M E M O R A N D U M

TO: Joint Budget Committee Members

FROM: Robin J. Smart, Joint Budget Committee Staff, 303-866-4955

SUBJECT: Staff Comebacks, Department of Human Services, Division of County Administration, Division of Child Welfare, and Office of Early Childhood

DATE: March 14, 2014

The following line items in the Department of Human of Services figure setting are addressed in this memo and are pending Committee decision:

- Executive Director's Office
  - Administrative Review Unit
- County Administration
  - County Administration
  - Food Assistance Administration
  - County Tax Base Relief
  - County Share of Offsetting Revenue
  - County Incentive Payments
- Division of Child Welfare
  - Child Welfare Services
  - Family and Children's Programs
- Office of Early Childhood
  - Division of Early Care and Learning
    - Child Care Licensing and Administration
    - Child Care Assistance Program

Below is an overview of each item and the associated staff recommendation.

Request R12: Community Provider Rate Increase

➔ Updated Information

The Committee's decision regarding the community provider rate increase in the divisions described below is pending as a result of concerns over how those increases may or may not be passed through by counties to providers. The Joint Budget Committee has historically made a determination on a common figure setting policy to be applied for community provider rate increases. In some divisions of the Department of Human Services, however, increases are applied to line items that are distributed through county block grants and provider rates are negotiated independently by each county. The following table provides a brief summary of Department practice for each division.

Department of Human Services Provider Rate Determination		
Division/Office	**Department Practice (provided by Department)**	**County Practice (provided by County representatives)**
Child Protection Ombudsman	The Department contracts the ombudsman directly and therefor has the authority to pass the increase on to the provider. The increase can occur upon the negotiation of each new contract.	NA
County Administration	The county provider rate increase was applied directly to the County Administration line item. Data pertaining to the amount that each county passes onto local providers is not readily available. Funds are provided to the counties through this allocation, and counties are requested and anticipated to pass the funds to providers. In order to identify the impact and direct service results of this rate increase, a comprehensive information request would need to be submitted to every county across the state.	The appropriation recognizes county eligibility staff as providers of services to the counties and the staff. Increases in this line are intended to deliver funding increases reflective of increasing costs to counties for these staff. County staff compensation is controlled each county's personnel system, and therefore no automatic pay increases are triggered by new funding for this appropriation.
Division of Child Welfare	All counties that have a rate negotiation methodology approved by the Department are authorized to negotiate rates with providers based on the needs of the child. All other counties will use the State Base Anchor Rate in Trails, which includes the provider rate increase. Forty-seven counties currently have approved rate negotiation methodologies. They are Adams, Alamosa, Arapahoe, Archuleta, Bent, Boulder, Broomfield, Cheyenne, Clear Creek, Conejos, Costilla, Crowley, Delta, Denver, Douglas, Eagle, Elbert, El Paso, Fremont, Garfield, Gilpin, Gunnison, Hinsdale, Huerfano, Jefferson, Kit Carson, Lake, La Plata, Larimer, Las Animas, Lincoln, Logan, Mesa, Mineral, Moffat, Montrose, Morgan, Otero, Park, Prowers, Pueblo, Rio Blanco, Rio Grande, San Juan, Teller, Weld, and Yuma counties. Twenty-three counties with an approved rate negotiation methodology indicated they would pass along a legislated provider rate increase. The remaining twenty-four counties have documented a legislative provider rate increase will be included in the negotiation process. Counties are authorized to	**Child Welfare Services:** Provider rate increase funding is calculated on the portion of the Child Welfare Services appropriation that has been used to pay for out-of-home services (residential facilities, child placement agencies, family foster homes, etc.), to pay for some other services to families involved in child welfare and to provide increases to funding for county casework staff. County departments negotiate rates with providers of placement services and the rate negotiation methodology is reviewed and approved by the state department. When rate negotiations occur, provider rate increases are not automatic, but are considered in rate negotiations or renegotiations between the county and the provider. Placement provider rates are automatically increased for rates set by the state department. Counties negotiate rates for other service providers, and in this case, rate increases are considered upon renewal of any agreement. **Core Services:** Provider rate increase funding is calculated on the portion of funding that is associated with purchase of services from community providers, as well as county staff delivering or managing services to families. Generally, counties pay the prevailing rates for

	spend their capped allocation without categorical restriction on the provision of Child Welfare Services. Child Welfare Services funds, such as provider rate increases, are distributed to counties via their Child Welfare Services Allocation. The number of children served in Child Welfare is not dependent on the budget; it is dependent on the number of children in need of Child Welfare Services.	services on behalf of clients, although it is also a practice in the counties to negotiate service configurations and the associated rates. Because this is an ongoing marketplace, counties absorb rate increases over time, which are later funded through a provider rate increase from the legislature.
Office of Early Childhood, CCCAP	Rates are negotiated independently by each county. Counties may or may not elect to increase the rate in response to an increase in the allocation. The Department cannot specifically identify if a provider rate was increased in response to budgetary action or some other factor.	Provider rates are set by counties according to statutory provisions and in accordance with other regulatory guidance. This allows counties to address local market conditions, as well as assist in managing the program within available resources. Provider rate increase funding allows counties to align their rates with the local market over time, but the event of new funding for provider rates does not increase county-set rates. If the state department sets child care rates, those are automatically increased when funding for provider rate increases are appropriated.
Office of Early Childhood, Early Intervention Services and Early Intervention Services Case Management	Early Intervention (EI) passed the rate increase in total through an increase in the allocation to Community Centered Boards (CCBs) and advised the EI programs to pass the rate increase on to their providers. The Department does not have a report on whether those increases occurred or the extent thereof.	NA

Statute varies with regard to how provider rates are handled in these divisions:

- Child Protection Ombudsman: No specific statute addresses provider rate increases in this office.
- County Administration: No specific statute addresses provider rate increases in this division.
- Division of Child Welfare:
  - Section 26-5-104 (6) (a), C.R.S.: "a county shall be authorized to negotiate rates, services, and outcomes with providers if the county has a request for proposal process in effect for soliciting bids from providers or another mechanism for evaluating the rates, services, and outcomes that it is negotiating with such providers that is acceptable to the state department."
  - Section 26-5-104 (6) (c), C.R.S.: "a county that negotiates or renegotiates rates, services, and outcomes pursuant to paragraph (a) of this subsection (6) shall include as part of such negotiations or renegotiations cost of living adjustments and provider rate increases approved by the general assembly."
- Office of Early Childhood
  - Colorado Child Care Assistance Program
    - Section 26-2-803 (2), C.R.S.: "the state department shall establish provider rates for the counties. After notice to the state department, a county may opt out of adhering to the state department provider rates and negotiate its own rates with such providers."
    - Section 26-2-804 (1) (d), C.R.S: In determining the county's block grant, the department shall consider factors that include "provider rates in the county."
  - Early Intervention
    - No specific statute addresses provider rate increases in this program.

Counties may consider the following factors in negotiation and renegotiation of rates:

- Caps on allocations for services,
- Rising caseloads,
- Market rates for each provider-type in the county,
- Supply/demand,
- Policies that respond to market conditions,
- Policies that govern the allocation process,
- Outcome measures that vary in complexity, breadth, and substance between provider types,
- The performance of each provider, and
- Relative ease or difficulty in accessing services in a local community, and
- Term of contract and contract renewal date.

Options to Consider: Based on discussions with legal services about a process that will ensure that providers receive increases approved by the General Assembly, staff provides the following options to consider:

- **Statute:** Run a single bill that addresses all line items in each division, requiring the Department to promulgate rules that will ensure that provider rate increases are passed on to providers; and that requires the Department to present an annual report to the Committee on provider rates and increases in each county.
- **Footnotes and Requests for Information (RFI):** Include a footnote for each line item that receives an increase (except CCCAP) indicating that it is *the intent of the General Assembly that additional funds to be used for a provider rate increases*; and add an RFI requesting that the Department provide information to the Committee on an annual basis, including the negotiated provider rates in each program in each county, including the percentage by which that provider rate has changed. This option includes the following line items:
  - Child Protection Ombudsman
  - County Administration
  - Child Welfare Services
  - Family and Children's Programs
  - Child Care Licensing and Administration
  - Early Childhood Mental Health Services
  - Early Intervention Services
  - Early Intervention Services Case Management
- **CCCAP:** Because Section 26-2-803 (2), C.R.S., states that "a county may opt out of adhering to the state department provider rates and negotiate its own rates with such providers," a change in this program will require a change in legislation.
- **Stakeholder input:** The mechanism through which increases may or may not be passed on to providers at the local level is complicated and varies across service domains. Because counties are responsible for negotiating rates with providers and consider various factors in doing so, county representatives have expressed concern over statutory changes that may limit county authority and flexibility in this area. Counties have suggested that the Committee consider instructing the Department to convene a group of stakeholders during the interim that will develop a plan for ensuring that rate increases are appropriately passed on to providers within the context of the various factors that impact those rates across counties.

➔ Correction of County Administration Provider Rate Increase Recommendation

The Department notified staff that the amount of federal funds to which the 1.5 percent provider rate increase was applied to the County Administration line item in the original request is incorrect. The correct requested increase in federal funds should be $327,713.

Staff Recommendation: Based on calculations from the Department, a 3.0 percent provider rate increase in this line item is allocated as follows: $516,731 General Fund, $307,809 cash funds, and $714,507 federal funds. Staff recommends approval of this correction.

➔ Recommendation: R12, Community Provider Rate Increase

Staff Recommendation: Staff recommends approval of the 3.0 percent provider rate increase in each of the lines identified in the information provided at figure setting, at a cost of $10,521,529 General Fund.

<u>Information Provided at Figure Setting</u>

Background

The JBC has historically made a determination on a common figure setting policy to be applied for community provider rate increases. The "community provider" common policy applies to selected line items in the Department of Human Services that are used to fund services that might otherwise be delivered by state FTE, including line items in the Executive Director's Office, County Administration, the Division of Child Welfare, and the Office of Early Childhood.

For FY 2014-15, the Committee has approved a 3.0 percent community provider rate increase. The divisions discussed in this briefing, the following lines are affected:

- Executive Director's Office, Special Purpose
  - Child Protection Ombudsman, an increase of:
    - $11,100 General Fund
    - This is the first increase requested since the creation of this office in FY 2010-11.
- County Administration
  - County Administration line item, an increase of:
    - $575,812 General Fund
    - $307,810 cash funds from local funds
    - $655,426 federal funds from various sources
- Division of Child Welfare
  - Child Welfare Services, an increase of:
    - $7,675,346 General Fund
    - $2,028,180 cash funds from local funds
    - $437,374 reappropriated funds from Medicaid funds transferred from the Department of Health Care Policy and Finance
  - Family and Children's Programs, an increase of:
    - $1,243,326 General Fund
    - $310,832 cash funds from local funds
- Office of Early Childhood
  - Division of Early Care and Learning

        - Child Care Licensing and Administration, an increase of:
            - $55,688 federal funds from Child Care Development Funds
        - Child Care Assistance Program, an increase of:
            - $414,248 General Fund
            - $279,610 cash funds from local funds
            - $1,558,728 federal funds from Child Care Development Funds
    - Division of Community and Family Support
        - Early Childhood Mental Health Services, an increase of:
            - $70,176 General Fund
        - Early Intervention Services, an increase of:
            - $457,062 General Fund
        - Early Intervention Services Case Management, an increase of:
            - $133,540 General Fund
            - $823,698 reappropriated funds from Medicaid funds transferred from the Division of Community and Family Support, Early Intervention Services line item in the Department of Health Policy and Financing

Though provider rate increases are approved by the General Assembly, additional funds may or may not result in rate increases for providers. The Department has provided the following information about the application of provider rate increases:

- County Administration
    - Funds are provided to the counties and counties are requested, but cannot be required, to pass the funds to the providers.
- Division of Child Welfare
    - Provider rate increases are distributed to the counties through the allocation of the Child Welfare Services and the Children and Family services line item appropriations.
    - Passing increases on to providers cannot be mandated by the Department, as Section 26-5-104 (6) (a), C.R.S. requires that a county shall be authorized to negotiate rates, services and outcomes with providers if the county has a request for proposal process in effect for soliciting bids from providers….. that is acceptable to the state department.
    - The counties have budgetary flexibility within their capped allocations; therefore the state cannot place category restriction on provider rates.
- Office of Early Childhood
    - Division of Early Care and Learning
        - Child Care Assistance Program
            - These funds may or may not result in rate increases for providers.
            - Funds are distributed to counties in an annual allocation process, and counties are permitted to set the provider reimbursement rate for the program.
    - Division of Community and Family Support
        - Early Intervention Services and Early Intervention Services Case Management
            - These funds may or may not result in rate increases for providers.
            - Funds are distributed to Community Center Boards and each board is permitted to set the payment rates within contracts for Early Intervention.

(4) County Administration

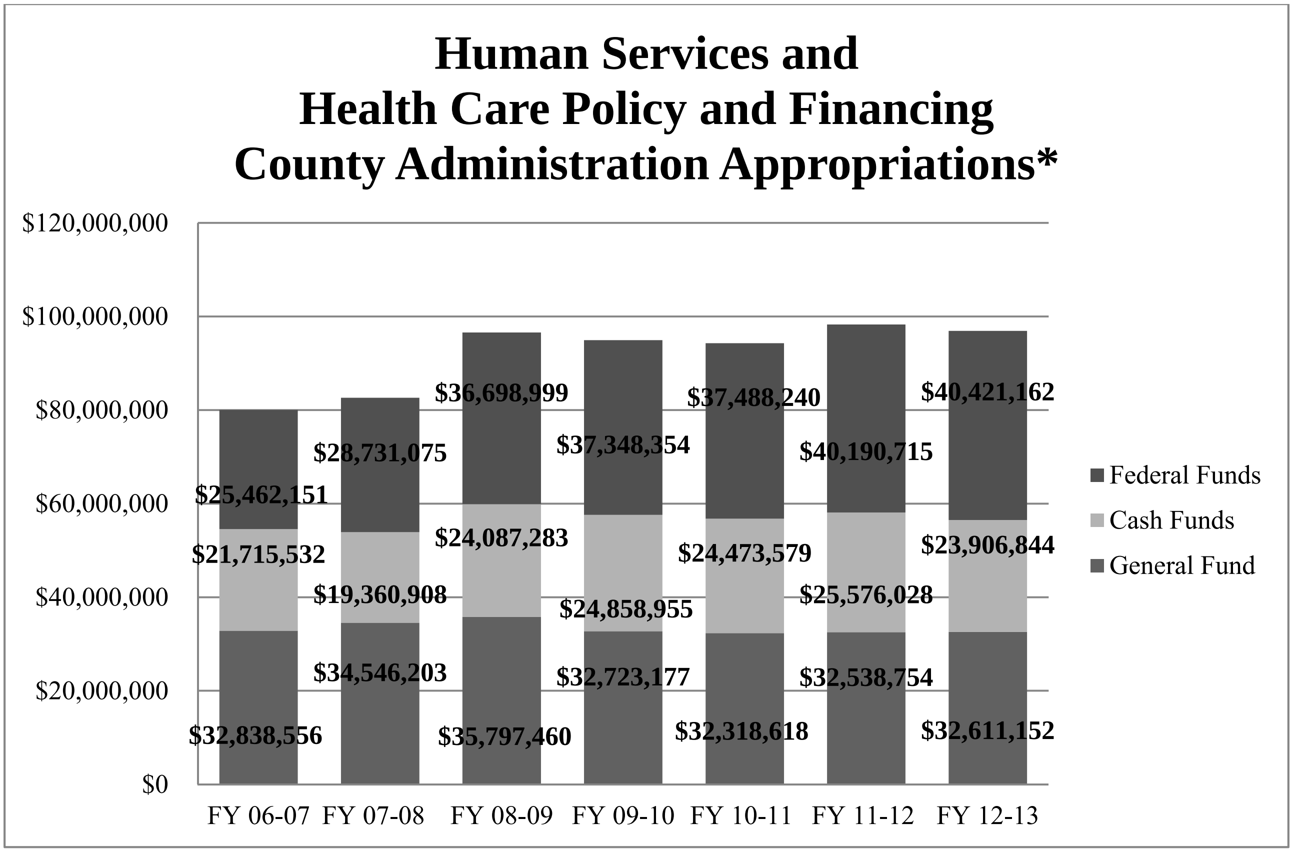
Staff-Initiated Comeback: County Administration Funding Increase

Colorado has a state-supervised but county-administered social services program. Colorado's counties have a large degree of autonomy, even when compared to other states that have decentralized systems, and as a result most of the County Administration budget lines provide block transfers to the counties. If counties over-expend their allocations, they are responsible for covering the shortfall, although they are often able to access federal matching funds for county-only expenditures, depending upon the program.

Over time, the responsibility for some programs has been moved out of County Administration section. Administration for child care services, child welfare services, Temporary Assistance to Needy Families, and the Old Age Pension are incorporated into line items in other sections of the Human Services budget. County administration of medical assistance programs was moved to the Department of Health Care Policy and Financing in FY 2006-07. County activities to determine medical assistance eligibility are essentially the same as the activities to determine eligibility for other social service programs: both involve Colorado Benefits Management System, and eligibility-determination costs are allocated between programs and the two departments.

Funding History and Caseload Growth

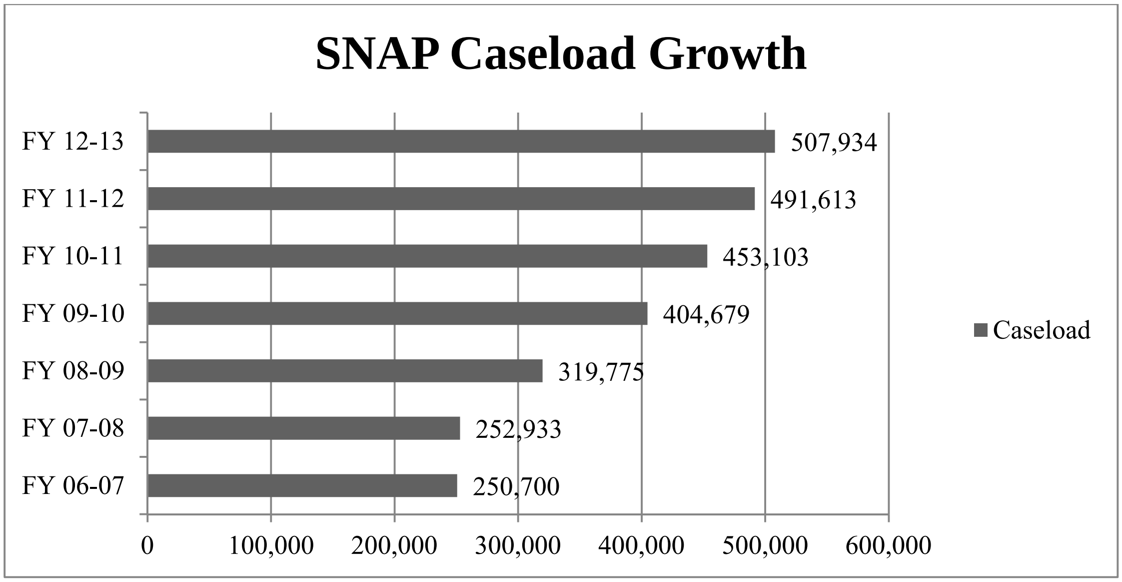
Funding for the Human Services county administration division and the Health Care Policy county administration line item have held flat since FY 2008-09, despite large increases in public assistance caseloads. Smaller adjustments have occurred since that time, including an increase for Food Assistance Administration in FY 2011-12. The table below combines appropriations for county administration from these departments, as dollars primarily support eligibility determination by county staff using the Colorado Benefits Management System.



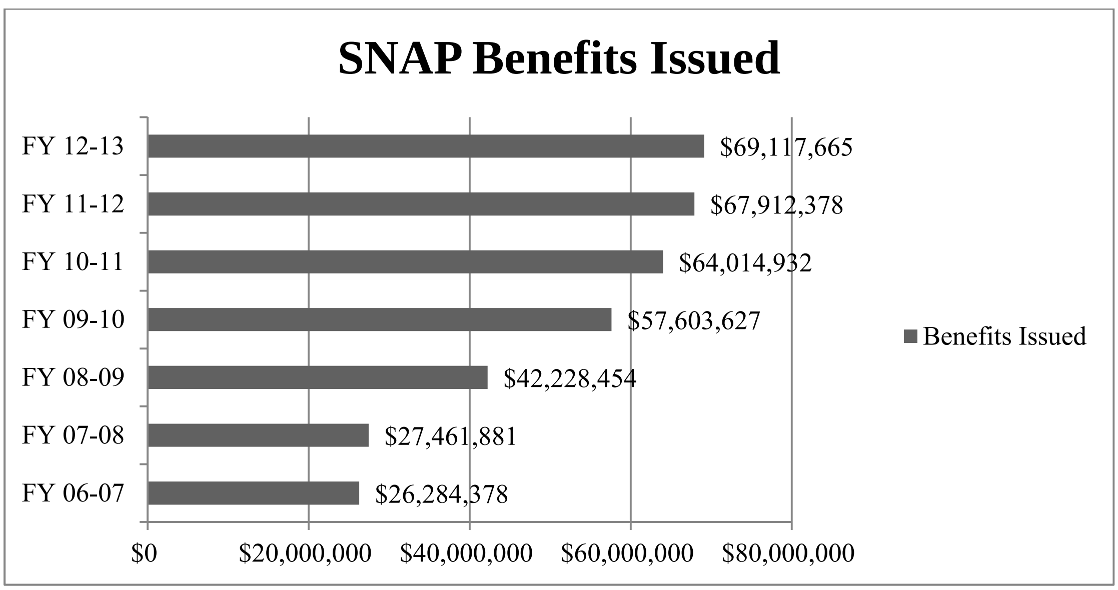
*This chart reflects funding for the Department of Human Services County Administration section ($62.9 million in FY 2012-13) and the Department of Health Care Policy and Financing County Administration line item ($34.0 million in FY 2012-13). It excludes county administration appropriations in other sections of the Department of Human Services.

Funding increases have generally involved reallocating General Fund in order to access more federal matching funds. The increase in FY 2008-09 was largely based on reducing County Contingency Payments (now County Tax Base Relief), which did not receive a federal match, and redirecting General Fund to the County Administration line items in Human Services and Health Care Policy and Financing, which do (H.B. 08-1250). This increased the combined appropriation for the county administration line items in the two departments by $13.6 million. The FY 2011-12 increase for Food Assistance Administration was similarly financed by redirecting funds from the County Tax Base Relief line item, which does not receive a federal match, to a new line item, which does. The majority of these funds support county staff who determine eligibility for the Medicaid program and Supplemental Nutrition Assistance Program (SNAP). County close-out expenditures indicate that the SNAP administration comprised approximately 56.0 percent of the total County Administration appropriation in FY 2012-13, with food assistance expenditures totaling $27,861,905.

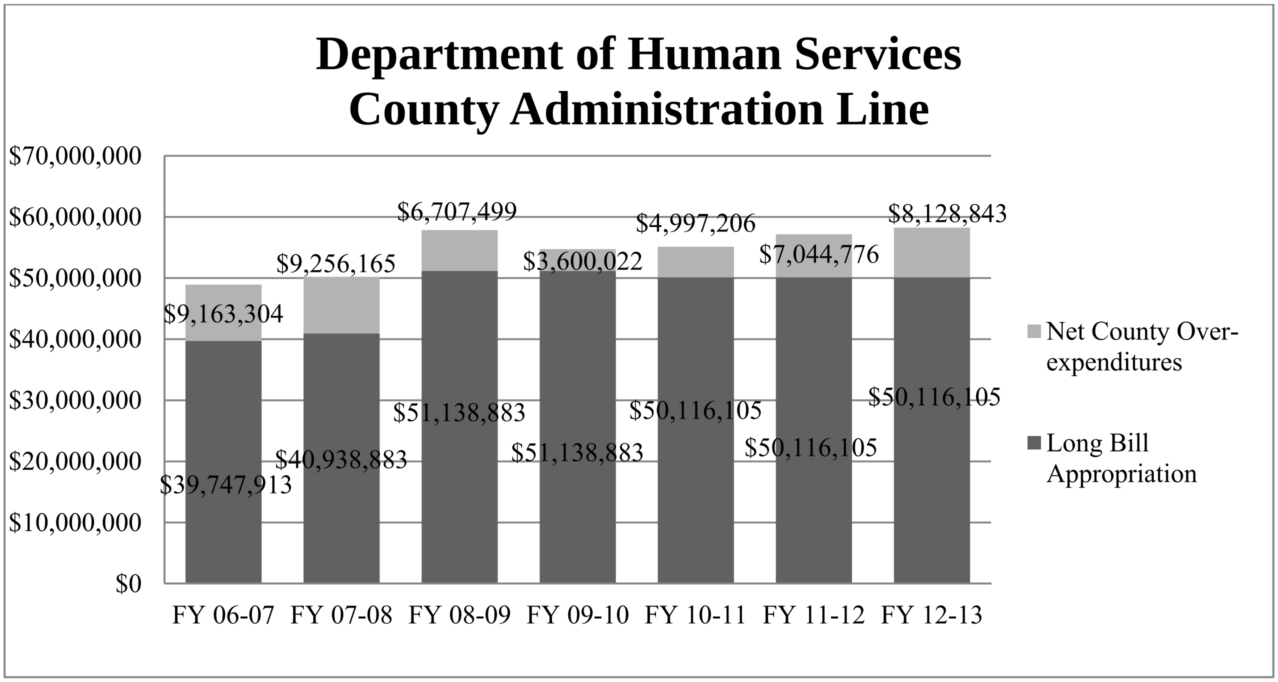
Funding for the County Administration allocation has been an area of concern for counties due to the rapid growth in food assistance caseload that has occurred since FY 2006-07. In the past seven years, caseload has increased over 100.0 percent, from a monthly average of 250,700 individuals receiving benefits in FY 06-07, to a monthly average of 507,934 individuals receiving benefits in FY 2013-14.



During that same period, total issued benefits to SNAP recipients have increased by 163.0 percent, from a monthly average of $26.3 million to $69.1 million.



The impact of the caseload growth on counties that administer these benefits results in a consistent over-expenditure of the annual allocation by the majority of Colorado’s counties. According to county representatives, in FY 2012-13, 47 counties, including all of the big 10 counties, over-expended the county administration allocation; and 8 of the 10 County Tax Base Relief counties overspent their initial allocation. After the county close-out process, counties contributed $8.1 million in county-only funds to the administration of all programs included in the Department of Human Services County Administration line item. Consistent with the increase in caseload, this contribution represents a 113.0 percent increase in county over-expenditures since FY 06-07.



The FY 2013-14 Long Bill Appropriation for the County Administration line item is $49,814,777, including $17.6 million General Fund. This reflects an increase of $6.8 million total funds, including $2.0 million General Fund specifically designated for food assistance administration. (The overall decrease in the line is due to the transfer of adult protective services to the Division of Adult Assistance Programs.) In addition, the annualization of this FY 2013-14 departmental request (R4) will result in an additional increase of $1.5 million total funds, including $446,040 General Fund, for food assistance in FY 2014-15. Including the 3.0 percent provider rate increase, if approved, the current recommended appropriation for FY 2014-15 is $52.8 million total funds, including $18.6 General Fund.

Based on the first three months of the federal fiscal year, projections for FY 2014-15 indicate a minimal caseload growth. In estimating FY 2014-15 county over-expenditures, staff has assumed a caseload growth of 0.0 percent, and subsequently assumed a negligible impact on county workload. Given these assumptions, the projected county over-expenditure for FY 2014-15 is calculated at $5.1 million.

County Administration Projections FY 2014-15	
County Administration Appropriation	
General Funds	$18,626,022
Cash Funds	9,742,271
Federal Funds	24,472,332
Total Appropriation	**$52,840,625**
Projected Caseload Increase	0.0%
Projected Benefits Issued Increase	0.0%
County Workload Increase	0.0%
Projected County Expenditures	$57,943,619
Projected FY 2014-15 County Over-expenditure	($5,102,994)
56.0 Percent associated with food assistance	**($2,857,677)**

The increased caseload has also impacted the redetermination process at the county level. Eligibility for food assistance determination is for 12 months and recipients must be evaluated near the end of that term to determine if benefits should continue. The fiscal impact of this process is slightly less than that of the initial eligibility determination because existing client information must be verified and not entered into the data system. This process does not need to be done in person, but can be handled through the mail or online. Updates to the PEAK system allow the process to be accomplished online as of this year. Timeliness of the redetermination process is important because benefits to clients cease if the process is not accomplished prior to the end of the 12 month eligibility period. According to the Department, as of February, current food assistance redetermination cases total 20,897. There is a backlog of 4,002 cases.

Based on a monthly backlog of 4,000 cases, the percentage of total individuals receiving benefits each month whose redetermination of benefits may be backlogged is approximately 1.0 percent. Staff estimates that the cost to eliminate the backlog of cases over 12 months is approximately $260,000.

Food Assistance Redetermination Estimates FY 2014-15	
Estimated county expenditures	$58.0 million
Percentage of expenditures associated with food assistance	56.0%
Estimated county expenditures - food assistance	$32.5 million
Monthly average - Individuals receiving benefits	507,934
Estimated redetermination backlog, cases	4,000
Percentage of individual cases backlogged	0.8%
Estimated expenditures for backlog	**$255,939**

➔ Recommendation: Staff-Initiated Comeback, County Administration Funding Increase

Staff Recommendation: Staff recommends an increase of $2,857,677 total funds, including $857,303 General Fund, $571,535 cash funds from local funds, and $1,428,839 federal funds from various sources for FY 2014-15 and beyond, for food assistance administration. In addition, staff recommends a one-time increase for FY 2014-15 of $260,000 total funds, including $78,000 General Fund, $52,000 cash funds from local funds, and $130,000 federal funds from various sources, to support counties in eliminating the backlog in benefit redetermination.

R13: Fully Fund County Tax Base Relief

➔ Updated Information

County Tax Base Relief (CTBR) funding assists counties with the highest costs and lowest property tax values in meeting the obligation of the local match required by the state for public assistance programs. CTBR funding in and of itself is not eligible for matching funds, however the programs these funds support are. Staff believes that the question of whether or not it is more beneficial to fully fund this program or use equivalent funds to augment another line item in the Department should not be determined based on the line item's eligibility for match; but rather on which programs these funds support and whether or not they are eligible for the match.

CTBR funds are used by eligible counties to meet the obligation of local match for programs that are funded from various line items in the Department's budget. Programs including Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Medicaid, Child Welfare Services, and Adult Assistance programs can benefit from these funds. Of the programs that require a local match, the County Administration line item discussed above funds the Supplemental Nutrition Assistance Program (food assistance), Adult Cash Assistance Programs (except Old Age Pension), and the Low Income Energy Assistance Program. An increase in appropriation to the CTBR line item will allow eligible counties to utilize funds to meet the match requirements of any program in which it is needed. An increase in appropriation to the County Administration line will provide counties with an opportunity to meet match requirements in only those programs funded through that line. Staff believes that appropriations in each line uniquely benefit the counties' ability to deliver services.

Counties receive CTBR funds on a quarterly basis and available funds are allocated to counties in each tier until funds run out. This typically results in fully funding tiers 1 and 2, and partially funding tier 3 in quarters in which additional funds are available. The formula for calculating the allocation is based on a property tax mil levy associated with each tier: tier 1 = 3.0 mils; tier 2 = 2.5 mils; and tier 3 = 2.0 mils. Calculations are based on the most recent assessed valuation for property tax – in the case of this request, calendar year 2011.

➔ Recommendation: R13, Fully Fund County Tax Base Relief

Staff Recommendation: Staff recommends approval of the Department's request for $1,181,953 General Fund to fully fund County Tax Base Relief.

Information Provided at Figure Setting

Background

County Tax Base Relief (CTBR) funding exists to assist counties with the highest costs and lowest property tax values in meeting the obligation of the local match required by the state for certain public assistance programs, including Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Medicaid, Child Welfare Services, and Adult Assistance programs. Pursuant to Section 26-1-1261 (1.5), C.R.S., a formula based on three fixed mill levy thresholds (tiers) is used to calculate CTBR eligibility. A county may qualify for a distribution from one or more tiers.

Almost $1.0 million was reverted from this line item in FY 2010-11, when the appropriation was $2.7 million. This was because the FY 2010-11 calculation relied on property tax valuations from the period prior to the market down-turn and only Tier I counties were allowed to be funded. There were no reversions in FY 2011-12 due to the reduction in property tax valuations during the down-turn as well as the reduced appropriation. For FY 2012-13 and FY 2013-14, the decline in valuations has been fully incorporated into the calculation.

The current county tax base relief formula was established through H.B. 08-1250. A prior program, the County Contingency Fund, was established in 1973. It was modified to ensure that the program targeted the most needy counties (a reduction from 41 counties receiving contingency in FY 2007-08 to 23 counties in FY 2008-09), consistent with the recommendations of a 2007 taskforce. Funding was halved in FY 2009-10 in response to an Executive Request and the JBC sponsored a bill to clarify that, through FY 2011-12, funding would be limited to "Tier 1" counties—those most in need. In FY 2011-12, the Executive Request proposed to eliminate this line item entirely. The JBC recommended, and the General Assembly approved, retaining $1.0 million in the line item and adopting a JBC bill (S.B. 11-228) which changed how funds for county tax base relief are distributed to qualified counties when appropriations are insufficient to fully fund a county tax base relief funding tier. In FY 12-13, the appropriation was increased to $1,762,511 to fully fund the estimated need for Tier I; and in FY 2013-14, the appropriation was increased again to $2,697,803 to fund the estimated needs for Tiers I and II. The estimated need for Tier III remains unfunded. The Department reports that the lack of CTBR funding for those counties qualifying for an allocation out of Tier III varies depending on the county. Counties have reported depleting their human services fund balance reserves as a means of subsidizing the local match requirement for public assistance benefits, resulting in the potential for reduced services.

Proposed Solution

The Department's R13 request is for $1,181,953 General Fund to fully fund County Tax Base Relief (CTBR). Counties that qualify for CTBR continue to face difficulties in raising adequate funding for local match requirements for the human services programs mentioned above. The estimate to fully fund CTBR is detailed in the table below:

	County Share for Final Distribution	Assessed Valuation Calendar 2011	Tier I	Tier II	Tier III	Total
Adams	$11,257,785	$4,622,808,830	$0	0	$503,042	$503,042
Alamosa	842,133	150,635,429	292,670	37,659	18,829	349,158
Bent	247,482	74,468,657	18,057	18,617	9,309	45,983
Conejos	306,590	61,209,609	92,221	15,302	7,651	115,174
Crowley	160,122	36,623,420	37,689	9,156	4,578	51,423
Delta	719,335	320,253,880	0	0	19,707	19,707
Denver	22,198,591	10,805,819,670	0	0	146,738	146,738
El Paso	14,649,079	6,327,576,720	0	0	498,481	498,481
Fremont	1,404,654	452,866,150	34,542	113,217	56,608	204,367
Huerfano	310,876	114,497,939	0	12,315	14,312	26,627
Lincoln	264,542	107,622,624	0	0	12,324	12,324
Logan	761,417	271,131,910	0	41,794	33,892	75,686
Morgan	1,078,827	429,691,960	0	2,298	53,712	56,010
Otero	591,456	127,146,553	157,512	31,787	15,893	205,192
Phillips	131,332	60,309,630	0	0	2,678	2,678
Prowers	583,905	124,320,105	158,209	31,080	15,540	204,829
Pueblo	5,810,580	1,671,480,675	597,103	417,870	208,935	1,223,908
Rio Grande	536,908	176,215,157	6,197	44,054	22,027	72,278
Saguache	251,008	65,122,418	41,730	16,281	8,141	66,152
Total	**$62,106,622**	**$25,999,801,336**	**$1,435,930**	**$791,430**	**$1,652,397**	**$3,879,757**

Recommendation

While large urban areas have experienced the fastest caseload growth since the start of the recession, rural counties will a lower tax base have also experienced caseload growth—simply less than their large urban counterparts. For example: while the "big ten" counties have experienced 70 to 80 percent growth, smaller counties have experienced 20 to 30 percent caseload growth. The Department reports a 3.2 percent increase in food assistance caseload and the corresponding expenditures between FY 2011-12 and FY 2012-13. In addition, food assistance caseload alone has experienced a 37 percent increase in the past five years. Meanwhile, the fundamental economic factors addressed through Tax Base Relief have not changed. Because of the reduction in County Tax Base Relief, counties that are exceptionally poor (driving increased demand for public assistance) and/or have low property values (also due to relative poverty) have had to face excessively high tax rates or are unable to offer an equitable level of public assistance compared to other regions of the state.

➔ Line items Pending committee approval – (4) County Administration

County Administration

This line item provides funding for 64 county human services to administer the following programs: Supplemental Nutrition Assistance Program (food assistance), Adult Cash Assistance Programs (except Old Age Pension), and the Low Income Energy Assistance Program.

Request: The Department requests an appropriation of $52,071,101 total funds ($18,338,116 General Fund), including a 1.5 percent provider rate increase of $769,524 total funds ($287,906 General Fund).

Recommendation: Staff recommends an appropriation of $55,958,301 total funds, including $19,502,244 General Fund, $10,365,805 cash funds from local funds, and $26,090,252 federal funds from various sources. This recommendation reflects increases associated with food assistance administration and the 3.0 percent provider rate increase.

County Administration, County Administration	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	$49,814,777	$17,604,170	$9,137,101	$0	$23,073,506	0.0
TOTAL	**$49,814,777**	**$17,604,170**	**$9,137,101**	**$0**	**$23,073,506**	**0.0**
FY 2014-15 Recommended Appropriation						
FY 2013-14 Appropriation	$49,814,777	$17,604,170	$9,137,101	$0	$23,073,506	0.0
R12 Community provider rate	1,539,047	516,731	307,809	0	714,507	0.0
Food assistance administration	2,857,677	857,303	571,535	0	1,428,839	0.0
Food assistance redetermination – one-time	260,000	78,000	52,000	0	130,000	0.0
Annualize prior year budget actions	1,486,800	446,040	297,360	0	743,400	0.0
TOTAL	**$55,958,301**	**$19,502,244**	**$10,365,805**	**$0**	**$26,090,252**	**0.0**
Increase/(Decrease)	$6,143,524	$1,898,074	$1,228,704	$0	$3,016,746	0.0
Percentage Change	12.3%	10.8%	13.4%	0.0%	13.1%	0.0%
FY 2014-15 Executive Request:	**$52,071,101**	**$18,338,116**	**$9,588,366**	**$0**	**$24,144,619**	**0.0**
Request Above/(Below) Recommendation	($3,887,200)	($1,164,128)	($777,439)	$0	($1,945,633)	0.0

Food Assistance Administration

This line item was added in FY 2011-12 through the Department's Decision Item #2. Funding was appropriated in a separate line item from the main County Administration line item so funds could be allocated specifically to counties with the greatest increase in food assistance caseload. The request indicated that the funding was requested for two years only: FY 2011-12 and FY 2012-13, after which the additional funding would be discontinued.

Request: The Department requests no appropriation for this line item in FY 2013-14.

Recommendation: Staff recommends the Department request.

County Tax Base Relief

This line item assists counties with the highest costs and lowest property tax values in meeting their obligations for social services costs. These obligations include: county responsibility for maintenance of effort expenditures for the Temporary Assistance to Needy Families Block Grant (TANF) block grant, the county 20 percent share for food assistance and Medicaid reimbursements, the county share for child welfare services expenditures (20 percent for most services), and the county share for adult assistance programs (20 percent).

Request: The Department requests an appropriation of $3,879,756 General Fund, including an increase of $1,181,953 to fully fund County Tax Base Relief.

Recommendation: Staff recommends an appropriation of $3,879,756 General Fund, including an increase of $1,181,953 to fully fund County Tax Base Relief.

County Administration, County Tax Base Relief	Total Funds	General Fund	FTE
FY 2013-14 Appropriation			
SB 13-230 (Long Bill)	$2,697,803	$2,697,803	0.0
TOTAL	**$2,697,803**	**$2,697,803**	**0.0**
FY 2014-15 Recommended Appropriation			
FY 2013-14 Appropriation	$2,697,803	$2,697,803	0.0
R13 County tax base relief	1,181,953	1,181,953	0.0
TOTAL	**$3,879,756**	**$3,879,756**	**0.0**
Increase/(Decrease)	$1,181,953	$1,181,953	0.0
Percentage Change	43.8%	43.8%	0.0%
FY 2014-15 Executive Request:	**$3,879,756**	**$3,879,756**	**0.0**
Request Above/(Below) Recommendation	$0	$0	0.0

County Share of Offsetting Revenues

Section 26-13-108, C.R.S., provides that when government authorities recover any amounts of support for public assistant recipients, such amounts may be used to reimburse public assistance paid in accordance with federal law. Funding in this line item reflects the county share of revenues earned through child support collections, fraud refunds, state revenue intercepts, and other refunds. The largest component is related to child support enforcement.

Approximately five percent of annual child support collections and fraud refunds are used to reimburse the State, counties, and the federal government for benefits provided to families from the Temporary Assistance for Needy Families Colorado Works program. Of total recoveries, the federal government receives 50 percent, the state receives 30 percent (some of which has historically been redirected to counties as county incentives), and counties receive 20 percent.

Request: The Department requests a continuation level appropriation of $2,986,000 cash funds.

Recommendation: Staff recommends approval of $2,986,000 cash funds from the counties' share of offsetting cash funds revenues. This is based on a 20 percent share of the Department's projection of retained collections to be received in FY 2014-15. Staff also recommends continuing the footnote pertaining to this line item, which clarifies that the amount shown is an estimate. The Department is authorized to disburse an amount in excess of this appropriation (or lower than it) to reflect the actual county share.

County Incentive Payments

This line item represents the portion of the State's share of child support collections and other refunds recoveries that are redirected to counties as incentives for their performance on child support enforcement activities. Section 26-13-108, C.R.S., provides that when government authorities recover any amounts of support for public assistant recipients, such amounts may be used to reimburse public assistance paid in accordance with federal law. The federal government receives 50 percent of recoveries, the State 30 percent, and the counties 20 percent. Statute further provides that the State may redirect an unspecified portion of its share of such recoveries to counties as an additional child support enforcement incentive. In recent years, the General Assembly has indicated via footnote on this line item what portion of the state's share is to be provided to counties. Senate Bill 12-113 requires the General Assembly to set the state's share of public assistance recoveries for child support and maintenance that is redirected to counties in a footnote.

County incentive payments are distributed to counties on a quarterly basis using the same formula that is applied for federal child support enforcement incentives. The formula takes into account the "collections base" for the county (an adjustment for county size) and each county's performance on four child support enforcement measures: the paternity establishment percentage, the percentage of caseload with child support enforcement orders, the percent of current support paid, and the percent of arrears cases with a payment made. Counties are required to spend county incentive payments on social services, but are otherwise unrestricted in how the funds are used.

Prior to FY 2008-09, statute redirected 50 percent of the state-share of recoveries for county incentives, so that counties received 35 percent of total recoveries. House Bill 08-1342 modified statute to enable the State to redirect a larger share to counties for county incentives. It also transferred recoveries previously appropriated in the Colorado Works line item ($2.5 million) into the County Incentives line item. This was in response to changes at the federal level that effectively reduced county funding for Child Support Enforcement by about $3.3 million.

Funding for County Incentives for FY 2008-09 and FY 2009-10 was based on an estimated 100 percent of the state share of retained collections for Child Support Enforcement. Starting in FY 2010-11, funding and the footnote associated with this line item was again modified to specify that counties would receive 50 percent of the state-share of recoveries. The remaining 50 percent state share of recoveries was redirected to a capital construction project (rebuilding an information technology system, requiring $2,677,500 of the State's share of recoveries) and to increase funding for state administration of child support enforcement for various time-limited special projects. This redirection of funds was eliminated in FY 2012-13, leading to a total appropriation of $4,113,000 for this line item.

Request: The Department requests continuation level appropriation of $4,113,000 cash funds.

Recommendation: Staff recommends approving the appropriation of $4,113,000 cash funds from the state's share of retained child support collections and fraud refunds.

(6) Office of Early Childhood

➔ Updated Information

Pursuant to H.B. 13-1117, the Office of Early Childhood (OEC) was created in order to align child development programs that address early learning, child health, child mental health, and family support and parent education. This consolidation of programs and services is intended to strengthen collaboration and coordination between the state-level early childhood system and local delivery systems. Pursuant to Sections 26-1-11 and 26-1-201, C.R.S., the Department supervises Colorado Child Care Assistance Program (CCCAP) services administered by county departments of human/social services. As for other public assistance programs, counties serve as agents of the state and are charged with administering the program in accordance with Department regulations. The formula for allocating funds among counties is based on utilization and poverty measures. Counties are responsible for covering any costs above their allocations, which they accomplish as needed using Temporary Assistance to Needy Families block grant funds.

In the FY 2012-13 child care close-out process, counties collectively underspent the CCCAP appropriation by $6.0 million. Counties paid $900,000 in one-time year-end bonuses resulting in a final under-expenditure of $5.1 million. During the close-out process, counties that overspent their allocation are given partial relief through the surplus distribution process. The remaining $5.1 million after the distribution rolls forward and remains in the state's available block grant funds for three years from the award date. Unspent funds have been held in reserve for unforeseen circumstances such as sequestration and interruptions in federal funding.

In addition to licensing fee revenue, the Department may assess fines against child care licenses if the facility is in violation of state law. Pursuant to Section 26-6-108, C.R.S, "the Department may assess fines or take other negative licensing action should the licensee, an affiliate of the licensee, a person employed by the licensee, or a person who resides with the licensee at the facility

- Be convicted of certain crimes,
- Use a controlled substance,
- Consistently fail to maintain standards prescribed and published by the department,
- Furnish or make any misleading or any false statement or report to the department,
- Refuse to submit to the department any reports or refuse to make available to the department any records required by it in making investigation of the facility for licensing purposes,
- Fail or refuse to submit to an investigation or inspection by the department,
- Fail to provide, maintain, equip, and keep in safe and sanitary condition premises established or used for child care….,
- Fail to maintain financial resources adequate for the satisfactory care of children,
- Be charged with the commission of an act of child abuse or unlawful sexual offense,
- Be to subject of a negative licensing action, or
- Misuse any public funds."

Fines are assessed by settlement and the amount of each fine is set in rule by the Department, and deposited in the Child Care Cash Fund upon receipt. Unexpended monies in the fund are not transferred to the General Fund at the end of each year. These monies are continuously appropriated and used to fund activities related to the improvement of the quality of child care in the state.

R1: Increased Staffing for Child Care Licensing

➔ Updated Information

The Division of Early Care and Learning is responsible for inspecting, licensing and monitoring child care facilities throughout the state, including child care homes and centers, preschool and school-age child care programs, homeless youth shelters, and summer camps, as well as 24-hour facilities (such as residential treatment facilities, residential child care facilities, and child placement agencies). Pursuant to Section 26-6-105, C.R.S., the Department is to establish license fees pursuant to rules promulgated by the State Board of Human Services. Such fees are not to exceed the direct and indirect costs incurred by the Department. The Department is to develop and implement an objective, systematic approach for setting, monitoring, and revising child care licensing fees by developing and using an ongoing method to track all direct and indirect costs associated with child care inspection licensing, developing a methodology to assess the relationship between licensing costs and fees, and annually reassessing costs and fees and reporting the results to the State Board. The Department is to consider the licensed capacity of facilities and the time required to license facilities.

Child care licensing fees currently cover approximately 15 percent of the costs of the licensing program. Fees range from $24 per year for a smaller family child care home to $792 for an initial license for a residential child care facility, with higher fees for secure facilities. According to the Department, child care licensing fees offset the cost of licensing inspections; however in order to fund this request through licensing fees alone, it would require an increase of approximately 215.0 percent. The request does increase licensing fees by 10.0 percent – equivalent to the inflationary increase since the last rate adjustment. Licensing fees impact one of the three factors that impact the overall cost of child care. These components include: the cost of doing business for these providers; the cost to private pay families; and the co-pays for CCCAP families. In order to decrease the cost of child care in Colorado, these three factors need to be considered.

The ranking of child care costs in Colorado is attributable to a single annual report published by Child Care Aware, and while Colorado has been found to rank among the most expensive states for full-time center based infant and four-year-old care, the same study also concludes that Colorado's child care costs are not linked to state regulation and oversight, but are market driven. According to the Department, there are initiatives in other states that prevent inflation of child care tuition rates. Louisiana has implemented tax incentives for high quality child care offered to parents, employees, owners, and investors of high quality providers based on their quality rating and improvement system. The City of San Francisco has a local mil levy that enables them to offer employees of child care facilities funds that increase their hourly wage to ensure that the cost of increasing employee salaries is not passed through to parents. North Carolina has successfully implemented the WAGE$ program that takes local private sector investments and turns them into stipends for employees of child care centers who increase their early childhood education and as a result improve the quality of care for children. While the cost of child care is something that must be addressed in the future, the request is specific to ensuring the safety of children in licensed care at this time.

➔ Recommendation: R1, Increased Staffing for Child Care Licensing

Staff Recommendation: Staff recommends approval of the Department's request for $1.3 million total funds ($1.26 million General Fund) to increase child care facility licensing specialist staff.

<u>Information Provided at Figure Setting</u>

Background
Currently Colorado is the home of nearly 6,000 licensed child care facilities. Licensing specialists in Colorado are contracted by the Colorado Department of Human Services to perform child care licensing inspections and other duties within an assigned region. There are six categories of licenses, including: Child Care Center, both infant nursery and toddler nursery; Preschool; School-aged Child Care Center; Family Child Care Homes; and Children's Resident Camps. Within the six license categories, there are 26 types of facilities, 25 percent of which are a day care home and 17 percent of which are a day care center. Licensing specialists in the Division are responsible for performing ten different types of licensing inspections, including but not limited to: pre-licensing consultation, supervisory inspections, complaint investigations, and injury report inspections. In addition to inspections, these specialists prepare written reports of inspections, complaint investigations, and state level II investigations; perform criminal, child abuse, and Colorado court database criminal background investigations; attend regional Early Childhood Council Meetings and committee meetings; attend monthly staff meetings; and are trained in the Administrative Procedures Act. Specialists also investigate reports of unlicensed facilities in the state.

Child care licensing ensures the health and safety of children in care and establishes minimum standards for child care center operation. The Department reports that all centers are inspected regularly; however, child care centers that have had complaints or have been found to be out of compliance with licensing are inspected more frequently. C-Stat, the Department's performance management process, identifies two of the primary measures used to evaluate the success of the Division of Early Care and Learning as the timeliness of supervisory inspections and the number of quality rated child care centers. For the purposes of this issue, the focus will remain on the timeliness of inspections.

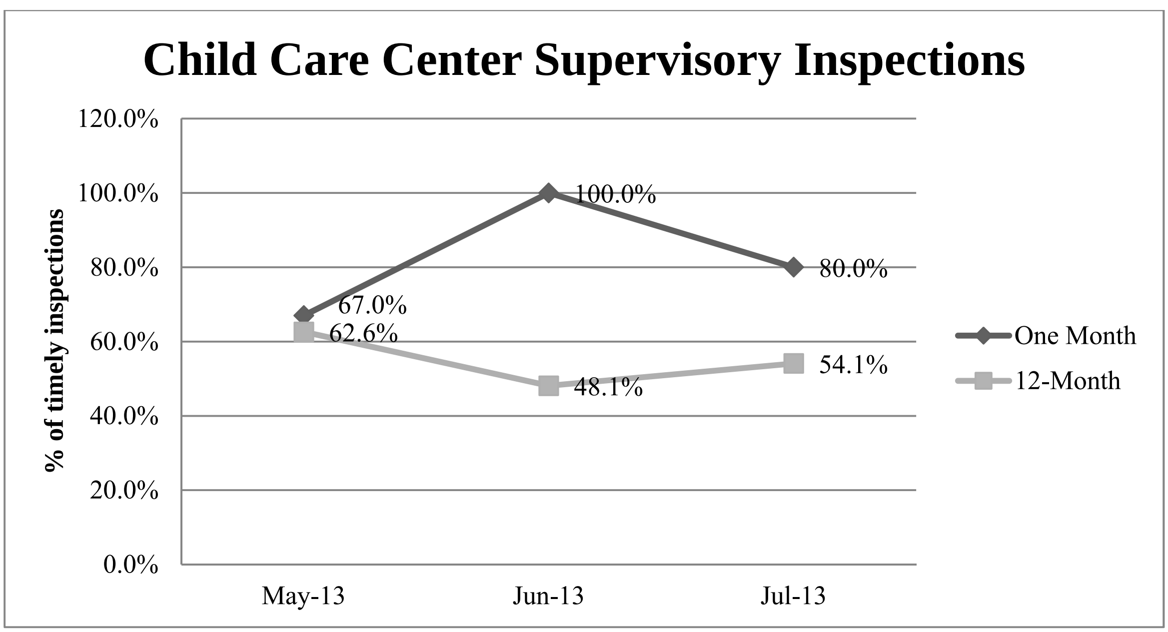
Issue
Section 26-6-101.4, C.R.S., identifies regulation and licensing of child care facilities as contributing factors in providing for a safe and healthy environment for children. Such licensing is subject to standards prescribed and published by the Department. As of the current fiscal year, Colorado has 5,790 licensed child care facilities, approximately 2,000 of which are Colorado Child Care Assistance Program (CCCAP) providers. The Division currently has a total of 43 state FTE and contract licensing specialists, resulting in an individual caseload ratio of approximately 1:145. Individual workload per licensing staff is weighted and is determined by a

formula that considers all responsibilities of a specialist, including but not limited to inspections, paperwork, and travel. Division resources required to complete an inspection vary depending upon the size of the facility and can range from one inspector for a few hours to multiple inspectors for one to three days. The Child Care and Development Block Grant (CCDBG) does not have any minimum inspection requirements for licensed facilities. Congress requires the Department of Defense to conduct quarterly inspections of its child care programs, but there is no similar federal requirement for civilian child care. [1] The Division reports that with the current staffing level, the frequency at which inspections are currently able to be conducted is an average of one inspection per facility every two years.

Proposed Solution

The Department estimates that in order to achieve a caseload per inspector that would allow for the national benchmark of two visits per year, including one unannounced, the licensing specialist to facility ratio would need to be 1:50. The Department is requesting $1.3 million total funds (including $1.26 million General Fund), 2.8 state FTE and 17 contract staff, to improve the staff to licensed facility ratio to 1:100.

Data on the timeliness of supervisory inspections are provided in the Department's quarterly C-stat report and include both one- and twelve-month inspections. According to the September 2013 C-Stat report, the average percentage of timely one-month inspections was 82.3 percent; and timely twelve-month visits were at 54.9 percent. According to the Department, timeliness of serious complaint visits fluctuated between 81.3% and 87.5% in 2013. The average performance rate is currently 84.6% (not reflected in the chart below).



[1] *Effective Inspection Policies Promote Children's Safety and Healthy Development in Child Care.* Child Care Aware of America, August 2012. Retrieved from the National Association of Child Care Resource and Referral Agencies at
http://www.naccrra.org/sites/default/files/default_site_pages/2012/inspections_white_paper_august_31.pdf.

In addition to the above data on timeliness of inspections, a five year analysis of staffing ratios indicates that the Division has experienced an improvement in licensing specialist to facility ratio since FY 2009-10; however that is due to the decline in the number of licensed facilities in the state and not due to an increase in staff. If the number of facilities continues to decrease by the same average percentage rate of the previous years (4.2 percent), the ratio will still remain much higher than best practice would dictate.

Several factors are important to note when considering this request:

- Research indicates that:
  - Child care inspections are associated with lower rates of accidents requiring medical attention;
  - Frequent, unannounced inspections prevent providers from covering up violations, especially when there is a history of violations and/or sanctions or complaints;
  - On-site guidance during inspections helps providers improve the level of care they offer; and
  - There is increased accountability for how federal and state funds are spent.[2]
- The Department's request does not increase regulation of child care facilities; but does provide additional resources to improve practice.

Recommendation

Staff recommends approval of the Department's request for $1.3 million total funds ($1.26 million General Fund) to increase child care facility licensing specialist staff.

R2: Investing in Early Care Providers

➔ Updated Information

Quality improvement in child care facilities is measured through the Qualistar Colorado star-based rating system. Data driven measures for this rating include but may not be limited to: health, safety, learning environment, and planned curriculum. The Department's decision to imbed quality rating in child care licensing is intended to support the achievement of its goal of providing safe, stable, and high quality child care to Colorado's children. The quality rating and improvement system has two components: 1) rating of a program using a high fidelity system of observation and evaluation, which will be included for licensed providers by Race to the Top funds; and 2) investment in a facility's material supplies, physical facilities, training, coaching, and education that improves the quality of care the children receive, and positively impacts scholastic performance.

➔ Recommendation: R2, Investing in Early Care Providers

Staff Recommendation: Staff recommends approval of $1,805,086 total funds, including $1,444.069 General Fund to provide grants and coaching to child care facilities for the purpose of improving quality of care.

[2] Ibid.

Information provided at Figure Setting

Background and Issue

Historically Colorado has had a voluntary system of child care facility quality rating. The National Association of Child Care Resource and Referral Agencies (NACCRRA) reports that "high-quality child care leads to more positive outcomes even during the teenage years." Literature reviewed by NACCRRA indicates that measures associated with academic and cognitive achievement for children who received high-quality care in the first few years of life were higher than measures for children who did not. As 15 year olds, these children were also less likely to misbehave than those who were enrolled in lower quality child care.[3]

Data compiled by NACCRRA estimates that 251,480 of Colorado's children may need care.[4] The Division of Early Care and Learning estimates that only 25 percent of children who need care in Colorado are in one of the 5,790 licensed facilities in the state. It is important to note, however, that 60 percent of the children in unlicensed care are in legally unlicensed care. Of the facilities, nearly 2,000 are Colorado Child Care Assistance Program (CCCAP) providers; and as of August 2013, only 18 percent of the CCCAP providers are quality rated by a tool used to assess, improve, and promote quality in early child care and education.

Proposed Solution

Combined with the $44.9 million from the Race to the Top Early Learning Challenge award, the Department's budget request of $2.2 million ($1.8 million General Fund) will fund a Tiered Quality Rating and Improvement System (QRIS) that will include an evaluation and rating of licensed facilities, and award grant funds to providers to improve the quality of care. This system will be embedded in child care licensing and result in a rating associated with each facility's license. Race to the Top moneys will fund the evaluation and rating of facilities and establish measures to track the progress of children in rated care facilities through December 31, 2016. Ratings will be valid for three years. The Department's ongoing budget request will fund the quality improvement portion of the initiative, specifically in CCCAP facilities.

Quality improvement in the licensed facilities will result from: financial incentives for classroom materials and staff training; and coaching and technical assistance. Grant awards for classroom materials and training will be based on the demonstrated need of the facility, county demographics including the number of CCCAP families, and matching funds. The Department reports that grants are anticipated to range from $1,075 to $1,800 per classroom and estimates that 667 awards will be made on an annual basis. Coaching and technical assistance will be provided to 175 facilities at a rate of one visit per week for up to one year. Allowing for holidays and vacations, this has been calculated at 48 visits per year. According to the Division, awards to providers will be made through the coaching network comprised of individuals contracted directly with the state and who work closely with the Early Childhood Councils at the local level. The Division explained that assurance of the purchase of appropriate materials and

[3] *2013 Child Care in the State of Colorado.* Retrieved Decmeber 5, 2013 from the National Association of Child Care Resource and Referral Agencies at http://www.naccrra.org/sites/default/files/default_site_pages/2013/colorado_2013_state_fact_sheet.pdf

[4] Ibid.

training with the grant funds will be guaranteed through the coaching process. This will include the development of a plan by the coach and provider, including the identification of materials and equipment that will lend to the enhancement of the facility's quality. Purchases will be made by the provider, and implementation of the materials and skills learned through technical assistance and training will be monitored by the coach. As a part of their regular duties, licensing specialists who have Early Childhood experience will offer coaching to those facilities that qualify up to level two in a five star rating system. Primary coaching and technical assistance for the quality rating system through the Race to the Top funds will not be done by the regulatory agent, however, but will be provided by contractors in the local community who will serve specifically as coaches.

Analysis

Research continues to support the positive impact of quality care in child development and learning, and while staff has no concerns about a request for funding to support an ongoing initiative associated with improving quality of early care facilities, the proposed method of implementation of such raises questions with respect to long-term effectiveness and sustainability.

The Department is requesting \$2.2 million total funds (\$1.8 million General Fund) to provide quality improvement grants and coaching to CCCAP providers in order to improve or sustain a quality rating in the QRIS. Of this, \$1.2 million total funds covers the quality improvement grants for the purchase of materials and training in 667 of the licensed CCCAP providers. An additional \$1.0 million total funds is requested to provide coaching and technical assistance to 175 facilities. The Division has indicated that the method through which the material and training needs of the facility will be determined, and the subsequent assurance that grant funds have been used appropriately by providers, will occur through coaching. This would dictate, then, that coaching must be provided to all facilities receiving a grant. The Department is, however, requesting funds to provide grants to 33.3 percent (667) of the CCCAP providers but only coaching funds for 8.7 percent (175) of the same. This disparity raises concerns about whether or not the program will be implemented in such a way as to ensure the integrity and fidelity of the model. It raises further concern about the degree of quality improvement planning and accountability among the remaining 492 CCCAP providers receiving grant funds.

Of the 2,056 CCCAP facilities in Colorado, approximately 370 are quality-rated. Those facilities currently rated as a four or five star on the five star rating system will benefit from support that results in maintaining a current rating (grants). Facilities with a rating of one through three stars will benefit from support that will result in rating improvements (grants and technical assistance). As of September 2013, 82 facilities are rated at four stars on a five star rating system; the remaining 288 quality rated facilities are in a position to benefit from coaching and technical assistance that will lead to an improvement in rating.

Improving Quality-ratings in CCCAP facilities						
	Unrated	**1 star**	**2 star**	**3 star**	**4 star**	**5 star**
Number of licensed facilities in Colorado	2056	2056	2056	2056	2056	2056
Licensed facilities with each quality rating	82%	1%	2%	11%	4%	0%
Number of licensed facilities with quality rating	0	21	41	226	82	0
Facilities that would benefit from grant funding to maintain rating					82	0
Facilities that would benefit from grants and coaching	1686	21	41	226		

Based on the above calculations, the number of existing quality-rated CCCAP facilities that are eligible to receive grant awards alone is 82. The number of quality-rated facilities that are eligible to receive grant awards accompanied by coaching and technical assistance is 288. Upon receiving a rating through the Race to the Top initiative, an additional 1,686 facilities will need support in improving their quality ratings. The following table provides a cost estimate of implementing the program in the existing quality-rated facilities.

Child Care Facility Quality Improvement		
Quality Improvement Grants	**Request**	**Recommendation**
Number of targeted facilities	667	82
Average grant award	$1,783	$1,783
Total cost, grants	$1,189,261	$146,206
Coaching and Technical Assistance		
Number of targeted facilities	175	288
Number of sessions per year	48	48
Cost per session	$120	$120
Total cost, coaching and technical assistance	$1,008,000	$1,658,880
Total cost	2,197,261	1,805,086
20 percent county match	439,452	361,017
General Fund	$1,757,809	$1,444,069

Long-term sustainability of the quality improvement rating and monitoring process of new and existing facilities is of concern; however, this program is a first-step in continuing the $44.9 million investment made in quality child care in Colorado through the Race to the Top funding. The Race to the Top award expires December 31, 2016 and while there may be an opportunity for Colorado to receive a second award, it is not guaranteed. Options for long-term sustainability include cost-reductions and a shift in the way the Department utilizes currently resources. The Department is working to reduce the cost of quality rating each classroom from its current rate of $1,000; and is shifting the use of the Child Care Block Funds (CCBF) to utilize the allowable 25.0 percent of the funds on quality, as opposed to the current 19.0 percent.

Recommendation
Staff recommends the denial of the Department's request for $2.2 million (1.8 million General Fund) for its R-2 request Investing in Early Care Providers. The current implementation plan does not provide for an acceptable level of accountability for the use of grant awards to facilities that would not also be receiving coaching and technical assistance.

As an alternative, staff recommends consideration of funding for this initiative at a reduced level of $1,805,086 total funds, including $1,444.069 General Fund, to fund grants and technical assistance in currently rated facilities as defined above.

➔ Line items pending Committee approval – (6) Office of Early Childhood, (A) Division of Early Care and learning

<u>Child Care Licensing and Administration</u>
The Division of Early Care and Learning is responsible for inspecting, licensing and monitoring child care facilities throughout the state, including child care homes and centers, preschool and school-age child care programs, homeless youth shelters, and summer camps, as well as 24-hour facilities (such as residential treatment facilities, residential child care facilities, and child placement agencies). In some counties, the Division contracts with local entities (*e.g.*, county departments of social services, county health departments, child placement agencies) to perform licensing functions for certain types of facilities. With 48.1 FTE, this line item provides funding for the majority of the Division staff.

Licensing Fees. Pursuant to Section 26-6-105, C.R.S., the Department is to establish license fees pursuant to rules promulgated by the State Board of Human Services. Such fees are not to exceed the direct and indirect costs incurred by the Department. The Department is to develop and implement an objective, systematic approach for setting, monitoring, and revising child care licensing fees by developing and using an ongoing method to track all direct and indirect costs associated with child care inspection licensing, developing a methodology to assess the relationship between licensing costs and fees, and annually reassessing costs and fees and reporting the results to the State Board. The Department is to consider the licensed capacity of facilities and the time required to license facilities. Child care licensing fees currently cover approximately 15 percent of the costs of the licensing program. Fees range from $24 per year for a smaller family child care home to $792 for an initial license for a residential child care facility, with higher fees for secure facilities.

Request: The Department requests an appropriation of $6,716,252 total funds, including $2,313,465 General Fund, and 50.9 FTE. The request reflects an increase of $27,844 total funds for a 1.5 percent community provider rate increase; an increase of 2,308 total funds for mail, postage, and envelope expenses; an increase of $113,127 total funds, including $21,759 General Fund for annualization of prior year funding; and a $1,317,421 total funds increase, including $1,257,421 General Fund, and 2.8 FTE for the Department's R-1 request to increase staffing for child care licensing.

Recommendation: Staff recommends an appropriation of $6,713,944 total funds, including $2,313,009 General Fund, $837,914 cash funds from the Child Care Licensing Cash Fund, and $3,563,021 federal funds from Child Care Development Funds, and 50.9 FTE. This reflects an increase of $55,688 total funds for a 3.0 percent provider rate increase; $113,127 for annualization of prior year funding; and $1,317,431 total funds, including $1,257,421 General Fund for increased staffing for child care licensing. For NP BA, staff recommends the Committee apply the decision made during the Department of Personnel figure setting.

Office of Early Childhood, Division of Early Care and Learning, Child Care Licensing and Administration	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2013-14 Appropriation					
Other legislation	$5,227,708	$1,033,830	$770,824	$3,423,054	48.1
H.B. 14-1238 (Supplemental Bill)	0	0	0	0	0.0
TOTAL	**$5,227,708**	**$1,033,830**	**$770,824**	**$3,423,054**	**48.1**
FY 2014-15 Recommended Appropriation					
FY 2013-14 Appropriation	$5,227,708	$1,033,830	$770,824	$3,423,054	48.1
R12 Community provider rate	55,688	0	0	55,688	0.0
R1 Child care licensing staff	1,317,421	1,257,421	60,000	0	2.8
NP BA Mail, postage, and envelope request	2,308	456	336	1,516	0.0
Annualize prior year legislation	113,127	21,758	7,090	84,279	0.0
TOTAL	**$6,716,252**	**$2,313,465**	**$838,250**	**$3,564,537**	**50.9**
Increase/(Decrease)	$1,488,544	$1,279,635	$67,426	$141,483	2.8
Percentage Change	28.5%	123.8%	8.7%	4.1%	5.8%
FY 2014-15 Executive Request:	**$6,716,252**	**$2,313,465**	**$838,250**	**$3,564,537**	**50.9**
Request Above/(Below) Recommendation	$0	$0	$0	$0	0.0

Child Care Assistance Program

The Colorado Child Care Assistance Program (CCCAP) is the largest single component of this Division's budget (83 percent). Senate Bill 97-120 established CCCAP in statute at Section 26-8-801 through 806, C.R.S. Child care subsidy programs, such as CCCAP, were promoted under 1996 federal welfare reform legislation to help families become financially independent.

Pursuant to Sections 26-1-11 and 26-1-201, C.R.S., the Department supervises CCCAP services administered by county departments of human/social services. As for other public assistance programs, counties serve as agents of the state and are charged with administering the program in accordance with Department regulations. The formula for allocating funds among counties is based on utilization and poverty measures. Counties are responsible for covering any costs above their allocations, which they accomplish as needed using Temporary Assistance to Needy Families block grant funds.

Subject to available appropriations, counties are required to provide child care assistance (subsidies) to any person or family whose income is less than 130 percent of the federal poverty level. Recipients of assistance are responsible for paying a portion of child care costs. Among the three categories of families served by the program – families receiving assistance from Colorado Works, families in transition from cash assistance, and other low-income families – low income families have always comprised the largest group, although the share on TANF has increased since the recession.

The appropriation is comprised of state-appropriated federal Child Care and Development Fund (CCDF) block grant amounts, state General Fund, and county maintenance of effort and administrative amounts. Each county is required to spend, as a maintenance of effort, its share of an amount identified in the Long Bill each year, as well as its share of program administration costs. Although not reflected in the Long Bill appropriations for Child Care, overall funding sources for the program may include large county transfers from their TANF Colorado Works block grants (effectively up to 20 percent of the annual TANF grant).

Request: The Department requests an appropriation of $76,582,416 total funds, including $13,811,345 General Fund. The request reflects an increase of $1,126,293 total funds, including $207,124 General Fund, for a 1.5 percent provider rate increase.

Recommendation: Staff recommends an appropriation of $77,708,709 total funds, including $14,018,469 General Fund, $9,645,884 cash funds from local funds, $54,044,356 federal funds from Child Care Development Fund. This reflects an increase of $2,252,586 total funds, including $414,248 General Fund, for a 3.0 percent provider rate increase.

Office of Early Childhood, Division of Early Care and Learning, Child Care Assistance Program					
	Total Funds	**General Fund**	**Cash Funds**	**Federal Funds**	**FTE**
FY 2013-14 Appropriation					
Other legislation	$75,456,123	$13,604,221	$9,366,274	$52,485,628	0.0
TOTAL	**$75,456,123**	**$13,604,221**	**$9,366,274**	**$52,485,628**	**0.0**
FY 2014-15 Recommended Appropriation					
FY 2013-14 Appropriation	$75,456,123	$13,604,221	$9,366,274	$52,485,628	0.0
R12 Community provider rate	2,252,586	414,248	279,610	1,558,728	0.0
TOTAL	**$77,708,709**	**$14,018,469**	**$9,645,884**	**$54,044,356**	**0.0**
Increase/(Decrease)	$2,252,586	$414,248	$279,610	$1,558,728	0.0
Percentage Change	3.0%	3.0%	3.0%	3.0%	0.0%
FY 2014-15 Executive Request:	**$76,582,416**	**$13,811,345**	**$9,506,079**	**$53,264,992**	**0.0**
Request Above/(Below) Recommendation	($1,126,293)	($207,124)	($139,805)	($779,364)	0.0