

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Emily Hansen, JBC Staff (303-866-4961)
DATE March 7, 2024
SUBJECT Child Welfare Funding Model

During a presentation on potential legislation on March 6, 2024, the Committee requested staff to provide a memo related to the child welfare funding model from [S.B. 21-277 \(Child Welfare Services Allocation Formula\)](#) and proposed statutory changes related to implementation of the funding model.

BACKGROUND

The majority of the child welfare budget consists of three capped allocations referred to as the block, county staffing, and core services. The capped allocations are distributed from the state to counties as approved by the Child Welfare Allocation Committee (CWAC) through an allocation process referred to as “county close.” The CWAC consists of representatives from the State and County Departments of Human Services. If the State Department and CWAC do not agree on an allocation formula, both entities are required to submit alternatives to the Joint Budget Committee to select a formula before the beginning of the fiscal year (Section 26-5-104 (3)(b), C.R.S.).

Senate Bill 21-277 was sponsored by the JBC and required the Department to enter into a contract with a third party to develop a funding model to determine the appropriate level of funding required to fully meet all state and federal requirements concerning the comprehensive delivery of child welfare services (Section 26-5-103.7, C.R.S.). The funding model was required to incorporate a separate study of county workload, as well as demographic data, and include incentive factors to address performance and outcomes measures consistent with recommendations from the Delivery of Child Welfare Services Task Force.

The Department was required to report on the funding model recommendations to the Committee by November 15, 2023. The Department submitted the funding model recommendation, but the report provided limited detail about how the recommendation was arrived at.¹ The funding model is expected to be phased in over four years, beginning in FY 2023-24. During the hearing, the Department indicated that the funding model consists of a base funding increase, as well as the components listed below.

FINAL FUNDING MODEL RECOMMENDATION	
Performance Pool	\$10,000,000
Outcomes and Incentives Pool	22,477,925
Prevention Funding	6,386,597
Workload Study	27,146,449
Total	\$66,010,971

¹ [Funding Model Legislative Report.](#)

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Base funding recommendations from the funding model for FY 2024-25 are provided in the table below. The recommendation includes increases in many areas, but includes a large decrease to the block, the largest county capped allocation. Staff assumes that this cut is related to offsetting the costs of implementing performance, outcome, and prevention funding as required in statute. The overall recommended increase is less than the common policy community provider rate applied to the capped allocations.

FUNDING MODEL BASE CHANGE FY 2024-25			
	BASE REQUEST	FUNDING MODEL	INCREASE/ (DECREASE)
Outcomes and Incentives Pool	\$0	\$2,500,000	\$2,500,000
Performance Pool	0	5,565,264	5,565,264
Economic Indicator	0	10,943,294	10,943,294
Block	415,486,117	370,039,321	(45,446,796)
Core	61,041,744	64,432,826	3,391,082
Staffing	29,227,034	43,556,466	14,329,432
Chafee	2,725,624	3,607,593	881,969
RGAP	45,161,882	55,456,981	10,295,099
TOTAL	\$553,642,401	\$556,101,745	\$2,459,344
Community provider rate (General Fund)			\$7,823,483
Over/ (under) model			\$5,364,139

The Department has indicated that implementing some portions of the funding model will establish winners and losers from prior allocations. Specifically, the economic indicator is expected to decrease funding to large, comparatively well-resourced counties to increase support for small, less-resourced counties. The funding model was approved by the CWAC Evaluation Group as required in statute.

The Department is required to implement the funding model with input from CWAC in FY 2024-25, regardless of whether additional funding is requested. The Executive Branch did not request additional funding related to funding model implementation, but the Committee approved an additional \$19.2 million total funds, including \$12.7 million General Fund, related to the funding model recommendations for county staffing and adoption and relative guardianship assistance.

LEGISLATIVE PROPOSAL

County Departments of Human Services and CWAC representatives are working on recommended language changes related to implementation of the funding model in FY 2024-25. Preliminary language included delaying implementation for one year if CWAC and the state could not reach agreement. Counties have since proposed what staff views as a more minor language change.

Current statute includes the following language (Section 26-5-104 (a.2)(I), C.R.S.):

“For state fiscal year 2024-25, and for each fiscal year thereafter, the state department, after input from the child welfare allocations committee, shall use the funding model... to determine the funding required for each county for adoption and relative guardianship subsidies and the independent living program, and to determine the capped and targeted allocations to each county, or group of counties, for child welfare services, additional county child welfare staff, and family and children’s programs.”

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Proposed language changes may continue to evolve through further consultation with the state and county departments. However, staff believes that counties are currently developing requested language to state that the funding model must inform the allocation, but is not required to be the methodology used to determine the allocation.

This is a minor language change that may or may not have a significant impact on the actual methodology used to determine allocations. Staff is more comfortable with this proposal than the prior proposal to delay implementation. Staff also agrees that there are likely unresolved concerns with the funding model implementation, but it was the General Assembly's intent to implement the funding model in FY 2024-25 knowing that changes to the allocation model would likely cause concern for counties.

CWAC is expected to meet on Friday, March 8, and April 19, 2024 to discuss FY 2024-25. The Committee's discussion of this request is therefore highly time sensitive. Some documents provided by the state Department for CWAC consideration are attached. All resources provided to CWAC are publicly available on the [Department's website](#).

Child Welfare Allocations and Projections				
	ALLOCATED TO COUNTIES	PROJECTED EXPENDITURES	PROJECTED Under/(Over-spent/over-earned)	
Funding Source	General Fund	General Fund	General Fund	
Block	\$ 209,774,860	\$ 220,566,350	\$	(10,791,490)
Staffing	\$ 20,757,077	\$ 26,056,766	\$	(5,299,689)
Core Services	\$ 49,920,398	\$ 42,732,712	\$	7,187,686
Core, Block & Staffing Total	\$ 280,452,335	\$ 289,355,828	\$	(8,903,493)

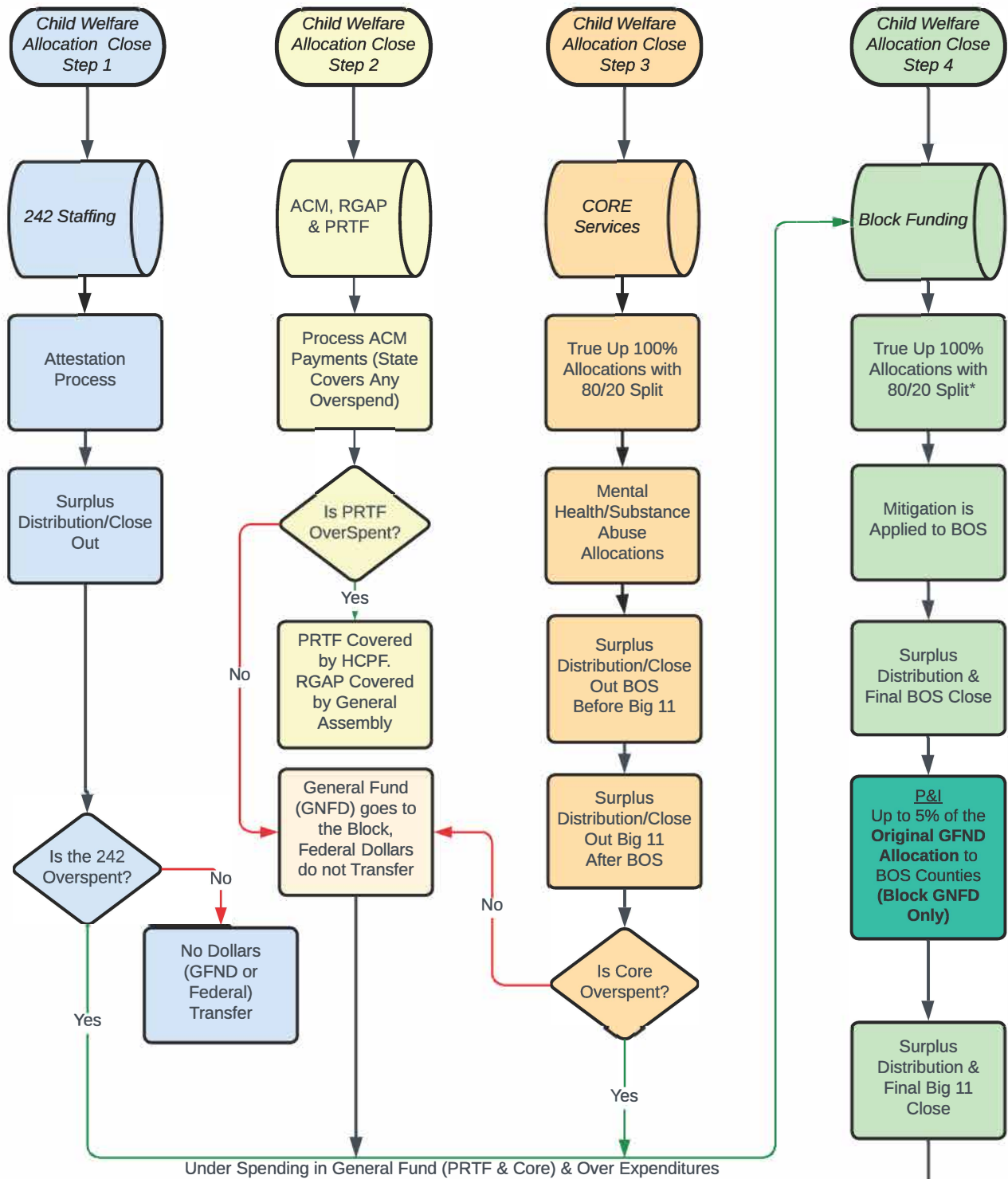
Holdouts:	Original Holdout Amount	Projected Holdout Expenditures	PROJECTED Under/(Over-earned)	
Parental Fees	\$ 3,208,511	\$ 799,064	\$	2,409,447
Tribes	\$ 950,000	\$ 950,000	\$	-
Statewide Insurance	\$ 346,500	\$ 346,500	\$	-
Contractual Services	\$ 100,000	\$ 100,000	\$	-
Total Projected General Fund Amt with Holdouts	\$ 4,605,011	\$ 2,195,564	\$	2,409,447
Grand Total General Fund	\$ 285,057,346	\$ 291,551,392	\$	(6,494,046)

Funding Source	APPROPRIATION	PROJECTED EXPENDITURES	PROJECTED Under/(Over-spent/over-earned)	
Adoption/RGAP	\$ 23,909,175	\$ 30,650,089	\$	(6,740,914)

Projections Based on Expenditures as of January 31, 2024.

Child Welfare Closeout Flow Chart

Jamison Lee | September 1, 2023



ACM	Administrative Case Management
HCPF	Health Care Policy and Financing
P&I	Prevention and Intervention Cash Fund
PRTF	Psychiatric Residential Treatment Facilities
RGAP	Relative Guardianship
Notes:	*Move any 80/20 expenditures to 100% if the 100% allocation is underspent to fully expend the 100% allocations. Move any overspent 100% allocations to 80/20.

Revert
OR
Used for High
Acuity Beds

Remaining GNFD