This link includes the following documents. Please note that these documents have been modified from the originals to reflect minor technical corrections. Changes from the documents originally presented are shown in struck type and small capital lettering:

1. Staff Comebacks - Department of Human Services - Executive Director's Office, Office of Operations, County Administration, Self Sufficiency, Child Care, Youth Corrections, March 17, 2011.

2. Figure Setting - Department of Human Services - Child Welfare, Child Care, Youth Corrections, March 9, 2011.

M E M O R A N D U M

TO: **Members of the Joint Budget Committee**

FROM: **Amanda Bickel, JBC Staff**

SUBJECT: **Staff Comebacks - Department of Human Services - Executive Director's Office, Office of Operations, County Administration, Self Sufficiency, Child Care, Youth Corrections**

DATE: **March 17, 2011**

RECOMMENDATIONS FOR SUBSTANTIVE CHANGES

County Administration, County Tax Base Relief - CTBR Budget Reduction Feasible for FY 2010-11: Based on actual expenditures for County Tax Base Relief, Tier I in FY 2009-10, **staff recommends a reduction of $101,854 General Fund in FY 2010-11 for County Tax Base Relief.** The current appropriation for this line item is $2,700,688 General Fund, but only $2,598,834 was required for Tier I Tax Base Relief in FY 2010-11. Because statute specifies that only Tier I is authorized for FY 2009-10, FY 2010-11, and FY 2011-12, *the Department will revert any unused dollars to the General Fund if the appropriation is not reduced* consistent with the expenditure need.

Staff also requests permission to share an early bill draft for the County Tax Base Relief bill with counties and the Department so that the version brought to the JBC is ready for introduction.

Office of Self Sufficiency, Colorado Works, Colorado Works Evaluations: For FY 2011-12, staff recommended, and the Committee approved, eliminating this line item entirely, in light of the fact that the Department had failed to submit the FY 2010-11 report associated with this funding prior to the staff figure setting presentation. At the time, it was not clear to staff whether or not a report would be submitted. The Department has now submitted the report. In light of this, the Committee may wish to consider reinstating some funding. This line item was previously set (and requested) at $350,000 federal Temporary Assistance to Needy Families (TANF) funds. Given the overall constraints on TANF funding, staff believes a reduction is appropriate. However, staff also notes that this is one of the few mechanisms by which the State is able to gather and provide information on the various kinds of services and effectiveness of the Colorado Works program as it is implemented in each individual county. **Staff therefore recommends an appropriation of $175,000 federal TANF block grant funds (half of the prior amount) for FY 2011-12.**

New and Modified Requests for Information: Staff recommends the following Request for Information in the Division of Youth Corrections be **modified**, given the reductions in the youth corrections appropriation. (Staff previously recommended that this request be continued in its prior form.)

7. **Department of Human Services, Division of Youth Corrections, Community Programs, S.B. 91-94 Programs and Parole Program Services** -- The Division is requested to provide a report to the Joint Budget Committee by November 1 of each year concerning the continuum of care initiative and the impact of budgetary flexibility. This report should include the following information: (1) the amount of funds transferred to these line items in THE prior actual fiscal ~~years~~ YEAR based on flexibility provided in the Youth Corrections budget; (2) the type of services purchased with funds transferred; AND (3) the number of youth served with such ~~expenditures;~~ EXPENDITURES. ~~(4) the impact of such expenditures; and (5) an evaluation of the effectiveness of budgetary flexibility in reducing the need for commitment and secure detention placements.~~

<u>Comment</u>: Currently, the committee requests two reports on Youth Corrections program effectiveness. The staff recommendation is to continue to request one of these reports that asks the Department to "provide outcome data on the effectiveness of its programs." However, staff believes the Continuum of Care report on effectiveness is no longer needed. Staff notes: (1) The Department now describes the Continuum as permeating its entire approach to serving youth. As a result, separating out "Continuum" expenditures from other expenditures is not necessarily productive; (2) due to the economic situation, much of the additional funding and flexibility originally authorized under the Continuum has been eliminated; and (3) some of the data included in the November Continuum report is subsequently updated in January and these updates have provided a significantly different picture (particularly with respect to recidivism). To the extent that some of the data now in the Continuum report expands upon information in the Outcomes report, staff hopes that the Department will include some of this additional data in its annual January Outcomes analysis. Staff recommends maintaining the portion of the request that asks the Department to describe whether and how it has used budgetary flexibility provided.

Staff recommends the following request be <u>**added**</u>:

> **Department of Health Care Policy and Financing, Executive Director's Office; and Department of Human Services, Division of Child Welfare and Division of Youth Corrections** -- The Departments are requested to submit a report by November 1, 2011on the feasibility of refinancing multi-systemic therapy, functional family therapy, and similar intensive, evidence-based therapies that support family preservation and reunification for youth involved in the child welfare and youth corrections systems. The report is specifically requested to examine whether related General Fund expenditures could be refinanced with Medicaid funds for qualifying youth and families and whether this could be done in a manner that would not drive an overall increase in Medicaid costs.

<u>Comment</u>: Staff has for some time believed that there may be a potential for refinancing certain mental health therapies for which the State currently pays solely General Fund. As shown, the request is for the Departments of Human Services and Health Care Policy and Financing to jointly

explore options in this arena. Staff believes this has become particularly important as the state shifts from out-of-home to in-home services for youth involved in the child welfare system and those diverted from youth corrections placements. In the event the Departments conclude that some refinance may be feasible, the Departments and staff would then examine the best mechanism for achieving this.

TECHNICAL ITEMS

Executive Director's Office, Short-term Disability, AED, and SAED: Staff requests permission to make minor additional adjustments to the calculations for short-term disability, S.B. 04-457 Amortization Equalization Disbursement and S.B. 06-235 Supplemental Amortization Equalization Disbursement based on an adjustment to the base to more accurately account for the impact of facility closures in FY 2009-10. Staff previously used a salary base of $210,588,859 for these calculations. Staff now recommends using a base of $209,346,012. The combined impact of the change on these three line items is a reduction to the total appropriation required of $64,964 total funds and $46,300 net General Fund among the three line items. Revised recommendations for these line items are reflected below. *This does not include any adjustments related to the proposed closure of the CIRCLE program.*

Short-term Disability	$371,031
General Fund	227,665
Cash Funds	6,563
Reappropriated Funds	80,978
Federal Funds	55,825
For Information Only	
Medicaid Reappropriated Funds	72,562
Medicaid - General Fund therein	36,282
Net General Fund	263,947
S.B. 04-257 Amortization Equalization Disbursement	5,874,762
General Fund	3,606,826
Cash Funds	103,819
Reappropriated Funds	1,281,013
Federal Funds	883,104
For Information Only	
Medicaid Reappropriated Funds	1,147,875
Medicaid - General Fund therein	573,944
Net General Fund	4,180,770
S.B. 06-235 Supplemental Amortization Equalization Disbursement	4,724,702
General Fund	2,902,253
Cash Funds	83,425
Reappropriated Funds	1,029,385
Federal Funds	709,639
For Information Only	

Medicaid Reappropriated Funds	922,400
Medicaid - General Fund therein	461,205
Net General Fund	3,363,458

Office of Operations, Personal Services Fund Splits: The staff recommendation in the numbers pages for the Office of Operation placed a fund split adjustment associated with the FY 2010-11 supplemental bill in incorrect rows, resulting in an over-statement of General Fund and reappropriated funds and an under-statement of cash funds. The fund splits in the WordPerfect document were correct. The total recommendation **including** the 1.0 percent personal services reduction and the closure of the TRCCF at Fort Logan (actions adopted after the February 16, 2011 staff figure setting presentation) is for $22,387,893, including $14,160,712 General Fund. *This does not include any adjustments related to the proposed closure of the CIRCLE program.*

Personal Services	$22,387,893
FTE	446.0
General Fund	12,682,976
Cash Funds	1,928,966
Reappropriated Funds	5,881,498
Federal Funds	1,894,453
For Information Only	0
Medicaid Reappropriated Funds	2,945,220
Medicaid - General Fund therein	1,477,736
Net General Fund	14,160,712

Division of Youth Corrections, Purchase of Contract Placements fund splits - FY 2011-12: The staff calculation for the Purchase of Contracts placement line item used the Department's request figure as an estimate of federal Title IV-E funds to be received for this line item. Based on further discussion with the Department, staff recommends that this figure be adjusted commensurate with the use of the Division of Criminal Justice commitment forecast included in the staff recommendation. This reduces the estimated number of youth eligible for Title IV-E claiming from 50.2 to 43.4 youth and the total amount of associated Title IV-E revenue from to $896,039. This adjustment drives an additional General Fund appropriation of $140,393 for this line item to compensate for the reduction in estimated federal revenue. The revised recommendation for the line item is reflected below.

Youth Corrections, Purchase of Contract Placements, FY 2011-12 - Revised Fund Splits	
Total	$27,460,013
General Fund	25,443,373
Medicaid CF	1,120,601
Federal Funds	896,039
Net GF	26,003,674

Division of Youth Corrections - Detention Cap Bill: Staff requests permission to make minor refinements to the fiscal impact and appropriations clause in the detention cap bill the Committee has requested be drafted. In particular, the Department's estimates of the fiscal impact to centrally-appropriated line items (notably shift differential) may need to be modified based on current JBC common policy. Based on action thus far, the JBC vote reflects estimated savings of $1,151,138 General Fund and 10.0 FTE associated with a reduction of 57 detention beds in FY 2011-12.

Division of Child Care - Clarification on Action:
*Child Care Administration**:*** There was a $19,438 mis-match between figures in the numbers pages and the narrative during the staff figure setting presentation on March 9, 2011. Figures in the numbers pages correctly incorporated the one-time FY 2010-11 personal services reduction in the base; those in the narrative did not. As reflected in the numbers pages, the recommendation was for $6,467,004 total funds, including $2,205,189 General Fund.

Division of Child Care, School Readiness Quality Improvement: There was a $723 mis-match between figures in the numbers pages and the narrative during the staff figure setting presentation on March 9, 2011. Figures in the numbers pages correctly included the 1.5 percent common policy reduction for personal services and those in the Narrative did not. As reflected in the numbers pages, the staff recommendation is for $2,226,745 federal funds and 1.0 FTE.

Division of Youth Corrections Footnotes
The following footnotes are consistent with previous Committee action on the Division of Youth Corrections; however, the Committee has not yet seen the following language.

Staff recommends the following language for **new footnotes** to be included in the *supplemental appropriation for FY 2010-11*:

N **Department of Human Services, Division of Youth Corrections, Community Programs, Purchase of Contract Placements** -- The appropriation in this line item is calculated based on the assumption that secure facilities operated by the Department will house youth at 100 percent of capacity for 9 months and 110 percent of capacity for 3 months.

N **Department of Human Services, Division of Youth Corrections** -- It is the intent of the General Assembly that, to facilitate the placement of youth in the most appropriate residential setting, General Fund appropriations to the Division of Youth Corrections may be transferred from the following sections and line items to the Community Programs, Purchase of Contract Placements line item: Administration Section (all line items), Institutional Programs Section (all line items), and Community Programs, Personal Services, Operating Expenses, and Parole Program Services line items.

Staff recommends the following language for **<u>a new footnote</u>** for *FY 2011-12*:

<u>N</u> **Department of Human Services, Division of Youth Corrections, Institutional Programs; and Community Programs, Purchase of Contract Placements --** It is the intent of the General Assembly that General Fund appropriations may be transferred between line items in the Institutional Programs section and the Purchase of Contract Placements line item to facilitate the placement of youth in the most appropriate residential setting.

<u>ADDITIONAL INFORMATION</u>

Child Care quality programs - additional information. Staff created some confusion by conflating the Department's "revisioning" of quality improvement that might be incorporated into child care licensing with the quality improvement funded through the School Readiness Quality Improvement program. The following is additional information on the Division of Child Care's various quality improvement line items and initiatives.

Staff had indicated to the Committee that up to $3.5 million in additional cuts could be taken to quality programs while still complying with federal requirements on the portion of funds that must be devoted to quality efforts. *While staff has included the following for clarity, if the Committee wishes to take a child care program cut beyond the level recommended by staff ($500,000 to child care councils, in addition to $500,000 previously reduced from the Councils), staff recommends that the Committee consider a cut to the Child Care Assistance Program line item in lieu of further cuts to quality programs*. This is simply because a cut of $2.0 million (for example) will have a proportionately much smaller impact on the $74 million child care assistance program line item than on any of the line items below.

<u>Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Targeted Funds Requirements</u> ($3,473,633 federal funds): This line item supports various efforts consistent with the federal requirement that a portion of block grant funds be targeted to quality expansion, infant-toddler programs, and school age or resource and referral programs. The largest single share (about $1.0 million) goes to support resource and referral organizations to help families in each community find child care programs. Funding is also used for curriculum development for courses on early childhood care and education and for scholarships for early childhood providers (requires specific additional commitments from teachers and employers). Some of the funding is distributed via the Qualistar organization, some through Early Childhood Councils (described below), and some goes to the Community College of Denver and the University of Colorado at Denver for development of curricula for early childhood programs and to run a required course on care of infants and toddlers.

Feasibility of Reductions: Although the total amount in the line item is structured around current federal "targets", many of the Department's other quality programs could substitute for these "target" amounts. Further, funding in this line item is comprised of multiple initiatives. Therefore, if the Committee wishes to make further cuts to quality funding, there may be more flexibility in the funding in this line item than in (for example) the School Readiness line item.

<u>Early Childhood Councils:</u> ($1,978,317 federal funds per Committee action) As outlined in Section 26-6.5-103, et. seq., the early childhood councils are regional entities intended to improve and sustain the availability, accessibility, capacity, and quality of early childhood services throughout the State. Councils must include representation from local government, child care providers, health care agencies, parents of young children, mental health, child care resource and referral agencies, and other family support and parent education entities. Councils typically have a small part- or full-time staff and are responsible for developing and implementing regional plans for improving child care. Other state and local funding for child care quality improvement is often funneled through these agencies.

<u>School Readiness Quality Improvement Program</u> (~~$3,473,633~~ $2,228,586 federal funds): This program provides technical assistance to daycare centers and preschools that feed into under-performing elementary schools. Applications are submitted by each region's early childhood council or similar entity[1]. The daycare centers and preschools receive an initial evaluation (ratings of 0 to 4 star) and then technical assistance (via the Qualistar organization) to improve their quality over a 3 year period. The program served 6,750 children in 464 classrooms in the last grant cycle, and had a significant impact on participating preschools. In FY 2011-12, the program will be in the third year of its three-year funding cycle.

Feasibility of Reductions: Pursuant to Section 26-6.5-106 (3),C.R.S., "...funding shall be awarded...subject to available federal funding. Nothing in this section or in any rules promulgated pursuant to this section shall be interpreted to create a legal entitlement in any early childhood care and education council to school-readiness quality improvement funding pursuant to the program..." However, because this program provides support for facilities on a three-year cycle, a large cut for FY 2011-12 would interrupt the program mid-stream.

Concerns Related to Program Cost - staff correction: Ongoing support for programs that have completed the technical assistance cycle is <u>not</u> as large a problem as staff had originally indicated in verbal remarks during figure setting: some preschools are funded for a second 3-year cycle and virtually all are able to receive other outside grants to continue ratings and support in subsequent years. There is, however, a problem that, due to its cost, this program only touches a limited number of facilities. The Department is therefore looking at how to incorporate quality (at least up to quality level 1 or 2) more fully into its licensing processes to affect more facilities. The Department's

[1] If the region does not have an early child council, a new entity may be formed for this purpose.

system change efforts are ***unlikely*** to substantially change the current School Readiness Quality Improvement Program. Instead, *they would affect the Licensing and Administration line item*. The Department is currently in the middle of its process of examining this issue.

County Tax Base Relief - New Formula. As requested by the Committee, staff has attached a spreadsheet that compares the impact of the new county tax base relief formula previously approved by the Committee (new legislation) with the distribution of county tax base relief dollars using the previous requirement that, if dollars were not sufficient to fund a tier, amounts should be "prorated." Staff has also included a table (below) that staff believes served as the basis for the Committee's original request to see whether a new formula could be developed to distribute funds based on need when there was not a large enough appropriation to fully fund a tier.

County Tax Base Relief FY 2009-10 Distribution

County	**County Share of Social Services Expenditures**	**Property Taxes Generated at 3.0 Mils**	**County Tax Base Relief per Formula - Tier I**	**Formula as percentage of County Share of expenditures**
Alamosa	949,099	384,470	423,471	44.6%
Bent	286,273	164,530	91,307	31.9%
Conejos	370,028	144,240	169,341	45.8%
Crowley	208,289	104,950	77,504	37.2%
Fremont	1,376,496	1,288,581	65,935	4.8%
Lincoln	289,472	210,435	59,278	20.5%
Logan	747,347	607,543	104,849	14.0%
Otero	742,660	344,408	298,689	40.2%
Prowers	577,653	374,969	137,013	23.7%
Pueblo	5,085,519	3,649,111	1,077,306	21.2%
Rio Grande	551,686	513,581	28,579	5.2%
Saguache	259,286	171,870	65,562	25.3%
TOTAL	**n/a**	**n/a**	**2,598,834**	**n/a**

	A	E	F	G	H	I	J	K
1					State Funding	$ 1,000,000		$ 1,000,000
2					Target Percentage	74.86%		$ 0
3					Mills	0.003		
4								
5	**FIPS-County**	**CALCULATED COUNTY SHARE FOR FINAL DISTRIBUTION**	**ASSESSED VALUATION CALENDAR YEAR 2008**	**PROPERTY TAXES GENERATED**	**Ratio**	**COUNTY TAX BASE RELIEF PER NEW FORMULA - State Funding**		**Comparison - COUNTY TAX BASE RELIEF PER OLD FORMULA - TIER I (FY 2009-10 calculation prorated to $1.0 million)**
6	001 Adams	11,174,575.63	4,527,197,700.00	13,581,593	122%	0		0
7	003 Alamosa	949,098.53	128,156,580.00	384,470	41%	326,028		162,947
8	005 Arapahoe	10,078,252.57	7,634,682,450.00	22,904,047	227%	0		0
9	007 Archuleta	248,817.58	355,978,720.00	1,067,936	429%	0		0
10	009 Baca	172,782.73	69,707,001.00	209,121	121%	0		0
11	011 Bent	286,272.82	54,843,282.00	164,530	57%	49,775		35,134
12	013 Boulder	5,795,434.05	5,573,284,680.00	16,719,854	289%	0		0
13	015 Chaffee	374,724.45	328,849,220.00	986,548	263%	0		0
14	017 Cheyenne	36,653.27	144,830,788.00	434,492	1185%	0		0
15	019 Clear Creek	282,874.80	355,936,130.00	1,067,808	377%	0		0
16	021 Conejos	370,028.23	48,080,091.00	144,240	39%	132,764		65,160
17	023 Costilla	237,426.65	113,119,882.00	339,360	143%	0		0
18	025 Crowley	208,289.10	34,983,490.00	104,950	50%	50,975		29,823
19	027 Custer	70,205.52	88,003,250.00	264,010	376%	0		0
20	029 Delta	723,182.58	300,943,290.00	902,830	125%	0		0
21	031 Denver	23,677,919.38	10,660,627,490.00	31,981,882	135%	0		0
22	033 Dolores	49,425.15	52,203,177.00	156,610	317%	0		0
23	035 Douglas	1,173,543.49	4,513,520,560.00	13,540,562	1154%	0		0
24	037 Eagle	543,777.03	3,155,583,110.00	9,466,749	1741%	0		0
25	039 Elbert	406,465.06	275,975,331.00	827,926	204%	0		0
26	041 El Paso	13,491,772.39	6,489,749,120.00	19,469,247	144%	0		0
27	043 Fremont	1,376,495.07	429,527,061.00	1,288,581	94%	0		25,371
28	045 Garfield	1,164,841.69	2,859,519,340.00	8,578,558	736%	0		0
29	047 Gilpin	137,024.89	346,629,880.00	1,039,890	759%	0		0
30	049 Grand	157,195.78	804,415,380.00	2,413,246	1535%	0		0
31	051 Gunnison	278,991.35	770,129,810.00	2,310,389	828%	0		0
32	053 Hinsdale	11,856.62	52,159,770.00	156,479	1320%	0		
33	055 Huerfano	311,041.54	114,117,470.00	342,352	110%	0		0
34	057 Jackson	33,168.40	31,753,800.00	95,261	287%	0		0
35	059 Jefferson	8,922,044.62	7,290,731,100.00	21,872,193	245%	0		0
36	061 Kiowa	86,638.80	33,137,460.00	99,412	115%	0		
37	063 Kit Carson	148,140.34	108,558,491.00	325,675	220%	0		0
38	065 Lake	212,515.29	93,836,044.00	281,508	132%	0		0
39	067 La Plata	913,450.01	2,885,995,180.00	8,657,986	948%	0		0
40	069 Larimer	5,778,122.15	3,985,511,407.00	11,956,534	207%	0		0
41	071 Las Animas	551,041.23	620,687,810.00	1,862,063	338%	0		0
42	073 Lincoln	289,471.82	70,144,845.00	210,435	73%	6,265		22,809
43	075 Logan	747,341.09	202,514,330.00	607,543	81%	0		40,344
44	077 Mesa	4,243,591.60	1,778,435,310.00	5,335,306	126%	0		0
45	079 Mineral	3,395.08	29,686,020.00	89,058	2623%	0		0
46	081 Moffat	350,518.21	474,028,790.00	1,422,086	406%	0		0
47	083 Montezuma	545,802.84	456,712,966.00	1,370,139	251%	0		0
48	085 Montrose	1,161,989.59	553,473,075.00	1,660,419	143%	0		0
49	087 Morgan	1,030,633.14	378,802,800.00	1,136,408	110%	0		0
50	089 Otero	742,659.78	114,802,669.00	344,408	46%	211,549		114,932
51	091 Ouray	72,312.37	194,401,250.00	583,204	807%	0		0
52	093 Park	204,727.51	412,105,140.00	1,236,315	604%	0		0

Target Percentage = percentage of county share funded by property tax @ specified mills plus CTBR

Formula: G7/E7

Formula: If(H7<I2,((I2-H7)*E7),0)

Formula: I1-k1

	A	E	F	G	H	I	J	K
1					State Funding	$ 1,000,000		$ 1,000,000
2					Target Percentage	74.86%		$ 0
3					Mills	0.003		
4								
5	**FIPS-County**	**CALCULATED COUNTY SHARE FOR FINAL DISTRIBUTION**	**ASSESSED VALUATION CALENDAR YEAR 2008**	**PROPERTY TAXES GENERATED**	**Ratio**	**COUNTY TAX BASE RELIEF PER NEW FORMULA - State Funding**		**Comparison - COUNTY TAX BASE RELIEF PER OLD FORMULA - TIER I (FY 2009-10 calculation prorated to $1.0 million)**
53	095 Phillips	112,700.56	48,117,580.00	144,353	128%	0		0
54	097 Pitkin	125,761.66	2,726,650,670.00	8,179,952	6504%	0		0
55	099 Prowers	557,652.56	124,989,720.00	374,969	67%	42,491		52,721
56	101 Pueblo	5,085,518.80	1,216,370,410.00	3,649,111	72%	157,921		414,534
57	103 Rio Blanco	200,081.04	712,444,241.00	2,137,333	1068%	0		0
58	105 Rio Grande	551,686.47	171,193,660.00	513,581	93%	0		10,997
59	107 Routt	246,191.06	1,093,543,020.00	3,280,629	1333%	0		0
60	109 Saguache	259,286.31	57,289,899.00	171,870	66%	22,233		25,228
61	111 San Juan	19,444.47	55,047,440.00	165,142	849%	0		0
62	113 San Miguel	97,211.05	904,042,430.00	2,712,127	2790%	0		0
63	115 Sedgwick	70,889.66	32,752,650.00	98,258	139%	0		0
64	117 Summit	263,230.87	1,564,057,110.00	4,692,171	1783%	0		0
65	119 Teller	645,308.97	448,652,329.00	1,345,957	209%	0		0
66	121 Washington	152,362.78	110,931,839.00	332,796	218%	0		0
67	123 Weld	6,366,854.48	4,468,462,470.00	13,405,387	211%	0		0
68	125 Yuma	252,076.54	300,317,150.00	900,951	357%	0		0
69	159 Broomfield	775,604.29	1,027,679,970.00	3,083,040	398%	0		0
70	TOTAL	115,608,393.39	85,060,615,128	255,181,845	221%	1,000,000		1,000,000

Target Percentage = percentage of county share funded by property tax @ specified mills plus CTBR

Formula: G7/E7

Formula: If(H7<I2, ((I2-H7)*E7),0)

Formula: I1-k1

COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2011-12 STAFF FIGURE SETTING

DEPARTMENT OF HUMAN SERVICES

(Child Welfare, Child Care, Youth Corrections)

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Prepared By:
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March 9, 2011

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FY 2011-12 FIGURE SETTING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE

DEPARTMENT OF HUMAN SERVICES

(Divisions of Child Welfare, Child Care, Youth Corrections)

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DEPARTMENT OF HUMAN SERVICES						
Executive Director: Reggie Bicha						

(1) EXECUTIVE DIRECTOR'S OFFICE

The primary function of this division is general department administration. This document includes Executive Director's Office, Special Purpose line items that are specifically related to child welfare services and youth corrections. This includes: staff responsible for periodically assessing all Colorado children placed in residential care as a result of a dependency and neglect or a delinquency proceeding to ensure counties' statutory and regulatory compliance; funding to support staff who conduct background/employment screenings using records and reports of child abuse or neglect; funding for the child protection ombudsman contract; and staff and operating costs for the Juvenile Parole Board. Cash funds are from fees paid by those requesting background/employment checks. Reappropriated funds are transferred from the Department of Public Safety. *The balance of Executive Director's Office line items are covered in other Department of Human Services briefing and figure setting documents.*

(B) Special Purpose

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommend	Change Requests
Administrative Review Unit	2,000,821	2,185,084	2,183,374 S	2,156,921 A	2,083,539	NP-4, NP-7
FTE	22.2	24.0	25.2	25.2	24.2	SBA-1
General Fund	1,196,083	1,416,270	1,413,708 S	1,388,013 A	1,349,610	
Federal Funds	804,738	768,814	769,666	768,908	733,929	
Records and Reports of Child Abuse or Neglect - Cash Funds	566,937	474,010	577,496	575,825	567,611	NP-7
FTE	6.2	7.2	7.5	7.5	7.5	
Juvenile Parole Board	247,971	234,917	246,250 S	243,049 A	243,285	NP-4, NP-7
FTE	3.0	2.9	3.0	3.0	3.0	SBA-1
General Fund	196,097	200,587	200,482 S	198,090 A	199,013	
Reappropriated Funds	51,874	34,330	45,768	44,959	44,272	
Child Protection Ombudsman - General Fund	n/a	n/a	175,000	370,000	370,000	
						Recommend v. approp
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	2,815,729	3,006,268	3,182,120 S	3,345,795 A	3,264,435	2.6%
FTE	31.4	35.7	35.7	35.7	34.7	0.0
General Fund	1,392,180	1,621,687	1,789,190 S	1,956,103 A	1,918,623	7.2%
Cash Funds	566,937	574,529	577,496	575,825	567,611	-1.7%
Reappropriated funds	51,874	45,768	45,768	44,959	44,272	-3.3%
Federal Funds	804,738	764,284	769,666	768,908	733,929	-4.6%

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation		FY 2011-12 Request		FY 2011-12 Recommend	Change Requests
(5) DIVISION OF CHILD WELFARE								
This division provides funding and state staff associated with the state supervision and county administration of programs that protect children from harm and assist families in caring for and protecting their children. Funding also supports training for county and state staff, direct care service providers (e.g. foster parents), and court personnel. Cash funds sources include county tax revenues, grants and donations, federal Title IV-E funds, and amounts from the Collaborative Management Incentives Cash Fund (primarily from civil docket fees). Reappropriated funds are Medicaid funds transferred from the Department of Health Care Policy and Financing.								
Administration	2,426,087	3,096,026	3,643,587	S	3,589,524	A	3,592,042	NP-4, NP-7
FTE	25.8	32.5	41.0		41.0		41.0	SBA-1
General Fund	1,676,095	2,338,423	2,822,672	S	2,765,875	A	2,778,121	
Reappropriated funds	57,100	121,418	132,627	S	130,283	A	130,938	
Federal Funds	692,892	636,185	688,288		693,366		682,983	
For Information Only								
Medicaid Reappropriated Funds	*90,100*	*133,422*	*132,627*	S	*130,283*	A	130,938	
Medicaid Funds - General Fund therein	*45,050*	*66,709*	*66,313*	S	*65,130*	A	*65,457*	
Net General Fund	*1,721,145*	*2,405,132*	*2,888,985*	S	*2,831,005*	A	*2,843,578*	
Training	4,931,859	5,827,898	6,543,782	S	6,539,592	A	6,127,139	NP-4, NP-7
FTE	0	3.5	6.0		6.0		6.0	SBA-1
General Fund	2,341,374	2,871,971	3,229,419	S	3,225,557	A	2,996,049	
Cash Funds	37,230	37,230	37,230		37,230		37,230	
Federal Funds	2,553,255	2,918,697	3,277,133		3,276,805		3,093,860	
Foster and Adoptive Parent Recruitment, Training, and Support	323,859	340,275	327,512	S	326,220	A	326,300	NP-4, NP-7
FTE	1.0	1.0	1.0		1.0		1.0	SBA-1
General Fund	257,115	273,276	260,402	S	259,111	A	259,431	
Federal Funds	66,744	66,999	67,110		67,109		66,869	

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation		FY 2011-12 Request		FY 2011-12 Recommend	Change Requests
Child Welfare Services /a	345,340,609	336,157,346	336,326,640		337,710,352		334,835,846	NP-2
General Fund	171,716,693	165,010,711	157,932,633		162,141,108		161,141,108	
Cash Funds	62,775,661	61,168,175	61,129,115	S*	63,673,402		60,805,148	
Reappropriated funds	12,872,178	13,070,654	14,293,272		14,334,790		14,328,538	
Federal Funds	97,976,077	96,907,806	102,971,620		97,561,052		98,561,052	
For Information Only								
Medicaid Reappropriated Funds	*13,865,508*	*13,070,654*	*14,293,272*		*14,334,790*		*14,328,538*	
Medicaid Funds - General Fund therein	*6,932,754*	*5,028,740*	*5,490,045*		*7,167,396*		*7,164,269*	
Net General Fund	*178,649,447*	*170,039,451*	*163,422,678*		*169,308,504*		*168,305,377*	
Additional County Expenditures for Child Welfare Block [non-add]			Not appropriated;		Not appropriated;			
Transfer to Title XX from TANF	15,509,896	9,521,897	see note a/ below		see note a/ below			
County Funds	1,053,178	3,277,367						
Total Child Welfare Expenditures [non-add]	361,903,683	348,956,610						
Excess Federal Title IV-E Distributions for Related County Administrative Functions								
Cash Funds	1,735,971	0	0		0		1,000,000	
Excess Federal Title IV-E Reimbursements								
Cash Funds	813,856	0	0		0		0	
Title IV-E Related County Administrative Functions [new line item]								
General Fund	n/a	n/a	1,000,000		1,000,000		0	
Family and Children's Programs	50,042,150	48,030,915	44,776,053		44,776,053		44,776,053	SBA-2
General Fund	42,735,769	31,224,534	28,132,328		24,132,328	A	24,132,328	
Cash Funds	5,213,955	5,213,955	5,113,437		5,113,437		5,113,437	
Federal Funds	2,092,426	11,592,426	11,530,288		15,530,288	A	15,530,288	
Performance-based Collaborative Management Incentives								
Cash Funds	3,167,603	3,399,224	3,555,500		3,555,500		3,555,500	

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation		FY 2011-12 Request		FY 2011-12 Recommend	Change Requests
Independent Living Programs - Federal Funds	2,468,806	2,541,666	2,826,582		2,826,582		2,826,582	
FTE	0.0	4.0	4.0		4.0		4.0	
Promoting Safe and Stable Family Programs	4,445,190	4,467,806	4,456,985	S	4,458,322	A	4,455,017	NP-4, NP-7
FTE	1.5	1.5	2.0		2.0		2.0	SBA-1
General Fund	27,926	36,913	49,994	S	49,632	A	49,849	
Cash Funds	1,064,160	1,064,160	1,064,160		1,064,160		1,064,160	
Federal Funds	3,353,104	3,366,733	3,342,831		3,344,530		3,341,008	
Federal Child Abuse Prevention and Treatment Act Grant								
Federal Funds	469,908	420,110	381,708		381,703		431,730	NP-7
FTE	3.0	3.0	3.0		3.0		3.0	
Child Welfare Action Committee (H.B. 08-1404)	346,216	0	0		0		0	
General Fund	340,907		0		0		0	
Cash Funds	5,309		0		0		0	
								Recommend v. Approp
TOTAL - (5) CHILD WELFARE b/	416,512,114	404,281,266	403,838,349	S	405,163,848	A	401,926,209	-0.5%
FTE	31.3	45.5	57.0		57.0		57.0	0.0
General Fund	219,095,879	201,755,828	193,427,448	S	193,573,611	A	191,356,886	-1.1%
Cash Funds	74,813,745	70,882,744	70,899,442	S*	73,443,729		71,575,475	1.0%
Reappropriated Funds	12,929,278	13,192,072	14,425,899		14,465,073	A	14,459,476	0.2%
Federal Funds	109,673,212	118,450,622	125,085,560		123,681,435		124,534,372	-0.4%
For Information Only*								
Medicaid Reappropriated Funds	*13,955,608*	*13,204,076*	*14,425,899*	*S*	*14,465,073*	A	*14,459,476*	*0.2%*
Medicaid Funds - General Fund therein	*6,977,804*	*5,095,449*	*5,556,358*	*S*	*7,232,526*	A	*7,229,726*	*30.1%*
Net General Fund	*226,073,683*	*206,851,277*	*198,983,806*	*S*	*200,806,137*	A	*198,586,612*	*-0.2%*

* Reflects supplemental recommended, but not yet enacted.

** These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

a/ Additional County Expenditures for Child Welfare Block amounts are shown for informational purposes and are not appropriated in this section. This includes the actual expenditure of county funds and federal Temporary Assistance to Needy Families (TANF) funds that were transferred from Colorado Works County Block Grants or from County Reserve Accounts to the federal Title XX Social Services Block Grant in order to cover county expenditures related to child welfare. Associated appropriations of TANF funds are reflected in the Office of Self Sufficiency.

b/ Actual expenditures include multiple transfers, including those authorized pursuant to Long Bill footnote and transfers to and from the Department of Health Care Policy and Financing pursuant to Section 24-75-106, C.R.S.

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommend	Change Requests
(6) DIVISION OF CHILD CARE						
This division includes funding and state staff associated with: (1) licensing and monitoring child care facilities; (2) the state supervision and the county administration of the Colorado Child Care Assistance Program, through which counties provide child care subsidies to low income families and families transitioning from the Colorado Works Program; and (3) the administration of various child care grant programs. Cash funds sources reflect fees and fines paid by child care facilities and county tax revenues.						
Child Care Licensing and Administration	6,280,823	6,215,878	6,532,115 S	6,492,782 A	6,467,004	NP-4, NP-7
FTE	58.6	57.5	64.0	64.0	64.0	SBA-1
General Fund	2,431,287	2,081,444	2,232,018 S	2,195,249 A	2,205,189	
Cash Funds (fees and fines)	626,868	621,744	748,086	748,048	738,720	
Federal Funds (CCDF and Title IV-E)	3,222,668	3,512,690	3,552,011	3,549,485	3,523,095	
Fines Assessed Against Licensees - (CF)	18,000	4,918	20,000	20,000	20,000	
Child Care Assistance Program Automated System Replacement (FF-	47,675	103,246	0	0	0	
Child Care Assistance Program /a	74,968,579	75,618,195	74,802,572	74,286,322	73,976,592	
General Fund	15,354,221	15,354,221	14,604,221	14,604,221	14,104,221	
Cash Funds (local funds)	9,201,753	9,183,907	9,182,622	9,182,622	9,182,622	
Federal Funds (CCDF and Title XX)	50,412,605	51,080,067	51,015,729	50,499,479	50,689,749	
Child Care Assistance Program - ARRA Funding - FF	11,064,462	10,405,227	0	0	0	
Additional County Child Care Assistance Program Expenditures [non-add]						
Transfer to Child Care from TANF block grant (including expenditures from county reserves created by prior-year TANF transfers) (FF)	10,731,866	10,180,148	Not appropriated; see note a/ below	Not appropriated; see note a/ below		
Total Child Care Assistance Program expenditures [non add]	96,764,907	96,203,570				
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Targeted Funds Requirements (FF-CCDF)	3,473,583	3,471,723	3,473,633	3,473,633	3,473,633	

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommend	Change Requests
Comply with Federal Targeted Funds Requirements - ARRA Funding (FF-CCDF)	0	3,173,850	0	0		
Early Childhood Councils [formerly Pilot for Community Consolidated Child Care Services]	2,979,597	2,985,201	2,985,201	2,985,201	1,978,317	
FTE	0.7	1.2	1.0	1.0	1.0	
General Fund	1,006,161	1,006,161	506,161	506,161	0	
Federal Funds (CCDF)	1,973,436	1,979,040	2,479,040	2,479,040	1,978,317	
School-readiness Quality Improvement Program [formerly School-readiness Child Care Subsidization Program] - (FF - CCDF)	2,226,834	2,235,113	2,229,305	2,227,464	2,226,745	NP-7
FTE	0.5	1.3	1.0	1.0	1.0	
						Request v. Approp
(6) TOTAL - DIVISION OF CHILD CARE	101,059,553	101,039,501	90,042,826 S	89,485,402	88,142,291	-2.1%
FTE	59.8	60.0	66.0	66.0	66.0	0.0
General Fund	18,791,669	18,441,826	17,342,400 S	17,305,631	16,309,410	-6.0%
Cash Funds	9,846,621	9,810,569	9,950,708	9,950,670	9,941,342	-0.1%
Reappropriated Funds	0	0	0	0	0	n/a
Federal Funds	72,421,263	72,787,106	62,749,718	62,229,101	61,891,539	-1.4%

a/ Additional County Child Care Assistance Program Expenditures are shown for informational purposes and are not appropriated in this section of the Long Bill. These amounts include the actual expenditure of federal TANF funds that were transferred from County Block Grants or from County Reserve Accounts (both associated with the ColoradoWorks Program) to federal Child Care Development Funds in order to cover county expenditures related to child care. Associated appropriations of TANF funds are reflected in the Office of Self Sufficiency.

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation		FY 2011-12 Request		FY 2011-12 Recommend	Change Requests
(11) DIVISION OF YOUTH CORRECTIONS								
(A) Administration								
This section provides funding and state staff associated with providing policy direction for the DYC and administering and monitoring the quality of care provided to delinquent youth. The source of reappropriated funds is a grant from the Victims Assistance and Law Enforcement (VALE) Board.								
Personal Services - General Fund	1,303,755	1,444,515	1,338,265	S	1,312,092	A	1,319,003	NP-4, NP-7
FTE	11.5	15.9	15.4		15.4		15.4	SBA-1
Operating Expenses - General Fund	30,285	30,391	29,111		29,111		29,111	
Victims Assistance - Reappropriated Funds	28,224	26,121	29,599		28,027		27,631	NP-7
FTE	0.0	0.4	0.5		0.5		0.5	
								Request v. Approp
(11) DIVISION OF YOUTH CORRECTIONS								
Subtotal - (A) Administration	1,362,264	1,501,027	1,396,975	S	1,369,230	A	1,375,745	-1.5%
FTE	11.5	16.3	15.9		15.9		15.9	0.0
General Fund	1,334,040	1,474,906	1,367,376	S	1,341,203	A	1,348,114	-1.4%
Reappropriated Funds	28,224	26,121	29,599		28,027		27,631	-6.6%
(B) Institutional Programs								
This section provides funding and state staff associated with providing detention services and institutional care, including educational, medical, food, and maintenance services. The reappropriated funds primarily reflect transfers of federal funds from the Department of Education for school breakfast/lunch and special and vocational education.								
Personal Services - General Fund	42,267,224	44,135,871	43,340,520	S	43,173,958	A	42,686,097	DI 5, NP-4, NP-7
FTE	779.3	779.6	794.3		799.3		799.3	SBA-1
Operating Expenses	3,494,857	3,746,588	3,369,950		3,369,950		3,369,950	
General Fund	2,076,957	2,251,559	2,039,750		2,039,750		2,039,750	
Reappropriated Funds	0	1,495,029	1,330,200		1,330,200		1,330,200	
Federal Funds	1,417,900		0		0		0	
Capital Outlay - General Fund	0	0	0		0			

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Medical Services - General Fund	7,934,777	8,307,298	7,983,142	S	7,976,333	A	6,924,667	NP-4, NP-7
FTE	36.2	34.0	39.0		39.0		39.0	SBA-1
General Fund	7,934,777	7,895,215	6,994,142	S	6,987,333	A	6,924,667	
Reappropriated Funds	0	412,083	989,000		989,000		0	
For Information Only								
Medicaid Reappropriated Funds	*0*	*412,083*	*989,000*		*989,000*		0	
Medicaid Funds - General Fund therein	*0*	*99,570*	*349,003*		*494,500*		0	
Net General Fund	*7,934,777*	*7,994,785*	*7,349,121*	S	*7,481,833*		6,924,667	
Enhanced Mental Health Services Pilot for Detention - General Fund	260,726	64,037	0		0			
Educational Programs	5,916,443	6,076,544	5,783,861	S	5,775,422	A	5,742,063	NP-4, NP-7
FTE	35.0	36.1	40.8		40.8		40.8	SBA-1
General Fund	5,353,439	5,486,363	5,439,968	S	5,435,639	A	5,405,397	
Reappropriated Funds	563,004	590,181	343,893		339,783		336,666	
Federal Funds	0	0	0		0		0	
Prevention / Intervention Services	48,965	48,915	49,693		49,693		49,693	
FTE	0.0	0.0	1.0		1.0		1.0	
Reappropriated Funds	48,965	48,915	49,693		49,693		49,693	
Federal Funds	0	0	0		0		0	
								Request v. Approp
(11) DIVISION OF YOUTH CORRECTIONS								
Subtotal - (B) Institutional Programs	59,922,992	62,379,253	60,527,166	S	60,345,356	A	58,772,470	-2.9%
FTE	850.5	849.7	875.1		880.1		880.1	5.0
General Fund	57,893,123	59,833,045	57,814,380	S	57,636,680	A	57,055,911	-1.3%
Reappropriated Funds	611,969	2,546,208	2,712,786		2,708,676		1,716,559	-36.7%
Federal Funds	1,417,900	0	0		0		0	n/a
For Information Only*								
Medicaid Reappropriated Funds	*0*	*412,083*	*989,000*		*989,000*		0	-100.0%
Medicaid Funds - General Fund therein	*0*	*99,570*	*354,979*		*494,500*		0	-100.0%
Net General Fund	*57,893,123*	*59,833,045*	*58,169,359*	*S*	*58,131,180*		57,055,911	-1.9%

* These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation		FY 2011-12 Request		FY 2011-12 Recommend	Change Requests
(C) Community Programs								
This section provides funding and state staff associated with providing case management services for committed youth and parolees, contracting for private residential placements, and funding Senate Bill 91-94 programs. The cash funds are from the contractor for the Ridge View Facility to pay for DYC's monitoring expenses pursuant to Section 19-2-411.5 (2)(e), C.R.S. The reappropriated funds reflect Medicaid funds transferred from the Department of Health Care Policy and Financing.								
Personal Services	7,929,462	7,583,841	7,365,629	S	7,227,065	A	6,608,142	NP-4, NP-7
FTE	114.3	108.5	107.4		107.4		97.8	SBA-1
General Fund	7,585,467	7,231,687	7,011,005	S	6,873,265	A	6,258,853	
Cash Funds	48,850	50,020	50,441		50,472		49,698	
Reappropriated Funds	44,520	45,514	45,411	S	44,424	A	44,658	
Federal Funds	250,625	256,620	258,772		258,904		254,933	
For Information Only								
Medicaid Reappropriated Funds	*44,520*	*45,514*	*45,411*	*S*	*44,424*	A	44,658	
Medicaid Funds - General Fund therein	*22,260*	*22,757*	*22,749*	*S*	*22,381*	A	22,329	
Net General Fund	*7,607,727*	*7,254,444*	*7,033,754*	*S*	*6,895,646*	A	*6,281,182*	
Operating Expenses	359,898	346,564	330,980		330,980		324,140	
General Fund	357,410	344,116	328,532		328,532		321,692	
Cash Funds	2,488	2,448	2,448		2,448		2,448	
Capital Outlay - General Fund	0	0	0		0		0	
Purchase of Contract Placements	42,774,182	37,329,349	34,249,114	S*	31,538,017	A	27,460,013	BR 1, BA-7
General Fund	41,274,243	35,109,655	31,684,179	S*	29,204,938	A	25,302,980	
Reappropriated Funds	1,499,939	1,493,558	1,413,974	S*	1,296,647	A	1,120,601	
Federal Funds	0	726,136	1,150,961	S*	1,036,432	A	1,036,432	
For Information Only								
Medicaid Reappropriated Funds	*1,499,939*	*1,480,396*	*1,413,974*	*S**	*1,296,647*	A	*1,120,601*	
Medicaid Funds - General Fund therein	*749,970*	*622,081*	*596,319*	*S**	*648,325*	A	*560,301*	
Net General Fund	*42,024,213*	*35,731,736*	*32,280,498*	*S**	*29,853,263*	A	*25,863,281*	
Managed Care Pilot Project	1,390,441	1,118,451	1,296,639		1,368,060		1,368,060	
General Fund	1,357,105	1,085,115	1,263,970		1,335,391		1,335,391	
Reappropriated Funds	33,336	33,336	32,669		32,669		32,669	
For Information Only								
Medicaid Reappropriated Funds	*33,336*	*33,336*	*32,669*		*32,669*		*32,669*	
Medicaid Funds - General Fund therein	*16,668*	*16,668*	*16,335*		*16,335*		*16,335*	
Net General Fund	*1,373,773*	*1,101,783*	*1,280,305*		*1,351,726*		*1,351,726*	

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation		FY 2011-12 Request	FY 2011-12 Recommend	Change Requests
S.B. 91-94 Programs - General Fund	13,228,039	13,238,558	12,531,528	S*	13,031,528	11,031,528	
Parole Program Services	6,433,220	5,696,259	5,363,847	S	5,863,847	4,180,771	
General Fund	5,529,773	4,819,099	4,472,188	S	4,972,188	3,289,112	
Federal Funds	903,447	877,160	891,659		891,659	891,659	

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation		FY 2011-12 Request		FY 2011-12 Recommend	Change Requests
Juvenile Sex Offender Staff Training	40,175	36,811	47,060		47,060		47,060	
General Fund	8,810	8,148	8,810		8,810		8,810	
Cash Funds	31,365	28,663	38,250		38,250		38,250	
								Request v. Approp
(11) DIVISION OF YOUTH CORRECTIONS								
Subtotal - (C) Community Programs	72,155,417	65,349,833	61,184,797	S	59,406,557	A	51,019,714	-16.6%
FTE	114.3	108.5	107.4		107.4		97.8	0.0
General Fund	69,340,847	61,836,378	57,300,212	S	55,754,652	A	47,548,366	-17.0%
Cash Funds	82,703	81,131	91,139		91,170		90,396	-0.8%
Reappropriated Funds	1,577,795	1,572,408	1,492,054	S	1,373,740	A	1,197,928	-19.7%
Federal Funds	1,154,072	1,859,916	2,301,392		2,186,995		2,183,024	-5.1%
For Information Only*								
Medicaid Reappropriated Funds	*1,577,795*	*1,559,246*	*1,492,054*	*S*	*1,373,740*	A	*1,197,928*	-19.7%
Medicaid Funds - General Fund therein	*788,898*	*661,506*	*635,403*	*S*	*687,041*	A	*598,965*	*-5.7%*
Net General Fund	*70,129,745*	*62,497,884*	*57,935,615*	*S*	*56,441,693*	A	*48,147,331*	-16.9%
								Request v. Approp
TOTAL - (11) DIVISION OF YOUTH CORRECTIONS	133,440,673	129,230,113	123,108,938	S	121,121,143	A	111,167,929	-9.7%
FTE	976.3	974.5	998.4		1,003.4		993.8	5.0
General Fund	128,568,010	123,144,329	116,481,968	S	114,732,535	A	105,952,391	-9.0%
Cash Funds	82,703	81,131	91,139		91,170		90,396	-0.8%
Reappropriated Funds	2,217,988	4,144,737	4,234,439	S	4,110,443	A	2,942,118	-30.5%
Federal Funds	2,571,972	1,859,916	2,301,392		2,186,995	A	2,183,024	-5.1%
For Information Only**								
Medicaid Reappropriated Funds	*1,577,795*	*1,559,246*	*2,481,054*	*S*	*2,362,740*	*A*	*1,197,928*	-51.7%
Medicaid Funds - General Fund therein	*788,898*	*661,506*	*990,382*	*S*	*1,181,541*	*A*	*598,965*	*-39.5%*
Net General Fund	*129,356,908*	*123,805,835*	*117,472,350*	*S*	*115,914,076*	*A*	*106,551,356*	-9.3%

* Reflects reductions recommended but not enacted.

**These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

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	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Appropriation		FY 2011-12 Request		FY 2011-12 Recommend	Change Requests
								Request v. Approp
TOTAL - HUMAN SERVICES - CHILD WELFARE, CHILD CARE, YOUTH CORRECTIONS (INCLUDING RELATED LINE ITEMS IN EXECUTIVE DIRECTOR'S OFFICE)	653,828,069	637,557,148	620,172,233	S	619,116,188	A	604,500,864	-2.5%
FTE	1,098.8	1,115.7	1,157.1		1,162.1		1,151.5	5.0
General Fund	367,847,738	344,963,670	329,041,006	S	327,567,880	A	315,537,310	-4.1%
Cash Funds	85,310,006	81,348,973	81,518,785		84,061,394		82,174,824	0.8%
Cash Funds Exempt/Reappropriated Funds	15,199,140	17,382,577	18,706,106	S	18,620,475	A	17,445,866	-6.7%
Federal Funds	185,471,185	193,861,928	190,906,336		188,866,439		189,342,864	-0.8%
For Information Only*								
Medicaid Reappropriated Funds	*15,533,403*	*14,763,322*	*16,906,953*	S	*16,827,813*	A	*15,657,404*	*-7.4%*
Medicaid Funds - General Fund therein	*7,766,702*	*5,756,955*	*6,546,740*	*S*	*8,414,067*	A	*7,828,691*	*19.6%*
Net General Fund	*375,614,440*	*350,720,625*	*335,587,746*	S	*335,981,947*	A	*323,366,001*	*-3.6%*

* These amounts are included for informational purposes only. Medicaid funds are classified as reappropriated funds. These moneys are transferred from the Department of Health Care Policy and Financing where generally half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

FY 2011-12 Figure Setting
DEPARTMENT OF HUMAN SERVICES
Division of Child Welfare, Division of Child Care, Division of Youth Corrections

GENERAL REMARKS

Net General Fund. Many of the line items covered in this figure-setting packet include substantial amounts of Medicaid funding transferred from the Department of Health Care Policy and Financing (HCPF). These amounts are shown as reappropriated funds in the Department of Human Services, but there is a substantial General Fund component included in the original appropriations made in HCPF. The lines in HCPF are not explicitly included in figure setting for that Department. In order to allow the Committee to understand the full General Fund impact of decisions, many of the summary tables for lines covered in this packet include a "Net GF" column. This column reflects the total General Fund impact when the HCPF appropriations are included.

Under the American Recovery and Reinvestment Act of 2009 (ARRA), the federal government provided a temporary increase in the federal match rate for Medicaid expenditures (FMAP). This reduced the General Fund share of Medicaid spending and appropriations in FY 2008-09, FY 2009-10, and FY 2010-11 in the Department of Health Care Policy and Financing. This favorable match rate is eliminated in FY 2011-12, driving an increase in the General Fund share of Medicaid appropriations. The result is a significant increase for FY 2011-12 in the "net" General Fund appropriation shown for human services programs.

Common policy adjustments in this packet. The following adjustments are reflected repeatedly in this packet, consistent with Committee common policy.

- *Continue Higher Employee PERA Contribution.* Decision Item #NP-7 s is the Department's request to continue the reduction in the employer contribution for retirement benefits (payments to PERA, the Public Employees Retirement Association) and to increase the employee contribution. The adjustment is based on 2.5 percent of the employee's salary retirement benefit costs. This change would continue the adjustment originally adopted in S.B. 10-146 and continued via S.B. 11-076, a JBC bill. Consistent with JBC common policy, the amounts reflected in this figure setting packet reflect the assumption that S.B. 11-076 will be enacted prior to the Long Bill and that the 2.5 percent reduction will be continued.

- *Annualize FY 2010-11 Personal Services Reduction.* FY 2010-11 Supplemental #ES-1 was the Executive-requested and General Assembly-approved 1.0 percent reduction to some General Fund personal services line items. These reductions are annualized (eliminated) for FY 2011-12, as these cuts were one-time only in FY 2010-11.

- *FY 2011-12 Executive-requested Personal Services Reduction*. Consistent with the Governor's policy, the Department request included NP-4, a temporary 2.0 percent reduction to General Fund and Medicaid reappropriated funds personal services appropriations (excluding appropriations for direct-care staff in state-operated facilities). This requested reduction is included in the request amounts shown but is **<u>not</u>** included in staff recommendations, which follow the JBC common policy, described below.

- *FY 2011-12 JBC Common Policy Personal Services Reductions.* Consistent with JBC common policy, in lieu of the requested DI NP-4, the staff recommendation <u>includes an ongoing 1.5 percent personal services base reduction</u> applied to all line items (excluding the mental health institutes and regional centers for people with developmental disabilities). In addition, JBC Common Policy is to adopt the Executive Request SBA-1, which provides for a 1.0 percent reduction to General Fund and Medicaid reappropriated funds for some personal services and operating expense appropriations. The JBC common policy is that these reductions will be permanent base reductions, rather than temporary reductions as originally requested. In the Department of Human Services, the calculations for SBA-1 are based on 50 percent of the DI NP-4 amounts and are solely personal services reductions.

- *Executive Requests Not Addressed in this Packet.* The Executive has also submitted requests to: (1) reduce the State's PERA contribution by an additional 2.0 percent of staff salaries for FY 2011-12 (in addition to the 2.5 percent included in NP-7); and (2) reduce the personal vehicle mileage reimbursement rate. Consistent with Committee common policy, these adjustments are **<u>not</u>** reflected in either the Executive request or staff recommendation amounts. It is anticipated that any related adjustments will be included in the appropriations clauses attached to associated new legislation.

Executive Director's Office line items. This packet includes recommendations for selected line items in the Executive Director's Office that are directly related to Youth Corrections and Child Welfare programs. Other Executive Director's Office line items are set as part of other Department of Human Services figure setting presentations.

Supplemental Adjustments. This packet includes recommended FY 2010-11 supplemental adjustments to line items in the Division of Youth Corrections, in addition to recommendations for FY 2011-12 appropriations for the Human Services divisions addressed in this packet.

(1) EXECUTIVE DIRECTOR'S OFFICE
(B) Special Purpose

ADMINISTRATIVE REVIEW UNIT

This line item provides funding for the Department's "Administrative Review Unit", which is responsible for performing federally-mandated periodic on-site case reviews of children and youth who are placed in out-of-home residential care. These reviews include children and youth placed out of the home by county departments of social services, as well as youth placed in a community setting by the Division of Youth Corrections. These face-to-face reviews are open to participation by all involved parties (the child's birth parents, foster parents, guardian ad litem, probation officer, caseworker, etc.). These reviews ensure that:

- the child or youth is safe and receiving services identified in their case plan;
- the placement of the child or youth is necessary, the setting is appropriate, and progress is being made to either return the child or youth home safely or achieve permanency through another means; and
- the county has appropriately determined the child or youth's eligibility for federal Title IV-E funds.

Staffing Summary	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request	FY 2011-12 Recomm.
Director (General Professional VII)	0.9	1.0	1.0	1.0
Supervisors (General Professional VI)	2.9	3.0	3.0	3.0
Compliance Investigators	18.6	19.4	19.4	19.4
Support	1.6	1.8	1.8	1.8
Staff Recommend - Reduce 1.0 FTE	0.0	0.0	0.0	(1.0)
TOTAL	24.0	25.2	25.2	24.2

Federal law requires that face-to-face case reviews be conducted by an independent entity. Thus, these reviews can be conducted by a court or by this unit, but they cannot be conducted by county departments of social services. The Department indicates that most courts are not currently conducting reviews in a manner that meets the federal requirements. Thus, in most cases, even if the court is "reviewing" certain cases involving children in out-of-home care, this unit must still conduct periodic on-site case reviews with open participation in order to maintain compliance with federal law.

This unit is also responsible for conducting federally-required quality assurance reviews concerning all children and families receiving child welfare services. These reviews currently involve a random sample of individual cases, client satisfaction surveys, and evaluations of systemic indicators. The unit is thus responsible for ensuring compliance with state and federal laws, assuring that out-of-home placement care criteria are met, reviewing the level of care for the child or youth, and assisting in moving the child or youth to a safe, permanent environment. In addition, this unit was designed to facilitate maximization of federal Title IV-E revenues and to assist counties in identifying other available revenues, such as federal Social Security, federal Social Security Disability Income, federal Supplemental Security Income, private insurance, and victim advocacy funds.

For FY 2011-11, the Department request is for $2,196,921, including $1,388,013 General Fund, and 25.2 FTE. The request includes:
- the annualization of FY 2010-11 adjustment requiring staff to pay an additional 2.5 percent of their salaries for PERA and Decision Item #NP-7, which continues this adjustment in FY 2011-12;
- annualization of the one-time 1.0 percent supplemental reduction to General Fund personal services;
- a reduction of $26,555 for NP-4, the Executive-proposed 2.0 percent cut to some General Fund personal services line items; and
- a redaction of $13,278 for SBA-1, the Executive-proposed additional 1.0 percent cut to some General Fund personal services line items.

The staff recommendation is reflected below. Consistent with Committee common policy, the recommendation includes adjustments to:
- continue the requirement that staff contribute an additional 2.5 percent of their salaries for PERA;
- annualize the one-time FY 2010-11 personal services reduction;
- apply a 1.5 percent personal services reduction and the 1.0 percent reduction as requested by the executive.

In addition, as discussed further below, the recommendation includes:
- elimination of 1.0 FTE and associated funding. Staff understands that there is currently 1.0 vacant position in this unit.

Summary of RECOMMENDATION: Administrative Review Unit				
Description	**Total Funds**	**General Fund**	**Federal Funds**	**FTE**
FY 2010-11 Personal Svc. Appropriation	$1,986,130	$1,285,500	$700,630	25.2
Annualize 1% supplemental cut	12,985	12,985	0	0.0
Annualize FY 11 PERA adjust.	43,661	29,253	14,408	0.0
1.5% common policy reduction	(30,642)	(19,916)	(10,726)	0.0
SBA-1 (1.0% personal services reduction)	(13,278)	(13,278)	0	0.0
NP-7 (FY 12 PERA adjustment)	(43,266)	(28,100)	(15,166)	0.0
Reduce ARU Staff	(63,385)	(41,200)	(22,185)	(1.0)

Summary of RECOMMENDATION: Administrative Review Unit				
Description	Total Funds	General Fund	Federal Funds	FTE
Subtotal - Personal Services	**1,892,205**	**1,225,244**	**666,961**	**24.2**
FY 2010-11 Operating Expenses	197,244	128,208	69,036	0.0
Reduce ARU Staff	(5,910)	(3,842)	(2,068)	(1.0)
Subtotal - Operating Expenses	**191,334**	**124,366**	**66,968**	**(1.0)**
TOTAL RECOMMENDATION	**$2,083,539**	**$1,349,610**	**$733,929**	**(1.0)**

Staff Recommendation: Reduce ARU FTE

The General Assembly approved adding 3.0 new FTE for this unit in mid-FY 2008-09, on the grounds that the State was not completing federally-required reviews of out-of-home placements in a timely manner. However, between July 2009 and December 2010, the number of open removals (out-of home placements) in the child welfare and DYC populations fell by 19.1 percent, driven by a decline in child welfare numbers. While the number of youth in out-of-home placement has been declining for several years, and staff took this into account in recommending 3.0 FTE, rather than the 6.6 requested, the numbers began to fall much more steeply in FY 2009-10 and FY 2010-11.

As described in more detail below:

- The original rationale for the new staff--timeliness of out-of-home reviews--is apparently no longer as great a concern. Instead the Department is responding to federal demands to implement more comprehensive continuous quality assurance.
- The Department has reassigned 2.0 FTE from out-of-home placement reviews to be in-home review coordinators: on in July 2010 and one in November 2010.
- While staff agrees that an increased focus on in-home placements is appropriate, given the basis for the Department's original request for FTE, the ongoing decline in out-of-home placements, and the statewide revenue shortfall staff recommends that 1.0 FTE, currently vacant, be eliminated.
- Based on the trends in cases actually being reviewed by the Division, staff would expect that the Division could continue to have 2.0 FTE be in-home review coordinators *and* remain in sufficient compliance with federal requirements, even with a 1.0 FTE reduction. However, staff acknowledges that the data is not clear-cut.

Timeliness Issues. The 3.0 new FTE were added in FY 2008-09 specifically on the grounds that the State risked federal sanctions due to lack of timeliness on reviews of out-of-home placements. However:

- A significant portion of the timeliness issues (although not all) appear to be related to data cleaning issues, e.g, children who were adopted but who remained on the list of children due for review, despite this.
- The Department recently requested input from federal authorities as to whether it was at risk

of sanction and was informed "There are no fiscal AFCARS sanctions for Colorado projected in the near future."

- The number of reviews actually being completed per FTE has declined since the new staff were added, apparently due to various issues with family leave and turnover and the time required to train new staff before they take on a full caseload. Likely related to this, timeliness as reflected in federal AFCARS data submissions (indicates whether a child has received an evaluation within 10 months of the required six month evaluation) has declined since the new staff were added. The Department noted that In April, 2010 performance was at 17.32% error rate (percent not timely), while the most recent submission in October 2010 was at 15.38% error rate. However, both of these are outside federal requirements for a 10.00 percent error rate and worse than the 13.56% error rate in Fall 2008.

Given the Department's decision to reassign 2.0 FTE from out-of-home placement reviews to in-home review coordinators, *staff understands that the Department is now trying to balance the requirement for timely out-of-home placement reviews with broader federal requirements related to quality assurance.*

Continuous Quality Assurance. In response to staff questions, the Department indicated the 2009 federal Child and Family Services Review had found the state lacked an adequate quality review system. Concerns in the CFSR ranged from the fact that ARD provided limited oversight of in-home services cases (reviewed only twice a year, creating a 5-year cycle to review all in-home services cases) to the more general concern that ARD was not integrated into a larger statewide quality assurance system to support *continuous quality improvement*. To support continuous quality improvement, ARD would need to share information about successful programs statewide, rather than requiring each county to "reinvent the wheel."

In January of 2010 the ARD piloted a Regional Review model. This model groups up to seven smaller counties together into one review group. One county hosts the review, with all other counties bringing their files to the host county. The ARD also offers training and technical assistance on the review instruments and processes to all participating counties. This model maximizes the use of county and ARD staff time and minimizes travel expenses to the ARD. The ARD also implemented a narrative Quality Assurance Report, which is written after the completion of the In-Home and Assessment Reviews, to document county strengths and areas needing improvement.

The Department notes that its Child and Family Services Plan for Colorado identified the Administrative Review Division (ARD) as the entity responsible for implementing the majority of the federally required (45 C.F.R. 1357.15 (u) and 45 C.F.R. 1355.34 (c)(3)) quality assurance system, including case reviews, in-home service reviews, and assessment reviews: "The combination of data and reports from these reviews allows Colorado to fulfill these Federal requirements while simultaneously having processes to measure and provide feedback on case practice and processes designed to improve outcomes for children and families served through the County Departments of Human/Social Services."

FTE Need Based on Available Data. Determining the number of out of home reviews that need to be conducted is difficult, given that:

- The number of cases eligible for review likely *overstates* the number requiring review. The Division has never completed timely review of all eligible children. There remain questions about the accuracy of the count of cases eligible for review, although the Division believes this count is improving over time.
- The number of cases actually reviewed likely *understates* the number requiring review. The Division indicates the number of reviews actually completed is still short of the number it believes should be completed.

If 1.0 FTE can complete an average of 55 out-of-home reviews per month, and 2.0 of 19.0 reviewer positions are re-assigned to in-home review, then the Division should have 17.0 reviewers responsible for out-of-home placement reviews. Theoretically, these reviewers should be able to complete 935 reviews on average per month. **Staff believes this is *probably* more than the number of reviews that need to be completed, given both the history on the number of reviews actually completed and the overall declining trend in out-of-home placements**. Given the statewide revenue shortfall, staff has therefore recommended eliminating 1.0 FTE. Staff assumes that, if the revenue situation improves and/or the Division is unable to manage its responsibilities with this level of FTE, it will again request an increase.

	FY 05-06	**FY 06-07**	**FY 07-08**	**FY 08-09**	**FY 09-10**	**FY 10-11 (6 mo actual)**
Average number out-of-home cases eligible for review per month	1,312	1,290	1,211	1,358	1,201	1,072
Percent change		*-1.7%*	*-6.1%*	*12.1%*	*-11.6%*	*-10.7%*
Average cases reviewed per month	868	784	832	902	791	792
Percent change		*-9.7%*	*6.1%*	*8.4%*	*-12.3%*	*0.1%*
Appropriated FTE	16.0	16.0	16.0	16.8	19.0	19.0
Actual FTE	15.6	14.4	15.8	16.4	18.6	17.0
Cases per Actual FTE	56	54	53	55	43	47

Staff Recommendation - Eliminate 1.0 FTE			
		FY 2008-09/FY 2009-10 Increase approved Could be partially eliminated in FY 2011-12	
	Annual salary	FTE	Amount
Personal Services			
Compliance Investigator II	$56,796	1.0	$56,796
PERA (10.15%)			5,765
Medicare (1.45%)			824
Subtotal - Personal Services		**1.0**	**63,385**
Operating Expenses			
Supplies @ $500 per year			$1,500
Computer @ $900 one time			0
Office Capital Outlay @1,000 one-time			0
Software@ $330 one-time			0
Telephone @ $450/year			1,350
Lodging @ (1 FTE * 36 nights * $85/nt)			3,060
Subtotal - Operating Expense			**5,910**
Grand TOTAL		1.0	**$69,295**
General Fund			$45,042
Federal Funds (IV-E)			$24,253

Records and Reports of Child Abuse or Neglect

This line item provides funding for the Department to maintain records of abuse and neglect and to perform related functions. Funding for this purpose was previously included in a line item in the Division of Child Welfare entitled, "Central Registry of Child Protection". House Bill 03-1211 repealed the state Central Registry of Child Protection, effective January 1, 2004. Pursuant to H.B. 03-1211, the Department of Human Services now utilizes records and reports of child abuse or neglect for the purpose of conducting background screening checks (generally requested by employers and agencies to screen potential child care employees, child care facility license applicants, and prospective adoptive parents). Fees paid for screening checks continue to be used to cover the direct and indirect costs of performing background checks and administering provisions related to the appeals process and the release of information contained in records and reports[1]. Functions related to records and reports of abuse and neglect are currently performed as follows:

- County departments of social services enter confirmed reports of child abuse or neglect in the state Department's automated system (Colorado Trails) within 60 days of receiving the complaint.

- County departments of social services provide notice to a person responsible in a confirmed report of child abuse or neglect of the person's right to appeal the county department's finding to the state Department within 90 days.

- Such a person may request: (1) a paper review of the county's confirmed report and record by the Department of Personnel and Administration, Division of Administrative Hearings; or (2) a fair hearing (either by telephone or in person) by the Division of Administrative Hearings before an administrative law judge, at which the state Department would bear the burden of proof. The notice includes information as to how the individual can access the county department's dispute resolution process.

- The state Department's Office of Appeals issues final agency decisions upon review of an administrative law judge's final decision. The final agency decision continues to advise the individual who filed the appeal of his/her right to seek judicial review in the state district court.

In FY 2007-08, 1.3 FTE was added to this line item to help address a backlogs in child abuse dispute reviews and to avoid a backlog for background checks. The fee for a background check is currently $30. It was temporarily lowered to $10, from the previous level of $35, to spend down the program's fund balance between January 2004 and August 2008.

Records and Reports Staffing Summary	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request	FY 2011-12 Recomm.
Administrative support (issuance of final agency decisions and related administrative functions)	0.9	2.1	2.1	2.1
Technicians (background/employment screening)	2.7	1.4	1.4	1.4
General Professionals (represent Department at hearings and settlement conferences)	3.6	4.0	4.0	4.0
TOTAL	**7.2**	**7.5**	**7.5**	**7.5**

The Department requested $575,825 cash funds and a continuation level of 7.5 FTE. The request

[1] These fees are also used to cover a portion of the costs of related legal services and administrative law judge services.

includes the annualization of FY 2010-11 adjustment requiring staff to pay an additional 2.5 percent of their salaries for PERA and Decision Item #NP-7, which continues this adjustment in FY 2011-12. The staff recommendation, calculated according to Committee common policy, is reflected below.

Summary of Recommendation: Records and Reports of Child Abuse or Neglect		
Description	**TOTAL - Cash Funds**	**FTE**
FY 2010-11 Appropriation - Personal Services	539,425	7.5
Annualize FY 11 PERA adjust.	8,166	0.0
1.5% common policy reduction	(8,214)	0.0
NP-7 (FY 12 PERA adjustment)	(9,837)	0.0
Subtotal - Personal Services	**529,540**	**7.5**
FY 2010-11 Appropriation - Operating Expenses	38,071	0.0
No Changes	0	0.0
Subtotal - Operating Expenses	**38,071**	**0.0**
TOTAL RECOMMENDATION	**$567,611**	**7.5**

JUVENILE PAROLE BOARD

Pursuant to Section 19-2-206 (6), C.R.S., the Department of Human Services is responsible for providing clerical support for the Juvenile Parole Board (JPB). The juvenile parole board administrator is appointed by the executive director of the Department of Human Services.

The Juvenile Parole Board is a nine-member body responsible for reviewing and approving parole applications for adjudicated juveniles in the custody of the Division of Youth Corrections (DYC). Authority for the Juvenile Parole Board is established in Section 19-2-206, C.R.S. The full board is required to meet no less than once per month (Section 19-2-206 (4), C.R.S.). Members of the Juvenile Parole Board are reimbursed for expenses incurred in the performance of their duties. In addition to the reimbursement of expenses, the four citizen board members and the local elected official member receive a per diem of one hundred fifty dollars per day spent transacting official business of the board. House Bill 08-1156 (Casso/Gibbs) clarified the role of the Juvenile Parole Board and added a victims rights coordinator position, using reappropriated funds transferred from the Department of Public Safety.

Executive Director's Office - Juvenile Parole Board Staffing Summary	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request	FY 2011-12 Recomm.
Board Administrators and Support Staff	2.2	2.2	2.2	2.2
Victims Rights Coordinator	0.7	0.8	0.8	0.8
TOTAL	**2.9**	**3.0**	**3.0**	**3.0**

The Department's request for $243,049, including $198,090 General Fund and 3.0 FTE includes:

- the annualization of FY 2010-11 adjustment requiring staff to pay an additional 2.5 percent of their salaries for PERA and Decision Item #NP-7, which continues this adjustment in FY 2011-12;
- annualization of the one-time 1.0 percent supplemental reduction to General Fund personal services;
- a reduction of $3,691 General Fund for NP-4, the Executive-proposed 2.0 percent cut to some General Fund personal services line items; and
- a reduction of $1,846 General Fund for SBA-1, the Executive-proposed additional 1.0 percent cut to some General Fund personal services line items.

The staff recommendation, reflected below, is consistent with Committee common policy.

Summary of Recommendation — Department of Human Services (1) Executive Director's Office – (B) Special Purpose Juvenile Parole Board				
	Total	**General Fund**	**Reapprop. Funds**	**FTE**
FY 2010-11 Appropriation - Personal Services	$223,961	$178,193	$45,768	3.0
Annualize 1% supplemental cut	1,800	1,800	0	0.0
Annualize FY 11 PERA adjust.	4,532	4,532	0	0.0
1.5% common policy reduction	(3,455)	(2,768)	(687)	0.0
SBA-1 (1.0% personal services reduction)	(1,846)	(1,846)	0	0.0
NP-7 (FY 12 PERA adjustment)	(3,996)	(3,187)	(809)	0.0
Subtotal - Personal Services	**220,996**	**176,724**	**44,272**	**3.0**
FY 2010-11 Appropriation - Operating Expenses	22,289	22,289	0	0.0
No Changes	0	0	0	0.0
Subtotal - Operating Expenses	22,289	22,289	0	0.0
TOTAL RECOMMENDATION	**$243,285**	**$199,013**	**$44,272**	**3.0**

Child Protection Ombudsman
This program was created through Senate Bill 10-171 (Newell/Gagliardi). The bill required the Department of Human Services to establish and administer a Child Protection Ombudsman Program by contract with a public agency or private nonprofit organization. The program is required to receive and review complaints, investigate and resolve cases when appropriate, evaluate and make recommendations for the creation of a statewide grievance policy, make recommendations to improve the child welfare system, promote best practices, and report to the Governor and the General Assembly. (Complaints relating to the Judicial Branch and judicial proceedings are to be referred to the Judicial Branch). Subject to available appropriations, the Department is required to make legal counsel available to the program in the performance of its duties, and may provide legal representation to the ombudsman in any action brought against the ombudsman in connection with his or her duties. At the beginning of the third year after program implementation, the State Auditor's Office is required to conduct a performance and fiscal audit of the program.

The bill required the Department to convene a work group to develop a detailed plan for program design during FY 2010-11 and to let request for proposals for the Ombudsman, based on the design. (Senator Newell and Representative Nikkel were the legislative appointees to the work group). The work group's plan was submitted September 17, 2010, ahead of schedule. The Workgroup identified the Ombudsman's scope of work, recommended qualifications for the Ombudsman, staffing levels for the Office, conflict-of-interest restrictions, performance measures, and procedural standards. It recommended an initial four year contract be awarded to the winning bidder. For purposes of identifying costs, the fiscal note presumed a program implementation date of February 1, 2011.

Staff recommends an appropriation of $370,000 General Fund for the program for FY 2011-12. This is consistent with the fiscal note for the bill. The fiscal note reflected the expectation that funding would be from the General Fund and that donations (deposited to the newly created Child Protection Ombudsman Program Fund) would augment General Fund amounts if available. The bill included an appropriation of $175,000 General Fund in FY 2010-11 based on the costs of supporting the work group and five months of Ombudsman program operation. Costs are annualized in FY 2011-12. With the exception of $27,000 for legal support services, all FY 2011-12 costs are based on the estimated contract services costs for an Ombudsman's office with four staff.

(5) DIVISION OF CHILD WELFARE

The Division of Child Welfare supervises the child welfare programs that are administered by Colorado's 64 counties. The Department of Human Services also conducts periodic on-site reviews of children who are in residential care. County responsibilities include: (1) receiving and responding to reports of potential child abuse or neglect; and (2) providing necessary and appropriate child welfare services to the child and the family, including providing for the residential care of a child when a court determines that it is necessary and in the best interests of the child and community to remove the child from the home.

Child Welfare Systems Change. Over the last several years, child abuse fatalities and a number of reports highlighted weaknesses in Colorado's child welfare system and recommended changes.[2] Studies pointed to: the challenges of a county-administered system; inadequate state oversight of the system; the need for additional training throughout the system; resource issues (e.g., county staffing levels, provider supports); cross-system/co-occurring issues such as domestic violence and mental health; and problems with data and the state's case management system for child welfare (Colorado Trails).

In response to these studies, the Governor and the General Assembly took a variety of steps, ranging from providing funding for additional studies and research (*e.g.*, creation of the Child Welfare Action Committee) to adding new Division of Child Welfare staff and expanded funding for caseworker training. The Child Welfare Action Committee, which issued three reports between its creation in 2008 and completion in 2010, served a central role in shaping system reform efforts.

Some of the most significant changes, including those that involved legislative action and budget initiatives, include:

Colorado Practice Initiative. Colorado was designated as a U.S. Department of Health and Human Services Mountains and Plains Child Welfare Implementation Center project site in November 2009. The five-year award provides Colorado with sustained technical assistance resources to develop and implement systems reform. The Initiative is "an effort to develop a clear, consistent, and cohesive approach to practice and service delivery" throughout the State.

Child Welfare Staff and State Organizational Restructuring. Between FY 2008-09 and FY 2009-10, the General Assembly approved the addition of a 21.0 new FTE in the Division of Child Welfare and 3.0 FTE in the Administrative Review Division: an increase of nearly 60 percent to Division staffing at a cost of $1.5 million ($1.0 million General Fund).

Child Welfare Training Academy. S.B. 09-164 authorized the Department to require child welfare

[2] See staff briefing presentation, DECEMBER 7, 2010, for a more detailed review of recommendations and actions to-date.

workers to complete state-provided training before taking on a caseload. An FY 2009-10 budget decision item authorized the related funding of $1.6 million, including $0.9 million General Fund (this includes 6.0 of the FTE described above). The request built on an existing system of state training for caseworkers.

Child Welfare Ombudsman. S.B. 10-171 created a new Child Protection Ombudsman Program ($370,000 General Fund), contracted through the Department of Human Services. The program is required to receive and review complaints and make recommendations to the Governor and the General Assembly on improvements to the Child Welfare System.

Colorado Consortium on Differential Response. H.B. 10-1226 authorized a differential response child welfare pilot program to allow counties to offer voluntary services to families who are deemed to be a low- to moderate safety risk to a child, rather than referring these cases to dependency and neglect hearings in court. A $1.8 million federal research and development award from the National Quality Improvement Center on Differential Response in Child Protective Services will examine the effects of a differential response practice model on outcomes for children and families. The pilot project will evaluate the model from February 1, 2010 to June 30, 2013 in five counties: Arapahoe, Fremont, Garfield, Jefferson, and Larimer.

Colorado Disparities Resource Center. The Colorado Disparities Resource Center was launched with the American Humane Association in May 2009 to address issue of service disparities in child welfare based on race and ethnicity. The project was initially supported with $242,342 in Colorado Temporary Assistance to Needy Families (TANF) funds through the TANF Statewide Strategic Uses Fund (SSUF). An additional $400,000 SSUF grant will help support the project though June 30, 2012.

Corrective Action Practice Handbook/Child Welfare Rules. The State Board of Human Services adopted new rules, effective September 1, 2010 to clarify state oversight and responsibilities and a corrective action process for counties. A Corrective Action Practice handbook for counties was also issued. The rules and Handbook outline a formal process through which the State raises concerns about county processes, conducts audits, receives county responses, monitors corrective action, and (if necessary) imposes sanctions.

Child Welfare Staffing. As noted above, the Department's efforts to improve state child welfare performance has focused, in part, on its efforts to develop more robust state staffing for the division. A total of 21.0 FTE (annualized) were added between FY 2008-09 and FY 2009-10, and the division has reorganized staffing consistent with a consultant's report completed in Spring 2009. The table below outlines overall staffing, including positions that are funded outside the division or off-budget. Of note: although the Division was only approved for 1.0 new deputy director position in its FY 2009-10 budget request, it hired an additional 1.0 new deputy director in lieu of a program assistant position approved.

Current Staffing Organizational Chart				
Unit	Function	FTE in CW Admin line item	FTE in other CW line items	FTE off-budget/ outside CW
Children, Youth, and Families Director	The Child and Family Services Director oversees Child Welfare, Child Care, and Youth Corrections.	1.0	0.0	0.0
Training	1.0 Director and 6.0 staff - Child Welfare Training Academy	1.0	6.0	0.0
Child Welfare Management	1.0 Director of child welfare, 2.0 deputy directors, 1.0 support position. 1.0 FTE deputy was added instead of an administrative assistant position (*i.e.*, not officially approved by GA)	4.0	0.0	0.0
Child Protection	Oversees grants and policies related to child protection (1.0 FTE off-budget grant position)	5.0	4.0	1.0
Permanency	Oversees grants and state policies related to services designed to support a child and family where there is an imminent risk of out-of-home placement, adoption programs, and programs for adolescents (1.0 off-budget funded via grants)	8.0	3.0	1.0
Financial	Oversees distribution of funds to counties	7.0	1.0	0.0
Research and data	Oversight for Trails and federal data-reporting (2.0 FTE appropriated in the Governor's Office of Information and Technology Services)	4.0	0.0	2.0
Quality assurance	Inspection county-run foster homes and response to complaints (1.0 FTE appropriated in the Division of Child Care)	5.0	1.0	1.0
Special initiatives	Oversight CFSR, Core Services, other initiatives	6.0	1.0	0.0
Total		**41.0**	**16.0**	**5.0**

Overview of Request. The Department request reflects a continuation level of funding, with the following adjustments:

- common policy adjustments associated with personal services, the leap year and annualizing prior year actions; and
- a $4.0 million refinance of General Fund with federal Temporary Assistance to Needy Families (TANF) block grant dollars (associated with a TANF cut in the Self Sufficiency section).

ADMINISTRATION

This line item provides funding for those Department staff who supervise, manage, or provide administrative support for child welfare programs. The Division includes a child protection unit that oversees grants and policies related to child protection, a permanency unit, that oversees grants and state policies designed to support a child and family where there is an imminent risk of out-of-home placement, adoption programs, and programs for adolescents, a financial unit that oversees distribution of funds to counties, a research and data group that oversees Trails data and federal data reporting, a quality unit assurance unit that inspects county-run foster homes and responds to complaints, and a unit that oversees various special department initiatives.

Staffing Summary - (5) Division of Child Welfare, Administration	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request	FY 2011-12 Recomm.
Management	1.0	2.0	2.0	2.0
General Professionals VI and VII	4.6	7.0	7.0	*7.0*
General Professionals IV and V	23.4	28.0	28.0	28.0
Administrative Support, Program Assistants	3.5	4.0	4.0	4.0
TOTAL	**32.5**	**41.0**	**41.0**	**41.0**

The Department requested $3,589,524, including $2,831,005 net General Fund, and 41.0 FTE for this line item. The request includes:

- Adjustments to annualize the FY 2010-11 supplemental reduction for personal services and the FY 2010-11 PERA adjustment and to apply the FY 2011-12 PERA adjustment to reduce the state share of PERA contributions by 2.5 percent of salaries. For these items, the request amounts are consistent with amounts in the recommendation table below.

- A reduction of $51,601 (including $50,292 net General Fund) for the requested 2.0 percent reduction to some General Fund personal services line items (NP-4); and

- A reduction of $25,801 (including $25,147 net General Fund) for the requested 1.0 percent reduction to some General Fund personal services line items (SBA-1)

Summary of RECOMMENDATION: Administration					
Description	**Total Funds**	**General Fund**	**Reapprop. Funds**	**Federal Funds**	**FTE**
FY 2010-11 Appropriation - Personal Services	3,180,789	2,381,344	126,590	672,855	41.0
Annualize 1% supplemental cut	25,333	24,054	1,279	0	0.0
Annualize FY 11 PERA adjustment	66,127	43,726	3,025	19,376	0.0

Summary of RECOMMENDATION: Administration					
Description	**Total Funds**	**General Fund**	**Reapprop. Funds**	**Federal Funds**	**FTE**
1.5% common policy reduction	(49,083)	(36,737)	(1,963)	(10,383)	0.0
SBA-1 (1.0% personal services reduction)	(25,801)	(24,492)	(1,309)	0	0.0
NP-7 (FY 12 PERA adjustment)	(68,121)	(51,102)	(2,721)	(14,298)	0.0
Subtotal - Personal Services	**3,129,244**	**2,336,793**	**124,901**	**667,550**	**41.0**
FY 2010-11 Appropriation - Operating Expenses	462,798	441,328	6,037	15,433	0.0
No changes	0	0	0	0	0.0
Subtotal - Operating Expenses	**$462,798**	**$441,328**	**$6,037**	**$15,433**	**0.0**
TOTAL REQUEST	**$3,592,042**	**$2,778,121**	**$130,938**	**$682,983**	**41.0**

Committee Option - Reduce new child welfare staff by 2.0 FTE
In light of the revenue shortfall, the Committee may wish to consider again reducing staffing levels in the child welfare division. Staff's understanding is that the Department has now filled all of the new child welfare positions, and there are no current vacancies in the Division. Thus, staff assumes layoff and bumping procedures would be implemented if needed to reduce the size of the Division. *The 2.0 FTE positions represent the new positions that were filled last--given that they had not been filled as of FY 2010-11 figure setting.*

- a rural recruitment and retention specialist (GP IV for the Permanency Unit); and
- a intervention specialist (GP IV for the Child Protective Services Unit).

Committee Option - Eliminate 2.0 of the New FTE added FY 2009-10			
		Annual Cost	
	Annual salary	FTE	Amount
DIVISION OF CHILD WELFARE, ADMINISTRATION			
Personal Services			
General Prof. IV	$56,796	(2.0)	(113,592)
PERA (10.15%)			(11,530)
Medicare (1.45%)			(1,647)
Subtotal - Personal Services		**(2.0)**	**(126,769)**
Operating Expenses			

Committee Option - Eliminate 2.0 of the New FTE added FY 2009-10		
	Annual Cost	
Annual salary	FTE	Amount
Supplies @ $500/FTE		(1,000)
Computer @ $900/FTE		0
Software @ $330/FTE		0
Furniture @/ $3,998/FTE		0
Telephone @ $450/FTE		(900)
Subtotal - Operating Expense		**(1,900)**
Total - CW Administration	**(2.0)**	**($128,669)**
General Fund		(102,935)
Federal Funds (Title IV-E)		(25,734)

CHILD WELFARE STAFF TRAINING

This line item has historically provided funding for the Department to provide necessary training for county and state staff, direct service providers (e.g., foster parents), county attorneys, guardians ad litem, court-appointed special advocates, and court personnel. Most curriculum development and training is provided by outside contractors, including departments of social work at several colleges and universities and a few for-profit training providers. The appropriation for training was increased in FY 2005-06 due to a staff recommended transfer from the Family and Children's Programs line item. This action represented the consolidation of training funding into one line item.

Child Welfare Training Academy. For FY 2009-10, the General Assembly approved a large increase for this line item. Funding to increase available training was provided through a Long Bill decision item (FY 2009-10 DI#7) while policy changes to create a child welfare training academy were included in S.B. 09-164. The Academy largely reflected the recommendations of the Child Welfare Action Committee. Pursuant to S.B. 09-164, the Department is responsible for identifying specific child welfare job titles that are required to obtain certification as a mandatory condition of employment and to promulgate related rules. In the Long Bill, funding was provided to increase both the frequency and length of training for county child welfare caseworkers and supervisors to add a state-supervised on-the-job component. This facilitated the State's ability to require that certain training be completed before a new child welfare workers takes cases. When annualized in FY 2010-11, the cost was $1,580,498, including $898,858 General Fund and 6.0 FTE, as outlined in the table below.

FY 2009-10 Decision Item #7 - Annualized Costs - Increase Child Welfare Training	
	FY 2010-11
Personal Services for new FTE (6.0)	$299,607
Operating Expenses for new FTE (inc. vehicle lease)	35,580
Personal Services contracts:	
Curriculum review and oversight	59,102
New caseworker CORE 1,2,3,4	512,000
New supervisor CORE	96,795
Legal Preparation for Caseworkers	79,261
Participant registration and travel	382,903
Computer based training (system improvements)	69,000
Training evaluation	46,250
Total	$1,580,498

* Based on averaging the highest number the Department reported attending a class in a series by the number of sessions now offered.

The Academy opened as planned on January 19, 2010. Between January and August 2010, the Department conducted 12 new worker pre-service training sessions. Each session includes two 3-day modules and two 2-day modules for a total of 10 classroom training days per session. **Staff is concerned about the small size of classes.** Although each class is designed to accommodate up to 25 students, some sessions have had as little as 4, while the largest have had 18 participants. The average number of participants (based on the largest class participation in any session completed by October 13, 2010) was 8.9. **Assuming 20 sessions are offered per year, only 178 new workers will receive training each year--about half the number trained in FY 2008-09.** Staff presumes these exceptionally low figures reflect hiring freezes at the county level and recognizes that they may increase. Nonetheless, even if the current largest class sizes (16 to 18 staff) were to become the norm, the total number of workers receiving training appears unlikely to exceed FY 2008-09 levels.

In the FY 2009-10 decision item, it was clear that the Department was expecting to double the number of sessions offered--while only expecting an increase of 30 percent in the number of students. Thus, staff did anticipate that class sizes would decline. **However, particularly in light of current enrollment, it is not clear that offering classes with this frequency makes sense from a fiscal perspective.** Courses could be offered every 3 weeks, for example, rather than every two. The cost per new worker pre-service series is $56,272 and the average cost for the new supervisor pre-service is $26,059 per class.

Furthermore, the original request included significant additional funds associated with participant registration and travel costs. While these costs were in part driven by approximately three additional days of training per caseworker and one additional day per supervisor, they were also in part driven by an assumed increase in the number of individuals trained. Given that the number of individuals trained has fallen sharply, rather than increased, the rationale for much of these additional dollars is uncertain. Specifically, it appears that projected participant reimbursements for training in FY 2010-11 is less than $100,000 more than the actual reimbursements in FY 2008-09, before the training academy was launched. Although this expense category also includes other components (such as for staff at the colleges who manage client registration), it appears to staff that funding could be reduced.

In light of this, **the staff recommendation is to reduce the current appropriation for the Academy by $411,350.** This reflects:

- Eliminating five of the 10 new worker core trainings added ($261,350); and
- Reduce the additional funding provided for participant registration and travel by $150,000.

Training Increases Authorized in FY 2009-10 DI #7

	Prior annual number trained*	New number trained per year - Estimate in Decision Item	New number trained per year - Actual 1st year data	Prior Number Hours	New Hours (Class-room)	Prior number Sessions per year	New number Sessions per year
Legal Preparation	135	400-450	178	8	18	5	24
New Worker Core	330	400-450	178	112	128	10	20
Supervisor Core	57	100-140	81	72	80	3	9
Computer Based Training	327	400-450	unknown	30	40	ongoing	ongoing

Line Item Request and Recommendation. The Department requested $6,552,151, including $3,237,104 General Fund and 6.0 FTE.

The request includes:

- Adjustments to annualize the FY 2010-11 supplemental reduction for personal services and the FY 2010-11 PERA adjustment and to apply the FY 2011-12 PERA adjustment to reduce the state share of PERA contributions by 2.5 percent of salaries. For these items, the request amounts are consistent with amounts in the recommendation table below.

- A reduction of $3,391 General Fund for the requested 2.0 percent reduction to some General Fund personal services line items (NP-4) and $1,696 General Fund for the requested 1.0

percent reduction to some General Fund personal services line items (SBA-1).

The staff recommendation is detailed in the table below.

Summary of RECOMMENDATION: Child Welfare Training					
Description	**Total Funds**	**General Fund**	**Cash Funds**	**Federal Funds**	**FTE**
FY 2010-11 Appropriation - Personal Services	$291,238	$164,092	$0	$127,146	6.0
Annualize 1% supplemental cut	1,657	1,657	0	0	0.0
Annualize FY 11 PERA adjustment	6,712	3,798	0	2,914	0.0
1.5% common policy reduction	(4,494)	(2,543)	0	(1,951)	0.0
SBA-1 (1.0% personal services reduction)	(1,696)	(1,696)	0	0	0.0
NP-7 (FY 12 PERA adjustment)	(7,472)	(4,230)	0	(3,242)	0.0
Subtotal - Personal Services	**285,945**	**161,078**	**0**	**124,867**	**6.0**
FY 2010-11 Appropriation - Operating	25,370	14,222	0	11,148	0.0
No changes	0	0	0	0	0.0
Subtotal - Operating Expenses	**25,370**	**14,222**	**0**	**11,148**	**0.0**
FY 2010-11 Appropriation - Contractual	6,227,174	3,051,105	37,230	3,138,839	0.0
Reduce Training Academy courses	(411,350)	(230,356)	0	(180,994)	0.0
Subtotal - Contractual (Training)	**$5,815,824**	**$2,820,749**	**$37,230**	**$2,957,845**	**0.0**
TOTAL RECOMMEND	**$6,127,139**	**$2,996,049**	**$37,230**	**$3,093,860**	**6.0**

FOSTER AND ADOPTIVE PARENT RECRUITMENT, TRAINING, AND SUPPORT

This line item represents the consolidated funding the Department receives related to the recruitment and retention of foster and adoptive parents. It was intended to encourage the Department to address the shortage of foster and adoptive parents in a comprehensive manner. Funding is provided to support 1.0 FTE charged with monitoring and improving counties' adoptive and foster parent recruitment and retention activities and providing technical assistance to counties. This position was first funded in FY 2001-02 to meet one of the requirements of the federal *Adoption and Safe Families Act*, which requires states to have an identifiable process for assuring diligent recruitment and retention of foster and adoptive families that reflect the ethnic and racial diversity of children for whom placements are needed. This funding was also intended to assist counties in ensuring that placement resources are available so that children in foster care can reside close to their homes, sibling groups can be placed together, and adolescents and children with developmental disabilities or mental health issues can be placed in the least restrictive, most appropriate placement.

The Department requests $326,220, including $259,111 General Fund, and 1.0 FTE. The request includes:

- Adjustments to annualize the FY 2010-11 supplemental reduction for personal services and the FY 2010-11 PERA adjustment and to apply the FY 2011-12 PERA adjustment to reduce the state share of PERA contributions by 2.5 percent of salaries. For these items, the request amounts are consistent with amounts in the recommendation table below.

- A reduction of $1,280 General Fund for the requested 2.0 percent reduction to some General Fund personal services line items (NP-4) and $640 General Fund for the requested 1.0 percent reduction to some General Fund personal services line items (SBA-1).

Summary of Recommendation: Foster and Adoptive Parent Recruitment, Training, and Support				
Description	**Total Funds**	**General Fund**	**Federal Funds**	**FTE**
FY 2010-11 Appropriation - Personal Services	77,874	62,193	15,681	1.0
Annualize 1% supplemental cut	628	628	0	0.0
Annualize FY 11 PERA adjustment	1,489	1,192	297	0.0
1.5% common policy reduction	(1,200)	(960)	(240)	0.0
SBA-1 (1.0% personal services reduction)	(640)	(640)	0	0.0
NP-7 (FY 12 PERA adjustment)	(1,489)	(1,191)	(298)	0.0
Subtotal - Personal Services	**76,662**	**61,222**	**15,440**	**1.0**
FY 2010-11 Appropriation - Operating Expenses	249,638	198,209	51,429	0.0
No changes	0	0	0	0.0
Subtotal - Operating Expenses	**249,638**	**198,209**	**51,429**	**0.0**
TOTAL RECOMMENDATION	**$326,300**	**$259,431**	**$66,869**	**1.0**

CHILD WELFARE SERVICES

This line item provides the primary source of funding for counties to administer child welfare programs and deliver associated services to children and families. This line item thus provides funding for: (1) county administration for child welfare related activities; (2) out-of-home residential care; (3) subsidized adoptions; and (4) other necessary and appropriate services for children and families.

County Capped Allocations. Pursuant to Section 26-5-104 (4), C.R.S., counties receive capped funding allocations for the administration and provision of child welfare services. Counties are allowed to use capped allocation moneys for child welfare services without categorical restriction. Those counties that serve at least 80 percent of the total child welfare services population (the largest ten counties, currently) receive individual capped allocations, and the remaining small- and medium-sized counties receive separate capped allocations. Each county's allocation consists of local, state, and federal funds. The Department uses *state and federal* funds appropriated through the Child Welfare Services line item to reimburse county departments of social services for approximately 80 percent of related expenses, up to the amount available in each county's allocation. In addition, pursuant to Section 26-5-104 (7), C.R.S., the Department is authorized, based upon the recommendations of the Allocations Committee, to allocate any unexpended funds at fiscal year-end to any county that has over spent its capped allocation. However, a county may only receive such "close-out" funds for authorized expenditures attributable to caseload increases beyond those anticipated when the allocations were made, and for expenditures *other than* those attributable to administrative and support functions.

Current law directs the Department of Human Services, after input from the Child Welfare Allocations Committee[3], to annually develop formulas for allocating child welfare funding among counties. In determining such formulas, the Department is to take into consideration historical expenditures, a comparison of such expenditures to the associated caseload, and other factors "that directly affect the population of children in need of child welfare services in a county" [Section 26-5-104 (3) (a), C.R.S.]. A county's allocation may be amended due to "caseload growth ... or changes in federal law or federal funding" [Section 26-5-104 (4) (e), C.R.S.]. In the event that the Department and the Child Welfare Allocations Committee do not reach an agreement on the allocation formula by June 15 of any state fiscal year for the following fiscal year, the Department and the Child Welfare Allocations Committee are to submit alternatives to the Joint Budget Committee for selection of an allocation formula.

Prior to FY 2001-02, each county's allocation of child welfare funding was based largely on historical data, including the county's out-of-home care expenditures and the county's share of open child welfare cases. In FY 2000-01, a department consultant and the Child Welfare Allocations Committee began work on an "optimization model" for use in allocating annual capped allocations among counties. The model was actively used for allocations through FY 2006-07. The allocation model sought to: (1) identify factors that drive costs in child welfare for which reliable data is available; and (2) determine which of these cost drivers should be "optimized" within a desired range. Drivers in the model include the following:

- child abuse or neglect referrals;
- assessments as a percentage of referred children;
- total new involvements as a percentage of assessments;
- out-of home placements as a percentage of open involvement;
- average days per year for out-of-home placement;
- average cost per day for out-of-home placements;

[3] The Child Welfare Allocations Committee consists of eight members, four appointed by Colorado Counties, Inc. (CCI) and four appointed by the Department of Human Services. If CCI does not appoint a representative from the county that has the greatest percentage of the state's child welfare caseload (i.e., Denver), the Department is required to do so.

- and average cost per day for subsidized adoptions.

For the last four of these drivers, the Allocations Committee established a maximum and minimum range for funding purposes. Counties whose practice led to costs outside the range for a given driver, *e.g.*, average cost per day for subsidized adoptions, did not receive an increase in their allocation for costs above the range. The model allowed county flexibility in practice, and did not force counties to mirror one another in program administration. However, it did adjust county allocations when counties operated outside a range deemed reasonable by the Allocations Committee.

The optimization model came under fire due in part to large year-to-year funding shifts which counties found difficult to predict or manage. As a result, its use was suspended in FY 2007-08 and a subcommittee was formed to make recommendations related to the model.

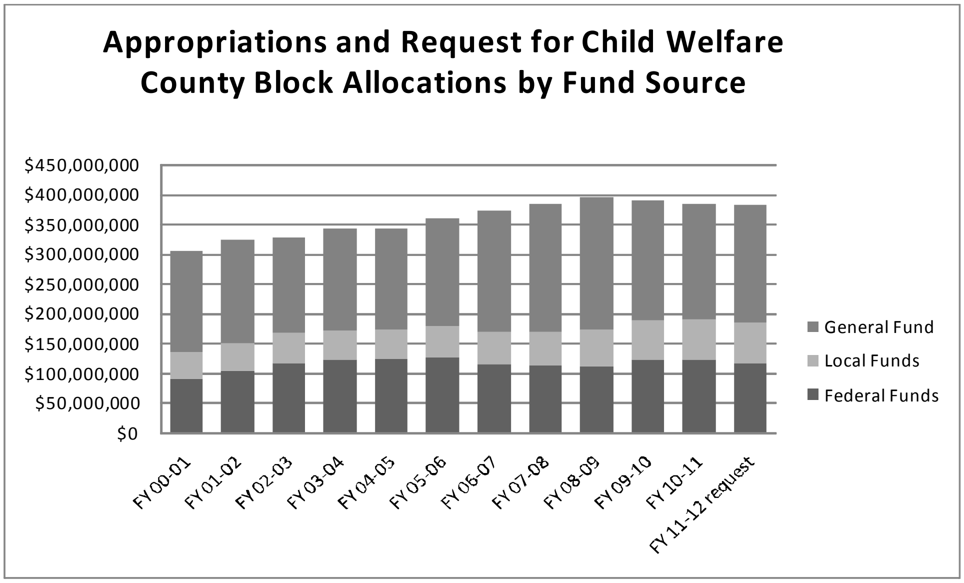
- For FY 2007-08, the allocations committee chose to use the allocations model but to set a "floor" for reductions for small and medium-sized counties of 5.0 percent of their FY 2006-07 allocations and to not allow allocations for the state's 10 biggest counties to fall below their FY 2006-07 level.

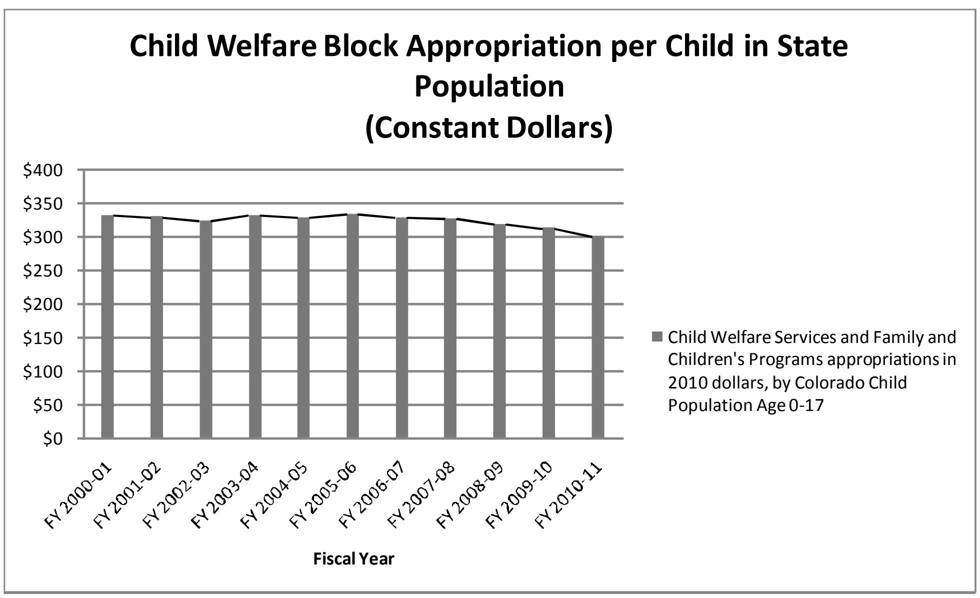
- For FY 2008-09, FY 2009-10, and FY 2010-11 the allocation committee voted to allocate funding received based on the percent of the total allocation received by each county in FY 2006-07.

- Based on the recommendations of the allocations subcommittee, the allocations committee voted to reactivate the optimization model for 2011-12. Changes have been incorporated to make funding more stable and predictable, including (1) FY 2011-12 allocations will be based on applying squeezes and drivers identified in December 2009; (2) expenditures applied in the allocation formula will be limited to the amount of a county's child welfare allocation and will not incorporate county over-expenditures; and (3) counties with less than an average of 100 open involvements over the previous 3 years on a rolling average will be excluded (excludes the 24 smallest counties). In other respects, the approach is generally the same as that used in FY 2006-07. Additional model components, including a poverty factor and outcome measures, were considered and rejected on policy or feasibility grounds, and options for "carving out" funds related to outcomes and other factors were also rejected on the basis of inadequate funding.

Appropriations for Child Welfare County Allocations and Expenditure Trends. The December 2010 staff budget briefing issue reviewed child welfare allocations and expenditures trends in detail. The following is a brief synopsis of that information, with an update from mid-year FY 2010-11 data. Note that this discussion addresses both the appropriation in this line item (Child Welfare Services) and the appropriation in the Services for Children and Families (also known as the "core services" line item), which funds services designed to keep children in the family home.

Trends in State Appropriations. Child Welfare block allocations have declined since FY 2008-09 and, as significantly, have not been increased associated with state population growth. The General Assembly has taken steps to backfill declining federal Title IV-E revenue, however, thus avoiding even steeper declines (discussed further below).

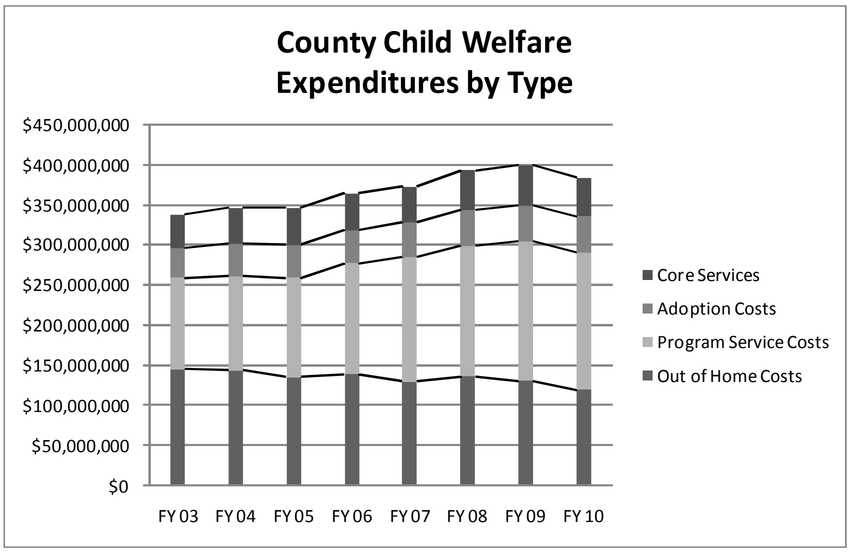




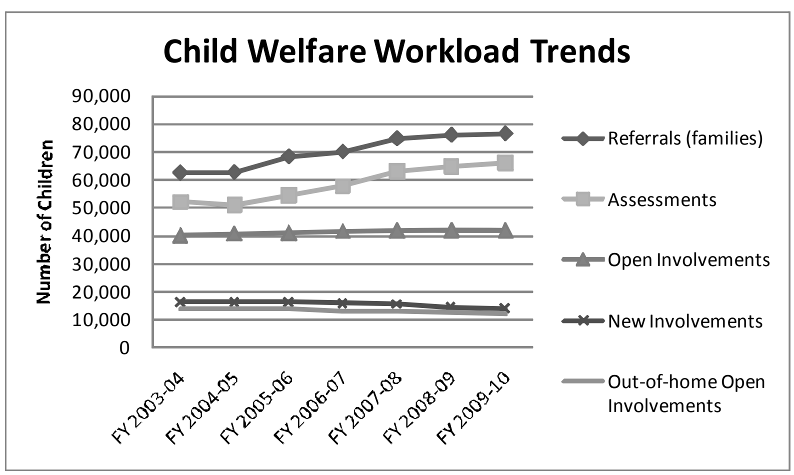
Trends in County Expenditures and Workload. As the General Assembly has curtailed block allocations and required counties to take responsibility for a larger share of child welfare costs, counties appear to have, overall, reduced child welfare spending, and limited--rather than expanded--their "overexpenditure" beyond child welfare allocations.

Appropriations for Child Welfare Allocations to Counties and County Over-expenditures					
	FY 05-06	**FY 06-07**	**FY 07-08**	**FY 08-09**	**FY 09-10**
County Block Allocations* ($ millions)	$359.3	$370.4	$384.9	$394.9	$389.4
Percent Change	*0.0%*	*3.1%*	*3.9%*	*2.6%*	*-1.4%*
County Expenditures In Excess of Capped Allocations ($ millions)	$14.2	$12.2	$20.4	$16.6	$12.8
Shortfall as Percent of Capped Allocations	*4.0%*	*3.3%*	*5.3%*	*4.2%*	*3.3%*

*Includes appropriations in the Child Welfare Services and Family and Children's Programs line items. Actual FY 2009-10 funds available were $4.7 million below amount shown, due to insufficient federal funds and a Department restriction.



County expenditures for child welfare services are partially within their control but also include drivers beyond their control, such as the number of reports of abuse or neglect, the number of founded incidents, and judicial decisions about appropriate placements. Counties assume legal responsibility for children found dependent and neglected by the courts, regardless of the cost. However, they have considerable ability to decide how to respond to allegations of abuse and design appropriate services for children. As reflected in the chart, counties have seen sharp increases in referrals and assessments (estimated to be about 1/3rd of the workload by some counties), but the open caseload has grown far more slowly, new



involvements have declined, and out-of-home placements have declined steeply.

FY 2010-11 County Expenditures to Date. Based on data for the first half of FY 2010-11, **child welfare services allocations appear poised for a net underexpenditure of $2.4 million and Family and Children's Programs for a net underexpenditure of $1.4 million**. As discussed further below, there will still be over-expenditures among some counties and **there will not be reversions**, as all funds will be fully distributed to counties. However, this figure is significant because it is indicative of the extent to which most counties have dropped their expenditures for child welfare services, despite population growth and referral trends. The table below compares spending for child welfare services only (not family and children's programs) for the big ten counties and balance of state from FY 2008-09 through the current FY 2010-11 projection period.

Child Welfare Services Expenditures by County

County	FY 2008-09 Actual	FY 2009-10 Actual	Change FY 08-09 to FY 09-10	FY 2010-11 Projected	Change FY 09-10 to FY 10-11	Projected FY 10-11 (Deficit)/Surplus v. Allocation
Adams	$32,217,687	$32,230,688	0.0%	$33,164,837	2.9%	($936,641)
Arapahoe	29,449,093	30,164,318	2.4%	30,864,417	2.3%	936,633
Boulder	18,937,500	17,679,832	-6.6%	15,533,319	-12.1%	(508,980)
Denver	73,128,321	60,804,078	-16.9%	57,858,786	-4.8%	4,600,097
El Paso	40,536,465	41,665,278	2.8%	42,880,299	2.9%	(3,499,700)
Jefferson	31,179,370	28,346,291	-9.1%	25,757,711	-9.1%	2,350,669
Larimer	17,899,871	16,770,755	-6.3%	16,023,178	-4.5%	(162,154)
Mesa	13,121,964	13,181,176	0.5%	12,256,418	-7.0%	(808,103)
Pueblo	15,159,069	14,715,482	-2.9%	14,432,632	-1.9%	3,791,569
Weld	20,878,587	22,261,673	6.6%	20,107,813	-9.7%	(2,653,617)
Other Counties	61,475,930	61,073,340	-0.7%	60,988,147	-0.1%	(715,929)
Total Expend	**$353,983,857**	**$338,892,911**	**-4.3%**	**$329,867,557**	**-2.7%**	**$2,393,844**
Allocations*	**$337,420,784**	**$328,591,125**	**-2.6%**	**$332,261,401**	**1.1%**	

Allocations are based on funds ultimately distributed by the State and differ from appropriations due to "hold outs", Medicaid adjustments, restrictions (in FY 2009-10 due to insufficient federal funds) and other factors. The amount for FY 2010-11 includes anticipated mitigation funds distributions.

Some key points from this table:

- Total county expenditures have, on average, been dropping more quickly than state appropriations and funding allocations. For FY 2010-11, child welfare services allocations increased by 1.1 percent, but total expenditures are still projected to decrease by 2.7 percent.

[Note: As reflected in the table, preliminary FY 2010-11 allocations are actually <u>above</u> FY 2009-10 preliminary allocations, despite a decline in the appropriation. The FY 2009-10 allocations were restricted by $4.7 million due to insufficient federal revenues. Because the General Assembly backfilled lost funds in FY 2010-11, useable funds increased in FY 2010-11.]

- Expenditures for Family and Children's programs ("core services"), which supports alternatives to out-of-home placement, have also been dropping much more sharply than appropriations and allocations. In FY 2009-10, the allocation was $45,456,711 and counties spent $48,342,272, over-expending this line item by a net $2.9 million. For FY 2010-11, based on the six-month actuals for FY 2010-11, counties are projected to spend $43,151,070--a drop of 10.7 percent from FY 2009-10 levels that results in a projected underexpenditure of $1,414,983. The appropriation, however, dropped only 2.0 percent from FY 2009-10 to FY 2010-11. As for Child Welfare Services, staff assumes that funds will be reallocated to ensure full expenditure; however, regardless, spending appears to have dropped, and a net overexpenditure appears unlikely.

- Because many counties that are now underspending will likely be allowed to keep most of their underexpenditures (under collaborative management incentives and similar agreements), *over-expenditure amounts that will need to be covered by the counties that do overexpend will still be significant*.

- *The "Big Ten":* Based on current projections for the Child Welfare Services allocations, six counties are poised to over-expend. A total of $8.6 million in over-expenditures are projected for Adams, Boulder, El Paso, Larimer, Mesa, and Weld. At the same time, Arapahoe, Denver and Pueblo will likely be able to retain much of their projected under-expenditures, based on Collaborative Management agreements ($11.7 million total underexpenditures are projected for the under-expending counties).

- *The "Balance of State":* Thirty-five of the 55 counties in this category are poised to overexpend Child Welfare Services by a total of $5.5 million, in some cases by very large amounts relative to their budgets. While $2.2 million of this will be addressed through a final round of "mitigation" to the extent some under-expending counties retain their underexpenditures rather than participating in funds redistribution, a funding shortfall is possible and some small counties could face significant difficulties.

Child Welfare Outcomes. As discussed above, and in greater depth during the staff budget briefing, a variety of reports over the last four years have pointed to problems in Colorado's child welfare system. Most recently, the federal government conducted its second Child and Family Services Review (CFSR) for Colorado in 2009. Colorado was not in substantial conformity with any of the seven CFSR outcomes. It was also not in substantial conformity with five of the seven systemic factors that affect the State's capacity to deliver services leading to improved outcomes. Colorado's CFSR performance on systemic factors appears to be worse than most other states that have undergone "second round" CFSR review, although its outcomes results appear to similar to or somewhat better than the average for other states. Like all states that have been reviewed, Colorado will be required to submit and implement a performance improvement plan (PIP) in order to avoid financial sanctions. *As of February 2011 Colorado has still not reached an agreement with federal authorities on its PIP*.

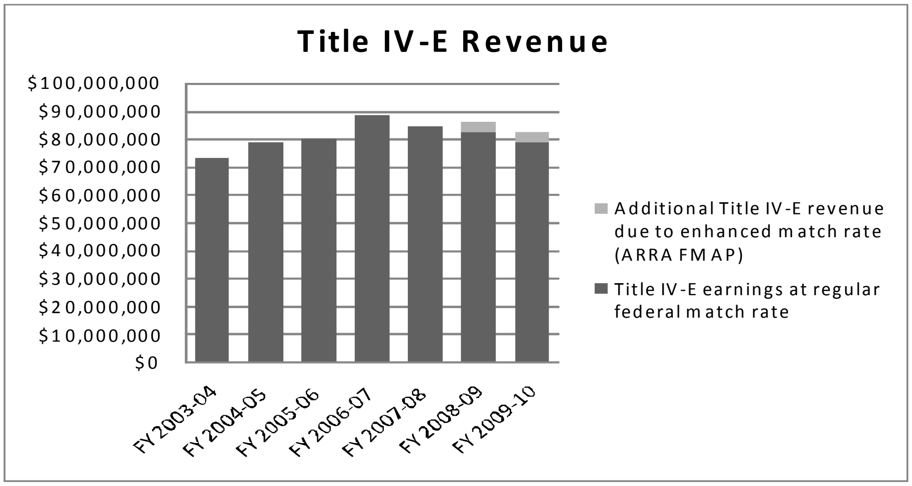
Overall, there is substantial variability in county performance on child welfare services. High rates of poverty correlate with high rates of child welfare expenditure and, to a lesser extent, with poor results on child welfare outcome measures. However, ***county decision making appears to be a primary driver in different outcomes among counties***. Due to the differences in county policies and programs, it is difficult to relate increases or decreases in funding with better or worse child welfare performance. Nonetheless, it is reasonable to expect that substantial reductions in child welfare funding may have negative program impacts.

With respect to current county efforts to balance their budgets:

- *Counties admitted to some child welfare strategies that they expected to generate worse results for children*, such as keeping caseworker positions vacant and thus increasing caseloads or ensuring that they were not serving any youth over the age of 18.

- *They also reported that they felt some cost-saving strategies had also improved their performance*: focusing Family and Children's Services dollars more narrowly to ensure that particular services related to an individual child's needs, using only providers their data indicated were successful, and applying "utilization review" processes to caseworker recommendations for out-of-home placements to ensure such placements were made only when appropriate.

Title IV-E. Under Title IV-E of the federal Social Security Act, Colorado earns federal reimbursement of at least 50 percent for some foster care and adoption services for low income children. Colorado experienced a significant decline in Title IV-E earning from FY 2006-07 through FY 2009-10, as reflected in the chart below.



Revenue increased in FY 2006-07 due to changes that reduced Medicaid funding for child welfare services and thus allowed for increased access to Title IV-E (a State cannot receive both Medicaid and Title IV-E reimbursements for the same expenditures). Since that time, revenue has declined. Decreases occurred in FY 2007-08 and FY 2008-09 despite increases in overall funding for child welfare. In FY 2008-09 and FY 2009-10, federal funding was enhanced by a federal match rate of 56.2 percent (instead of 50 percent) for room and board expenditures approved under the American Recovery and Reinvestment Act of 2009 (ARRA). (This higher match rate is phased out over the course of FY 2010-11.)

As a result of the Title IV-E trend, the State moved from a position in which Excess Title IV-E was available to support county administrative and other activities using the Excess Federal Title IV-E Cash Fund to one in which core county allocations for child welfare services were cut, as reflected in the table below.

Title IV-E Appropriations, Earning and Title IV-E Excess Revenue
Department-wide

Year	Appropriation of Title IV-E Funds	Title IV-E Earnings	Title IV-E Excess /(Shortfall)
FY 2003-04	$69,564,846	$73,444,437	$3,879,592
FY 2004-05	72,441,851	79,101,735	6,659,885
FY 2005-06	74,712,056	80,211,690	5,499,635
FY 2006-07	84,571,156	88,777,718	4,206,562
FY 2007-08	82,124,990	84,463,547	2,338,556
FY 2008-09	w/o ARRA:	82,790,470	
ARRA adjustment		3,523,366	

Title IV-E Appropriations, Earning and Title IV-E Excess Revenue Department-wide			
Year	Appropriation of Title IV-E Funds	Title IV-E Earnings	Title IV-E Excess /(Shortfall)
FY 2008-09 with ARRA	87,806,633	86,313,836	(1,492,797)
FY 2009-10	w/o ARRA:	78,867,564	
ARRA adjustment		3,824,709	
FY 2009-10 with ARRA*	87,391,729	82,692,273	(4,699,456)

*Appropriation amount includes mid-year appropriations reduction of $1.5 million related to declining revenue, but does not include a further $3,500,000 restriction imposed by the Department.

The decline in Title IV-E appears to have bees driven by a number of factors:

- Title IV-E reimburses states for costs related to out-of-home placement. Use of out-of-home placement has been declining in Colorado and nationwide. This trend is generally considered to reflect best practice, although it has negative financial implications for Title IV-E earning. Child Welfare days in out of home placement has been falling ever more steeply: by 3.4 percent in FY 2006-07, a further 4.0 percent in FY 2007-08, 4.4 percent in FY 2008-09, and 9.0 percent in FY 2009-10.

- Income eligibility for Title IV-E is based on 1996 income standards. As incomes--and the minimum wage--have increased, fewer children and families have qualified under the income-eligibility standards. Thus, even among children in out-of-home placement, the percentage deemed to be Title IV-E eligible has been in decline (from 18.9 percent in FY 2005-06 to 17.1 percent in FY 2008-09).

- Administrative effort and issues. Title IV-E earning can be affected by the failure of courts to make findings that remaining in the child's home would be contrary to the child's welfare using the appropriate language. It may also be affected by failure of counties to complete necessary paperwork in a timely manner. Finally, certain administrative changes (such as facilitating random moment sampling of child placement agencies) can increase claims.

Colorado's decline in Title IV-E revenue is consistent with the national pattern. Federal spending for Title IV-E in all categories (foster care, adoption assistance, and related administrative) peaked in 2002 at $6.73 billion and by 2007 had declined to $6.34 billion, a reduction of 5.8 percent (Green Book, 2008, a publication of the U.S. House of Representatives). Various efforts to modify the Title IV-E funding structure, including through expanding the use of Title IV-E "waivers" (similar to Medicaid waivers) have not to-date passed both houses of Congress.

FY 2010-11 Title IV-E appropriation and General Fund backfill. During FY 2010-11 figure setting, JBC staff alerted the Committee to the steep declines in IV-E revenue and incorporated these declines into figure-setting. The JBC and General Assembly took steps to backfill these declines, as had been done to a more limited extent in prior years. For FY 2010-11, this required an additional

$6.7 million General Fund (including appropriations to support county Title IV-E administrative activities) and eliminated nearly half the savings from other budget reduction initiatives in the Division. The table below summarizes actions taken over the last three years to compensate for declines in federal Title IV-E funding for child welfare services and related county administrative activities.

Backfill for Title IV-E Declines - FY 2008-09 through FY 2009-10

	FY 2008-09	FY 2009-10	FY 2010-11	Cumulative Total (FY 09 to FY 11)
Child Welfare Services	$0	($1,455,926)	$819,843	($636,083)
General Fund	634,518	597,230	5,689,483	6,921,231
Cash Funds (local match)	0	0	(178,806)	(178,806)
Federal IV-E	(634,518)	(2,053,156)	(7,176,036)	(9,863,710)
Federal Other (Title XX)	0	0	900,000	900,000
Federal IV-E ARRA	0	0	1,585,202	1,585,202
Title IV-E Administrative Activities/Excess Title IV-E Cash Fund	$0	($2,800,000)	($701,252)	($3,501,252)
General Fund	0	0	1,000,000	1,000,000
Cash Funds (Excess Title IV-E)	0	(2,800,000)	(1,701,252)	(4,501,252)
Total Backfill for IV-E Shortfalls	$634,518	$597,230	$9,174,685	$10,406,433
General Fund Backfill	634,518	597,230	6,689,483	7,921,231
Other Funds Backfill	0	0	2,485,202	2,485,202

Due to the aggressive efforts on the part of the General Assembly to compensate for the Title IV-E decline, it appears that total Title IV-E revenues for FY 2010-11 will meet or even slightly exceed the appropriation.

FY 2010-11 Title IV-E receipts. While the multi-year trend for Title IV-E has been downward, for FY 2010-11 there has also been a striking improvement in collections. For FY 2010-11, actual Title IV-E revenues for child welfare services indicate higher revenues in the first seven months of FY 2010-11 than in FY 2009-10. This is surprising given that out of home placements and total expenditures have continued to decline. Staff believes *this likely reflects additional county and Department efforts to ensure correct Title IV-E claiming, in light of the large Title IV-E revenue shortfall in FY 2009-10.* A minor additional impact may be the Fostering Connections to Success Act of 2008 that increases state opportunities for claiming Title IV-E for subsidized adoptions; however, this impact is likely minimal in FY 2010-11.

In light of the drop in Title IV-E claiming in FY 2009-10, the Department implemented various steps to improve claiming. The Department now requires the Administrative Review Division to check reviews whether Title IV-E determinations had been completed timely (within 45 days--as opposed to simply whether they are completed). It has also implemented sanctions to require counties to cover any federal revenue lost due to a county's failure to make a timely Title IV-E eligibility determination. Although penalties levied have thus far been minimal, data from the Administrative Review Division indicates that during the pilot phase of the sanctions (April through June 2010, when performance was measured but no sanctions were levied) 83.9 percent of determinations were timely. In contrast, during the first two quarters of FY 2010-11 (when sanctions were implemented), 92 percent and 91 percent (respectively) of determinations were timely. This improvement could help to explain the higher level of claiming. The General Assembly has also promoted Title IV-E administrative collections through the provision of $1.0 million General Fund to support Title IV-E administrative claiming when excess Title IV-E was no longer available for this purpose.

As reflected in the table below, the higher-than-anticipated "base" Title IV-E collections have more-than-compensated for the fact that additional revenue now anticipated in FY 2010-11 under the American Recovery and Reinvestment Act enhanced federal match provisions is far lower than the amounts originally estimated.

	FY 2009-10	**FY 2010-11**		
	Actual	**Appropriation**	**Current Projection**	**Projection v. Appropriation**
"Regular" Title IV-E	$78,867,564	$75,684,656	$79,322,638	$3,637,982
"ARRA" - Enhanced FMAP Title IV-E	3,824,709	5,496,339	2,833,553	(2,662,786)
Total	82,692,273	81,180,995	82,156,191	$975,196

Request for Line Item. The Department requests a total of $337.7 million for FY 2011-12, including $169.3 million net General Fund for the Child Welfare Services line item. The table below summarizes the components of the Department's request and staff's recommendation for the Child Welfare Services line item. Each of the components of the request is described in narrative form following the table.

Description	Department Request	Staff Recommend.	Difference
FY 2010-11 Appropriation	$339,194,894	$339,194,894	$0
General Fund	157,932,633	157,932,633	0
Cash Funds	63,997,369	63,997,369	0
Reappropriated Funds	14,293,272	14,293,272	0
Federal Funds	102,971,620	102,971,620	0
Medicaid Cash Funds	*14,293,272*	*14,293,272*	*0*
Net General Fund	*163,422,678*	*163,422,678*	*0*
I. Annualize FY 2010-11 Enhanced FMAP	(1,983,503)	(1,983,503)	0

Description	Department Request	Staff Recommend.	Difference
General Fund	3,911,137	3,911,137	0
Cash Funds	(398,301)	(398,301)	0
Reappropriated Funds	0	0	0
Federal Funds	(5,496,339)	(5,496,339)	0
Medicaid Cash Funds	0	0	*0*
Net General Fund	*5,567,729*	*5,567,729*	*0*
II. Adjust for Projected IV-E Revenue	0	0	0
General Fund	0	(1,000,000)	(1,000,000)
Cash Funds (local funds)	0	0	0
Reappropriated Funds	0	0	0
Federal Funds	0	1,000,000	1,000,000
Medicaid Cash Funds	*0*	*0*	*0*
Net General Fund	*0*	*(1,000,000)*	*(1,000,000)*
III. Leap Year Adjustment	492,709	492,709	0
General Fund	297,338	297,338	0
Cash Funds	74,334	74,334	0
Cash Funds Exempt/Reappropriated Funds	35,266	35,266	0
Federal Funds	85,771	85,771	0
Medicaid Cash Funds	*35,266*	*35,266*	*0*
Net General Fund	*314,971*	*314,971*	*0*
IV. Correct Local Share in Appropriation	0	(2,868,254)	(2,868,254)
General Fund	0	0	0
Cash Funds	0	(2,868,254)	(2,868,254)
Cash Funds Exempt/Reappropriated Funds	0	0	0
Federal Funds	0	0	0
Medicaid Cash Funds	*0*	*0*	*0*
Net General Fund	*0*	*0*	*0*
V. Medicaid Payment Delays - DI NP-2	6,252	0	(6,252)
General Fund	0	0	0
Cash Funds	0	0	0
Cash Funds Exempt/Reappropriated Funds	6,252	0	(6,252)
Federal Funds	0	0	0
Medicaid Cash Funds	*6,252*	*0*	*(6,252)*

Description	Department Request	Staff Recommend.	Difference
Net General Fund	*3,126*	*0*	*(3,126)*
TOTAL RECOMMENDATION	**$337,716,604**	**$334,835,846**	**($2,880,758)**
General Fund	162,141,108	161,141,108	(1,000,000)
Cash Funds	63,673,402	60,805,148	(2,868,254)
Cash Funds Exempt/Reappropriated Funds	14,341,042	14,328,538	(12,504)
Federal Funds	97,561,052	98,561,052	1,000,000
Medicaid Cash Funds Exempt	*14,341,042*	*14,328,538*	*(12,504)*
Net General Fund	*169,311,630*	*168,305,378*	*(1,006,252)*

FY 2010-11 APPROPRIATION

The amounts reflected in the table above are based on the FY 2010-11 appropriation as enacted. However, a number of adjustments are anticipated or recommended to this base amount. These are described below. These FY 2010-11 changes do not affect the FY 2011-12 recommendations.
Title IV-E match rate: The Long Bill reflected an assumption that the match rate would be 56.2 percent federal funds (rather than 50 percent federal funds for the entire year) for Title IV-E room and board payments. However, based on final federal action, the actual match rate phases down in the last two quarters: in the third quarter, the reimbursement falls to 53.2 percent, and in the fourth quarter it falls to 51.2 percent. This is equivalent to a rate of 54.2 percent over the course of the year. Due to these changes, as well as what now appears to be an over-estimate of the expenditures that qualify for the Title IV-E enhanced match, the ARRA-related revenue anticipated to be received have dropped from $5,496,339 to $2,833,553. However, (1) current FY 2010-11 projections for total Title IV-E revenue indicate that total revenue may meet or exceed amounts appropriated; and (2) figure setting documents indicated that $1,585,202 of the enhanced match revenue was uncertain and was not related to General Fund savings. There was thus no commitment to provide backfill if such revenue was not received. As a result, **no change to the FY 2010-11 appropriation amount** is recommended. *However, staff recommends the **federal funds letter note attached to this line item be modified** to indicate that funding estimated to be from the American Recovery and Reinvestment Act enhanced match rate is now$2,833,553. All* enhanced federal matches are eliminated for FY 2011-12.

Medicaid match rate and FY 2009-10 Medicaid two week payment delay: Two placeholders for FY 2010-11 were previously adopted related to the Department of Health Care Policy and Financing budget. Both affect "net" General Fund for this line item and one of them (the FY 2009-10 two-week payment delay placeholder) modifies the reappropriated funds appropriation for in the Department of Human Services FY 2010-11. Staff anticipates that these adjustment will be included, with similar adjustments for other line items, in a supplemental add-on to the FY 2011-12 Long Bill. Both are one-time adjustments.

	Appropriation	Lower Federal FMAP than assumed in FY 2010-11 Long Bill	FY 2009-10 Two-week Payment Delay (Pay in FY 2010-11)
Department of Health Case Policy and Financing, Department of Human Services Medicaid-funded Programs, Division of Child Welfare			
Child Welfare Services	14,293,272	0	225,912
General Fund	5,490,045	269,032	86,773
Federal Funds	8,803,227	(269,032)	139,139
Department of Human Services, Division of Child Welfare,			
Child Welfare Services	339,194,894	0	225,912
General Fund	157,932,633	0	0
Cash Funds	63,997,369	0	0
Reappropriated Funds	14,293,272	0	225,912
Federal Funds	102,971,620	0	0

Local Funds in Line Item: As discussed further below, staff recommends a technical adjustment to the local funds amount shown in this line item that will reduce the FY 2011-12 appropriation by $2.8 million. The Committee may wish to make a similar technical modification to FY 2010-11, as this adjustment will otherwise raise questions about the apparent "cut" in the FY 2011-12 Long Bill narrative. This change would have no substantive impact in FY 2010-11 or FY 2011-12 on county child welfare allocations.

I. ANNUALIZE FY 2010-11 ENHANCED FMAP

Under the American Recovery and Reinvestment Act, the federal government temporarily increased the federal matching share of expenditures (FMAP) for non-administrative Medicaid and foster care and adoption expenditures eligible for reimbursement under Title IV-E of the Social Security Act. The enhanced rates were available for three quarters of FY 2008-09 and all of FY 2009-10 and are phased out over the course of FY 2010-11. For FY 2011-12, Colorado returns to a standard reimbursement rate of 50 percent for both Medicaid and Title IV-E programs.

This portion of the request and recommendation includes three components, outlined in the table below:

- An adjustment to "net" General Fund (shown for informational purposes) related to child welfare services that are eligible for Medicaid reimbursement. Of the appropriation in this line item $14.3 million is Medicaid reappropriated funds used for therapeutic services at therapeutic residential child care facilities (TRCCFs) and residential services for children with developmental disabilities provided under the Children's Habilitation Residential Program (CHRP) Home- and Community-based Services waiver program. Eliminating the enhanced FMAP for these programs drives an increase of $1.7 million General Fund.

- An increase of $3.9 million General Fund and decrease of $3.9 million federal funds to annualize (eliminate) the temporary refinance of General Fund with additional federal Title IV-E enhanced FMAP funds. Under the Title IV-E enhanced FMAP provisions, Colorado was able to refinance $3.3 million General Fund in FY 2008-09 and $3.9 million in FY 2009-10, which was continued in FY 2010-11. The federal funds are eliminated and the General Fund restored for FY 2011-12.

- A decrease of $1.6 million federal funds and $0.4 million matching local cash funds added in FY 2010-11.This amount was added to the FY 2010-11 Long Bill based on February 2010 estimates suggesting that FY 2010-11 Title IV-E FMAP amounts might be much higher than originally forecast. These funds were added to the budget, but no associated General Fund reduction was taken. As a result, annualizing this funding results in a federal funds reduction with no offsetting General Fund increase.

Annualize Recovery Act Enhanced Federal Match (FMAP) Provisions				
	Medicaid Enhanced FMAP	Refinance with Title IV-E Enhanced FMAP	Additional Funding with Title IV-E Enhanced FMAP	Total
Child Welfare Services	$0	$0	($1,983,503)	($1,983,503)
General Fund	0	3,911,137	0	3,911,137
Cash Funds	0	0	(398,301)	(398,301)
Reappropriated Funds	0	0	0	0
Federal Funds	0	(3,911,137)	(1,585,202)	(5,496,339)
Medicaid Funds	*0*	*0*	*0*	*0*
Medicaid General Fund	*1,656,592*	*0*	*0*	*1,656,592*
"Net" General Fund	*1,656,592*	*3,911,137*	*0*	*5,567,729*

II. ADJUST FOR PROJECTED TITLE IV-E REVENUE

Background on Title IV-E Revenue. States may earn federal reimbursement under Title IV-E of the federal Social Security Act for some services to low-income children who are placed outside their own homes. In general, Title IV-E reimbursement is provided on a matching basis consistent with a state's federal match for its Medicaid program (usually 50/50 in Colorado, although adjusted by the American Recovery and Reinvestment Act). The program is an open-ended entitlement program, so there is no dollar limit on what any state may earn.

Qualifying Expenditures. Title IV-E reimbursement is provided for the following types of expenses:
- Maintenance (room and board) costs for children in foster care and for children with special needs who have been adopted;
- Administrative costs; and
- Training costs, associated with training staff and service providers.

In FY 2010-11, about half of Colorado's Title IV-E revenue is being received for administrative costs, while the remaining half was for maintenance (room and board) for low income youth in out of home placements and adoption subsidy placements.

Eligibility for Title IV-E. For related foster care expenditures to qualify, a child must have been eligible for Aid to Families with Dependant Children (AFDC) (based on the State AFDC income standards that were in place on July 16, 1996) during the month a petition was filed for removal from the home or a voluntary placement agreement was signed. The child must have lived in the home of a person related to them (within 5 degrees of kinship) within six months of the eligibility month and be deprived of parental support. A court order must find that continuation in the child's home would be contrary to the child's welfare, and that reasonable efforts were made to prevent the removal. The Fostering Connections to Success and Increasing Adoptions Act of 2008 progressively "de-links" AFDC income standards and Title IV-E eligibility, but only for adoption subsidies, and the de-link phases in over a nine year period. Starting in FFY 2009-10, the delink applied to children over age 16. In FFY 2010-11, it applies to children over age 14. Starting in FFY 2011-12, it applies to children over age 12.

Title IV-E Revenue Earning Mechanisms. Title IV-E revenue is generated in three ways:

- Direct payments for maintenance (room and board) for eligible children.
- Quarterly "random moment sampling" of county administrative activities.
- Direct reimbursement for certain administrative FTE and training activities that are Title IV-E specific.

For direct service line items in the Division of Child Welfare (child welfare services and family and children's programs line items), Title IV-E revenues are driven by actual maintenance (room and board payments) and quarterly "random moment sampling" of county administrative activities. For state child welfare administration, administrative review, and central department administration line items, federal Title IV-E revenues are also driven by quarterly "random moment sampling" of **county** (not state) administrative activities, and, for a limited number of positions and functions, direct Title IV-E support for the Department activity (e.g., for staff responsible for oversight of Title IV-E claims).

Title IV-E Appropriations , Earnings, and Excess Federal Title IV-E Cash Fund. The Long Bill includes appropriations for Title IV-E funds throughout the Department; however, the vast majority of appropriations are to the Division of Child Welfare. Title IV-E funds are earned against each line item's expenditures, based on the earning mechanisms described above. At the close of the year, the Department makes internal adjustments, so that Title IV-E revenue "over earned" in any line item is transferred to line items that have "under-earned". The Department uses Title IV-E revenue received to cover all appropriated amounts throughout the Department before determining if there is an excess of Title IV-E revenue available. Pursuant to Section 26-1-111 (2) (d) (II) (C), C.R.S., federal funds earned in excess of appropriated amounts are deposited each year into the Excess Federal Title IV-E Cash Fund. Such funds are appropriated in the subsequent year.

Title IV-E Projection. From FY 2007-08 through FY 2009-10, the State experienced a dramatic decline in Title IV-E earning due to declines in out-of-home placements, the link to 1996 AFDC income-eligibility requirements to qualify for Title IV-E, and administrative issues. Based on FY 2010-11 Title IV-E claims for the first half of the year, the downward slide appears to be at least temporarily arrested. Staff believes this is likely primarily due to counties' ensuring that eligibility determination is done promptly. Other factors, such as the progressive de-link between AFDC income eligibility and adoption subsidies (pursuant to the Fostering Connections to Success Act of 2008), as well as a state initiative to facilitate Title IV-E reimbursements for youth placed through Child Placement Agencies, should also help to temporarily reverse the decline in Title IV-E claims in FY 2011-12.

The letter note for this line item is combined with the letter note for the Programs for Children and Families line item, which also is distributed to counties. Thus *both components are included in the projection below*.

Title IV-E Projection for Child Welfare Services and Family and Children's Programs Line Items

	Title IV-E Earned	Dollar Change	% Change (excludes ARRA)
FY 2004-05	$67,537,025	n/a	
FY 2005-06	67,294,683	(242,342)	-0.4%
FY 2006-07	73,119,891	5,825,208	8.7%
FY 2007-08	71,984,322	(1,135,569)	-1.6%
FY 2008-09 w/o ARRA	69,746,975	(2,237,347)	-3.1%
ARRA Match	3,523,366		
FY 2008-09 Total	73,270,341		
FY 2009-10 w/o ARRA	65,044,907	(4,702,068)	-6.7%
ARRA Match	3,824,709		
FY 2009-10 Total	68,869,616		
FY 2010-11 w/o ARRA*	65,438,496	$393,589	0.6%
ARRA Match*	2,833,552		
FY 2010-11 Total*	68,272,048		
FY 2011-12 Total*	66,302,336	$863,840	1.3%

*Projections, described below.

Projection Methodology. Title IV-E revenues have been extremely difficult to project, particularly because the role of administrative effort in 64 counties in the trends has been impossible to determine or project, although it appears to be playing a significant role in FY 2010-11. Staff therefore examined a projection "range" for both FY 2010-11 and FY 2011-12. In sum:

- For FY 2010-11, staff applied a conservative estimate of revenue, based on the low end of the range of results. Staff anticipates that actual receipts could range from $65.2 million to $66.2 million.
- For FY 2011-12, staff applied a less conservative estimate, based on the higher end of the range of results. Staff anticipates that actual receipts could range from $64.9 million to the $66.3 million shown--or up to $1.0 million above this if FY 2010-11 actuals come in higher.

The reason for this approach is the Title IV-E structure that authorizes any excess revenue received to be deposited to the Excess Federal Title IV-E Cash Fund. The resulting funds are appropriated in the *subsequent* year to assist counties with Title IV-E administrative activities and (if sufficient funds are available) other activities.

- The staff recommendation is to use the projected FY 2010-11 excess Federal Title IV-E revenue to re-instate the previous "Excess Federal Title IV-E Revenue for County Administrative Functions" line item in FY 2011-12 and to use this to substitute for the $1.0 million General Fund appropriation provided for this purpose in FY 2010-11. *By using a conservative revenue estimate, staff is hopeful that the $1.0 million in excess Federal Title IV-E revenue will, in fact, materialize at the end of FY 2010-11 and will thus be available for expenditure in FY 2011-12 in lieu of an FY 2011-12 General Fund appropriation.*

- Staff has applied a less conservative estimate for FY 2011-12, because, if Title IV-E funds fail to fully materialize in FY 2011-12 at the level projected, the impact will likely again be on the Excess Federal Title IV-E Cash Fund and thus on the funds available from the Cash Fund in FY 2012-13. *If revenues come in too low in FY 2011-12, and excess funds are not received for deposit to the Excess Federal Title IV-E Cash Fund, the Committee may choose to reinstate a General Fund appropriation for county Title IV-E administrative activities in FY 2012-13.*

The actual methodology used was as follows:

For FY 2010-11:
Child Welfare Services and Family and Children's Programs: Actual Title IV-E revenue for seven months ($38,532,118)+ (5 months *$5,343,374 (the actual revenue in the 7th month)+$189,508 (projected impact of Title IV-E collections from Child Placement Agencies for one quarter). For comparison, a straight-line projection + the adjustment for CPA claiming yields a projection of $66,244,567.

ARRA Match (amounts from the temporary enhanced federal match rate). Actual Title IV-E revenue for six months ($2,134,514)+ (revenue in 7th month *3 months * 3.2 percent for third quarter=$508,391) + (revenue in 7th month *3 months * 1.2 percent for fourth quarter=$190,547)

For FY 2011-12:

<u>Child Welfare Services and Family and Children's Programs:</u> FY 2010-11 projection of $65,438,496 + 0.3 percent based on the percentage increase in claiming from FY 2009-10 to FY 2010-11 ($205,316)+ annualize the impact of child placement agency claiming ($658,524). For comparison, if the base were adjusted by the average annual rate of change for the three year period from FY 2007-08 to FY 2010-11, staff would project a decline of 2.8 percent ($1,849,542), only partially offset by the $658,524 increase for CPA claiming.

Budget Adjustments Based on Projection. Based on the difference between the federal funds otherwise requested and recommended for this line item and the Title IV-E projection:

For FY 2010-11: Staff recommends no adjustment to the line item appropriation. However, because staff projects that there will be Excess Federal Title IV-E revenues available at the end of FY 2010-11, this allows for General Fund savings for Title IV-E administrative activities in FY 2011-12.

For FY 2011-12: **Staff recommends that the federal funds appropriation be increased and the General Fund appropriation be decreased in this line item by $1.0 million in FY 2011-12.**

Federal funds for Child Welfare Services and Family and Children's Program	
Funds to be Appropriated:	
FY 2010-11 base Title IV-E federal funds appropriation	$67,392,046
Eliminate ARRA adjustment	(3,911,137)
Leap year request	297,338
Total - Request Federal Title IV-E funds request for these line items	63,778,247
Staff-recommended adjustment (offsets General Fund otherwise required)	**1,000,000**
Total - Recommended Title IV-E appropriation	**$64,778,247**
Funds Available:	
Total FY 2011-12 Title IV-E projection for these line items	66,302,336
Balance - Excess federal Title IV-E (available for use in FY 2012-13)	$1,524,089

III. LEAP YEAR ADJUSTMENT

Because 2012 is a leap year, the Department request includes a leap year adjustment in its FY 2011-12 budget request. Leap year adjustments have historically been provided for child welfare services. The Department's calculation for the leap year was based solely on costs incurred by counties for out-of-home placements, subsidized adoptions and special circumstance child care, *i.e.*, those costs that would be directly affected by an extra day of payments. The fund splits are based on the fund splits associated with the actual expenditure data: 9.89 percent for Medicaid out-of-home costs, with Title IV-E revenue based on a 50 percent penetration rate for Title IV-E eligibility, with 75 percent of expenditures deemed maintenance-related and therefore eligible for the 50 percent Title IV-E reimbursement. **Staff believes this represents a reasonable estimate of additional county leap year costs and fund splits and therefore recommends the request.**

IV. ELIMINATE EXCESS LOCAL SHARE IN APPROPRIATION

The Child Welfare Services appropriation has for a number of years been difficult to reconcile to the child welfare allocations distributed to counties. Appropriation and allocation amounts will not match perfectly, due to certain costs that are "held out" of county distributions and due to county ability to request that General Fund amounts be transferred back and forth between the Departments of Human Services and Health Care Policy and Financing, depending upon whether costs qualify for Medicaid reimbursement. Nonetheless, a significant problem in reconciling appropriations and allocations has been an "excess" local cash funds amount included in the appropriation. This summer, the Department provided a reconciliation between allocations and appropriations. Based on this data, staff recommends that the appropriation be reduced by **$2.9 million local cash funds in both FY 2010-11 and FY 2011-12.** This adjustment has **$0 substantive impact on county funding allocations** but merely serves to bring the appropriation in line with amounts that are currently being allocated. The table below compares current allocations and holdouts for FY 2010-11 with appropriations.

County Allocations - FY 2010-11 Preliminary		General Fund/Federal Funds/Medicaid Reappropriated Funds	CF - local share	Notes
100% CW County Admin	$26,076,053	$26,076,053	$0	
non-Medicaid TRCCF/RCCF	64,031,459	51,225,167	12,806,292	
CHRP & FFS Medicaid	14,293,272	14,293,273	0	/a
80/20 Combined Block	227,320,845	178,998,021	48,322,823	/a
Grand Total	331,721,629	**270,592,514**	**61,129,115**	/b
FY 2010-11 Appropriation	339,194,894	275,197,525	63,997,369	
	Difference	4,605,011	**2,868,254**	
	Explanation	**holdouts**	**excess local share**	

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a/ The county share for the Medicaid amounts is used to increase the local funds share of the 80/20 block grant and reduce the General Fund/federal funds share of the 80/20 block grant

b/ Preliminary allocations for FY 2010-11 exceed appropriated amounts shown above by $539,774. Staff assumes discrepancies are related to the anticipated transfer of funds among line items and/or reallocation of holdout amounts. For purposes of identifying excess local share, staff has excluded this amount.

V. MEDICAID PAYMENT DELAYS - DI NP-2
The request included an adjustment related to the anticipated delay in Medicaid payments in FY 2010-11 and FY 2011-12. Any such adjustment, if approved, would be addressed in new legislation and is not included here.

EXCESS TITLE IV-E DISTRIBUTIONS FOR RELATED COUNTY ADMINISTRATIVE FUNCTIONS [NOT included in FY 2010-11/Recommended for FY 2011-12]
States are allowed to earn federal Title IV-E funds (Title IV-E refers to a section of the federal Social Security Act) for a number of activities associated with providing services to certain children who are placed outside their own homes. Pursuant to Section 26-1-111 (2) (d) (II) (C), C.R.S., federal funds earned in excess of these appropriations are deposited each year into the Excess Federal Title IV-E Cash Fund. Such funds are appropriated in the subsequent year for distribution to counties, including for county administrative activities related to Title IV-E.

The Department did not include a request for this line item, which was not included in the FY 2010-11 Long Bill due to the lack of Excess Federal Title IV-E revenue in FY 2009-10. In prior years, this line item provided an appropriation of $1,701,252. When the line item was eliminated in FY 2010-11 it was partially replaced with a $1.0 million General Fund appropriation for Title IV-E Related County Administrative Functions. **As staff now projects that approximately $1.0 million will be available for this purpose in FY 2011-12, staff recommends restoring an appropriation of $1.0 million for this line item, which will allow for distribution of up to this amount to counties.**

TITLE IV-E RELATED COUNTY ADMINISTRATIVE FUNCTIONS
This line item was added in FY 2010-11 to provide $1,000,000 General Fund for the purpose of sustaining and improving Title IV-E Related County Administrative Functions in the absence of Excess Federal Title IV-E Cash Fund amounts. The Department requested a continuing appropriation. **The staff recommendation is to eliminate the line item in favor of the restoration of the line item above that relies on the Excess Federal Title IV-E Cash Fund**.

EXCESS TITLE IV-E REIMBURSEMENTS
In addition to providing moneys to counties to defray the costs of Title IV-E administrative functions, Section 26-1-111 (2) (d) (II) (C), C.R.S., also allows the General Assembly to appropriate to the Department moneys for TANF related purposes, child care assistance, and child welfare services. These moneys are appropriated for allocation to the counties. **This line item was eliminated in FY 2009-10 due to lack of available funding. No appropriation is recommended for FY 2011-12.**

FAMILY AND CHILDREN'S PROGRAMS
This line item was established largely as a result of the Child Welfare Settlement Agreement (which was finalized in February 1995). The settlement agreement required a number of improvements in the child welfare system, including: (1) an increase in the number of county caseworkers and supervisors; (2) improvements in the amount and types of training provided to caseworkers, supervisors, and out-of-home care providers; (3) the provision of core services to children and families (described below); (4) improvements in investigations, needs assessments, and case planning; (5) improvements in

services to children placed in residential care; (6) increased rates for out-of-home care providers and elimination of certain rate disparities; and (7) the development of a unitary computerized information system (the Colorado Trails System). In January 2002, the parties agreed that the Department and counties were in substantial compliance with the terms of the settlement agreement, and it was terminated.

This line item historically provided funding for three purposes (staff, training, and core services), but the General Assembly transferred staff and training to other line items. Currently, the line item funds only "core services" to families with children that are at imminent risk of placement outside the home.

Description of "Core Services". Pursuant to Section 19-3-208, C.R.S., the following services are to be made available and provided based upon the State's capacity to increase federal funding or any other moneys appropriated for these services and as determined necessary and appropriate by individual case plans:

- transportation;
- child care;
- in-home supportive homemaker services;
- diagnostic, mental health, and health care services;
- drug and alcohol treatment services;
- after care services to prevent a return to out-of-home placement;
- family support services while a child is in out-of-home placement including home-based services, family counseling, and placement alternative services;
- financial services in order to prevent placement; and
- family preservation services, which are brief, comprehensive, and intensive services provided to prevent the out-of-home placement of children or to promote the safe return of children to the home. Such services are further described and authorized at 26-5.5-101 through 106, C.R.S.

In addition, pursuant to Section 26-5.3-105, C.R.S., "emergency assistance" shall be made available to or on behalf of children at imminent risk of out-of-home placement. Emergency assistance includes:

- 24-hour emergency shelter facilities;
- information referral;
- intensive family preservation services;
- in-home supportive homemaker services;
- services used to develop and implement a discrete case plan; and
- day treatment services for children.

Summary of Department Request and Staff Recommendation. The Department requested $44,776,053, including SBA-2, a fund split adjustment to reduce General Fund and increase federal funds from Temporary Assistance to Needy Families by $4.0 million.

Budget Amendment #SBA 2 - Refinance Child Welfare Services with Temporary Assistance to Needy Families Block Grant

The Department submitted a budget balancing adjustment (after staff's Figure Setting for the Office of Self-Sufficiency) to:

- Further refinance $4.0 million in the Child Welfare Services line item with Temporary Assistance to Needy Families funds.
- Eliminate the remaining $4.0 million Appropriations for the Statewide Strategic Use Fund to offset the increase for Child Welfare Services.

The requested adjustments are reflected in the table below.

SBA #2 - Refinance Child Welfare with TANF - Request			
	Total	**General Fund**	**Federal Funds**
Child Welfare Services	$0	($4,000,000)	$4,000,000
Self-Sufficiency, Colorado Works, Statewide Strategic Use Fund	(4,000,000)		(4,000,000)
Subtotal	($4,000,000)	($4,000,000)	$0

During the staff Self Sufficiency figure setting presentation, the Committee approved a staff recommendation to eliminate the $4.0 million for the Statewide Strategic Uses Fund. Staff had suggested that avoiding an associated child welfare adjustment would help to shore-up TANF given the impending FY 2012-13 shortfall for TANF funds but had also noted that further refinance of child welfare to generate current year General Fund savings was feasible.

The current request adds to prior refinancing efforts. Starting in FY 2010-11, the Executive requested, and the Committee approved, refinance of $7.0 million General Fund for Child Welfare Services on an ongoing basis. As for the current request, the refinance was matched with reductions in Self Sufficiency appropriations. The current request will bring the ongoing refinance to $11.0 million. **Staff recommends this request**. **However, the Committee should be aware that this will further limit options for addressing the TANF "cliff" in FY 2012-13.** As the Committee is aware:

- In addition to this $11.0 million in ongoing refinance now recommended, a total of $12.5 million per year of Child Welfare General Fund has been refinanced on a temporary basis expected to last from FY 2009-10 through FY 2011-12. In FY 2012-13, this adjustment will either need to be "undone" (requiring $12.5 million General Fund for Child Welfare Services programs) or further cuts to TANF or child welfare programs will be required.

- Due to a structural imbalance in TANF revenues versus appropriations, staff anticipates that approximately $12 million will need to be cut from TANF programs beginning mid-FY 2012-13.

With both the Colorado Works Statewide Strategic Uses Fund and the Colorado Works Program Maintenance Fund eliminated, there will be very few options left in FY 2012-13 for reducing TANF appropriations other than county block allocations.

PERFORMANCE-BASED COLLABORATIVE MANAGEMENT INCENTIVES

This line item was first appropriated in FY 2005-06 to provide spending authority for the Department to provide incentives to counties pursuant to H.B. 04-1451 and previous legislation.

House Bill 04-1451, as amended by H.B. 08-1005. House Bill 04-1451, codified at Section 24-1.9-101 through 104, C.R.S., authorizes (but does not require) each county department of social services to enter into a memorandum of understanding (MOU) with local representatives of various agencies to promote a collaborative system of services to children and families. If a county department elects to enter into an MOU pursuant to this bill, the MOU is required to include local representatives from the following agencies:

- the local judicial districts, including probation services;
- the health department, whether a county, district, or regional health department;
- the local school district or school districts;
- each community mental health center;
- each behavioral health organization (BHO);
- the Division of Youth Corrections; and
- alcohol and drug abuse managed service organizations.

The statute encourages local agencies to enter into MOUs by region, and recommends that the agencies seek input, support, and collaboration from key stakeholders in the private and non-profit sectors, as well as from parent advocacy or family advocacy organizations.

Parties to each MOU are required to establish collaborative management processes that are designed to: (1) reduce duplication and eliminate fragmentation of services; (2) increase the quality and effectiveness of services; and (3) encourage cost-sharing among service providers. The bill also authorizes departments and agencies that provide oversight to the parties to the MOU to issue waivers of state rules necessary for effective implementation of the MOUs that would not compromise the safety of children. Through the establishment of a local interagency oversight group, parties to an MOU are to create a procedure to allow General Fund savings realized as a result of the MOU to be reinvested in services for children and families. General Fund savings associated with the program, that are to be retained by participating counties, are to be determined based on rules established by the State Board of Human Services.

Parties to an MOU may agree to attempt to meet certain performance measures, specified by the Department and the Board of Human Services. Local interagency groups that choose this option are eligible to receive incentive moneys from the "Performance-based Collaborative Management Incentive Cash Fund". Incentive moneys, which are allocated by the Department to those interagency groups that meet or exceed the specified performance measures, are to be reinvested in services for children and families. The Department is authorized to contract for external evaluation of the program.

The number of collaborative management programs has grown significantly in the last several years. As of FY 2009-10, 27 counties were participating in 25 collaboratives. Nine of the 10 largest counties have implemented Collaborative Management to varying degrees, *i.e*. different populations of children and families who would benefit from multi-agency services are identified according to the county and community's needs. (The remaining large county participates in the similar Integrated Care Management program). Eighty percent of the managed care counties target outcomes of reducing placement, reducing high cost placement or reducing length of stay. Activities range from investing in outcomes evaluation and research intended to guide practice, creation of a high fidelity wraparound service designed to reduce use and length of stay in institutional care, to implementing a single entry point for families and using cross systems service plans. Based on performance in FY 2009-10, the Department has announced that $3.2 million in Incentives will be distributed to the 27 participating counties during FY 2010-11.

Funding for the Program. House Bill 04-1451 amended a number of existing statutory provisions to change the destination of approximately $2.1 million in civil docket fee revenue. For FY 2007-08, the Performance Incentive Cash Fund was repealed and all moneys in the fund were transferred into the Performance-based Collaborative Management Incentive Cash Fund. In addition, the fund received transfers from the family stabilization services fund and from docket fees in civil actions - dissolution of marriage - as specified in Section 13-32-101 (1) (a), C.R.S. Current program funding levels exceed the annual fund revenue of approximately $2.8 million per year.

Request and Recommendation. The Department requests, and staff recommends, a continuing level of appropriation of $3,555,500 cash funds. The current projection for this cash fund, reflected below, indicates that reserves can continue to support the program through FY 2011-12, in part because the Department did not fully spend appropriated amounts in FY 2009-10. The projection reflects a reduction in spending (from $3,555,500 to $2,893,839) in FY 2012-13 to avoid over-spending available revenue. **On an ongoing basis, appropriations will need to be reduced (or new revenue sources identified) to address the $755,500 gap between revenue and expenditure levels starting in FY 2012-13.**

Performance-based Collaborative Management Incentive Cash Fund

	Actual FY 08-09	Estimated FY 09-10	Projected FY 10-11	Projected FY 11-12	Projected FY 12-13
Cash balance beginning of year	3,070,676	2,171,861	1,604,839	849,339	93,839
Actual/anticipated cash inflow	2,568,788	2,832,202	2,800,000	2,800,000	2,800,000
Actual/appropriated cash outflow	3,467,603	3,399,224	3,555,500	3,555,500	2,893,839
Actual/anticipated liquid fund balance	2,171,861	1,604,839	849,339	93,839	0
Difference - cash inflow less outflow	(898,815)	(567,022)	(755,500)	(755,500)	(93,839)

INDEPENDENT LIVING PROGRAM

This line item reflects, for informational purposes, federal Title IV-E "Chafee Foster Care Independence Program" funds that are available to states to provide services for youth up to age 21 who are, or will be, emancipating from out-of-home residential care. While some counties use other existing funding sources to support staffing units devoted to independent living and emancipation services, federal Chafee funds provide the primary source of funding for independent living services in Colorado. These federal funds support direct services to eligible youth, as well as technical assistance, program and policy development, monitoring, and program administration.

Studies concerning the circumstances of youth after leaving foster care indicate that this population is at higher risk of experiencing unemployment, poor educational outcomes, poor health, long-term dependency on public assistance, and increased rates of incarceration when compared to their peers in the general population. Since 1986, the federal government has provided states with funding to develop independent living programs intended to minimize these negative effects and prepare youth for adulthood.

Independent living programs are designed for youth who need to develop the skills necessary to lead self-sufficient, healthy, productive and responsible interdependent lives. Services are focused on encouraging the development of support systems within the community, education, career planning, money management, securing and maintaining a stable source of income and affordable housing, and health and safety. It is a goal that all youth that leave the program have completed their high school education and are continuing to participate in an educational program or obtaining a training certificate in a specific skill area and are working while in the program. County departments of social services have the flexibility to provide direct services in the manner that works well for their county and the population they serve.

This program also works in conjunction with other programs to provide services to youth emancipating from foster care. Two examples include:

- The Supportive Housing and Homeless Program [this program is also funded with 100 percent federal funds available from the Department of Housing and Urban Development] was awarded 100 time-limited (18-month) housing vouchers for youth who have aged out of foster care. In June 2002, the Department began using these vouchers to provide housing and transitional living services to young adults aging out of foster care.

- In January 2002, legislation was enacted to authorize additional Title IV-E funds (up to $60.0 million per year nationally) for educational and training vouchers for youths who age out of foster care (including youth who are adopted out of foster care after age 15). Eligible youth may receive vouchers for up to $5,000 per year for four years to attend college, a university, or an accredited vocational or technical training program. The funds may be used for tuition, books or qualified living expenses. These funds are available on a first-come, first-served basis to students out of the Colorado foster care system. The Division of Child Welfare contracted with the Orphans Foundation, a non-profit organization, to administer and track Colorado's share of the funds [see www.statevoucher.org].

The Department requests a continuation level of funding for this line item of $2,826,582 federal funds. **Staff recommends the Committee approve the Department's request for a continuation level of funding for this line item of $2,826,582 federal funds and 4.0 FTE.** Staff assumes that any savings associated with the PERA adjustment will be redirected to other program costs.

PROMOTING SAFE AND STABLE FAMILIES PROGRAM

This program, authorized under Sub-Part 2 of Title IV-B of the federal Social Security Act, provides funding for local communities to provide a variety of services to families in times of need or crises. This program promotes permanency and safety for children by providing support to families in a flexible, family-centered manner through a collaborative community effort. While a small portion of the federal funds are used to support 2.0 FTE state staff responsible for administering the program, the majority of the funds are made available to local communities and tribes.

Each local site is required to have a Community Advisory Council comprised of governmental and community stakeholders, family advocates and parents, and consumers to help direct the project. Currently, 36 counties and the Ute Mountain Ute tribe receive funding to:

- reunify children placed in the foster care system with their families;
- support and promote adoption or permanent placement with kin for children who cannot be safely returned home; and
- prevent child abuse and neglect in at-risk families.

Seventy-nine percent of program funds are awarded to local communities, 13 percent is set aside to provide support to adoptive families, and the remainder is used for administrative costs, technical assistance, and training.

A 25 percent match is required to draw down the federal funds. The General Fund is used to provide the match for the portion of the funds that are used for state-level staff and activities, and local communities are required to provide the match for the funds they receive.

The Department requests $4,458,322, including $49,632 General Fund, and 2.0 FTE for this line item. **The staff recommendation in the table below is based on a Committee common policy calculation.** As the 1.0 percent personal services reduction will be ongoing and reflects a specific match rate, staff has made an associated adjustment to the federal funds shown.

Summary of Recommendation: Promoting Safe and Stable Families Program					
Description	Total Funds	General Fund	Local Funds	Federal Funds	FTE
FY 2010-11 Personal Services	$184,916	$45,882	$0	$139,034	2.0

Summary of Recommendation: Promoting Safe and Stable Families Program					
Description	Total Funds	General Fund	Local Funds	Federal Funds	FTE
Annualize 1% supplemental cut	463	463	0	0	0.0
Annualize FY 11 PERA adjustment	3,928	982	0	2,946	0.0
1.5% common policy reduction	(2,840)	(710)	0	(2,130)	0.0
SBA-1 (1.0% personal services reduction)	(1,856)	(464)	0	(1,392)	0.0
NP-7 (FY 12 PERA adjustment)	(1,663)	(416)	0	(1,247)	0.0
Subtotal - Personal Services	**182,948**	**45,737**	**0**	**137,211**	**2.0**
FY 2010-11 Operating Expenses	16,449	4,112	0	12,337	0.0
Amount available to pass through to local agencies	4,255,620	0	1,064,160	3,191,460	0.0
TOTAL RECOMMENDATION	**$4,455,017**	**$49,849**	**$1,064,160**	**$3,341,008**	**2.0**

FEDERAL CHILD ABUSE PREVENTION AND TREATMENT ACT GRANT

This line item reflects funding and staff responsible for administering grants available pursuant to Section 106 of the Child Abuse Prevention and Treatment Act (CAPTA), as amended by Public Law 105-235. A five year reauthorization for the program was signed into law on December 20, 2010. Under federal law, states have five years to spend the funds available through this grant program. Funding is allotted to states annually on a formula basis according to each state's ratio of children under the age of 18 to the national total. This grant program requires each state to submit a five-year plan and an assurance that the state is operating a statewide child abuse and neglect program that includes specific provisions and procedures. Among other things, these assurances include:

- establishment of citizen review panels;
- expungement of unsubstantiated and false reports of child abuse and neglect;
- preservation of the confidentiality of reports and records of child abuse and neglect, and limited disclosure to individuals and entities permitted in statute;
- provision for public disclosure of information and findings about a case of child abuse and neglect that results in a child fatality or near fatality;
- the appointment of a guardian ad litem to represent a child's best interests in court;
- expedited termination of parental rights for abandoned infants, and provisions that make; and conviction of certain felonies grounds for termination of parental rights.

The reauthorized version of the bill:

- expands the child protective services target population to include infants who have Fetal Alcohol Spectrum Disorder;

- supports additional collaboration between child protective services, domestic violence and other services and makes services for children exposed to domestic violence an eligible expenditure;
- encourages the use of "differential response" in child welfare practice. Differential response is defined as "a state or community-determined formal response that assesses the needs of the child or family without requiring a determination of risk or occurrence of maltreatment."

The CAPTA State Grant program provides states with flexible funds to improve their child protective service systems in one or more of the following areas:

- the intake, assessment, screening, and investigation of reports of abuse and neglect;
- protocols to enhance investigations;
- improving legal preparation and representation;
- case management and delivery of services provided to children and their families;
- risk and safety assessment tools and protocols;
- automation systems that support the program and track reports of child abuse and neglect;
- training for agency staff, service providers, and mandated reporters; and
- developing, strengthening, and supporting child abuse and neglect prevention, treatment, and research programs in the public and private sectors.

The Department requests $381,703 federal funds and 3.0 FTE for this line item, including adjustments for the FY 2010-11 and FY 2011-12 adjustments to the state's share of PERA contributions. **The staff recommendation is reflected below. Staff has included an adjustment to the total amount shown for this program associated with the additional federal funding anticipated to be received**. Staff did not include adjustments for the 1.5 percent personal services reduction, as this will have no substantive impact on federal funding received.

Summary of Recommendation: Federal Child Abuse Prevention and Treatment Act Grant		
Description	**Federal Funds**	**FTE**
FY 2010-11 Personal Services	$206,034	3.0
Annualize FY 11 PERA adjustment	4,319	0.0
NP-7 (FY 12 PERA adjustment)	(4,324)	0.0
Subtotal: Personal Services	**206,029**	**3.0**
Operating Expenses (Assuming $500/FTE)	1,500	0.0
Amount Available for Various Activities Authorized Under Federal Law	174,174	0.0
Additional Amount Estimated to be Available for Authorized Activities	50,027	0.0
TOTAL RECOMMENDATION	**$431,730**	3.0

CHILD WELFARE ACTION COMMITTEE (H.B. 08-1404)

House Bill 08-1404 funded the executive order that established the Child Welfare Action Committee. The FY 2008-09 appropriation was comprised of $350,000 General Fund and $200,000 cash funds from the Child Welfare Action Committee Cash Fund. This cash fund was created by the bill and initially funded via a statutory requirement that the first $200,000 of the Department of Human Services' FY 2007-08 General Fund reversions would be deposited into the cash fund. Funding related to the cash fund continued to be reflected in the Long Bill in FY 2009-10 and was eliminated in FY 2010-11; however, the Department has continuous spending authority for expenditures from the Cash Fund. **No appropriation is requested or recommended for FY 2011-12.**

Staff Recommendation - Transfer Fund Balance

In response to staff questions, the Department has reported that it projects that $154,659 will remain in the cash fund at the beginning of FY 2011-12. **As the work of the Child Welfare Action Committee is now complete, staff recommends that the JBC sponsor a bill to transfer the balance remaining in the cash fund to the General Fund.**

CHILD WELFARE FUNCTIONAL FAMILY THERAPY

Through FY 2009-10 Decision Item #4, the Department requested creation of a new program for $3,281,941, including $2,632,599 General Fund, to support four functional family therapy teams and 0.5 FTE at the Department to oversee these efforts. **Funding for FY 2009-10 was eliminated through supplemental action, and no funding is requested or recommended for FY 2011-12.**

(6) DIVISION OF CHILD CARE

Background Information: Federal Child Care Funds. Unlike most sources of federal funds, the General Assembly has the authority to appropriate federal Child Care Development Funds (CCDF). The CCDF funds available to the state each year consist of three components. Each component, summarized below, has its own rules regarding funding and periods of obligation and expenditure.

- *Mandatory Funds* - Each state receives "mandatory" funds based on the historic federal share of expenditures in the state's Title IV-A child care programs (AFDC, JOBS, Transitional, and At-Risk Child Care). No state match is required to spend mandatory funds. Mandatory funds are available until expended, unless the state chooses to expend federal "matching" funds. To qualify for its share of federal matching funds, a state must obligate its mandatory funds by the end of the federal fiscal year in which they are granted.

- *Matching Funds* - A state's allocation of federal matching funds is based on the state's relative share of children under age 13. A state is required to match expenditures of this source of funds based on its applicable federal medical assistance percentage rate (50/50 for Colorado). Matching funds are available to a state if: (a) its mandatory funds are obligated by the end of the federal fiscal year in which they are awarded; (b) within the same fiscal year, the state meets the federal child care *maintenance of effort (MOE) requirement*; and (c) its federal and state shares of the matching funds are obligated by the end of the fiscal year in which they are awarded. Matching funds must be fully expended in two years. With respect to the MOE requirement, a state must continue to spend at least the same amount on child care services that it spent on the Title IV-A child care programs in FFY 1994 or FFY 1995, whichever was greater, to be eligible for its share of the matching funds.

- *Discretionary Funds* - The allocation of these funds among states is based on: a state's relative share of children under age five; a state's relative share of children receiving free or reduced price school lunches under the National School Lunch Act; and, a state's per capita income. No state match is required to spend discretionary funds. States have two years to obligate their Discretionary funds and an additional year to liquidate those obligations. Since FFY 2001, Congress has targeted certain portions of discretionary funds. Thus, a state is required to spend these *targeted discretionary funds* each year for specific types of activities designed to enhance the quality of care, including infant and toddler care as well as school-age care and resource and referral services. In addition to these targeted funds, a states must spend at least *four percent* of all of its expenditures for child care (including the state share of matching funds) on quality activities. Examples of quality activities include:

    ✓ practitioner training and technical assistance;
    ✓ grants or loans to allow programs to purchase needed equipment, make minor renovations, develop new curricula, or pursue accreditation;
    ✓ use of the federal funds to train or to lower caseloads for licensing staff; and
    ✓ grant programs specifically aimed at improving wages for child care providers.

In addition to the Child Care Development Fund federal allocations:

- *TANF Transfer Funds* - The State may effectively transfer up to 20 percent of its Temporary Assistance to Needy Families (TANF) block grant to the Child Care Development Fund (CCDF) block grant.[4] Because most TANF funds are allocated to counties, the State has historically allowed counties to determine the share of their TANF allocations they will transfer to the child care block. In its 2008 audit of the Child Care Assistance Program, the State Auditor's Office noted that the General Assembly could make this decision at the front- end by appropriating a share of the annual TANF allocation to child care programs. However, because counties presently have wide discretion in structuring their Colorado Works and Child Care Assistance Programs, the Department has thus far supported leaving TANF-transfer decisions at the county level. Because of this, there have been large swings in the amount of total spending for child care programs that has been outside of the control of the General Assembly.

Additional funding was available under the American Recovery and Reinvestment Act: $24.3 million was spread between FY 2008-09 and FY 2009-10. This funding was exhausted prior to FY 2010-11.

FFY 2010-11 Continuing Resolution and FFY 2011-12 Federal Executive Budget Request for Child Care. Federal funding levels for child care appear highly uncertain at present. The FFY 2010-11 Continuing Resolution that initially passed the House of Representatives (but not the Senate) included a substantial reduction to the Child Care Development Funds (CCDF) block grant, while the President's FFY 2011-12 budget request includes a significant increase. Based on a conversation with National Conference of State Legislature's lobby staff in Washington, it seems that a final funding level between flat and a 5.0 percent cut is likely; however final federal action is difficult to predict.

Projection for Federal Child Care Development Funds. The table below reflects the overall staff recommendation concerning the use of state-appropriated federal child care development funds for FY 2011-12 and projections for future years. Note also that, beginning in FY 2010-11, the Committee approved a staff recommendation to refinance some child care General Fund appropriations and spend-down of CCDF reserves at an ongoing rate of $1.5 million per year, in light of the statewide General Fund shortfall. Based on current projections and the staff recommendation, the rate of spend-down has decreased to $750,000 per year; however, this could change rapidly depending upon budget action at the federal level. The current projection assumes no federal funds revenue increases or decreases (although, as noted above, a decrease is possible). The recommendation includes the transfer of CCAP funds are to the CHATS program line item in FY 2011-12 to support ongoing maintenance of the new CHATS system consistent with the expectation when the project was launched.

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[4]Transfer of up to 30 percent to either CCDF or the Title XX (Social Services) block grant is permitted, with a maximum of 10 percent to Title XX. As the transfer to Title XX is consistently used up for child welfare services, up 20 percent is available for transfer to CCDF.

FEDERAL CHILD CARE DEVELOPMENT FUNDS (CCDF)							
	FY 2010-11	FY 2011-12		FY 11-12	FY 12-13	FY 13-14	FY 14-15
	Estimate*	Request	Recommend	Projection	Projection	Projection	Projection
FUNDS AVAILABLE:							
CCDF Funds Rolled Forward (inc. ARRA)	9,453,946	4,983,816	4,983,816	4,233,533	3,483,250	2,732,967	1,982,684
New Annual CCDF Award	64,612,256	64,639,520	64,639,520	64,639,520	64,639,520	64,639,520	64,639,520
TOTAL TANF FUNDS AVAILABLE	**74,066,202**	**69,623,336**	**69,623,336**	**68,873,053**	**68,122,770**	**67,372,487**	**66,622,204**
CCDF EXPENDITURES:							
CHATs Information System Operating	1,831,343	2,299,593	2,299,593	2,299,593	2,299,593	2,299,593	2,299,593
CHATS Capital, Other (prev. approp'd)	*3,495,334*	0	0	0	0	0	0
Other Indirect Costs and Information Systems	1,255,991	902,748	902,748	902,748	902,748	902,748	902,748
Child Care Assistance Program	50,915,729	50,915,729	51,105,999	51,105,999	51,105,999	51,105,999	51,105,999
Child Care Licensing and Administration	3,402,011	3,399,485	3,399,485	3,399,485	3,399,485	3,399,485	3,399,485
Child Care Grants (including targeted)	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633
Early Childhood Councils	2,479,040	2,479,040	1,979,040	1,979,040	1,979,040	1,979,040	1,979,040
School-readiness Child Care Subsidization	2,229,305	2,229,305	2,229,305	2,229,305	2,229,305	2,229,305	2,229,305
TOTAL EXPENDITURES	**69,082,386**	**65,699,533**	**65,389,803**	**65,389,803**	**65,389,803**	**65,389,803**	**65,389,803**
AVAILABLE FUNDS LESS EXPENDITURES	**4,983,816**	**3,923,803**	**4,233,533**	**3,483,250**	**2,732,967**	**1,982,684**	**1,232,401**
Annual Grant Compared to Annual Expenditures	(4,470,130)	(1,060,013)	(750,283)	(750,283)	(750,283)	(750,283)	(750,283)

CHILD CARE LICENSING AND ADMINISTRATION

Staffing Summary	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request	FY 2011-12 Recomm.
Management (Management, General Professional VI and VII)	5.8	7.0	7.0	7.0
Program Assistants	4.2	4.3	4.3	4.3
General Professional/ Licensing Specialists	42.4	47.2	47.2	47.2
Administrative and Technical Support	5.1	5.5	5.5	5.5
TOTAL	57.5	64.0	64.0	64.0

The Division of Child Care 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. In addition, the Division supervises the county-administered Child Care Assistance Program, and it performs several quality-related functions. This line item provides funding for all Division staff, except the 1.0 FTE associated with the School-readiness Child Care Subsidization Program and the 1.0 FTE associated with the Early Childhood Councils. Of the total appropriation for this line item:

- 39.2 FTE and 72 percent of the total funding (56 percent of the General Fund) relate to licensing all child care facilities and monitoring less-than-24-hour child care facilities;

- 10.0 FTE and 14 percent of the total funding (34 percent of the General Fund) relate to monitoring 24-hour child care facilities; and

- 14.6 FTE and 14 percent of the total funding (11 percent of the General Fund) relate to general administration of the Division (the Division Director, staff that administer the Child Care Assistance Program and child care grants program, staff that provide training and technical assistance to providers and county staff, and staff that ensure compliance with federal laws and regulations).

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.

In recent years, child care licensing fees have covered between 11 and 15 percent of the costs of the licensing program: cash funds represent about 13 percent of the portion of the child care administration budget allocated for licensing 24-hour and other facilities in FY 2009-10. Fees have been adjusted approximately every five years, with the most recent adjustment September 1, 2008 (there were no FY 2009-10 or FY 2010-11 increases). 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.

Licensing Caseloads. Division staff were expected to license 7,432 child care homes and facilities in FY 2010-11. As part of budget reduction initiatives in FY 2008-09, the Department requested, and the General Assembly approved, a reduction in child care licensing staff (3.5 FTE or 8.2 percent of the licensing staff). This leaves licensing caseloads at about 150 cases per worker (excludes "weighting" for larger facilities). The Division applies a risk-based system in the licensing process. Well established, high performing child care centers may be visited as little as once every three years, although centers that are new or have a history of problems are visited more frequently.

Summary of Department Request and Staff Recommendation. The Department's request for this line item for $6,492,782 ($2,195,246 General Fund) and 64.0 FTE.

The request includes:

- Adjustments to annualize the FY 2010-11 supplemental reduction for personal services and the FY 2010-11 PERA adjustment and to apply the FY 2011-12 PERA adjustment to reduce the state share of PERA contributions by 2.5 percent of salaries. For these items, the request amounts are consistent with amounts in the recommendation table below.

- A reduction of $39,760 General Fund for the requested 2.0 percent reduction to some General Fund personal services line items (NP-4) and $19,880 General Fund for the requested 1.0 percent reduction to some General Fund personal services line items (SBA-1).

The staff recommendation is detailed in the table below and is consistent with common policy.

Summary of RECOMMENDATION: Licensing and Administration					
Description	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 2010-11 Personal Services	~~4,276,634~~	~~1,969,501~~	609,106	1,698,027	64.0
	4,257,196	1,950,063			
Annualize 1% supplemental cut	19,438	19,438	0	0	0.0
Annualize FY 11 PERA adjustment	90,717	44,252	12,755	33,710	0.0
1.5% common policy reduction	(65,538)	(29,820)	(9,328)	(26,390)	0.0
SBA-1 (1.0% personal services reduction)	(19,880)	(19,880)	0	0	0.0
NP-7 (FY 12 PERA adjustment)	(89,848)	(40,819)	(12,793)	(36,236)	0.0
Subtotal - Personal Services	**4,192,085**	**1,923,234**	**599,740**	**1,669,111**	**~~62.0~~**
					64.0
FY 2010-11 Operating Expenses	457,855	281,955	138,980	36,920	0.0
Subtotal - Operating Expenses	**$457,855**	**$281,955**	**$138,980**	**$36,920**	**0.0**
FY 2010-11 Licensing Contractual	1,817,064	0	0	1,817,064	0.0
Subtotal - Licensing Contractual	**$1,817,064**	**$0**	**$0**	**$1,817,064**	**0.0**
TOTAL RECOMMENDATION	**$6,467,004**	**$2,205,189**	**$738,720**	**$3,523,095**	**64.0**

FINES ASSESSED AGAINST LICENSES

Senate Bill 99-152 created the Child Care Cash Fund, which consists of fines collected from licenses by the Department [see 26-6-114 (5), C.R.S.]. Moneys in the Fund are continuously appropriated to the Department "to fund activities related to the improvement of the quality of child care in the state of Colorado". **The Department requested a continuation level of $20,000. Staff recommends the request.**

AUTOMATED CHILD CARE ASSISTANCE PROGRAM SYSTEM REPLACEMENT

This line item funded temporary operating costs associated with the replacement and upgrade of a system for managing child care assistance payments, known as the Child Care Automated Tracking System (CHATS). Funding for the new system, which was rolled out this year, is now included in the Child Care Automated Tracking System line item in the Office of Information Technology Services.

CHILD CARE ASSISTANCE PROGRAM

The Colorado Child Care Assistance Program (CCCAP) is the largest single component of the 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. Counties are also *authorized* to provide child care assistance for a family transitioning off the Works Program or for any other family whose income is between 130 percent of the federal poverty level ($23,806 for a family of three in 2010) and 85 percent of the state median income ($54,108 for a family of three in 2010).[5] 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 (about 85 percent). Children in families earning 130 percent or less of the federal poverty level make up about 75 percent of cases.

Specific county eligibility policies do vary and have changed over time. Variations include the income levels served up to 85 percent of the median income, reimbursement rates for child care providers, and whether students in higher education programs are eligible. An analysis contracted by the State Auditors in 2008 estimated that in FY 2004-05 the program served about 27 percent of those eligible; however, individual county coverage rates varied from 2 percent to 58 percent.[6]

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).

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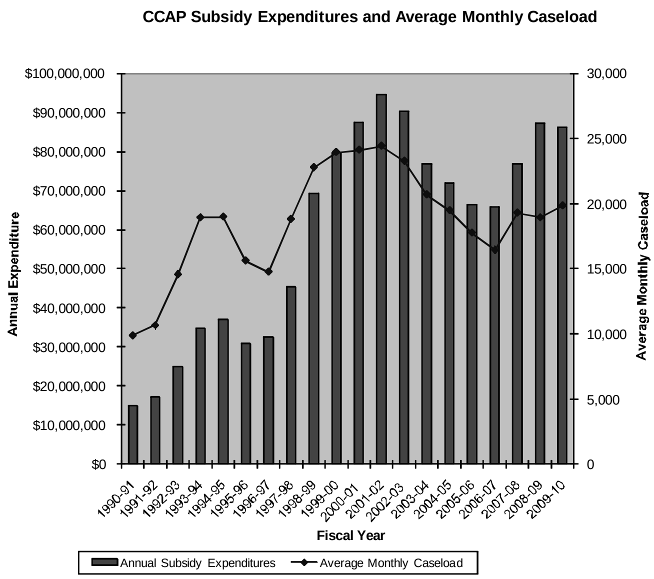
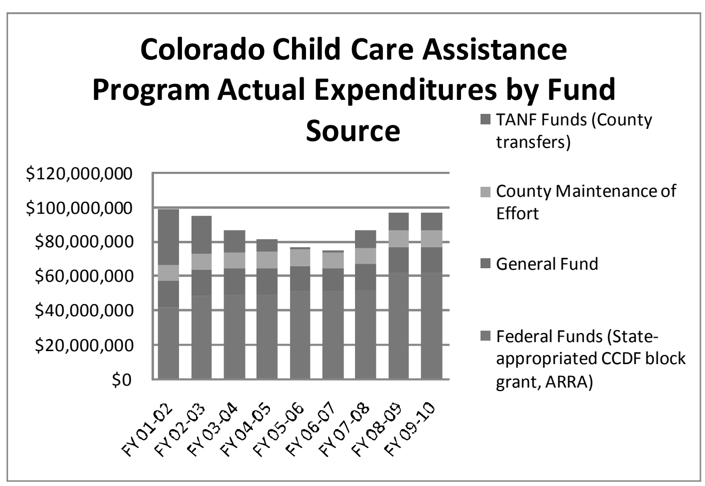
[5]The income level cap was revised upward from 225 percent of the federal poverty level to the federal maximum of 85 percent of the state median income pursuant to H.B. 08-1265.

[6]Analysis by Berkeley Policy Associates, cited in SAO Colorado Child Care Assistance Program Performance Audit, December 2008

CCCAP Appropriations and Expenditure History. The chart illustrates the history of expenditures for CCCAP, as well as the average monthly number of children for whom subsidies are provided through CCCAP. *As reflected in the chart, the history of the program reflects bursts of funding and caseload expansion, followed by rapid contraction.* Both the annual appropriation for CCCAP and the number of children for whom subsidies were provided increased rapidly in the early 1990s. However, the caseload increased at a faster rate than appropriations, requiring the Department to institute a caseload freeze in January 1995. In July 1995, this caseload freeze was replaced with specific allocations to individual counties. Although the allocation method reduced utilization temporarily, both state and local funding then increased until federal welfare reform in FY 1997-98. At this point, growth in the program began to be fueled by a combination of federal CCDF block grant funds and transfers to this block grant from the TANF block grant.



Expenditures for the program peaked in 2001-02, with county expenditures of TANF transfer dollars for the program totaling almost $32 million. However, beginning in FY 2000-01, counties began spending more TANF funds for the Works Program to address an increasing Works Program caseload. As counties depleted their reserves of TANF funds, they again took action to reduce their CCCAP caseloads (*e.g.*, reducing income eligibility standards, instituting waiting lists). Spending declined until 2006-07, when expenditures had dropped below the level that required TANF transfers, and the program reverted almost $840,000 General Fund at year end. In FY 2007-08, $2.0 million was diverted to expand child care councils (H.B. 07-1062) and counties again began to increase expenditures through increased provider reimbursement rates and eligibility caps, as well as increased administrative spending. The program peaked in FY 2008-09 with expenditures of $96.8 million.



Spending in FY 2008-09 and FY 2009-10 was supported through additional federal funds provided under the

American Recovery and Reinvestment Act ($11.1 million appropriated in FY 2008-09 and $10.4 million in FY 2009-10). These funds have now been exhausted.

- Overall spending for child care generally occurs in an inverse relationship to other TANF spending, since major increase and declines are funded through transfers from TANF.

- Associated with the above, caseload for the child care assistance program increases and decreases in an inverse relationship to the TANF basic cash assistance program. **The unstable expenditure pattern in child care appears to be less a reflection of changing demand for subsidized child care than an artifact of counties' assessment of the availability of TANF funds.**

- **Counties seem to have difficulty rapidly adjusting spending for child care**, as the impact of new eligibility criteria or freezes on new admissions only gradually affect their budgets. Changes to provider reimbursements, however, can occur more rapidly.

Projected CCAP Expenditures for FY 2010-11. The table below reflects projected Child Care Assistance Program expenditures for FY 2010-11. Note that *staff has a low level of confidence in this projection due to information technology system issues*. The roll-out- of the new Child Care Automated Tracking System (CHATS), a data system that supports the Department and all counties in managing the subsidized child care program, has affected the expenditure pattern and has likely distorted FY 2010-11 spending. This appears particularly in December and January: first, because the system will generally pay bills earlier in month than the prior system (leading to an approximately 2/3rds of a month one-time increase in spending, largely in December 2010) and, second, because certain problems in the initial version rolled-out have led some counties to revert to manual review and thus some payment delays (leading to lower January 2011 spending levels). Setting CHATS roll-out issues aside, there is also strong indication that counties are working to bring down expenses and thus further declines are anticipated during the year.

The original feasibility study for the CHATS project projected savings associated with reduced improper payments and fraud of $10.2 million per year after the system was fully established. Staff anticipated savings of about half this amount, but projected the system would be cost-effective. At present, it is impossible to separate any savings that may be associated with CHATS roll-out from other actions taken by counties to control their expenditures.

Child Care Assistance Program - Expenditure and Appropriation History and Projection				
Fiscal Year	Closeout Expenditure	Percent Change	Appropriation	Percent Change
SFY 02	$98,291,475		$65,048,209	
SFY 03	94,481,674	-3.9%	71,336,427	9.7%
SFY 04	85,850,643	-9.1%	71,336,427	0.0%
SFY 05	80,426,556	-6.3%	73,135,525	2.5%

Child Care Assistance Program - Expenditure and Appropriation History and Projection				
Fiscal Year	Closeout Expenditure	Percent Change	Appropriation	Percent Change
SFY 06	76,299,719	-5.1%	75,768,237	3.6%
SFY 07	74,301,618	-2.6%	74,739,132	-1.4%
SFY 08	86,589,306	16.5%	75,668,323	1.2%
SFY 09*	93,377,372	7.8%	86,933,041	14.9%
SFY 10*	101,057,799	8.2%	86,682,657	-0.3%
SFY 11**	86,421,008	-14.5%	74,802,572	-13.7%

*SFY 2008-09 and 2009-10 appropriation amounts include ARRA funds.
**SFY 2010-11 projection is built on the average monthly expenditures from November to January.

	Child Care Allocation	***Projected Expense***	***(Deficit)/Surplus***	***Percent (Over)/Under Allocation***
Adams	$7,927,496	$8,563,545	(636,049)	(8.0)%
Arapahoe	7,813,049	8,847,610	(1,034,561)	(13.2)%
Boulder	3,435,395	2,548,491	886,904	25.8%
Denver	12,538,332	20,087,137	(7,548,805)	(60.2)%
El Paso	10,051,018	11,059,525	(1,008,507)	(10.0)%
Jefferson	6,474,310	5,952,523	521,787	8.1%
Larimer	4,154,138	3,966,857	187,281	4.5%
Mesa	2,524,393	3,713,169	(1,188,776)	(47.1)%
Pueblo	3,201,413	3,848,397	(646,984)	(20.2)%
Weld	3,761,083	3,842,096	(81,013)	(2.2)%
Other Counties	12,921,946	13,991,658	(1,069,712)	(8.3)%
Total	$74,802,572	$86,421,008	(11,618,436)	(15.5)%

CCCAP Program Availability. Many counties are in the process of shrinking the program in FY 2010-11 in light of the other demands on their TANF block grant funds. Based on past history, as well as the funding picture for the TANF block grant (need projected to exceed funds available in FY 2011-12), funding and utilization of the Child Care Assistance Program may well continue to fall over the next several years.

Data provided indicates that:

- Fourteen counties now have CCCAP waiting lists, including four of the "big ten". Denver was the first to create a waiting list in February 2009, but others have since followed. As of November 18, there were 5,205 children (2,895 families) waiting for the CCAP program.

- Counties have reduced program eligibility criteria. In December 2009, only one county was using income eligibility between 130 and 149 percent of the federal poverty guidelines, and seven counties between 150 and 184 percent. As of November 2010, 8 counties are at the minimum 130 percent level, and 14 set between 135 and 175 percent of poverty.

- Finally, many counties have taken other steps to reduce eligibility or expenses such as barring the use of CCCAP for students and requiring single custodial parents to file for child support enforcement.

Department Request and Staff Recommendation. The Department requests $74,286,322 total funds, including $14,604,221 General Fund. The request includes a reduction of $516,260 to annualize FY 2010-11 SBA-2, which transferred funds from this line item to the new Child Care Automated Tracking System (CHATS) line item in the Office of Information Technology Services. Ongoing maintenance funding for CHATS began with roll-out of the new system in mid-FY 2010-11 and is therefore annualized in FY 2011-12.

The staff recommendation is outlined in the table below. It differs from the request due to an increase in the amount of funds transferred from this line item to the Office of Information Technology Services for CHATS, pursuant to Budget Amendment #6 and also due to a fund split change related to a recommended further reduction to the federal funds for the Early Childhood Councils line item

Budget Amendment #6
During the supplemental presentation for the Department of Human Services, Office of Information Technology Services, staff recommended, and the Committee approved, Supplemental #8, which provided additional funding for the CHATS program to address several key items that had been omitted from the original ongoing costs estimate. As part of that recommendation, staff recommended that the *annualized* impact of the FY 2010-11 supplemental ($309,730 in FY 2011-12 for Budget Amendment #6) be reduced from the Child Care Assistance Program line item. Consistent with that recommendation, staff has included the reduction below. The rationale for including this adjustment includes:

- Pursuant to a Long Bill footnote in place since the original funding of the new CHATS system, it has always been anticipated that the ongoing costs associated with the new system would be funded with federal CCDF funds and that this would include a transfer of funds from the current CCCAP line item if new funds were not available. As the feasibility study for the system projected that the new system would ultimately generate over $10 million per year in savings (and staff anticipated annual savings in the $5 million range), funding ongoing costs based on reductions in the CCCAP line item appears reasonable. The associated footnote has read, in part:

"**Department of Human Services, Office of Information Technology Services, Child Care Automated Tracking System; and Division of Child Care** -- It is the intent of the General Assembly...that ongoing costs for maintenance and administration of this system be covered through savings in or reductions to the Colorado Child Care Assistance Program and remaining Child Care Development Fund reserves. The new system will not drive additional costs to the state General Fund."

- The level of future federal funding for child care is uncertain. The Department's request would continue to spend down reserves at the level of $1.0 million per year. However, given the likelihood that federal funding in the next several years will be flat or declining, it seems prudent to reduce the level of spend-down in FY 2011-12.

Child Care Assistance Program - Staff Recommendation				
	Total	**GF**	**Local Funds**	**FF**
FY 09-10 Appropriation (S.B. 09-259)	$74,802,572	$14,604,221	$9,182,622	$51,015,729
Annualize FY 2010-11 SBA-2 (CHATS)	(516,250)	0	0	(516,250)
Cut to Child Care Councils/refinance CCAP	0	(500,000)	0	500,000
Budget Amendment #6 (CHATS)	(309,730)	0	0	(309,730)
	$73,976,592	$14,104,221	$9,182,622	$50,689,749

Budget Reduction Option - Reduce CCCAP

General Fund support for the CCCAP program (child care subsidies) could be reduced or even eliminated, providing General fund savings of up to $14.6 million. If the entire General Fund amount were cut, the State could expect to lose up to $12.6 million in matching federal funds, and the total program could be reduced by up to $27.2 million or about 36 percent of the CCCAP appropriation. About 7,000 children and their parents would lose child care subsidies, limiting the ability of those parents to work. *While a cut of this magnitude would be very painful, a more modest reduction--in the $2.0 million range--could likely be sustained without affecting federal matching funds. This would represent a 2.7 percent reduction to the CCCAP appropriation, which has not thus far received reductions to total funding related to the state revenue shortfall*. It is possible that a larger cut could be taken without affecting the federal match, given federal rules effective October 2007 that give states increased flexibility in what expenditures are counted as matching funds.

Staff has not recommended a reduction, as staff is concerned about CCCAP waiting lists and access problems in many counties. However, counties do not appear to have prioritized CCCAP in their own budgets: they have typically adjusted funding based primarily on availability of "excess" TANF dollars. *A modest state reduction would have far less impact on program access than individual county decisions about the use of TANF transfer funds*.

CHILD CARE ASSISTANCE PROGRAM - AMERICAN RECOVERY AND REINVESTMENT ACT FUNDING
Funding of $10.4 million per year was available in FY 2008-09 and FY 2009-10. No additional funding is available for FY 2010-11.

GRANTS TO IMPROVE THE QUALITY AND AVAILABILITY OF CHILD CARE AND TO COMPLY WITH FEDERAL REQUIREMENTS FOR TARGETED FUNDS
This line item was created in FY 2007-08 and combined the former "Grants to Improve the Quality and Availability of Child Care" and "Federal Discretionary Child Care Funds Earmarked for Certain Purposes" line items.

"Quality" requirement. The federal government requires that 4.0 percent of expenditures for Child Care and Development Fund-supported activities be used to improve service quality. The 4.0 percent calculation is based on total CCDF expenditures, including state expenditures required to match a portion of the federal CCDF grant and county transfers of TANF funds to CCDF. The Department's estimate for FY 2010-11 and request FY 2011-12 reflect an anticipated requirement of $3,680,261 versus anticipated/requested expenditures/appropriations of $10,800,623.

"Targeted Funds" requirements. Federal law concerning Child Care Development Funds also requires specific dollar amounts of the "discretionary grant" funding under CCDF be "targeted" (formerly known as "earmarked") for specific purposes. These targeted amounts are for: (1) infant/toddler programs; (2) school age and/or resource and referral programs; and (3) quality expansion activities such as professional development, mentioning, provider retention, equipment supply, facility start-up and minor facility renovation. Funding used to meet the "target" requirement may not also be used to meet the "quality" requirement (although many expenditures could be assigned to either category).

The Department seeks to target grant funds reflected in this line item to those areas determined to provide the greatest long-term gains. These areas include: increasing the efficiency and effectiveness of local child care services; raising the level of professional development in the field and providing early childhood training opportunities for child care providers; providing child care resource and referral services for families and child care providers; and, improving the ability of child care providers to prepare children for entering elementary school.

The table below reflects the Department's anticipated requirement for targeted funds for the state fiscal year, as reported in response to the annual request for information on Child Care Development Funds.

Federal Targeted Funds Requirement FY 2011-12				
	Quality Expansion	Infant/Toddler	School Age or Resource & Referral	Total
Targeted Funds, FY 2010-11				

Federal Targeted Funds Requirement FY 2011-12				
	Quality Expansion	Infant/Toddler	School Age or Resource & Referral	Total
Estimated open "targets" 7/1/11	537,839	311,481	54,996	904,316
New target amounts (75% FFY 12)	1,613,518	934,443	164,987	2,712,948
	2,151,357	1,245,924	219,983	3,617,264

Line Item Recommendation. The table below compares the combined federal requirements for "targeted" and "quality" funding with anticipated spending, based on the Department's response to the Committee's FY 2010-11 Request for Information #37. **As reflected below, the Department has requested, and staff recommends, a continuation level of appropriation for this line item of $3,473,633. This exceeds the minimum federal requirements for spending in these areas.** .

Federal Requirements		Amount
Federal 4% quality requirement		$3,680,261
Federal "targeted funds" requirement		3,617,264
Total federal quality and target requirement		7,297,525
"Quality" and "Target" Projected Expenditures		
Office of Operations & Executive Director's Office		26,384
Child Care Licensing and Administration (portion of line item)		3,099,987
Child Care Pilots/Early Childhood Councils		1,984,256
School Readiness Child Care Subsidization		2,226,273
TANF transfer funds spent on quality (none assumed)		0
	Subtotal	7,336,900
Grants to Improve the Quality of Child Care and to Comply with Federal Requirements for Targeting Funds - **Request and Recommendation**		**$3,473,633**
	Total	$10,810,533
"Quality" Spending in Excess of Federal Requirements		**$3,513,008**

Of the total in this line item, an estimated $710,254 supports the Early Childhood Councils.

Budget Reduction Option and Recommendation - Reduce Targeted Funds/take General Fund savings via CCCAP

Federal funds in any of the "Quality" line items above could be used in lieu of General Fund in the Child Care Assistance Program line item. Therefore, *the Committee could, in effect, take a cut to any of the following line items and use the "savings" to offset General Fund in the Child Care Assistance Program line item*. Based on the calculation above**, a total reduction of up to $3,513,008 could be taken in a combination of the following line items**:

- Grants to Improve the Quality of Child Care and to Comply with Federal Requirements for Targeting Funds ($3.5 million line item)
- Early Childhood Councils ($2.5 million line item)
- School Readiness Quality Subsidization ($2.2 million line item)

As discussed further below, the staff recommendation includes an additional $500,000 federal funds reduction to the Child Care Councils line item.

<u>EARLY CHILDHOOD COUNCILS</u>

Since FY 1997-98, the Department of Human Services has worked with the Department of Education to provide grant funds and technical assistance to local communities to design consolidated programs of comprehensive early childhood care and education services intended to serve children in low-income families. The "pilot programs", as they were named, were allowed to blend various sources of state and federal funding and could apply for waivers of state rules. The pilots were used to identify best practices relative to increasing quality, meeting the diverse needs of families seeking child care, and integrating early childhood care with education programs. The law authorizing pilots was repealed and reenacted pursuant to H.B. 07-1062 [Solano/Williams] to create the Early Childhood Councils program. House Bill 07-1062, codified at Section 26-6.5-101 et. seq., C.R.S., replaced the pilot program for consolidated child care services with a new, statewide system of early childhood councils. Councils represent public and private stakeholders in a local community who work to develop and improve local early childhood services and to create a seamless network of such services statewide. The bill also established the Colorado Early Childhood Council Advisory Team in the Office of the Lieutenant Governor.

House Bill 07-1062 also required a contracted evaluation of the early childhood council system. An evaluation was completed and submitted by the Center for Research Strategies on June 30, 2010. The evaluation concluded the "the Councils are making progress in their efforts to build the foundations of local Early Childhood systems by developing their internal capacity related to staffing, communication mechanisms, strategic planning, assessment and evaluation. They are also working to build public engagement and.... increase opportunities for new funding...." The evaluation identified various barriers to success and leverage points for change including improving marketing efforts, strengthening partnerships with key stakeholders, improving use of evaluation tools, and strengthening Council's internal capacity.

Prior to FY 2000-01, funding for this program was included in other line items (the Child Care Services line item in FY 1998-99, and the Child Care Grants line item in FY 1999-00). Funding for the pilot program was then reflected in its own line item starting in FY 2000-01 (the Pilot Program for Community Consolidated Child Care Services) until being renamed the Early Childhood Councils line item after the enactment of H.B. 07-1062. House Bill 07-1062 also transferred $2.0 million ($1.0 million General Fund) from the Child Care Assistance Program line item to expand this program starting in FY 2007-08. Half of this General Fund amount ($500,000) was refinanced with federal funds in the FY 2010-11 Long Bill; the other half was eliminated through FY 2010-11 Committee supplemental action.

Line Item Request and Recommendation. The Department requested continuation funding of $2,985,201 and 1.0 FTE for this line item for FY 2011-12, including $506,161 General Fund. It is assumed that modifications such as the PERA adjustment will be managed within the total appropriation. Through supplemental action, the JBC eliminated the General Fund in this line item.

Staff Recommendation - Eliminate additional $500,000 federal funds for Early Childhood Councils. Use savings to refinance General Fund for the Child Care Assistance Program.
As previously discussed, the Department currently devotes a larger share of its federal funds allocation to quality activities than is required. Given this, a reduction to federal funding for quality programs can be taken and the "savings" used to refinance General Fund amounts in the Child Care Assistance Program line item. **Staff believes the child care councils provide a useful function. However, among the various Division activities, staff sees this item as the least vital: the program was added more recently than any of the others and was financed through the transfer of funds from the Child Care Assistance Program line item**. Staff also notes that Committee action to reduce funding on a supplemental basis would have, in effect, required the Councils to consolidate cuts at the end of FY 2010-11; thus, the additional reduction for FY 2011-12--now spread over a full year--should not require substantial additional downsizing beyond actions taken at the end of FY 2010-11.

Summary of RECOMMENDATION: Early Childhood Councils				
Description	**Total Funds**	**General Fund**	**Federal Funds**	**FTE**
DHS staff **Personal Services**	$48,228	$0	$48,228	1.0
1.5% PERSONAL SERVICES REDUCTION	(723)	0	(723)	0.0
SUBTOTAL - PERSONAL SERVICES	**$47,505**	**$0**	**$47,505**	**1.0**
DHS staff **Operating Expenses**	950	0	950	0.0
Contractual and Pass-through				
Early Childhood Councils Direct Support (30 Councils)	2,189,747	506,161	1,683,586	0.0
Early Childhd Councils Technical Assistance and Evaluation (Colorado Department of Education)	668,738	0	668,738	0.0
Early Childhood Councils Advisory Team (Office of Lieutenant Governor)	77,538	0	77,538	0.0
Subtotal - Contractual and Pass-through	**$2,936,023**	**$506,161**	**$2,429,862**	**0.0**

Summary of RECOMMENDATION: Early Childhood Councils				
Description	Total Funds	General Fund	Federal Funds	FTE
Eliminate General Fund	**($506,161)**	**($506,161)**	**$0**	**0.0**
Reduce federal funds	**($500,000)**	**$0**	**($500,000)**	**0.0**
TOTAL RECOMMENDATION	**$1,978,317**	**$0**	**$1,978,317**	**1.0**

In addition to the amounts appropriated in this line item, an estimated $710,254 that is appropriated in the line item for Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Requirements for Targeted Funds is directed to support the activities of the Early Childhood Councils.

SCHOOL READINESS QUALITY IMPROVEMENT PROGRAM

Background Information. House Bill 02-1297 [Section 26-6.5-106, C.R.S.] created the School-readiness Child Care Subsidization Program to improve the quality of certain licensed child care facilities whose enrolled children ultimately attend low-performing neighborhood elementary schools. The legislation was reauthorized in H.B. 05-1238 [Hefley/Williams] and the program renamed the School Readiness Quality Improvement Program. The program provides grants to child care facilities in areas served by low-performing schools.

Statute specifies that school-readiness quality improvement program funding shall be awarded to early childhood care and education councils for subsidies to local early care and education providers based upon allocations made at the state department. The program targets the school readiness of young children who will ultimately attend eligible elementary schools that have on overall performance rating of “low”" or "unsatisfactory" or that have an overall rating of “average” but have received a CSAP overall academic improvement rating of "decline" or "significant decline”.

The program provides subsidies over a three year period to participating child care centers and family child care homes to cover the cost of equipment, supplies, minor renovations, curricula, staff education, scholarships, training, and bonuses for facility staff for demonstrating quality improvements and addressing problems identified in the ratings.

The act requires the Early Childhood and School Readiness Commission to adopt a voluntary school-readiness rating system to measure the quality of services provided by a child care provider to prepare children to enter elementary school. It requires early childhood care and education councils to submit reports by January 1, 2009, and every three years thereafter, and required a consolidated report to the Education Committees of the General Assembly on or before April 1, 2009, and on or before April 1 every three years thereafter.

Program Implementation. Funding was allocated to 14 grantees (early childhood care and education councils), which use strategies such as mentoring, provider training, and provision of supplies to improve quality of care. The program served approximately 6,750 children in 464 classrooms at 149 sites during the most recent grant cycle. Based on the number of children served, supports are for an average of about $250 per child served or $3,000 to $4,000 per classroom or family child care home.

All sites participating in the program undergo initial evaluation by Qualistar and then have follow-up evaluations. Each site receives a baseline overall quality rating score (one, two, three, or four stars, with four being the highest achievable). These ratings are based on five measurement areas:

- Learning Environment -- a program's health and safety standards, classroom environment, curriculum and activities, interactions between adults and children, and the daily schedule
- Family Partnerships -- how a program develops relationships with families, serves as a resource for them, and offers them opportunities to be part of their children's early learning experience
- Training and Education -- work experience and the average level of early childhood education attained by the providers working in the home or center
- Adult-to-Child Ratios -- average ratios in a classroom over a 10-day period, from the time the program opens until it closes
- Accreditation -- whether a program is accredited through a national accrediting agency

Qualistar describes each of the rating levels as follows:

Zero star - "Children in a zero-star rated program may find themselves confronting sub-standard conditions. Health and safety issues are often neglected, teacher training can be non-existent, and staff turnover is usually high. Often, programs at this level lack basic equipment and toys, and may be violating state licensing requirements."

One star - "Though conditions improve with each STAR level, children may not be experiencing routine high-quality interactive care. Health and safety issues may still need to be addressed, and staff turnover often continues to be high. Teachers and program administrators may lack formal early childhood training and experience. Adult-to-child ratios tend to meet the minimum standards, but generally do not allow for staff to provide individualized attention during the course of a day."

Two stars - "Children in 2-STAR programs are read to regularly, watch some television, and have access to toys that support children's discovery and learning. Though health and safety issues may still exist, children's basic needs are satisfied and parents often feel a sense of stability within a 2-STAR rated program. Programs at this level are beginning to see how children's feelings of security are linked to their experiences in the classroom and how their learning is supported by opportunities for meaningful play."

Three stars - "In addition to being safe, a program at this quality level organizes many fun, educational activities for children, and employs teachers who understand age-appropriate behaviors. Staff also support parents and keep them regularly informed about their child's progress. 3-STAR programs tend to have higher tuition rates and receive additional funding, relieving some of the financial burden."

Four stars - "In addition to many fun activities and regular communication with parents, a 4-STAR Quality Rating means a program fundamentally understands the importance of preparing children for school through a strong curriculum that addresses the social, emotional, physical, and academic needs of each child. Staff is knowledgeable and educated in early childhood development and provides wonderful age-appropriate activities based on the individual needs of the children. Ratios are optimal allowing staff to provide a loving, stable environment for the children in care."

Each site receives detailed information about its strengths and weaknesses in each of the five areas, as well as a list of concrete action steps recommended to improve program quality. The evaluation also includes a list of additional services that will be made available through the program to support quality improvement efforts. Specific quality rating information for providers receiving one or more stars is also made available to parents and members of the public through Qualistar's website [Qualistar.org].

- During the most recent program cycle, the total number of participating child care facilities considered "high quality" increased from 59 percent to 72 percent. Conversely, participating facilities that were considered "low quality" decreased from 41 percent to 27 percent of facilities.
- The first three-year grant cycle also reflected significant impact, with the percentage of programs achieving 3 or 4 stars increasing from 36 percent at baseline to 77 percent at second follow-up, and the programs achieving 0, 1, or 2 stars decreasing from 64 percent at baseline to 23 percent at second follow up.

The Department is currently engaged in a "re-visioning" of the quality rating improvement system. It launched a planning process in February 2010 and created four work groups with representatives from multiple organizations to review the current system and identify how to improve upon it based on Colorado's needs and what has been learned from research and best practices. The Department indicates that this is both an effort to keep up with new research and in response to concerns about the high cost of quality ratings. At present, the Department subsidizes the rating process for facilities that are engaged in the quality improvement grant process (through this line item). However, for a facility to maintain its quality rating after the grant cycle has ended, it must pay for the process, and the cost is high. Staff anticipates that one component of the change will be to embed at least a portion of quality rating within the child care *licensing* process.

Request and Recommendation. The Department requests $2,227,464 federal CCDF funds, including a reduction of $1,841 related to the FY 2011-12 PERA reduction. **The staff recommendation is for $2,226,745 federal funds and 1.0 FTE.** The recommendation includes both the PERA adjustment and a reduction of $719 for the 1.5 percent personal services reduction.

(11) DIVISION OF YOUTH CORRECTIONS (DYC)

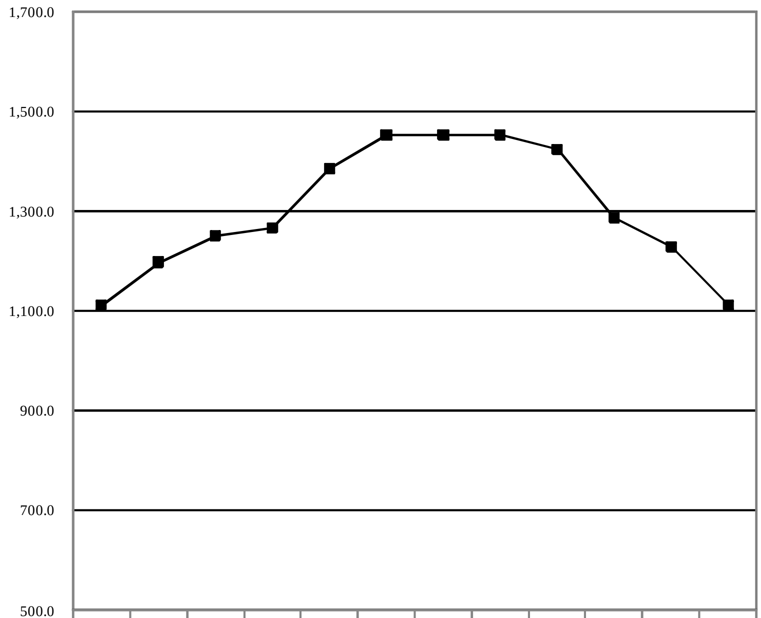
The Division of Youth Corrections in the Department of Human Services is responsible for management and oversight of delinquent juveniles who are detained while awaiting adjudication, and for those who are committed to the Department after adjudication. In addition, juveniles may be sentenced as a condition of parole for up to 45 days to a detention facility.

The Division's responsibility for committed juveniles extends through a six-month mandatory parole period during which the youth is in the community. Finally, the Division allocates funds by formula to each judicial district in accordance with S.B. 91-94 for the development of local alternatives to incarceration.

Youth Corrections Population History
There has been a marked decline in the youth corrections population over the last four years, as reflected in the charts below. As discussed during the staff briefing presentation, the majority of this decline appears to be driven by the "front door", *i.e.*, how many youth are arrested and ultimately placed in secure detention and/or sentenced to the Division.

Commitment. Fiscal year 2005-06 represented the first year since FY 1986-87 that the Division saw a decline in its commitment average daily population (ADP) from the previous year. Since that time, commitment rates have fallen steadily. The decline appears to be related to trends in delinquency filings and commitment admissions, both of which have fallen. (There has not been a reduction in commitment length of stay or a reduction in recidivism rates that would explain the change in the commitment ADP, despite the fact that the Division attributes the ADP reductions in part to its Continuum of Care Initiative, which is a program designed to transition youth from residential placements into the community.) The residential commitment length of stay (LOS) in FY 2009-10 was 18.9 months. The graph below reflects the changes in commitment beds.

Division of Youth Corrections - Commitment
Average Daily Population (ADP)

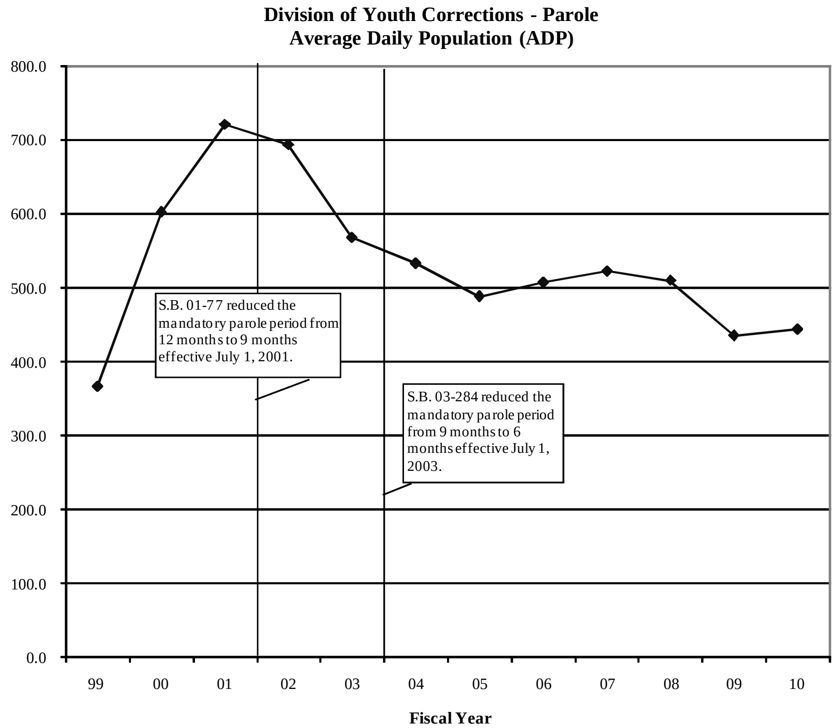


	99	00	01	02	03	04	05	06	07	08	09	10
Commitment ADP	1,112.2	1,198.3	1,251.8	1,266.8	1,385.8	1,453.5	1,453.5	1,453.4	1,424.5	1,287.4	1,228.3	1,112.5
Percent Growth	14.2%	7.7%	4.5%	1.2%	9.4%	4.9%	0.0%	0.0%	-2.0%	-9.6%	-4.6%	-9.4%

Parole. Legislation requiring mandatory parole for all committed juveniles produced a large increase in the parole population in the late 1990s. Changes in the period of mandatory parole have resulted in significant changes in the average daily population (ADP) of paroled youths. Paroled youth require case managers, monitoring and transitional services. In recent years, funding for parole services has increased, despite declines in the parole population, to support a more intensive array of services.

Pursuant to S.B. 03-284, the mandatory parole length was shortened from nine to six months, effective May 1, 2003. However, since the passage of S.B. 03-284, the parole length of stay (LOS) has consistently exceeded the mandatory parole period of 6 months. For many high-risk youth, the Parole Board has the statutory authority to extend parole for an additional 15 months if there is a "finding of special circumstances" for youth adjudicated for certain offenses (e.g., violent offense, sex offenses, etc.). After declining to 6.6 months in FY 2007-08, the parole LOS again increased to 6.8 months in FY 2009-10.

The graph below shows the changes in the parole population. In general, the parole ADP lags the commitment ADP, and declines in the parole ADP starting in FY 2006-07 reflect the overall declines in commitment ADP. However, in FY 2009-10 there was an increase in the parole ADP, possibly due to Department efforts to bring some youth before the parole board at an earlier date, as well as an increase in the parole length of stay. The graph below depicts the changes in the parole population.

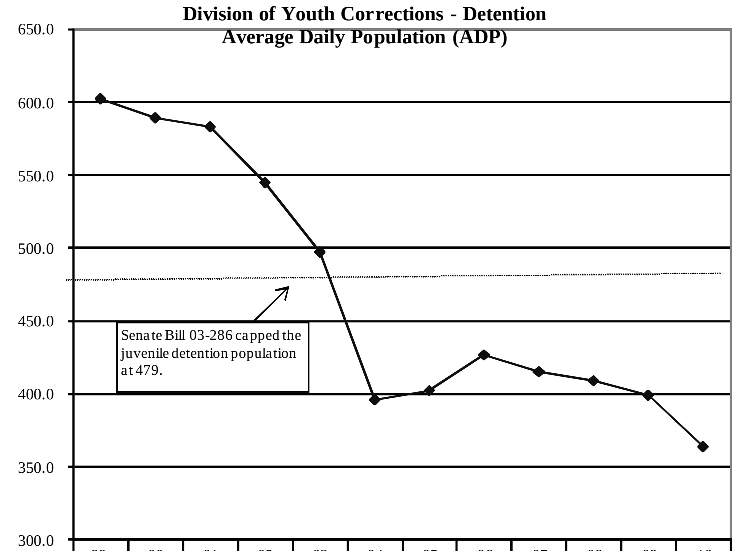


Detention. Detention facilities hold youth while awaiting a hearing. Judges can also sentence adjudicated youth to a period of up to 45 days in a detention facility (Section 19-2-911, C.R.S.). The average length of stay in a secure detention facility has ranged from 10.4 days to 15.7 days from FY 1992-93 through FY 2009-10. In FY 2009-10, the average length of stay was 14.2 days.

The growth in secure detention beds was relatively high in the early 1990s. Actions by the General Assembly to fund alternatives to secure detention and to cap the number of secure detention beds helped to change this trend. Senate Bill 91-94 provided authorities with alternatives to secure detention, including electronic monitoring and day treatment, which helped to reduce the growth.

Senate Bill 03-286 established a ‘cap’ or limit of 479 on the number of state-funded detention beds. Each of the State’s 22 judicial districts has been allocated a portion of the 479 beds. As a result of this legislation, use of secure detention beds declined. Prior to the cap, local jurisdictions were given substantial discretion as to which youth could be admitted into detention. Currently, local jurisdictions still have this level of discretion, but now it must be balanced by the reality of a finite number of allocated beds.

After the S.B. 03-283 detention cap was implemented, local jurisdictions reported considerable strain adjusting, and many individual jurisdictions exceeded their cap on any given day. However, the ADP for secure detention beds has continued to fall since FY 2005-06, reflecting a reduction in usage particularly in the admission of truants, status offenders, and other less serious offenders. The average statewide ADP in FY 2009-10 was 116 below the statewide cap of 479 and no locality hit its cap on any day during the year.

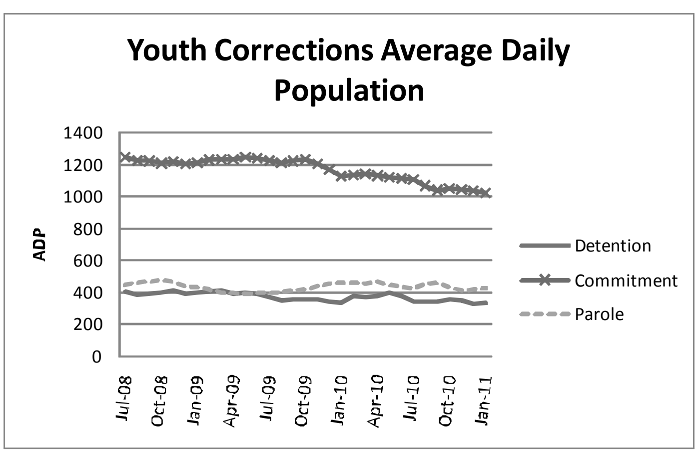


	99	00	01	02	03	04	05	06	07	08	09	10
Detention ADP	602.4	589.1	583.0	545.0	497.1	395.7	402.1	426.3	415.0	408.6	398.8	363.4
Percent Growth	1.8%	-2.2%	-1.0%	-6.5%	-8.8%	-20.4%	1.6%	6.0%	-2.7%	-1.5%	-2.4%	-8.9%

Fiscal Year

Detention ADP — Percent Growth

Most Recent Data and Projections for FY 2010-11 and FY 2011-12. Both the Division of Criminal Justice and the Legislative Council Staff provide population estimates for the Division of Youth Corrections. These estimates are considered by the Joint Budget Committee when determining appropriations, as population growth and inflation are the main factors in the need for additional appropriations. The chart below reflects the monthly trends in average daily population for detention, commitment, and parole populations, through January 2011. As shown, a steep decline, particularly for the commitment population, is continuing.



Below is a comparison of the projections for the commitment and parole populations (no forecast is currently completed for the detention population). As can be seen, Legislative Council Staff and the Division of Criminal Justice project very similar figures for FY 2010-11, and more recent data appears to be consistent with these projections. However, for FY 2011-12, Legislative Council Staff project a leveling of the decline in the commitment population, while th Division of Criminal Justice forecasts ongoing steep reductions. Among the factors cited in the DCJ forecast:

- Juvenile delinquency filings have declined consistently over the last eight years and declined by 14.8 percent in FY 2009-10 alone.
- Juvenile probation revocations declined by 4.4 percent in FY 2009-10; there has been an overall decline of 17.2 percent over the past five years.
- New commitments began to decline in FY 2005-06, with the most significant drop in early FY 2010-11. If the trend observed in the first five months continues, as 23.1 percent decline could be realized during the current fiscal year.

2010 Commitment ADP Projections						
	FY08 Actual	**FY 09 Actual**	**FY 10 Actual**	**FY 11 Proj.**	**FY 12 Proj.**	**FY 13 Proj.**
Legislative Council Staff						
Actual/Dec. 2010 Projection	1,287	1,228	1,171	1,037	1,020	1,025
ADP Growth From Prior Year	(138)	(59)	(58)	(134)	(17)	5
Percent Growth From Prior Year	(9.6)%	(4.6)%	(4.7)%	(11.4)%	(1.6)%	0.5%
Division of Criminal Justice						
Actual/Dec. 2010 Projection	1,287	1,228	1,171	1,034	947	875
ADP Growth From Prior Year	(138)	(59)	(58)	(137)	(87)	(72)
Percent Growth From Prior Year	(9.6)%	(4.6)%	(4.7)%	(11.7)%	(8.4)%	(7.6)%
Estimates Used for Appropriation/November 2010 Request*	1,275	1,206	1,202	1,226	1,222	n/a

As discussed further below, under the Purchase of Contract Placements line item, the staff recommendation is to use the *Division of Criminal Justice* projection for FY 2011-12.

Fiscal Year 2010-11 Supplemental Issues and Recommendation

FY 2010-11 Long Bill. The FY 2010-11 youth corrections budget, as reflected in the FY 2010-11 Long Bill, was largely shaped by two assumptions:

- The December 2009 Legislative Council Staff forecast was used to for the projection. Staff anticipated that this was likely too high and, because of this, had used the average daily population (rather than the LCS December 2009 forecast) to set the FY 2009-10 supplemental budget. However, staff had felt that it would be better to take supplemental reductions than supplemental increases in FY 2010-11, to the extent the projection was inaccurate.

- Staff recommended, and the Committee and the General Assembly adopted, requiring the Department to operate at 110 percent of capacity in state-operated facilities. This provided savings of $2.3 million General Fund in the budget by reducing the need for the purchase of contract placements. *Additional background:* Until July 2009, the Department had operated for years at 110 percent of capacity. It had expected to move to 100 percent of capacity in July 2009, but, due to the Governor's budget balancing initiatives, was instead required to operated **<u>120</u>** percent of capacity through most of FY 2009-10. Although the Department request for FY 2010-11 was based on operating at 100 percent of capacity, the staff recommendation was based on 110 percent of capacity, in light of statewide revenue constraints.

Budget Requests and 2011 Legislative Session Action To-date. By the Fall of 2010, it was clear early in the year that the Division of Youth Corrections was over-appropriated, and staff indicated in briefing presentations that FY 2010-11 supplemental reductions could be anticipated. This was confirmed by the Legislative Council Staff December 2010 forecast, which substantially lowered the fiscal year projection. The Department appears to have elected, early in the fiscal year, not to operate at 110 percent of capacity, but failed to raise the issue with the JBC before the decision was made.

The Department did not submit a January 1, 2011 supplemental request for FY 2010-11 related to the commitment population. In the absence of any formal communication, in January 2011, staff recommended, and the Committee agreed, to adopt an FY 2010-11 budget balancing placeholder. This placeholder was based on:

- the Legislative Council Staff December 2010 forecast; and
- the continuing assumption that the Department would operate its facilities at 110 percent of capacity. During the presentation, staff noted that, due to declining population, the Department might wish to allocate these savings differently.

Over the course of the next several weeks, it became clear to staff that the Department had not operated at 110 percent of capacity for most of the year, and it was unclear whether any related budget reduction steps were being taken to provide additional savings for the balance of the year.

Staff therefore recommended, and the Committee elected, to send a letter to the Department outlining:
- Its concern about the Department's failure to comply with direction from the General Assembly and lack of timely communication on this issue.
- Clarifying its intent to take FY 2010-11 budget reductions that include savings that should have been generated by operating state facilities at 110 percent of capacity for the year plus the $500,000 General Fund reduction to Parole Program Services.
- Noting that it expects policy changes that drive increased expenditures to be requested and approved by the General Assembly <u>before</u> implementation.

- Encouraging the Department to submit supplemental requests related to DYC population updates in January, consistent with the regular supplemental schedule.

The Department's response was two-fold:

- On February 15, 2011, in submitted its FY 2010-11 supplemental request, which proposes a reduction of $8.0 million total funds and $7.7 million General Fund, based on operating throughout the year 100 percent of capacity, rather than 110 percent of capacity, and the Legislative Council Staff December 2010 population forecast.
- On February 24, 2011, the Department submitted the attached letter to the Committee stating, among other things:

  "The Department understands that the JBC and the General Assembly set the appropriation on the basis of funding the Division at 110 percent capacity, but requiring the Division of Youth Corrections to operate at what amounts to 110 percent of capacity quota goes beyond simply expressing legislative intent and instead seeks to administer the appropriation, which is the duty of the Executive Branch...The actions taken by the Department are within the authority of the Executive Branch to administer the funds appropriated by the General Assembly...."

While it is certainly correct that the Executive Branch is charged with administering the appropriation, the Legislative Branch is charged with appropriating funds, and *there is no requirement that the Legislature fund the Executive at the level it desires*. Pursuant to Section 24-75-112, C.R.S. (concerning the general appropriation act, head notes, and footnotes), the General Assembly is specifically authorized to explain assumptions used in determining a specific amount of appropriation in the Long Bill. While the Executive is not required to operate consistent with those assumptions, *the Executive should not anticipate that funding calculations will deviate from the assumptions unless it has requested, and the General Assembly has approved, a modification*.

In response to the Committee's concerns about the timing of the supplemental request, the Department merely responded that it had developed a request for submission per the OSPB budget calendar and that: "all decisions regarding the timeliness of future budget submissions are made by OSPB, and the Department will comply with any decision from OSPB."

Staff Recommendation. Staff remains concerned by the Department's failure to communicate in an appropriate and timely manner with the General Assembly about an internal policy with substantial financial implications. Further, staff continues to be concerned by the Department's apparent unwillingness to accept legislative authority to set budget figures and the implication in the February 24, 2011 letter that the legislature is required to fund at a level consistent with the Executive's desires. Finally, staff would note that communication from Executive departments have in recent years been heavily shaped and directed by the Governor's Office. Thus, the communication received to-date must be read as communication from the Governor's Office and not solely the Department. In this context, the suggestion that the Committee is obligated to fund up to the requested level is particularly concerning.

Despite the above, staff also acknowledges (as staff has done consistently) that there may be a reasonable basis for Division facilities operating at lower internal capacity given falling youth corrections populations. The Division has explained its actions as based on its desire to ensure that youth are in the "right place at the right time" and that it simply does not have sufficient youth who qualify for secure placement to operate above 100 percent of capacity in state-operated facilities. Further, staff acknowledges that, to the extent that operations at 110 percent of capacity for the year are squeezed into the end of the year, the impacts could be severe. According to the Division's supplemental request:

> "Based on the current average daily population, the DYC would need to increase placements within state-operated facilities by 105 youth beginning in February, and maintain that level through the rest of the year. This would result in overcrowding at a level equal to 124 percent of designed capacity for the last five months of the year. Nearly 100 percent of all newly committed youth through the rest of the year would need to be placed in a secure state-operated facility, regardless of level of need. Second, 54 youth currently placed in private programs would need to be moved from their current programs to state-operated facilities."

Given that additional time has passed since February 1, staff assumes the level of over-crowding would now need to be closer to 130-140 percent.

Staff had hoped that the Committee's letter would prompt the Department to identify alternative FY 2010-11 savings. Instead, the Executive has simply stuck with its proposal that it be funded for FY 2010-11 at 100 percent of capacity--while proposing to move to 110 percent of capacity in FY 2011-12 in its budget request. Given this, the Committee's options appear to be:

- Approve the Department's request as submitted, and identify the balance of $2.6 million cuts for FY 2010-11 in some other part of the budget ($10,229,179 figure identified in the Committee's letter v. $7,667,611 reduction in the Executive request).
- Hold to the Committee's original FY 2010-11 action and require the Division to provide an additional $2.6 million in General Fund cuts. Given the lateness in the year, if the Committee wishes to take this option, staff would recommend adding footnotes to provide additional flexibility to transfer funds *into* the purchase of contract placements line item from line items that fund Division staff.
- Consider a "middle" alternative. For example, the Committee could apply the savings that would derive from operating at 110 percent of capacity for three months of the year and allow flexibility among the line items, resulting in an overall cut of $640,392 to the budget (in addition to the reduction proposed in the Executive Request). If applied to all line items in the administration section, all line items in the institutional section, and the Personal Services and Contracts Placement line items in the Community Programs Section, this would translate into an overall cut of 2.2 percent to all these line items for the last three months of the year. (If the Committee chooses this route, staff would recommend applying the reduction in the Purchase of Contracts Placement line item, but allowing transfer from other line items into Purchase of Contract Placements.)

The staff recommendation would be for this last alternative. Staff notes that the Division has come forward, as the Committee requested, with a plan for a modification to the detention cap and changes to the balance between contract placements and state facilities for FY 2011-12. As staff recognizes that changes to the detention cap and "rightsizing" will inherently create a certain amount of turmoil within the Division and may necessitate the movement of youth among facilities, staff believes it would be prudent to limit the additional forced movement to- and from-state operated facilities that would be required by adhering to the original requirement for million in savings.

Additional Note: If the Committee chooses to take a reduction that is larger than the Executive request, the staff recommendation would be to introduce the supplemental bill for this in advance of the Long Bill. That way, should the Governor choose to veto the supplemental reduction, the Committee could incorporate further cuts to the Division within the FY 2011-12 Long Bill.

Fiscal Year FY 2011-12 - Reduction to Detention Cap and "Rightsizing" Proposal
In a letter dated February 4, 2011, the Committee requested that the Department examine possible reductions to the cap on youth detention beds and possible closure of state-operated youth commitment beds. The Department submitted a report on February 25, 2011 with associated proposals. The Department subsequently provided staff with spreadsheets detailing the fiscal impacts.

Detention Cap Reduction
12 Percent Reduction and Statutory Change. In its letter of February 4, the Committee requested that the Department outline proposals for lowering the current cap on detention beds (478 beds) by 8, 10, and 12 percent. The Division reviewed actual and projected bed usage. Based upon its review, it outlined options that would achieve a **12 percent--57 bed--reduction**, based upon achieving an operational capacity that is approximately 10 percent above actual use projections.

The Department indicates that, if the Committee pursues detention reductions, this should be done through a formal statutory change to the detention cap to ensure there is no risk of facility overcrowding. It also suggests two additional constraints that: no judicial district gain beds through the application of the formula; and no district lose more than 15 percent of its current allocation or 1 bed, which ever is greater.

Options for Reductions. If a 57-bed reduction were spread evenly across facilities, savings would be limited; however, two options were identified that were designed to provide more substantial budget savings. These options are identified *in combination* with a number of other steps that could be paired with either Option 1 or Option 2.

<u>Option 1</u>: *Downsize Foote YSC (Denver) - State Operated*. Close two units at the Marvin Foote Youth Services Center in Denver and reduce the capacity of the Adams YSC. This option would close a 20 bed *commitment*-pod and an 8-bed *detention overflow* pod at the Marvin Foote YSC, and

reduce the Foote YSC to an 80-bed facility that would be detention-only. *Annualized savings: $586,044 and 13.0 FTE.*[7]

Option 2: *Close Adams YSC - State Operated*. Close the Adams YSC. This 24-room facility, built in the 1960s, is the single worst physical plant in the DYC system, both from a design and failing system perspective. The facility is used exclusively to accommodate detention capacity for the 17th Judicial District (Adams and Broomfield Counties); thus detention capacity for the 17th JD would need to be accommodated at the Foote YSC instead. The Department emphasizes that this would have a severe impact on Adams and Broomfield county agencies, and particularly local law enforcement, as youth would need to be transported from the area around the City of Broomfield and north to the City of Brighton to the Foote YSC, which is located in Southeast Arapahoe County.[8] *Annualized Savings: $1,395,981 and 27.0 FTE.*

Items to Combine with Either Option 1 or 2:

- *Downsize Pueblo YSC - state-operated*. Close one pod at the Pueblo YSC (12 bed reduction to a 36-bed detention-only facility). Some capacity for the 11th JD would likely be relocated to the Spring Creek YSC in Colorado Springs. The Division notes that prior to FY 2007-08, the detention capacity for the 11th JD was located entirely in Colorado Springs. *Annualized savings: $302,883.*

- *Reduce San Luis Valley contracted detention*. Reduce Staff Secure Contracted Detention in the San Luis Valley (Southern Region). The 12th JD's detention allocation would likely be reduced by one bed based on an overall reduction of 57 beds and staff secure detention would be reduced from 5 to 4 placements. *Annualized savings: $47,308.*

- *Eliminate Montrose and Larimer contracted detention.* Eliminate Staff Secure Detention Capacity at Brown Center (Montrose) and Remington House (Larimer). The Department anticipates that 15 beds total would be eliminated between the Brown Center and Remington House (contracted staff-secure detention placements). Remaining detention capacity needs would be directed to the Grand Mesa Youth Services Center (Grand Junction) and the Platte Valley Youth Services Center (Greeley). Without the staff secure detention revenue stream, both the Brown Center and Remington House would likely cease to operate. *Annualized savings: $693,259.*

[7] Excludes $196,019 and 3.0 FTE that would be included in recommended commitment structure changes regardless of which detention closure option was selected.

[8] There have been plans to construct a new facility to replace the Adams YSC on land that was purchased by Adams County and deeded to the State; however capital construction funding has not been available to move forward with the project.

Re-alignment of Commitment Capacity Between State-operated and Community-based
The Committee requested options to adjust the number of state-operated commitment beds consistent with the current size of the commitment population and the population's needs for secure versus staff secure and community placement. The Department provided a plan for this, but noted that the options outlined do not necessarily produce a bed for bed or dollar for dollar opportunity for savings, as any reduction in state-operated capacity must be combined with an increase in contract capacity to ensure an adequate total number of commitment placements.

- *Downsize Mount View YSC*. Close one freestanding building (24 beds) on the grounds of the Mount View YSC campus. This would remove youth from one of the Division's most poorly designed buildings. In combination with other changes described below, this would result in a net decrease of 21 beds in the commitment capacity at the Mount View YSC. This would also eliminate the need for contract clinical services at the facility. *Annualized savings: $866,644.*

- *Foote YSC Becomes Detention-only*. Depending upon whether the Committee pursues Option 1 or Option 2 with respect to detention capacity, either two pods at the Foote would be closed (detention Option 1) or one pod would be closed and the other would be converted to accommodate detention capacity previously at the Adams YSC (detention Option 2). In either case, there would be annualized savings associated with the Foote YSC becoming a detention-only facility. *Annualized Savings: $196,019 and 3.0 FTE.*

- *Relocate Southern Region Assessment Operations*. Currently all newly committed youth from the Division's Southern region are assessed at the Spring Creek YSC in Colorado Springs. This option would merge these assessment operations with those at Mount View YSC in Denver. This would provide economies of scale but would make family involvement more difficult and affect local law enforcement, which is required to deliver a newly committed youth to a designated DYC receiving center. *Annualized Savings: $318,122 and 5.5 FTE.*

- *Re-align Detention and Commitment Capacity at Grand Mesa YSC.* Closure of contracted detention beds on the Western slope would drive an increased need for detention capacity at the Grand Mesa YSC. To accommodate this increase, secure commitment capacity would be reduced by 8 beds. *Annualized Savings: $0.*

Offsetting Costs and Other Adjustments and Clarifications
The request indicates:

(1) Many of the changes proposed will require the layoff of Department staff. Because the Department will need to go through the downsizing process that includes implementing staff "bumping" rights, it has assumed: the downsizing process would <u>start</u> in March 2011 but there would nonetheless be two months of savings *lost* in 2011-12 for all changes that involve state personnel due to delays inherent in the personnel downsizing process.

(2) The request indicated that there would be large offsetting costs associated with the need to *purchase* an additional65 new commitment beds in the community. When this is calculated in, Option I is actually more costly than the status quo and Option II provides minimal savings (as reflected in tables below).

(3) The Department's detention downsizing plan assumes that S.B. 91-94 formula allocations will drive the location of detention placement downsizing. Thus, the detention closure adjustments are not driven solely by what makes sense from a facility perspective but also the requirement to maintain certain kinds of detention capacity throughout the State.

(4) In subsequent communication with staff, the Department made minor technical corrections to figures in the plan and clarified certain elements so that the actual impact on beds and the need for purchase of contract placement beds was more clear. These changes were not substantive but are incorporated into the staff analysis figures.

The table below summarizes the request, including technical changes added subsequent to the letter.

Department Options Proposed	Option 1 - Foote YSC			Option 2 - Close Adams YSC		
	Dollars	**FTE**	**Beds**	**Dollars**	**FTE**	**Beds**
Detention Closures - Annualized						
Downsize Foote YSC	($174,250)	(13.0)	(9)	$0	0.0	16
Downsize/Close Adams YSC	0	0.0	(4)	(1,372,251)	(27.0)	(29)
Close Pueblo YSC pod	(295,363)	(6.0)	(15)	(295,363)	(6.0)	(15)
Reduce San Luis Valley contract	(47,308)	0.0	(1)	(47,308)	0.0	(1)
Reduce DeNier contract bed	0	0.0	(1)	0	0.0	(1)
Eliminate Montrose/Larimer contract beds	(693,259)	0.0	(15)	(693,259)	0.0	(15)
Additional bed reductions throughout facilities	0	0.0	(12)	0	0.0	(12)
Subtotal - Savings for Detention	($1,210,180)	(19.0)	(57)	($2,408,180)	(33.0)	(57)
Commitment Bed Changes/ Realignment - Annualized						
Close Mount View YSC commitment unit	(848,823)	(15.0)	(21)	(848,823)	(15.0)	(21)
Close Foote YSC commitment unit	(397,923)	0.0	(20)	0	0.0	(20)
Foote facility becomes detention only - related savings	(196,019)	(3.0)	0	(196,019)	(3.0)	0
Move Southern Region Assessments from Spring Creek to Mount View YSC	(340,737)	(5.5)	0	(340,737)	(5.5)	0
Re-align Detention and Commitment at Grand Mesa YSC	0	0.0	(8)	0	0.0	(8)
Additional Beds reductions based on right sizing- multiple facilities	0	0.0	(10)	0	0.0	(10)
Medical- third party (related to commitment)	(126,496)	0.0	0	(126,496)	0.0	0
Subtotal	($1,909,998)	(23.5)	(59)	($1,512,075)	(23.5)	(59)

	Option 1 - Foote YSC			Option 2 - Close Adams YSC		
	Dollars	**FTE**	**Beds**	**Dollars**	**FTE**	**Beds**
Reductions to benefits & shift associated with all changes above	($370,007)			($507,711)		
Additional Contract Placements Cost						
Costs to replace lost state-operated beds	3,310,018		59	3,310,018		59
Additional contract beds needed because state beds were operating at 110% capacity	336,612		6	336,612		6
Subtotal	$3,646,630		65	$3,646,630		65
Grand Total - Annualized Impact	**$156,445**	**(42.5)**		**($781,337)**	**(56.5)**	
FY 2011-12 one-time costs/offsets	441,067			595,702		
FY 2011-12 costs/(savings)	**$597,512**			**($185,635)**		

Staff Analysis
As is clear from the table above:

- The plan in total provides virtually $0 savings--and indeed drives costs for Option I--when compared with the Executive request for FY 2011-12. This was presumably by design, as the Division did not feel obligated to "give up" any funding beyond the level in the Executive request. The proposals overall involve eliminating 12.7 percent of beds, but reducing institutional FTE by only 4.2 to 5.3 percent.

- Staff's primary concern with the plan is that *it demands a large sacrifice from local communities (by lowering the detention bed cap by 57) without offering substantial General Fund savings*. Staff believes that there are true savings associated with lowering the detention cap but that to some extent the Department has chosen to "eat up" savings through some of its other proposals to "right size" facilities. Separating the two issues out, however, is not straight forward, as many of the facility changes proposed are inter-related. Due to this:

  - **The staff recommendation is for Option 2 with some modifications** (close Adams YSC). This Option is far less attractive from a local law enforcement perspective but provides more true savings. Staff has slightly modified figures shown to add in the impact of food and operating costs that will no longer be required at Department facilities. Staff also anticipates that there will be some additional savings associated with the Office of Operations, but these savings are not yet quantified. Finally, staff has not included a significant portion of the Department's "right sizing" proposal that offered $0 savings and drove costs.

  - **If the Committee is not comfortable with Option 2, staff would recommend the following:**

- Run the bill associated with lowering the detention cap and calculate savings associated with the detention portion of Option 1 (as detailed in the table below). Given the limited scale of the adjustments, staff would not anticipate the need to reduce savings for the first year, so net savings would be $1.2 million in FY 2011-12.

- Do not proceed with the other Department adjustments, but add a footnote authorizing flexibility to allow the Department to shift resources from institutional placements to contract placements. Specify in the footnote that total contract placements funding will be based on the commitment population forecast, including supplemental updates + state operations at 110 percent of capacity. Thus, to the extent the Department can "right size" in a cost-neutral manner, it will be able to do so.

The table below includes the same total figures as the table above, but attempts to break-out the components of the request into detention closures (including those impacts on commitment that cannot be separated from such closures, *e.g.*, because a unit would change from being detention to commitment) and commitment closures that can be considered independent of the detention options.

Department Options - Divided into Detention and Commitment Components						
	Option 1 - Downsize Foote YSC			Option 2 - Close Adams YSC		
	Dollars	FTE	Beds	Dollars	FTE	Beds
Savings Related to Detention Cap						
Detention Closures						
Downsize Foote YSC	(174,250)	-4.0	-9	0	0.0	16
Close/Downsize Adams YSC	0	0.0	-4	(1,372,251)	-27.0	-29
Close Pueblo YSC pod	(295,363)	-6.0	-15	(295,363)	-6.0	-15
Reduce San Luis Valley contract	(47,308)	0.0	-1	(47,308)	0.0	-1
Reduce DeNier contract detention beds	0	0.0	-1	0	0.0	-1
Eliminate Montrose/Larimer contract beds	(693,259)	0.0	-15	(693,259)	0.0	-15
Additional bed reductions throughout facilities	0	0.0	-12	0	0.0	-12
Changes:	0	0.0	0	0	0.0	0
Maintain portion of Montrose contract to avoid Grand Mesa restructuring	136,119	0.0	3	136,119	0.0	3
Do not add detention beds at Grand Mesa	0	0.0	-3	0	0.0	-3
Subtotal	**(1,074,061)**	**-10.0**	**-57**	**(2,272,061)**	**-33.0**	**-57**
Commitment Changes Inseparable from Detention Changes						
Close Foote commitment unit	0	0.0	0	0	0.0	-20
Foote becomes detention only - related savings	0	0.0	0	(196,019)	-3.0	0
Medical- third party (related to commitment)	0	0.0	0	(126,496)	0.0	0
Changes:	0	0.0	0	0	0.0	0
Medical- third party savings change	0	0.0	0	88,352	0.0	0
Subtotal	**0**	**0.0**	**0**	**(234,163)**	**-3.0**	**-20**
Reductions to benefits & shift associated with all changes above	**(77,078)**	**0.0**	**0**	**(317,098)**	**0.0**	**0**
Additional/Reduced Contract Placements Cost						
Costs to replace lost state-operated commitment beds	0	0.0	0	1,122,040	0.0	20
Additional contract beds needed because state beds were operating at 110% capacity	0	0.0	0	112,204	0.0	2
Subtotal	**0**	**0.0**	**0**	**1,234,244**	**0.0**	**22**
Grand Total - Annualized Impact Detention	**($1,151,138)**	**-10.0**	**-57.0**	**($1,589,078)**	**-36.0**	**-55.0**

Department Options - Divided into Detention and Commitment Components						
	Option 1 - Downsize Foote YSC			**Option 2 - Close Adams YSC**		
	Dollars	**FTE**	**Beds**	**Dollars**	**FTE**	**Beds**
Net saving per detention bed closed	*(21,180)*	*0.0*	*0*	*(29,542)*	*0.0*	*0*
Commitment "Right-sizing" Independent of Detention Cap						
Close Foote commitment unit	(397,923)	-9.0	-20	0	0.0	0
Foote becomes detention only - related savings	(196,019)	-3.0	0	0	0.0	0
Close Mount View YSC commitment unit	(848,823)	-15.0	-21	(848,823)	-15.0	-21
Move Southern Region Assessments from Spring Creek to Mount View YSC	(340,737)	-5.5	0	(340,737)	-5.5	0
Re-align Detention and Commitment at Grand Mesa YSC	0	0.0	-8	0	0.0	-8
Additional Beds reductions based on right sizing- multiple facilities	0	0.0	-10	0	0.0	-10
Medical- third party (related to commitment)	(126,496)	0.0	0	(88,352)	0.0	0
Changes:	0	0.0	0	0	0.0	0
Savings associated with closing Montrose detention contract beds	(136,119)	0.0	0	(136,119)	0.0	0
Subtotal	**(2,046,117)**	**-32.5**	**-59**	**(1,414,031)**	**-20.5**	**-39**
Reductions to benefits & shift associated with all changes above)	**(292,930)**	**0.0**	**0**	**(190,613)**	**0.0**	**0**
Additional Contract Placements Cost						
Costs to replace lost state-operated beds	3,310,018		59	2,187,978		39
Additional contract beds needed because state beds were operating at 110% capacity	336,612		6	224,408		4
Subtotal	**3,646,630**		**65**	**2,412,386**		**43**
Grand Total Annualized Impact - Commitment	**$1,307,583**	**-32.5**		**$807,742**	**-20.5**	
Net cost per state-operated bed closed	*22,162*			*20,711*		
Grand Totals - Annualized Detention and Commitment Changes	**$156,445**			**($781,337)**		
One-time FY 2011-12 Costs	441,067			595,702		
FY 2011-12 Cost/(Savings)	**$597,512**			**($185,635)**		

The following are modifications to the Department's plans that staff would recommend be considered to limit the overall costs of the Department's proposals for "right sizing". The Department feels that the full array of "right sizing" adjustments are important because it will otherwise be in the position of placing youth in secure commitment placements who do not need that level of care. **The staff recommendation reflects not doing all of the requested right sizing based on fiscal considerations**. Staff would not recommend proceeding with the 10 new contract commitment beds that generate $0 savings associated with statewide facilities. Further, the Committee may also wish to consider not proceeding with the Grand Mesa changes, for which costs substantially outweigh any savings. However, staff notes that the department reports that a significant number of youth in its Grand Mesa facility are not appropriately placed.

Staff Recommendation - Do not close 10 commitment beds that yield no facility savings, Reflect DeNier change	Amount	Commitmt Beds
Adjust to reflect additional DeNier Commitment Bed ("flipped" from detention)	0	-1
Eliminate the multiple facilities right sizing	0	10
Food and operating savings for 50 commitment beds reduced	(131,230)	0
Reduced Medical savings for add-back beds	41,766	0
Office of Operations Adjustments - *Pending*		
Subtotal	**(89,464)**	**9**
Related adjustments to contract placement costs		
Costs to replace lost state-operated beds	(504,918)	-9
Additional contract beds needed because state beds were operating at 110% capacity	(56,102)	-1
Subtotal	**(561,020)**	**-10**
Total Staff-recommended Adjustments to Limit "Right Sizing" Costs	**($650,484)**	

Adjustments if Wish to Further Limit "Right-sizing" Costs - Do not do 10 commitment beds OR Grand Mesa beds	Amount	Commitmt Beds
Adjust to reflect additional DeNier Commitment Bed ("flipped" from detention)	$0	-1
Add back 3 contract detention beds at Montrose/Do not add at Grand Mesa	136,119	0
Eliminate the Grand Mesa Re-alignment	0	8
Eliminate the multiple facilities right sizing	0	10
Food savings for 42 commitment beds reduced	(81,266)	0
Reduced Medical savings for add-back 17 beds	77,107	0
Office of Operations Adjustments - *Pending*		
Subtotal	**131,961**	**17**
Related adjustments to contract placement costs		
Costs to replace lost state-operated beds	(953,734)	-17
Additional contract beds needed because state beds were operating at 110% capacity	(112,204)	-2
Subtotal	**(1,065,938)**	**-19**
Option for Limiting Adjustments to Limit "Right Sizing" Costs	**($933,977)**	

Note: Because staff was uncertain how the Committee would wish to proceed on these options, the adjustments are not currently included in the figure setting numbers. Once the Committee has made a decision, staff will make the appropriate changes.

(A) ADMINISTRATION

This section of the Division is responsible for establishing program policies and procedures for the treatment of juveniles in the custody of the Division and monitoring compliance with these standards. Also, this section collects data and provides strategic planning. Other duties include contract management and victim notification. Support for accounting, facility maintenance, and human resource functions is provided by other divisions within the Department of Human Services.

PERSONAL SERVICES

This line item funds salaries, PERA, and Medicare for administrative and management staff of the Division. The workload for the Personal Services line item in the Administration section is driven by the number of employees and programs in the Division that require supervision and strategic guidance, and by the amount and complexity of research and statistical data requested by the legislature, general public, and DYC's own management.

As the DYC commitment population changes, the number of youth in contract placements changes as well. Although the direct care of the youths is provided by the private sector, any caseload growth requires DYC to manage a larger number of contracts with private providers (including contracts with licensed Psychiatric Residential Treatment Facilities and Therapeutic Residential Child Care Facilities, medical and mental health treatment providers, local school districts, and colleges).

Staffing Summary - (11) Division of Youth Corrections (A) Administration	**FY 2009-10 Actual**	**FY 2010-11 Approp.**	**FY 2011-12 Request**	**FY 2011-12 Recomm.**
Management	2.4	3.0	3.0	3.0
Research / Statistics	10.4	9.4	9.4	9.4
Support Staff	3.1	3.0	3.0	3.0
TOTAL	**15.9**	**15.4**	**15.4**	**15.4**

The Department requests an appropriation of $1,312,092 General Fund and 15.4 FTE for this line item. The request includes:

- the annualization of FY 2010-11 adjustment requiring staff to pay an additional 2.5 percent of their salaries for PERA and Decision Item #NP-7, which continues this adjustment in FY 2011-12;
- annualization of the one-time 1.0 percent supplemental reduction to General Fund personal services;

- a reduction of $27,643 for NP-4, the Executive-proposed 2.0 percent cut to some General Fund personal services line items; and
- a reduction of $13,822 for SBA-1, the Executive-proposed additional 1.0 percent cut to some General Fund personal services line items.

The recommendation for this line item is summarized in the following table.

Summary of Recommendation — Department of Human Services (11) Division of Youth Corrections – (A) Administration Personal Services		
	General Fund	**FTE**
FY 2010-11 Personal Services	1,338,265	15.4
Annualize 1% supplemental cut	13,518	0.0
Annualize FY 11 PERA adjustment	30,344	0.0
1.5% common policy reduction	(20,732)	0.0
SBA-1 (1.0% personal services reduction)	(13,822)	0.0
NP-7 (FY 12 PERA adjustment)	(28,570)	0.0
TOTAL RECOMMENDATION	**$1,319,003**	**15.4**

OPERATING EXPENSES

This line item provides operating funds for the administrative and management staff of the Division. Expenditures are for general office supplies; office equipment maintenance, purchases, and repairs; and travel. The Department requests a continuation of $29,111 General Fund. **Staff recommends the request for $29,111 General Fund in continuation funding.**

VICTIM ASSISTANCE

This line item provides spending authority and 0.5 FTE to help DYC fulfill its obligation to keep victims informed. For victims of qualifying charges (crimes against persons), DYC provides notification of all movements and status changes of the perpetrator within the youth corrections system, such as escapes and return to custody, eligibility for visits to the community and cancellation of visits, hearings involving the perpetrator, re-commitments, transfer to the adult system, death, and expiration of commitment. The victim has the right at any of these events to provide statements for review.

Fund Source Overview. The source of reappropriated funds for the victim assistance program is a grant from the Division of Criminal Justice in the Department of Public Safety, made pursuant to Section 24-33.5-506, C.R.S. The State Victims Assistance and Law Enforcement Advisory Board (State VALE Board), created in Section 24-33.5-508, C.R.S., advises the Division of Criminal Justice on what grants to make. Revenue for the State VALE fund comes from a percentage of surcharges on criminal offenders levied at the judicial district level, with a small amount coming from the Department of Corrections' Prison Industry Enhancement Program (federal) of which a certain amount must be used to provide direct services to crime victims.

The Department requests $28,072 reappropriated funds, including a reduction for the FY 2011-12 PERA adjustment (NP-7). **Staff recommends $27,631 reappropriated funds,** including a reduction of $1,572 for the PERA adjustment (NP-7) and a reduction of $396 for the 1.5 percent common policy personal services reduction **including The recommendation includes $24,506 and 0.5 FTE for personal services and $3,225 for operating expenses.**

(B) INSTITUTIONAL PROGRAMS

This section of the Division funds state-operated detention and commitment facilities, and diagnostic and program services for juveniles while they are in a DYC institution. Additional services for juveniles who leave an institutional setting, for example to a community placement or parole, are funded through the Community Programs section.

Note that, if the Committee approves any of the Department's proposed "right sizing" adjustments, the figures below will be modified. Specifically:

- amounts in the Long Bill would be modified associated with those items that are independent of the change to the detention cap; and
- a bill imposing a lower detention cap would include the savings associated with lower cap. The amount of savings would depend upon whether the Committee selected Option 1 or 2.

PERSONAL SERVICES

This line item pays salaries for the majority of program, supervisory, and support staff at DYC institutions. Educational and medical staff are funded in separate line items, and physical plant staff are funded through the Office of Operations, with limited exceptions.

Institutional Programs Staffing Summary	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request	FY 2011-12 Recomm.
Management / General Professional	20.3	18.0	18.0	18.0
YS Counselors, Social Workers, Teachers	118.0	120.5	120.5	120.5
Security Officers	574.2	586.9	586.9	586.9
Food Services	39.3	41.3	41.3	41.3
Support Staff and Other	27.8	27.6	27.6	27.6
Decision Item #5	n/a	n/a	5.0	5.0
TOTAL	**779.6**	**794.3**	**799.3**	**799.3**

Request for Line Item. The Department requests an appropriation of $41,173,958 General Fund and 799.3 FTE for this line item. The request includes:

- the annualization of FY 2010-11 adjustment requiring staff to pay an additional 2.5 percent of their salaries for PERA and Decision Item #NP-7, which continues this adjustment in FY 2011-12;
- annualization of the one-time 1.0 percent supplemental reduction to General Fund personal services;
- a reduction of $177,404 for NP-4, the Executive-proposed 2.0 percent cut to some General Fund personal services line items;
- a reduction of $88,702 for SBA-1, the Executive-proposed additional 1.0 percent cut to some General Fund personal services line items; and
- An increase of 5.0 FTE and $0 for Decision Item #5.

Decision Item #5 - Move Sol Vista FTE
The Department requests that 5.0 FTE currently appropriated in the line item for the Colorado Mental Health Institute at Pueblo (CMHIP) be transferred to the Division of Youth Corrections, Institutional Programs line item. This adjustment has a Department-wide impact of 0.0 FTE and reduces reappropriated funds in the CMHIP line item by $548,765.

The funding for the 5.0 FTE is already included in the Division of Youth Corrections General Fund appropriation. It is currently transferred to the CMHIP line item as Reappropriated funds pursuant to a Department Interagency Agreement concerning the Sol Vista Youth Services Center. Sol Vista is a 20-bed DYC facility located on the CMHIP campus that services committed youth with severe mental heath needs. The 5.0 FTE are dedicated full time to the Sol Vista facility but have historically been supervised by CMHIP. The Department feels that it will be better-positioned to provide services and programming for the youth in its care if supervision is transferred to the DYC. The positions affected are a Health Professional VI (clinical director), 2.0 social worker IIs, 1.0 social worker III, and a psychologist candidate.

Staff recommends the request to transfer the 5.0 FTE to the Division of Youth Corrections, Institutional Programs, Personal Services line item and eliminate the associated $548,765 reappropriated funds appropriation in the CMHIP line item.

Staff Recommendation for Line Item. The staff recommendation is detailed is summarized in the table below. The adjustments relate to differences in the common policy calculation. As noted above, *calculations will change if the Committee elects to pursue any of the Department's "right sizing" options*. Note, in addition, that *given the impact of common policy reductions on this line item, staff would expect that FTE will also need to be reduced*. Staff anticipates that this will be done through action next year, if staff is unable to obtain adequate information to make the adjustment this year.

Summary of Recommendation — Department of Human Services (11) Division of Youth Corrections – (B) Institutional Programs Personal Services	General Fund	FTE
FY 2010-11 Personal Services	$43,340,520	794.3
Annualize 1% supplemental cut	86,855	0.0
Annualize FY 11 PERA adjustment	923,597	0.0
1.5% common policy reduction	(665,265)	0.0
SBA-1 (1.0% personal services reduction)	(88,702)	0.0
NP-7 (FY 12 PERA adjustment)	(910,908)	0.0
Decision Item #5 (Sol Vista FTE)	0	5.0
TOTAL RECOMMENDATION	**$42,686,097**	**799.3**

OPERATING EXPENSES

This line item funds the operation of DYC facilities, including such expenses as uniforms for staff and juveniles, custodial and laundry supplies, telephone fees, office equipment, and counseling supplies. Nearly half of the appropriation is for food and food service supplies, but food costs are paid primarily by the federal school breakfast and lunch program. Reappropriated funds in the line item are funds transferred from the Department of Education for the federal school breakfast and lunch program.

Request for Line Item. The Department requests a continuing appropriation of $3,369,747, including $2,039,747 General Fund and $1,330,200 reappropriated funds, for this line item.

Staff Recommendation for Line Item. Consistent with Committee common policy, the staff recommendation includes a continuation level of funding.

Summary of Recommendation — Department of Human Services (11) Division of Youth Corrections – (B) Institutional Programs Operating Expenses	Total	General Fund	Reapprop. Funds*
FY 2010-11 Operating Expenses	$3,369,950	$2,039,750	$1,330,200
No changes	0	0	0
TOTAL RECOMMENDATION	**$3,369,950**	**$2,039,750**	**$1,330,200**

* The source is federal dollars transferred from the Colorado Department of Education for the federal school breakfast and lunch program.

MEDICAL SERVICES

Personnel, contract, and operating costs associated with providing medical services to DYC youth were consolidated into one line item several years ago to enable better tracking of costs and to provide the Division with more flexibility in managing medical expenses. In response to staff questions, the Department provided the following break-down on how the line item is used and whom it estimated it served on a functional basis in FY 2010-11.

FY 2009-10 Medical Services Major Components	Dollars (millions)	Serves
DYC Personnel	$3.0	Committed youth in state facilities
Medical services contracts for mental health services	1.8	Mainly committed youth - some overlap to detained youth in state operated facilities
Operating expenses and supplies for clinics at facilities	0.2	Mainly committed youth - some overlap to detained youth in state operated facilities
Outside medical services contracts - hospitalization, outpatient, specialty, dental and pharmaceutical	2.0	Committed youth in state facilities and state owned/privately operated facilities (state facility ADP 430; state-owned privately operated Marler, DeNier ADP 57)
Outside medical services contracts - hospitalization, outpatient, specialty, dental and pharmaceutical	1.0	Committed youth in state-owned privately operated Ridge View facility (ADP 286)
Total (FY 2009-10)	**$8.0**	

Youth in privately owned, privately operated contract facilities (none of which are physically secure) are eligible for Medicaid, and medical costs for these youths are billed directly to the Medicaid program. Previously, all three state-owned, privately operated facilities (Ridge View, Marler, and DeNier) were secure facilities and not eligible for Medicaid. For these three facilities only, outside medical services are included in this line item. However, as reviewed further below, pursuant to Budget Amendment #3, youth in the Ridge View facility are now Medicaid eligible. While medical costs will continue to be managed in this line item, they will be submitted to Medicaid for reimbursement.

Medical Services Staffing Summary	FY 2009-10 Actual	FY 2010-11 Approp.	FY 2011-12 Request	FY 2011-12 Recommended
Program administration and Support Staff	1.9	2.0	2.0	2.0
Dentist	1.0	1.0	1.0	1.0
Mid-level Providers (e.g., nurse practitioners)	12.2	14.5	14.5	14.5
Nurses / Health Professionals	14.3	16.3	16.3	16.3
Psychologist / Social Worker / Counselor	4.6	5.2	5.2	5.2
TOTAL	**34.0**	**39.0**	**39.0**	**39.0**

Department Request. The Department requests an appropriation of $7,976,333, including $7,481,833 "net" General Fund and 39.0 FTE for this line item. The request includes:

- the annualization of FY 2010-11 adjustment requiring staff to pay an additional 2.5 percent of their salaries for PERA and Decision Item #NP-7, which continues this adjustment in FY 2011-12;
- annualization of the one-time 1.0 percent supplemental reduction to General Fund personal services;
- a reduction of $12,216 for NP-4, the Executive-proposed 2.0 percent cut to some General Fund personal services line items; and
- a reduction of $6,108 for SBA-1, the Executive-proposed additional 1.0 percent cut to some General Fund personal services line items.

Because this is a program line item, there have historically been three distinct components to the recommendation: (1) personal services; (2) contract services; and (3) operating expenses. However, because the break-out previously reflected in the staff figure setting packet is not related to the current functional break-out of dollars for the line item, staff has reflected solely personal services and operating expenses categories, with personal services incorporating personal services contracts..

Personal Services

Description. This portion of the line item pays for staff in state-operated facilities who provide routine medical care and administer medications, especially psychotropics. It also includes funding for personal services contracts. The Division's primary contract for medical services is with Devereaux Cleo Wallace to provide acute mental health services at Lookout Mountain Youth Services Center in the Cypress Unit. Also, the Division uses contract dollars to pay Colorado Access for managing specialty off-site medical needs. The Division spends smaller amounts on contracts for infrequently used on-site medical services, such as psychiatrists, and on contracts for medical services in areas where it is difficult to recruit state FTE.

Staff Recommendation for Personal Services. The staff recommendation is detailed below and is calculated consistent with Committee common policy.

Summary of Personal Services Staff Recommendation for Medical Services		
	General Fund	**FTE**
FY 2010-11 Personal Services	$4,381,827	39.0
Annualize 1% supplemental cut	5,976	0.0
Annualize FY 11 PERA adjustment	66,081	0.0
1.5% common policy reduction	(74,882)	0.0
SBA-1 (1.0% personal services reduction)	(6,108)	0.0
NP-7 (FY 12 PERA adjustment)	(60,542)	0.0
Total Recommended for Personal Services	**$4,312,352**	**39.0**

Operating Expenses

Description. The majority of medical operating expenses are for medical services purchased from outside entities (*e.g.*, hospitals) for youth in state-owned or state-operated commitment facilities. The purchased services in this line item reflect costs for youth in state-owned and operated facilities and youth in the three state-owned, privately operated facilities (Marler, DeNier, and Ridge View). Federal rules prohibit youth in secure state-owned institutions from accessing Medicaid, and, therefore, this line item historically provided General Fund for medical costs for youth in the state-owned, privately operated facilities, as well as the state operated secure facilities.

Beginning in mid- FY 2008-09, based on a change to the licensing status of the Ridge View facility (change from secure to staff-secure license), Medicaid billing was initiated for youth in this facility, and related General Fund appropriations in this line item were refinanced with Medicaid. Although an estimate of associated Medicaid costs is still reflected in the line item, in practice, agencies providing services for Medicaid-eligible youth bill Medicaid directly and amounts are only charged to this line item via accounting adjustments. Medical costs for youth in privately owned and operated contract facilities have always been billed directly to Medicaid by providers and have never been incorporated here. Similarly, detained youth who have not been committed, and therefore are not officially a ward (legal custody) of the State, may retain the Medicaid status they had prior to detention for the short duration of their stay.

Staff Recommendation for Operating Expenses. The staff recommendation is detailed below. The staff recommendation differs from the request because **staff now recommends eliminating the Medicaid amounts now included in this line item**. The FY 2010-11 Long Bill provides a historic record of the total amount of medical expenditures refinanced as Medicaid for youth in the Ridge View facility based on the change in the Ridge View licensing status. Under the present structure, the Division is required to reconcile Medicaid expenses for youth at Ridge View with the Department of Health Care Policy and Financing. Reconciliation with the Department of Health Care Policy and Financing is a matter of accounting adjustments, as actual Medicaid expenditures are incurred and billed by outside providers. As none of the actual billing or expenditures pass through this line item, staff believes the current system adds an unnecessary level of complexity to the appropriation and accounting process. Note: based on the experience to-date, actual expenditures have tracked closely with the $1.0 million estimated expenditures in the line item.

The impact of this change on statewide General Fund and federal funds is $0, although it will reduce reappropriated funds in the Department of Human Services by $989,000. Within the Department of Health Care Policy and Financing, however, the $989,000 Medicaid funds, as they originate (as General Fund and federal funds) must be transferred among line items. In total:

- the appropriation for Medicaid Mental Health Capitation would increase $616,044 total funds;
- the appropriation for Medicaid Premiums would increase $372,956 total funds;
- the appropriation for Department of Human Services Medicaid-funded programs, Division of Youth Corrections would be reduced $989,000 total funds.

Summary of Operating Expenses Recommendation for Medical Services				
	Total	**General Fund**	**Reapprop. Funds**	**Net General Fund**
FY 2010-11 Operating Expenses	$3,601,315	$2,612,315	989,000	2,964,318
Annualize ARRA adjustment	0	0	0	145,497
Eliminate Medicaid in appropriation	(989,000)	0	(989,000)	(494,500)
Total Recommended for Operating	**$2,612,315**	**$2,612,315**	**$0**	**$2,615,315**

Staff Recommendation for Line Item. Staff's recommendation is summarized in the table below.

Summary of Recommendation — Department of Human Services (11) Division of Youth Corrections – (B) Institutional Programs Medical Services			
	Total	**Net General Fund**	**FTE**
Total FY 2010-11 Appropriation	7,983,142	7,343,145	39.0
Personal Services adjustments (detailed above)	(69,475)	(69,475)	0
ARRA-related Medicaid adjustment	0	145,497	0
Eliminate Medicaid appropriation	(989,000)	(494,500)	0
TOTAL RECOMMENDATION	$6,924,667	$6,924,667	39.0

ENHANCED MENTAL HEALTH SERVICES PILOT FOR DETENTION

The funding in this line item provided for assessment by DYC of youth in detention at the Mount View and Grand Mesa facilities. A companion piece of funding in the Division of Children's Health and Rehabilitation provided community treatment upon release. **The Department requested, and the Committee approved, eliminating this program effective October 1, 2009. No funding is requested or recommended in FY 2011-12.**

Staff notes that the Division does maintain ongoing relationships with local community mental health centers for services to youth in detention. Mental health staff come to detention facilities several times per week to help address any acute mental health problems that arise. The Division covers the associated costs for youth who are not Medicaid eligible, while the Behavioral Health Organizations cover costs for Medicaid-eligible youth. While services are more limited than in the pilot program and do not extend to youth after they leave secure detention, this more limited set of services will continue to be extended to youth in detention.

EDUCATIONAL PROGRAMS

This line item funds personal services and operating expenses associated with education, primarily in state-operated commitment facilities. In contract commitment facilities, and in detention facilities, education is the responsibility of local school districts and paid for with the help of state per pupil operating revenue (PPOR). A limited portion of the Educational Programs line item is used to supplement PPOR-funded services at detention facilities with health education, such as AIDS prevention and substance abuse prevention.

There are three sources of federal funds for this line item that appear as reappropriated funds because the money is transferred from the Department of Education: (1) the Carl D. Perkins Vocational Education Act for vocational training ($30,000); (2) Title I of the Elementary and Secondary Education Act for disadvantaged youth ($206,336); and (3) the Individuals with Disabilities Education Act for special education ($107,557).

Educational Programs Staffing Summary	FY 2009-10 Actual	FY 2010-11 Appropriation	FY 2011-12 Request	FY 2011-12 Recommended
Support Staff	2.4	4.5	4.5	4.5
Teachers	32.6	36.3	36.3	36.3
TOTAL	**35.0**	**40.8**	**40.8**	**40.8**

The Department requests an appropriation of $5,775,422, including $5,435,639 General Fund and $339,783 reappropriated funds, and 40.8 FTE for this line item. This request includes:

- the annualization of FY 2010-11 adjustment requiring staff to pay an additional 2.5 percent of their salaries for PERA and Decision Item #NP-7, which continues this adjustment in FY 2011-12;
- annualization of the one-time 1.0 percent supplemental reduction to General Fund personal services;
- a reduction of $10,043 General Fund for NP-4, the Executive-proposed 2.0 percent cut to some General Fund personal services line items; and
- a reduction of $5,022 General Fund for SBA-1, the Executive-proposed additional 1.0 percent cut to some General Fund personal services line items.

The staff recommendation, calculated consistent with committee common policy, is reflected below.

Summary of Staff Recommendation — Department of Human Services (11) Division of Youth Corrections – (B) Institutional Programs Educational Programs				
	Total	**General Fund**	**Reapprop. Funds**	**FTE**
FY 2010-11 Personal Services	$2,830,776	$2,622,970	$207,806	40.8
Annualize 1% supplemental cut	4,906	4,906	0	0.0
Annualize FY 11 PERA adjustment	57,760	57,760	0	0.0
1.5% common policy reduction	(43,402)	(40,285)	(3,117)	0.0
SBA-1 (1.0% personal services reduction)	(5,022)	(5,022)	0	0.0
NP-7 (FY 12 PERA adjustment)	(56,040)	(51,930)	(4,110)	0.0
Subtotal - Personal Services	**2,788,978**	**2,588,399**	**200,579**	**40.8**
FY 2010-11 Operating Expenses (no change)	2,953,085	2,816,998	136,087	0.0
TOTAL RECOMMENDATION	**$5,742,063**	**$5,405,397**	**$336,666**	**40.8**

PREVENTION/INTERVENTION SERVICES

This line item provides spending authority for an intra-agency agreement between DYC and the Alcohol and Drug Abuse Division (ADAD) located in the Division of Mental Health. Historically, the funds have supported drug and alcohol assessment and training for substance abuse counselors in DYC facilities. The dollars transferred to DYC (reappropriated funds) are initially appropriated as federal funds in ADAD.

The Department requests, and staff recommends, a continuation appropriation of $49,693 reappropriated funds and 1.0 FTE, for this line item. To the extent small savings are realized associated with BA #NP1 (PERA adjustment), staff assumes they will be redirected to meet other program needs.

(C) COMMUNITY PROGRAMS

This section of the Division funds contract placements of juveniles typically in community settings with lower security levels than state-operated institutions. This section also supports case management that begins during a juvenile's stay in commitment and continues through the end of parole. Finally, this section funds S.B. 91-94 programs intended to divert juveniles from detention and commitment, or reduce their length of stay.

PERSONAL SERVICES

This line item supports personal services for case managers, support staff, and regional administrators, who are responsible for overseeing contract placements and the overall operation of DYC services in the area. Beginning in FY 1997-98, the Division combined the role of case manager and parole officer, so the same individual tracks a juvenile through the system from commitment to the end of parole.

The source of cash funds in this line item is a reimbursement by the operator of the Ridge View facility to offset the cost of monitoring the facility pursuant to Section 19-2-411.5 (2) (e), C.R.S.

Community Programs Staffing Summary	**FY 2009-10 Actual**	**FY 2010-11 Approp.**	**FY 2011-12 Request**	**FY 2011-12 Recomm.**
Management	3.8	4.0	4.0	4.0
Case Managers	90.5	88.0	88.0	88.0
General Professional	3.1	2.6	2.6	2.6
Support Staff	11.1	12.8	12.8	12.8
Staff recommended reduction	n/a	n/a	n/a	(9.6)
TOTAL	**108.5**	**107.4**	**107.4**	**97.8**

The Department requests $7,227,064, including $6,895,646 net General Fund, and 107.4 FTE for this line item. This includes:

- the annualization of FY 2010-11 adjustment requiring staff to pay an additional 2.5 percent of their salaries for PERA and Decision Item #NP-7, which continues this adjustment in FY 2011-12;
- annualization of the one-time 1.0 percent supplemental reduction to General Fund personal services;
- a reduction of $145,945, including $145,477 General Fund, for NP-4, the Executive-proposed 2.0 percent cut to some General Fund personal services line items; and
- a reduction of $72,973 General Fund for SBA-1, the Executive-proposed additional 1.0 percent cut to some General Fund personal services line items.

The staff recommendation is detailed below. As reflected in the table, staff is recommending a reduction in client management positions, in light of the decline in the Division's client population.

Staff Recommendation - Reduction in Client Management Positions

During FY 2009-10 supplemental figure setting, the Committee approved a Department request to re-align its caseload for its client management system effective October 1, 2009. Under the resulting approach, it applies a ratio of 1:25 for youth in residential placement and 1:18 for youth on parole. Based on the decline in the youth population served by the Division, staff recommends that amounts in this line item be adjusted.

Client Managers

Calculation Based on December 2010 Legislative Council Staff Projection for FY 2011-12

	Projected ADP December 2010 LCS Projection	**Caseload per Client Manager**	**Resulting FTE**
Commitments	1,028	25	41.1
Parole	412	18	22.9
Calculated Need			64.0
Current FTE			72.6
Reduction Calculated, 2010 LCS Projection			(8.6)
Additional Reduction for Supervisor (typical ratio is between 1:10 and 1:15; 9.6 FTE were reduced in FY 2009-10 with no supervisory reduction			(1.0)
Total Reduction Recommended			(9.6)

Staff Recommendation - DYC Client Manager Reduction			
		Recommendation FY 2011-12	
	Annual salary	FTE	Amount
Personal Services			
Youth Services Counselor II	$61,313	(8.6)	(527,292)
Youth Services Counselor III	69,100	(1.0)	(69,100)
PERA (7.65%)			(45,624)
Medicare (1.45%)			(8,648)
Subtotal - Personal Services		**(9.6)**	**(650,664)**
Operating Expenses			
Supplies @ $712.5/FTE			(6,840)
Total- GF		(9.6)	($657,504)

Line Item Recommendation. The staff recommendation is detailed below.

Summary of JBC Staff Recommendation — Department of Human Services (11) Division of Youth Corrections – (C) Community Programs Personal Services						
	Total	**General Fund**	**Cash Funds***	**Reapprop. Funds****	**Federal Funds*****	**FTE**
FY 2010-11 Personal Services	$7,365,629	$7,011,005	$50,441	$45,411	$258,772	107.4
Annualize 1% supplemental cut	71,277	70,818	0	459	0	0.0
Annualize FY 11 PERA adjustment	176,726	168,597	1,166	990	5,973	0.0
1.5% common policy reduction	(114,204)	(108,756)	(774)	(703)	(3,971)	0.0
SBA-1 (1.0% personal services reduction)	(72,973)	(72,504)	0	(469)	0	0.0
NP-7 (FY 12 PERA adjustment)	(167,649)	(159,643)	(1,135)	(1,030)	(5,841)	0.0
Staff-recommended reduction	(650,664)	(650,664)	0	0	0	(9.6)
TOTAL RECOMMENDATION	**$6,608,142**	**$6,258,853**	**$49,698**	**$44,658**	**$254,933**	**97.8**

* The source of cash funds is fee revenue received by the Division pursuant to Section 19-2-411.5 (2) (e), C.R.S., from the Rights of Passage Program to offset the cost of monitoring the Ridgeview Facility.
** These amounts shall be from Medicaid funds transferred from the Department of Health Care Policy and Financing.
*** The source of federal funds is Title IV-E funds.

OPERATING EXPENSES

This line item provides operating funds for the FTE in the personal services line item above. The single largest expenditure category from this line item is fuel expenditures, reflecting the mobile nature of case management work. The source of cash funds is fees collected from the Ridge View contractor to offset the cost of monitoring operations in DYC facilities, which is required pursuant to Section 19-2-411.5 (2) (e), C.R.S.

The Department requests a continuing appropriation of an appropriation of $330,980, including $328,532 General Fund and $2,448 cash funds. The staff recommendation is detailed below and includes the operating expenses reduction associated with the client manager reduction.

Summary of JBC Staff Recommendation — Department of Human Services (11) Division of Youth Corrections – (C) Community Programs Operating Expenses			
	Total	**General Fund**	**Cash Funds***
FY 2010-11 appropriation	$330,980	$328,532	$2,448
Staff Recommendation - Reduce Client Managers	(6,840)	(6,840)	0
TOTAL RECOMMENDATION	**$324,140**	**$321,692**	**$2,448**

* The source of cash funds is fee revenue received by the Division pursuant to Section 19-2-411.5 (2) (e), C.R.S., from the Rights of Passage Program to offset the cost of monitoring the Ridgeview Facility.

Purchase of Contract Placements

This line item provides funding for the Division to contract with private for-profit and non-profit organizations to house and treat youth. This includes both contracts with privately owned and operated facilities and contracts with privately operated programs in state-owned facilities (Ridge View, Marler, and DeNier). In FY 2008-09, placements in state-owned, privately operated facilities comprised 60 percent of the placements funded through this line item (ADP of 459). All of the contracts funded through this line item are for residential services. Non-residential services are paid for through other line items. The source of reappropriated funds is Medicaid funds transferred from the Department of Health Care Policy and Financing for therapeutic residential child care facilities (TRCCFs).

Long Bill Footnote. In the 2003 Long Bill, the Committee added a footnote to this line item authorizing the Division to spend up to 5.0 percent of the appropriation on treatment and transition services for youth in state-operated facilities. In FY 2005-06, this percentage was increased to 10.0 percent, in FY 2007-08 the percentage was increased to 15.0 percent, and for FY 2008-09 the percentage was increased to 20.0 percent. It was again reduced to 5.0 percent in FY 2010-11 in light of the reductions in funding in the line item. The Division has used this flexibility to implement its Continuum of Care Initiative, which includes evidence-based practices to help transition youth from residential to community-based programs. However, all amounts in this line item in excess of amounts projected to be required to fund contract placements were either eliminated or moved to other line items in FY 2008-09.

Staff has included a recommendation for the FY 2010-11 Purchase of Contract Placements line item, in addition to a recommendation for the FY 2011-12 line item.

Purchase of Contract Placements - FY 2010-11 Supplemental Calculation - Supplemental #9

As discussed earlier in this packet, the Committee previously adopted a placeholder for this line item that substantially exceeded the requested reduction in the Department's request. This is because the Department request reflects operating at 100 percent of capacity, rather than the 110 percent of capacity used for setting Long Bill figures. *Through January 2011, Department data reflects it operating state facilities at 95.5 percent of capacity, rather than 110 percent of capacity.* As previously noted, **the staff recommendation is to set the line item based on 100 percent of capacity for 75 percent of the year and 110 percent of capacity for 25 percent of the year and to also provide some budgetary flexibility that will enable the Division to transfer additional funds into this line item based on reductions that may be achieved in institutional program line items**. A detailed staff calculation for the line item is included in an appendix.

DYC Purchase of Contract Placements Line Item - FY 2010-11				
	Request		Recommendation	
	Total	Net GF	Total	Net GF
FY 2010-11 Appropriation	$42,802,281	$40,494,189	$42,802,281	$40,494,189
Department-requested adjustment (state	(7,965,137)	(7,667,611)	(7,965,137)	(7,667,611)

DYC Purchase of Contract Placements Line Item - FY 2010-11				
	Request		**Recommendation**	
	Total	Net GF	Total	Net GF
facilities @ 100 percent capacity)				
Additional staff-recommended adjustment (110% capacity for 3 months - with flexibility re. source of reduction)	0	0	(588,030)	(572,709)
Total	**$34,837,144**	**$32,826,578**	**$34,249,114**	**$32,253,869**

DYC Purchase of Contract Placements Line Item - FY 2010-11
Staff Recommendation - Fund Source Detail

	Total	**General Fund**	**Reappropriated Funds***	**Federal Funds****	**Net General Fund**
FY 2010-11 Appropriation	$42,802,281	$39,839,607	$1,618,662	$1,344,012	$40,494,189
Recommended Appropriation (includes ARRA adjustment)	34,249,114	31,684,179	1,413,974	1,150,961	32,253,869
Change	**(8,553,167)**	**(8,155,428)**	**(204,688)**	**(193,051)**	**(8,240,320)**
Placeholder adopted in FY 2010-11 budget balancing***	(10,027,095)	(9,742,727)	(284,368)	0	(9,884,911)
Additional budget balancing required elsewhere if staff recommendation adopted in lieu of placeholder	($1,473,928)	($1,587,299)	($79,680)	$193,051	($1,644,591)

*Medicaid
**Title IV-E Reimbursements
**The Committee cited an additional $10,229,179 net General Fund cited in the Committee's letter to the Department. The letter reflected a correction to the base calculation to incorporate the impact of new 2010 legislation. However, this higher figure was not officially adopted as a placeholder.

Caseload calculation - Supplemental #7. Department request and staff recommendation is based on the Legislative Council Staff December 2010 caseload projection of 1,037 ADP for the commitment population for FY 2010-11.

Adjustment for Ridge View Licensing. In FY 2008-09, licensing changes were adopted that allow youth to be eligible for federal Title IV-E funding and will allow the State to bill for federal reimbursement of residential expenses for youth placed at the Ridge View facility, as well as associated administrative costs. Consistent with the request, the staff recommendation incorporates a reduction in the federal Title IV-E revenue anticipated to be received for youth placed at Ridge View, based on the lower average daily population at Ridge View. Assumptions include: 46.9 percent youth

(279.3 ADP) placed at Ridge View, 20 percent Ridge View youth Title-IV-E eligible, Title IV-E reimbursement per day of $56.41.

ARRA placeholder: Net General Fund amounts in this line item must be adjusted due to the final Congressional action on extending enhanced Medicaid match percentages into FY 2010-11. Staff anticipates that a related net General Fund increase of $26,629 will be included in the Health Care Policy and Financing supplemental bill.

Purchase of Contract Placements - FY 2011-12 Line Item

Department Request. The Department requested $31,538,017, including $29,853,263 net General for this line item for FY 2011-12. The request is summarized in the table below.

Summary of Request — Department of Human Services (11) Division of Youth Corrections – (C) Community Programs Purchase of Contract Placements					
	Total	**General Fund**	**Reapprop. Funds**	**Federal Funds**	***Net General Fund***
FY 2010-11 Current Appropriation	$42,802,281	$39,839,607	$1,618,662	$1,344,012	*$40,494,189*
Annualize ARRA Medicaid adjustment	0	0	0	0	*154,750*
Annualize H.B. 10-1413 (Limit on Direct File)	371,881	371,881	0	0	*371,881*
Annualize Reduction Based on Flexibility Allowed in Long Bill Footnote	9,150,000	9,150,000	0	0	*9,150,000*
BR #1 - Permanently eliminate flexibility in Purchase of Contract Placements	(9,195,422)	(9,197,473)	5,733	(3,682)	*(9,194,607)*
Leap year adjustment	116,248	108,131	4,435	3,682	*110,649*
BA #7 - Purchase of contract placements - ADP adjustment	(11,706,971)	(11,067,208)	(332,183)	(307,580)	(11,233,299)
Total Request	**$31,538,017**	**$29,204,938**	**$1,296,647**	**$1,036,432**	***$29,853,563***
FY 2010-11 *Request*	34,249,114	32,246,550	1,439,633	1,150,961	32,826,578
Difference	($2,711,097)	($3,041,612)	($142,986)	($114,529)	($2,973,015)

Annualize Reduction Based on Flexibility Allowed in Long Bill Footnote and Base Reduction #1
In the 2003 Long Bill, the Committee added a footnote to the Purchase of Contract Placements line item authorizing the Division to spend up to 5.0 percent of the appropriation on treatment and

transition services for youth in state-operated facilities and services. This percentage was increased to 10.0 percent in FY 2005-06, to 15.0 percent in FY 2007-08, and to 20.0 percent for FY 2008-09 and FY 2009-10. However, due to budget constraints, excess funding (funding beyond the minimum required on a per contract bed) was eliminated from the contracts placement line item for FY 2008-09, FY 2009-10, and FY 2010-11 before the Department had the opportunity to access "excess" funds that resulted from the decline in the commitment population. For the last several years, this funding of approximately $9.2 million has been "annualized" (added back) each year and then "reduced" through a budget reduction initiative. *In practice, the Division has never been able to use this $9.2 million: this simply represents an amount the Division had hoped to be able access.* **For FY 2011-12, the Department has requested permanently eliminating funds not required for purchase of contract placements from this line item. Staff recommends the request.** In light of the current budget situation, staff does not believe restoring the funding would be warranted, and the current process of "restoring" and "eliminating" funds each year distorts the budget picture.

~~Further, in light of the fact that this line item is not being budgeted with any excess funding, staff recommends eliminating the current flexibility that enables the Department to transfer funds to the Parole Program Services line item. Instead of this,~~ the Committee may wish to consider different flexibility that will allow transfers between institutional program line items and the contract placements line item to facilitate the appropriate ratio between contract and institutional services, subject to reporting requirements.

Annualize H.B. 10-1413 (Limit on Direct File), Leap year adjustment, and BA #7 - Purchase of contract placements - ADP adjustment

The total funding in this line item is calculated based on the projected average daily population less the number anticipated to be housed in state-operated facilities, the current allocation of the population among certain categories of placement (residential child care facility, therapeutic residential child care facility, etc.) and the current average rates paid for those placements based on the current case mix. For FY 2011-12, this calculation is based on 366 days of service, in light of the leap year.

Despite the Department assertion that it cannot appropriately place youth if it is required to operate at 110 percent of capacity in FY 2010-11 (as opposed to 100 percent of capacity), for FY 2011-12, it has requested a budget for this line item based on 110 percent of capacity.

Staff Recommendation. The staff recommendation is outlined in the table below. In sum:

- Staff recommends setting the overall funding in this line item to reflect Division operations at 110 percent of capacity, as is now requested. However, assuming the Department's assertion that 110 percent of capacity in FY 2010-11 is not appropriate, it is hard to imagine that placements would be appropriate in FY 2011-12 under this scenario, given the continuing decline in the commitment population. *If approved, staff assumes one of the Department's proposed "right sizing" options would address this situation.*

- *As discussed earlier this packet, if the Committee is not comfortable authorizing additional expenditures (savings from lowering the detention cap) to achieve "right-sizing", staff would* *recommend that the Division be given flexibility to move fund between the contract placements and institutional line items to "right size" to the extent it is able within the confines of its total budget.*

- Staff recommends, for FY 2011-12, using the Division of Criminal Justice forecast for this line item, rather than the Legislative Council forecast. The Division of Criminal Justice forecast is the lower of the two forecasts, and would drive a total appropriation that is **$4.0 million General Fund below the Legislative Council Staff forecast**. *Staff is uncertain which forecast will emerge as more accurate*; however, given recent history in which the Division modified its placement strategy without consulting the JBC, apparently on the grounds that there was sufficient funding available in the budget to accommodate a different placement strategy, staff would avoid appropriating this line item at too high a level. Nonetheless, the Committee should be aware that, if the Legislative Council forecast proves more accurate, a supplemental increase--rather than a supplemental decrease--would be anticipated in FY 2011-12.

- Finally, the Committee should be aware that a supplemental increase will likely be required in this line item in FY 2011-12 due to the rebid of the contract for the Ridge View facility. The Department has issued a request for proposals (RFP) for the facility for a new contract effective July 1, 2011. The RFP which does not specify rates; however, it appears likely that bids will come in above current levels.

- Note that, for purposes of the recommendation below, staff has not bothered to annualize and then remove funding associated with Base Reduction #1. However, as discussed above, staff does recommend permanently eliminating this "excess" appropriation.

Summary of Request — Department of Human Services
(11) Division of Youth Corrections – (C) Community Programs
Purchase of Contract Placements

	Total	General Fund	Reapprop. Funds	Federal Funds	*Net General Fund*
FY 2010-11 Current Appropriation	$42,802,281	$39,839,607	$1,618,662	$1,344,012	*$40,494,189*
FY 2010-11 Supplemental Reduction Recommended	(8,553,167)	(8,155,428)	(204,688)	(193,051)	*(8,240,320)*
Recommended FY 2010-11	34,249,114	31,684,179	1,413,974	1,150,961	*32,253,869*
Adjustment - DCJ Forecast and operations at 110% capacity*	(6,789,101)	(6,381,199)	(293,373)	(114,529)	*(6,390,588)*
Total Recommendation	**$27,460,013**	**$25,302,980**	**$1,120,601**	**$1,036,432**	***$25,863,281***
FY 2011-12 Request	31,538,017	29,204,938	1,296,647	1,036,432	29,853,263

Summary of Request — Department of Human Services (11) Division of Youth Corrections – (C) Community Programs Purchase of Contract Placements					
	Total	**General Fund**	**Reapprop. Funds**	**Federal Funds**	***Net General Fund***
Difference	($4,078,004)	($3,901,958)	($176,046)	$0	($3,989,982)

*This includes $75,026 total funds ($70,663 net General Fund) attributable to the leap year.

MANAGED CARE PILOT PROJECT

This line item is used to fund the Boulder County Impact Project, which is a managed care agreement between the Division of Youth Corrections and Boulder County for handling delinquent youth. The program serves as an umbrella for a wide range of Boulder county programs designed to assist at-risk youth involved in child welfare, youth corrections, and mental health systems and draws on multiple funding streams, including this one. The program has reported that, since its inception, it has been able to reduce use of detention beds by 25 percent and use of contract commitment beds by over 40 percent, as well as reducing use of hospitalization.

The original IMPACT agreement with Youth Corrections provided Boulder with the funds associated with their youth corrections contract placements and fixed their maximum use of state facility beds at the level in place at that time (the late 1990s). The Boulder agreement with DYC specifies that if its use of state commitment beds exceeds its cap, it will reimburse the State for the related costs.

Request and Recommendation. The Department requests a continuing appropriation of $1,368,060, including $1,351,726 *net* General Fund, for this line item. Staff recommends the request. The request and recommendation include annualizing (restoring) $71,421 General Fund reduced in FY 2010-11. *However*, staff notes that, as statewide commitments fall, they will soon be, statewide, below the level in place when the IMPACT agreement was first concluded. *Given statewide reductions in youth commitments that appear driven in large part by issues such as reduced arrest rates, some decline in this line item is likely appropriate in the coming years, consistent with reductions applied in other parts of the youth corrections budget*. Staff notes that a 20 percent reduction was applied in FY 2009-10 but was then largely restored by the Joint Budget Committee.

SENATE BILL 91-94 PROGRAMS

Senate Bill 91-94 authorized the creation of local, judicial-district based programs designed to provide alternatives to incarceration for pre-adjudicated and adjudicated youth. These programs work to reduce the incarcerated population by impacting the number of admissions into DYC facilities, or by reducing the length of stay for youths placed in DYC facilities. Senate Bill 91-94 funds are also used in each judicial district to implement a uniform intake screening and assessment of all youth taken into custody by law enforcement. The goal of this intake screening is to determine the most appropriate placement for youth. Four levels of placement are identified on the screening instrument, including secure detention, staff secure detention, residential/shelter, and home detention with monitoring.

Of the funds appropriated to this line item, the Division reserves three percent for research, evaluations, technical assistance, and audits. The remainder of the money is allocated by formula to programs in each judicial district. Historical funding has been based on approximately 25 percent for committed youth and 75 percent for detained youth. However, because of recent budget reductions and because of the statutory cap on juvenile detention beds, the funds are currently used for detention services only.

The Department requests a continuing appropriation of $13,031,528 General Fund for this line item.

The staff recommendation is detailed in the table below. As reflected, **staff recommends a reduction of $2,000,000 for this line tem, in light of the overall declines in arrest rates, juvenile filings, and detention admissions, as these should at least in part parallel the need for S.B. 91-94 services.** As reflected below, there has been a steep drop in juvenile arrests, delinquency filings, and detention admissions. While S.B. 91-94 program costs are not solely driven by caseload, the steep decline in youth with any criminal justice involvement should have a material impact on the workload of the S.B. 91-94 programs. Staff has not recommended a steeper reduction because staff does believe that the involvement of S.B. 91-94 has likely played a role in the overall decline in the juvenile population, and staff does not want to cut the program so deeply that its efficacy is reduced. The funding level shown is approximately the inflation-adjusted level in place in FY 2006-07; however funding per juvenile delinquency filing on detention admission would be between the inflation-adjusted level in place in FY 2007-08 and FY 2008-09, due to the decline in the juvenile population.

If the Committee approves this recommended reduction, staff would also recommend reducing the S.B. 91-94 appropriation for FY 2010-11 by $500,000 General Fund. This will lower the base more promptly and will also help to compensate for General Fund savings that will not be available due to the Department's operating at 100 percent of capacity.

Summary of Recommendation — Department of Human Services (11) Division of Youth Corrections – (C) Community Programs S.B. 91-94 Programs	
	General Fund
FY 2010-11 Appropriation	$13,031,528
Reduce based on decline in arrests, delinquency filings, and detention admissions	(2,000,000)
TOTAL RECOMMENDATION	**$11,031,528**

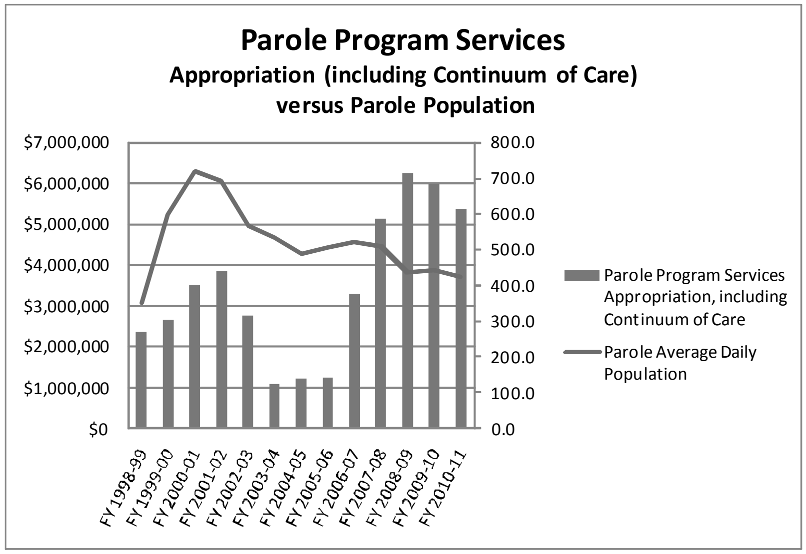
	S.B. 91-94 Funding	S.B. 91-94 Funding in 2010 Dollars	Juvenile Arrests	Delinquency filing	Secure Detention Admissions
FY 00-01	$11,601,410	$13,515,739	58,560	16,986	14,921
FY 01-02	$12,134,538	$13,869,094	54,531	17,675	13,610
FY 02-03	$11,406,466	$12,897,367	54,008	17,179	14,059
FY 03-04	$8,966,324	$10,127,439	45,836	15,981	11,148
FY 04-05	$7,966,350	$8,814,147	48,405	15,156	10,970
FY 05-06	$9,125,650	$9,749,536	47,596	14,926	10,968
FY 06-07	$10,407,695	$10,880,998	44,985	14,389	10,591
FY 07-08	$12,463,139	$12,541,279	46,376	14,106	10,792
FY 08-09	$13,297,406	$13,467,523	46,395	13,668	10,295
FY 09-10	$13,297,559	$13,297,559	39,876	11,640	9,102
Change since FY 00-01	*14.6%*	*-1.6%*	*-31.9%*	*-31.5%*	*-39.0%*

PAROLE PROGRAM SERVICES

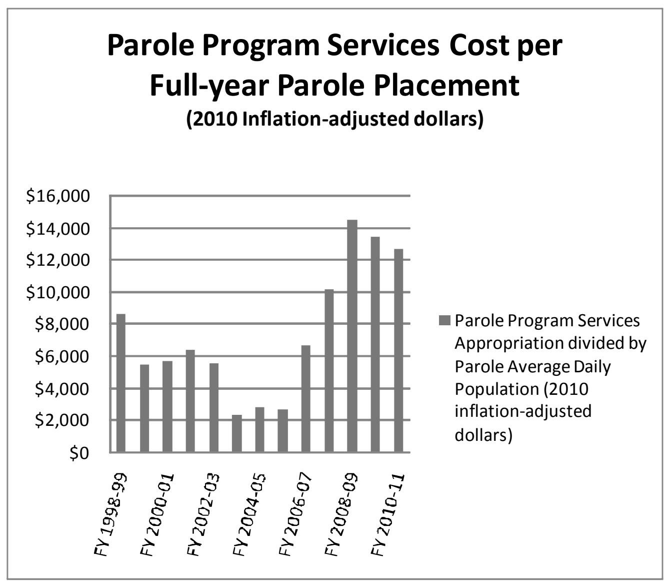
This line item was created in FY 1998-99 through the consolidation of several line items providing wrap-around services to parolees and pre-parolees. The funds are designed to assist in a successful transition from commitment to parole, and in successful completion of parole. In addition, some of the services, such as electronic monitoring, create conditions in the community that may make the Parole Board more comfortable with releasing a juvenile to parole sooner. Funding for this line item has grown substantially in recent years, as savings associated with decreased commitment populations have been transferred to this line item to support the Division's Continuum of Care initiatives. After Committee FY 2010-11 supplemental adjustments, this line item provides parole services at a cost of $12,711 per year per average daily placement, based on the Legislative Council Staff projection of a parole ADP of 422 for FY 2010-11. In response to staff questions, the Department has indicated that approximately 40 percent of this budget is used to maintain capacity for services, regardless of the number of youth on parole, while the balance is more clearly variable based on clients served.

Source of Federal Funds. The source of federal funds is Title IV-E funding. Title IV-E provides assistance to states in paying a portion of the cost associated with maintaining certain youth in out-of-home placements. The youth must meet eligibility criteria based on family income and committing circumstances (best interests of the child and reasonable efforts to avoid out-of-home placement). The placement must be in a non-institutional, non-secure, community-based setting. Many of DYC's youth and placements meet the criteria.

The Division uses random moment sampling (RMS), a federally approved method of accounting for personal services time spent on Title IV-E eligible activities. Under RMS, an automated system calls client managers arbitrarily to determine what they are doing at that moment and for the preceding hour, and whether that activity qualifies for Title IV-E reimbursement. Then, based on the percentage of Title IV-E eligible youth in the system, the agency can claim the federal funds. All Title IV-E revenue for the division is appropriated to this line item, with the exception of contract placements amounts associated with Ridge View placements.



The Department requested $5,863,847, including $4,972,188 General Fund for this line item. The Committee previously applied a $500,000 reduction to this line item as a budget balancing action for FY 2009-10. **The staff recommendation is to continue the $500,000 reduction and reduce this line item by a further $1,183,076 for a total appropriation of $4,180,771.** The staff calculation is based on funding the line item at the inflation-adjusted level in place in FY 2007-08 ($10,148 per youth) multiplied by the Legislative Council Staff projected parole average daily population for FY 2011-12 (412). This incorporates the major funding restoration and increase adopted when the Continuum of Care initiative was launched but eliminates the additional increases since that time.



JUVENILE SEX OFFENDER STAFF TRAINING

This line item was added through a supplemental appropriation in FY 2002-03 for the purpose of funding training costs for DYC staff. Pursuant to the provisions of H.B. 00-1317 (Tool / Anderson), the Sex Offender Management Board (SOMB) was required to develop standards for the evaluation and identification of juvenile sex offenders. The standards developed by the SOMB are founded on best practices, which include an emphasis on informed supervision. Implementing this concept involves a list of supervisory roles and duties for all individuals who have a direct care or custodial relationship with a juvenile sex offender, which includes facility staff, case managers, parents, teachers, coaches, etc. The Division estimates that, on average, approximately 250 youth in its custody either have been adjudicated for a sexual offense or have charges that include an underlying factual basis for a sexual offense. This estimate includes the population in residential treatment or under parole supervision.

The Department requests a continuation appropriation of $47,060 total funds, including $38,250 cash funds (Sex Offender Surcharge Fund) to train Department staff and contractors so that they can continue the process of complying with standards developed by the Sex Offender Management Board. The remaining $8,810 General Fund is from H.B. 07-1093, which requires DYC to develop polices and procedures regarding sexual assaults that occur in facilities for which they are responsible.

Staff recommends that the Committee approve an appropriation of $47,060, including $8,810 General Fund and $38,250 cash funds, for this line item. The source of cash funds is the Sex Offender Surcharge Fund established in Section 18-21-103 (3), C.R.S.

DEPARTMENT OF HUMAN SERVICES
DIVISION OF YOUTH CORRECTIONS
FY 2011-12 LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

Long Bill Footnotes

Staff recommends the following **new footnotes**:

N **Department of Human Services, Division of Youth Corrections, Institutional Programs; and Community Programs, Purchase of Contract Placements** -- It is the intent of the General Assembly that up to $5.0 million of General Fund appropriations may be transferred between line items in the Institutional Programs section and the Purchase of Contract Placements line item to facilitate the placement of youth in the most appropriate residential setting.

Comment: In light of the Division's shrinking population, staff believes some additional flexibility is appropriate to enable the Department to place the "right person in the right place". In the event the Committee does not approve one of the "right sizing" options requested, staff would further recommend that the dollar amount shown be increased, as the amount shown assumes that most "right sizing" will already have occurred.

N **Department of Human Services, Division of Youth Corrections, Community Programs, Purchase of Contract Placements** -- The appropriation in this line item is calculated based on the assumption that secure facilities operated by the Department will house youth at 110 percent of capacity, consistent with historic practice.

Comment: Staff recommends the addition of this footnote to clarify legislative intent.

Staff recommends that the following footnotes be **continued**:

21 **Department of Human Services, Division of Child Welfare** -- It is the intent of the General Assembly to encourage counties to serve children in the most appropriate and least restrictive manner. For this purpose, the Department may transfer funds among all line items in this long bill group total for the Division of Child Welfare, except that the Department may not transfer funds from non-custodial line items to the Child Welfare Administration line item to increase funding for personal services.

Comment: The Department has annually transferred moneys when necessary. Staff believes the flexibility is helpful in ensuring that all funds available are spent in the most appropriate manner.

21c **Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- It is the intent of the General Assembly that $4,006,949 of the funds appropriated for this line item be used to assist county departments of social services in implementing and expanding family- and community-based services for adolescents.

It is the intent of the General Assembly that such services be based on a program or programs that have been demonstrated to be effective in reducing the need for higher cost residential services.

Comment: This targeted funding was added by the General Assembly between FY 2003-04 and FY 2005-06 with the intent of ensuring that new child welfare funding be used as effectively as possible. Staff believes it is still helpful in explaining the General Assembly's intent.

21d Department of Human Services, Division of Child Welfare, Performance-based Collaborative Management Incentives -- The total appropriation in this line item exceeds the projected ongoing revenue stream for the Collaborative Management Incentives Cash Fund. Therefore, appropriations at the current level may not be available when reserves are exhausted.

Comment: Based on current projections, staff expects reserves to be exhausted at the end of FY 2011-12. This footnote simply provides notification of funding expectations.

26 Department of Human Services, Division of Youth Corrections, Institutional Programs; and Community Programs, Purchase of Contract Placements -- It is the intent of the General Assembly that up to 5.0 percent of the total General Fund appropriation to line items in the Institutional Programs section and up to 5.0 percent of the General Fund appropriation to the Community Programs, Purchase of Contract Placements line item may be transferred to the Community Programs, Parole Program Services line item to provide treatment, transition, and wrap-around services to youth in the Division of Youth Correction's system in residential and non-residential settings and/or to the Community Programs, S.B.91-94 Programs line item to support community-based alternatives to secure detention placements.

Comment: The Division of Youth Corrections has used the flexibility afforded in this line item to fund its Continuum of Care Initiative. Given recent-year budget reductions, staff does not expect the flexibility provided to be used to any significant degree in FY 2011-12. However, particularly in light of budget reductions recommended in parole program services and S.B. 91-94 line items, staff recommends the footnote be maintained for the present.

Staff recommends that the following footnotes be **eliminated**:

18 Department of Human Services, Office of Information Technology Services, Child Care Automated Tracking System; and Division of Child Care -- It is the intent of the General Assembly that this project: 1) have a steering committee that includes a county commissioner, a county human services director, and a user of the system; 2) that the Department pilot the program before rolling it out; 3) that the steering committee, including the county representatives, should decide whether the system is "go" or "no go" at the roll out stages; and 4) that ongoing costs for maintenance and administration of this system be covered through savings in or reductions to the

Colorado Child Care Assistance Program and remaining Child Care Development Fund reserves. The new system will not drive additional costs to the state General Fund.

Comment: This new information technology system has now been implemented. The footnote is no longer required.

21a **Department of Human Services, Division of Child Welfare, Child Welfare Services --** Pursuant to Section 26-5-104 (6), C.R.S., subject to Department rules, counties are authorized to negotiate rates, services, and outcomes with child welfare services providers and are thus not required to provide a specific rate decrease for any individual provider. This provision does not apply, however, to Medicaid treatment rates. The funding appropriated for this line item includes a decrease of $6,635,156 based on a 2.0 percent decrease in funding for county staff salaries and benefits, community provider rates including subsidized adoption rates, and Medicaid treatment rates.

Comment: This footnote should only be included if the Committee opts to adopt additional provider rate decreases.

21b **Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- Pursuant to Section 26-5-104 (6), C.R.S., subject to Department rules, counties are authorized to negotiate rates, services, and outcomes with child welfare services providers and are thus not required to provide a specific rate decrease for any individual provider. The funding appropriated for this line item includes a decrease of $913,797 based on a 2.0 percent decrease in funding for community provider rates.

Comment: This footnote should only be included if the Committee opts to adopt additional provider rate decreases.

Requests for Information

Staff recommends the following information request be **added**:

1. **Department of Human Services, Division of Youth Corrections --** The Division is requested to provide a report to the Joint Budget Committee by November 1 of each year concerning its proposed and actual use of budgetary flexibility provided between institutional and purchase of contract placement appropriations. The report should specify funds that have been or are anticipated to be transferred and how the changes will affect numbers and types of institutional and community placements anticipated to be used for youth in commitment and detention placements.

Staff recommends that the following information requests be **continued or continued as modified**:

2. **Department of Human Services, Division of Child Welfare; and Totals –** The Department is requested to provide a report to the Joint Budget Committee by October 1 of each fiscal year concerning the amount of federal revenues earned by the State for the previous fiscal year, pursuant to Title IV-E of the Social Security Act, as amended; the amount of money that was expended for the previous state fiscal year, including information concerning the purposes of the expenditures; and the amount of money that was credited to the Excess Federal Title IV-E Reimbursements Cash Fund created in Section 26-1-111(2) (d) (II) (C), C.R.S.

Comment: The Department has provided the requested information annually. The report is important in forecasting Title IV-E receipts.

3. **Department of Human Services, Totals** -- The Department is requested to submit annually, on or before November 1, a report to the Joint Budget Committee concerning federal Child Care Development Funds. The requested report should include the following information related to these funds for state fiscal years 2009-10, 2010-11, and 2011-12 (the actual, estimate, and request years): (a) the total amount of federal funds available, and anticipated to be available, to Colorado, including funds rolled forward from previous state fiscal years; (b) the amount of federal funds expended, estimated, or requested to be expended for these years by Long Bill line item; (c) the amount of funds expended, estimated, or requested to be expended for these years, by Long Bill line item where applicable, to be reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; and (d) the amount of funds expended, estimated, or requested to be expended for these years that are to be used to meet the four percent federal requirement related to quality activities and the federal requirement related to targeted funds.

Comment: The Department has provided the requested information annually. The report is important in setting figures for the Division of Child Care.

4. **Department of Human Services, Division of Child Welfare, Child Welfare Services** -- The Department is requested to provide to the Joint Budget Committee, by November 1 of each year, INFORMATION CONCERNING ACTUAL THE USE OF FUNDS DISTRIBUTED THROUGH THE CHILD WELFARE ALLOCATION MODEL, INCLUDING DATA ON EXPENSES AND CHILDREN SERVED BY FUNDING CATEGORY. ~~actual expenditures for the last two fiscal years for services that are now funded through this consolidated line item~~. AT A MINIMUM, SUCH ~~Such~~ data should include the following: (a) program services expenditures and the average cost per open involvement per year; (b) out-of-home placement care expenditures and the average cost per child per day; and (c) subsidized adoption expenditures and the average payment per child per day.

Comment: The Department has provided the requested information annually. However, as the data provided is all drawn from child welfare allocation model data which staff also requests annually, staff recommends modifying the footnote so that only one report is requested.

5. **Department of Human Services, Division of Youth Corrections, Administration** -- The Division is requested to continue its efforts to provide outcome data on the effectiveness of its

programs. The Division is requested to provide to the Joint Budget Committee, by January 1 of each year, an evaluation of Division placements, community placements, and nonresidential placements. The evaluation should include, but not be limited to, the number of juveniles served, length of stay, and recidivism data per placement.

Comment: The Department has annually provided this report, which provides key data on its performance with respect to recidivism.

6. **Department of Human Services, Division of Youth Corrections, Community Programs, S.B. 91-94 Programs** -- The Department is requested to submit to the Joint Budget Committee no later than November 1 of each year a report that includes the following information by judicial district and for the state as a whole: (1) comparisons of trends in detention and commitment incarceration rates; (2) profiles of youth served by S.B. 91-94; (3) progress in achieving the performance goals established by each judicial district; (4) the level of local funding for alternatives to detention; and (5) identification and discussion of potential policy issues with the types of youth incarcerated, length of stay, and available alternatives to incarceration.

Comment: The Department has annually provided this report which provides data important to understanding the detention and S.B. 91-94 programs.

7. **Department of Human Services, Division of Youth Corrections, Community Programs, S.B. 91-94 Programs and Parole Program Services and** -- The Division is requested to provide a report to the Joint Budget Committee by November 1 of each year concerning the continuum of care initiative and the impact of budgetary flexibility. This report should include the following information: (1) the amount of funds transferred to these line items in prior actual fiscal years based on flexibility provided in the Youth Corrections budget; (2) the type of services purchased with funds transferred; (3) the number of youth served with such expenditures; (4) the impact of such expenditures; and (5) an evaluation of the effectiveness of budgetary flexibility in reducing the need for commitment and secure detention placements.

Comment: The Department has annually submitted this report. In light of the budget reductions recommended this year, it is not clear to staff whether this request continues to be useful. However, given that the Department has historically chosen to provide the report and is likely interested in tracking this impact of its program efforts, staff has recommended retaining the request for the present.

8. **Department of Human Services, Division of Child Welfare** -- The Department is requested to provide to the Joint Budget Committee, by November 1 of each year, information concerning the gross amount of payments to child welfare service providers, including amounts that were paid using revenues other than county, state, or federal tax revenues. The Department is requested to identify amounts, by source, for the last two actual fiscal years.

Comment: The Department has provided the requested information annually. Staff believes the report provides useful background information for staff and interested legislators and members of the public.

Comment: The Department has provided the requested information annually. Staff believes the report provides useful background information for staff and interested legislators and members of the public. Staff recommends the following requests by **eliminated:**

27. Department of Human Services, Division of Child Welfare, Title IV-E Related County Administrative Functions -- The Department is requested to provide a report, by January 15, 2011 that addresses the Department's recommendations for maximizing the collection of revenue authorized under Title IV-E of the federal Social Security Act. The recommendations should address executive initiatives to maximize revenue, any proposals for statutory change to Section 26-1-111 (2) (d) (II) (C), C.R.S., how this line item is being used to promote Title IV-E collections, and the Department's assessment of whether ongoing General Fund support for a Title IV-E Related County Administrative Functions line item is warranted.

Comment: Staff has recommended that the line item to which this is attached be eliminated and that funding for this purpose be derived (as it has been historically) from Excess Federal Title IV-E revenue. In light of this, staff does not believe this request is necessary.

28. Department of Human Services, Division of Child Care, Child Care Assistance Program -- The Department is requested to submit a report to the Joint Budget Committee by October 1, 2010 concerning the Child Care Assistance Program. The report is requested to address whether the Department, after consultation with counties and other interested parties, would recommend that eligibility for this program and/or provider reimbursement rates be set by the State. This recommendation could include eligibility/reimbursement rates that vary by region (metro, rural, mountain resort), even if they were set by the state. The Department is requested to include in the report: (1) an analysis of the programmatic and fiscal implications of such a change on program participants, providers, counties and state government; (2) how any recommended changes might be phased-in; and (3) what statutory modifications would be required. The report is requested to take into account the results of the State Auditor's Office audit of the Child Care Assistance Program required pursuant to H.B. 07-1062.

Comment: A December 8, 2008 Colorado Child Care Assistance Program (CCCAP) audit recommended that the Department consider a more unified eligibility process (consistent with the JBC staff recommendation in prior years). In response, the Department agreed to convene a committee to examine this and related recommendations that might drive substantial changes in this program. *The Department responded to the JBC that it had not reached a final decision on the key questions posed by the JBC related to setting eligibility and reimbursement on a Statewide basis.* At present, staff sees little value to retaining the RFI.

APPENDIX A

Table 1 - Projection Based December 2010 LCS Forecast

	Commitment	Detention	Total
Forecasted Beds	1,037.0	479.0	1,516.0
Minus Boulder Impact	(7.0)		(7.0)
Minus State Capacity	(445.0)	(448.0)	(893.0)
Contract Beds	**585.0**	**31.0**	**616.0**

100 % commitment capacity	434.5
110% capcity	478.0
120% capcity	521.4
110% for 3 mo; 100% 9 mo	445.0

Table 2 - Estimated Need Based on Averages To-date - FY 2010-11

	Contract Beds	Estimated Rate	Total	General Fund	Medicaid CF	Federal Funds	*Net GF*
TRCCF (35.8%) Treatment	209.4	$170.36	13,020,785	13,020,785	0	0	*13,020,785*
TRCCF (35.8%) Fee-for-Service		$18.50	1,413,974	0	1,413,974	0	*569,690*
CPA (1.775%)	10.4	$83.91	318,522	318,522	0	0	*318,522*
RCCF (64%)	365.2	$134.86	17,976,568	17,976,568	0	0	*17,976,568*
Total Commitment Beds	**585.0**		**32,729,849**	**31,315,875**	**1,413,974**	**0**	**31,885,565**
Detention Beds	31.0	$134.27	1,519,265	1,519,265	0	0	*1,519,265*
DYC Continuation Adjusted for Caseload			**34,249,114**	**32,835,140**	**1,413,974**	**0**	***33,404,830***
IV-E Maintenance Billings	55.9	$56.41		(1,150,961)	0	1,150,961	*(1,150,961)*
JBC Staff Recommendation			**34,249,114**	**31,684,179**	**1,413,974**	**1,150,961**	***32,253,869***
Current Appropriation			42,802,281	39,839,607	1,618,662	1,344,012	*40,494,189*
Supplemental Reduction Recommended			**($8,553,167)**	**($8,155,428)**	**($204,688)**	**($193,051)**	**($8,240,320)**

Assumptions:

1. Uses the LCS December 2010 forecast.
2. Estimated beds for Boulder Impact Project reflect February 2009 DYC estimated capacity for FY 2010-11.
3. Assumes 479 detention beds pursuant to Section 19-2-1201, C.R.S. Of these, 448 are in state-operated facilities, plus additional 6 due to issue at Mesa
4. Assumes contract rates provided by the Division of Youth Corrections in its February 2011 submission.
5. The percentage of PRTF, TRCCF, and RCCF placements, as a percent of total commitment beds, is based on the estimated ratio provided by the Division of Youth Corrections as a par of its February 2011 submission

APPENDIX A

Table 1 - Projection Based December 2010 DCJ Forecast	Commitment	Detention	Total
Forecasted Beds	947.3	479.0	1,426.3
Minus Boulder Impact	(7.0)		(7.0)
Minus State Capacity	(478.0)	(448.0)	(926.0)
Contract Beds	**462.3**	**31.0**	**493.3**

100 % commitment capacity	434.5
110% capcity	478.0
120% capcity	521.4

Table 2 - Estimated Need Based on Averages To-date - FY 2011-12

	Contract Beds	Estimated Rate	Total	General Fund	Medicaid CF	Federal Funds	*Net GF*
TRCCF (35.8%) Treatment	165.5	$170.36	10,319,216	10,319,216	0	0	*10,319,216*
TRCCF (35.8%) Fee-for-Service		$18.50	1,120,601	0	1,120,601	0	*560,301*
CPA (1.775%)	8.2	$83.91	251,831	251,831	0	0	*251,831*
RCCF (64%)	288.6	$134.86	14,244,938	14,244,938	0	0	*14,244,938*
Total Commitment Beds	**462.3**		**25,936,586**	**24,815,985**	**1,120,601**	**0**	**25,376,286**
Detention Beds	31.0	$134.27	1,523,427	1,523,427	0	0	*1,523,427*
DYC Continuation Adjusted for Caseload			**27,460,013**	**26,339,412**	**1,120,601**	**0**	***26,899,713***
IV-E Maintenance Billings	50.2	$56.41		(1,036,432)	0	1,036,432	*(1,036,432)*
JBC Staff Recommendation			**27,460,013**	**25,302,980**	**1,120,601**	**1,036,432**	***25,863,281***

Assumptions:

1. Uses the LCS December 2010 forecast.
2. Estimated beds for Boulder Impact Project reflect February 2011 DYC estimated capacity for FY 2011-12.
3. Assumes 479 detention beds pursuant to Section 19-2-1201, C.R.S. Of these, 448 are in state-operated facilities, plus additional 6 due to issue at Mesa
4. Assumes contract rates provided by the Division of Youth Corrections in its February 2011 submission.
5. The percentage of PRTF, TRCCF, and RCCF placements, as a percent of total commitment beds, is based on the estimated ratio provided by the Division of Youth Corrections as a par of its February 2011 submission

Responses to JBC Analyst Request
November 9, 2010

October 8, 2010, Request: Provide breakdown of DYC facility pods.

Note: Information below represents a baseline configuration. Actual placement types depend on need and may change substantially over time.

Housing Unit Capacity
Information Displayed by Pod and Number of Rooms

	Adams 2 pods		Foote 6 pods		Gilliam 6 pods		Grand Mesa 3 pods		Lookout Mountain 6 pods		Mount View 8 pods		Platte Valley 6 pods		Pueblo 3 pods		Sol Vista 4 pods		Spring Creek 5 pods		Zeb Pike 3 pods	
Detention	Boys	19	Hawk	20	Pod A	12	Detention	20			A Pod	12	Yellowstone	20	Pod A	12			Tiger	20		
Detention	Girls	5	Raven	20	Pod B	12					B Pod	12	Olympic	20	Pod B	12						
Detention			Falcon	20	Pod C	8					C Pod	12	Mesa Verde	20	Pod C	12						
Detention			Eagle	8	Pod W	12																
Detention			Osprey	20	Pod X	12																
Detention					Pod Y	8																
Commitment			Condor	20			Monument	20	Cedar	36	D Pod	12	Glacier	20			A	5	Jaguar	20	A	12
Commitment							Mesa	20	Cypress	24	E Pod	12	Everglades	20			B	5	Lynx	20	B	12
Commitment									Juniper East	13	F Pod	12					C	5			C	12
Commitment									Juniper West	16	G Pod	24					D	5				
Commitment									Spruce	36	H Pod	24										
Commitment									Eagles	18												
Mixed Use													Acadia	20					Bobcat	20		
Mixed Use																			Puma	20		
Total Rooms		24		108		64		60		143		120		120		36		20		100		0
Double Bunking		5		1		9		13		9		6		7		5		0		0		0
Total		29		109		73		73		152		126		127		41		20		100		0

Total Facilities 11
Total Pods 52

Youth Capacity

	Adams	Foote	Gilliam	Grand Mesa	Lookout Mountain	Mount View	Platte Valley	Pueblo	Sol Vista	Spring Creek	Zeb Pike	
Detention	29	89	73	33		60	68	41		59		452
Treatment		20		32	152	45	39		20	29	36	373
Assessment				8		21	20			12		61
Committed		20		40	152	66	59		20	41	36	434
Total	29	109	73	73	152	126	127	41	20	100	36	886

Type of Placement:
- Committed
- Detained
- Mixed Use
- Overflow/not in regular use

Usage by gender
- Male
- Female
- Mixed

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John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

February 24, 2011

The Honorable Mary Hodge
Chair, Joint Budget Committee
200 East 14th Avenue, 3rd Floor
Denver, CO 80203

Dear Senator Hodge:

On February 11, 2011, I received your letter regarding the Department's operation of Division of Youth Corrections (DYC) facilities and the amount of savings that were generated pursuant to budget setting for FY 2010-11. In particular the Joint Budget Committee (JBC) expressed concern that the DYC is operating its commitment facilities at less than 110% of capacity. This letter is in response to your concerns and explains the Department's placement of youth in facilities.

The Committee is correct that in the current year the DYC state-operated state commitment facilities are operating at less than 110% capacity. In fact, the rate is closer to 100% capacity. The Department believes that the best way to serve youth in the DYC system is achieved by placing youth in the most appropriate setting. Professional multi-disciplinary teams recommend placements based on the needs of individual youth and their families, with the dual priorities of protecting public safety and the best interests of each youth. The declining number of youth committed to the DYC this fiscal year has helped avoid the need to inappropriately place youth in a secure facility when a less restrictive placement best meets the need of the youth. Research indicates that placing youth in more restrictive settings than required increases recidivism. If the Division were required to operate at a 110% quota of its current State-operated commitment capacity, the Division would be forced to interrupt the placements of many youth who are currently in contracted residential settings and return them to secure facilities that would be contrary to best practice and their assessed need for care.

The Department has proposed a supplemental reduction for the Division of Youth Corrections in the amount of $7,667,611 General Fund as reflected in the Governor's budget-balancing plan submitted to the JBC on February 15, 2011. This request reflects operating the state youth commitment facilities at 100% capacity for the year, based on the practice of placing youth in a residential setting according to their individual risk and needs. The Department plans to increase to 110% capacity gradually for FY 2011-12, so as not to abruptly disrupt the placement of youth.

It is important to allow the Department the ability to administer the appropriation consistent with state law as well as with research-based practice methods with the goal of placing youth in the least restrictive placement possible. The Department understands that the JBC and the General Assembly set the appropriation on the basis of funding the Division at 110% capacity, but requiring the Division of Youth Corrections to operate at what amounts to 110% capacity quota, goes beyond simply expressing legislative intent and instead seeks to administer the appropriation, which is the duty of the Executive Branch. Additionally, a capacity quota would in effect force the Department to place youth in inappropriate settings that are contrary to their identified risk and needs, which are developed using a sophisticated and comprehensive assessment process, and could ultimately be harmful to the youth, the staff and the public safety. The actions taken by the Department are within the authority of the Executive Branch to administer the funds appropriated by the General Assembly pursuant to Article III of the Colorado Constitution.

In regards to the Committee's concern over the timing of the supplemental submission, the Department, as done in previous years, developed a request for submission per the Office of State Planning and Budgeting's (OSPB) budget calendar for submission on February 15, 2011. Please note that all decisions regarding the timeliness of future budget submissions are made by OSPB, and the Department will comply with any decision from OSPB.

The Department is committed to working with you and the rest of the Joint Budget Committee on this issue. In the spirit of this cooperation, and in an effort to work together, the Department will respond to your letter of February 4, 2011, and present a comprehensive plan to "right size" the Division of Youth Corrections capacities no later than Friday, February 25, 2011. If you have any questions, please contact George Kennedy, Deputy Executive Director for the Office of Children, Youth and Families, at (303) 866-4479. We welcome the opportunity to meet with the Committee to discuss the information requested on February 4, 2011 and February 11, 2011.

Sincerely,

Reggie Bicha

Reggie Bicha
Executive Director

cc: Representative Cheri Gerou, Vice-Chair, Joint Budget Committee
Senator Pat Steadman, Joint Budget Committee
Senator Kent Lambert, Joint Budget Committee
Representative Jon Becker, Joint Budget Committee
Representative Mark Ferrandino, Joint Budget Committee
Henry Sobanet, Office of State Planning and Budgeting
Ann Renaud, Office of State Planning and Budgeting
John Ziegler, Joint Budget Committee Staff Director
Amanda Bickel, Joint Budget Committee Staff
George Kennedy, DHS Office of Children, Youth, and Families

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John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

February 25, 2011

The Honorable Mary Hodge
Chair, Joint Budget Committee
200 East 14th Avenue, 3rd Floor
Denver, CO 80203

Dear Senator Hodge:

On February 4, 2011 I received your letter requesting the Department examine possible reductions to the cap on youth detention beds and possible closure of state-operated youth commitment beds. The Department has provided the enclosed report outlining possible changes to the detention bed and the state-commitment bed capacity as you have requested. In this effort to balance multiple aspects of the budget the Department seeks to maintain and deliver a continuum of services that affords youth and families "the right service at the right time." As it does so, the Department must pay attention to each part of the continuum, not as a piece that stands alone, but as a part intricately connected to and influenced by other parts of the juvenile corrections system. In the spirit of maintaining this delicate balance, for safety of residents, staff, and the community, the Department has provided the enclosed comprehensive analysis that targets cost effectiveness, efficiency, and "rightsizing" of youth corrections resources in light of declining client populations.

The Department is committed to working with you and the rest of the Joint Budget Committee on this issue. The Department is willing to appear in front of the Committee to discuss this issue. If you have any questions, please contact George Kennedy, Deputy Executive Director for the Office of Children, Youth and Families, at (303) 866-4479.

Sincerely,

Reggie Bicha
Executive Director

Enclosure

cc: Representative Cheri Gerou, Vice-Chair, Joint Budget Committee
Senator Pat Steadman, Joint Budget Committee
Senator Kent Lambert, Joint Budget Committee
Representative Jon Becker, Joint Budget Committee
Representative Mark Ferrandino, Joint Budget Committee
Henry Sobanet, Office of State Planning and Budgeting
John Ziegler, Joint Budget Committee Staff Director
Amanda Bickel, Joint Budget Committee Staff
George Kennedy, DHS Office of Children, Youth, and Families

Colorado Department of Human Services
Division of Youth Corrections

Response to JBC Letter Dated February 4, 2011
February 25, 2011

In response to the Joint Budget Committee letter dated February 4, 2011. The Department of Human Services, through the Division of Youth Corrections, has explored options that would reduce the cap on youth detention beds and use of secure and contracted commitment beds in an effort to align capacities with the needs and risks of the youth in the Division's care. The Department has identified a number of areas that could be considered by the Committee regarding potential capacity changes that would be effective in FY 2011-12. It's important to note that the options outlined in this response to the Committee's request for information do not constitute an official Executive Branch request, nor are they necessarily options that the Department would recommend. They are submitted in response to the Committee's direct request.

The Division of Youth Corrections is required to balance multiple aspects of its budget in order to deliver a continuum of services that affords youth and families "*the right services at the right time*". Thus, the Division must pay attention to each component of the continuum, as each component is intricately connected to and influenced by other parts of the juvenile corrections system. Secure detention capacity, SB 94 programs and services, the operational and functional limitations of brick and mortar facility designs, contracted community placements, assessment, short term and long term treatment populations, client manager and parole officer caseloads, and transition and parole services combine to support or hinder effectiveness. Each of these are weighed and modified with great care in the spirit of maintaining this delicate balance, for the safety of residents, staff and the community.

The Division has identified areas that could be considered by the Committee as it makes decisions on the FY 2011-12 budget. The Department considered potential opportunities for enhancing cost effectiveness, efficiency and "right-sizing" Division capacities in light of declining client populations.

I. Fiscal Year 2010-2011 Supplemental

The Division recently submitted a supplemental request to reduce the Purchase of Contract Placements appropriation by $7,667,611. This supplemental incorporated both the reduction in the forecasted caseload as well as recognizing the need to place a larger proportion of committed youth in community programs as opposed to secure State-operated programs. As the total population has declined, the population of youth who are appropriate for placement in a secure State facility has declined as well. The Division has been operating within the appropriation and at the same time, making the most appropriate placement decisions for the youth in its care. This approach is required by ethical standards of care, as well as the Executive Branch's responsibility to administer the appropriation to the best of its ability while most effectively meeting the statutory mandates to protect public safety and supervise and rehabilitate juvenile offenders. Professional multi-disciplinary teams recommended placements based on the individual risk and needs of individual youth and their families, with the dual priorities of protecting public safety and the best interests of each youth. The Division was able to maintain these fundamental principles of best practice, operate within its appropriation, and identified over $7.6 million dollars in additional savings based upon decreasing populations.

III. Potential Fiscal Year 2011-12 Considerations

In the Committee's letter dated February 4, 2011, the Committee requested that the Department explore options for reducing the cap on youth detention beds, as well as options for closure of state-operated youth commitment beds to ensure that the ratio between state-operated secure placements and contracted beds is consistent with the needs of youth in the Division's care. The Division has been making placement decisions that are consistent with the risk and needs of youth; thus, it has become apparent that as the total commitment population has decreased, so has the total number of youth who are appropriate for secure placement. However, the proportion of the total population that is appropriate for secure placement has remained fairly consistent at between 35% and 45%. With this as a backdrop, the Division has evaluated the possibility of "right-sizing" both the detention and commitment continuums, while outlining potential options for cost savings as requested by the Committee.

It should be noted that the Department's combined FY 2010-11 Supplemental and FY 2011-12 Budget Amendment Request already reflects total savings of $11,706,971 ($11,233,299 Net General Fund), as compared to the Department's November 1, 2010 budget submission. This reflects savings in the Purchase of Contract Placements line item based upon the revised December 2010 Legislative Council staff projections of the anticipated commitment average daily population. These savings reflect State-operated commitment capacity at 110% of current capacity, or 478 beds. However, pursuant to the Committee's letter dated February 4, 2011, requesting options for adjusting State-operated commitment capacity consistent with the recent decreases in the commitment ADP, the Department has outlined some options for consideration. Any potential savings associated with these options must be considered within the context of the Department's FY 2011-12 budget amendment.

Reduce Detention Cap and Overall Detention Capacity

Since the cap on the State's juvenile detention capacity was enacted by the General Assembly in the 2003 Legislative Session, the Division has worked closely with local communities to strike a delicate balance between use of secure detention capacity and leveraging non-secure community-based detention strategies to ensure that youth are placed in the least restrictive setting necessary, while still maintaining public safety.

The Division and the local SB 94 programs, in partnership with local HB-1451 collaborative programs, have reduced the average daily population in detention significantly over the last four years. The result is a statewide average daily population in detention that is approximately 25 percent below the current cap. (This downward admission trend has occurred over the course of the last four years.) If Senate Bill 94 continues to be funded at sustainable levels, the Division believes that the State's juvenile detention system can be safely managed with fewer beds. However, average daily population is not necessarily the best measure to use when considering the most appropriate statewide detention capacity. Thus, the Division has considered other factors, most notably the maximum daily use of detention capacity, which is a better indicator of capacity need.

In the Committee's letter dated February 4, 2011, the Committee requests that the Division consider reductions in current detention capacity of eight (8) percent, ten (10) percent and twelve (12) percent to determine the implications of each. After reviewing the various levels, the Division has developed a response that is consistent with a reduction of detention capacity at the 12 percent level. The Division believes this figure is the most realistic level given the recent detention population trends.

The Division has reviewed actual and projected bed usage for a number of years. Based upon research regarding the most manageable capacity levels, the Division developed this response based upon achieving an operational capacity that is approximately ten (10) percent above actual use projections. The resultant computations indicate that Colorado would need somewhere between 415 and 435 juvenile detention beds. Based upon past practices in the State's various judicial districts, these are the number of beds indicated as necessary to accommodate maximum (rather than simply average) detention use without placing unmanageable strain on the system. If the State's detention capacity of 479 beds was reduced by 12%, it would indicate a capacity need of 422 beds, or a 57-bed reduction.

If the General Assembly pursued a reduction to the State's detention capacity, it would necessitate a reapplication of the existing detention bed allocation model, resulting in reductions across the State's 22 judicial districts. However, part of the Committee's stated intent in the February 4th letter is to attempt to achieve additional savings. Spreading a 57-bed capacity reduction across 22 judicial districts would not necessarily achieve a critical mass reduction in any one jurisdiction to facilitate closure of a State-operated facility, or closure of units within a State-operated facility. However, the Division evaluated and describes below two distinct options to accommodate a reduction in the State's detention capacity, while also identifying potential options to achieve budget savings. It is important to note that implementation of the two options to accommodate a reduction would likely result in a disproportionate impact upon a few judicial districts. However, the second option clearly identifies one significant disproportionate impact.

The Division established a number of standards to evaluate potential options to achieve the savings outlined in the Committee's letter, and to right size the Division's secure detention capacity. These included:

- Identify specific population trends and identify which facilities would be affected;
- Identify options that would address the worst physical plants in the system;
- As much as possible, remain sensitive to geographic distribution of detention resources (to mitigate impacts upon local law enforcement and communities);

- Assess the need for staff secure detention beds (these are generally located in more geographically accessible locations to serve more rural communities);
- Preserve treatment programs that are working well;
- Assess the viability of multiple program operations in single building facility designs; and,
- Explore the potential to achieve efficiencies in assessment operations.

The most important concept the Department identified in considering the Committee's request was that any potential reduction in detention capacity should be achieved through statutory change in the detention cap. That is, if the Division's detention resources were reduced without a corresponding reduction in the statutory cap on detention populations, it would expose the Division's detention facilities to a very real risk of overcrowding. Because detainment decisions are made by local entities, without a cap, there would be little incentive for local jurisdictions to avoid the crisis levels of overcrowding that led to a federal lawsuit in 1994 over the conditions of confinement at the Gilliam Youth Services Center. At the time, the 64-room facility housed more than 200 youth who had been placed there by the local jurisdiction.

Considering the issues related to the cap, and the potential for overcrowding, the Department submits as the first issue for the Committee to consider is a formal statutory change of the detention bed cap to the previously described 422 beds. If the cap was lowered to 422, these beds would then be reallocated to the judicial districts using the current detention bed allocation formula, with the following additional constraints:

- No district would gain beds (even though the formula would likely attempt to allocate additional beds to given districts, no district should gain beds in an environment of shrinking resources); and
- Greatest allowable bed loss for any individual district would be 15% of current allocation or one (1) bed, whichever is greater.

In addition to a formal change of the detention bed cap, listed below are some specific options the Committee could consider. The Department will first describe the major difference between option one and option two. While both options impact several State-operated facilities as well as staff secure detention capacity, the major distinction between the two options is different scenarios involving the Adams YSC and the Marvin Foote YSC.

(1) Option one would maintain the Adams YSC in operation and close two units at the Marvin Foote YSC. Recognizing that while the Adams YSC is the single worst physical plant in the DYC system, the impact upon the 17th Judicial District in the event that the Adams YSC was closed would be unreasonably disproportionate as compared to the impact upon any other single judicial district. Thus, option one slightly reduces the capacity of the Adams YSC (for the last two years, its capacity has far exceeded the number of available rooms), maintains some capacity for the 17th Judicial District at the Marvin Foote YSC, but also closes two pods at the Foote YSC. If the Committee considered a reduction in the State's detention cap, the capacity allocation to the 18th Judicial District, the State's largest in terms of current detention capacity, would likely

be reduced by 10-11 beds. This option would close a 20-bed pod and an 8-bed pod, and reduce the Marvin Foote YSC to an 80-bed facility.

Furthermore, this option would convert the Marvin Foote YSC to a detention only facility, eliminating the need for clinical and educational resources that would otherwise be required to support a commitment population. If requested by the Committee, the Department has identified the potential for *annualized* savings in the amount of $782,063 and 16.0 FTE resulting from the closure of two pods as described above. Of this amount, $196,019 and 3.0 FTE are specifically tied to the elimination of the commitment unit at the Marvin Foote YSC. A decision of this nature would necessitate layoff procedures by the Department.

(2) Option two would close the Adams Youth Services Center. As described earlier, this 24-room facility is the single worst physical plant in the DYC system, both from a design perspective and from a failing systems perspective. The facility was constructed by Adams County in the 1960's, and was subsequently deeded to the State when the General Assembly transferred responsibility for juvenile detention from counties to the State in 1972. This facility is used exclusively to accommodate detention capacity for the 17th Judicial District (Adams and Broomfield Counties); thus, detention capacity for the 17th Judicial District would need to be accommodated elsewhere. Currently, the 17th's capacity is split between the Adams YSC (29 beds) and the Marvin Foote YSC (7 beds). If the General Assembly were to consider closure of the Adams facility, the Division would be forced to accommodate the 17th's capacity needs exclusively at the Marvin Foote YSC. While there have been plans to construct a new facility (to replace the Adams YSC) on land that was recently purchased by Adams County and subsequently deeded to the State, Capital Construction funding has not been available to move forward with the project.

The Department cannot stress too strongly the severe impact that will likely be experienced by Adams and Broomfield County agencies, but most notably, the impact experienced by local law enforcement, as well as the impact to families whose family member(s) would be placed much farther from home. Instead of transporting youth to Brighton, law enforcement would need to transport youth from the area around the City of Broomfield and north of the City of Brighton, and all points in between, to the Foote YSC, which is located in SE Arapahoe County. However, if requested by the Committee, the Department has identified the potential for *annualized* savings in the amount of $1,395,981 and 27.0 FTE. A decision of this nature would necessitate layoff procedures by the Department.

Regardless of whether the Committee decided to act upon either option one or option two, in order to respond fully to the Committee's request to explore right-sizing both detention and commitment capacities, the following additional components would be part of either option. Thus, the only difference between the two options is related to potential changes at the Adams and Marvin Foote Youth Services Centers.

(3) Close one pod at Pueblo Youth Services Center (12-bed capacity reduction). The Pueblo Youth Services Center (PYSC) is a 36-bed detention only facility that currently houses a maximum of 41 youth from the 3rd, 10th, 11th, 15th and 16th Judicial Districts. For the first six months of this fiscal year, PYSC has operated with an average daily population (ADP) of 24.7, indicating that a pod closure may be feasible. If such action were to be considered by the Committee, the Division would likely relocate capacity for the 11th Judicial District to the Spring Creek Youth Services Center (SCYSC) in Colorado Springs to ease any potential capacity strain on the PYSC that could be caused by a pod closure. While this would clearly impact the counties within the 11th Judicial District, it should be noted that prior to FY 2007-08, the detention capacity for the 11th Judicial District was located entirely in Colorado Springs; thus, it would not necessarily be unreasonable for this change to occur. If requested by the Committee, the Department has identified the potential for *annualized* savings in the amount of $302,833 and 6.0 FTE. A decision of this nature would necessitate layoff procedures by the Department.

(4) Reduce Staff Secure Contracted Detention at Youthtrack San Luis Valley (Southern Region). If the assumption is made that an overall capacity reduction of 57 beds is considered, it is likely that revised judicial district bed allocations based upon a detention bed cap of 422 would indicate that the 12th Judicial District's detention bed allocation would be reduced by one bed. Consequently, the Youth Track San Luis Valley staff secure detention contract could potentially be reduced from five (5) to four (4) beds. As requested in the Committee's letter, the Department has identified the potential for *annualized* savings in the amount of $47,308.

(5) Potential Annualized Savings Through Elimination of Staff Secure Detention Capacity at the Brown Center and Remington House. As outlined earlier in this document, if the Committee considered action that resulted in a reduction to the State's detention capacity, it is likely that the Division would need to eliminate certain staff secure detention contracts. This would result in the elimination of a total of 15 beds between the Brown Center in Montrose County, and the Remington House in Larimer County. This would produce potential *annualized* savings of $693,259. However, these savings would come at a cost to the local jurisdictions that rely upon these beds for more geographically reasonably accessible detention capacity. If the Committee were to consider eliminating funding for these staff secure beds, the Division would be forced to accommodate remaining detention capacity needs at the Grand Mesa Youth Services Center (GMYSC) in Grand Junction, and at the Platte Valley Youth Services Center (PVYSC) in Greeley. It is also important to note that without the staff secure detention revenue stream, both of these programs will likely cease to operate, potentially creating collateral impacts upon county departments of social/human services which also use these programs for county placements.

If the Committee took action to implement either option one or option two as outlined above, the collective components of either option would result in a net reduction of 57 detention beds (12% of current capacity) through facility, program, and unit closures.

Re-alignment of Commitment Capacity Between Secure State-operated Capacity and Community-based Contract Placements

In response to the Committee's February 4th letter specifically requesting options to *"...adjust the number of state-operated commitment beds consistent with the current size of the commitment population and the population's needs for secure versus staff secure and community placements"*, the Department also evaluated potential changes to the current make-up of commitment capacities. Recent trends in the commitment population have resulted in a nearly 30% reduction in the overall commitment average daily population over a four-year period. To date, the Division has accommodated these reductions through a 10.5% reduction in State-operated capacity (closure of two poorly-designed, open barracks-style housing units at the Lookout Mountain YSC), and a nearly 35% reduction in contract capacity. As suggested in the Committee's February 4th letter, the Committee could consider options to further downsize State-operated commitment capacity. However, it must be understood that any change in capacity that results in fewer State-operated beds would clearly necessitate a closely corresponding increase in contract beds. Youth are committed through the Courts and the Division must maintain sufficient capacity to serve whatever population comes in the door. There is no statutory limit on the number of youth that the Courts can commit.

Due to the reduction of committed youth over the past seven months, the Division has been able to operate State-operated commitment facilities closer to the 100% of designed capacity level as opposed to the 110% calculation used to arrive at the current appropriation. This has been based upon best practice, considering the unique individual risk and needs of each committed youth and ensuring that youth are not placed in more restrictive settings than indicated through the Division's comprehensive assessment process for newly committed youth. This supports the committee's request that the Division explore the proposition if State-operated commitment capacity could be reduced to better align with the current make-up of the commitment population. The Division has explored the potential re-balancing of the State's commitment capacity between secure and non-secure community based placements while still attempting to achieve the key strategy of providing "the right services at the right time."

It is important to note that the potential options outlined below do not necessarily produce a bed for bed or dollar for dollar opportunity for savings. With certain options, it would simply allow the Division to restructure its resources to align capacities with the total population numbers, risks and needs, while still ensuring that youth can be managed safely within the confines of brick and mortar physical plants, as well as available contract programs. Thus, as requested by the Committee, the Department has outlined the following potential options to accomplish re-alignment of commitment capacities:

(1) <u>Closure of one freestanding building (24 beds) on the grounds of the Mount View Youth Services Center campus</u>. This option would completely close one building and redesignate uses of the other buildings on Mount View campus to

balance detention, assessment and long-term commitment population needs. This option would not only reduce staffing, but would eliminate the need for contract clinical services that support program services for the committed population currently served in the building. Similar to the option involving the Adams YSC, this option would remove youth from one of the Division's most poorly designed buildings in terms of line of sight supervision, safety and physical space for daily programming. When considered in conjunction with option #3 listed below, the changes would result in a net decrease of 21 beds in the commitment capacity at the Mount View facility. As requested, the Department has identified the potential for *annualized* savings of $866,644 and 15.0 FTE. A decision of this nature would necessitate layoff procedures by the Department.

(2) Convert one pod for committed youth at Marvin Foote Youth Services Center to secure detention capacity, or close the commitment pod. If the Committee considered actions that would result in a reduction in the State's detention capacity, the potential changes at the Marvin Foote YSC would depend upon whether the Committee decided to enact option one or option two as outlined. If the Committee decides to enact option one, the current 20-bed commitment pod would close as described. However, if the Committee decided to enact option two, which would result in closure of the Adams YSC, conversion of the current commitment pod to detention capacity would be necessary to accommodate detention capacity needs for the 17^{th} Judicial District. As noted previously, a portion of the 17^{th} Judicial District's current capacity allocation is located at the Foote Center, and this option would consolidate the District's capacity within one facility. Furthermore, either option one or option two would result in conversion of the Marvin Foote YSC to a detention only facility, eliminating the need for clinical and educational resources that would otherwise be required to support a commitment population. As requested by the Committee, the Department has identified the potential for *annualized* savings of $196,019 and 3.0 FTE if the current commitment pod was converted to detention (option one). However, if option two was enacted, resulting in the closure of two pods at the Marvin Foote YSC, the Department has identified the potential for *annualized* savings of $782,063 and 16.0 FTE. Both option one and option two would result in a reduction of 20 beds in secure commitment capacity, and would also necessitate layoff procedures by the Department.

(3) Relocate Southern Region assessment operations. Currently, all newly committed youth from the Division's Southern Region are assessed at the Spring Creek YSC in Colorado Springs. This option would merge the assessment operations of the Southern and Central Regions at the Mount View Youth Services Center in Denver. It should be noted that while economies of scale could potentially be achieved, it would come at the expense of proximity to families, making it more difficult for family involvement in the treatment planning process. It would also likely impact local law enforcement, who by statute, is required to deliver a newly committed youth to a designated DYC receiving center. If this change was enacted, the designated receiving center for Southern Region youth would be the Mount View Youth Services Center. As

requested by the Committee, the Department has identified the potential for *annualized* savings of $318,112 and 5.5 FTE, and would necessitate layoff procedures by the Department.

(4) Re-align detention and commitment capacity at Grand Mesa YSC. Because this facility is the sole secure State-operated facility for youth on the Western slope, Grand Mesa has always had responsibility for serving a dual population of detained and committed youth that far exceeds the facility's capacity. Through changes in business practice and concerted effort to develop community resources, the Division could reduce the number of commitment beds at Grand Mesa, allowing it to safely accommodate the required 32 detention beds that are allocated to the surrounding judicial districts on the western slope. This change would provide no cost savings but would reduce secure commitment capacity by eight beds.

Research indicates that placing youth in more restrictive settings than required increases recidivism. If the Division were required to operate at 110% of its current State-operated commitment capacity, the Division would be forced to interrupt the placements of youth who are currently in contracted residential settings and return them to secure facilities to meet an artificial quota that would be contrary to best practice and counter to the most current research in juvenile corrections. If the Committee decides to act upon the options outlined above, along with a couple of nominal re-alignment of capacities at other facilities, the combination of options would net a 59-bed decrease in State-operated commitment capacity. As requested by the Committee, the Department has also outlined the potential for savings associated with these options. The requested options would accomplish a "re-balancing" of overall Division capacities between State-operated and contract capacities. The proposed options would also re-balance capacities in such a way that the Division could potentially accommodate budgeting the secure facilities at 110% of commitment capacity without placing youth who are appropriate for community and staff secure placement in maximum security settings.

Potential Impacts of Requested Options

While the options outlined above were developed in response to the Committee's request to explore ways to re-align detention and commitment capacities, it is important to note that there will be impacts upon other areas of the system. Examples include:

- Increased transportation costs for some judicial districts.
- Increased transportation costs to DYC that would result from potential consolidation of assessment functions.
- Length of stay in detention may increase as youth remain longer waiting for their families to pick them up from a greater distance (particularly true for the 17th Judicial District if option two was enacted, but also true for some rural districts).
- Impacts on local school districts – State facilities where detention capacity might be increased will produce an impact upon the local school district that is statutorily required to provide education services within a particular State facility. It will also impact surrounding school districts that will be required to contribute their share of a larger detention education budget.

- If option two was enacted, the 17th Judicial District's total detention capacity allocation would potentially be located outside of the catchment area in which the 17th is located. In option two outlined above, this could not be avoided without severely impacting upon the availability of secure commitment capacity within the Division's NE Region.
- Potentially higher level of bed borrowing between districts and possibly across catchment areas.
- Potential increase in need for emergency releases from secure detention.
- Potential increased need for video conferencing technology and services.
- Any decrease in State-operated commitment capacity, subsequent to any FY 2010-11 supplemental adjustments to the commitment capacity, will require purchase of a larger number of contract placements.

It is the Division's preference that its appropriations are based upon operating at 100% of designed capacity within State-operated commitment facilities. It has been demonstrated through research that overcrowding increases aggressive behaviors in youth, and the Division is already serving the State's most violent, sexually aggressive and severely mentally ill youth offenders within the confines of its secure capacity. When a youth is admitted to a facility, federal and state law requires the Division to conduct a vulnerability assessment on each and every juvenile to determine the risk they pose of victimizing other youth or being victimized themselves. It is this assessment that determines whether a youth can be safely "double-bunked" or not. Given that the most complex and serious offenders are housed within secure State-operated facilities, the numbers of youth who cannot be safely double-bunked has consistently approached 50% of all youth in State-operated facilities over the last few years. Management of capacity given this restriction, as well as other limiting factors such as gender and risk level, can be extremely problematic. A strict quota of accommodating 110% of designed capacity seems an unnecessary requirement if the Division, granted some flexibility in how it treats youth and their families and how it balances the interactive parts of its system, is able to operate within its appropriations. Particularly since the Division also produced significant savings over the last few years.

Potential Implementation Considerations

If the Committee decides to act upon any options outlined above, there will be corresponding implementation considerations, including potential delays in cost savings, as well as associated implementation costs. For example, the full annualized amount of any potential reductions of State FTE will not be realized entirely in FY 2011-12. The time line to process FTE reductions normally requires a 5 to 6 month window. The Division anticipates that actions could begin the 4th quarter of FY 2010-11, and has estimated at minimum a 2-month reduction on the potential annualized savings related to personal services for FY 2011-12. The total of these implementation costs is shown in a summary below. In addition, if either option was enacted, the Division would request implementation resources to incorporate video conferencing equipment in facilities across the state to help ease the burden of transportation placed on a number of counties. A prime example would be the Adams County Sheriff's Office, which would be required to transport youth to and from the Marvin Foote YSC in Arapahoe County to the 17th Judicial District Courthouse located in Brighton (Adams County). This would be a significantly longer drive for the Adams County Sheriff's Office as compared to transporting youth from the Adams YSC (located in Brighton) to the 17th Judicial District Courthouse. In this example, the Division believes that the availability of detention hearings via video conferencing could be a reasonable accommodation for the potential loss of detention capacity that is currently more favorably located.

Another major consideration in relation to implementation impacts would be the costs associated with purchasing additional contract placements to make up for the potential loss of State-operated commitment beds. In the recently submitted Department FY 2011-12 Budget Amendment, a total savings of $11,233,299 in the Purchase of Contract Placements line item was identified based on operating State commitment facilities at the 110% level (434 designed capacity becomes 478 operational capacity at the 110% level). However, if the Committee decided to act upon the above outlined options to balance secure and contract capacities, the savings in the Purchase of Contract Placements line would decrease by $3,500,409 (375 revised designed capacity becomes 412 revised operational capacity at the 110% level). In the Budget Amendment, the Division would require 535 contract beds; however, if either of the above outlined options were enacted, the Division would require 601 contract beds in FY 2011-12. The decrease in savings in the Purchase of Contract Placements line item would be offset by other potential reductions to other line items if the Committee enacted either of the above outlined options. In total, the Department has outlined potential FY 2011-12 savings of between $3.0 million and just over $3.8 million in other line items associated with option one and option two, respectively. This figure is net of the described 2-month delay in realizing FTE reduction savings, as well as the described implementation costs. However, this figure would be in addition to the remaining savings of $7.7 million in the Purchase of Contract Placements line item, which is the net savings after consideration of the additional necessary contract beds described above. In total, the potential net FY 2011-12 savings would total from between $10.7 and $11.5 million, which is very close to the amount reflected in the Department's FY 2011-12 Budget Amendment submitted on February 15th.

Summary of Potential Cost Savings in Fiscal Year 2011-12

Option One:

■ Reduction of 37.5 FTE Institutional Personal Services	$1,852,101
■ Reduction of Operating Expense	$ 26,719
■ Reduction of 1 FTE Medical Services	$ 76,771
■ Reduction of Medical Contracts, third-party and other	$ 196,496
■ Reduction of 4.0 FTE Educational Services	$ 243,348
■ Elimination & Reduction of Contract Detention	$ 740,567
Total Reductions	$3,136,002
Less Implementation Costs	($ 382,037)
Potential Savings for 2011-12	***$2,753,965***
Savings for Benefits Allocated at Department Level	$ 325,833
Reduced for implementation timeline	($ 54,306)
Net Savings for 2011-12 Dept Level	***$ 271,528***
Total FY 2011-12 Savings - Department and Division Levels	***$3,025,493***

Option Two:

■ Reduction of 51.5 FTE Institutional Personal Services	$2,652,777
■ Reduction of Operating Expense	$ 36,694
■ Reduction of 1 FTE Medical Services	$ 76,771
■ Reduction of Medical Contracts, other	$ 196,496
■ Reduction of 4.0 FTE Educational Services	$ 243,348
■ Elimination & Reduction of Contract Detention	$ 740,567
Total Reductions	$3,946,653
Less Implementation Costs	($ 515,483)
Potential Savings for 2011-12	***$3,431,170***
Savings for Benefits Allocated at Department Level	$ 445,934
Reduced for implementation timeline	($ 74,322)
Net Savings for 2011-12 Dept Level	***$ 371,612***
Total FY 2011-12 Savings - Department and Division Levels	***$3,802,782***