

# MEMORANDUM

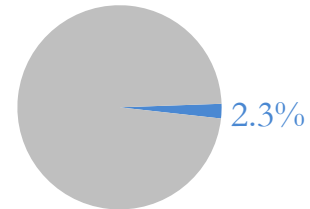


## JOINT BUDGET COMMITTEE

TO Colorado's Child Welfare System Interim Study Committee  
FROM Emily Hansen, JBC Staff (303-866-4961)  
DATE September 12, 2023  
SUBJECT State Level Child Welfare Funding Summary

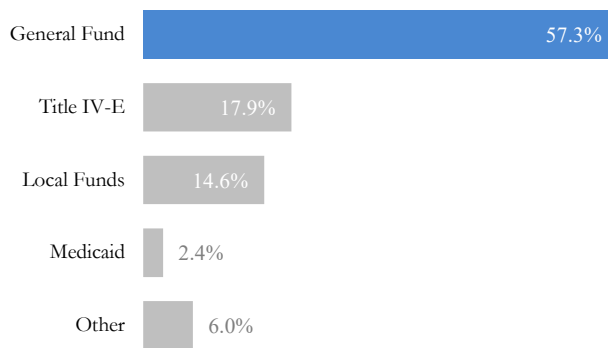
Child Welfare in the state of Colorado is a state supervised, county administered system overseen by the Division of Child Welfare. The Division of Child Welfare is a subdivision within the Office of Children, Youth, and Families (OCYF) in the Colorado Department of Human Services (CDHS). In FY 2023-24, the Division of Child Welfare accounted for 2.3 percent of statewide General Fund appropriations. This amount includes the Long Bill and appropriations made in separate legislation.

Child Welfare General Fund Share



General Fund makes up 57.3 percent of the total appropriations to the Division of Child Welfare in FY 2023-24. An additional 17.9 percent are federal funds from Title IV-E of the Social Security Act, 14.6 percent from local funds, 3.0 percent from the Title XX Social Services Block Grant, and 2.4 percent from Medicaid reappropriated from the Department of Health Care Policy and Financing. Federal and local funds are reflected in appropriations to demonstrate anticipated expenditures for informational purposes only, and are not within the appropriation authority of the General Assembly. The amounts for federal and local funds therefore may not accurately capture actual expenditures from those sources, particularly on a system wide level.

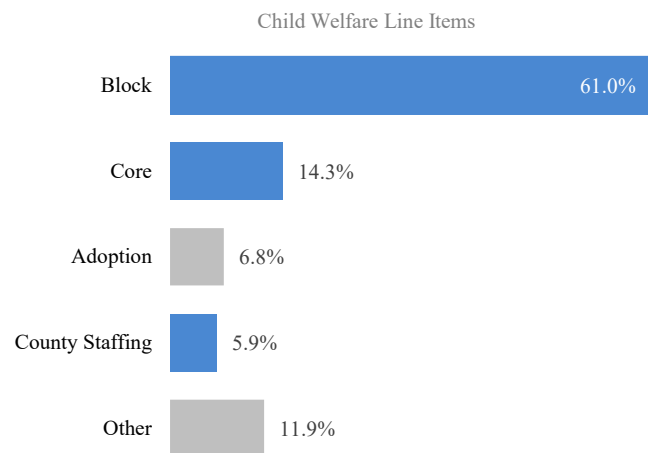
Child Welfare Fund Sources



Title IV-E of the Social Security Act is the most significant fund source after General Fund. Title IV-E entitles states to partial reimbursement for the cost of providing foster care, adoption assistance, and kinship guardianship assistance to children who meet eligibility criteria. The enactment of the federal Family First Prevention Services Act of 2018 changed Title IV-E eligible services beginning in FY 2021-22, and has resulted in uncertainty regarding future federal drawdown.

## COUNTY CAPPED ALLOCATIONS

The majority of state funds appropriated for child welfare are made available to county departments of human services through three capped allocations. Capped allocations are distributed from the state to counties by CDHS under the advisory of the Child Welfare Allocation Committee (CWAC). The capped allocations are reflected as line items in the CDHS budget, and made up 81.2 percent of the



total General Fund appropriations to the Division of Child Welfare in FY 2023-24. The three allocations are described below.

**Child Welfare Services**, commonly referred to as “the Block”, is the largest allocation and provides the primary source of funds for counties to administer services. The Block consists of 20.0 percent local funds, and the remaining 80.0 percent is eligible for a 50/50 General Fund/federal funds split.

**Family and Children’s Programs**, or “Core Services”, was established as a result of a

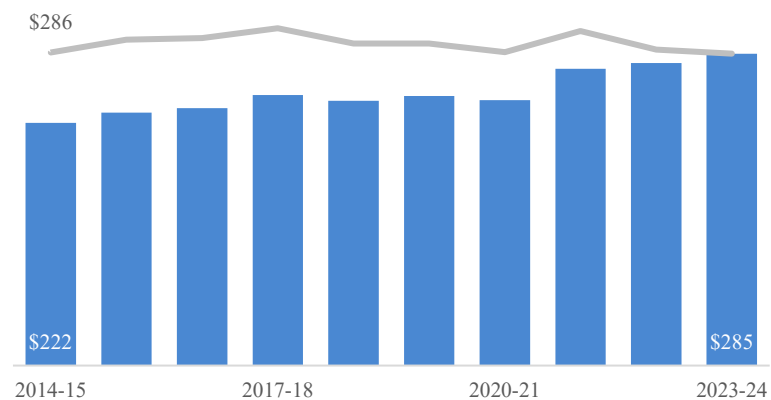
Child Welfare Settlement Agreement finalized in February 1995. Core Services provides supplementary funding for eight basic services that counties are required to provide under the settlement agreement. Core Services has an 80/20 General Fund/federal funds split and over-expenditures can be backfilled with the Block.

**County Level Child Welfare Staffing**, or “242 Funding”, was established through S.B. 15-242 (County Child Welfare Staff) to provide dedicated funding for additional county staff following a performance audit and workload study by the Office of the State Auditor. Counties that accept an allocation from the Staffing Block Grant are required to provide a 10.0 percent match. No match is required if a county qualifies for tier 1 or tier 2 for the purpose of County Tax Base Relief. Over-expenditures can be backfilled with the Block.

Prior to FY 2018-19, Adoption and Relative Guardianship Assistance was also included in the capped allocations. Senate Bill 18-254 (Child Welfare Reforms) removed Adoption Assistance from the capped allocations, and instead established it as an entitlement program.

Over the last ten fiscal years, the most significant driver for changes to Child Welfare funding is the common policy community provider rate. The Joint Budget Committee sets a common policy for community provider rate increases each fiscal year. The provider rate increase is typically consistent across all Departments, but may include targeted rates for specific services and has included targeted rates for Child Welfare in the past. The provider rate increase applies to the Child Welfare capped allocations and is typically the only or most significant change to those line items year over year. After adjusting for inflation, General Fund appropriations for capped

General Fund appropriations for capped allocations (in millions) have remained constant over the last ten fiscal years after adjusting for inflation.



Source: Legislative Council Staff June 2023 Economic and Revenue Forecast. Adjusted to 2023 dollars.

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allocations have remained relatively constant over the last ten fiscal years. This does not account for further changes in caseload, staffing, and other factors that may impact the cost of providing services that have occurred during this time period.

## BUDGET IMPACTS OF RECENT LEGISLATION

Recent legislation on the state and federal level is anticipated to have significant General Fund impacts for Child Welfare in the upcoming FY 2024-25 budget cycle. These topics overlap with the discussions and considerations of Colorado's Child Welfare System Interim Study Committee.

[Senate Bill 21-277](#) (Child Welfare Services Allocation Formula) required CDHS to contract with an independent vendor to conduct a funding model and workload study for county level child welfare staff. The funding model must be used by CDHS to inform capped allocation distributions beginning in FY 2024-25 and updated annually thereafter.

[Senate Bill 21-278](#) (Reimbursement for Out-of-home Placement Services) required CDHS to contract with an independent vendor to complete an actuarial analysis for out-of-home placement provider rates in Child Welfare and the Division of Youth Services. The study must be used to inform provider rates beginning in FY 2024-25 and updated annually thereafter.

**High acuity placements** are frequently referred to as insufficient and lack long-term funding. State funded high acuity beds have been supported through H.B. 22-1283 (Youth and Family Residential Care) and H.B. 23-1269 (Extended Stay and Boarding Patients). These bills rely on term-limited funding mechanisms that require significant General Fund increases to continue in the long-term.

[House Bill 22-1283](#) dedicated \$44.1 million from American Rescue Plan Act (ARPA) funds in FY 2022-23 to establish additional residential placements for youth and adults. These services are expected to become a \$13.0 million General Fund obligation in FY 2024-25, and \$23.0 million General Fund by FY 2025-26.

[House Bill 23-1269](#) allows CDHS to retain reversions from capped allocations into a cash fund for FY 2022-23 and FY 2023-24 only to support high acuity placements.

**The Federal Family First Act** changed the services and requirements for federal reimbursement for Title IV-E funding. The Long Bill likely overestimates Title IV-E drawdown, resulting in inaccurate budgeting for the county level. In recent years, counties have requested that the General Assembly reduce the Title IV-E appropriation in the Long Bill, and/or backfill the Title IV-E loss with General Fund. Adjustments have not been made as the impacts of the Family First on long-term drawdown have been unknown.