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Fiscal Note

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Prime Sponsors:

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Bill Topic: **KINSHIP FOSTER CARE HOMES**

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill creates measures that support kinship foster care homes, including formally establishing a kinship foster care home certification process. The bill increases state and local expenditures and state revenue on an ongoing basis beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation \$32.3 million to multiple state agencies.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Colorado Child Welfare System Interim Study Committee.

Table 1
State Fiscal Impacts Under Bill 1

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	Cash Funds	\$70,468	\$23,503
	Total Revenue	\$70,468	\$23,503
Expenditures	General Fund	\$16,309,953	\$15,528,095
	Cash Funds	\$3,168,762	\$3,372,350
	Federal Funds	\$12,890,359	\$14,888,864
	Centrally Appropriated	\$51,956	\$57,949
	Total Expenditures	\$32,421,030	\$33,847,258
	Total FTE	2.8 FTE	3.1 FTE
Transfers		-	-
Other Budget Impacts	TABOR Refund	\$50,398	\$16,809
	General Fund Reserve	\$2,446,493	\$2,329,214

Summary of Legislation

Beginning September 1, 2024, the bill creates several measures for kinship foster care homes, including:

- requiring permanency planning to not be delayed for purposes of maintaining financial support for a kinship foster care home or a non-certified kinship care foster home, except with court approval;
- expanding emergency financial assistance for a kinship foster care home to include goods needed for the child's basic care and limited rental or housing assistance, with a maximum subsidy duration of sixty days;
- requiring the Colorado Department of Human Services (CDHS) and the Judicial Department to collect data on the number of children placed with kin through a dependency and neglect case and make the data available on its website by January 30, 2025;
- requiring courts to ensure that relatives and kin are informed about the types of kinship care and financial supports available before transferring temporary legal custody of the child;
- requiring the CDHS to report on the availability of federal funds or other grant funding for legal services or legal representation of relative and kin caregivers by October 1, 2024; and
- requiring the CDHS to work with other state departments to create an interagency resource guide to assist kinship in the certification process.

The bill also formally establishes a process for a kinship foster care home to become certified by a county department or child placement agency, including the ability to obtain a provisional certification for six months. Certified kinship foster homes, non-certified kinship foster homes with a provisional certification, and non-certified kinship homes are eligible for financial assistance at 50% of the foster care rate as established by the state, and the CDHS will reimburse county departments for 90% of the amounts expended for kinship foster care. The bill also exempts kinship foster care homes from certain certification standards and requirements and allows the CDHS to develop rules to modify the requirements for kinship foster care homes, including training topics for kinship foster care certification.

Background & Assumptions

Currently, provisional certifications are available to non-certified kinship foster care homes and they can receive financial payments at the foster care rates established by the CDHS for up to six months. Non-certified kinship foster care homes are not eligible to receive these payments. The state reimbursement rate to counties for kinship foster care is 80%.

The fiscal note assumes that exempting kinship foster care homes from certain certification standards and requirements will increase the number of kinship foster care homes that become certified or seek a provisional certification.

State Revenue

This bill increases state revenue to the CBI Identification Unit Cash Fund in the DPS by \$70,468 in FY 2024-25 and \$23,503 in FY 2025-26 from additional fingerprint-based criminal history background checks. This assumes 1,784 checks will be conducted in FY 2024-25 from non-certified foster care homes undergoing the certification process, and 595 checks in FY 2025-26. The current fee for background checks is \$39.50, which includes \$11.25 for a Federal Bureau of Investigation (FBI) fingerprint-based check, which is passed on to that federal agency. The federal portion of this fee is excluded from the state TABOR limit.

State Expenditures

The bill increases state expenditures by approximately \$32.3 million in FY 2024-25 and \$33.8 million in FY 2025-26 and future year, paid from the General Fund, cash funds, and federal funding sources. Costs are primarily in the CDHS, as well as in the Department of Public Safety. Workload will also increase for other state departments. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under Bill 1**

	FY 2024-25	FY 2025-26
Department of Human Services		
Personal Services	\$192,417	\$230,900
Operating Expenses	\$3,375	\$4,050
Capital Outlay Costs	\$20,010	-
Certified Kinship Foster Care Payments	\$14,374,687	\$19,160,878
Non-Certified Kinship Foster Care Payments	\$16,768,573	\$14,374,687
County Reimbursements	\$955,576	-
Centrally Appropriated Costs ¹	\$46,813	\$56,176
FTE – Personal Services	2.5 FTE	3.0 FTE
CDHS Subtotal	\$32,361,451	\$33,826,691

Table 2
Expenditures Under Bill 1 (Cont.)

	FY 2024-25	FY 2025-26
Department of Public Safety		
Personal Services	\$18,025	\$6,650
Background Check Expenses	\$16,341	\$5,450
FBI Background Check Pass-Through	\$20,070	\$6,694
Centrally Appropriated Costs ¹	\$5,143	\$1,773
FTE – Personal Services	0.3 FTE	0.1 FTE
DPS Subtotal	\$59,579	\$20,567
Total Cost	\$32,421,030	\$33,847,258
Total FTE	2.8 FTE	3.1 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Human Services. Costs will increase for staff and payments to kinship foster care homes and county departments.

- **Staff.** The CDHS requires 3.0 FTE for additional reviews of foster home cases and county departments. The increase in non-certified kinship foster homes seeking certification, as discussed in the Assumptions section, would increase the number of case reviews that the CDHS is federally required to perform for any child or youth in covered out-of-home placements to ensure compliance with the certification requirements. FTE is prorated for a September start date in FY 2024-25 and is eligible for federal funding.

Workload for the CDHS will also increase to confirm relatives and kin were advised about kinship foster care, to coordinate the development of the resource guide, collect and publish data, and report on the availability of federal funds or other grant funding. This workload can be accomplished within existing resources.

As more certifications are requested, the number of appeals by denied applicants that would go through the administrative appeals process may also increase, which may require additional staff and resources. It is assumed these expenses, if incurred, would be addressed through the annual budget process.

- **Certified kinship foster care homes payments.** Costs will increase by \$14.4 million in FY 2024-25 and \$19.2 million in FY 2025-26 and future years for increased payments to certified kinship foster care homes. The fiscal note estimates that 1,784 non-certified cases will become newly certified in FY 2024-25 and eligible to receive financial assistance, with 595 additional certifications in the following year. This estimate assumes that 30% of current non-certified kinship homes will undergo certification initially, due to the reduction in

kinship foster care certification requirements, and that an additional 10% will seek certification in the following year. To the extent certification rates vary in future years, exact costs will be addressed through the annual budget process. Based on these assumptions, and using the established rates for kinship foster care payments based on age and an assumed average length of stay of 164 days, the annual payment for each new certified case is \$8,058. These payments are eligible for federal funding.

- **Non-certified kinship foster care home payments.** Payments to non-certified kinship foster care homes will increase by \$16.8 million in FY 2024-25 and \$14.4 million in FY 2025-26 and future years. The fiscal note estimates that 4,162 non-certified cases will also seek financial assistance as a result of this bill. The annual payment for these cases would be 50% the established foster care rate, or \$4,029. As with certified homes, costs may vary from these estimates depending on kinship foster care home participation and use, and will be adjusted through the budget process as necessary.
- **County reimbursements.** The CDHS expenditures for reimbursements to counties for amounts expended for kinship foster care will increase by \$955,576 for current cases due to the increase in state reimbursement from 80% to 90% of eligible costs. The additional 10% is included in calculations for new certifications.

Fingerprint-based background checks (DPS). The bill increases cash fund expenditures for fingerprint-based criminal history background checks by \$59,579 in FY 2024-25 and \$20,567 in FY 2025-26 from the CBI Identification Unit Cash fund in DPS. This covers the costs of conducting additional background checks and includes the pass through costs for the FBI component of the background check. These costs are based on an estimated 1,784 checks in FY 2024-25, and 595 checks in FY 2025-26 and future years.

Judicial Department. Trial court workload may increase from kinship foster care homes appealing a certification denial; however, this is expected to be minimal.

Other departments. Workload will increase for the Department of Public Health and Environment, the Department of Education, and the Department of Health Care Policy and Financing to aid in the development of the resource guide. This workload can be accomplished within existing resources.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown Table 1 and discussed in the State Revenue section above. This estimate assumes the December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Local Government

The bill will increase county costs to support for kinship foster care homes by an estimated \$3.1 million in FY 2024-25 and \$3.3 million in FY 2025-26. This reflects the 10 percent county match for child welfare expenses. These costs are reflected in the cash fund portion of state expenditures described above. In addition, workload for county departments will increase to the extent that additional kinship foster care homes seek certification.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2024-25, the bill requires total appropriations of \$32,369,074 to multiple state agencies, including:

- \$32,314,638 to the Department of Human Services, of which \$16,309,953 is General Funds, \$3,114,326 is cash funds from county matching funds, and \$12,890,359 is federal funds, and 2.5 FTE; and
- \$54,436 to the Department of Public Safety from the CBI Identification Unit Cash Fund, of which \$20,070 is reappropriated funds passed through to the federal government for FBI background check costs.

State and Local Government Contacts

Child Welfare
Health Care Policy and Financing
Public Health and Environment

Counties
Human Services
Public Safety

Education
Judicial