



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1271: FEDERAL BENEFITS FOR YOUTH IN FOSTER CARE

Prime Sponsors:

Rep. Gilchrist; Brown

Sen. Daugherty; Michaelson Jenet

Fiscal Analyst:

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill creates new provisions for the management and use of federal benefits for children and youth in foster care, including prohibiting the use of federal benefits to cover the cost of foster care.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- Local Government

Appropriations. For FY 2025-26, the bill requires an appropriation of \$706,838 to the Department of Human Services.

Table 1
State Fiscal Impacts

Type of Impact¹	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0	\$0
State Expenditures	\$749,441	\$7,650,963	\$4,513,533
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	2.0 FTE	2.0 FTE	2.0 FTE

¹ Fund sources for these impacts are shown in the tables below.

Table 1A
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	\$706,838	\$7,608,360	\$4,470,930
Cash Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$42,603	\$42,603	\$42,603
Total Expenditures	\$749,441	\$7,650,963	\$4,513,533
Total FTE	2.0 FTE	2.0 FTE	2.0 FTE

Summary of Legislation

The bill creates new provisions for the management and use of federal benefits for children and youth in foster care by county and state departments of human services, as discussed below.

County Departments of Human Services

Beginning July 1, 2026, a county department of human services must continually determine whether children and youth in foster care may be eligible for federal benefits, including federal benefits administered by the Railroad Retirement Board, Social Security Administration, or Veterans Administration. If eligibility is identified, the county department must apply for those benefits on behalf of the child. The county department must also continually review a foster child's representative payee or fiduciary for federal benefits.

If no payee or fiduciary is available, the county must assume the role but cannot use any of the federal benefits to pay for county costs related to providing support to the foster child. The county department must create a trust account for the federal benefits, which must be used in specific ways for the child's current or future needs. The county department must also provide an annual report to the child, their parents, and their legal counsel on the amount of any federal benefits collected, how they were used, and other related information. The county must also give notices about federal benefit applications, decisions, and appeals. When a child leaves foster care, any remaining money in the account must be released to the youth, emancipated child, or the person responsible for the child.

State Department of Human Services

By July 1, 2026, the Department of Human Services (CDHS) must develop regulations and guidance for counties regarding the bill's provisions, including benefit eligibility screening, representative payee selection, appeals of denied benefits, and account management. Additionally, the CDHS must provide technical assistance to county departments in FY 2025-26 and FY 2026-27. CDHS may seek, accept, and expend gifts, grants, or donations from private or public sources to support these efforts.

Background

Federal Benefits

Currently, county departments may serve as the payee for children and youth in foster care who qualify for federal benefits from the Social Security Administration (Title II and Title XVI benefits), the Veterans Administration, or the Railroad Retirement Board. Some counties actively apply for benefits on behalf of children in their care, while others do not. When counties apply and are approved as the representative payee, they typically use a portion of the federal benefit to offset the cost of care for the foster child. However, the cost of care often exceeds the amount received from federal benefits, resulting in little to no funds being set aside in accounts for the child. County departments estimate that approximately 538 children in foster care receive these federal benefits currently, and that \$2.2 million of the federal benefits are used by counties to offset their costs of care.

Title IV-E Funds

Title IV-E of the Social Security Act provides federal funding to states to support the costs of foster care, adoption, and guardianship services for eligible children. Currently, if a child receives federal benefits, the state does not receive Title IV-E funds for them, as the federal benefit is assumed to be applied in the same way as Title IV-E, towards covering foster care maintenance costs.

Assumptions

The fiscal note assumes that that ten percent of the state's 7,200 foster care children are eligible to receive federal benefits. The bill is expected to increase the number of foster children who receive federal benefits from the estimated 538 children who currently receive benefits to 720 children who are estimated to be eligible, due to the bill's requirement to screen and apply for benefits when eligible. This results in an additional 182 foster children receiving federal benefits each year.

The fiscal note also assumes these 182 children currently have Title IV-E funds applied to support their foster care. Their enrollment in federal benefits as a result of the bill will prevent the ability to use Title IV-E funds for their care. This change would require state and local funds to compensate and backfill the loss of Title IV-E support.

State Expenditures

The bill increases state expenditures in CDHS by \$749,000 in FY 2025-26, \$7.6 million in FY 2026-27, and \$4.5 million in future years. These costs, paid from the General Fund, are summarized in Table 2 and discussed below.

**Table 2
 State Expenditures
 Department of Human Services**

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$190,938	\$190,938	\$190,938
Operating Expenses	\$2,560	\$2,560	\$2,560
Capital Outlay Costs	\$13,340	\$0	\$0
Contractor – County Guidance	\$500,000	\$0	\$0
Contractor – County Support	\$0	\$4,470,624	\$1,333,194
Cost of Care GF Backfill	\$0	\$2,200,000	\$2,200,000
Title IV-E GF Backfill	\$0	\$744,238	\$744,238
Centrally Appropriated Costs	\$42,603	\$42,603	\$42,603
Total Costs	\$749,441	\$7,650,963	\$4,513,533
Total FTE	2.0 FTE	2.0 FTE	2.0 FTE

Department of Human Services

Beginning in FY 2025-26, CDHS will have costs for staff and one-time costs for contracting to develop regulations and processes for counties.

Beginning in FY 2026-27, CDHS will have additional costs to provide technical support for counties through contracted services. CDHS also requires additional General Fund to cover the cost of care for foster youth with federal benefits and the loss of federal Title IV-E funding.

Staff

Beginning in FY 2025-26, CDHS requires 2.0 FTE to manage contracts with third parties, develop county guidance in collaboration with vendor, provide policy expertise on federal benefits to CDHS and counties, train counties on new provisions and tools, and monitor county compliance and address technical questions. Standard operating expenses and capital outlay costs are included.

Contractor – County Guidance

In FY 2025-26 only, CDHS requires \$500,000 in one-time funding to contract with a third-party vendor to develop guidance for counties on the bill's new requirements, including collaborating with stakeholders and creating processes for benefit eligibility screening, representative payee selection, appealing of denied benefits, and account management.

Contractor – County Support

Beginning in FY 2026-27, CDHS requires contracting with federal benefit specialists and financial advisors to support counties, as described below.

Screening and Applications

CDHS requires \$3.1 million to contract for benefit specialists that will support counties with screening for eligibility and applying for federal benefits. Of the 7,200 foster children, this includes initial eligibility screenings for 7,049 youth, with each screening taking an estimated 8 hours, and 6,480 youth requiring ongoing screenings, which take about 3 hours each. Screening includes reviewing health care records, caseworker notes, school performance, and other information to determine eligibility for federal benefits, including those based on physical and emotional disabilities. Additionally, 182 youth are expected to qualify for benefits, requiring an average of 40 hours per case to apply for the benefit, monitor and communicate decisions, and appeal denials. In total, benefit specialists will require approximately 80,000 hours at an hourly rate of \$39 in the first year. This is expected to decrease to about 23,000 hours at a cost of \$883,000 in future years to reapply for benefits and perform ongoing screenings, which require less time.

Accounts

CDHS requires \$1.3 million in FY 2026-27 to contract for financial advisors that will support counties in opening and managing accounts for an estimated 720 youth receiving federal benefits. This includes the creation of 720 accounts, estimated to require 10 hours per account, and ongoing financial management of funds at 5 hours per year per account.

In total, this work amounts to 10,800 hours at a contractor rate of \$120 per hour, based on average financial advisor fees. This is expected to decrease to 3,600 hours and \$450,000 in future years, once most of the initial accounts are created.

Cost of Care Backfill

Counties currently use an estimated \$2.2 million annually in federal benefits to offset the cost of foster care for 538 youth receiving federal benefits. The bill removes this ability, requiring additional General Fund expenditures to cover these costs beginning in FY 2026-27.

Title IV-E Backfill

As described in the Assumptions section, an estimated 182 youth who apply for and receive federal benefits under the bill will no longer be eligible for Title IV-E funding, requiring additional state expenditures to replace the federal funds that are lost. This is estimated at \$744,238 annually beginning in FY 2026-27.

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 may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure table(s) above.

Local Government

Beginning in FY 2026-27, the bill increases costs for county human services departments to implement and train staff on the new requirements for foster children and youth receiving federal benefits. This includes working with contractors to conduct initial and ongoing screenings, assist with benefit applications, and manage accounts for eligible children.

Additionally, there will be a refinancing of county revenue and expenditures from federal funds to state General Fund for county departments by \$2.9 million. This amount represents lost funding to counties that they currently receive from federal benefits and Title IV-E funds.

Effective Date

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

State Appropriations

For FY 2025-26, the bill requires a General Fund appropriation of \$706,838 to the Department of Human Services, and 2.0 FTE.

Departmental Difference

CDHS estimates that it requires \$1.5 million for a contractor to develop guidance for counties around the bill's provisions including screening tools and assessments. This amount is \$1.0 million more than is included in the fiscal note estimate above. The fiscal note includes lower costs based on similar contracts made by other departments and assumes that contractors and staff will support counties in screenings.

County departments estimate that 33 percent of current foster care children, or 2,205 children, would be eligible for federal benefits. The fiscal note assumes a 10 percent increase based on available information on eligibility for benefits. If this county estimate is used, the amount of General Fill backfill for lost Title IV-E funding and costs to manage accounts for youths in foster care would increase relative to the fiscal note estimate.

State and Local Government Contacts

Child Welfare

Human Services

Counties