COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

SUPPLEMENTAL REQUESTS FOR FY 2011-12

DEPARTMENT OF HUMAN SERVICES

(County Administration, Child Welfare, Child Care, Self Sufficiency, Adult Assistance, Youth Corrections)

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

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DEPARTMENT OF HUMAN SERVICES
(County Administration, Child Welfare, Child Care,
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FY 2011-12 SUPPLEMENTAL RECOMMENDATIONS
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Prioritized Supplementals

Supplemental Request, Department Priority #6
Colorado Works - Adjustment to County TANF Reserves

	Request	Recommendation
Total	($15,590,402)	($15,590,402)
Federal Funds	(15,590,402)	(15,590,402)

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforseen contingency.]	YES
JBC staff and the Department agree that this request is the result of *data that was not available when the original appropriation was made*.	

Department Request: The Department requests a decrease of $15.6 million in federal funds reflected for FY 2011-12 in the County TANF reserves for Colorado Works, Child Welfare, and Child Care Programs line item. This adjustment is to reflect the actual balance of $40,028,449 in county-controlled reserves of Temporary Assistance for Needy Families (TANF) funding as of September 30, 2011.

Staff Recommendation: Staff recommends that the Committee approve the requested reduction of $15.6 million to county TANF reserves. This adjustment is shown in the Long Bill for informational purposes.

Staff Analysis: A technical adjustment is made annually to reflect the status of county-controlled TANF reserves. Amounts shown reflect funds previously appropriated for county TANF block grants that have not yet been expended. This adjustment is shown solely for informational purposes. However, staff recommends making the adjustment on a supplemental basis in light of the scale of the adjustment and because failure to make the FY 2011-12 adjustment will distort the comparison with FY 2012-13.

Note that *declines in this line item reflect increases in county spending from reserves in the prior year*. County reserve balances have fallen from SFY 2007-08 levels because most counties have been spending more than their annual block grant appropriations. This has been driven largely by the recession but has also reflected the county response to reserve caps first imposed by S.B. 08-177. More recently, reserve caps were modified by S.B. 11-124 (Hodge/Gerou). Under current law, individual county reserves are capped at 40 percent of a county's annual Colorado Works allocation, and excess reserves are reallocated to other counties.

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The table below provides additional county-level reserve data as of September 30, 2011.

County Reserves of TANF Funds for Colorado Works, Child Care, Child Welfare - Sept 30, 2011	
	Sept 30, 2011 Reserves
Adams	$2,130,034
Arapahoe	3,177,671
Boulder	1,962,960
Denver	9,954,251
El Paso	4,768,065
Jefferson	1,848,841
Larimer	3,184,359
Mesa	2,216,272
Pueblo	1,157,862
Weld	815,099
Balance of State	8,813,035
Total	$40,028,449

The amounts shown as of September 30, 2011 match those effective June 30, 2011 except that the September amounts incorporate the redistribution of amounts above the reserve cap to counties with low reserve levels and the distribution of County Block Grant Support funds. The table below (included in staff's November 2011 briefing) includes June 30, 2011 reserve-levels and other amounts that help to put county reserve amounts in context.

County TANF Allocations, Expenditures, Reserves, and Basic Cash Assistance - FY 2010-11							
	Preliminary FY 2010-11 Allocation*	**FY 2010-11 Expenditure**	**Expend as % Allocation**	**June 30, 2011 Reserves**	**Reserves as Percent Allocation**	**FY 2010-11 Basic Cash Assistance (BCA)**	**BCA as Percent Allocation**
Adams	$12,661,495	16,554,384	130.7%	355,704	2.8%	$5,175,732	40.9%
Arapahoe	12,712,097	15,038,811	118.3%	3,047,112	24.0%	7,300,037	57.4%
Boulder	6,199,501	4,747,280	76.6%	1,962,960	31.7%	2,081,415	33.6%
Denver	37,683,798	44,971,934	119.3%	9,688,429	25.7%	19,176,074	50.9%
El Paso	19,475,277	23,791,912	122.2%	4,602,590	23.6%	11,433,764	58.7%
Jefferson	10,990,006	9,712,274	88.4%	1,747,153	15.2%	4,917,317	42.9%
Larimer	7,960,898	7,452,406	93.6%	3,184,359	40.0%	3,229,322	40.6%
Mesa	5,540,681	5,620,808	101.4%	2,216,272	40.0%	1,807,648	32.6%
Pueblo	8,143,642	10,707,566	131.5%	1,056,494	13.0%	7,450,958	91.5%
Weld	4,885,167	5,080,095	104.0%	0	0.0%	2,857,731	56.2%
Balance of State	24,783,606	25,169,616	101.6%	8,315,160	32.9%	11,361,578	44.9%
Total	**$151,036,168**	**$168,847,086**	**111.8%**	$36,176,234		**$76,791,575**	**50.8%**
Excess reserves & county block grant support to be redistributed				3,852,215			
Final Reserves				**$40,028,449**	**26.5%**		

*Note: New FY 2011-12 allocations include some major differences. In particular, Pueblo will see an increase in its allocation of 22%, while other counties see modest increases of up to 4.2% (Adams, Arapahoe, El Paso, Weld) or decreases of up to 5.5% (Boulder, Jefferson, Larimer, Mesa, Denver).

Supplemental Request, Department Priority #7
Youth Corrections Contract Placements Caseload

	Request	Recommendation
Total	$2,284,128	$2,284,128
FTE	0.0	(24.5)
General Fund	1,998,217	1,998,217
Reappropriated Funds (Medicaid)	221,672	221,672
Federal Funds (Title IV-E)	64,239	64,239
Net General Fund	2,109,053	2,109,053

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforseen contingency.]	**YES**
JBC staff and the Department agree that this request is the result of *data that was not available when the original appropriation was made*.	

Note: This supplemental request includes a non-prioritized supplemental in the Department of Health Care Policy and Financing. The request and recommendation include this associated adjustment to the Department of Human Services Medicaid-Funded Programs, Division of Youth Corrections - Medicaid Funding line item for an increase of $221,672 total funds, including $110,836 General Fund and $110,836 federal funds.

Department Request: The Department request is for an increase of $2,284,128 ($2,109,053 Net General Fund in FY 2011-12), with a related budget amendment for FY 2012-13, for the Division of Youth Corrections. The request incorporates multiple components. The net change in funding is driven by an increase requested for Contract Placements funding. This includes:

1. An adjustment based on the change in the projected commitment population;
2. A rate adjustment based on an increase in the rate for the Ridge View facility, which was subject to new rates under an RFP process; and

3. An overall change in the case-mix for the youth corrections contract placements population which has resulted in a significant increase in the average placement rate paid, despite the fact that the rates paid to individual providers have not changed (with the exception of the change for the Ridge View facility).

In addition to these changes, the request incorporates cost-neutral adjustments for:

4. The impact of the Division's "right sizing" initiative, through which it is downsizing the number of state operated commitment beds and using funds saved to contract for additional contract placements.

The Department's request reflects using the average of the December 2011 commitment population projections from the Division of Youth Corrections and the Department of Public Safety, Division of Criminal Justice as the basis for the commitment population projection, resulting in a caseload increase of 10.1 in the average daily population. However, the majority of the increase is driven by changes in the case mix, which results in a significant increase in the average cost per placement.

The table below reflects the Department's analysis of the component costs of the request that drive a net funding increase.

	Beds	Total	General Fund	Reapprop. Funds	Federal Funds	Net GF
Purchase of Contract Placements						
Current Appropriation	498.7	$28,896,136	$26,721,276	$1,208,624	$966,236	$27,325,588
Ridge View rate increase		587,430	587,430	0	0	587,430
General Rate/ Bed Mix		1,059,431	969,377	90,054	0	1,014,404
Detention rate change		(61,621)	(61,621)	0	0	(61,621)
Rate/Mix Changes		**1,585,240**	**1,495,186**	**90,054**	**0**	**1,540,213**
Caseload ADP Increase	**10.1**	**600,625**	**555,637**	**26,407**	**18,581**	**568,840**
Capacity Realignment* (offset by other reductions)	**23.3**	**1,596,825**	**1,445,956**	**105,211**	**45,658**	**1,498,562**
Requested New Appropriation		$32,678,826	$30,218,055	$1,430,296	$1,030,475	$30,933,203
Increase/(Decrease)	**33.4**	**$3,782,690**	**$3,496,779**	**$221,672**	**$64,239**	**$3,607,615**
Other Capacity Realignment *						
Institutional Programs						
Personal Services		($1,212,350)	($1,212,350)	$0	$0	($1,212,350)
Medical Services		(97,107)	(97,107)	0	0	(97,107)
Educational Programs		(189,105)	(189,105)	0	0	(189,105)
Increase/(Decrease)	**-23.3**	**($1,498,562)**	**($1,498,562)**	**$0**	**$0**	**($1,498,562)**

	Beds	Total	General Fund	Reapprop. Funds	Federal Funds	Net GF
Grand Total	**10.1**	**$2,284,128**	**$1,998,217**	**$221,672**	**$64,239**	**$2,109,053**

*Capacity bed realignment shown reflects the approximate impact of closing 40 beds at state facilities for seven months and increasing contract placements by the same amount.

Staff Recommendation: Staff recommends the Department request, with the exception that staff also recommends a reduction in FTE consistent with the Department's proposed line-item reductions to institutional line items.

As discussed further below:

- Based on data now available, staff believes the population assumption requested is likely to be too low. However, staff anticipates the Department will be able to manage this in light of the exceptional level of flexibility provided within the FY 2011-12 Division budget.

- There are certain elements of the request that staff believes may be somewhat over-stated, while other elements may be somewhat understated. However, as outlined in the staff budget briefing, the General Assembly gave the Division flexibility and authorized it to manage system changes within its existing appropriation as long as it operated within certain budgetary assumptions in FY 2011-12. This presented the Department with some significant challenges in the transition period. Taking this into consideration, staff believes the Department's request is consistent with the Committee's expectation and therefore recommends the request.

- *Staff would emphasize that the staff recommendation on the request for FY 2011-12 does not necessarily mean that staff recommends all components of the related FY 2012-13 budget amendment.*

Staff Analysis: As outlined above, the request incorporates multiple components: change in population, Ridge View rate increase, change in case-mix, and the "right sizing" initiative. Each of these elements is discussed separately below. In general, staff notes:

- Staff believes the manner in which the request was compiled is consistent with Committee expectations. Specifically:
  (1) The request for adjustments related to population and case-mix is consistent with the way annual adjustments to this line item have been requested and approved in the past, and an adjustment for Ridge View rates was anticipated, as outlined in the FY 2011-12 figure setting presentation;

(2) The Department's FY 2011-12 supplemental request incorporates the assumption that state beds will be operated at 110 percent of capacity, consistent with the figure setting assumption; and
(3) The Department calculated the impact of its "right sizing" initiative entirely separately from the "typical" contract placements calculation, and the net General Fund impact of the related contract placements increase is entirely offset by the requested institutional line item reductions. Staff believes this is appropriate.

- Due to the complexity of the right-sizing initiative and the fact that the Long Bill gives the Division full flexibility in shifting funds between line items in order to accomplish "right sizing", staff has elected to avoid making any adjustments to "right sizing" line item changes, other than those requested for FY 2011-12. The sole exception is that staff has included FTE changes in the recommendation. Staff anticipates cleaning up some elements of the request (particularly related to personal services and centrally-appropriated line items) as part of FY 2012-13 figure setting.

- Staff has been able to replicate the Department's calculations with only minor differences related to rounding.

<u>Commitment Population - Average Daily Population Projection</u>
The General Assembly receives commitment population projections from the Legislative Council Staff (LCS) and the Division of Criminal Justice (DCJ) in the Department of Public Safety. These population projections are taken into consideration by the General Assembly when determining the appropriations for the Division of Youth Corrections. Typically, initial funding decisions are based on population projection developed in December of the prior year (i.e., FY 2011-12 figures were based on December 2010 projections). These figures are then revised through supplemental action based on updated data available during the funding year.

After peaking in FY 2004-05 and FY 2005-06, the DYC commitment population began to decline in FY 2006-07 and has proceeded to drop sharply since then. Current projections are for further declines in FY 2011-12. *For FY 2011-12, the General Assembly used the average of the LCS and DCJ December 2010 forecasts to set funding levels, estimating an average daily commitment population for FY 2011-12 of **983.7**.* In December 2010, the LCS forecast for the average daily commitment population in FY 2011-12 (1,020 ADP) was far <u>higher</u> than the December 2010 DCJ forecast (947.3 ADP).

Both LCS and DCJ substantially modified their forecasts for FY 2011-12 in their December 2011 forecasts. In December 2011:

- LCS *lowered* its FY 2011-12 forecast so that, at 981, it is now slightly below the figure used to budget FY 2011-12.

- DCJ *raised* its FY 2011-12 forecast so that, at 1,006.5, it is now significantly higher than the LCS forecast and the figure used to budget FY 2011-12.

As described above, the Department is now requesting that the General Assembly average the new forecasts to set the revised FY 2011-12 budget.

Commitment Population Actual Data and Projections						
	FY 09 Actual	**FY 10 Actual**	**FY 11 Actual**	**FY 12 Dec 2010 Proj.**	**FY 12 Dec 2011 Proj.**	**FY 13 Dec 2011 Proj.**
Legislative Council Staff						
Actual/ Projection	1,228	1,171	1,038	1,020	981	958
ADP Growth From Prior Year	(59)	(58)	(133)	(18)	(57)	(23)
Percent Growth From Prior Year	(4.6)%	(4.7)%	(11.3)%	(1.7)%	(5.5)%	(2.3)%
Division of Criminal Justice						
Actual/ Projection	1,228	1,171	1,038	947	1,007	983
ADP Growth From Prior Year	(59)	(58)	(133)	(91)	(32)	(23)
Percent Growth From Prior Year	(4.6)%	(4.7)%	(11.3)%	(8.8)%	(3.0)%	(2.3)%
Estimates Used for Appropriation/ *Dept. Request*	1,206	1,202	1,037	984	***994***	***971***
Variance from Actual	(22)	31	(1)	n/a	n/a	n/a
Percent Variance from Actual	-1.8%	2.7%	-0.1%	n/a	n/a	n/a

Staff notes that the LCS forecast took into consideration actual data through October 2011, while the DCJ forecast included November 2011 actual data. The discrepancy between the two forecasts likely reflects in large part the fact that actual November 2011 data came in substantially higher than actual data from the prior months. Preliminary December 2011 actual data is now available and reflects a population just slightly below the November level. The chart reflects actual trends by month.

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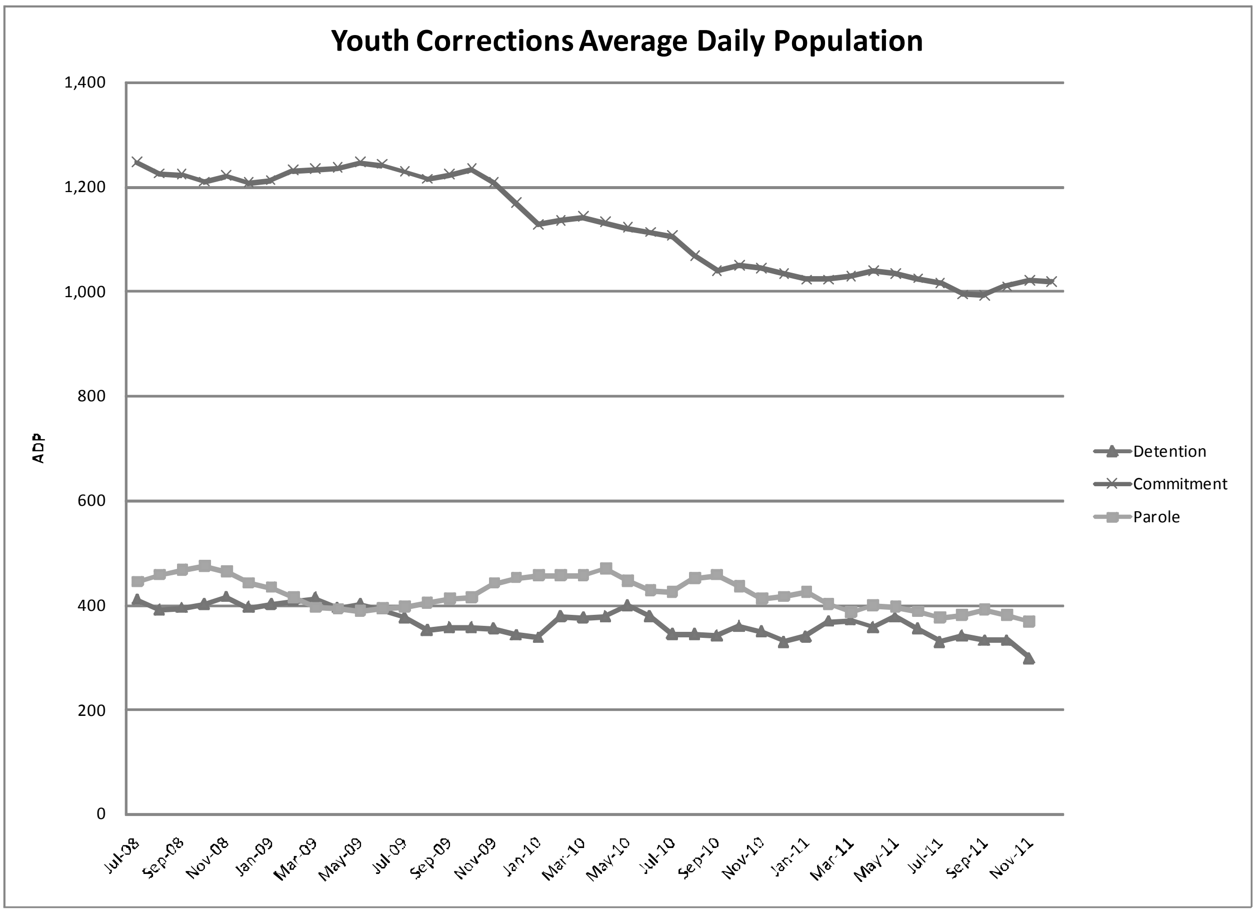

Based on the data now available, staff anticipates that final FY 2011-12 commitment population figures will be closer to the DCJ projection of 1,007, and believes that the Department request for an ADP of 994 is likely too conservative. However, in light of other elements of the request, including the high level of flexibility currently afforded in the FY 2011-12 budget and low detention bed utilization (which can free up staff for commitment duties), staff anticipates that the Division will be able to manage even if the requested ADP assumption is too low.

Ridge View Rate Adjustment
During the staff figure setting presentation, staff noted that the Ridge View contract was due to be rebid for FY 2011-12 ,based on state procurement rules, and that this was expected to result in a rate increase. At the time of figure setting, the RFP process had not been completed and rates were not know. There was only one bidder for the Ridge View contract (Rite of Passage - the original contractor). Based on negotiation with the Department, the contractor ultimately agreed to a 5.0 percent increase over the previous rate, which the Department considered a favorable outcome in light of the lack of competition. Ridge View houses nearly 50 percent of the youth in contract placements, even a modest adjustment it its rate has a noticeable budgetary impact.

Other Case-Mix Adjustments
The amount paid for contract placements is based on the composite rates for placements in two primary major categories: Residential Child Care Facilities and Therapeutic Residential Child Care Facilities (which include a Medicaid treatment component). In practice, the Division contracts with over 40 different providers at multiple rates. The Department states that none of these providers except Ridge View have received a rate increase, but that the number of youth using higher-level (more expensive) placements has increased, driving a substantial increase in average costs. Based on a review of past actual and figure setting data, staff notes that both budgeted and actual amounts per placement have shifted up and down over time based on case mix changes. *While the adjustment currently requested is unusually high, the general approach is consistent with historic practice.*

"Right Sizing" Initiative
The Department provides a range of placements for youth, from physically secure state-operated placements (the most secure) to staff-secure contract placements (an intermediate level) to community-based placements where a youth may attend school or work in the community. As the size of the commitment population has fallen, the Department has sought to maintain an appropriate balance between youth needs and placement options. In recent years, savings have largely been taken via contracted placements. However, the need for state-operated placement reductions has become increasingly apparent.

In response to a request from the Joint Budget Committee, prior to figure setting for the FY 2011-12 Long Bill, the Department submitted "right sizing" options for the Committee addressing both the detention and the commitment population. In response, the Committee ran legislation to reduce the detention cap (S.B. 11-217), providing $1.2 million in annualized General Fund savings for detention. It also added a FY 2011-12 Long Bill footnote providing the Department with flexibility between institutional facility and contract placements line items to help the Department address the "right sizing" problem for commitment placements.

30 Department of Human Services, Division of Youth Corrections, Institutional Programs; and Community Programs, Purchase of Contract Placements -- It

> is the intent of the General Assembly that General Fund appropriations may be transferred between line items in the Institutional Programs section and the Purchase of Contract Placements line item to facilitate the placement of youth in the most appropriate residential setting.

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

As discussed during the staff budget briefing, Sol Vista was the both the newest and most expensive placement in the entire DYC system, with staffing costs far above the average state-operated placement. Savings associated with closing this 20-bed facility provide approximately $161,000 per bed per year ($3.2 million). Closing the Marvin Foote commitment pod also provides at least a moderate level of savings because it allows the Department to eliminate certain costs, *e.g.*, educational staff, that are specific to commitment placements but not required for detention placements.

The following is the Department's high-level summary of the projected cost-savings associated with realignment in FY 2011-12 and FY 2012-13, which are projected to be offset with increased contract placement costs. Note that this analysis excludes adjustments to centrally-appropriated line items.

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Appropriation Impacts due to Closures - Requested

Medical Personal Services			full year	2011-12	2012-13
	Position	Sal & Benefits	FTE		
Sol Vista	Nurse I	$ 64,356	2.0	$ 64,356	$ 128,713
Foote	Nurse I	$ 65,503	1.0	32,751	65,503
Net Savings in appropriation				**$ 97,107**	**$ 194,216**

Educational Programs				2011-12	2012-13
	Position	Sal & Benefits	FTE		
Sol Vista	State Teacher I	$ 62,544	3.0	$ 93,815	$ 187,631
Sol Vista	State Teacher III	$ 74,653	1.0	37,326	74,653
Foote	State Teacher I	$ 57,964	2.0	57,964	115,927
				$ 189,105	$ 378,211
Less Increased School District Costs due to Spec Ed Inc.					(70,000)
Net Savings in appropriation				**$ 189,105**	**$ 308,211**

Operating Expense Reduction	**$ 0**	**$ 47,362**

Based on operating budget of Sol Vista facility
Savings consumed in year of implementation with other costs of moves/closures

Institutional Personal Services				2011-12	2012-13
	Position	Sal & Benefits	FTE		
Sol Vista	Multiple	$ 51,554	45.0	$ 1,159,967	$ 2,319,934
Foote	Multiple	$ 48,762	9.0	219,431	438,861
multiple	Critical Post Staffing	$ 52,570	11.0	(76,364)	(579,367)
LM	Clinical Staff addition	54,245	3.0	(40,684)	(162,736)
	Other misc to balance				
	Less one time refit expense (labor portion)			(50,000)	0
Net Savings In appropriation				**$ 1,212,350**	**$ 2,016,692**

Purchase of Contract Placements Increase	**$ (1,498,562)**	**$ (2,566,481)**

(refer to placement model for details)

Net Change in all appropriations combined due to Realignment	$0	$0

As discussed in the staff briefing presentation, and as reflected in the table above, **the Department proposes to spend savings generated by the closures in part on increasing critical post staffing throughout the DYC system** (*i.e.*, an increase to its FTE to ensure sufficient staff to cover 24-hour posts), as well as increases in clinical staff.

Staff believes the critical post staffing issue requires further review. However, staff recommends that the Committee make decisions related to critical post staffing, as well as some other cost and expenditure adjustments (clean-up issues in the institutional reductions and associated new contract placements), as part of FY 2012-13 figure setting. Staff recommends funding the FY 2011-12 budget consistent with the request for the reasons below.

1. Staff believes that the Department faces certain challenges in operating within the FY 2011-12 budget.

2. On the basis of Footnote 30, it is reasonable for the Department to expect that it will not receive cuts related to its "right sizing" efforts in FY 2011-12, and the flexibility provided by the footnote makes minor adjustments with a net $0 fiscal impact unimportant.

3. The Division's high-level budget does not reflect adding new critical post positions until late in FY 2011-12. Thus, the Committee will have made FY 2012-13 figure setting decisions prior to this, and the Division will know whether to expect ongoing funding for these positions prior to hiring any staff.

Status of the FY 2011-12 Division Budget

- As previously noted, staff believes the contract placements funding requested is likely an under-estimate. If final FY 2011-12 population comes in at closer to the DCJ projection, the Department will need to absorb about $740,000 in additional contract placement costs.

- Cost-neutral "right sizing" poses particular challenges in the first year because, due to the pay date shift, savings associated with staffing can only be taken for six months, even when a facility is closed for seven months. At the same time, new contract placements purchased must be for seven months, as there is no pay date shift associated with contracts. This drives additional costs of about $200,000 in the first year. Further, in general, there are temporary costs associated with any transition including, in this case, retrofit costs for safety improvements at Lookout Mountain, where many Sol Vista youth and youth with similar needs will now be housed.

- The assumptions incorporated in the Department's supplemental request reflect operating state facilities at 110 percent of capacity in FY 2011-12, consistent with figure setting assumptions outlined in FY 2011-12 Long Bill Footnote 32 and the Department's FY 2011-

12 budget request. In fact, it is not operating its facilities at over-capacity and has requested that it be allowed to move to 100 percent of capacity for FY 2012-13, consistent with clinical best practice. To manage 100 percent capacity within a budget of 110 percent capacity, it must essentially "find" $2.5 million within its existing budget.

- Based on actual expenditure data to date, the Department under-spent its personal services appropriations in the first half of the year by at least $1.5 million. Further, at least in the month of November, it was operating facilities at substantially above 100 percent capacity, although below 110 percent. Based on this, staff does expect that the Department will be able to manage within the requested budget but, in light of the other factors above, staff does not believe there is substantial excess funding for FY 2011-12.

Non-Prioritized Supplementals

JBC Staff Initiated Supplemental
Child Welfare Flexibility for Title IV-E Related Administrative Functions

	Request	Recommendation
Total and all Fund sources	$0	$0

Does JBC staff believe the recommendation meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforseen contingency.]	**YES**
JBC staff recommends this supplemental change as the result of *data that was not available when the original appropriation was made*.	

Department Request: The Department did not request this change.

Staff Recommendation: Staff recommends the addition of the following footnote to the appropriation for the Division of Child Welfare, Child Welfare Services line item for FY 2011-12:

<u>22a</u> DEPARTMENT OF HUMAN SERVICES, DIVISION OF CHILD WELFARE, CHILD WELFARE SERVICES – THE DEPARTMENT MAY HOLD OUT UP TO $500,000 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.

Staff Analysis: Federal Title IV-E revenue is an open-ended federal entitlement that provides an important source of funding for child welfare activities. Colorado's Title IV-E receipts have been on the decline for a number of years for multiple reasons that include both trends in out-of-home placement and state and county administrative problems. The State and counties are currently pursuing various initiatives designed to increase Title IV-E revenue with an eye toward pursuing a Title IV-E waiver from federal authorities that might increase flexibility and halt the State's federal revenue slide.

At the same time, there is presently no revenue to support the only budget line item specifically targeted at enhancing Title IV-E revenue collection in FY 2011-12: the Excess Federal Title IV-E Distributions for Related Administrative Functions line item. Although $1.0 million was appropriated for this line item in FY 2011-12, due to insufficient FY 2010-11 Title IV-E revenue, no "excess" is available to support this line item in FY 2011-12.

In light of these two issues--efforts to rapidly increase Title IV-E revenue and lack of funding for such efforts--staff is recommending some additional budgetary flexibility in FY 2011-12. As outlined in the footnote, staff recommends that the Department be allowed to hold out up to $500,000 from this line item for efforts designed to improve Title IV-E collections. *This amount represents less than 0.15 percent of the $334.8 million Child Welfare Services line item*. As reflected in the footnote, funding could be used to for administrative support, computer system changes, or incentives for county efforts.

From staff's perspective, the recommended change meets supplemental criteria because: (1) new federal legislation that would enable the State to pursue a Title IV-E waiver was just enacted this fall; and (2) the lack of FY 2011-12 funding for Title IV-E Administrative Activities (due to FY 2010-11 revenue shortfalls) was not projected during FY 2011-12 figure setting.

While this proposal was initiated entirely by staff, staff did request the Department's response to the proposal and suggestions for how the funds might be used. The Department has indicated that approximately $320,000 would be needed to address Title IV-E automated systems issues, including both current issues and those identified by the Title IV-E consultant. Additionally, funds could be used for a contract position to assist in implementing the recommendations from the consultant. The Department would also like to pilot incentives to counties for timely performance in determining Title IV-E eligibility. *The Department emphasizes that these reflect initial ideas and that any final decisions will need to be made in consultation with the Governor's Office and the counties*.

Staff also notes that because we are now well into the FY 2011-12 fiscal year, it is possible that the Department will not be able to fully implement some of these initiatives. Further, the outcome is uncertain, particularly since the recommendation is for flexibility, rather than a specific project. Despite this, staff believes the flexibility (and associated diversion of funds from county block allocation funding) is worthwhile in light of:

1. The impact on county child welfare allocations of declining Title IV-E revenue.
2. The likelihood that the State will pursue a Title IV-E waiver. Since such a waiver would likely cap Title IV-E revenue, it is particularly important to increase (or at least halt the slide) in revenue before this, so that any federal cap established is as high as possible.
3. The likelihood that the State will be able to make effective use of the flexibility. The State and counties now have an extensive list of new recommendations from an outside consultant on options for increasing Title IV-E funding. There is a cost associated with some of these recommendations, which this flexibility could help the State and counties to address.

Other Updates: Temporary Assistance for Needy Families FY 2011-12 Revenue Status
As discussed during the staff briefing presentation and hearing, the Congressional decision not to renew Temporary Assistance for Needy Families Supplemental Grant funding will have a significant impact on Colorado's budget and affects FY 2011-12 funding, in addition to FY 2012-13 funding and could require supplemental budget reductions. Pursuant to required footnote update, the Department provided new projection information for TANF funds that incorporates both the loss of the Supplemental Grant funding and additional Contingency Funds that Colorado has received thus far.

TANF Long Term Reserve RFI #4 Update - January 2012		
	SFY 2011-12	**SFY 2012-13**
Projected Revenue		
Uncommitted prior year funds	$26,666,797	($694,203)
Regular Annual TANF Grant	136,056,690	136,056,690
Supplemental TANF Grant	0	0
TANF Contingency Fund	9,070,444	0
Revenue Subtotal	$171,793,931	$135,362,487
Appropriation/Request		
Allocations to Counties	$135,237,861	$130,069,094
Info. Technology & Indirect Costs	6,318,057	6,318,057
CO Works State Administration	2,367,205	2,192,997
Works Statewide Strategic Use Fund	0	0
Works Program Maintenance Fund	100,000	100,000
Refugee Assistance	2,805,334	2,755,334
Low Income Energy Assistance	1,500,000	1,500,000
Domestic Abuse Program	659,677	659,677
Child Welfare Programs	23,500,000	11,000,000
Expenditure subtotal	$172,488,134	$154,595,159
2% reserve	0	2721132
Fund Balance/Additional Cut Required	**($694,203)**	**($21,953,804)**

As reflected in the table, the Department is now projecting a new shortfall of $694,203 in TANF funding for FY 2011-12, although it is possible that additional Contingency Funds will be forthcoming. The Department has not thus far indicated how it proposes to this shortfall should be addressed, although staff's understanding is that it intends to impose restrictions on some appropriations if there is no additional revenue. If the Committee is comfortable leaving the decision regarding how to manage any shortfall in the hands of the Executive, no further action is required. However, *staff does believe the Executive should, at a minimum, submit a related plan so that, if the General Assembly wishes FY 2011-12 reductions to be taken in any particular way, it is able to make those decisions. Staff had understood that a plan would be submitted but has not received anything to-date.* Staff will address this issue again during FY 2012-13 figure setting.

	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2011-12 Requested Change	FY 2011-12 Rec'd Change	FY 2011-12 Total With Rec'd Change

DEPARTMENT OF HUMAN SERVICES
Reggie Bicha, Executive Director

Supplemental #6 - Colorado Works - Adjustment to County TANF Reserves

(7) OFFICE OF SELF SUFFICIENCY
(B) Colorado Works Program

	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2011-12 Requested Change	FY 2011-12 Rec'd Change	FY 2011-12 Total With Rec'd Change
County TANF Reserves for Colorado Works, Child Welfare, and Child Care Programs	55,618,851	55,618,851	(15,590,402)	(15,590,402)	40,028,449
Federal Funds	55,618,851	55,618,851	(15,590,402)	(15,590,402)	40,028,449
Total for Supplemental #6 - Colorado Works - Adjustment to County TANF Reserves	**55,618,851**	**55,618,851**	**(15,590,402)**	**(15,590,402)**	**40,028,449**
FTE	0.0	0.0	0.0	0.0	
Federal Funds	55,618,851	55,618,851	(15,590,402)	(15,590,402)	40,028,449

Supplemental #7 - Youth Corrections Contract Placement Supplemental

(11) DIVISION OF YOUTH CORRECTIONS
(B) Institutional Programs

	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2011-12 Requested Change	FY 2011-12 Rec'd Change	FY 2011-12 Total With Rec'd Change
Personal Services	43,338,883	42,291,860	(1,212,350)	(1,212,350)	41,079,510
FTE	776.5	791.0		(20.0)	771.0
General Fund	43,338,883	42,291,860	(1,212,350)	(1,212,350)	41,079,510
Medical Services	8,046,831	6,924,667	(97,107)	(97,107)	6,827,560
FTE	32.2	39.0		(1.5)	37.5
General Fund	6,991,074	6,924,667	(97,107)	(97,107)	6,827,560
Reappropriated Funds	1,055,757	0	0	0	0

	FY 2010-11 Actual	FY 2011-12 Appropriation	FY 2011-12 Requested Change	FY 2011-12 Rec'd Change	FY 2011-12 Total With Rec'd Change
Educational Programs	6,155,964	5,742,063	(189,105)	(189,105)	5,552,958
FTE	34.0	40.8		(3.0)	37.8
General Fund	5,407,851	5,405,397	(189,105)	(189,105)	5,216,292
Reappropriated Funds	748,113	336,666	0	0	336,666
(11) DIVISION OF YOUTH CORRECTIONS (C) Community Programs					
Purchase of Contract Placements	34,103,927	28,896,136	3,782,690	3,782,690	32,678,826
General Fund	31,491,814	26,721,276	3,496,779	3,496,779	30,218,055
Reappropriated Funds	1,461,152	1,208,624	221,672	221,672	1,430,296
Federal Funds	1,150,961	966,236	64,239	64,239	1,030,475
Total for Supplemental #7 - Youth Corrections Contract Placement Supplemental	**91,645,605**	**83,854,726**	**2,284,128**	**2,284,128**	**86,138,854**
FTE	**842.7**	**870.8**	**0.0**	**(24.5)**	**846.3**
General Fund	87,229,622	81,343,200	1,998,217	1,998,217	83,341,417
Reappropriated Funds	3,265,022	1,545,290	221,672	221,672	1,766,962
Federal Funds	1,150,961	966,236	64,239	64,239	1,030,475

Totals HUMAN SERVICES TOTALS for ALL Departmental line items	**1,970,582,190**	**2,061,386,598**	**(13,306,274)**	**(13,306,274)**	**2,048,080,324**
FTE	**4,930.7**	**4,870.9**	**0.0**	**(24.5)**	4,846.4
General Fund	621,415,137	614,650,877	1,998,217	1,998,217	616,649,094
Cash Funds	285,720,221	327,959,886	0	0	327,959,886
Reappropriated Funds	449,274,825	449,772,764	221,672	221,672	449,994,436
Federal Funds	614,172,008	669,003,071	(15,526,163)	(15,526,163)	653,476,908

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	(478.0)	(405.0)	(883.0)
Contract Beds	**508.8**	**17.0**	**525.8**

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

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%)	195.7	$177.90	12,742,301	12,742,301	0	0	*12,742,301*
TRCCF Fee-for-Service		$18.50	1,325,085	0	1,325,085	0	*662,543*
CPA (1.1%)	5.8	$79.78	169,357	169,357	0	0	*169,357*
RCCF (60.4%)	307.3	$142.15	15,987,866	15,987,866	0	0	*15,987,866*
Total Commitment Beds	**508.8**		**30,224,609**	**28,899,524**	**1,325,085**	**0**	**29,562,067**
Detention Beds (after SB 11-217)	17.0	$137.80	857,392	857,392	0	0	*857,392*
DYC Continuation Adjusted for Caseload			**31,082,001**	**29,756,916**	**1,325,085**	**0**	***30,419,459***
IV-E Maintenance Billings	47.7	$56.41		(984,817)	0	984,817	*(984,817)*
JBC Staff Recommendation - Excluding "Right Sizing"			**31,082,001**	**28,772,099**	**1,325,085**	**984,817**	***29,434,642***
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)			**$32,678,826**	**$30,218,055**	**$1,430,296**	**$1,030,475**	**$30,933,204**

Medicaid atch rate
50.0%
Days in year
366

Change to Detention in SB 217	Dollars	Beds
Detent in LE	1,523,427	31.0
SB 217	(604,141)	(14.0)
New	$919,286	17.0
	Annual	Daily
orig per bed	$49,143	$134
new per bed	$54,076	$148

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	**508.8**	Rate for IVE maintenance used $	112.81
Estimated percent placed at Ridge View	46.9%	at 50% IV E revenue	50%
Resulting Youth at Ridge View	**238.6**	Resulting revenue rate per day $	56.41
Penetration Rate of Youth at Ridge View	20%		
Resulting Youth for IV-E claims	**47.7**		

STATE OF COLORADO

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Denver, Colorado 80203
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John W. Hickenlooper
Governor

RECEIVED
JAN 19 2012

January 19, 2012

The Honorable Cheri Gerou
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

Dear Representative Gerou:

On behalf of Governor John Hickenlooper, I am writing to notify the committee of the current state of the federal Temporary Assistance to Needy Families (TANF) program funding. To date, the state has received $8.9 million less than anticipated in federal funding in the current fiscal year. This funding was accounted for in the state budget for FY 2011-12 and FY 2012-13 but has not yet been received. Specifically, the state has not yet received $13.5 million in federal Temporary Assistance to Needy Families Supplemental Awards as expected, but has received $4.4 million in Temporary Assistance to Needy Families Contingency Funds, which offsets the supplemental funding.

Given the federal uncertainty of the TANF Supplemental and Contingency awards and the insufficient amount of TANF funds available to support appropriations, the Executive Branch is taking action to ensure that expenditures are limited in two ways. First, the Governor has directed the State Controller's Office to restrict several lines in the Department of Human Services that are funded with federal Temporary Assistance to Needy Families funds. Second, the Executive is requesting that the Joint Budget Committee sponsor legislation to allow the State of Colorado to retain a federal Maintenance of Effort (MOE) credit for the Temporary Assistance to Needy Families program totaling $5.5 million.

Restrictions on Temporary Assistance to Needy Families Appropriations:

On January 18, 2012, the Governor directed the State Controller's Office to restrict appropriations in the following program areas for FY 2011-12:

TANF Appropriation	Federal Funds
Colorado Works County Block Grants	$514,778
Low Income Energy Assistance Program	$1,500,000
Colorado Works County Block Grant Support Fund	$1,000,000
Colorado Works Administrations – Personal Services	$100,000
Refugee Services	$100,000
Colorado Works Program Maintenance Fund	$100,000
Colorado Works Administration – Training	$55,000
Domestic Abuse Program	$30,000
Total	$3,399,778

Each restriction was carefully considered with feedback from counties and local governments to limit to the extent possible adverse impacts on clients. In addition, should the Supplemental Award be reinstated or Contingency funds are further awarded in the current fiscal year, the Executive will lift the restrictions based on the amount of funding available and with the input of county human and social service departments. If federal funding is not reinstated or further awarded on an ongoing basis, a budget request will be submitted to the Joint Budget Committee to true up the appropriation.

Joint Budget Committee Legislative Request

The Executive Branch is also requesting that the Joint Budget Committee sponsor legislation to allow the state of Colorado to retain a federal Maintenance of Effort (MOE) credit for the Temporary Assistance to Needy Families program. This credit is typically passed on to counties and totals $5,524,726 million annually Allowing the state to keep these funds will help the state fund its TANF appropriations without requiring further reductions to specific programs.

When the state meets TANF federal work participation rates, meaning that an adequate number of TANF recipients are engaged in work activities, the federal government will provide a monetary credit to the state to apply towards its annual Maintenance of Effort Requirements. Colorado counties, as a condition to receiving federal TANF funds, are required to spend an amount equal to roughly 14.7% of the total amount allocated, consisting of local funds to meet the federal Maintenance of Effort Requirement. Because of this local contribution, Colorado has historically passed this credit on to counties. This proposed legislative change will allow the state to keep this credit rather than passing it on to counties.

The proposed legislative change is as follows:

> 26-2-714 (10) (a) If the state meets federal work participation rates and qualifies for a percent reduction in the state's maintenance of effort as specified in federal law for any year, the actual spending level for the works program of all counties collectively ~~shall~~ MAY be reduced by the same amount as the amount of the reduction in the federal maintenance of effort requirement,
>
> (b) For the purposes of this subsection (10), "percent reduction" means the percent of reduction of historical expenditures as that term is defined in section

> 409 (7) (b) of the federal social security act, as amended.
>
> (c) For any year in which a percent reduction in the state's maintenance of effort requirement occurs, AND ACTUAL SPENDING LEVELS FOR THE WORKS PROGRAM ARE REDUCED IN ACCORDANCE WITH SUBSECTION (a) OF THIS SUBSECTION (10), the works allocation committee created pursuant to subparagraph (IV) of paragraph (c) of subsection (6) of this section shall determine each county's share of the reduction in actual spending levels. Prior to making such determination, the works allocation committee shall ensure that all counties have been notified of the recommended reduction for each county and given an opportunity to provide comment on the recommendation. In the event that the works allocation committee does not reach an agreement on each individual county's reduction in actual spending levels, the committee shall submit alternatives to the joint budget committee of the general assembly from which such joint budget committee shall identify each individual county's reduction in actual spending levels. The state department is authorized to adjust each county's share of the reduction in actual spending levels. The state department is authorized to adjust each county's actual spending level for any percentage reduction earned in accordance with the determination of the works allocation committee concerning each county's share of the reduction.

We respectfully request that the Committee sponsor these legislative changes to ensure that the Temporary Assistance to Needy Families expenditures are aligned with available funding. Thank you for your consideration on this issue and if you have any questions, please feel free to call me at (303)866-3317.

Sincerely,

Henry Sobanet, Director
Governor's Office
Office of State Planning and Budgeting

Cc: Mr. Reggie Bicha, Colorado Department of Human Services, Director
Mr. Jay Morein, Colorado Department of Human Services
Mr. Will Kugel, Colorado Department of Human Services
Mr. Erick Scheminske, Office of State Planning and Budgeting, Deputy Director
Ms. Ann Renaud, Office of State Planning and Budgeting
Mr. John Ziegler, Joint Budget Committee, Staff Director
Ms. Amanda Bickel, Joint Budget Committee

M E M O R A N D U M

TO: Members of the Joint Budget Committee

FROM: Amanda Bickel, JBC Staff

SUBJECT: Department-requested Bill - TANF MOE

DATE: January 24, 2012

In a letter dated January 19, 2012 (which the Committee saw during the staff Human Services supplemental presentation on January 20), the Department of Human Services requested that the Committee sponsor a bill to modify portions of statute that, in most years, results in an appropriation of $5,524,726 federal Temporary Assistance for Needy Families (TANF) block grant funds to counties. This memo provides additional background on this statute, as well as a staff recommendation on the proposal. In sum, staff recommends:

- That the Committee proceed with having the requested legislation drafted;
- That the Committee consider delaying final approval and introduction of the legislation until the Department submits a budget amendment or a letter describing how it proposes to address the TANF shortfall for FY 2012-13, *i.e.*, staff believes the Department should explain to what extent it hopes to use the flexibility requested before the JBC agrees to sponsor a bill.

Background on the Proposed Statutory Modification - TANF MOE Reimbursement

Pursuant to statute, the State reimburses counties when the state is notified that its federally required TANF MOE has been reduced based on the state meeting specified work participation rates. As reflected in the letter, Section 26-2-714 (10), C.R.S., specifies that "if the state meets federal work participation rates and qualifies for a percent reduction in the state's maintenance of effort as specified in federal law for any year, the actual spending level for the works program of all counties collectively shall be reduced by the same amount as the amount of the reduction in the federal maintenance of effort requirement".

In practice, this is operationalized via an additional TANF appropriation to counties. This additional TANF appropriation reimburses them for county maintenance of effort (MOE) funds spent in prior years. Each year, the Long Bill included a federal TANF funds appropriation for this purpose, entitled "Reimbursement to Counties for Prior Year Expenditures Due to Reduction in Federal Maintenance of Effort Requirements". The Works Allocation Committee determines the distribution of these funds, typically based on the TANF allocation formula in effect in the year the work participation requirement was met.

The "Reimbursement to Counties for Prior Year Expenditures Due to Reduction in Federal Maintenance of Effort Requirements" line item is typically in the amount of $5,524,726. However, because the federal government takes considerable time to determine whether or not a State has met its work-participation requirements, notification is typically received 1-2 years after-the-fact. Thus, in June 2011 Colorado received notification that it had met the FFY 2008-09 work participation requirement and, on this basis, distributed the $5.5 million FY 2010-11 "Reimbursement for MOE" appropriation to counties. While thus far Colorado has consistently complied with the federal requirement and has thus had its MOE lowered, the timing of the notification has varied, and actual expenditures from the "Reimbursement for MOE" line item have been $0 in some years and doubled in others.

Department Bill Request and How it Proposes to Use Requested Flexibility
As reflected in the Department's letter, it requests that statute be modified so that it not longer requires that counties "shall" have their MOE reduced but instead says that they "may" have their MOE reduced. This would allow the Department to withhold this $5.5 million TANF funds appropriated in the "Reimbursement for MOE" line item as part of a plan for balancing the State's projected TANF shortfall. *In response to staff questions, the Department has indicated that it would like this bill to be effective in FY 2011-12.* Thus, if the State receives notification from federal authorities in the current year that it has complied with the FFY 2010 work participation requirement before the end of this state fiscal year (something that has not yet occurred), it would like to withhold the $5.5 million payment to counties. While the FY 2011-12 reductions outlined in the Department's January 19, 2012 letter would seem to be sufficient to balance and maintain a reserve even without an additional $5.5 million reduction, taking such a further reduction in FY 2011-12 would help to limit the cut required in FY 2012-13 and thus smooth the overall decline in TANF funding over more years.

The Department has not to-date submitted a comprehensive TANF balancing plan for FY 2012-13. However, staff has incorporated the information on FY 2011-12 included in the Department's letter, and an assumed elimination of the MOE payment in both FY 2011-12 and FY 2012-13 in the attached table.

Staff Recommendation. *Staff recommend the request contingent upon the Department providing a TANF balancing plan for FY 2012-13.*

- Given the loss of the $13.6 million federal TANF supplemental grant, cuts must be made somewhere. If cuts are not taken in the "Reimbursement for MOE" line item, staff assumes the Department will simply impose larger restrictions on the larger Colorado Works County Block Grant line item.
- Because the "Reimbursement for MOE" funding has not arrived on a consistent schedule (and might not arrive at all in some years), many counties do not count on this funding to the same extent they count on the Colorado Works County Block Grant line item funding (although this is not uniformly the case).
- Staff believes that the Department owes the Committee a TANF balancing plan for FY 2012-13 and that related TANF reductions should be built into the FY 2012-13 appropriation. Thus, the Committee may wish to wait on introducing this legislation until a plan has been received.

Summary of TANF Reserve Projection including FY 2011-12 Restrictions (1/19/12 letter)

and Assuming No TANF MOE Reimbursement FY 2011-12 and FY 2012-13

(No Other FY 2012-13 Adjustments Assumed; changes since Nov. 1 are shaded)

	SFY12 (Current)	SFY13 (Request)
Uncommitted prior year funds*	26,666,797	5,509,169
Regular Annual TANFGrant	136,056,690	136,056,690
Supplemental TANF Grant	0	0
TANF Contingency Fund	9,070,444	0
ARRA Emergency Fund	0	0
Revenue Subtotal	171,793,931	141,565,859
Allocations to Counties	128,198,357	124,544,368
Info. Techology & Indirect Costs	6,318,057	6,318,057
CO Works State Administration	2,212,205	2,192,997
Works Statewide Strategic Use Fund	0	0
Works Program Maintenance Fund	0	100,000
Refugee Assistance	2,705,334	2,755,334
Low Income Energy Assistance	0	1,500,000
Domestic Abuse Program	629,677	659,677
Child Welfare Programs	23,500,000	11,000,000
ARRA-related initiatives**	0	0
Expenditure subtotal	163,563,630	149,070,433
2% reserve	$2,721,132	2,721,132
Balance Remaining/Additional Cut Rec	**5,509,169**	**-10,225,706**

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John W. Hickenlooper
Governor

RECEIVED
JAN 19 2012

January 19, 2012

The Honorable Cheri Gerou
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

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Colorado Works Program Maintenance Fund	$100,000
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Total	$3,399,778

Each restriction was carefully considered with feedback from counties and local governments to limit to the extent possible adverse impacts on clients. In addition, should the Supplemental Award be reinstated or Contingency funds are further awarded in the current fiscal year, the Executive will lift the restrictions based on the amount of funding available and with the input of county human and social service departments. If federal funding is not reinstated or further awarded on an ongoing basis, a budget request will be submitted to the Joint Budget Committee to true up the appropriation.

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When the state meets TANF federal work participation rates, meaning that an adequate number of TANF recipients are engaged in work activities, the federal government will provide a monetary credit to the state to apply towards its annual Maintenance of Effort Requirements. Colorado counties, as a condition to receiving federal TANF funds, are required to spend an amount equal to roughly 14.7% of the total amount allocated, consisting of local funds to meet the federal Maintenance of Effort Requirement. Because of this local contribution, Colorado has historically passed this credit on to counties. This proposed legislative change will allow the state to keep this credit rather than passing it on to counties.

The proposed legislative change is as follows:

> 26-2-714 (10) (a) If the state meets federal work participation rates and qualifies for a percent reduction in the state's maintenance of effort as specified in federal law for any year, the actual spending level for the works program of all counties collectively ~~shall~~ MAY be reduced by the same amount as the amount of the reduction in the federal maintenance of effort requirement,
>
> (b) For the purposes of this subsection (10), "percent reduction" means the percent of reduction of historical expenditures as that term is defined in section

409 (7) (b) of the federal social security act, as amended.

(c) For any year in which a percent reduction in the state's maintenance of effort requirement occurs, AND ACTUAL SPENDING LEVELS FOR THE WORKS PROGRAM ARE REDUCED IN ACCORDANCE WITH SUBSECTION (a) OF THIS SUBSECTION (10), the works allocation committee created pursuant to subparagraph (IV) of paragraph (c) of subsection (6) of this section shall determine each county's share of the reduction in actual spending levels. Prior to making such determination, the works allocation committee shall ensure that all counties have been notified of the recommended reduction for each county and given an opportunity to provide comment on the recommendation. In the event that the works allocation committee does not reach an agreement on each individual county's reduction in actual spending levels, the committee shall submit alternatives to the joint budget committee of the general assembly from which such joint budget committee shall identify each individual county's reduction in actual spending levels. The state department is authorized to adjust each county's share of the reduction in actual spending levels. The state department is authorized to adjust each county's actual spending level for any percentage reduction earned in accordance with the determination of the works allocation committee concerning each county's share of the reduction.

We respectfully request that the Committee sponsor these legislative changes to ensure that the Temporary Assistance to Needy Families expenditures are aligned with available funding. Thank you for your consideration on this issue and if you have any questions, please feel free to call me at (303)866-3317.

Sincerely,

Henry Sobanet, Director
Governor's Office
Office of State Planning and Budgeting

Cc: Mr. Reggie Bicha, Colorado Department of Human Services, Director
Mr. Jay Morein, Colorado Department of Human Services
Mr. Will Kugel, Colorado Department of Human Services
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Ms. Ann Renaud, Office of State Planning and Budgeting
Mr. John Ziegler, Joint Budget Committee, Staff Director
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