicable, to be reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; and (d) the amount of funds expended, estimated, or requested to be expended for these years that are to be used to meet the four percent federal requirement related to quality activities and the federal requirement related to targeted funds. An update to the information on the amount of federal funds anticipated to be available and requested to be expended by Long Bill line item should be provided to the Joint Budget Committee annually on or before January 15.

Comment: This request provides data important for figure setting.

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

Comment: This request provides information on the effectiveness of Division programs.

8. **Department of Human Services, Division of Youth Corrections, Community Programs, S.B. 91-94 Programs** -- The Department is requested to submit to the Joint Budget Committee no later than November 1 of each year a report that includes the

following information by judicial district and for the state as a whole: (1) comparisons of trends in detention and commitment incarceration rates; (2) profiles of youth served by S.B. 91-94; (3) progress in achieving the performance goals established by each judicial district; (4) the level of local funding for alternatives to detention; and (5) identification and discussion of potential policy issues with the types of youth incarcerated, length of stay, and available alternatives to incarceration.

Comment: This request provides useful information on the use of secure detention and detention alternatives.

9. **Department of Human Services, Division of Child Welfare, Child Welfare Services** -- The Department is requested to provide to the Joint Budget Committee, by November 1 of each year, information concerning the actual use of funds distributed through the child welfare allocation model, including data on expenses and children served by funding category. At a minimum, such data should include the following: (a) program services expenditures and the average cost per open involvement per year; (b) out-of-home placement care expenditures and the average cost per child per day; and (c) subsidized adoption expenditures and the average payment per child per day.

Comment: This request provides useful information on child welfare expenditures and trends.

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

Comment: This request provides background information on funds available for child welfare services.

Staff recommends the following request be **eliminated**.

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

Comment: As staff has now recommended a consolidated footnote that provides the division with budgetary flexibility, staff feels a consolidated report on how flexibility has been used is appropriate and is identified above. Staff notes, however, that the Department historically provided a fairly comprehensive report regarding the impact of the continuum of care initiative on November. Staff anticipates that this kind of information could be included in the Division's annual report on outcomes, which is received January 1. Nonetheless *if the Department indicates that it wishes to continue to submit an annual report on the Continuum of Care on November 1, staff will recommend reinstating a version of this request.*

BUDGET CONTROL ACT - PROJECTED IMPACTS ON COLORADO DHS FEDERAL GRANT PROGRAMS

List of DHS Grants Likely Subject to Reduction Under Sequestration										
7.50%										
Grant	**Estimated Grant Award**	**FFY 13 Est. Award**	**FFY 14 Est. Award**	**FFY 15 Est. Award**	**FFY 16 Est. Award**	**FFY 17 Est. Award**	**FFY 18 Est. Award**	**FFY 19 Est. Award**	**FFY 20 Est. Award**	**FFY 21 Est. Award**
Family Violence Prevention & Services State Grant	$ 1,555,512	$ 1,438,849	$ 1,330,935	$ 1,231,115	$ 1,138,781	$ 1,053,373	$ 974,370	$ 901,292	$ 833,695	$ 771,168
Part C - Infants and Toddlers with Disabilities	$ 7,070,900	$ 6,540,583	$ 6,050,039	$ 5,596,286	$ 5,176,564	$ 4,788,322	$ 4,429,198	$ 4,097,008	$ 3,789,733	$ 3,505,503
Child Care Development Fund - Discretionary	$ 27,524,224	$ 25,459,907	$ 23,550,414	$ 21,784,133	$ 20,150,323	$ 18,639,049	$ 17,241,120	$ 15,948,036	$ 14,751,933	$ 13,645,538
Block Grants for Community Mental Health Services	$ 6,633,747	$ 6,136,216	$ 5,676,000	$ 5,250,300	$ 4,856,527	$ 4,492,288	$ 4,155,366	$ 3,843,714	$ 3,555,435	$ 3,288,778
Colorado Access to Recovery Grant	$ 3,352,000	$ 3,100,600	$ 2,868,055	$ 2,652,951	$ 2,453,980	$ 2,269,931	$ 2,099,686	$ 1,942,210	$ 1,796,544	$ 1,661,803
Colorado Prevention Partnership for Success Grant	$ 2,300,000	$ 2,127,500	$ 1,967,938	$ 1,820,342	$ 1,683,817	$ 1,557,530	$ 1,440,716	$ 1,332,662	$ 1,232,712	$ 1,140,259
Screening Brief Intervention Grant	$ 3,419,219	$ 3,162,778	$ 2,925,569	$ 2,706,152	$ 2,503,190	$ 2,315,451	$ 2,141,792	$ 1,981,158	$ 1,832,571	$ 1,695,128
Promoting Safe and Stable Families (IV-B Subpart2)	$ 3,325,929	$ 3,076,484	$ 2,845,748	$ 2,632,317	$ 2,434,893	$ 2,252,276	$ 2,083,355	$ 1,927,104	$ 1,782,571	$ 1,648,878
Child Welfare Social Services (IV-B Subpart 1)	$ 4,195,471	$ 3,880,811	$ 3,589,750	$ 3,320,519	$ 3,071,480	$ 2,841,119	$ 2,628,035	$ 2,430,932	$ 2,248,612	$ 2,079,966
Child Abuse Treatment & Prevention (CAPTA)	$ 434,405	$ 401,825	$ 371,688	$ 343,811	$ 318,025	$ 294,173	$ 272,110	$ 251,702	$ 232,824	$ 215,363
Children's Justice Act	$ 280,494	$ 259,457	$ 239,998	$ 221,998	$ 205,348	$ 189,947	$ 175,701	$ 162,523	$ 150,334	$ 139,059
Support Systems for Rural Homeless Youth	$ 220,532	$ 203,992	$ 188,693	$ 174,541	$ 161,450	$ 149,341	$ 138,141	$ 127,780	$ 118,197	$ 109,332
Social Services Block Grant	$ 27,668,480	$ 25,593,344	$ 23,673,843	$ 21,898,305	$ 20,255,932	$ 18,736,737	$ 17,331,482	$ 16,031,621	$ 14,829,249	$ 13,717,056
Vocational Rehabilitation Grant	$ 40,186,308	$ 37,172,335	$ 34,384,410	$ 31,805,579	$ 29,420,161	$ 27,213,649	$ 25,172,625	$ 23,284,678	$ 21,538,327	$ 19,922,953
State Independint Living Services Grant	$ 312,358	$ 288,931	$ 267,261	$ 247,217	$ 228,675	$ 211,525	$ 195,660	$ 180,986	$ 167,412	$ 154,856
State Independint Living Services Grant (Blind)	$ 468,653	$ 433,504	$ 400,991	$ 370,917	$ 343,098	$ 317,366	$ 293,563	$ 271,546	$ 251,180	$ 232,342
Supported Employment State Grant	$ 401,750	$ 371,619	$ 343,747	$ 317,966	$ 294,119	$ 272,060	$ 251,655	$ 232,781	$ 215,323	$ 199,173
Employment and Training Grant USDLE	$ 1,223,037	$ 1,131,309	$ 1,046,461	$ 967,976	$ 895,378	$ 828,225	$ 766,108	$ 708,650	$ 655,501	$ 606,339
Older Americans Act Title III - Grants for State and Community Program on Aging	$ 15,782,208	$ 14,598,542	$ 13,503,652	$ 12,490,878	$ 11,554,062	$ 10,687,507	$ 9,885,944	$ 9,144,498	$ 8,458,661	$ 7,824,262
Older Americans Act Title VII - Alotments for Vulnerable Elder Rights Protection Activities	$ 294,801	$ 272,691	$ 252,239	$ 233,321	$ 215,822	$ 199,635	$ 184,663	$ 170,813	$ 158,002	$ 146,152
Refugee Services Grant	$ 7,280,000	$ 6,734,000	$ 6,228,950	$ 5,761,779	$ 5,329,645	$ 4,929,922	$ 4,560,178	$ 4,218,164	$ 3,901,802	$ 3,609,167
Refugee Social Services Grant	$ 1,617,208	$ 1,495,917	$ 1,383,724	$ 1,279,944	$ 1,183,949	$ 1,095,152	$ 1,013,016	$ 937,040	$ 866,762	$ 801,755
Refugee Targeted Assistance	$ 747,489	$ 691,427	$ 639,570	$ 591,603	$ 547,232	$ 506,190	$ 468,226	$ 433,109	$ 400,626	$ 370,579
Wilson Fish Grant (Refugee Services)	$ 2,799,426	$ 2,589,469	$ 2,395,259	$ 2,215,614	$ 2,049,443	$ 1,895,735	$ 1,753,555	$ 1,622,038	$ 1,500,385	$ 1,387,857
Substance Abuse Prevention & Treatment Block Grant	$ 26,159,532	$ 24,197,567	$ 22,382,750	$ 20,704,043	$ 19,151,240	$ 17,714,897	$ 16,386,280	$ 15,157,309	$ 14,020,511	$ 12,968,972
Low Income Energy Assistance	$ 38,146,393	$ 35,285,414	$ 32,639,008	$ 30,191,082	$ 27,926,751	$ 25,832,244	$ 23,894,826	$ 22,102,714	$ 20,445,011	$ 18,911,635
Total	**$ 223,400,076**	**$ 206,645,070**	**$ 191,146,690**	**$ 176,810,688**	**$ 163,549,887**	**$ 151,283,645**	**$ 139,937,372**	**$ 129,442,069**	**$ 119,733,914**	**$ 110,753,870**
Annual Reduction		**$ 16,755,006**	**$ 15,498,380**	**$ 14,336,002**	**$ 13,260,802**	**$ 12,266,241**	**$ 11,346,273**	**$ 10,495,303**	**$ 9,708,155**	**$ 8,980,044**
Cumulative Loss		**$ 16,755,006**	**$ 32,253,386**	**$ 46,589,388**	**$ 59,850,189**	**$ 72,116,431**	**$ 83,462,704**	**$ 93,958,007**	**$ 103,666,162**	**$ 112,646,206**

Appendix: Purchase of Contract Placements Calculation

Table 1 - Projection Based on Average of DCJ and LCS December 2011 Forecasts			
	Commitment	**Detention**	**Total**
Forecasted Beds	970.7	422.0	1,392.7
Minus Boulder Impact	(7.0)		(7.0)
Minus State Capacity (w/o realignment)	(434.5)	(405.0)	(839.5)
Contract Beds	**529.2**	**17.0**	**546.2**

DCJ Forecast	983.3
LCS Forecast	958.0
Average	970.7

100 % commitment capacity	434.5
110% capcity	478.0
120% capcity	521.4

Table 2 - Estimated Need Based on Averages To-date - FY 2012-13							
	Contract Beds	**Estimated Rate**	**Total**	**General Fund**	**Medicaid RF**	**Federal Funds**	***Net GF***
TRCCF Treatment (38.5%)	203.5	$177.90	13,213,967	13,213,967	0	0	*13,213,967*
TRCCF Fee-for-Service		$18.50	1,374,134	0	1,374,134	0	*687,067*
CPA (1.1%)	6.1	$79.78	177,630	177,630	0	0	*177,630*
RCCF (60.4%)	319.6	$142.15	16,582,366	16,582,366	0	0	*16,582,366*
Total Commitment Beds	**529.2**		**31,348,097**	**29,973,963**	**1,374,134**	**0**	**30,661,030**
Detention Beds (after SB 11-217)	17.0	$138.20	857,561	857,561	0	0	*857,561*
DYC Continuation Adjusted for Caseload			**32,205,658**	**30,831,524**	**1,374,134**	**0**	***31,518,591***
IV-E Maintenance Billings	50.7	$56.41		(1,043,895)	0	1,043,895	*(1,043,895)*
JBC Staff Recommendation - Excluding "Right Sizing"			**32,205,658**	**29,787,629**	**1,374,134**	**1,043,895**	***30,474,696***
Adjustment for Realignment			**2,736,325**	**2,477,792**	**180,292**	**78,241**	***2,567,938***
Total Contract Placmements			**$34,941,983**	**$32,265,421**	**$1,554,426**	**$1,122,136**	**$33,042,634**

Assumptions:

1. Uses mid-point between the DCJ forecast and LCS forecast from December 2011.
2. Estimated beds for Boulder Impact Project reflect February 2011 DYC estimated capacity for FY 2012-13.
3. Assumes 422 detention beds pursuant to Section 19-2-1201, C.R.S. Of these, 405 are in state-operated facilities
4. Assumes contract rates provided by the Division of Youth Corrections in its Jan 2012 submission.
5. Calculations in Table 1 and at the top of Table 2 reflect the use of DYC state-operated capacity prior to realignment (bed closures) in FY 2011-12. The realignment adjustment (closure of 40 state-operated beds) is then addressed as as separate component (adjustment for realignment).
6. The percentage of PRTF, TRCCF, and RCCF placements, as a percent of total commitment beds, is based on the estimated ratio provided by the Division of Youth Corrections as a part of its Jan 2012 submission

FY 2011-12 Federal Title IV Funding Calculations:			
Total Community Placement ADP	**529.2**	Rate for IVE maintenance used $	112.81
Estimated percent placed at Ridge View	47.9%	at 50% IV E revenue	50%
Resulting Youth at Ridge View	**253.5**	Resulting revenue rate per day $	56.41
Penetration Rate of Youth at Ridge View	20%		
Resulting Youth for IV-E claims	**50.7**		

Responses to JBC Analyst Request
November 18, 2011

October 7, 2011, Request: Provide breakdown of DYC facility pods.

Note: Information below represents a baseline configuration. Actual placement types depend on need and may change substantially over time.
Housing Unit Capacity table shows Foote and Sol Vista pods closed through capacity realignment as "0" beds.

Housing Unit Capacity
Information Displayed by Pod and Number of Rooms

	Adams 2 pods		Foote 6 pods		Gilliam 6 pods		Grand Mesa 3 pods		Lookout Mountain 6 pods		Mount View 8 pods		Platte Valley 6 pods		Pueblo 3 pods		Sol Vista 4 pods		Spring Creek 5 pods		Zeb Pike 3 pods	
Detention	Boys	19	Hawk	20	Pod A	12	Detention	20			A Pod	12	Yellowstone	20	Pod A	12			Tiger	20		
	Girls	5	Raven	20	Pod B	12					G Pod	24	Olympic	20	Pod B	12						
			Falcon	20	Pod C	8							Mesa Verde	20	Pod C	0						
			Eagle	0	Pod W	12																
			Osprey	20	Pod X	12																
					Pod Y	8																
Commitment			Condor	0			Monument	20	Cedar	36	B Pod	12	Glacier	20			A	0	Jaguar	20	A	12
							Mesa	20	Cypress	24	C Pod	12	Everglades	20			B	0	Lynx	20	B	12
									Juniper East	13	D Pod	12					C	0			C	12
									Juniper West	16	E Pod	12					D	0				
									Spruce	36	F Pod	12										
									Eagles	18												
Mixed Use											H Pod	24	Acadia	20					Bobcat	20		
																			Puma	20		
Total Rooms		24		80		64		60		143		120		120		24		0		100		36
Double Bunking		1		0		0		9		0		7		7		2		0		2		0
Total		25		80		64		69		143		127		127		26		0		102		36

Summary Youth Capacity

	Adams	Foote	Gilliam	Grand Mesa	Lookout Mountain	Mount View	Platte Valley	Pueblo	Sol Vista	Spring Creek	Zeb Pike	
Detention	25	80	64	29		51	69	26		61		405
Treatment		0		32	143	38	39		0	29	36	317
Regression						16						16
Assessment				8		22	19			12		61
Committed		0		40	143	76	58		0	41	36	394
Total	25	80	64	69	143	127	127	26	0	102	36	799

Type of Placement:
- Committed
- Detained
- Mixed Use
- Pod Closed

Usage by gender:
- Male
- Female
- Mixed

BETTY BOYD
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Senate
State of Colorado
Denver

HEALTH & HUMAN SERVICES COMMITTEE
CHAIR
STATE, VETERANS & MILITARY AFFAIRS COMMITTEE
MEMBER
LEGISLATIVE COUNCIL COMMITTEE
MEMBER

January 25, 2012

Representative Cheri Gerou
Chair, Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, Colorado 80203

Dear Representative Gerou:

The SMART Act allows a committee of reference to make formal recommendations to the Joint Budget Committee (JBC) regarding state departments' budgets, based on the committee's hearings with their assigned departments. The Senate Health and Human Services Committee met on January 25, 2012, to discuss recommendations to the JBC per the SMART Act. At its meeting, the committee made the following recommendation regarding the Department of Human Service's budget.

By a vote of 7 to 1, with one member excused, the committee voted to express support for the Department of Human Service's budget, but also expressed concern regarding the department's R-3 decision item, which relates to funding for the Temporary Assistance to Needy Families Program. The committee expressed concern that the cuts in funding to this program could have a negative impact on funding available for child welfare services, child care assistance, and child support services.

Sincerely,

Senator Betty Boyd, Chair
Senate Health and Human Services Committee

c: Joint Budget Committee Members
Senate Health and Human Services Committee Members
Reggie Bicha, Executive Director, Department of Human Services
Julia Martinez, Legislative Liaison, Department of Human Services
John Ziegler, Staff Director, Joint Budget Committee
Elizabeth Burger, Legislative Council Staff

State Representative
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Chairman:
Health and Environment Committee
Member:
Education Committee

STATE OF COLORADO
NIL SINE NUMINE
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COLORADO

HOUSE OF REPRESENTATIVES

STATE CAPITOL
DENVER
80203

January 25, 2012

Representative Cheri Gerou
Chair, Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, Colorado 80203

Dear Representative Gerou:

The SMART Act allows committees of reference to make formal recommendations to the Joint Budget Committee (JBC) regarding state departments' budgets, based on the committee's hearings with their assigned departments. The House Health and Environment Committee met on January 24, 2012, to discuss recommendations to the JBC per the SMART Act. At its meeting, the committee recommended the approval of the FY 2012-13 budget requests as presented by the Department of Human Services.

Sincerely,

Representative Ken Summers, Chair
House Health and Environment Committee

c: Joint Budget Committee Members
House Health and Environment Committee Members
Reggie Bircha, Executive Director, Department of Human Services
Julia Martinez, Legislative Liaison, Department of Human Services
John Ziegler, Staff Director, Joint Budget Committee
Amanda King, Legislative Council Staff

MEMORANDUM

TO: Members of the Joint Budget Committee

FROM: Amanda Bickel, JBC Staff

SUBJECT: Additional Social Services Block Grant Funds Available

DATE: March 8, 2012

Late yesterday, staff received data from the Department indicating that additional one-time federal funds may be available, based on Social Services Block Grant amounts that were not appropriated. It appears that for a number of years the federal block grant for Colorado has increased, but appropriations from this source have not. As a result, it appears that approximately $7.0 million in funds allocated by the federal government since SFY 2007-08 have not been appropriated in total Social Services Block Grant appropriations through SFY 2011-12.

	SFY 2012	**SFY 2011**	**SFY 2010**	**SFY 2009**	**SFY 2008**
Federal Grant available	27,569,725	27,616,966	27,408,722	27,145,538	26,781,192
Annual SSBG Appropriation	25,915,399	25,915,399	25,915,399	25,915,399	25,915,399
Difference	1,654,326	1,701,567	1,493,323	1,230,139	865,793
Cummulative Unappropriated since FY 2007-08	**$6,945,147**				