MEMORANDUM

JOINT BUDGET COMMITTEE

TO	JBC Members
FROM	JBC Staff
DATE	March 8, 2024
SUBJECT	Figure Setting Comeback Packet 1

Included in this packet are staff comeback memos for the following items:

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Emily Hansen, JBC Staff (303-866-4961)
DATE	March 4, 2024
SUBJECT	Senate Bill 24-008 (Kinship Foster Care Homes)

During the Staff Figure Setting presentation for the Division of Child Welfare, the Committee requested a staff comeback related to a potential $5.0 million General Fund placeholder for S.B. 24-008 (Kinship Foster Care Homes).

The bill was recommended by the Colorado Child Welfare System Interim Study Committee and has been referred to Senate Appropriations. The current fiscal note requires an appropriation of $16.3 million General Fund in FY 2024-25, though sponsors have indicated costs are expected to decrease through a phased-in implementation and potential utilization of TANF. The Governor's January Letter includes a placeholder of $1.4 million General Fund for the bill.

BACKGROUND

Kinship caregivers are relatives, friends, neighbors and other people with a significant relationship with a child, youth, or family who may provide care and protection to children and youth who cannot remain safely in their home. Kinship is the primary and preferred foster care placement, and may be certified or non-certified. Non-certified kinship care still requires finger-print and background checks, home inspections, and monthly caseworker visits. However, certified placements have additional requirements above and beyond non-certified placements, including but not limited to annual trainings, CPR certifications, and submission of household and pet health records.

Certified kinship homes can receive financial payments at the full foster care rate established by CDHS. The State reimburses counties 80.0 percent of the rate paid to foster care homes. State costs may be offset by a 50.0 percent federal reimbursement for youth who are Title IV-E eligible. Non-certified kinship homes are currently not eligible for reimbursement. Depending on legal custody and financial standing, youth and families in non-certified placements may be eligible for Medicaid and assistance through TANF.

LEGISLATION

The bill establishes the certification process for kinship care in statute, allows non-certified kinship care homes to be eligible for 50.0 percent of the foster care rate, and requires the State reimburse county departments for 90.0 percent of expenses for kinship. In addition to establishing the benefit for non-certified kinship homes, expenditures for the bill assume that the number of certified kinship homes will increase.

The fiscal note estimates that there are currently 6,000 non-certified kinship foster homes in the state. The analysis assumes that 30.0 percent will undergo certification, and an additional 10.0 percent the following year. The remaining homes are expected to not certify, but seek the 50.0 percent payment rate. Increased certifications will increase the number of fingerprint and background checks conducted by the Colorado Bureau of Investigation, and increase administrative costs for CDHS, counties, and courts.

The fiscal note currently requires an appropriation of $32.4 million total funds in FY 2024-25, including $16.3 million General Fund. Estimated expenditures are provided in the table below. Costs are based on an average foster care rate of $8,058 for certified placements, and $4,029 for non-certified. Rates in future years are expected to vary.

Current Fiscal Note - Total Funds		
	FY 2024-25	FY 2025-26
Human Services		
Personnel	$215,802	$234,950
Certified payments	14,374,687	19,160,878
Non-certified payments	16,768,573	14,374,687
County reimbursements	955,576	0
Public Safety		
Personnel	$18,025	$6,650
Background checks	16,341	5,450
FBI pass-through	20,070	6,694
Total	**$32,369,074**	**$33,789,309**

Title IV-E

Title IV-E of the Social Security Act is the primary federal benefit for foster care. Title IV-E entitles states to claim partial reimbursement for the cost of providing foster care, adoption assistance, and kinship guardianship assistance to children who meet eligibility criteria. Reimbursement includes the cost of care as well as case management, training, data collection, and other administrative costs for the state or counties. Children in out-of-home placements (including kinship foster care) are IV-E eligible depending on the financial standing of the family or relative from whom they were removed.

The federal reimbursement rate, or penetration rate, reflects the proportion of youth in out-of-home placements who are eligible for federal drawdown. Similarly, an administrative reimbursement rate is determined by all open cases divided by staff cost. The total costs by category are multiplied by the penetration rate and the administrative reimbursement rate to determine the final drawdown. Increasing certifications for kinship will increase costs, but is also expected to increase federal drawdown by increasing the penetration and administrative reimbursement rates. The Department estimates that the bill will increase Title IV-E drawdown by $12.9 million in the first year, increasing on an ongoing basis.

The Department indicates that non-certified kinship placements cannot get federal reimbursement and would therefore rely on General Fund and county expenditures to implement. The Department provided cost estimates to scale the reimbursement rate from 5.0 to the proposed 50.0 percent, provided in the table below.

Non-certified Year 1 Costs	
% Rate	General Fund
5	$788,080
10	1,542,666
15	2,297,252
20	3,051,838
25	3,806,424
30	4,561,010
35	5,315,596

Non-certified Year 1 Costs	
% Rate	General Fund
40	6,070,182
45	6,824,768
50	7,579,354

Temporary Assistance for Needy Families Block Grant

The Committee asked Staff to provided information on TANF utilization for the bill. Tom Dermody, JBC Staff, confirmed with the Department that TANF may be appropriated for the purposes of the bill and provided the information below.

Federal regulations allow for the transfer of up to 10.0 percent of a state's annual Temporary Assistance for Needy Families (TANF) block grant award to the Social Services Block Grant (SSBG) for purposes of funding eligible SSBG services. TANF funds transferred to SSBG must be used for families with incomes below 200.0 percent of the poverty line. In FY 2024-25, there will be an estimated $52.7 unappropriated TANF funds available to the General Assembly. The maximum allowable transfer from TANF to SSBG is $13,560,770. Currently, $2.7 million TANF funds are anticipated to be transferred to the SSBG for foster transportation, leaving $10.8 million in remaining transfer authority. If the General Assembly appropriates TANF funds for SSBG services, that amount will be deducted from both the unappropriated TANF funds and the allowable SSBG transfer authority.

Temporary Assistance for Needy Families funds transfer to Social Services Block Grant	
TANF Funds Available to Appropriate	FY 2024-25
Prior Grant Year Funds (as of June 30)	$92,839,115
Less Minimum State LTR Balance[1]	(33,901,926)
State Family Assistance Grant	135,607,703
Contingency Fund	12,000,000
TANF Available for appropriation	$206,544,892
JBC approved TANF appropriation	153,890,923
Unappropriated TANF funds	$52,653,969
Transfer to Social Services Block Grant (Title XX)	
Max allowable transfer (10% of State Fam. Assist. Grant)	$13,560,770
Current planned transfer	2,750,328
Remaining allowable transfer	$10,810,442

[1] Section 26-2-709 (1)(b)(III)(C)

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Mitch Burmeister, JBC Staff (303-866-3147)
DATE	March 6, 2024
SUBJECT	PERA Actuarial Reports for Fiscal Notes

During staff's potential legislation presentation on February 29, 2024, the Committee requested more information on how impacts to PERA are reflected in Fiscal Notes when the General Assembly is considering legislation that would change benefit structures and/or the amount of the unfunded liability.

Currently, the process in place concerning bills that would change the benefit structure or policy surrounding PERA is that LCS Fiscal Notes (FN) staff receives the bill to analyze. They then send information to PERA for PERA to identify any fiscal impacts. When PERA receives the request, they work with their contracted actuarial firm who conducts an actuarial analysis of the impact of the legislation. That actuarial analysis is sent back to FN staff for consideration for the bill's fiscal note.

FN staff have and will continue to include information from the actuarial analyses when preparing their fiscal notes.

One idea raised by the Committee was to include a report along with the fiscal note for PERA bills in a similar way that greenhouse gas emission reports or demographic reports are included with relevant bills. Those reports are included upon request of the bill sponsor and conducted by FN staff. This is where the main difference between these reports lies. The greenhouse gas emission reports and the demographic reports are products of FN staff while the actuarial reports are products of PERA. For this reason, both JBC staff and FN staff do not think that including the actuarial analysis alongside fiscal notes would be appropriate. If, instead, the bill sponsor requested the actuarial analysis, then FN staff could make it available to them or to committees of reference. In the past, PERA has distributed these analyses to legislators upon request, and has indicated that it has no problem continuing to provide them.

JBC staff also inquired about the possibility of doing actuarial analyses for PERA bills within government, with the goal of eliminating any potential bias. There is currently no formal mechanism to request or conduct this specific type of review, but if the Committee wanted to establish a mechanism for conducting such a review 'in-house' in parallel with the studies that PERA conducts, staff believes that the most appropriate places for those studies to be conducted would be in either the Department of Personnel or the Office of the State Auditor, as those two entities employ actuaries already.

In summary, actuarial analyses are already conducted on any bill that would impact PERA in any way. These analyses are conducted by a firm that PERA contracts with, and the most important aspects of those reports are included in fiscal notes by FN staff. JBC staff does not recommend any action at this time.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Abby Magnus, JBC Staff (303-866-2149)
DATE	March 8, 2024
SUBJECT	CDLE: Annualization of H.B. 23-1283

The Committee approved the Department of Labor and Employment budget on February 9, 2024, however that budget included an incorrect annualization of H.B. 23-1283 (Transfer Refugee Services to New Americans Office).

The H.B. 23-1283 bill annualization in the FY 2024-25 budget currently includes an increase of:

- 1.6 FTE; and
- $6,147,800 federal funds.

In accordance with the fiscal note, staff is recommending the H.B. 23-1283 bill annualization in the FY 2024-25 budget include an increase of:

- 9.1 FTE;
- $101,232 General Fund; and
- $5,897,800 federal funds.

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Louellen Lowe, JBC Staff (303-866-2981)
DATE	March 6, 2024
SUBJECT	Department of Treasury – Cybersecurity Penetration Testing

During the Figure Setting discussion for the Department of Treasury, staff recommended the $50,000 cybersecurity pen testing for the Department to be ongoing and not one-time as requested. This was based on information provided by the Treasury and our current understanding of services offered by the Office of Information Technology.

According to information provided by OIT after Figure Setting, the OIT security office has budgeted to fill an infrastructure penetration testing position later this year. Because OIT provides services to the Department of Treasury, this work can be done by OIT in future years making it unnecessary to have the request be ongoing. However, Treasury will need one more year of the one-time funding. Therefore, staff still recommends $50,000 cash and General Funds split evenly for this purpose in FY 2024-25, but it will <u>not</u> be ongoing.