The following two documents are included below:

1. FY 2008-09 Staff Budget Briefing: Department of Human Services, Office of Operations and Services for People with Disabilities - pages 2-120

2. FY 2008-09 Staff Budget Briefing: Department of Human Services, Division of Child Welfare and Division of Child Care - pages 121-219

Notes:

1) In the version of these documents originally published in "pdf" format, page breaks for the Department of Human Services, Division of Child Welfare and Division of Child Care differed from the hard copy presented, beginning on page 33 of the printed version/page 155 of 218 of the "pdf" version. The "pdf" version has been corrected so that the table of contents is accurate for the Child Care/Child Welfare briefing. There has been no other change to the content.

2) The *printed* version of the Department of Human Services, Division of Child Welfare and Division of Child Care briefing, which was distributed on the same day as the electronic version attached here, included an error which was *not* reflected in the electronic version. The Department had amended its request to reflect $1,006,161 cash funds exempt spending authority for the Early Childhood Councils. This adjustment was omitted solely from the *printed* version of the briefing; there has therefore been no change to the *electronic* version included here.

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FISCAL YEAR 2008-09 STAFF BUDGET BRIEFING:

DEPARTMENT OF HUMAN SERVICES

Office of Operations
Services for People with Disabilities

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

Prepared By:
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November 29, 2007

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FY 2008-09 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE:

DEPARTMENT OF HUMAN SERVICES
OFFICE OF OPERATIONS - SERVICES FOR PEOPLE WITH DISABILITIES

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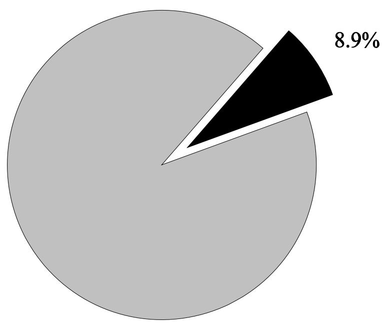
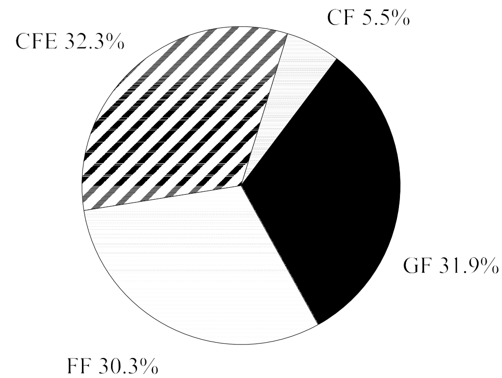
DEPARTMENT OF HUMAN SERVICES
GRAPHIC OVERVIEW

Share of State General Fund FY 2007-08

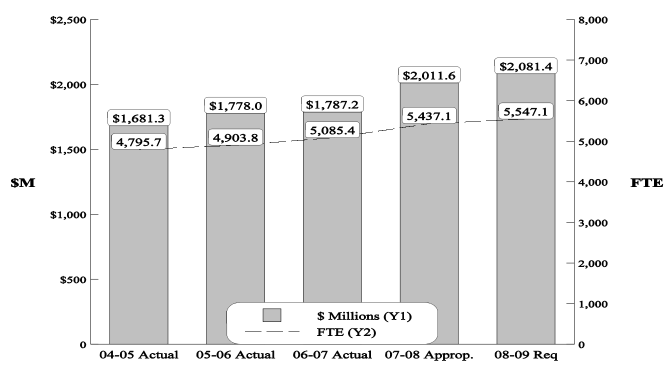


Funding Source Split FY 2007-08



Note: If General Fund appropriated to the Department of Health Care Policy and Financing for human services programs were included in the graph above, the Department of Human Services' share of the total state General Fund would rise to 11.6 percent.

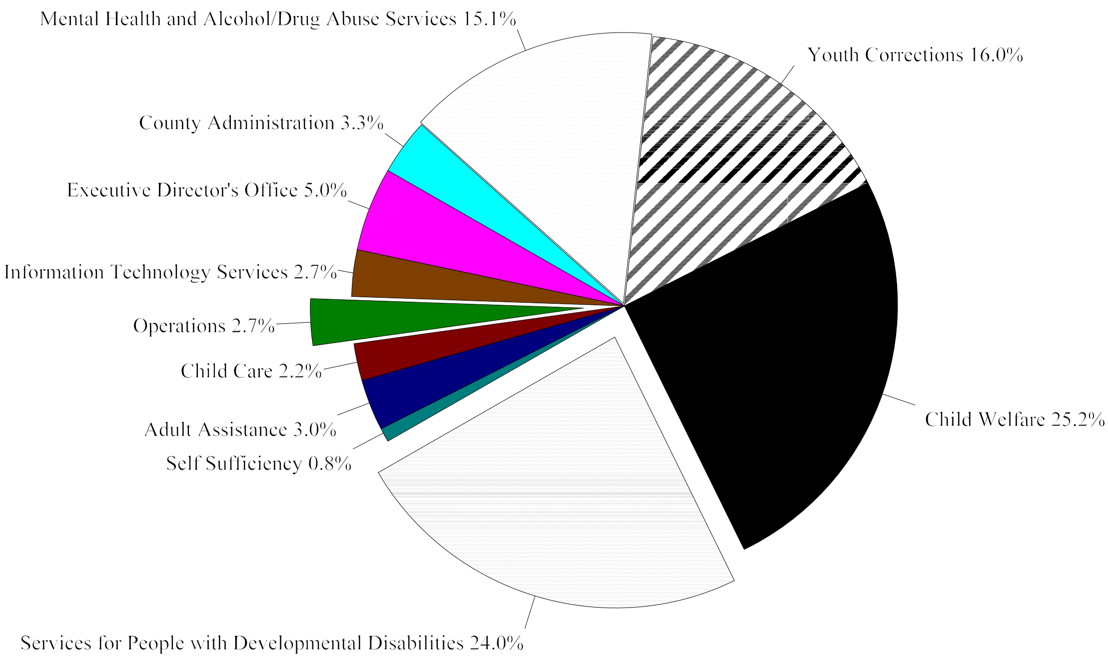
Budget History



FY 2008-09 Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES:
Office of Operations and Services for People with Disabilities
OVERVIEW

Department of Human Services: Net General Fund

FY 2007-08 Appropriation ($839.2 million)



Key Responsibilities

Office of Operations: Department-wide facility maintenance and management, accounting, payroll, contracting, purchasing, and field audits.

Services for People with Disabilities: Oversees community-based programs for persons with developmental disabilities that are locally coordinated by 20 non-profit Community Centered Boards (CCBs). Operates three regional centers that provide institutional and community-based programs for persons with developmental disabilities. Administers vocational rehabilitation programs. Budget also includes State and Veterans Nursing Homes.

Factors Driving the Budget

Developmental Disability Services

The State funds residential and family support services for persons with developmental disabilities who are unable to care for themselves without assistance. Most of these services are locally coordinated by 20 local non-profit agencies known as community centered boards (CCBs). The demand for state-funded services has grown significantly over time, reflecting the aging of persons with disabilities, family members who care for persons with disabilities and state population growth. Service costs have also risen over time due to inflation.

The State has had discretion over the growth of programs for persons with developmental disabilities, based on state and federal law. The vast majority of services are funded through federal Medicaid waivers for home- and community-based services. These Medicaid waivers enable the State to support services for persons with developmental disabilities using Medicaid funds that originate as 50 percent state General Fund and 50 percent federal funds. However, they differ from other parts of the Medicaid program in that the State may limit the total number of program participants. As a result, there are waiting lists for services.

All institutional funding and the majority of funding for community-based services for persons with developmental disabilities is for residential services for adults with developmental disabilities. The table below reflects, for FY 2007-08, the total number of participant resources[1] funded, associated dollars, average cost per participant resource, and waiting lists for community programs for persons with disabilities. Adult Comprehensive Services, Adult Supported Living Services, and the Children's Extensive Support programs are funded primarily or entirely by Medicaid. Family Support Services are funded entirely with state General Fund and Early Intervention services are funded primarily by state General Fund.

Community Program Costs[a]	FY 07-08 Funding	# Resources Funded FY 2007-08[b]	Avg. Cost per Full Year Resource	Waiting List April 2007[c]
Adult Comprehensive Services	$247,005,842	3,872	$63,793	1,368
Adult Supported Living Services	52,858,984	3,584	14,749	2,324
Early Intervention	11,171,495	2,176	5,134	1
Children's Extensive Support	7,184,725	395	18,189	157
Family Support Services	6,461,550	1,176	5,495	4,178
Case Management *(for all above)*	22,886,608	11,203	2,043	n/a
Special Purpose	1,055,874	n/a	n/a	n/a
Total	$348,625,078			

[1]A resource is the funding required to serve one individual for one year.

a) Reflects funding in the Developmental Disability Services, Community Services, Program Costs line item. Does not include 403 adult residential resources at the regional centers or services funded with local dollars.
b) A program "resource" is the funding required to provide services to an individual for a year; a resource funded for half of a year is therefore a 0.5 resource. Of the resources shown, 78 adult comprehensive resources and 24 adult supported living services are funded for an average of six months in FY 2007-08. Note that, in a change from prior years, case management costs have been broken out into a separate category; individuals served will receive a case management resource in addition to a direct-service resource.
c) April 2007 count of the persons who request placement by the end of FY 2007-08. (1) Some of these persons are anticipated to be removed from the waiting list during FY 2007-08, based on new resources funded. (2) Early intervention figure solely reflects eligible children receiving no services, generally due to temporary placement delays. Some children are funded through federal Part C "payer of last resort" dollars, in the absence of state support. (3) Current funding for the Family Support Services Program is generally spread to serve over 3,000 families, so that many of those on the waiting list are actually receiving some support from the dollars shown.

The following table reflects the overall growth in state funding for community services for persons with developmental disabilities.

State Funding -- Adult and Children's Community Services for Persons with Developmental Disabilities

Community Programs:	FY 01-02 Approp.	FY 02-03 Approp.*	FY 03-04 Approp.	FY 04-05 Approp.	FY 05-06 Approp.	FY 06-07 Approp.**	FY 07-08 Approp.
Total ($ millions)	$260.7	$273.0	$271.3	$271.6	$287.2	$323.7	$348.6
Change ($ millions)	n/a	$12.3	($1.7)	$0.3	$15.6	$36.5	$24.9
% Change	n/a	4.7%	(0.6)%	0.1%	5.7%	12.7%	7.7%

*Amount shown for FY 2002-03 *does not* include a reduction of $6.7 million in one time savings associated with a switch from accrual to cash accounting for the Medicaid program. This accounting change provided savings for accounting purposes but did not affect programs.
**Does not include late supplementals approved but not yet enacted.

Funding for community-based programs for persons with developmental disabilities increased steadily through FY 2002-03. The increases shown were driven primarily by increases in the number of adult residential resources funded as well as rate increases provided to assist community providers in coping with payment levels that had not historically kept up with service cost increases. Due to statewide budget constraints, funding dropped between FY 2002-03 and FY 2003-04 and was kept essentially flat for FY 2004-05. Beginning in FY 2005-06 and continuing in FY 2006-07, cuts taken during the downturn were largely restored and significant increases were provided. This included provision of new funding for adults in "high risk" and emergency situations, new funding for services for infants and toddlers, and additional provider rate increases. However, also in FY 2006-07, federally-required changes in the management of Medicaid developmental disability waiver programs temporarily limited the state's access to federal matching funds and drove additional expenditures of state General Fund dollars to maintain basic service levels. In particular: (1) the State assumed $7.6 million in direct service costs previously borne by local community centered boards; (2) the State was unable to fully access federal Medicaid matching funds due to federal waiver cap restrictions; and (3) Medicaid billings were temporarily reduced by billing system changes and associated one-time Medicaid cash-accounting savings.

The FY 2007-08 appropriation therefore reflects overall increases in the following categories: (1) $11.7 for federal Medicaid match transferred from the Department of Health Care Policy and Financing (amount that could not be accessed in FY 2006-07); (2) $7.7 million for new resources and annualization of resources added in FY 2006-07; (3) $4.7 million for rate increases; and (4) $0.8 million for miscellaneous adjustments (primarily an FY 2007-08 leap-year adjustment). Because federally-required billing system changes have reduced the State's control over developmental disability waiver program costs, and because the billing system will still be in transition in FY 2007-08, additional FY 2007-08 appropriations adjustments are anticipated.

Increases in Number of Participants

The table below reflects the growth in the number of participant resources available for persons with developmental disabilities. As reflected in the table, the FY 2005-06 and FY 2006-07 appropriations include significant increases in the Adult Comprehensive and Supported Living, Children's Early Intervention, and Children's Extensive Support areas.

	Persons Served					**Resources Funded**		
	FY 02 Served June	**FY 03 Served June**	**FY 04 Served June**	**FY 05 Served June**	**FY 06 Served June**	**FY 06 Funded June**	**FY 07 Approp .**	**FY 08 Approp.**
Adult Comprehensive Resources[1]	3,371	3,496	3,582	3,607	3,652	3,749	3,789	3,872
Percent Change	n/a	3.7%	2.5%	0.7%	1.2%	n/a	1.1%	2.2%
Adult Supported Living Resources	3,529	3,598	3,661	3,663	3,703	3,559	3,568	3,584
Percent Change	n/a	2.0%	1.8%	0.1%	1.1%	n/a	0.3%	0.4%
Early Intervention[2]	1,721	1,754	1,912	2,099	2,755	2,072	2,072	2,176
Percent Change	n/a	1.9%	9.0%	9.8%	31.3%	n/a	0.0%	5.0%
Children's Extensive Support	199	215	204	210	341	365	395	395
Percent Change	n/a	8.0%	(5.1)%	2.9%	62.4%	n/a	8.2%	0.0%
Family Support Services[3]	4,008	4,145	3,567	3,019	3,651	1,176	1,176	1,176
Percent Change	n/a	3.4%	(13.9)%	(15.4)%	20.9%	n/a	0.0%	0.0%

[1] Does not include 403 residential resources located at the state regional centers for the developmentally disabled.
[2] "# Served June" is based on the number served on average each month throughout the year.
[3] "Served June" is based on the unduplicated number served throughout the year.

When reviewing the table, note that: (1) The number of persons actually served can be larger than the resources funded when providers "stretch" funds to additional persons. This is reflected in the number served versus funded data for FY 2005-06; however, due to Medicaid waiver changes, such "over service" for Medicaid programs is eliminated in FY 2006-07; (2) Most new resources are initially funded for a part year and funding is then annualized in the subsequent year to cover a full year of services. The table reflects the number of persons receiving services *as of June* of each year. (3) The cost of new resources added is often considerably higher than the current average cost of resource–a based on the anticipated severity levels of the new clients. Thus, for FY 2007-08, the average cost for an adult comprehensive resource was $63,793, but new comprehensive resources for clients transitioning from foster care or placed due to emergencies were added at an average cost of $89,156 per year.

Rate Increases

The table below reflects the impact of provider rate increases and base rate increases on the budget from FY 2001-02 through FY 2007-08. Provider rate increases are generally provided to qualified programs throughout state government based on a common policy. Base rate increases shown in the table below were provided exclusively for developmental disability programs. Rate increases were significant until statewide revenue constraints led rates to be returned to FY 2001-02 levels in FY 2003-04. No increase was provided in FY 2004-05 due to budget constraints, but a 2.0 percent provider rate increase was provided for FY 2005-06, a 3.25 percent provider rate increase was added for FY 2006-07, and a 1.79 percent base rate increase on developmental disability residential and case management services was provided beginning the last quarter of FY 2005-06. For FY 2007-08, the provider rate increase is 1.5 percent.

Rate Increases							
	FY 02	**FY 03**	**FY 04**	**FY 05**	**FY 06**	**FY 07***	**FY 08**
Provider Rate Increase	2.5%	0.0%	0.0%	0.0%	2.0%	3.3%	1.5%
Base Rate Increase	5.3%	2.0%	(2.0)%	0.0%	0.4%	1.4%	0.0%
Total Impact on base of DD Community Programs ($ millions)	$11.6	$3.5	($3.5)	$0.0	$6.3	$11.1	$4.7

* Amounts shown for FY 2005-06 and FY 2006-07 reflect overall base rate increase of 1.79% on selected services implemented beginning the last quarter of FY 2005-06 and annualized in FY 2006-07.

Summary of Major Legislation

- ✔ **S.B. 07-4 (Shaffer/Todd):** Requires the Department of Human Services, in conjunction with other public and private entities, to develop a coordinated system of payment for early intervention services for infants and toddlers with developmental disabilities and delays, consistent with the requirements of Part C of the federal Individuals with Disabilities Education Act (IDEA). Requires insurance coverage of such services without copayments or deductibles up to a maximum annual liability of $5,725 for affected policies and services. Requires the Department of Health Care Policy and Financing to make associated adjustments to the Children's Basic Health Plan and the Medicaid program. Authorizes annual appropriations and transfers to support required activities, through FY 2009-10, from the Short-term Innovative Health Programs Grant Fund established by S.B. 07-97. Also authorizes the Department to receive and expend custodial funds from insurance companies for early intervention services.

- ✔ **S.B. 07-255 (Keller/Buescher):** Allocates specific responsibilities of the Child Find program of the federal Individuals with Disabilities Education Improvement Act of 2004 (IDEA) for children under age three between the Department of Education and the Department of Human Services.

- ✔ **H.B. 07-1211 (Jahn/Tochtrop):** Creates a seven-member Board of Commissioners of the State and Veterans Nursing Homes, appointed by the Governor. The Commission is responsible for providing advice and guidance to the Division of State and Veterans Nursing Homes in the Department of Human Services and the state and veterans nursing homes regarding homes' operations.

- ✔ **H.B. 07-1274 (Rice/Williams):** Creates a fifteen-member Colorado Commission for Individuals who are Blind or Visually Impaired in the Department of Human Services effective September 1, 2007. Duties of the Commission include providing advice on the provision of the Department of Human Services' vocational rehabilitation, independent living, pre-vocational, and other services for individuals who are blind or visually impaired and serving as an information resource and liaison between the blind and visually impaired community and the executive and legislative branches. Requires the Commission to report its recommendations to the Governor and the Health and Human Services Committees of the House of Representatives and the Senate, and the State Independent Living Council within the Department of Human Services, by December 1, 2008, and annually thereafter. Establishes a sunset date for the Commission of July 1, 2012. Authorizes annual appropriation from the Colorado Disabled Telephone Users Fund in the Department of Regulatory Agencies for the Commission, up to a maximum of $112,067.

- ✔ **S.B. 06-61 (Keller/Larson):** Transfers the authority for overseeing the provision of legal interpreters and auxiliary services for persons who are deaf or hard of hearing from the Department of Human Services, Division of Vocational Rehabilitation, to the Colorado Commission for the Deaf of Hard and Hearing, which is also in the Department of Human

Services. Identifies the circumstances in under which courts and other political subdivisions of the State shall provide an interpreter service to a person who is deaf or hard of hearing. Consolidates and increases funding for such services in the Department of Human Services.

- ✔ **S.B. 06-218 (Keller/Coleman):** Provides for annual appropriations by the General Assembly from the Colorado Disabled Telephone Users Fund to replentish the Colorado Commission for the Deaf and Hard of Hearing Cash Fund.

- ✔ **H.B. 05-1262 (Boyd/Hagedorn) Tobacco Tax Implementation:** Implements Section 21 of Article X of the Colorado Constitution, concerning taxes on tobacco products, that was adopted by vote of the citizens of the State in November 2004. Among other provisions, includes an appropriation of $2.6 million cash funds exempt (primarily Medicaid funds) to serve an additional 148 children previously on the waiting list for the Children's Extensive Support program (for families of children with developmental disabilities who have severe behavioral problems). Was expected to eliminate the FY 2005-06 waiting list for the program.

- ✔ **S.B. 05-159 (Owen/Plant) Use of General Fund for Fitzsimons Nursing Home:** Authorizes the use of General Fund moneys to cover any operational shortfall incurred by the veterans nursing home at the former Fitzsimons army medical center, beginning in fiscal year 2004-05. Such use of General Fund was previously prohibited.

- ✔ **H.B. 03-1292 (S. Williams/Teck) Service Fees for Intermediate Care Facilities.** Authorized the Department of Human Services to charge a "provider fee" to public and private Intermediate Care Facilities for the Mentally Retarded (ICFMR), amounting to no more than 5 percent of the cost of the facilities. Included associated appropriations adjustments resulting in net General Fund savings.

- ✔ **H.B. 02-1180 (Larson/Hernandez): Telecommunications Equipment Distribution.** Transferred $650,000 from the Disabled Telephone User's Fund to the Colorado Commission for the Deaf and Hard of Hearing Cash Fund (CCDHF). Appropriated funds from the CCDHF to the Colorado Commission for the Deaf and Hard of Hearing in DHS for a telecommunications equipment distribution program for the deaf and hard of hearing.

- ✔ **S.B. 97-5 (Hopper/Owen): Medicaid Managed Care.** Among other provisions, prohibited the implementation of managed care for developmental disability services without the approval of the Joint Budget Committee.

- ✔ **H.B. 93-1317 (Anderson/Rizzuto): Creation of Department.** Restructured the former Departments of Health, Institutions, and Social Services to form the Departments of Health Care Policy and Financing, Human Services, and Public Health and Environment.

- ✔ **S.B. 92-133 (Allison/D. Williams): Developmental Disabilities Services and Supports.** Changed programs for persons with developmental disabilities, including the following: Required CCBs to provide early intervention services; set out requirements for the review of individualized plans; established rights of persons served, including a dispute resolution process, a prohibition against aversive stimuli, and a limitation on the use of physical or mechanical restraints to emergency circumstances; established the composition of the state planning council; and established a program to provide community supported living arrangements (supported living services).

Major Funding Changes FY 2006-07 to FY 2007-08

Action (Source)	**General Fund**	**Other Funds**	**Total Funds**	**Total FTE**
Executive Director's Office (disability line items)				
Move Commission on Deaf line items (JBC)	$130,842	$1,289,448	**$1,420,290**	2.3
Salary and benefits adjustments (common policy)	0	6,563	**6,563**	0.0
Subtotal - EDO Disability line items	$130,842	$1,296,011	**$1,426,853**	2.3
Office of Operations				
Salary and benefits adjustments (common policy)	$88,737	$258,926	**$347,663**	0.0
Facilities maintenance operating costs (DI)	225,227	63,526	**288,753**	0.0
Annualization (new facilities; common policy)	71,638	82,376	**154,014**	2.8
Capitol complex leased space (common policy)	75,579	75,580	**151,159**	0.0
S.B. 07-4 (Early Intervention Coordinated Payment)	0	53,920	**53,920**	1.0
Vehicle leases (common policy)	28,175	37,316	**65,491**	0.0
Nursing home indirect costs adjustment (JBC)	(541,925)	541,925	**0**	0.0
Unused FTE authority (JBC)	0	0	**0**	(10.0)
Base reduction (common policy)	(56,619)	(57,448)	**(114,067)**	0.0
Subtotal - Office of Operations	($109,188)	$1,056,121	**$946,933**	(6.2)
Services for Persons with Disabilities				
Developmental Disabilities Services - Community Services				
Annualize one-time FY 2006–07 supplementals (primarily exchanges GF & Medicaid CFE)	($13,450,719)	$22,527,188	**$9,076,469**	0.0
1.5 Percent COLA (common policy; Medicaid CFE)	446,849	4,239,510	**4,686,359**	0.0
Add adult residential and supported living slots (DI; 78 comp./24 SLS, 6 months; Medicaid CFE)	0	3,635,533	**3,635,533**	0.0
Annualize adult resources added FY 2006-07 (common policy; Medicaid CFE)	0	3,429,729	**3,429,729**	0.0
S.B. 07-4 Early Intervention Coordinated Payment (CFE custodial funds from insurance companies)	0	2,808,580	**2,808,580**	0.0
Leap year (common pol.; Medicaid CFE)	26,157	796,708	**822,865**	0.0
104 early intervention slots (DI; Medicaid CFE)	589,099	62,326	**651,425**	0.0
Personal services, operating expense, and IT adjustments (common policy; Medicaid CFE)	2,193	39,663	**41,856**	0.0
Federally-matched Local Program Costs (JBC; Medicaid CFE with no net GF impact)	0	(8,682,397)	**(8,682,397)**	0.0
Other annualization (common pol.; Medicaid CFE)	(289,266)	289,949	**683**	0.0
Subtotal -DD Community Services	($12,675,687)	$29,146,789	**$16,471,102**	0.0

Action (Source)	**General Fund**	**Other Funds**	**Total Funds**	**Total FTE**
Developmental Disabilities Services - Regional Centers and Work Therapy				
Salary adjustments (common policy; Medicaid CFE)	$0	$1,343,487	**$1,343,487**	0.0
Increase staffing (DI, 6 mos; Medicaid CFE)	0	359,211	**359,211**	14.5
General Fund physician services (adds FTE; DI)	0	0	**0**	1.5
Medical, food inflation (com. pol; Medicaid CFE)	0	22,676	**22,676**	0.0
Subtotal -DD Regional Centers, Work Therapy	$0	$1,725,374	**$1,725,374**	16.0
Subtotal - Developmental Disability Services	**($12,675,687)**	**$30,872,163**	**$18,196,476**	**16.0**
Division of Vocational Rehabilitation				
Add disability navigators and expand Rehabilitation Program (DI; CFE, FF)	$0	$1,180,000	**$1,180,000**	9.0
Expand Business Enterprise Prgrm (DI; FF, CFE reserves)	0	1,047,322	**1,047,322**	0.0
Commission on Deaf funding changes (DI; FF, CFE transfers and reserves)	17,130	556,690	**573,820**	0.8
Annualize salary increases (common pol., various)	57,837	0	**296,285**	0.0
1.5 Percent COLA (common policy, various)	27,542	267,236	**294,778**	0.0
H.B. 07-1274 Commission on Blind (CFE transfer)	0	95,152	**95,152**	1.0
Medical inflation (common policy; various)	3,420	67,945	**71,365**	0.0
Move Commission on Deaf line items (JBC)	(130,842)	(1,289,448)	**(1,420,290)**	(2.3)
Eliminate one-time funding (com. pol.; CFE, FF)	0	(907,480)	**(907,480)**	0.0
Base Reduction (common policy; various)	(13,495)	(57,118)	**(70,613)**	0.0
Subtotal - Vocational Rehabilitation	($38,408)	$960,299	**$1,160,339**	8.5
Homelake Domiciliary and State and Veterans Nursing Homes				
Nursing home projection (JBC; FF, client cash CFE)	$0	$3,892,637	**$3,892,637**	0.0
Nursing home indirect cost location (JBC)	541,925	0	**541,925**	0.0
Homelake common policy adjustments (FF, CFE)	2,734	11,340	**14,074**	0.0
Homelake Long Bill restructure (JBC; FF, CFE)	0	(1,088,956)	**(1,088,956)**	(16.4)
Nursing home consulting services (JBC)	(195,626)	0	**(195,626)**	0.0
Elim. oversight committee (common policy)	0	(36,600)	**(36,600)**	0.0
Subtotal - Nursing Homes	$349,033	$2,778,421	**$3,127,454**	(16.4)
Subtotal - People with Disabilities	($12,365,062)	$34,610,883	**$22,484,269**	8.1
TOTAL	**($12,474,250)**	**$35,667,004**	**$23,431,202**	**1.9**

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
1A	**Office of Behavioral Health and Housing, Mental Health Institute- Pueblo** Provide staff and operating funds for new High Security Forensics Institute *[Sections 16-8-105 through 16-8-106 and 16-8-112, C.R.S.]*	$638,190	$0	$0	$0	$638,190	*$638,190*	5.1
1B	**Office of Operations** Provide facility operating funds for new high security forensic institute and heat plant expansion at the Colorado Mental Health Institute at Pueblo *[Section 27-1-104, C.R.S.]*	$764,363	$0	$0	$0	$764,363	*$764,363*	6.5
2	**Division of Youth Corrections, Community Programs** Increase funding due to population impacts on contract bed placements. *[Sections 19-2-402 and 403, C.R.S., require DYC to provide care and treatment to detained and committed youth. DYC is responsible for supervising youths on parole pursuant to Section 19-2-209, C.R.S.]*	1,718,738	0	41,208 *[Medicaid]*	0	1,759,946	*1,739,342*	0.0

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
3	**Division of Child Welfare, Child Welfare Services** Increase funding by 3.4 percent to cover the projected cost increases due to the anticipated growth in the state child / adolescent population. *[Sections 26-5-101 and 104, C.R.S.]*	6,449,386	0	2,350,210 *[Local funds[*	2,504,857 *[Title IV-E Social Security Act]*	11,304,453	*6,449,386*	0.0
3A	**Division of Youth Corrections, Community Programs** Increase funding for S.B. 91-94 programs in order to increase capacity. *[Sections 19-2-310, 1201, and 1203-1204 , C.R.S.]*	666,308	0	0	0	666,308	*666,308*	0.0

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
3B	**Division of Child Welfare and Division of Youth Corrections** Increase support for the Collaborative Management Program, which promotes interagency collaboration in services to children and families. Increase incentive funds for counties and provide 2.0 FTE for DYC program coordination. The impact of the request for areas covered in this briefing packet is shown in italics at right. *[Section 24-1.9-104, C.R.S.]*	122,372 *0*	0 *0*	500,000 *0* *[Performance-based Collaborative Management Incentive Cash Fund]*	0 *0*	622,372 *0*	*122,372* *0*	1.8 *0.0*
3C	**Division of Youth Corrections, Community Programs** Increase funding for the statewide expansion of the Functional Family Parole (FFP) program, which is currently being run as a pilot program. *[Section 19-2-1003 ,C.R.S.]*	359,062	0	0	0	359,062	*359,062*	1.8

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
4	**Services for People with Disabilities, Developmental Disability Services, Community Services** Provide comprehensive community-based residential services for an additional 151 adults for six months, including 45 individuals transitioning from foster care, 62 needing emergency placement, and 44 from the waiting list; provide adult supported living services (SLS) for an additional 28 youth aging out of the Children's Extensive Support (CES) waiver program. Request annualizes to $16.6 million ($7.4 million NGF) in FY 2009-10. *[Sections 27-10.5-101 through 106 and 25.5-6-401 through 411 C.R.S.]*	0	0	8,265,672 *[Medicaid]*	0	8,265,672	*3,670,651*	0.0
5	**Executive Director's Office** Increase funding to add five human resources staff to restore portions of staffing cuts made in FY 2003-04 and deal with increased departmental staffing size. *[Section 24-50-101, C.R.S.]*	91,371	7,817 *[Various Sources]*	37,618 *[Various Sources]*	107,622 *[Various Sources]*	244,428	*107,828*	5.0

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DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
6	**Services for People with Disabilities, Developmental Disability Services, Regional Centers** Convert Wheatridge regional center beds from the Medicaid waiver program to ICF/MR institutional placements for purposes of management and Medicaid billing. Also continue to increase staffing at regional centers as second year of multi-year plan to increase staffing intensity. Amount shown is annualized to $4.0 million ($1.9 million net General Fund) and 72.7 FTE in FY 2009-10) *[Sections 27-10.5-301 through 304 and 25.5-6-204 C.R.S.]*	$150,667	$0	$2,111,227 *[Medicaid]*	$0	$2,261,894	*$1,206,281*	40.4
7	**Office of Behavioral Health and Housing, Mental Health Institutes** Compression pay for nursing positions at the Colorado Mental Health Institutes, Pueblo and Fort Logan, to improve retention. *[Sections 27-13-103 and 27-15-103,*	1,006,095	0	0	0	1,006,095	*1,006,095*	0.0

Decision Item Priority List

Priority	**Division: Description** *[Statutory Authority]*	**GF**	**CF** *[Source]*	**CFE** *[Source]*	**FF** *[Source]*	**Total**	***Net GF****	**FTE**
8	**Division of Child Welfare, Administration** Add 5.5 FTE to improve state oversight of the county-administered foster care program. Request annualizes to 6.0 FTE in FY 2009-10. *[Sections 26-1-108 (2); 26-1-111 (1) and (2) (b), (d), (h) and (q); 26-1-118 (1) and (2); 26-6-106.5; 19-3-406; and 26-6-107, C.R.S.]*	373,729	0	0	105,411 *[Title IV-E Social Security Act]*	479,140	*373,729*	5.5
9	**Office of Operations and Mental Health and Alcohol and Drug Abuse Services, Mental Health Institutes** Transfer linen contract from Office of Operations to Mental Health Institutes. *[Section 24-102-202 and 27-1-104, C.R.S.]*	0	0	0	0	0	*0*	0.0
10	**Office of Behavioral Health and Housing, Mental Health** Provide community mental health services to 966 additional clients *[Sections 27-1-203 and 27-1-204, C.R.S.]*	2,998,464	0	0	0	2,998,464	*2,998,464*	0.0

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DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
11	**Office of Information Technology Services** Increase funding to increase OIT staff that provide support to department and county clients. *[Section 26-1-105, C.R.S.]*	126,550	733 *[Old Age Pension*	16,410 *[Medicaid (from HCP&F) and various sources]*	24,432 *[Food Stamps and TANF]*	168,125	*129,826*	2.4
12	**Office of Operations** Increase FTE and spending authority for Buildings and Grounds Fund, which supports maintenace and repair of Human Services facilities and grounds rented by other state agencies and non-profit organizations. Request annualizes to $115,410 and 3.5 FTE in FY 2009-10] *[Section 25-1-118, C.R.S.]*	0	102,888 *[Building and Grounds Cash Fund]*	308,665 *[Building and Grounds Cash Fund reserves]*	0	411,553	*0*	3.5
13	**Office of Self Sufficiency** Increase funding to add 4.0 FTE to create a quality control unit that will provide oversight of county TANF programs. *[Section 26-2-712, C.R.S.]*	0	0	0	235,542 *[TANF long-term reserves]*	235,542	*0*	4.0

Decision Item Priority List

Priority	**Division: Description** *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
14	**Executive Director's Office, Special Purpose, Colorado Commission for the Deaf and Hard of Hearing** Add 0.5 FTE and associated funding transferred from the Disabled Telephone Users Fund for a Telecommunications Equipment Distribution Program coordinator. *[Section 26-21-102 through 108, C.R.S.]*	0	0	31,116 *[Disabled Telephone Users Fund]*	0	31,116	*0*	0.5
15	**Office of Information Technology Services** Fund TANF-related changes to CBMS to support increased supervision of county operations. *[Section 26-2-712, C.R.S.]*	0	0	0	2,838,755 *[TANF long-term reserves]*	2,838,755	*0*	0.0

Priority	**Division: Description** *[Statutory Authority]*	**GF**	**CF** *[Source]*	**CFE** *[Source]*	**FF** *[Source]*	**Total**	***Net GF****	**FTE**
16	**Office of Self Sufficiency** Creates a new Promoting Responsible Fatherhood Grant line item with $222,222 GF. Offsets this with a corresponding GF reduction in County Block Grants, in turn offset by a corresponding increase in TANF funding for County Block Grants. *[Section 26-1-109, C.R.S., and 42 U.S.C. 603 (a) (2)]*	0	0	0	222,222 *[TANF long-term reserves]*	222,222	*0*	0.0
17	**Adult Assistance Programs** Increase in cash funds for the Old Age Pension program related to COLA increase. This request is informational, as OAP funding is continuously appropriated by the Colorado Constitution. *[Article XXIV, Constitution of the State of Colorado, Sections 26-2-111 (2) and 26-2-114, C.R.S.]*	0	3,420,600 *[Old Age Pension Fund]*	0	0	3,420,600	*0*	0.0

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
18	**Adult Assistance Programs** Increases the federal funds shown in the Community Services for the Elderly line item to reflect available federal funds. Requests an increase of $210,743 cash funds exempt funding needed to draw down the matching federal funds. *[Section 26-11-207 (6), C.R.S.]*	0	0	210,743 *[Local Funds]*	1,004,271 *[Older Americans Act fund]*	1,215,014	*0*	0.0
19	**Office of Self Sufficiency** Allocates an additional $358,718 to the Colorado Refuge Services Program from the federal TANF block grant, bringing the total TANF funding in CRSP to $815,850. *[Section 26-2-703 (17.7), C.R.S.]*	0	0	0	358,718 *[TANF]*	358,718	*0*	0.0

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DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Decision Item Priority List

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF [Source]	Total	*Net GF**	FTE
20	**Division of Child Care** Add 1.0 FTE and associated funding to provide support for the Division of Child Care website. *[Sections 26-6-105, 26-6-106, and 26-6-108.5, C.R.S.]*	0	66,349 *[Child Care Licensing Cash Fund]*	0	0	66,349	*0*	1.0
NP-1	**Various** Provide a 1.35 percent cost of living adjustment (COLA) for all community providers. The impact of the request for areas covered in this briefing packet is shown in italics at right. *[Sections 26-8-101 to 106, CR.S.; Sections 26-8.1-101 to 108, C.R.S.; Sections 27-10.5-101 to 601, C.R.S.]*	5,101,845 *$440,958*	939 *$939* *[Various sources]*	6,029,442 *$4,350,296* *[Medicaid (transfers from HCPF) and various sources]*	2,550,772 *$246,978* *[Vocational Rehabilitation Funds]*	13,682,998 *$5,039,171*	*7,449,528* *$2,527,039*	0.0 *0.0*
NP-2	**County Administration** Requests the Long Bill Division "County Administration" and the line item of the same name within the Division be renamed *[Sections 26-1-105 and 108, C.R.S.]*	0	0	0	0	0	*0*	0.0
DPA-1	**Office of Information Technology Services** Multiuse Network Payments *[Section 24-30-1104 (2), and 24-37.5-202,203, C.R.S.]*	161,324	2,645 *[Various Sources]*	21,157 *[Various Sources]*	79,340 *[Various Sources]*	264,466	*167,513*	0.0

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DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Decision Item Priority List

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF [Source]	Total	Net GF*	FTE
DPA-2	**Office of Operations** Vehicle lease reconciliation and vehicle replacements *[Section 24-30-1104 (2), C.R.S.]*	(47,747)	1,626 *[Various sources]*	(34,568) *[Medicaid (transfers from HCP&F) and Various sources]*	6,146 *[Varioius sources]*	(74,543)	*(65,605)*	0.0
DPA-3	**Executive Director's Office** Workers' Compensation *[Section 24-50-101, C.R.S.]*	47,889	214 *[Various Sources]*	38,758 *[Various Sources]*	3,927 *[Various Sources]*	90,788	*61,478*	0.0
	Total Department Request	**$20,728,606**	**$3,603,811**	**$19,927,658**	**$10,042,015**	**$54,302,090**	***$27,844,811***	**77.5**
	Total for Shaded Items	**$1,308,241**	**$105,453**	**$15,032,408**	**$253,124**	**$16,699,226**	**$8,102,729**	**50.9**

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about 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 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Base Reduction Priority List

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF [Source]	Total	*Net GF**	FTE
1	**Office of Self Sufficiency** Requests appropriation of two FTE to replace current contract resources that support the Child Support Enforcement web site. *[Section 26-13-102 and 103, C.R.S.]*	(38,142)	0	0	(74,041) *[Title IV-D of the Social Security Act]*	(112,183)	*(38,142)*	2.0
NP	**Division of Child Welfare** Reduce appropriation for Family and Children's Programs associated with reassignment of responsibilities to HCPF for administrative case management *[Sections 25.5-1-120 (1) and 24.75-106 (1), C.R.S.]*	($650,000)	$0	$0	$0	(650,000)	*($650,000)*	0.0
	Total Department Request	**($688,142)**	**$0**	**$0**	**($74,041)**	**($762,183)**	**($688,142)**	**2.0**
	Total for Shaded Items	**($650,000)**	**$0**	**$0**	**$0**	**($650,000)**	***($650,000)***	**0.0**

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about 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 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES - Overview of Numbers Pages

Requested Changes FY 2007-08 to FY 2008-09							
Category	**FTE**	**GF**	**CF**	**CFE**	**FF**	**Total**	***Net GF***
Executive Director's Office	**0.5**	**$228**	**$0**	**$36,043**	**$17,304**	**$53,575**	***$228***
Decision Item #14 - Deaf Commission	0.5	$0	$0	$30,566	$0	$30,566	*$0*
Personal Services (OSPB common policy)	0.0	$228	$0	$5,477	$17,304	$23,009	*$228*
Office of Operations	**11.0**	**$1,156,310**	**$64,784**	**$676,656**	**$76,492**	**$1,974,242**	***$1,212,895***
Personal Services (OSPB common policy)	0.0	456,659	14,766	354,872	63,910	890,207	*531,102*
Decision Item #1B - New CMHIP forensics facility	6.5	759,828	0	0	0	759,828	*759,828*
Decision Item #12 - Buildings and Grounds CF	3.5	0	102,312	306,937	0	409,249	*191,649*
Other (annualization, DPA adjustments, DIs # 8 and 9)	1.0	(60,177)	(52,294)	14,847	12,582	(85,042)	*(269,684)*
People with Disabilities	**54.9**	**$693,807**	**$4,280**	**$19,791,078**	**($117,964)**	**$20,371,201**	***$10,106,505***
Decision Item #4 (new DD community resources)	0.0	0	0	8,265,672	0	8,265,672	*3,670,651*
Decision Item #NP1 (community provider COLA)	0.0	440,958	939	4,350,296	246,978	5,039,171	*2,527,039*
Annualization FY 07 DI #3 (new DD resources)	0.0	0	0	3,635,533	0	3,635,533	*1,753,760*
Personal Services (OSPB common policy)	0.0	128,339	3,341	2,229,236	459,300	2,820,216	*1,229,162*
DI #6 (DD regional center staff/ICF conversion)	40.4	150,667	0	1,831,323	0	1,981,990	*1,066,328*
Annualization FY 07 DI #1 (DD regional center staff)	14.5	0	0	477,386	0	477,386	*238,693*
Annualize FY 08 1x funds (leap year, DVR, SB 07-4)	0.0	(26,157)	0	(998,368)	(824,242)	(1,848,767)	*(379,128)*
Total Change	**66.4**	**$1,850,345**	**$69,064**	**$20,503,777**	**($24,168)**	**$22,399,018**	***$11,319,628***

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	Actual	Appropriation	Request	Change Requests

DEPARTMENT OF HUMAN SERVICES

EXECUTIVE DIRECTOR: Karen Beye

(1) EXECUTIVE DIRECTOR'S OFFICE [Disability line items ONLY]

NOTE: The following line items relate to disability programs are is thus covered in this packet.

(B) Special Purpose

Developmental Disabilities Council	701,628	686,224	845,180	862,484	
FTE	4.7	5.1	6.0	6.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	0	0	0	0	
Federal Funds	701,628	686,224	845,180	862,484	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	
Colorado Commission for the Deaf and Hard of Hearing*	*341,534*	593,922	775,888	812,159	DI #14
FTE	*1.0*	*2.0*	2.3	2.8	
General Fund	*0*	*93,692*	131,164	131,392	
Cash Funds	*0*	*0*	0	0	
Cash Funds Exempt	*341,534*	*500,230*	644,724	680,767	
Federal Funds	*0*	*0*	0	0	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
					Request v. Approp.
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	701,628	686,224	1,621,068	1,674,643	3.3%
FTE	4.7	5.1	8.3	8.8	0.5
General Fund	0	0	131,164	131,392	0.2%
Cash Funds	0	0	0	0	*n/a*
Cash Funds Exempt	0	0	644,724	680,767	5.6%
Federal Funds	701,628	686,224	845,180	862,484	2.0%
**Medicaid Cash Funds*	*0*	*0*	0	0	*n/a*
**Net General Fund*	*0*	*0*	131,164	131,392	0.2%

** Amounts for FY 2005-06 and FY 2006-07 were appropriated in the Division of Vocational Rehabilitation and are shown here [but not added in the Division total] for informational purposes.*

(3) OFFICE OF OPERATIONS

Primary functions: Facility maintenance and management; accounting and payroll, contracting, purchasing, and field audits. Cash and cash exempt amounts are from multiple sources, including indirect cost revenue associated with programs throughout the Department.

Please note: funding splits are reflected below for informational purposes only; the Long Bill appropriation for this subsection reflects fund splits at the bottom-line only for the Administration Section. Fund split detail is therefore not included for actual years except in the bottom-line.

(A) Administration

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
Personal Services	21,279,982	21,720,844	22,476,856	23,558,869	DIs #1A, 9
FTE	418.0	430.0	455.6	463.1	
General Fund			10,753,902	11,411,207	
Cash Funds			560,498	524,630	
Cash Funds Exempt			9,389,049	9,785,715	
Federal Funds			1,773,407	1,837,317	
Medicaid Cash Funds			3,773,720	*3,922,606*	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Operating Expenses	2,319,269	2,355,060	2,643,297	2,935,156	DI #1A
General Fund			1,625,030	1,921,394	
Cash Funds			18,250	12,809	
Cash Funds Exempt			917,813	918,749	
Federal Funds			82,204	82,204	
Medicaid Cash Funds			482,696	482,696	
Vehicle Lease Payments	561,172	529,049	716,648	654,159	DIs #1A, 8, DPA-2
General Fund			437,634	400,694	
Cash Funds			989	2,615	
Cash Funds Exempt			239,060	204,492	
Federal Funds			38,965	46,358	
Medicaid Cash Funds			207,430	171,715	
Leased Space	2,270,532	2,361,427	2,938,212	2,938,212	
General Fund			899,885	899,885	
Cash Funds			16,936	16,936	
Cash Funds Exempt			46,162	46,162	
Federal Funds			1,975,229	1,975,229	
Medicaid Cash Funds					
Capitol Complex Leased Space	1,067,451	1,103,065	1,254,224	1,264,601	
General Fund			627,112	632,300	
Cash Funds			0	0	
Cash Funds Exempt			0	0	
Federal Funds			627,112	632,301	
Medicaid Cash Funds			0	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
Utilities	6,925,723	7,082,225	7,335,406	7,569,799	DI #1A
General Fund			5,425,896	5,660,289	
Cash Funds			0	0	
Cash Funds Exempt			1,909,510	1,909,510	
Federal Funds			0	0	
Medicaid Cash Funds			1,538,491	1,538,491	
					Request v. Approp.
Subtotal - (A) Administration	34,424,129	35,151,670	37,364,643	38,920,796	4.2%
FTE	418.0	430.0	455.6	463.1	7.5
General Fund	18,762,848	19,841,764	19,769,459	20,925,769	5.8%
Cash Funds	664,434	529,059	596,673	556,990	-6.7%
Cash Funds Exempt	11,163,020	10,903,547	12,501,594	12,864,628	2.9%
Federal Funds	3,833,827	3,877,300	4,496,917	4,573,409	1.7%
Medicaid Cash Funds	*5,049,870*	*5,222,784*	*6,002,337*	*6,115,508*	1.9%
Net General Fund	*22,910,886*	*22,453,156*	*22,770,628*	*23,983,523*	5.3%

(B) Special Purpose

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
Buildings and Grounds Rental	666,798	892,440	896,014	1,313,882	DI #12
FTE	4.9	5.0	6.5	10.0	
General Fund	0	0	0	0	
Cash Funds	222,756	224,261	223,928	328,395	
Cash Funds Exempt	444,042	668,179	672,086	985,487	
Federal Funds	0	0	0	0	
Medicaid Cash Funds		0	0	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
State Garage Fund	442,182	618,888	618,445	618,666	
FTE	0.9	1.1	2.1	2.1	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	442,182	618,888	618,445	618,666	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	0	0	0	0	
					Request v. Approp.
Subtotal - (B) Special Purpose	1,108,980	1,511,328	1,514,459	1,932,548	27.6%
FTE	5.8	6.1	8.6	12.1	3.5
General Fund	0	0	0	0	n/a
Cash Funds	222,756	224,261	223,928	328,395	46.7%
Cash Funds Exempt	886,224	1,287,067	1,290,531	1,604,153	24.3%
Federal Funds	0	0	0	0	n/a
Medicaid Cash Funds	*0*	*0*	*0*	*0*	n/a
Net General Fund	0	0	0	0	n/a
					Request v. Approp.
(3) TOTAL OFFICE OF OPERATIONS	**35,533,109**	**36,662,998**	**38,879,102**	**40,853,344**	5.1%
FTE	**423.8**	**436.1**	**464.2**	**475.2**	11.0
General Fund	**18,762,848**	**19,841,764**	**19,769,459**	**20,925,769**	5.8%
Cash Funds	**887,190**	**753,320**	**820,601**	**885,385**	7.9%
Cash Funds Exempt	**12,049,244**	**12,190,614**	**13,792,125**	**14,468,781**	4.9%
Federal Funds	**3,833,827**	**3,877,300**	**4,496,917**	**4,573,409**	1.7%
Medicaid Cash Funds	***5,049,870***	***5,222,784***	***6,002,337***	***6,115,508***	1.9%
Net General Fund	***22,910,886***	***22,453,156***	***22,770,628***	***23,983,523***	5.3%

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests

(9) SERVICES FOR PEOPLE WITH DISABILITIES
Primary functions: Administers community-based and institutional services for people with developmental disabilities, provides vocational rehabilitation services, and administers the Homelake Domiciliary and veterans nursing homes.

(A) Developmental Disability Services

(1) Community Services

Primary functions: Funding for 20 Community Centered Boards (CCBs), and contracting service agencies, to: (1) deliver community-based residential and supported living living services for adults with developmental disabilities; and (2) deliver early intervention, family support services, and children's extensive support services for children with developmental disabilities and delays. Also funds associated case management by CCBs and state administration and oversight. Medicaid revenue is the primary source of cash funds exempt; local and client payments to CCBs are also reflected.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
(a) Administration					
Personal Services	2,319,435	2,533,798	2,602,214	2,721,544	DI #6
FTE	31.2	29.1	32.4	32.3	
General Fund	129,798	247,283	264,121	276,538	
Cash Funds	0	0	0	0	
Cash Funds Exempt	2,189,637	2,286,515	2,338,093	2,445,006	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	*2,189,637*	*2,286,515*	*2,338,093*	*2,445,006*	
Operating Expenses	147,532	151,317	148,029	147,384	DI #6
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	147,532	151,317	148,029	147,384	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	*147,532*	*151,317*	*148,029*	*147,384*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
Community and Contract Management System	189,633	124,565	137,480	137,480	
General Fund	20,942	52,458	41,244	41,244	
Cash Funds	0	0	0	0	
Cash Funds Exempt	168,691	72,107	96,236	96,236	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	168,691	72,107	96,236	96,236	
Medicaid Waiver Transition Costs*		1,200,475	0	0	
General Fund		799,106	0	0	
Cash Funds		0			
Cash Funds Exempt		401,369			
Federal Funds		0			
Medicaid Cash Funds		*401,369*			
Medicaid - General Fund portion		*200,685*			
Net General Fund		*999,791*			
					Request v. Approp.
Subtotal - (a) Administration	2,656,600	4,010,155	2,887,723	3,006,408	4.1%
FTE	31.2	29.1	32.4	32.3	(0.1)
General Fund	150,740	1,098,847	305,365	317,782	4.1%
Cash Funds	0	0	0	0	n/a
Cash Funds Exempt	2,505,860	2,911,308	2,582,358	2,688,626	4.1%
Federal Funds	0	0	0	0	n/a
Medicaid Cash Funds	*2,505,860*	*2,911,308*	*2,582,358*	*2,688,626*	4.1%
Medicaid General Fund	*1,252,930*	*1,656,339*	*1,291,179*	*1,344,313*	4.1%
Net General Fund	*1,403,670*	*3,754,977*	*1,596,544*	*1,662,095*	4.1%

*A total of $1,812,049 was appropriated for this line item in FY 2006-07; a portion was rolled forward for use in FY 2007-08

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**

(b) Program Costs

Please note: amounts and funding splits by service category are reflected below for informational purposes only starting in FY 2007-08; the Long Bill appropriation for Program Costs reflects fund splits at the bottom-line only and provides the Department with authority to move amounts and fund sources among service categories in the Program Costs line item.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
Adult Program Costs*	267,971,683	279,728,279	0	0	
General Fund	11,168,268	18,177,319			
Cash Funds	0	0			
Cash Funds Exempt	256,803,415	261,550,960			
Federal Funds	0	0			
Medicaid Cash Funds	*224,815,225*	*227,258,471*			
Medicaid - General Fund portion	*112,407,612*	*113,207,312*			
Net General Fund	*123,575,880*	*131,384,631*			
Adult Comprehensive Services			247,005,842	261,899,267	DI s #4, NP-1
General Fund			1,652,225	1,626,068	
Cash Funds Exempt			245,353,617	260,273,199	
Medicaid Cash Funds			*214,821,368*	*228,497,128*	
Medicaid - General Fund portion			*107,377,201*	*114,215,083*	
Adult Supported Living Services			52,858,984	53,335,242	DI s #4, NP-1
General Fund			7,857,085	7,857,085	
Cash Funds Exempt			45,001,899	45,478,157	
Medicaid Cash Funds			42,347,862	*42,800,307*	
Medicaid - General Fund portion			21,173,930	*21,400,153*	
Early Intervention Services**			11,171,495	11,586,591	DI #NP-1
General Fund			10,934,313	11,349,409	
Cash Funds Exempt			237,182	237,182	
Medicaid Cash Funds			-319,829	*-319,829*	
Medicaid - General Fund portion			-159,914	*-159,914*	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Family Support Services			6,461,550	6,461,550	
General Fund			6,150,284	6,150,284	
Cash Funds Exempt			311,266	311,266	
Medicaid Cash Funds			0	*0*	
Medicaid - General Fund portion			0	*0*	
Children's Extensive Support Services			7,184,725	7,184,725	
General Fund			3,807	3,807	
Cash Funds Exempt			7,180,918	7,180,918	
Medicaid Cash Funds			6,817,370	*6,817,370*	
Medicaid - General Fund portion			2,906,832	*2,906,832*	
Case Management			22,886,608	22,886,608	DI #4
General Fund			3,794,605	3,794,605	
Cash Funds Exempt			19,092,003	19,092,003	
Medicaid Cash Funds			17,922,441	*17,922,441*	
Medicaid - General Fund portion			8,890,004	*8,890,004*	
Special Purpose			1,055,874	1,055,874	
General Fund			355,511	355,511	
Cash Funds Exempt			700,363	700,363	
Medicaid Cash Funds			202,498	*202,498*	
Medicaid - General Fund portion			100,864	*100,864*	
					Request v. Approp.

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Subtotal - (b) Program Costs	267,971,683	279,728,279	348,625,078	364,409,857	4.5%
General Fund	11,168,268	18,177,319	30,747,830	31,136,769	1.3%
Cash Funds	0	0	0	0	n/a
Cash Funds Exempt	256,803,415	261,550,960	317,877,248	333,273,088	4.8%
Federal Funds	0	0	0	0	n/a
Medicaid Cash Funds	*224,815,225*	227,258,471	281,791,710	295,919,915	5.0%
Medicaid - General Fund portion	*112,407,612*	113,207,312	140,288,917	147,353,022	5.0%
Net General Fund	*123,575,880*	131,384,631	*171,036,747*	178,489,791	4.4%

**In the Department request Senate Bill 07-4 amounts were included in the Program Costs, Early Intervention line item. With the Department's agreement, staff has reflected these in a separate line item, under Other Community Programs, as these amouts are shown for informational purposes only.

(c) Other Community Programs

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
Federal Special Education Grant for Infants, Toddlers and Their Families (Part C) - Federal Funds** [moved from Children's Section in FY 2007-08]	*See Services for Children and Families section below.*		6,906,966	6,908,617	
FTE			6.5	6.5	
Federally-matched Local Program Costs	24,281,838	10,684,623	3,641,910	3,641,910	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	24,281,838	10,684,623	3,641,910	3,641,910	
Federal Funds	0		0	0	
Medicaid Cash Funds ($0 NGF)	*24,281,838*	*10,684,623*	*3,641,910*	*3,641,910*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
Custodial Funds for Early Intervention Services*	n/a	n/a	2,808,580	2,813,085	
General Fund			*0*	*0*	
Cash Funds				*0*	
Cash Funds Exempt			2,808,580	2,813,085	
Federal Funds			*0*	*0*	
Medicaid Cash Funds			*0*	*0*	
Preventive Dental Hygiene	62,335	62,449	63,386	64,229	DI #NP-1
General Fund	58,842	58,842	59,725	60,519	
Cash Funds	0		0	0	
Cash Funds Exempt	3,493	3,607	3,661	3,710	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	
					Request v. Approp.
Subtotal - (c) Other Community Programs	24,344,173	10,747,072	13,420,842	13,427,841	0.1%
FTE	0.0	0.0	6.5	6.5	0.0
General Fund	58,842	58,842	59,725	60,519	1.3%
Cash Funds	0	0	0	0	n/a
Cash Funds Exempt	24,285,331	10,688,230	6,454,151	6,458,705	0.1%
Federal Funds	0	0	6,906,966	6,908,617	0.0%
Medicaid Cash Funds	*24,281,838*	*10,684,623*	*3,641,910*	*3,641,910*	0.0%
Medicaid - General Fund portion	*0*	*0*	*0*	*0*	n/a
Net General Fund	*58,842*	*58,842*	*59,725*	*60,519*	1.3%

*In the Department request these funds were included in the Program Costs, Early Intervention line item. They are shown here in a separate line item as they are reflected for informational purposes only.

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
					Request v. Approp.
(1) Sub-total Community Services	294,972,456	294,485,506	364,933,643	380,844,106	4.4%
FTE	31.2	29.1	38.9	38.8	(0.1)
General Fund	11,377,850	19,335,008	31,112,920	31,515,070	1.3%
Cash Funds	0	0	0	0	n/a
Cash Funds Exempt	283,594,606	275,150,498	326,913,757	342,420,419	4.7%
Federal Funds	0	0	6,906,966	6,908,617	n/a
Medicaid Cash Funds	*251,602,923*	*240,854,402*	*288,015,978*	*302,250,451*	4.9%
Medicaid - General Fund portion	*113,660,542*	*114,863,651*	*141,580,096*	*148,697,335*	5.0%
Net General Fund	*125,038,392*	*135,198,450*	*172,693,016*	*180,212,405*	4.4%

(2) Regional Centers

Primary functions: operates three regional centers that house and provide therapeutic and other services to individuals with developmental disabilities. Cash funds exempt amounts reflect Medicaid revenue. Cash amounts primarily reflect consumer payments for room and board.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
Personal Services*	39,974,016	40,837,901	41,781,411	45,909,774	DI #6
FTE	871.4	907.1	901.9	957.5	
General Fund	0	0	0	0	
Cash Funds	2,593,627	2,646,756	2,636,006	2,636,006	
Cash Funds Exempt	37,380,389	38,191,145	39,145,405	43,273,768	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	37,380,389	38,191,145	39,139,187	43,267,550	
Operating Expenses*	2,172,138	2,317,046	2,230,701	2,506,422	DI #6
General Fund	0	0	0	0	
Cash Funds	366	353	0	0	
Cash Funds Exempt - Medicaid	2,171,772	2,316,693	2,230,701	2,506,422	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	*2,171,772*	*2,316,693*	*2,230,701*	*2,506,422*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
General Fund Physician Services	n/a	n/a	244,460	155,722	DI #6
FTE			1.5	0.9	
General Fund			244,460	155,722	
Cash Funds			0	0	
Cash Funds Exempt - Medicaid			0	0	
Federal Funds			0	0	
Medicaid Cash Funds			0	0	
Capital Outlay - Patient Needs	72,571	80,248	80,249	80,249	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt - Medicaid	72,571	80,248	80,249	80,249	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	72,571	80,248	80,249	80,249	
Leased Space	192,526	195,088	200,209	200,209	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt - Medicaid	192,526	195,088	200,209	200,209	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	*192,526*	*195,088*	*200,209*	*200,209*	
Resident Incentive Allowance	138,056	138,176	138,176	138,176	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt - Medicaid	138,056	138,176	138,176	138,176	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	*138,056*	*138,176*	*138,176*	*138,176*	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Purchase of Services	262,440	262,661	263,291	263,291	
General Fund		0	0	0	
Cash Funds		0	0	0	
Cash Funds Exempt - Medicaid	262,440	262,661	263,291	263,291	
Federal Funds		0	0	0	
Medicaid Cash Funds	*262,440*	*262,661*	*263,291*	*263,291*	
ICF/MR Adaptations [proposed new line]					
General Fund	*n/a*	*n/a*	*n/a*	240,000	DI #6
Medicaid Unallowable Costs - General Fund	553,399	0	0	0	
(FY 2005-06 1331 late Supplemental)					
					Request v. Approp.
(2) Sub-total Regional Centers	43,365,146	43,831,120	44,938,497	49,493,843	10.1%
FTE	871.4	907.1	903.4	958.4	55.0
General Fund	553,399	0	244,460	395,722	61.9%
Cash Funds	2,593,993	2,647,109	2,636,006	2,636,006	n/a
Cash Funds Exempt	40,217,754	41,184,011	42,058,031	46,462,115	10.5%
Federal Funds	0		0	0	n/a
Medicaid Cash Funds	*40,217,754*	*41,184,011*	*42,058,031*	*46,462,115*	10.5%
Medicaid General Fund	*19,365,677*	*19,849,009*	*20,207,348*	*22,409,390*	10.9%
Net General Fund	*19,919,076*	*19,849,009*	*20,451,808*	*22,805,112*	11.5%

*Actual year FY 2006-07 reflects over-expenditures in total expenditures and FTE; Department indicates that this is due to various accounting issues. Staff expects to receive a correction/reconciliation.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests

(3*) Services for Children and Families

*This section was consolidated in the Developmental Disability Services, Community Services section in FY 2007-08. It formerly included funding to the 20 Community Centered Boards (CCBs) to deliver early intervention, family support, and children's extensive support services to children and families in community settings. The primary source of cash funds exempt was Medicaid revenue; local match contributions to CCBs were also reflected.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
			appropriations moved to Community Services, Program Costs		
Program Funding	19,213,999	23,381,037			
General Fund	13,654,700	16,872,836			
Cash Funds	0	0			
Cash Funds Exempt	5,559,299	6,508,201			
Federal Funds	0	0			
Medicaid Cash Funds	*4,552,042*	5,273,063			
Medicaid - General Fund portion	*2,276,021*	2,362,986			
Net General Fund	*15,930,721*	*19,235,822*			
			appropriations moved to Community Services, Program Costs		
Federal Special Education Grant for Infants, Toddlers and Their Families (Part C) - Federal Funds**	*7,161,543*	6,618,033			
FTE	*5.4*	6.5			
Child Find - General Fund	*0*	1,000,000	0	0	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**

					Request v. Approp.
Sub-total Services for Children and Families	19,213,999	30,999,070	0	0	n/a
FTE	0.0	6.5	0.0	0.0	n/a
General Fund	13,654,700	17,872,836	0	0	n/a
Cash Funds	0	0	0	0	n/a
Cash Funds Exempt	5,559,299	6,508,201	0	0	n/a
Federal Funds	0	6,618,033	0	0	n/a
Medicaid Cash Funds	4,552,042	5,273,063	0	0	n/a
Medicaid General Fund	2,276,021	2,362,986	0	0	n/a
Net General Fund	*15,930,721*	*20,235,822*	*0*	*0*	n/a

**Amounts shown for FY 2005-06 reflect, for informational purposes, expenditures in the Department of Education. The program was in the DHS budget for the first time in FY 2006-07. FY 2005-06 not included in totals for actual years.

(3) Work Therapy Program

Primary functions: Provide sheltered work opportunities to residents of state operated regional centers and the Mental Health Institute at Fort Logan. Cash and cash exempt amounts reflect payments from private businesses and government agencies for work completed.

					Request v. Approp.
Program Costs	442,956	254,269	464,589	464,824	0.1%
FTE	2.6	1.5	1.5	1.5	0.0
General Fund	0	0	0	0	n/a
Cash Funds	369,565	237,879	324,573	324,737	0.1%
Cash Funds Exempt	73,391	16,390	140,016	140,087	0.1%
Federal Funds	0	0	0	0	n/a
Medicaid Cash Funds	*0*	*0*	*0*	*0*	n/a

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**

					Request v. Approp.
(A) Sub-total Developmental Disability Services	357,994,557	369,569,965	410,336,729	430,802,773	5.0%
FTE	905.2	944.2	943.8	998.7	54.9
General Fund	25,585,949	37,207,844	31,357,380	31,910,792	1.8%
Cash Funds	2,963,558	2,884,988	2,960,579	2,960,743	0.0%
Cash Funds Exempt	329,445,050	322,859,100	369,111,804	389,022,621	5.4%
Federal Funds	0	6,618,033	6,906,966	6,908,617	0.0%
Medicaid Cash Funds	*296,372,719*	*287,311,476*	*330,074,009*	*348,712,566*	5.6%
Net General Fund	*160,888,189*	*175,283,281*	*193,144,824*	*203,017,517*	5.1%

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests

(B) Division of Vocational Rehabilitation

individuals with disabilities secure and/or retain employment. Funds Independent Living Centers to provide assisted living and advocacy services to persons with disabilities. Cash and cash fund exempt amounts

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
Rehabilitation Programs - General Fund Match	16,921,954	23,421,414	23,712,393	24,252,174	DI #NP-1
FTE	182.6	194.0	224.7	224.7	
General Fund	3,596,797	4,948,368	5,044,182	5,159,155	
Cash Funds	0	0	0	0	
Cash Funds Exempt	0	0	0	0	
Federal Funds	13,325,157	18,473,046	18,668,211	19,093,019	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	
Rehabilitation Programs - Local Funds Match	20,676,052	22,388,256	24,571,732	24,885,538	DI #NP-1
FTE	11.1	13.8	27.0	27.0	
General Fund	0	0	0	0	
Cash Funds	48,923	39,938	92,432	93,819	
Cash Funds Exempt	4,375,459	4,734,143	5,158,097	5,225,223	
Federal Funds	16,251,670	17,614,175	19,321,203	19,566,496	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	
Business Enterprise Program for People who are Blind	507,444	1,463,596	1,972,915	944,830	
FTE	3.2	5.3	6.0	6.0	
General Fund	0	0	0	0	
Cash Funds	108,745	136,298	140,128	142,857	
Cash Funds Exempt	0	175,584	279,402	57,678	
Federal Funds	398,699	1,151,714	1,553,385	744,295	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Business Enterprise Program - Program Operated Stands, Repair Costs, and Operator Benefits	489,073	630,175	659,000	659,000	
General Fund	0	0	0	0	
Cash Funds	345,516	412,676	242,990	242,990	
Cash Funds Exempt	1,708	55,528	235,000	235,000	
Federal Funds	141,849	161,971	181,010	181,010	
Medicaid Cash Funds	0		0	0	
Independent Living Centers and State Independent Living Council	869,936	1,630,640	1,717,551	1,740,485	DI #NP-1
FTE	0.0	0.0	0.0	0.0	
General Fund	505,472	1,266,648	1,268,525	1,285,397	
Cash Funds	0	0	0	0	
Cash Funds Exempt	44,902	44,902	44,902	45,508	
Federal Funds	319,562	319,090	404,124	409,580	
Medicaid Cash Funds	*0*		*0*	*0*	
Independent Living Centers - Vocational Rehabilitation Program	326,841	283,333	461,611	467,751	DI #NP-1
FTE	0.0	0.0	0.0	0.0	
General Fund	61,075	62,501	98,323	99,631	
Cash Funds	0	0	0	0	
Cash Funds Exempt	0	0	0	0	
Federal Funds	265,766	220,832	363,288	368,120	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Appointment of Legal Interpreters for the Hearing Impaired (tranfer to EDO)	62,442	0	0	0	
General Fund	62,442	0			
Cash Funds	0	0			
Cash Funds Exempt	0	0			
Federal Funds	0	0			
Medicaid Cash Funds	0	0			
Colorado Commission for the Deaf and Hard of Hearing	341,534	593,922	0	0	
FTE	1.0	2.0	*see EDO*		
General Fund	0	93,692			
Cash Funds	0	0			
Cash Funds Exempt	341,534	500,230			
Federal Funds	0	0			
Medicaid Cash Funds	*0*	*0*			
Colorado Commission for the Deaf and Hard of Hearing Cash Fund - Cash Funds	n/a	222,282	*see DORA*		
Colorado Commission for Individuals who are Blind or Visually Impaired	n/a	n/a	95,152	112,067	
FTE			1.0	1.0	
General Fund			0	0	
Cash Funds			0	0	
Cash Funds Exempt			95,152	112,067	
Federal Funds			0	0	

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Older Blind Grants	482,582	467,339	450,000	450,000	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	44,028	45,000	45,000	45,000	
Federal Funds	438,554	422,339	405,000	405,000	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	

					Request v. Approp.
(B) Sub-total Vocational Rehabilitation	40,677,858	51,100,957	53,640,354	53,511,845	-0.2%
FTE	197.9	215.1	258.7	258.7	0.0
General Fund	4,225,786	6,371,209	6,411,030	6,544,183	2.1%
Cash Funds	503,184	811,194	475,550	479,666	0.9%
Cash Funds Exempt	4,807,631	5,555,387	5,857,553	5,720,476	-2.3%
Federal Funds	31,141,257	38,363,167	40,896,221	40,767,520	-0.3%
Medicaid Cash Funds	*0*	*0*	*0*	*0*	n/a
Net General Fund	*4,225,786*	*6,371,209*	*6,411,030*	*6,544,183*	2.1%

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests

(C) Homelake Domiciliary and State and Veterans Nursing Homes

(1) Homelake Domiciliary
Primary functions: operates a 46-bed assisted living facility for veterans. Cash funds exempt amounts reflect client fees.
Note: This section is eliminated in FY 2007-08 in favor of a single General Fund line item for Homelake state subsidy.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
Personal Services	859,077	897,341	0	0	
FTE	16.2	15.6			
General Fund					
Cash Funds					
Cash Funds Exempt					
Federal Funds					
Medicaid Cash Funds					
Operating Expenses	252,993	271,217	0	0	
General Fund					
Cash Funds					
Cash Funds Exempt					
Federal Funds					
Medicaid Cash Funds					
Utilities	112,423	116,765	0	0	
General Fund					
Cash Funds					
Cash Funds Exempt					
Federal Funds					
Medicaid Cash Funds					

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
(1) Sub-total Homelake Domiciliary	1,224,493	1,285,323	*see section total*		
FTE	16.2	15.6			
General Fund	154,650	176,154			
Cash Funds	0	0			
Cash Funds Exempt	752,750	785,246			
Federal Funds	317,093	323,923			
Medicaid Cash Funds	*0*	*0*			
Net General Fund	*154,650*	*176,154*			

(2) State and Veterans Nursing Homes

Primary Functions: Operation and management of the six state and veterans nursing homes and Homelake Domiciliary. Cash Funds Exempt reflect client fees. Cash funds exempt and federal funds are for information only, as the homes have continuous spending authority.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
Homelake Domiciliary State Subsidy					
General Fund	n/a	n/a	178,888	186,130	
Legislative Oversight Committee on the State and Veterans Nursing Homes					
Cash Funds Exempt	0	0	0	0	
Nursing Home Consulting Services					
General Fund	0	391,253	195,627	195,627	
Nursing Home Indirect Costs Subsidy					
General Fund	n/a	n/a	541,925	541,925	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	FY 2008-09 Change Requests
Program Costs[1]	39,918,810	44,057,081	46,055,211	46,081,635	
FTE	614.6	640.0	673.4	673.4	
General Fund	0	0	0	0	
Cash Funds	131,442	92,280	0	0	
Cash Funds Exempt	30,940,407	34,227,193	36,015,175	36,032,513	
Federal Funds	8,846,961	9,737,608	10,040,036	10,049,122	
Medicaid Cash Funds	0				

(2) Subtotal - State and Veterans Nursing Homes	39,918,810	44,448,334	*see section total*	*see section total*	
FTE	614.6	640.0			
General Fund	0	391,253			
Cash Funds	131,442	92,280			
Cash Funds Exempt	30,940,407	34,227,193			
Federal Funds	8,846,961	9,737,608			
Medicaid Cash Funds	0	0			
Net General Fund	*0*	*391,253*			

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	Actual	Appropriation	Request	Change Requests

					Request v. Approp.
(C) Total - Homelake Domiciliary and State and Veterans Nursing Homes	41,143,303	45,733,657	46,971,651	47,005,317	0.1%
FTE	630.8	655.6	673.4	673.4	0.0
General Fund	154,650	567,407	916,440	923,682	0.8%
Cash Funds	131,442	92,280	0	0	n/a
Cash Funds Exempt	31,693,157	35,012,439	36,015,175	36,032,513	0.0%
Federal Funds	9,164,054	10,061,531	10,040,036	10,049,122	0.1%
Medicaid Cash Funds	*0*	*0*	*0*	*0*	n/a
Net General Fund	*154,650*	*567,407*	*916,440*	*923,682*	0.8%

					Request v. Approp.
(9) TOTAL - SERVICES FOR PEOPLE WITH DISABILITIES	**439,815,718**	**466,404,579**	**510,948,734**	**531,319,935**	**4.0%**
FTE	**1,733.9**	**1,814.9**	**1,875.9**	**1,930.8**	**54.9**
General Fund	**29,966,385**	**44,146,460**	**38,684,850**	**39,378,657**	**1.8%**
Cash Funds	**3,598,184**	**3,788,462**	**3,436,129**	**3,440,409**	**0.1%**
Cash Funds Exempt	**365,945,838**	**363,426,926**	**410,984,532**	**430,775,610**	**4.8%**
Federal Funds	**40,305,311**	**55,042,731**	**57,843,223**	**57,725,259**	**-0.2%**
Medicaid Cash Funds	***296,372,719***	***287,311,476***	***330,074,009***	***348,712,566***	**5.6%**
Net General Fund	***165,268,625***	***182,221,897***	***200,472,293***	***210,485,381***	**5.0%**

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
	Actual	Actual	Appropriation	Request	Change Requests
GRAND TOTAL - EXECUTIVE DIRECTOR'S OFFICE (disability line items), OFFICE OF OPERATIONS, SERVICES FOR PEOPLE WITH DISABILITIES	**476,050,455**	**503,753,801**	**551,448,904**	**573,847,922**	**4.1%**
FTE	**2,162.4**	**2,256.1**	**2,348.4**	**2,414.8**	**66.4**
General Fund	**48,729,233**	**63,988,224**	**58,585,473**	**60,435,818**	**3.2%**
Cash Funds	**4,485,374**	**4,541,782**	**4,256,730**	**4,325,794**	**1.6%**
Cash Funds Exempt	**377,995,082**	**375,617,540**	**425,421,381**	**445,925,158**	**4.8%**
Federal Funds	**44,840,766**	**59,606,255**	**63,185,320**	**63,161,152**	**0.0%**
Medicaid Cash Funds	***301,422,589***	***292,534,260***	***336,076,346***	***354,828,074***	**5.6%**
Net General Fund	*188,179,511*	*204,675,053*	*223,374,085*	*234,600,296*	**5.0%**

DEPARTMENT OF HUMAN SERVICES
FY 2007-08 FOOTNOTE UPDATE

52 Department of Human Services, Office of Operations; Department Totals -- The Department is requested to examine its cost allocation methodology and report its findings to demonstrate that all state-wide and departmental indirect costs are appropriately collected and applied. The Department is requested to submit a report to the Joint Budget Committee on or before November 15, 2007, that should include: (1) Prior year actual indirect costs allocated by division and corresponding earned revenues by type (cash, cash exempt, and federal); (2) the amount of such indirect costs applied within each division and to Department administration line items in the Executive Director's Office, Office of Operations, and Office of Information Technology Services; (3) a comparison between indirect amounts applied and the amounts budgeted in the Long Bill; and (4) a schedule identifying areas in which collections could potentially be increased and a description of the obstacles to such increases where the discrepancy between the potential and actual collections is $50,000 or more.

Comment: *The Governor vetoed this footnote on the grounds that it: (1) violates the separation of powers in that it interferes with the ability of the Executive to administer the appropriation; and (2) constitutes substantive legislation that may not be included in a general appropriations act.0. Nonetheless, the Department was instructed to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services.*

The report was submitted as requested. This footnote is requested because the size and complexity of Department of Human Services indirect cost collections do not enable them to be budgeted in a manner consistent with indirect cost collections in other departments.

The table below summarizes the information provided with respect to amounts collected and applied.

FY 2006-07 INDIRECT COSTS COLLECTED AND APPLIED BY REVENUE SOURCE				
OFFICE per COFRS Function Code	**CASH**	**CASH EXEMPT**	**FEDERAL**	**Grand Total**
INDIRECT COSTS COLLECTED				
Colo Dept of Human Services - Agency Termination Pay	$5,622	$2,288	$177,251	$185,161
Colo Dept of Human Services - Department Wide: Depreciation, State Auditor Charges, HCPF Indirect Cost Billing	7,373	204,070	789,402	1,000,845

FY 2006-07 INDIRECT COSTS COLLECTED AND APPLIED BY REVENUE SOURCE				
OFFICE per COFRS Function Code	**CASH**	**CASH EXEMPT**	**FEDERAL**	**Grand Total**
Executive Director Office-Budget Office	51,909	34,450	660,109	746,468
Executive Director Office-Office of Performance Improvement	178,589	253,973	771,086	1,203,648
Office of Operations	258,737	841,860	2,169,450	3,270,047
Office of Information Technology Services	86,444	1,125,018	3,736,301	4,947,763
Office of Children, Youth, and Families	1,675	24,096	59,667	85,438
Office of Adult, Disability and Rehabilitation Services	239,674	0	109,243	348,917
Office of Behavioral Health & Housing	0	24,033	0	24,033
Office of Self-Sufficiency	176	(22)	652,940	653,094
Amounts booked without Function Codes:*				
Cash revenues	(104,670)	0	0	(104,670)
Central indirect revenues	0	(1,737,024)	0	(1,737,024)
Medicaid revenue transfers	0	856,842	0	856,842
Pay/shift Medicaid revenue	0	21,960	0	21,960
Grand Total	725,529	1,651,544	9,125,449	11,502,522
INDIRECT COSTS APPLIED				
Executive Director Office-Budget Office	382,712	1,018,887	1,211,483	2,613,082
Executive Director Office-Office of Performance Improvement	140,339	37,298	1,620,337	1,797,974
Office of Operations	167,137	386,103	2,516,970	3,070,210
Office of Information Technology Services	35,341	209,256	3,093,138	3,337,735
Office of Adult, Disability and Rehabilitation Services	0	0	346,907	346,907
Office of Self-Sufficiency	0	0	17,914,284	22,668,430
DHS - Agency Termination Pay	0	0	26,703,119	26,703,119
SCO Audit billing	0	0	53,406,238	53,406,238
Grand Total	725,529	1,651,544	106,812,476	113,943,695

*The report indicates that the Department recognizes the future need to ensure all indirect adjustments for central indirect costs are booked at the function level.

The Department also provided the following explanation of areas in which indirect cost collections could be higher but were restricted, based on Department or legislative decisions.

Areas in which Indirect Collections are Lower than Permitted and Explanation				
	SFY 07 Revenues allowed by federal rules	**SFY 07 Revenues collected**	**Difference (under-earned)**	**Department Explanation/Notes**
Low Income Energy Assistance Program	$434,795	$50,000	($384,795)	The Dept internally limits indirect earnings to $50,000 per year. The impact of increasing indirect earnings would be to decrease funding for program expenditures. At this time the department is not recommending a change.
TANF Block Grant	2,231,200	853,566	(1,377,634)	The Department has followed Long Bill letter-note annotations that have capped AGO indirect from this grant. The impact of increasing indirect collections will be to increase funding for administrative expenditures and decrease funding in the Long Term Reserve. This could adversely affect the MOE. The Department does not recommend a change.
Veterans Nursing Homes & Director (except Homelake)	898,467	86,901	(811,566)	The Department has followed Long Bill letter-note annotations that have capped indirect earnings. The impact of increased indirect recoveries would be to decrease funding for program. It might also drive increases in the nursing home per diems, which may threaten nursing home viability. Effective FY 08, $541,925 GF was appropriated to the Nursing Home Division for indirect costs (for transparency); however, as reflected, total indirect billable costs associated with the division are now above this figure.
Homelake	121,119	8,868	(112,251)	As above.
Child Care Development Funds	$382093	249,294	(132,799)	The Department has followed Long Bill letter-note annotations that have capped indirect earnings. The impact of a change would be to increase funding for administrative expenditures and decrease funding for program expenditures. The Department does not recommend a change.
Child Welfare Block --Title XX	2,978,342	0	(2,978,342)	The Long Bill letter-note annotations do not reflect any charges from this grant to indirect expenditures; the entire amount is spent in program areas:,Out of Home Placement, CCAP appropriation, County Admin. And CW staff Developments. The impact of a change would be to increase funding for administrative expenditures and decrease funding for program expenditures. The Department does not recommend a change.
Division of Youth Corrections: Central ID Allocations, excluding Youth Centers	1,769,111	0	(1,769,111)	The Long Bill does not have any annotations for any General Fund revenue from Central Indirect Cost allocations. The Department recommends no changes since DYC is almost 100% General Fund.
DYC Admin RMS Medicaid	$6,000	0	(6,000)	The Long Bill does not have any annotations for Medicaid revenue from the DYC IV-E Admin. RMS allocation. The Department has

Areas in which Indirect Collections are Lower than Permitted and Explanation				
	SFY 07 Revenues allowed by federal rules	**SFY 07 Revenues collected**	**Difference (under-earned)**	**Department Explanation/Notes**
				recommended a change in this area.
Donated Foods	94,286	0	(94,286)	The administrative grants for commodities programs are all less than one million. One has a federal admin cap and the other two are used exclusively by program costs both state and external. The Department does not recommend a change that would reduce funding for programs.
TOTAL	$8,915,413	$1,248,629	($7,666,784)	

Staff recommends that the Committee have the Department address the following issues:

1. What trends has the Department seen in the indirect cost collection area in the last five years?

74 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services; and Division of Vocational Rehabilitation -- The Division of Vocational Rehabilitation is requested to conduct a study to determine how to increase employment outcomes for people with developmental disabilities. The study should include input from the Division for Developmental Disabilities, the supported employment users, their families, and service providers. The Department is requested to submit a report to the Joint Budget Committee by October 1, 2007, setting forth options and recommendations, including implementation strategies, for increasing integrated employment outcomes for people with developmental disabilities.

Comment: *This footnote was vetoed by the Governor on the grounds that it: (1) violates the separation of powers by attempting to administer the appropriation; (2) constitutes substantive legislation that cannot be included in a general appropriations bill; and (3) requires a substantive dedication of resources and constitutes an unfunded mandate. After the override of all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly indicated that the Department was directed not to comply due to the cost and lack of funding for the requested report.*

The Department did not submit the requested report. However, staff has developed the following background information.

Employment activities for individuals with developmental disabilities has fallen in recent years, causing significant concern among advocates for persons with developmental disabilities. The initial drop has often been attributed to the move to the "quasi managed care" model for providing developmental disability services, as additional funding previously available to support employment (as opposed to other kinds of day services such as community participation) was effectively eliminated in this model. *More recently, additional reductions have been seen related to changes in the developmental disability billing structures required by federal CMS beginning in July 2006.*

Percent Consumers with Developmental Disabilities Receiving Employment Services

	FY 99-00	FY 03-04	FY 06-07*
Comprehensive Waiver	37.3%	26.2%	22.9%
Supported Living Services Waiver	33.6%	27.1%	27.8%

*Figures are preliminary and may be further adjusted.

Effective July 1, 2006, as part of developmental disability waiver changes made to address CMS concerns, the State began to require that supported employment services for individuals with developmental disabilities be accessed primarily through the Division of Vocational Rehabilitation. While services may be accessed through the waiver in exceptional circumstances, the usual pattern is expected to be use of DVR initially, while ongoing support is still through CCBs. *This is an appropriate approach from a state budget perspective, as the federal match for DVR is 78.7 percent federal to 21.3 percent non-federal, while the Medicaid match is 50 percent federal to non-federal.*

Nonetheless, this transition has not been consistently smooth. Historically, the level of collaboration between the Division of Vocational Rehabilitation and the Division for Developmental Disabilities has varied by region depending in part on the personalities, interests and commitments of the regional Vocational Rehabilitation and Community Centered Board directors. Such collaboration has been problematic in part due to the varying goals of the two agencies. The goals and performance outcomes of the Division of Vocational Rehabilitation (measurement used by federal authorities) focus on employment outcomes: the number of individuals with disabilities (be it physical disability, mental illness, or cognitive disability), who, with training or support, will enter the workforce and maintain productive employment as result of DVR services and supports. The Division for Developmental Disabilities, in contrast, is first and foremost focused upon the general health, safety, and well-being of the individuals it serves. Although employment is considered desirable, there is no expectation that individuals with developmental disabilities will "graduate" from the services they receive from the Division. The different rules, institutional cultures, and populations served have sometimes made the interface between the two agencies difficult.

Division for Developmental Disabilities staff have reported that the initial data indicate a drop in supported employment for persons with developmental disabilities during FY 2006-07–but also a large increase in the number of people with developmental disabilities "in process" in DVR services. It seems possible that employment numbers will rebound as individuals emerge from this new DVR pipeline. Under the new system, there have been concerns raised by some employment support providers who indicate that the rates paid by DVR are not sufficient to address the level of support required for individuals with developmental disabilities. It is unknown whether this is a significant factor in the lower employment figures for FY 2006-07.

Employment issues were a significant focus of the H.B. 07-1043 Interim Committee on Long Term Services and Supports for Persons with Developmental Disabilities. Of the 9 bills approved as Committee bills, three are concerned primarily with employment issues. Bill 1 (Gardner/Boyd) would facilitate the employment of individuals with severe disabilities by the State by establishing a State set-aside program for non-profits employing individuals with severe disabilities. Bill 2 (Keller/Gardner) creates a state employment program for persons with developmental disabilities within the Department of Human Services to educate, encourage, and facilitate state agency employment of individuals with developmental disabilities. Bill 6 (Williams/Pommer) establishes an outcome-based supported employment system for integrated employment of persons with disabilities, including developmental disabilities. The bill directs the Department of Human Services to develop a system for reimbursing supported employment providers on an outcome-basis.

Staff recommends that the Committee ask the Division of Vocational Rehabilitation, in collaboration with the Division of Developmental Disabilities, to address the following questions during the budget hearing:

1. How has the change back to a fee-for-service reimbursement system for developmental disabilities and enhanced use of DVR employment support affected individuals with developmental disabilities?

2. How have these changes affected the Division for Developmental Disabilities, Community Centered Boards, the Division for Vocational Rehabilitation, and employment service providers from a budgetary and administrative perspective?

3. How does the Department expect the developmental disability interim committee bills, if enacted, would affect employment outcomes for people with developmental disabilities?

4. Are there other initiatives the Department is pursuing or wishes to pursue to support employment among persons with developmental disabilities?

75 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services; and Division of Vocational Rehabilitation, Rehabilitation Programs - Local Funds Match -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, on the impact of the Developmental Disabilities and Vocational Rehabilitation Pilot Project. The report should include the numbers of persons served, employment outcomes achieved, lessons learned, and recommendations for expansion, reduction, or modification of the program.

Comment: *The Governor vetoed this footnote on the grounds that it: (1) violates the separation of powers in that it interferes with the ability of the Executive to administer the appropriation; and (2) constitutes substantive legislation. Nonetheless, the Department was instructed to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter* *from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services.*

The Department submitted the requested report. The intent of the pilot was to measure the effectiveness of vocational rehabilitation counselors being placed int eh Community Centered Board offices so that they can provide direct services to individuals with developmental disabilities and can identify how this affects successful employment outcomes. The project, which was first funded in FY 2006-07, planned to serve 240 customers and provide 134 successful employment outcomes over a two-year period. The project is funded annually through a combination of $100,000 transferred from the Division for Developmental Disabilities, $80,549 from the Division of Vocational Rehabilitation reserve funds (annualized funds), and matching federal vocational rehabilitation funds, for a total budget of $847,646 and 6.0 FTE (based on the original budget request).

Six DVR counselors are housed "on site" in the participating community centered board locations: Developmental Disabilities Resource Center/DDRC (Jefferson County), Denver Options, Mountain Valley (Glenwood Springs), Foothills Gateway (Fort Collins), The Resource Exchange (Colorado Springs) and the combined Colorado Bluesky Enterprises/Starpoint (Pueblo/Canon City/Salida). Four of the counselors started on or close to the initiation of the pilot in July 2006, while two were added roughly six months into year one due to recruitment issues. Only two of the six hired had previous DVR experience and, as a result, staff development and training for the remaining four counselors was lengthier. Further, a seventh position at Horizons (Steamboat) was never staffed due to lack of candidates; the position has therefore been relocated to Imagine (Boulder) and hiring is currently underway (1.5 years into the pilot).

Data on the six currently active sites indicated that 236 clients were served in year one, with 15 successful employment closures and 15 working but not yet closed. Data indicated that the on-site counselors are able to complete eligibility plans and individual plans for employment more quickly than counselors located off-site. Eligibility is 30 percent faster (45 days versus 64) and development of the plans is 20 percent faster (111 days versus 139). Further, successful employment outcomes for individuals in the pilot are achieved, on average, in one-third the time of non-pilot cases. The pilot did not, in year 1, achieve 67 successful outcomes (half of the total successful employment outcomes that were projected for the two-year project). However, this was anticipated given caseload building, new staff training, interagency cross-training, etc.

The report included specific recommendations for year 2 of the pilot. In summary:

- All pilot counselors must be moved so they are in an office within the case management unit of a CCB to promote interactions with case managers.

- Communications between pilot counselors and case mangers regarding the pilot needs to occur on a regularly scheduled basis and various mechanisms should be put in place to ensure case managers and pilot counselors are fully aware of all meetings and activities related to the individuals they mutually serve.

- Various steps must be taken to ensure that key DVR and CCB documents concerning shared clients are appropriately exchanged.

- DVR pilot counselor's caseload need to be limited to ensure ongoing effectiveness, and local DVR offices must identify staff to provide "overflow" services for additional persons.

- Both DVR and CCB staff should receive additional training related to the pilots.

In conclusion, the report indicated that site review teams from DDD and DVR were pleased with year one achievements and believe the project demonstrates the benefits of on-site counselors in the CCBs. **The report did not provide any recommendations with respect to program expansion or termination in FY 2008-09**. Further no associated budget request was submitted. Given that the project was intended to be a pilot, staff recommends that the Department be asked to address the following questions:

1. Is this pilot intended to last only through FY 2007-08 or do you wish to extend it into FY 2008-09/future years?

2. When do you expect to be able to conclude whether this service delivery model should be expanded or terminated?

76 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- It is the intent of the General Assembly that expenditures for these services be recorded only against the Long Bill group total for Program Costs.

Comment The Department indicates it is complying with this footnote and that, particularly given the complex transition issues it is currently facing, it is only managing to the bottom line. Staff expects to work with the Department prior to FY 2008-09 figure setting to improve the quality of the break-out for this line item that is reflected in the Long Bill.

77 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- The Department is requested to periodically survey all individuals on the comprehensive services waiting list to determine when each individual will need comprehensive services. The Department is requested to complete the next survey no later than June, 2007, and to report the results no later than in the submission of the FY 2008-09 budget request to the Joint Budget Committee.

Comment: *This footnote was vetoed by the Governor on the grounds that it: (1) violates the separation of powers by attempting to administer the appropriation; (2) constitutes substantive legislation; and (3) requires a substantial dedication of resources and constitutes an unfunded mandate. Depending on the Department's workload related to the federal Centers for Medicare and*

Medicaid Services plan of correction, it was directed to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly indicated that the Department was directed to complete a survey and provide the report by January 15, 2008, subject to the approval by the JBC of funding needed to complete the survey. The Department submitted a request for emergency "1331" funding in October 2007 in order to complete the survey using contracted resources. The Committee rejected this request on the grounds that it did not meet statutory emergency supplemental criteria.

As discussed with the Committee in October 2007 for the staff presentation on the Department's emergency request, waiting list surveys conducted in the past have substantially reduced the residential waiting list. Most recently, the June 2004 survey resulted in a 29 percent reduction in the comprehensive residential waiting list for developmental disability services. According to the Department, this primarily reflected consumer and family decisions to delay their requested date of placement. Given the scale of corrections yielded by the telephone surveys of wait list consumers, staff believes that it is appropriate to periodically conduct such surveys. In the past, the Department had proposed that such surveys be conducted every three years, which would have resulted in a June 2007 survey; a footnote to this effect was therefore included in the FY 2005-06, 2006-07 and 2007-08 Long Bills. However, as reflected in the Governor's FY 2007-08 Long Bill veto message, the August 16, 2007 letter from OSPB, and the October 2007 emergency supplemental request, a June 2007 survey presented a workload problem for the Department and community centered boards given the many other system-changes now underway. From staff's perspective, conducting a survey is desirable, but not urgent, as there is no imminent likelihood that the waiting list can be fully funded. Thus, learning the accurate size of the waiting list is of more academic than practical application. Staff also notes that, in the past, surveys have focused on the adult comprehensive residential waiting list; however, it may now be appropriate to expand surveys to look at other waiting lists, such as the adult Supported Living Services, Children's Extensive Support, and Family Support Services lists.

Staff therefore recommends that, during the FY 2008-09 budget hearing for the Department, the Committee ask the Department to respond to the following questions:

1. What is the optimal timing for conducting the next waiting list survey? Would June 2009 (five years after the last survey) be appropriate?

2. Would a sample survey of all of the developmental disability waiting lists might be more useful than a population survey of the comprehensive residential waiting list?

3. Would additional funding for a survey be required if it were delayed until June 2009 and, if so, how much would be required? (In the past, survey costs were absorbed by the Department.)

<u>78</u> Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- The Department is requested to provide a report to the Joint Budget Committee, by

November 1, 2007, concerning the distribution of resources among the 20 Community Centered Boards throughout the state. This report should address the current distribution methodology, and should take into consideration all relevant factors, including: The effect of population migration; de-institutionalization; and the extent resources should be allocated based on a community's per capita distribution of the general population. In the process of completing the report, the Department shall work closely with all Community Centered Boards. Additionally, until this report has been submitted to and considered by the Joint Budget Committee, it is the intent of the General Assembly that no resources be redistributed among CCBs through attrition or any other mechanism.

Comment: *The Governor vetoed this footnote on the grounds that it: (1) violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation that cannot be included in an appropriations bill. The veto letter also noted that adhering to this footnote would prevent the Department from allocating resources in response to emergencies. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly indicated that the Department was directed not to comply. The letter indicates that the Department cannot complete a timely and meaningful report due to resource limitations. Additionally, such a report would be based on the current developmental disability system, which is changing as a result of federal requirements. The Governor believes the report would be more useful after the transition of at least the comprehensive waiver in the spring of 2008. [Staff note: this transition has been further delayed to the beginning of FY 2008-09.] Further, the legislative intent that resources not be redistributed cannot be complied with because it conflicts with federal waiver requirements and current practice. [Staff note: for example, consumers may presently move with their resource from one CCB to another.]*

The attached staff issue on waiting lists includes a section explaining the resource distribution issues among the CCBs; these are the issues that prompted the addition of this footnote for FY 2007-08. Staff recommends that, during the FY 2008-09 budget hearing for the Department, the Committee include the following hearing agenda questions:

1. What is the current status of the Department's review of resource-distribution issues?

2. Does the Department intend to proceed with resource-redistribution among the community centered boards, beyond the level that has thus far been typical (to address emergencies, federal OBRA requirements to serve individuals in nursing homes, and to enable resources to follow individuals who move from one CCB to another) and, if so, when; and

3. Does the Department expect to complete a formal report on this topic, given the comments in the OSPB letter of August 16, 2007. If so, when would it be completed?

79 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Program Costs -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, concerning recommendations for a five-year plan that addresses the elimination of all waiting lists for services for individuals with developmental disabilities. In the process of completing the report, the Department should work closely with all Community Centered Boards, as well as all other interested consumers and providers. The plan should address the current waiting list situation, and should take into consideration, among other factors, the total amount of money necessary for its implementation, increases in Colorado's population over the five-year period, the number of persons on the waiting lists who are living with aging care givers, and recommendations for the allocation of new funding for persons on the waiting lists. The report should specifically consider the costs of eliminating waiting lists for individuals with developmental disabilities considered at high risk of out-of-home placement due to their aging care givers or medical or behavioral needs.

Comment: *This Governor vetoed this footnote on the grounds that it (1) violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation that cannot be included in an appropriations bill. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly indicated that the deadline imposed was unmanageable and that the scope and time line must be set by the Department. The Governor therefore directed the Department to develop its plan and provide the requested report to the Committee by January 2, 2008.*

As the revised deadline is not long after the FY 2008-09 budget hearing, staff recommends that, during the hearing, the Committee discuss with the Department the major conclusions of the report that will be submitted on January 2, 2008, if these conclusions are known.

80 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Preventive Dental Hygiene -- The purpose of this appropriation is to assist the Colorado Foundation of Dentistry in providing special dental services for persons with developmental disabilities.

Comment: The Department reports that it implemented the contract with the Colorado Foundation of Dentistry for FY 2007-08.

81 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C) -- The Department is requested to provide to the Joint Budget Committee, by November 1 of each year, information concerning the expenditure of federal funds provided pursuant to Part C of the federal "Individuals with Disabilities Education Act" for the most recent state fiscal year. Such information is requested to include sufficient detail to identify expenditures related to the provision of direct services, by type of service.

Comment: *The Governor vetoed this footnote on the grounds that it: (1) violates the separation of powers in that it interferes with the ability of the Executive to administer the appropriation; and (2) constitutes substantive legislation. Nonetheless, the Department was instructed to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services.*

The Department submitted the requested report. The table blow reflects the Department's FY 2006-07 expenditure of Part C Funds, according to the report.

Expenditure of Part C Funds	**FY 2006-07**
State Program Administration (Staff and Operation Costs)	$555,737
Statewide Systems Coordination	1,113,175
Local Community Development and Implementation	430,721
Service Coordination (for all children)	2,675,858
Direct Services	1,920,337
Total	$6,695,828

The Department also provided additional detail regarding the specific direct services expenditures made. The largest single category as "developmental intervention" for $845,984. Speech-language pathology, occupational, and physical therapy were also significant components of the $1.9 million in direct services costs.

The Department's report further noted that, pursuant to S.B. 07-4 (Coordinated Payment System for Early Intervention Services), it is now subject to a statutory requirement at Section 27-10.5-707 (1), C.R.S. to report to the General Assembly regarding the various funding sources used for early intervention services. The annual requirement begins November 1, 2008, and the report is to be submitted to the JBC as part of the Department's budget request. *In light of this, the Department has proposed that this footnote be discontinued beginning with the FY 2008-09 Long Bill.* Staff believes this is appropriate.

82 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Rehabilitation Programs - Local Funds Match – The Department is requested to provide a report to the Joint Budget Committee, by November 1 of each year, that details deferred cash and cash exempt revenue on its books as of the close of the preceding fiscal year.

Comment: *The Governor vetoed this footnote on the grounds that it: (1) violates the separation of powers in that it interferes with the ability of the Executive to administer the appropriation; and (2) constitutes substantive legislation. Nonetheless, the Department was instructed to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter* *from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services.*

Summary. The Department reported that**, as of the close of FY 2006-07, a total of $2,034,360 in deferred cash and cash exempt revenue remained on its books.** The majority of revenue reflects receipts from the Department of Education on behalf of school districts for the School to Work Alliance Program. The funds represent local match that will be recognized as revenue and can be spent (with a federal match 78.7 percent federal/21.3 percent local funds or better) if spending authority is provided by the General Assembly and federal matching funds are available.

- This compares with a total of $1,685,154 in deferred cash and cash exempt revenue that remained on the Division of Vocational Rehabilitation's books as of the end of FY 2005-06. **Thus, despite a "spend down" plan submitted in November 2007, the Division's deferred revenue balance appears to be growing, rather than declining as planned.**

- **The Department's report indicates that it has not been able to access federal funds anticipated both for these expansion activities and, it appears, for other DVR activities**.

- Staff notes that **the Department's FY 2008-09 request for DVR does not eliminate FY 2007-08 decision items funded with deferred revenue nor does it request other related adjustments**, apart from a provider rate increase; instead, the request currently reflects a continuation of FY 2007-08 deferred revenue spending.

- **Deferred revenue may be used on a one-time basis in lieu of General Fund to support Division activities or, as has thus far been proposed by the Department, for various one-time DVR service expansion and improvement projects**.

Background. To understand the origin of the deferred revenue, it is important to note two facts:

- The Department often only promises to provide local agencies with a 1:1 match, even though the Department receives federal reimbursement at the rate of 78.7 percent on all qualifying expenditures, *i.e.*, the Department receives federal VR match of $3.69 for every $1 of local match it receives. For the School to Work Alliance Program (SWAP), a collaborative project with school districts, for example, DVR provides the local school district with $1 of the federal funds it receives and retains the balance of $2.69 federal funds to spend both on activities that support the local match program and on "core" vocational rehabilitation programs. Thus, the Department may completely fulfill its contractual agreement with a local agency without having expended all of the funds it has received associated with the local match.

- The Department is only able to draw down federal financial participation based on actual expenditures for qualifying services. Even when the Department has fully met its obligations to local contracting agencies, it has not always been able to identify sufficient additional"core" services on which to expend the balance of funds before the end of the year.

Since it is unable to draw down the federal funds in the absence of expenditure, a significant portion of local match revenue has gone into a "deferred revenue" account.

The table below demonstrates the process.

	Potential revenue, based on local contribution of $1 (A)	Amount to be returned to local agency in funds/services (B)	Balance retained by VR for use on related and "core" VR services (C)	Deferred revenue if funds in (C) are not expended (D)
Local agency (CF/CFE)	$1.00	$0.42	$0.58	$0.58
Federal funds	$3.69	$1.58	$2.11	Pending
Total	$4.69	$2.00	$2.69	**$0.58**

FY 2006-07 Long Bill Footnote Report and Figure Setting. Staff became aware of the growth of deferred revenue on DVRs books during the 2006 legislative session. As a result, a footnote was included in the FY 2006-07 Long Bill requesting the Department to report on its deferred revenue balance and to present a plan for spending these moneys. In response, the Department submitted a report in November 2006. The plan for spending down the deferred revenue was expected to last over five fiscal years and, according to the report, was to include the structuring or restructuring of program services that would benefit all DVR clients. The table below outlines the deferred revenue expenditure projection provided by the Department in November 2006.

Department Deferred Revenue Footnote Table and Related Information from FY 2006-07 Long bill Footnote Report and Final Appropriation

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
Footnote Report Table on Deferred Revenue (D.R.)					
Beginning D.R. Balance	$1,685,155	$1,565,155	$974,837	$529,588	$233,760
Estimated Revenue (CF/CFE)	4,694,779	4,835,622	4,980,691	5,130,112	5,284,015
CF/CFE Expenditures	-4,814,779	-5,425,940	-5,425,940	5,425,940	-5,425,940
Projected End D.R. Balance	1,565,155	974,837	529,588	233,760	91,835
Projected change fund balance	(120,000)	(590,318)	(445,249)	(295,828)	(141,925)

FY 2006-07 and FY 2007-08 Appropriations

	FY 2006-07	FY 2007-08	FY 2008-09 (request)*
Moneys received prior years (CFE) based on LB letternotes	$20,000	$310,690	$314,884

*Assumes 1.35 percent increase on the base; detailed department assumptions about FY 2008-09 local funds funding sources are not yet known.

In addition to the Deferred Revenue table included in the report, the Division included narrative descriptions of various proposed projects for use of the deferred revenue, including: community and employer outreach and education, transportation for people with disabilities, expand accessibility, training, and evaluation of assistive technology, establish ability to conduct vocational assessments in-house, migrant and seasonal farm workers program, increase medical vendor fees, and a program for disability navigators and technicians. **The Department's Footnote 72 discussion indicated plans for a total of $550,118 in projects.** The implication was that items not included in the FY 2007-08 request would appear in subsequent years; however, **the footnote report, overall, indicated that the Department had not yet identified uses for $1.1 million of the deferred revenue identified as of June 2006.**

The Department also submitted, and the JBC approved, a one-time FY 2007-08 decision item and a related FY 2006-07 supplemental and budget amendment (approved) to use $20,000 of the deferred revenue starting in FY 2006-07 for the migrant and seasonal farm worker program ($200,000 including federal funds) and an additional $290,690 ($1,180,000 including federal funds) and 9.0 FTE starting in FY 2007-08 for disability navigators and other projects. These requests covered a portion of the projects outlined in the Footnote 72 report.

During FY 2007-08 figure setting, staff estimated that the Committee could also choose to refinance up to $1.0 million in FY 2007-08 of base General Fund in the Division with deferred revenue. Staff noted, however, that these were one-time moneys, that would need to be restored as General Fund in FY 2008-09. The Committee chose not to act on this option. The FY 2007-08 Long Bill therefore reflects a cash funds exempt appropriation to the Division of $310,690 for revenue received in prior years (deferred revenue), consistent with its request.

FY 2007-08 Footnote Report. The Department submitted the requested FY 2007-08 Long Bill report. The report indicates that, **as of June 2007, the deferred revenue on the Division's books has grown to $2,034,360**. The footnote also notes that, due to the influx of General Fund dollars and local funds in recent years, DVR requested additional federal dollars this year available through the federal re-allotment process. These additional funds were designated for the necessary projects included in the spend-down plan anticipated as a result of the program's recent expansion efforts. Unfortunately, *only $667,148 of the requested nearly $4.2 million federal funds was awarded to Colorado*. This resulted in a lack of federal funds needed to complete the spend-down plan as originally intended. This will necessitate re-evaluating the original spend-down plan and Division funding streams to optimize the use of remaining dollars. The Division indicates that, in the meantime, it does not require additional total spending authority and will manage within its current appropriation.

Staff recommends that the following questions be included on the Department's FY 2008-09 hearing agenda:

1. Please clarify the status of your federal receipts for SFY 2006-07, SFY 2007-08, and SFY 2008-09 and provide a spreadsheet demonstrating the associated federal fiscal year amounts received and assumptions about funds available during state fiscal

years. Does the Division expect to be able to draw down sufficient federal funds to spend at the level currently reflected in the FY 2007-08 Long Bill? If not, what program Services will be affected? How might FY 2008-09 spending options be affected?

2. Please provide a spreadsheet updating actual and projected receipts and expenditures of cash and cash exempt funds from FY 2006-07 through FY 2010-11 and resulting deferred revenue balances (i.e., provide a table similar to the one in last year's footnote report). In light of the federal funds shortfall, please discuss how you have revised your spending plan for deferred revenue.

3. In past years, staff has suggested trading out deferred revenue for General Fund on a one-time basis. Particularly given the ongoing growth in deferred revenue and the limited availability of federal funds, should this be considered for FY 2007-08 or FY 2008-09?

83 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Independent Living Centers and State Independent Living Council; and Independent Living Centers - Vocational Rehabilitation Program -- The Department is authorized to transfer General Fund amounts between the Independent Living Centers and State Independent Living Council line item and the Independent Living Centers - Vocational Rehabilitation Program line item. The amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall be expended for qualifying vocational rehabilitation services only, and shall be eligible for federal matching funds at the rate of 21.3 percent General Fund to 78.7 percent federal funds. Any increase or reduction in the amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall result in an associated increase or reduction in matching federal funds. General Fund amounts expended in the Independent Living Centers and State Independent Living Council line item shall be expended for independent living services and are not eligible for federal vocational rehabilitation matching amounts. Any increase or reduction in the General Fund expended in the Independent Living Centers and State Independent Living Council line item shall not affect federal or cash funds exempt amounts appropriated for such line item.

<u>Comment</u>: This footnote was added as part of a new line item first created in FY 2005-06 that enables the states' ten certified independent living centers (ILCs) to reallocate some of the General Fund they receive to become vocational rehabilitation providers and thus to draw down additional federal matching funds. The program is optional for the ILCs. Those that choose to participate offer vocational rehabilitation services such as personal adjustment training, job seeking skills, on-the-job training opportunities, job coaching, and work adjustment training, in addition to the "core" independent living services they already provide (such as assistance in locating housing and disability advocacy) .

The Department previously reported that for fiscal year 2006-07, eight of the ten certified ILCs opted to participate in this new program (all except Durango and Grand Junction). For FY 2006-07 and FY 2007-08, each contract was for $40,000, for a program total of $320,000. Each ILC agreed to have $10,000 of their share of appropriated General Fund matched with $30,000 of federal vocational rehabilitation dollars. Staff recommends that the Committee add the following question to the hearing agenda for additional information on how this program has operated in FY 2007-08 and plans for FY 2008-09.

1. Please provide an update on the Independent Living Centers - Vocational Rehabilitation program. Are any adjustments required for FY 2008-09?

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

ISSUE:

Overview of Developmental Disability Request

SUMMARY:

❑ As is typically the case, the largest component of the request for developmental disability services is for new adult community-based resources and community provider rate increases. The current request includes a larger component for new resources, and a smaller component for community provider rate increases, than was approved last year.

❑ The request also includes a proposal to convert regional center beds from home- and community-based waiver beds and to substantially increase regional center staffing (second year of a multi-year plan). This proposal is reviewed in more detail in a separate issue.

❑ The November request does NOT reflect two important issues related to changes to Medicaid developmental disability waiver programs. First, the Department experienced a significant under-expenditure in FY 2006-07 due the change to a fee-for-service billing system. Some of this impact was expected to be one-time and some ongoing. Staff anticipates significant FY 2007-08 and FY 2008-09 adjustments related to this may be required. In addition, staff anticipates that there will be one-time costs associated with the change to a new long term Medicaid waiver rate structure beginning in FY 2008-09, including a need for hold-harmless funds ($5.3 million presently available through a roll-forward but not needed in FY 2007-08). The need for associated adjustments is also reviewed in a separate issue.

RECOMMENDATION:

The Department should be asked to address the questions listed at the end of this issue during the budget hearing.

DISCUSSION:

Background: State Services for Persons with Developmental Disabilities
The State funds residential and family support services for persons with developmental disabilities who are unable to care for themselves without assistance. Most of these services are locally managed by 20 local non-profit agencies known as community centered boards (CCBs). Some adults also receive direct state-run services at the state's three regional centers at Wheat Ridge (Denver), Pueblo, and Grand Junction.

The vast majority of state services for adults with developmental disabilities are funded through the state Medicaid program (approximately 50 percent General Fund and 50 percent federal funds) and are authorized under three Medicaid 1915(c) "waivers" [additions to the standard state Medicaid Plan, authorized by federal authorities, that deviate from standard Medicaid rules]. This includes the comprehensive residential waiver program and the supported living waiver program (which provides services to adults living independently or with their families). Although funding is reflected as cash funds exempt in the Department of Human Services, these amounts originate as General Fund and federal funds that are initially appropriated in the Department of Health Care Policy and Financing and then transferred to the Department of Human Services.

Services for children include the Medicaid-funded Children's Extensive Support Program (to assist families whose children require essentially 24-hour supervision), the General Fund-supported Family Support Services Program (flexible support for families of children with developmental disabilities), and and the Early Intervention program for children under age 3. This program is supported with a variety of sources including General Fund, federal funds, and custodial funds from insurance companies (recently authorized pursuant to S.B. 07-4). The table below reflects the FY 2007-08 appropriations and associated “resources” (full-year individuals served) for the major programs managed in this section of the budget. Note that these amounts *include* case management costs, which, in the Long Bill, are reflected as a separate service category.

Major Developmental Disability Programs			
	FY 07-08 Total Funds	# Resources Funded June 2007	Avg. Cost per Full Year Resource
Adult Services (mostly Medicaid-supported)			
Adult Comprehensive Residential Services	$257,604,990	3,857	$66,789
Adult Supported Living Services	$61,106,767	3,584	$17,050
Federally-matched Local Costs (for SLS/Comp)	$3,641,910	152	$23,960
Regional Centers (state operated residential)[b]	$62,960,287	403	$156,229
Total - Adult	$385,313,954	7,996	
Children's Services			
Early Intervention (ages 0-2)			
State (mostly General Fund)	$13,403,570	1,729	$7,752
Federal (Part C grant)[c]	$6,906,966	428	n/a
Custodial (insurance contributions)	$2,808,580	500	$5,725
Children's Extensive Support (Medicaid)	$8,184,233	395	$21,219
Family Support Services (General Fund)[d]	$7,269,644	1,176	$6,090
Total - Children	$38,572,993	4,228	

a) Amounts shown include associated case management costs
b) Includes funding appropriated in other sections of the budget for indirect costs, as well as direct appropriations
c) Includes state administration, as well as direct service costs
d) Funding is generally spread, so that actual children and families served with these dollars is over 3,500

Overview of Developmental Disability Services Request

The table below summarizes the Department's community programs request for FY 2008-09. Overall, the request is fairly typical of services requested and funded in recent years. Significant differences from prior years include: (1) the proposed regional center ICF/MR conversion component; and (2) the relative size of adjustments for new community resources and provider cost of living increases (the former is higher than the request in the last two years, while the rate increase is lower).

Developmental Disability Services FY 2008-09 Request			
	FTE	Total	*Net General Fund*
FY 2007-08 Appropriation		410,336,729	*193,144,824*
Changes Requested:			
Decision Item #4 (new DD community resources)	0.0	8,265,672	*3,670,651*
Decision Item #NP1 (community provider COLA)	0.0	4,707,282	*2,501,971*
Annualization of FY 08 new DD community resources	0.0	3,635,533	*1,660,344*
Personal Services common policy (mostly regional centers)	0.0	2,216,541	*1,113,835*
Decision Item #6 (regional center ICF conversion, staff)	40.4	1,981,990	*1,066,328*
Annualization of FY 08 new regional center staff	14.5	477,386	*238,693*
Other annualization (mostly reverse FY 08 leap year funds)	0.0	(818,360)	*(379,128)*
Subtotal changes	54.9	20,466,044	*9,872,694*
FY 2008-09 Request		**430,802,773**	***203,017,518***
Percent Change FY 2007-08 to FY 2008-09		*5.0%*	*5.1%*

Decision Items #4 and #NP1 are discussed below. Decision Item #6 is covered in a separate issue on the regional centers.

Proposed Community Resources Increase (Decision Item #4) The new resources added through Decision Item #4 are detailed below. A resource is the funding required to provide services and supports to one person for one year.

Decision Item #4 - New Resources				
	Resources	Avg. Cost per Resource (full year)	FY 2008-09 Request (6 months)	FY 2009-10 Request (full year)
Adult Comprehensive Residential	**151**	**$106,506**	**$8,006,126**	**$16,082,373**
Foster Care Transition Resources	*45*	*115,003*	*2,576,237*	*5,175,135*
Emergency Resources	*62*	*102,867*	*3,174,962*	*6,377,729*
Waiting List Resources	*44*	*102,943*	*2,254,927*	*4,529,509*
Adult Supported Living	**28**	**$18,148**	**$259,546**	**$519,092**
Total			**$8,265,672**	**$16,601,465**
"Net" General Fund			*3,670,651*	*7,370,371*

As reflected in the table, the overwhelming majority of the request this year--as in all recent years--is associated with **comprehensive residential resources**. *Foster care transition* resources are for children with developmental disabilities who receive services in out-of-home placements through the child welfare system. The child welfare system terminates these services when the individual reaches the age of 21. Consistent with past practice, the Department has requested funding to enable these youth to transfer into the developmental disability system.

The second portion of the request for comprehensive resources is for *emergency placements* (placements required due to homelessness, abuse/neglect, danger to self or others). Some individuals requiring emergency placement have never been previously identified in the developmental disabilities data system and therefore are not on the waiting list. Others are on the wait list but are suddenly faced with a crisis situation. Historically, much of the demand for emergency placement is addressed internally by community centered boards based on annual attrition historically estimated at 115 per year in residential programs; the balance is addressed by new resources.

The third portion of the request is for *"waiting list"* services. Persons on the waiting list are adults who primarily live in the home of parents, siblings, or other relatives and have been waiting for Comprehensive services for an extended period of time. There are currently at least 1,368 individuals on the comprehensive services waiting list.

Supported Living Services resources are requested for youth transitioning from the Children's Extensive Support program. These services are designed to provide supports to adults who either live independently or to provide supplementary support and resources to adults so that they can continue to live with a primary care giver (usually a family member) who provides 24-hour supervision and support. There are currently at least 2,324 persons on the supported living services waiting list. The request targets those who are transitioning from the Children's Extensive Support program and who therefore have been identified as having particularly high levels of need.

No increases were requested for *children's programs*. Notably, the early intervention program is in the process of adjusting to the impacts of Senate Bill 07-4 (Coordinated payment system for early intervention services). Associated with this, the Department expects a higher level of participation from insurance providers for early intervention services. The Children's Extensive Support program has taken significant negative supplemental adjustments in the last three years due to a variety of ramp-up and administrative issues associated with new resources. There are currently at least 4,178 children and their families waiting for family support services, although a large number of these receive some support, as existing resources are spread among many of those on the waiting list.

The table below compares the number of adult resources added in recent years with the request.

	FY 2004-05 Approp.	**FY 2005-06 Approp.**	**FY 2006-07 Approp.***	**FY 2007-08 Approp.**	**FY 2008-09 Request**
Comprehensive	36	62	169	78	151
Foster care trans.	36	48	60	39	45
Emergency	0	14	19	30	62
Wait list	0	0	90	9	44

	FY 2004-05 Approp.	FY 2005-06 Approp.	FY 2006-07 Approp.*	FY 2007-08 Approp.	FY 2008-09 Request
Supported Living	0	22	73	24	28
CES transition	0	22	13	24	28
SLS Wait list	0	0	60	0	0

*Wait list resources were added last quarter of FY 2005-06 but funding was rolled forward to FY 2006-07 due to Medicaid waiver constraints.

As shown, the total number of resources requested reflects a significant increase over the FY 2007-08 request and comes close, for comprehensive services, to the FY 2006-07 increase (when the JBC was able to add additional resources associated with Referendum C funding). In addition, the *cost per resource requested per comprehensive resource* is substantially higher than the FY 2007-08 new resources approved.

Cost per Comprehensive Resource - FY 2008-09 v. FY 2007-08				
	FY 2007-08 Appropriation	FY 2008-09 Request	Difference (Request-Approp.)	Percent Change
Foster Care	$87,683	$115,003	$27,320	31.2%
Emergency	$89,596	$102,867	$13,271	14.8%
Waiting List	$84,875	$102,943	$18,068	21.3%

The request also notes that developmental disability Medicaid waiver programs continue to undergo major changes. The Department's request indicates due to anticipated changes in the rate structure for developmental disability services, associated with federal Medicaid waiver changes, the projected cost per residential resource is an estimate. Actual expenditures will be based on the level of need per client as dictated by the Supports Intensity Scale.

Staff also notes that the Department has simply requested the new funds as "waiting list" resources, rather than specifying that such additional resources will be targeted to individuals in the "high risk" category, including adults over age 40 (whose parents/caregivers are elderly) or who have severe behavioral or medical needs. In recent years, the JBC has specified that any waiting list resources funded are for these categories.

Staff recommends the following questions be added to the hearing agenda.

1. Why are the cost-per-resource amounts for comprehensive services so much higher than past years? What are the implications, if any, for the anticipated cost of the Medicaid comprehensive waiver program under the new long-term rate structure?

2. Is the request for FY 2008-09 waiting list resources to be targeted to the "high risk" population? How have the FY 2007-08 waiting list resources been distributed? Have they been targeted this way? What is the current estimated size of the "high needs" wait list?

3. How does the Department propose to distribute the funds requested among the community centered boards, in light of issues that have been raised regarding resource distribution among the CCBs? In particular, please discuss how the emergency and waiting list resources are proposed to be distributed and how this will be similar to (or different from) the past.

Staff also notes that there have been past problems associated with federal Medicaid waiver caps. Staff therefore also recommends the following additional question.

4. Is the Department taking the necessary steps to ensure that the numbers of resources required and rate increases requested are accommodated under federal Medicaid waiver caps?

Community Provider Rate Increase

While the request for new resources is considerably higher than in recent years, the request for provider increases is lower. Consistent with the request for the entire Department of Human Resources, the request is identified as 1.35 percent increase. This is lower than the levels provided in the last two years (1.5 percent in FY 2007-08 and 3.25 percent in FY 2006-07) and is particularly notable given metro inflation rates, which are presently running at over 3.0 percent per year.[2] Finally, staff would note that the Department does not appear to have built community provider rate increases into its decision item for new resources (Decision Item #4). Staff therefore recommends the addition of the following question.

5. Wouldn't any new resources approved receive services at rates consistent with those approved for the developmental disability waiver programs as a whole? If yes, shouldn't this be incorporated into the request?

Other Items Included–and Excluded–from the Request

Regional Center Funding. As reflected in the summary, the Department's request includes substantial increases for the state-operated regional centers for persons with developmental disabilities, including Decision Item #6 and standard OSPB common policy personal services increases. Decision Item #6 is discussed in a separate issue.

Medicaid Waiver Transition Issues. There are two significant developmental disability budgetary issues which are not addressed in the November submission. Both are associated with the changes to the Medicaid waivers for individuals with developmental disabilities that have been required by federal authorities. For FY 2006-07 and FY 2007-08, the state is operating under an interim rate structure for the comprehensive and supported living Medicaid waiver programs. Beginning in FY 2008-09, long-term rate structures will be adopted for the comprehensive program. These changes

[2] Note that, in addition, the 1.35 percent rate increase appears to have been differentially distributed among the various Program Costs line item components (*i.e.*, it appears from the request that certain Program costs components would receive no increase while others would receive large increases); staff understands that this merely reflected budgetary convenience (as the Department has authority to move funds among the various Program Costs line items).

have already had substantial fiscal impacts and further impacts are anticipated. Fiscal year 2007-08 and FY 2008-09 impacts are expected to include the following, among others:

Underexpenditures. These are associated with the change to a fee-for-service system. For FY 2006-07, late supplementals were taken totaling $25.8 million due to these changes, and additional unexpended Medicaid funds were rolled forward into FY 2007-08. Staff anticipates a continuing pattern of underexpenditures in FY 2007-08 and FY 2008-09, although at a reduced scale. Associated budget adjustments will be required.

*Transitional "hold harmless" funding***.** As of FY 2007-08 figure setting, it was anticipated that the State would move from its current transitional waiver rate structure to a long term rate structure early in FY 2007-08. Associated with this, the Joint Budget Committee agreed to roll-forward $5.3 million General Fund from FY 2006-07 underexpenditures to assist with the FY 2007-08 transition issues. Due to delays in the implementation of waiver changes, these funds will not be needed in FY 2007-08 but are likely to be needed, instead, in FY 2008-09.

Further information on these and related topics are addressed in a separate issue on the Medicaid waiver transition.

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

ISSUE:

Changes to Developmental Disability Home- and Community-based Medicaid Waiver Programs to Comply with Federal Requirements

SUMMARY:

- ❑ For the last two years, the State has been engaged in planning and implementing major changes to its Medicaid Home- and Community-based Services (HCBS) waiver programs in response to federal demands. The State is working to implement a revised Plan of Correction submitted to federal authorities in May 2006. This Plan of Correction describes an interim rate structure (effective August 2006) and a long-term billing and rate structure. The long-term rate structure was originally to be effective July 2007 but has now been delayed to July 1, 2008 for the comprehensive residential program and July 1, 2009 for the adult supported living services program.

- ❑ Thus far, the State has incurred both short- and long-term costs associated with the changes to the waiver program. It also experienced significant *under expenditures* in FY 2006-07 related to the waiver program changes. These under expenditures (adjustments taken through negative supplementals and roll-forwards) were based on one-time Medicaid cash accounting impacts and short-term billing transition issues. They also reflected adjustments to the structure of the program that may result in long-term cost savings, as well as reductions in numbers of persons served. Some ongoing under expenditures are expected in FY 2007-08 and a variety of funding increases and decreases are likely to be required for FY 2007-08 and FY 2008-09 that are not yet reflected in the budget request.

- ❑ Current statute is inconsistent with how these Medicaid waiver programs are now being managed. Statutory changes are needed.

RECOMMENDATION:

The Committee should request an update from the Department of Human Services and the Department of Health Care Policy and Financing on the State's efforts to comply with CMS demands and budgetary and statutory implications. Recommended questions are included at the end of this issue.

DISCUSSION:

General Background

The vast majority of state services for people with developmental disabilities are funded through the Medicaid program under Medicaid waivers pursuant to Section 1915(c) of the Social Security Act.

The waiver programs for persons with developmental disabilities are managed at the local level by 20 community centered boards (CCB) under contract with the Department of Human Services, pursuant to an agreement with the Department of Health Care Policy and Financing (the single state Medicaid agency) and the provisions of Section 27-10.5-101 through 503, C.R.S. and Sections 25.5-6-401 through 411,C.R.S. In addition, 295 of the 403 beds at the state-run regional centers are operated under a waiver program.

The largest of the waiver programs is the ***comprehensive waiver***, which provides residential services and an array of related supports that are funded through the community centered boards and the state-run regional centers. In addition to the comprehensive waiver, the ***supported living services*** waiver provides non-residential services for adults who live with their families or independently with some support, and the ***children's extensive support*** waiver program assists families in supporting children who require a high level of supervision. An estimated 4,140 "full time equivalent" persons will be served through the comprehensive waiver (including state, local match, and regional center programs), 2,995 in the supported living services program (including state and local match programs), and 395 in the Children's Extensive Support waiver program in FY 2007-08.

Total Medicaid waiver program expenditures are anticipated to be **$331 million in FY 2007-08.** Waiver program funding is based on a 50 percent federal/50 percent state or local certified match, so the total federal financial participation in question is approximately **$166** million. Of the total, the comprehensive waiver is by far the largest waiver program from a financial perspective, comprising approximately 80 percent of total waiver program expenditures.

From the late-1990s through FY 2005-06, the developmental disability system was managed pursuant to a ***systems change*** agreement between the Department of Human Services and the Joint Budget Committee. Systems change was pursued as an alternative to full-fledged managed care: the goal was to provide community centered boards with increased flexibility to manage developmental disability funding, programs, and services, resulting in lower service costs. The result was a quasi managed-care system, in which community centered boards received payment based on an average service rate for their region and number of persons served, and they negotiated agreements with individual providers based on the specific needs of the individuals they served. Because federal CMS has indicated that this approach was no longer acceptable, it was abandoned beginning in FY 2006-07, and the overall developmental disability system is currently undergoing substantial restructuring.

Recent History

During FY 2003-04, the federal Centers for Medicare and Medicaid Services (CMS) reviewed the states' three home and community based services (HCBS) Medicaid waivers for persons with developmental disabilities. The final report on the comprehensive (residential) waiver program was issued in April 2004 and a renewal of the waiver was approved September 24, 2004. The renewal was conditioned on various changes, including the removal of certain program costs from the waiver program and their transition to the Medicaid State Plan (on which the Committee took action in January 2005) and steps to increase financial oversight and accountability for the program, including steps to "unbundle" the costs in the comprehensive waiver program.

On November 30, 2005, the Centers for Medicare and Medicaid Services (CMS) notified the State that it required additional information as a follow-up to the Medicaid waiver renewal for developmental disability programs previously approved. Based on an initial exchange of information with CMS, it became clear that the changes the Department of Human Services had implemented to "unbundle" comprehensive waiver costs were not what CMS had anticipated. Specifically, the State had required that community centered boards to break-out expenditures in their annual audits into the nine waiver service categories; however, the State's process for paying for services based on average individual rates had not changed, and the State's information systems could not pull up data on the specific services provided and associated costs by individual consumer.

The Department of Health Care Policy and Financing responded to CMS on January 17, 2006 with data and a commitments that billing for the developmental disability system would be shifted to the Medicaid Management Information System (MMIS). The Department of Human Services (DHS) and community centered boards (CCBs) expressed serious concerns about the change. However, based on a meeting between JBC staff, CMS, and HCPF on January 20, 2006, it was clear to staff that changes were being driven by CMS.

Following briefings from JBC staff, the Departments of Health Care Policy and Financing and Human Services, and the community centered boards on the issue on January 25, 2006, the Joint Budget Committee sent letters to CMS and the Colorado Congressional Delegation, as well as others, requesting assistance and clarification. In response to the Committee's questions, on February 14, 2006, the regional CMS office responded, indicating major concerns with Colorado's HCBS -DD waiver in an array of areas including financial accountability/audit trail and the "quasi-managed-care" structure that enabled CCBs to negotiate rates. Notably, new CMS guidelines released November 2005 require that "[a] state must have uniform rate determination methods or standards that apply to each waiver service." Federal CMS has been requiring changes in other states, such as Ohio and Pennsylvania, where services were managed through local entities such as counties. Further, CMS itself has come under fire for not ensuring financial accountability of state waiver programs.

Whatever the reasons from a CMS perspective, by February 2006, it was clear that, at a minimum, the Colorado would need to revamp its billing for waiver services. The State would need to establish clear guidelines for rates, likely an associated process for determining client levels of need, and a payment system that makes it possible to tie specific costs to an individual.

Since May 2006, the Departments of Human Services and Health Care Policy and Financing, the Community Centered Boards and the Office of State Planning and Budgeting have been meeting with contracted facilitators in a weekly steering committee format to address the CMS concerns. A revised plan of correction was submitted to CMS on May 19, 2006.

May 19, 2006 Plan of Correction and Subsequent Date Changes

The revised plan of correction (PoC) submitted to CMS included a commitment that the Department of Health Care Policy and Financing will provide adequate oversight of the Developmental Disability Waiver program. In addition:

Interim Solution in PoC for FY 2006-07: The PoC stated that by July 31, 2006, the State would establish and implement statewide interim uniform tiered rates based on analysis of existing rates. Providers would be given the option to enroll as Medicaid providers and to bill directly in time for submission of July 2006 claims.

Long-term Solution in PoC for FY 2007-08 forward: The PoC states that: (1) by July 31, 2006, the State will select an intensity for use in identifying a client's reimbursement tier based upon client need; (2) by December 31, 2006, the State will administer the selected intensity tool to a sample of clients for purposes. This will be used for an actuarial study that will establish uniform tiered rates for residential services and day habilitation services; (3) By March 1, 2007, the actuary study will be completed establishing the long term uniform rates by tier for residential and day habilitation services; (4) By June 30, 2007, continued stay reviews will be completed on all clients to include the application of the intensity tool and identification of reimbursement tier; (5) By July 1, 2007, the new rates will be implemented

Recent Adjustments in PoC dates: Staff understands that CMS has now agreed that the long-term rate structure for the comprehensive waiver program will be delayed for one year, and will go into effect July 1, 2008. Further, CMS has agreed that a long term rate structure for the supported living services program will go into effect July 1, 2009. Thus, although the interim billing system was only expected to be used during FY 2006-07, based on communication with CMS, interim rates are now expected to be used through FY 2007-08 for the comprehensive residential program and through FY 2008-09 for the supported living services program.

Implementation of Interim Rates in FY 2006-07

The interim billing structure establishes multiple payment tiers (up to 7) in nine service categories (*e.g.*, day service, residential). Each participant in either the supported living or the comprehensive waiver program must have a prior authorization document (PAR) that outlines the services to which the individual is authorized and the associated rates. Billing using the interim structure is through the Medicaid Management Information System (MMIS) system although there is an interface and batch-billing through the developmental disability Community Contract and Management (CCMS) system. (Providers who wish are now able to bill MMIS directly and need not bill through the CCBs.)

Payment for providers under the interim system is based on bills submitted for specific services of specific duration (*i.e.*, days of residential service, hours or 15 minute increments of other services). Rates under the interim structure were designed to keep total reimbursements for providers as stable and consistent with the prior system as possible. Although the variation among rates has been restricted (because there are now only seven or fewer rates to choose from in any service category), rates provided for services are as close as possible to the rates paid under the state's prior system.

Despite the effort to keep payments as stable as possible during the transitional period, fiscal, administrative, and service impacts have been significant.

Administrative issues: The billing system change has driven substantial workload at the Department as well as for CCBs and providers. In particular, entering detailed "prior authorization" (PAR) data on each client, which makes the client's providers eligible for certain levels and amounts of service reimbursement, has been laborious for CCBs and the State.

Furthermore, due to various technical glitches and data entry errors, there have also been significant payment delays to providers. Both the MMIS system and an updated version on the CCMS system that is to be used for batch billing have experienced an array of technical problems, resulting in payment delays and data gaps as recently as October 2007.

Another area of administrative difficulty during FY 2006-07 was the distribution of funding to “hold harmless” providers facing losses associated with the FY 2006-07 interim billing system. Such losses could occur when providers were placed in a rate category lower than their previous negotiated rate based on the "rounding" inherent in moving to a more limited set of rate choices (*e.g.*, if the provider was previously paid $55 per hour and was moved to $52 per hour because of the limited choices of rates in the new system). In June 2006, the JBC agreed to allow $1.8 million General Fund to be used to “hold harmless” providers who faced financial losses as a result of the change, and a total $2.1 was ultimately available for this, based on funds rolled-forward from the prior year. However, based on various data and technical problems, funding was not distributed until the Spring of 2007 and, at that point, it was determined that only $1.6 million was required. The balance was taken through the June 2007 negative supplemental.

Although the administrative problems raised have been in an array of areas, the cumulative impacts on community centered boards, the Department, and providers have been significant.

Service impacts: The State has sought to avoid any impacts on consumers associated with the interim structure. By all accounts it has been relatively successful at this for clients in active service. However, the changes have effectively resulted in significantly fewer disabled consumers being served in FY 2006-07 than should have been feasible given available State funding. The impact therefore has been to prevent or delay placement of individuals who might otherwise have been served.

The table below compares appropriated resources as of June of each year versus individuals actually served. As is shown in the table, both programs served above appropriated numbers through FY 2004-05. By June of FY 2005-06, this pattern had begun to change. Although the billing system was not fully implemented until FY 2006-07, providers were already on notice that changes were anticipated, and the table therefore begins to show the impact of this by the end of FY 2005-06.

In March 2007, 260 fewer people were served in comprehensive services and 248 fewer in supported living services than the number for whom funding was available. The FY 2006-07 under-service presumably reflects: (1) impact of eliminating over-service (the system by which CCBs were encouraged to serve additional people so that the appropriation was fully used); (2) billing and administrative transition issues that may have delayed individuals entering service; and (3) placement delays that resulted from the Medicaid waiver cap. Colorado failed to apply to federal authorities to lift the comprehensive and SLS federal waiver caps promptly, and, by the time federal approvals were provided in the Winter/Spring of 2007, there was insufficient time to move all waiting individuals into the available placements by June. [The explanation provided for the delay was that state staff had received indications from federal authorities that requests to raise the caps would likely be refused]. **While some of the service reduction may be one time, in light of the waiting lists for this program, staff finds it very disturbing that the state did not provide services to 508 people for whom funding was available in FY 2006-07.**

Adult Comprehensive and Supported Living Services Resources Appropriated versus Individuals Served (as of June each year)**												
	FY 2003-04			FY 2004-05			FY 2005-06*			FY 2006-07		
	Approp	Actual	Dif.	Approp	Actual	Dif.	Approp	Actual	Dif	Approp	Actual	Dif.
Comp.	3,561	3,576	15	3,597	3,607	10	3,659	3,631	(28)	3,828	3,568	(260)
SLS	3,477	3,661	184	3,477	3,663	186	3,499	3,674	175	3,572	3,324	(248)
Total	7,038	7,237	199	7,074	7,270	196	7,158	7,305	147	7,400	6,892	(508)

*Appropriated resources in FY 2005-06 excludes 90 comprehensive and 60 SLS resources added for the last quarter of the year, as these could not be effectively implemented due to timing constraints.

***Individuals served reflects all persons who had a billing transaction during the month. For FY 2006-07, March 2007 actuals were used, as June data is not available. Actual amounts have been reduced for FY 2005-06 and FY 2006-07 to exclude numbers in Federally-matched local funds contracts. In FY 2005-06, this includes 21 comprehensive and 29 SLS resources. In FY 2006-07, it includes 39 comprehensive and 103 SLS resources.

Fiscal impacts: The fiscal impacts of the CMS-required transition have been very substantial for the State: both in driving increases in costs and reductions. The table below outlines General Fund costs and savings, as approved to-date. Note that this table attempts to capture expenditures and under expenditures that would not have been made if it were not for the transition; however, it does not effectively capture individuals *not* served as a result of the transition, *e.g.*, because federal Medicaid funding for new resources was not available and thus only General Fund moneys could be used and fewer individuals served. Note also that funds shown are reflected in the year in which they were appropriated; however, in many cases the funding was authorized to be rolled forward for expenditure in the subsequent year. Finally, note that this table *includes* emergency supplemental action taken in June 2007. These adjustments have not yet been enacted.

Costs and Savings (including reductions to numbers served) Associated with Medicaid Waiver Transition				
	General Fund	**Cash Funds Exempt Medicaid**	**Total**	**"Net" General Fund**
STATE COSTS ASSOCIATED WITH CMS-REQUIRED MEDICAID WAIVER CHANGES				
One-time Costs				
FY 2005-06				
Portion of supplemental funding for new resources to be used to assist with transition	$150,000	$0	$150,000	$150,000
FY 2006-07				
Waiver Transition Costs appropriation (includes June 2007 "1331" supplemental)	850,873	961,176	1,812,049	1,331,462
"Hold harmless" funding provided for transition to interim rate structure	1,838,934	0	1,838,934	1,838,934
General fund backfill for 3.25 COLA for ½ year (associated with delay in raising waiver cap)	1,838,934	0	1,838,934	1,838,934
"Hold harmless" for transition to long-term rate structure	5,261,838	0	5,261,838	5,261,838
Total	$9,940,579	$961,176	$10,901,755	$10,421,168
Ongoing costs *Appropriations began FY 2006-07 & continued in FY 2007-08 and subsequent years*				
Backfill for local funds previously used to match federal Medicaid (local $ not permissible under waiver restructure)	$0	$15,215,890	$15,215,890	$7,607,945
Support for non-Medicaid case-management activities	823,283	0	823,283	823,283
Total	$823,283	$15,215,890	$16,039,173	$8,431,228
Total Costs through FY 2006-07	**$10,763,862**	**$16,177,066**	**$26,940,928**	**$18,852,396**
STATE SAVINGS ASSOCIATED WITH CMS-REQUIRED MEDICAID WAIVER CHANGES				
Savings anticipated to be partially one-time and partially ongoing Includes one-time Medicaid cash accounting and one-time savings for placement delay savings Also includes ongoing reductions to individuals served, due to eliminating "over service" and other changes				
Reductions to FY 2006-07 appropriations				
Add-on to FY 08 LB: Adult costs line item	0	(14,128,082)	(14,128,082)	(7,064,041)

Costs and Savings (including reductions to numbers served) Associated with Medicaid Waiver Transition				
	General Fund	**Cash Funds Exempt Medicaid**	**Total**	**"Net" General Fund**
Add-on to FY 08 LB: Children's line item	0	(1,567,391)	(1,567,391)	(673,978)
June 2007 1331 adjust: Adult line item	(1,309,129)	(8,391,630)	(9,700,759)	(5,504,944)
June 2007 1331 adjust: Child line item	0	(403,517)	(403,517)	(201,759)
Subtotal	(1,309,129)	(24,490,620)	(25,799,749)	(13,554,439)
Roll-forwards related to Medicaid under-expenditure and over-expenditures FY 2006-07				*0*
Adult under-expenditure (roll-forward to '08 authorized for up to 3% of Medicaid approp)*	0	(5,696,305)	(5,696,305)	(2,848,153)
Child over-expenditure (*i.e,* June reduction too great)*	0	330,312	330,312	239,285
Subtotal	0	(5,365,993)	(5,365,993)	(2,608,868)
Total Reductions through FY 2006-07	**(1,309,129)**	**(29,856,613)**	**(31,165,742)**	**(16,163,307)**
*FY 2006-07 approp as of S.B. 07-165***	*33,885,333*	*262,598,386*		
Reductions as % S.B. 07-165 appropriation	*-3.9%*	*-11.4%*		

*Note: The DHS reported a roll-forward of $5,753,055 in the adult line-item (*i.e.*, slightly more than the under expenditure). Staff is still attempting to clarify certain discrepancies in DHS and HCPF figures.
**Reflects appropriation for adult and children's developmental disability community programs as of S.B. 07-165, the regular supplemental; included all additional ongoing costs related to the waiver transition and most one-time costs.

Progress on Long-term Rate Structure

Comprehensive Services. In July 2006, the Department selected a tool called the Supports Intensity Scale (SIS) for use in identifying a client's reimbursement tier. In September 2006, the Department awarded a contract to the Human Services Research Institute (HSRI) and Navigant Consulting to provide consultation to the State concerning the comprehensive and supported living HCBS waiver. The specific work includes: (1) identifying how the waiver should be changed to ensure they align with federal requirements; (2) restructuring waiver payment rates based on individual support needs as identified by the SIS and other salient factors; and (3) assisting state officials to prepare federal waiver applications to incorporate changes and the new rate structure.

The SIS is a validated tool with which a number of other states are working; however, the tool is designed for service planning, rather than rate setting, and therefore considerable additional work is required (including some additional questions) to adjust the tool to the proposed rate-setting function. Extensive training on the SIS (required for validity) began in September with a "training of trainers". Completion of the SIS on the initial sample of 513 individuals in the comprehensive waiver program (required for the rate-study) commenced in September 2006.

From January to June 2007, the State and the contractor originally anticipated that they would be engaged in: (1) completing the SIS instrument on all comprehensive waiver consumers (those in the SLS program would be completed in FY 2007-08); (2) developing the long-term rate structure for the program; and (3) writing new 1915(c) Medicaid waiver applications for federal authorities.

This process, however was delayed. To develop the rate structure, the consultants needed completed SIS evaluations on a substantial sample of consumers. Although the sample was completed on time, it was subsequently determined that there were problems with how some of the SIS instruments were administered and scored. Specifically, a technique known as "maximizing" was not appropriately or consistently used during the development of the initial sample. As a result, further SIS evaluations were frozen and a significant number were redone.

Staff understands that the current situation with respect to the *comprehensive waiver* is as follows:

- The full sample has now been completed and the associated data turned over to Navigant (the rate consultants) for development into the proposed rate tiers for the comprehensive program. In addition, The entire population served has now been evaluated on the SIS.

- A public meeting has been scheduled for December 10, 2007 when the proposed tiers will be made public and the implications discussed. In light of this, staff anticipates that the Departments of Health Care Policy and Financing and Human Services will be able to provide the JBC with an update on the proposed rates during the December 5, 2007 budget hearing.

- The State expects to submit a new Medicaid waiver application to federal authorities by the end of January 2008, so that federal review can be completed and the new long-term rate structure put into operation for the comprehensive waiver program by July 1, 2008.

- Staff presumes that the above means that there will be time prior to FY 2008-09 figure setting for a full analysis of the impact of the proposed rates on consumers. Staff understands that there are likely to be significant dislocations (winners and losers) in the rate restructuring, and the State will need to find appropriate ways to ease the transition.

Supported Living Services. CMS has now agreed to a date of July 1, 2009 for implementation of a long-term rate structure for the supported living services program. Although CMS concerns were initially raised around the comprehensive residential program, the supported living services program has also been substantially affected by the change to an interim rate structure. As for the comprehensive program, "prior authorization" records are required for all supported living consumers, and billing is based on specific services received.

In June 2007, the Department submitted an emergency supplemental that included funding for SIS evaluations for the SLS population. The JBC approved $371,581 of the $847,393 requested, based on the components that met emergency criteria. This emergency funding was primarily to enable the Department to proceed with SIS evaluations for a sample of the supported living population in late 2007, as part of the development of the new rate structure. SIS evaluations for the entire population are expected to take place later in the fiscal year.

Fiscal Impacts Anticipated in FY 2007-08, FY 2008-09, and Future Years

The most significant, long-term impact of the Medicaid waiver changes is that the State's overall control over expenditures for this program has been greatly reduced. Under the new interim and long-term billing structures, this program will need to be managed fiscally more like other Medicaid programs, where budgeted amounts are based on cost projections that may be adjusted over time. In the long-term, the program changes may drive cost-increase for the program, based on increases in costs per person served. In the near term, the transition appears to be resulting in both savings and costs.

As the transitional period is expected to extend into FY 2008-09 for the comprehensive program and FY 2009-10 for the supported living services program, **staff anticipates a large number of budgetary adjustments will be required that are not yet reflected in the appropriation for FY 2007-08 or the Department's request for FY 2008-09.**

Thus far, there are two sources of information on which to base the scale of needed adjustments for FY 2007-08 and FY 2008-09: (1) analysis of FY 2006-07 under expenditure data to determine how much of the FY 2006-07 under expenditure was based on factors that should be ongoing versus one-time; and (2) actual expenditures to-date in FY 2007-08.

FY 2006-07 Under expenditure Data. The Department has indicated that, based on its preliminary analysis, the FY 2006-07 adult under-expenditure included the following components:

Sources of Adult Program Costs Medicaid Under-expenditure in FY 2006-07			
	Component	**Cash Funds Exempt Medicaid**	**"Net" General Fund**
One-time Medicaid cash accounting savings		**$13,786,757**	**$6,893,379**
Other One-time Savings (Estimated)			
60 Supported Living resources not enrolled due to Medicaid resource cap	$508,888		
90 Comp resources, although enrolled, most not fully billed January to June 2007, assume 30% savings	$1,100,000		
Year-end billing problems	$1,400,000		
Total Other One-time Savings (Estimated)		**$3,008,888**	**$1,504,444**
Misc. Savings - One-time and Ongoing (Estimated)			
May include following (amounts not detailed):			
* Services not billed correctly or on time (administrative issues related to the transition)			
* Services only billable if provided/more detailed accounting required (overall, CCBs reported $1.5 million in write-offs; this could be due either to services not billable or services not billed correctly)			
* Changes to supported employment (Vocational Rehabilitation must be accessed first)			
* Loss of former CCB Capacity to retain up to 5% SLS funds billed if performance standards were met (up to $3.1 million potential impact)			
* Loss of ability to do "over-service"			
Total Miscellaneous Savings (Estimated)		**$11,420,372**	**$5,710,186**
Total Adult Program Costs FY 2006-07 Under-expenditure Sources		**$28,216,017**	**$14,108,009**

The Department has not yet provided staff with an analysis of the extent to which FY 2006-07 under-expenditures in the *children's program* line item (Medicaid expenditures for the Children's Extensive Support program) are likely to continue in FY 2007-08 and FY 2008-09. Under-expenditures for this program may have been caused by a process in which costs for the program "ramp up" over multiple years for each new individual served (numbers of persons to be served was greatly expanded in FY 2005-06 and also increased in FY 2006-07). Alternatively, or in addition, FY 2006-07 under expenditures may have reflected an ongoing problem that there is a lag time between when a person leaves the program and a new person is added that is not reflected in the appropriation.

FY 2007-08 Expenditures to-date. The table below reflects the Department's FY 2007-08 budget projections by programs, compared with the Medicaid program estimates developed for staff's FY 2007-08 figure setting documents and the Long Bill.

FY 2007-08 Long Bill Medicaid Assumptions versus November 2007 Department Projection

Developmental Disability Program Costs

	Department Projection November 2007	**Appropriation LB Assumptions**	**Difference**
Adult Comprehensive Services	$215,839,576	$214,821,368	1,018,208
Adult Supported Living Services	39,187,375	42,347,862	(3,160,487)
Children's Extensive Support Services	6,047,042	6,817,370	(770,328)
Case Management (+quality assurance)	16,988,115	17,602,612	(614,497)
Special Purpose	0	202,498	(202,498)
Grand Total	**$278,062,108**	**$281,791,710**	**($3,729,602)**

Notes: The Long Bill amount is controlled at the bottom line of $281.8 million; individual program assumption amounts are not binding. Department projections are based on July and August billing average x 11 months plus claims paid in July 07 for prior year claims + adjustments for new resources

Anticipated Supplementals and Budget Amendments to address under expenditures. Based on data provided, it appears that the FY 2007-08 supplemental and FY 2008-09 budget amendment for the adult program may fall within the range suggested by the FY 2007-08 projection and the FY 2006-07 estimate of "miscellaneous" savings. In addition, the Department was authorized to roll-forward up to 3 percent of its Medicaid appropriation from FY 2006-07 to FY 2007-08. The Department has confirmed a roll-forward. Thus, the total FY 2007-08 *under expenditure might fall within the following range, based on very preliminary estimates*:

FY 2007-08		**Total Medicaid**	**Net General Fund**
Range of Possible Under expenditure	FY 2007-08 Projection, based on 1st quarter	$3,729,602	$1,864,801
	TO		
	FY 2006-07 Miscellaneous Under expenditure elements	11,420,372	5,710,186
PLUS	Additional 1x FY 07 roll-forward funds available	5,753,055	2,876,528

Thus, **the total FY 2007-08 under expenditure might range between $9.5 million and $17.2 million, while the FY 2008-09 adjustment would be more in the $3.7 to $11.4 million range**.

Staff anticipates that there will be supplemental adjustments and budget amendments requested for both the adult and children's line items. **These adjustments could be requested as early as January 1, 2008 or (more likely) may be delayed until February 15, 2008 when supplementals associated with Medicaid program projections are due** and FY 2007-08 expenditure patterns are more clear.

At that point, the General Assembly could either choose to take such reductions out of the developmental disability budget or could use these reductions to increase the number of appropriated resources (persons served) or other needs. To the extent that these savings represent the impact of eliminating "over-service", it seems appropriate to make a compensating adjustment to increase the number of individuals who may be served, as this will in effect restore resources (numbers of individuals in service) that were inadvertently cut as a result of waiver program billing changes.

Anticipated Supplementals and Budget Amendments to address additional costs.
At a minimum, supplementals and budget amendments are anticipated to address:

- Administrative costs associated with administering the SIS for the supported living services program (June 2007 supplemental was requested on an emergency basis, but the non-emergency portion of $475,812 was not addressed).

- Adjustments related to"hold harmless" for the long-term rate structure. $5.3 million General Fund was rolled forward from FY 2006-07 for this purpose. It will not be needed in FY 2007-08 but presumably will be required in FY 2008-09.

In correspondence with the JBC thus far, the Departments of Human Services and Health Care Policy and Financing have also raised the following as areas that may require additional funds:

- Community Centered Boards: Case management and quality assurance rates paid to CCBs will need to be sufficient, and additional funding for CCB functions beyond case management may be required.

- Loss of Medicaid Match to Local Funds: In June 2007, the Departments noted that it had heard that CMS may not allow local funds to match federal funds at all in the future. Although the "Federally-matched Local Program Costs" line item is greatly reduced, any adjustments in this area could have a fiscal impact of approximately $1.8 million General Fund. The General Assembly has already provided $7.6 million General Fund to backfill lost local funds.

Need for Statutory Changes

Section 25.5-6-410, C.R.S. specifies that "Nothing in this subpart 2 (concerning HCBS-DD services) shall prevent the department of health care policy and financing or the department of human services from complying with federal requirements in order for the state of Colorado to qualify for federal funds under Title XIX of the federal "Social Security Act", as amended."] The understanding has been that this "out" may be used on an interim basis, but not on an ongoing basis.

Due to timing issues, the State is attempting to proceed with waiver changes in ways that do not require statutory changes. Nonetheless, there are some potential conflicts:

- Section 27-10.5-104(1), C.R.S., which requires that the department of human services shall provide or purchase, pursuant to subsection (4), authorized services and supports *through* the community centered boards for persons who have bene determined eligible for such services. Section 27-10.5-104(4), C.R.S., only authorizes the Executive Director of the Department of Human Services to bypass CCBs and purchase service and supports directly from service agencies under limited conditions. Based on CMS requirements, providers are now allowed to bill directly and not just through the CCBs.

- Statute at 27-10.5-104(7), C.R.S., which lays out how funding for developmental disability services are to be calculating, including requiring a five percent local match. It is staff's belief that, in toto, statewide local financial participation will continue to exceed this 5 percent requirement because of the existence of mill levies. However, given the changes in the system, it is not clear how the five percent match is appropriately operationalized.

The Department took no action on this issue last year. Staff believes that it is no longer appropriate to operate using solely the "out" provided by Section 25.5-6-410, C.R.S. **Staff therefore recommends that the Joint Budget Committee sponsor legislation that, at a minimum, addresses these two issues.**

Staff would also note that the Department commissioned a study from the University of Southern Maine regarding "conflict of interest" issues in the CCB system (*i.e.*, that CCBs serve both as providers and as case managers). Depending upon the results of this study and associated negotiations with HCPF and CMS, it seems possible that the overall CCB structure could face substantial additional changes. This could require further statutory changes. While the Departments may not yet have sufficient information to discuss related issues, staff does recommend that the Department be asked to discuss the results of the study as part of the hearing agenda.

Recommended Questions for Department Hearing

The Committee should request updates from the Department of Human Services and the Department of Health Care Policy and Financing on the State's efforts to comply with CMS demands.

Staff recommends the following questions be added to the hearing agenda:

1. Provide a an updated copy of the work plan for changes to the Medicaid waiver program.

2. Discuss the anticipated changes in the rates paid for individual comprehensive waiver consumers who are currently in the program, if the preliminary rate structure abased on the SIS is adopted. How many individuals would receive increases or decreases, and of what scale, in light of SIS evaluation data collected thus far?

3. How do the Departments propose to minimize the impacts on individual's services and limit dislocations in FY 2008-09? Discuss your plans with respect to "hold harmless" amounts rolled forward from FY 2006-07 to FY 2007-08.

4. Please discuss the Medicaid under-expenditures for both the Adult and Children's Program Costs line items in FY 2006-07, current FY 2007-08 Medicaid budget projections, and the implications for the FY 2008-09 budget. Provide any additional information or analysis now available.

5. Do you wish the Joint Budget Committee to sponsor legislation to ensure statute complies with Medicaid waiver program changes? If so, what is the scope of the changes desired by the Department? If not, are you pursuing legislation through other legislators?

6. Please discuss the conclusions of the University of Southern Maine study of conflict of interest issues in management of developmental disability services. How should conflict of interest issues be addressed in the system? What are the implications of this for management and oversight of HCBS services? ICF/MR services? Are statutory changes required?

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

ISSUE:

Human Services Decision Item #6: Regional Center Conversion to ICF/MR and Staffing

SUMMARY:

- ❑ The state-operated regional centers operate 403 beds for individuals with developmental disabilities who have a history of sex offense, severe behavioral/psychological issues, or severe medical problems. Currently, 295 of these beds are licensed as Home- and Community-Based Medicaid waiver (HCBS-DD) beds, and 108 beds are licensed as Intermediate Care Facility for the Mentally Retarded (ICF/MR) beds.

- ❑ For FY 2008-09, the Department of Human Services Decision Item #6 is for an increase of \$1,981,990 (\$1,066,328 net General Fund) and 40.4 FTE at the regional centers, with costs annualizing to \$4,047,789 (\$1,943,894) and 72.7 FTE in FY 2009-10.

- ❑ The proposal is based on: (1) a plan to convert all current HCBS-DD waiver-licensed beds at the regional centers to institutional ICF/MR beds, starting with all beds at Wheat Ridge Regional Center; in conjunction with (2) the second year of a five year staffing proposal that would increase direct care staff at the regional centers.

- ❑ The Department has had great difficulty ensuring that regional center residents have access to certain services, such as physician services, that must be paid for by the Medicaid State Plan; thus, the proposal addresses a real problem. However, it also raises very serious concerns. These include: (1) establishing a precedent for expansion of ICF/MR, rather than HCBS-DD waiver, services. This is likely to extend to services not provided by the State, in light of a number of outstanding proposals to open ICF/MR beds in the community; and (2) authorizing state-operated services based on a potentially excessive rate structure.

RECOMMENDATION:

This request should only be approved if the Department can provide data that adequately addresses the questions and concerns raised below.

DISCUSSION:

Background: the Regional Centers

Regional Center Beds				
	ICF/MR	Skilled Nursing	HCBS waiver	Total Beds
Wheat Ridge	30	0	131	161
Grand Junction	46	32	76	154
Pueblo	0	0	88	88
TOTAL	76	32	295	403

In Colorado, the state provides direct services for people with developmental disabilities in facilities known as regional centers. The state has three regional centers, which are located in Grand Junction, Wheat Ridge and Pueblo. The Regional Centers have two methods of providing services: (1) two of the three regional centers operate "institutions", also known as Intermediate Care Facilities for the Mentally Retarded (ICF/MRs), that provide residential and support services in large congregate settings; and (2) all three regional centers operate group homes that provide services to 4-6 people per home in a community setting (these services are sometimes referred to as "state-operated group homes"). Many persons served by regional centers have multiple handicapping conditions, such as maladaptive behaviors or severe, chronic medical conditions that require specialized and intensive levels of services. The regional centers work closely with the Community Centered Board (CCB) system, which coordinates community-operated services for persons with developmental disabilities. Traditionally, the regional centers have served persons with developmental disabilities where appropriate community programs are not available. They provide residential services, medical care, and active treatment programs based on individual assessments and habilitation plans.

Since April 2003, the regional centers have used the following admissions criteria: (1) individuals who have extremely high needs requiring very specialized professional medical support services; (2) individuals who have extremely high needs due to challenging behaviors; and (3) individuals who pose significant community safety risks to others and require a secure setting. The table below shows the number of beds allocated for each category at each of the regional centers.

Regional Center Beds by Client Category				
	Grand Junction	Pueblo	Wheat Ridge	Total Beds
History of Sex Offense	16	0	25	41
Severe Behavioral/Psychiatric	64	74	67	205
Severe Medical	74	14	69	157
TOTAL	154	88	161	403

Because the regional centers are operating at capacity, a community centered board with a consumer who it believes is more appropriate for a regional center placement must remove a client from the regional center in order to move a new client into placement. As of June 2007, there were 58 persons waiting for regional center placement. During FY 2006-07, 35 adults moved from the regional centers to community placements and were generally replaced with harder-to-serve clients.

A total of $44.9 million is appropriated in the regional center section of the budget for FY 2007-08; however, the Department's cost plan for the regional centers, which includes direct and indirect costs and is used as the basis for setting total associated Medicaid payments, reflects total costs of $58.4 million in FY 2006-07 and projected costs per resident of $156,229 in FY 2007-08.

DHS Decision Item #6: Conversion to ICF/MR

The Department indicates that 295 of the regional centers' 403 beds are certified under the HCBS waiver program. The request would allow 20 of the regional centers 40 waiver group homes to convert to ICF/MR certification during FY 2008-09. This represents all of the waiver group homes at Wheat Ridge Regional Center. The Department would plan to convert Grand Junction and Pueblo the following year.

Origin of HCBS-DD beds at the regional centers. In 1993 federal HCFA (now CMS) found that the number of individuals who could be served in the HCBS waiver was higher than the number of appropriated resources. It informed the State that Colorado could be held liable for serving up to the federally-approved figure. At the time, the regional centers had been receiving considerable legal and financial scrutiny. Further, the State wished to de-institutionalize. As the HCBS waiver allowed for bundled services, the State "filled up" its excess federally-approved waiver slots by converting ICF/MR beds at the regional centers to HCBS-DD waiver beds.

The request notes that:

- As part of federally-required changes demanded in FY 2003-04, the state was required to remove certain services from the waiver and put these in the Medicaid State Plan. As a result, the regional centers may no longer provide medical, psychiatric, and therapy services to the waiver population. Instead, these services must be accessed through Medicaid State Plan providers. The lack of providers available or willing to operate under the State Plan means that regional center individuals either do not receive the services or the regional centers continue to violate Medicaid regulations.

- As part of further federally-required changes, a new fee-for-service structure will go into effect in FY 2008-09 for all the HCBS providers, including the regional centers. The new rates are expected to be inadequate for individuals with severe, extensive treatment needs who reside at the regional centers. (Staff note: the evidence appears to be less clear on this point, as the new HCBS rate structure has not yet been finalized).

- Additional FY 2008-09 changes will require the regional centers to access home health services under the state plan for certain kinds of services (acute, as opposed to long-term-care services). By July 1, 2008, the regional centers will also be required to access CCB case management, utilization review and quality assurance, as CMS will not allow the state to oversee these functions for state units.

Components of the FY 2008-09 request are outlined below. Note that not all of the costs fall within the Department of Human Services or this budget section.

Decision Item #6: Regional Center Staffing Increase/ICF Conversion - All Impacts						
	FY 2008-09 (6.7 months)			FY 2009-10 (Full year)		
	FTE	Total	Net GF	FTE	Total	Net GF
Human Services						
Regional Center Staff & Operating	40.5	$1,419,816	$665,242	72.8	$2,949,601	$1,394,800
ICF Additional Expense based on State Plan Chg	0.0	224,989	112,495	0.0	402,964	201,482
"Pots" (benefits, etc.)	0.0	279,904	139,952	0.0	501,311	250,656
Group Home Sprinklers	0.0	240,000	240,000	0.0	0	0
Reduce DDD Surveys	(0.1)	(3,517)	(1,759)	(0.1)	(6,781)	(3,391)
Provider fee-RC personal services	0.0	100,702	50,351	0.0	200,694	100,347
Subtotal	40.4	$2,261,894	$1,206,281	72.7	$4,047,789	$1,943,894
HCPF/CDPHE						
Survey Changes	0.0	$90,400	$10,098	0.0	$90,400	$10,098
DHS Revenue Impacts						
Provider fee	0.0	$0	($50,351)	0.0	$0	($100,347)
Total	40.4	2,352,294	1,166,028	72.7	4,138,189	1,853,645
*Average Cost/FTE**					*47,468*	*22,634*

*Calculation includes only RC personal services and benefits

The request indicates that the direct care staffing components of the request are based on the Department's staffing study (first provided with the FY 2007-08 budget request), and thus the request does not anticipate any changes to what it considers to be "minimum" direct care staffing required based on the conversion from HCBS to ICF/MR beds. The regulatory standard for ICF/MR is for one direct care staff to 3.2 clients *at all times*, which translates to an approximately 1:1 ratio overall on a 24-hour basis (*i.e.*, 3.0 staff to 3.2 clients per 24 hours); this is approximately half the level that the Department had already identified as the "minimum" staffing levels required by the regional centers.

Wheatridge Regional Center - Direct Care Staff	
"Minimum" per staffing model	99.5
Less staff added in FY 08 Long Bill	(12.5)
Net staff required	87.0
Number in this request	64.4
Balance to request in future	22.6

However, in addition to the direct care component, the request includes other components, which are costs specific to the proposed ICF/MR conversion. These include:

- Regional center therapy positions - 7.5 FTE, annualized cost of $469,350
- Regional center physicians - 1.85 FTE, annualized cost of $284,183 (offset by eliminating the current GF-funded 1.0 physician FTE costing $160,000 General Fund)
- Operating expenses currently covered by the State Plan (*e.g.* medical supplies) - $402,964 full year costs
- Group home sprinklers - one-time cost of $240,000 General Fund
- Provider fee payment - All ICF/MR facilities pay a provider fee of five percent of expenses to the State. The impact is to increase both revenues and expenditures to the regional centers by $200,694 when annualized, and provide a net General Fund savings to the State in the Department of Health Care Policy and Financing of $100,347.
- Increases to CDPHE and HCPF associated with surveying the new ICFs, offset by reductions associated with surveying these same homes as HCBS waiver homes for a net increase of $90,400 (surveys funded at 75 percent federal funds/ 25 percent General Fund.

Note that staff would have expected many of these costs to be offset by associated reductions to the Department of Health Care Policy and Financing for Medicaid Premiums, as therapy services, physician services, and various operating costs were transferred to the State Plan starting in FY 2004-05. The request indicates that an associated HCPF budget amendment will be submitted; however, it is not clear to staff that this is in-process.

Staffing Study: Initially submitted with FY 2007-08 Budget Request

The Department initiated a staffing study during FY 2005-06, based on evidence that the regional centers were serving a more severe clientele, largely due to new admissions criteria that were implemented in April 2003 and were established to meet the high demand for regional center services. Between July 1, 2000 and June 30, 2006, 111 easier to serve individuals were discharged from the regional centers and replaced with individuals with very high needs, based on acuity measures. These individuals required enhanced staffing for monitoring of safety and provision of necessary treatment. The Department had received adverse findings from the Colorado Department of Public Health and Environment that supported the need for additional regional center staff.

The Department's staffing study reviewed regulatory requirements and Colorado Department of Public Health and Environment staffing citations. The authors then developed staffing models for direct care staff who account for 73 percent of total regional center staff, as this was the area facing the most significant shortfalls. The study considered: (1) the staff necessary to meet "minimum standards outlined in regulations"; (2) the staff necessary to "appropriately meet the needs of the clients"; and (3) the staffing levels maintained in states with operations similar to Colorado and known to provide high quality services.

The regional centers operate under three types of facility license: ICF/MR, skilled nursing, and Home- and Community-based Services for the Developmentally Disabled (HCBS-DD). The study noted that the HCBS-DD regulations that cover most of the regional center beds do not provide specific guidelines on staffing, while CMS regulations do include specific staffing requirements for ICFs/MR. Among other requirements, the ICF/MR requirements include a minimum staffing ratio of 1 staff to 3.2 clients present and on-duty 24 hours a day, 365 days a year, excluding professional staff. The HCBS-DD regulations require, more generally, sufficient training and personnel to provide required treatment and safeguard the welfare of residents.

The report described five Colorado Department of Public Heath and Environment citations received in 2005 and 2006 that indicate staffing problems at all three regional centers. Among others, these include an ICF/MR study of Kipling Village at Wheat Ridge regional center in April 2006 that cited an inability to provide active treatment due to lack of staff. This deficiency involved a condition of participation in the ICF program with shortened time lines for correction of 45-60 days. The resulting plan of correction required the need for an additional 13 FTE that had to be pulled from elsewhere in the agency. In general, the regional centers have addressed deficiencies identified in certain homes or facilities by moving staff around; however, this can result in short-staffing homes not identified with specific deficiencies.

The study of "minimum" and "appropriate" levels involved grouping clients by needs and evaluating groups' needs during time segments of day program, afternoon, weekend active treatment, and nights, as well as time required for community outings. The Department also employed an outside consultant to conduct focus group discussions to identify treatment variables that impact staffing. Further, using actual data from the last five years, it re-evaluated historic assumptions about FTE required to fully cover a position once training, annual, and sick leave are accounted for. The Department provided the spreadsheet calculations for FTE coverage for each regional center residence that result from these various factors.

The resulting calculations indicated an overall direct care staff to client ratio for the "minimum" treatment model of 2.3 FTE per client and, under the "appropriate" treatment model of 3.3 FTE per client. The Department also provided comparisons with other states identified by industry consultants as reasonable comparisons for Colorado.

State	**Direct Care Staff to Residents**
Colorado - current	1.61
Colorado - "minimum"	2.31

State	Direct Care Staff to Residents
Colorado - “appropriate”	3.32
New York	3.61
Oregon	3.05
Wyoming	2.21
Utah	2.04
North Dakota	2.02
Kansas	1.66
South Dakota	1.30

The study concluded that funding at the “appropriate” level suggested would be very difficult and thus the minimum model was presented as an alternative that should be viewed as “the least the State should accept and continue operating at the current bed capacity.” **Last year, staff noted that, If, as the study suggests, the General Assembly were to increase staffing to the levels the Department considers necessary to meet “minimum standards outlined in regulations”, this would be a direct care staffing increase of 42.9 percent and would drive an increase of $5.2 million net General Fund or about an 18 percent increase in the overall regional center budget**.

Direct Care Staffing Study: Current FTE versus “Minimum Required” and “Appropriate”

	Current Direct Care FTE	"Minimum FTE"	Increase over Current	"Appropriate" FTE	Increase over Current
Wheat Ridge	279.6	379.1	99.5	541.8	262.2
Grand Junction	255.8	357.5	101.7	513.0	257.2
Pueblo	115.4	193.4	78.0	282.3	166.9
TOTAL	650.8	930.0	279.2	1,337.1	686.3
Percent increase			42.9%		105.5%

Estimated Additional Costs: "Minimum" and "Appropriate" Staffing Levels			
	Cost per FTE	**"Minimum" Staffing Additional FTE, Costs**	**"Appropriate" Staffing Additional FTE, Costs**
FTE	1.0	279.2	686.3
Total Cost	$37,253	$10,400,758	$25,073,284
Net General Fund	$18,627	$5,200,379	$12,536,642
Percentage increase in Regional Center Net General Fund budget*		18.3%	44.1%

*direct and indirect costs

Impact of Federal Centers for Medicare and Medicaid Service on the Regional Centers

Initial Federal Requirement to Remove State Plan Services: Until FY 2004-05, the regional centers were able to pay for physician and mental health services through the Medicaid comprehensive HCBS-DD waiver. However, as part of the condition for renewal of the HCBS-DD waiver in September 2004, the State was required to remove services from the HCBS-DD waiver that were part of the Medicaid State Plan.

Effective October 1, 2004, funds were removed from both the waiver programs and the regional centers. For the regional centers, the total impact, once annualized for FY 2005-06, was a reduction of $964,169 and 3.5 FTE. For the regional centers, the funding and services removed included: all medical supplies, durable medical equipment (DME), physical, occupational, and speech therapy services, and physician and mental health services. The JBC staff analysis at the time noted that the adjustments to the regional center budgets did NOT reflect all moneys spent on physicians and psychiatrists at the regional centers. For physician services, the regional centers believed that many of their physician and pharmacist costs could appropriately be considered administrative (*e.g.*, coordination, chart review) and could therefore continue to be covered under the waiver. For mental health services, the regional centers believed many of their services could be considered "behavioral" rather than psychiatric, and that these services could therefore continue to be included in the waiver.

General Fund Physicians: Despite the fact that not all physician service dollars were removed, by FY 2005-06, the Department was raising significant concerns about physician services at the regional centers. Despite significant effort on the part of current doctors, as well as other staff, the regional centers were unable to find outside physicians that were willing to accept new Medicaid clients. As a result, at both Grand Junction and Wheat Ridge Regional Centers, the physicians employed as medical directors contracted and billed as direct service providers on top of their regular administrative duties. From Fall 2004 through most of FY 2005-06, both physicians were on call 24 hours per day with few days off. Both indicated before the end of FY 2005-06 that this situation was untenable. As a result, for the last quarter of FY 2005-06, the Department paid for General Fund physician services out of the developmental disability services administration line item. In June 2006, it received a 100 percent General Fund emergency supplemental of $237,870 for FY 2006-07 to cover physician services (1.5 contract FTE) at the regional centers; for FY 2007-08 this was converted to FTE, at the Department's request.

In response to the Department's request for General Fund physician services, staff recommended the Department's request but emphasized that this should be a temporary solution to the physician problem. Among the alternatives staff noted should probably be explored were transferring some regional center beds back to skilled nursing or even institutional "ICF/MR", increases in Medicaid State Plan physician rates statewide, or perhaps creation of a special category of physician rates for hard-to-serve clients such as many of those at the regional centers. Previously, the Department of Human Services indicated that it had not been able to identify any satisfactory solutions to the problem; however, as reflected in the current request, the Department now proposes to change all regional center beds to ICFs/MR.

Additional Changes Effective July 2008: The decision item identifies various additional changes to the waiver program that are expected to affect the regional centers starting July 1, 2008. Among the changes highlighted in the request are:

A requirement that other services previously included in regional center Medicaid funding will be pulled out of the HCBS-DD waiver. The Department's request highlights the proposed removal of case management services. The request indicates that the community centered boards will become responsible for case management and quality assurance for regional center clients who remain in HCBS-DD beds. (Even if the current request is approved, clients at the Pueblo and Grand Junction regional centers would presumably be affected by this requirement through at least FY 2008-09). Although the change is identified as a means for eliminating a current conflict of interest (the Division providing case management oversight for its own regional center clients), staff believes the plan establishes a new set of potential conflicts of interest (the Division overseeing CCBs, which in turn oversee regional center quality). In addition, the request notes that other services, such as some nursing services, would also be removed from the waiver.

Fiscal Impacts. As discussed elsewhere in this briefing packet, starting in FY 2008-09, the rate structure for the Medicaid waiver program will migrate to a statewide system based on individual's results on the Supports Intensity Scale. The Department previously indicated (and this is repeated in the decision item) that there is a possibility that the rates established will not fully cover regional center costs. Given that a draft of the new rate structure is to be publicly discussed in less than two weeks and SIS evaluations have been completed for all regional center clients, staff presumes that the facts on this point will soon be evident. Preliminary conversations with Department staff suggest that the State will likely set aside one rate tier to be used for any clients with needs substantially outside the norm, which may include many or most regional center clients. Setting HCBS rate levels aside, staff assumes the removal of case management funding and any other components removed (such as certain nursing services) would also have fiscal impact on the regional centers that has not yet been detailed.

Proposals to Create New ICF/MR Beds in the Community

For staff, the most troubling aspect of the Department's proposal for conversion of beds at the regional centers to ICF/MR is that this could promote the development of additional ICFs/MR

in the community. At a minimum, it could limit the tools the State might have available to limit additional ICF/MR growth in the community.

Intermediate Care Facilities for the Mentally Retarded. ICFs/MR are institutional services that are part of Colorado's Medicaid state plan. Including ICF/MR services in the Medicaid State Plan enables the State to access Medicaid HCBS-DD waiver services.

Differences between ICF/MR and HCBS-DD waiver services:

- ICFs/MR are an entitlement component of the Medicaid State Plan. If a facility is built, licensed, and meets state regulatory requirements, the State must pay for the beds.

- Payments for ICFs/MR are cost-based, rather than reflecting fixed rates established by the State (the HCBS-DD model).

- ICFs/MR are not overseen by community centered boards or another case-management entity, and there is presently no process that could be used to determine the relative severity of one ICF/MR consumer versus another or to ensure that ICF/MR beds are used only for the highest-needs clients. In order to qualify for HCBS-DD waiver services, individuals must, by definition, qualify for ICF/MR services.

- ICFs/MR must comply with different regulatory guidelines than HCBS-DD placements. On the whole, the ICF/MR regulations are focused on the provision of "active treatment", while the HCBS-DD regulations are focused on community integration. One component of this is that ICFs/MR must provide 24-access to physician services, as well as active therapy services, while the HCBS-DD regulations require that such services be accessed from community providers.

In general, ICF/MR services are seen as an old way of providing services–the institutional model--and not optimal for persons with developmental disabilities. The U.S. Supreme Court, in its 1999 **Olmstead v. L.C.** ruling emphasized the need for states to focus on deinstitutionalization: states cannot discriminate against people with disabilities by providing long-term care services only in institutions (such as ICFs/MR), when certain individuals could be served in the community.

Nationally, the trend is FROM ICF/MR to HCBS-DD services[3]. Nationally, spending for institutional services (institutions serving 16 or more) has declined each year since 1991 (slight exception in 2001). Federal Medicaid spending for these kinds of placements declined from $7.2 billion in 1994 to $6.7 billion in 2004, while HCBS waiver spending increased from $2.2 billion to $9.2 billion during the same period. A number of states, such as Hawaii and Maine, have entirely closed their state-run institutional facilities. Historically, Colorado has been a national leader for its high use of small-scale community-based placements and low use of institutional services. In

[3]Braddock et. al., *The State of the States in Developmental Disabilities 2005* (Dept. Of Psychiatry and Coleman Institute, University of Colorado, 2005)

2004, Colorado ranked 9th nationally based on its heavy reliance on small-scale settings (1-6 persons), with 87 percent in such small settings, , 8 percent in settings of 7-15, and only 5 percent of its placements were in larger institutions of 16+ persons. The current proposal to convert beds from community to institutional placements runs directly contrary to this national direction.

ICFs/MR in Colorado. At present, the only ICFs/MR in Colorado are the campus-based regional center beds at Wheat Ridge and Grand Junction (Class IV facilities) and a 16 bed private facility (comprised of multiple smaller homes) that is a less-intensive Class II facility.

From 2000 through 2006, the State was engaged in defending itself against a lawsuit (Mandy R. v. Owens) that alleged that the state's waiting lists for developmental disability services were illegal. The case was resolved in the State's favor in part because the federal District court judge and later the 10th Circuit Court of Appeals concurred with the State's positions that: (1) it was only legally required to *fund* Medicaid services and not to provide or build them; and (2) the State had never refused to fund entitlement ICFs/MR beds; rather, no provider had chosen to build additional ICF facilities or to bill the state for associated services.

The resolution of Mandy R. in the State's favor means that growth in the number of persons served by the HCBS Medicaid waiver program remains in the State's control. However, the resolution has raised the specter of growth of new ICFs/MR.

The Department of Public Health and Environment has now received five letters of intent for ICFs/MR from CCBs. All five are for 4- to 8-bed privately-operated facilities. Four are proposed by the Developmental Pathways CCB, and one by Denver Options CCB. Three of these request a change of licensure and a change of certification type from HCBS-DD waiver to ICF/MR, while two request an initial license and certification as ICFs/MR. Although letters of intent were filed and licensing packets were sent out by CDPHE in Fall 2006, none of these licensing applications have yet been returned to CDPHE. Developmental Pathways has confirmed to staff that they do intend to proceed with their four proposed units. In addition, CDPHE staff report that the one existing privately-operated ICF/MR in the State, Good Shepherd, plans to expand; however, CDPHE has not yet received formal notice on this yet. Staff understands that there may be other companies considering opening beds in Colorado, although no specific information is available on this.

Concerns about ICF/MR Expansion. There are several major concerns about ICF/MR expansion in Colorado.

Appropriateness of services. There is presently no means for ensuring that the level of service provided in an ICF/MR matches a client's needs, since, in order to be in the Medicaid waiver program, a client must be qualified for ICF/MR services. Depending upon the specific needs of the client, the integrated, intensive ICF/MR services required under ICF/MR regulations may or may not be appropriate, and the more institutional focus could deny the consumer access to community-integrated services that might be more appropriate.

Inconsistency with Olmstead. As noted above, the U.S. Supreme Court, in its 1999 Olmstead v. L.C. ruling emphasized the need for states to focus on deinstitutionalization. Development of ICFs/MR, in lieu of community-integrated services appears inconsistent with this.

Cost of services. As of FY 2006-07, the only operating class IV ICFs/MR in the State were at the state-operated regional centers of Grand Junction and Wheatridge, which had a weighted average daily rate of $504.32 (50 percent General Fund) or $184,000 per bed per year ($92,000 per year General Fund). The only operating Class II ICF/MR (Good Shepherd in Littleton) had a daily rate of $336.81 or $130,236 per bed per year (50 percent General Fund). During the first year of operation, a new ICF/MR would be paid the average state rate for the service; in subsequent years, reimbursement is cost-based. It seems likely that these costs are substantially higher than the equivalent Medicaid Waiver + State Plan costs for individuals with similar needs served in community placements. Staff anticipates that the facts of this will be clear once the HCBS-DD SIS results for the regional centers versus the community are known and the associated rates can be compared. The scale of the discrepancy for consumers with high levels of needs is not yet known; however, **serving clients with more moderate needs in ICF/MR placements is clearly NOT cost effective: the average rate for developmental disability waiver clients in FY 2007-08 is $63,793 per person, or less than half of even the less intensive Class II ICF/MR rate**.

An analysis by the Department of Health Care Policy and Financing, provided to the JBC last year during the FY 2007-08 budget hearing indicated that, per HCPF's analysis, if the current Class IV ICF/MR facilities at the regional centers were instead 4 bed facilities, the cost per bed for the current 30 bed ICF/MR would increase from $405.21 per day to $934.69 per day, and the cost per bed for the current 74 bed facility would increase from $521.71 to $3,203.03 per day.

Lack of Budget Control/Reducing Funds Available for More Appropriate Services. Even under the new fee-for-service method for managing the waiver programs, the State may decide the number of people to whom it will make waiver services available. The State has no clear mechanisms that would allow it to control ICF development. Providers, pinched by the lack of availability of waiver services, may choose to open ICFs instead. The State then has no option but to pay for these beds; however, at the same time, this limits total state funds available for other needs, including efforts to reduce the HCBS-DD wait lists.

<u>Efforts and Options to Limit ICF/MR Development</u> It is not presently clear whether the new ICF/MR beds that are being proposed would seek to be reimbursed as "Class II" or "Class IV" facilities. Class II facilities are less intensive; however, there is currently a requirement that they have a minimum of 16 beds, making them less attractive to providers who wish to open smaller units. There is no such limit on the more intensive Class IV facilities. Last year the Department of Health Care Policy and Financing proposed a rule change to the Medical Services Board which would have limited Class IV ICF/MR facilities to 30 beds on the grounds that the minimum bed size must be high enough to allow reimbursement sufficient to maintain the required level of care but still meet the federal standards for reasonableness (consistent with efficiency, economy, and quality of care). HCPF took the position that smaller facilities would drive costs that would not meet the "reasonableness" standard. *The rule was heard in the Medical Services Board in January 2007. It*

was rejected on a vote of 5 to 4. **If the General Assembly were interested in ensuring that ICFs/MR were only opened when clearly cost-effective (*e.g.*, in larger facilities), it could pursue legislation to force this issue. However, this is clearly NOT an option if the State itself is now proposing to operate numerous small-scale ICF/MR beds.**

Staff believes the current proposal to re-license state regional center beds as ICF/MR beds effectively requires the State to address the following questions about development of ICF/MRs in the community:

- What does the State see as the appropriate role for ICFs/MR in the community?
- Does it see the development of such beds as incompatible with Olmstead v. LC?
- Does it believe the costs for such facilities are inherently too high when compared with facilities licensed as HCBS waiver beds?

Staff has inquired whether federal authorities could choose to block the state or a private provider from converting HCBS beds to ICF/MR beds. **The Department has indicated that because ICF/MR is an entitlement component of the Medicaid State Plan, it presently does not believe federal authorities would have any legal basis for blocking such conversion**, whether proposed by the State or a community provider, unless the State requested a reduction in the number of its HCBS/DD beds.

Staff Analysis and Questions

There are two elements of the Department's request that staff believes must be examined separately: the proposal for ICF/MR conversion and the proposal for increased staffing.

<u>ICF/MR conversion proposal</u>. **Staff believes the General Assembly should ONLY approve the cost components associated with conversion to ICF/MR if the State develops a clear conceptual framework and plan with respect to the development of ICFs/MR statewide, *i.e.*, regional center beds should not be converted until the State can clearly explain its plan with respect to shaping development of ICFs/MR statewide. Further, staff believes that rules must be passed or legislation adopted to implement this strategy before the State proceeds with ICF/MR conversion at the regional centers**. Staff is aware that the Departments of Human Services and Health Care Policy and Financing have been talking about these issues, but staff does not believe there is any clear direction or resolution on this issue at this point. The condition proposed by staff could mean delaying the ICF/MR conversion of Wheat Ridge; however, given that the State does not expect to be able to complete the conversion for all of the regional centers in FY 2008-09, staff thinks slowing the process altogether may be reasonable.

<u>Staffing and other cost components</u>. Staff has previously noted that the staffing study used to develop the Department's decision item reflects a serious and thorough effort to understand regional center staffing needs. Further, in light of the regional centers' increasingly severe client population and facility licensing concerns, some increases are reasonable. The above said, it has not been clear to staff that increases on the scale suggested by the staffing study's proposed "minimum" increase are warranted. *Staff believes that a comparison between the results of the "Supports Intensity Scale"*

for regional center clients versus other HCBS-DD comprehensive clients should help demonstrate whether or not the levels of additional resources being requested for state operated facilities, and resulting costs per person, are reasonable in comparison to the rates that will be indicated for individuals with similar SIS profiles who are in community placements. In general, staff assumes that costs in state-operated facilities may be higher than those in equivalent community placements, based on somewhat higher state salary scales and the overall indirect costs of a state-operated system. Nonetheless, an excessive discrepancy will raise the question of whether limited state resources are being used efficiently. **Staff can only recommend this portion of the request if the discrepancy does not seem excessive and any higher costs are reasonably balanced by benefits unique to the state-operated facility.**

<u>Questions</u>.
Staff recommends that the Department be asked to respond to the following questions:

1. Please provide detailed data on the SIS scores of all regional center clients, by regional center. Provide a comparison with the SIS scores of the larger HCBS-DD comprehensive waiver population. How many individuals are there in CCB-managed community-based placements whose SIS scores are similar to those of individuals in the regional centers? How many regional center clients have SIS scores similar to those of individuals in the community?

2. In light of the above data, and recent proposals for the HCBS rate-tiers, is the State pursing staffing intensity and funding for individuals in state-operated facilities that exceeds amounts available for individuals with similar profiles who are served in the community? Is this reasonable? Why or why not?

3. Do you anticipate that CCBs will increasingly face problems similar to those of the regional centers for the more severe client population? If so, should those placements also become ICFs/MR in the community?

4. Conversely, should the state limit growth of ICFs/MRs in the community (even if it is converting all state-run beds to be ICFs/MR)?

5. If the state wishes to limit growth of ICF/MR placements in the community, how should this be done? Are you seeking a statute stating that class IV ICF/MRs shall be state-run facilities only?

6. Discuss what other alternatives were explored by the Department to address the problem of ensuring adequate services for individuals at the regional centers. Would it be administratively feasible to convert some–but not all–Wheat Ridge beds to ICF/MR, if that were indicated by the range of needs of the population?

7. For the Department of Health Care Policy and Financing: Please identify the State Plan expenditures that would go away if the regional center HCBS beds are converted to ICF/MR

beds. Please include: (a) the exact calculations that tie to the current decision item (*i.e.*, costs for those individuals affected at Wheat Ridge, based on the proposed implementation schedule); (b) the full year savings in HCPF if all regional center HCBS beds were converted.

8. The Department has indicated that it currently expects, for those regional centers not converted to ICFs/MR, that CCBs will be responsible for case management and quality assurance at the regional centers. Is this appropriate, given the State's ultimate responsibility for ensuring that CCBs perform their jobs correctly? Are there alternatives?

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

ISSUE:

Waiting Lists for Developmental Disability Services

SUMMARY:

- ❑ The demand for developmental disability services continues to grow much faster than population growth and the State's ability to add new resources. The rapid growth is tied, in part, to the baby boom cohort of persons with developmental disabilities. This group increasingly requires state-funded services as their parents age and cannot care for them.

- ❑ Eliminating current service waiting lists would likely require $40 to $50 million General Fund, and approximately $11 million more per year would be required to keep waiting lists from reappearing. Eliminating the "high risk" waiting list is estimated to cost about $12 million General Fund.

- ❑ Colorado is ranked 48th in the nation for fiscal *effort* for developmental disability services, which is based on expenditures per $1,000 of state personal income. Colorado's developmental disability service penetration and expenditures per person served are not, however, far from the national average.

- ❑ There is a large range in waiting lists, and resources available, in different parts of the State.

RECOMMENDATION:

The Committee should discuss with the Department its long-term plans for meeting the needs of persons with developmental disabilities.

DISCUSSION:

The waiting lists for developmental disability services are the most fundamental problem facing the developmental disability system. The following sections review: the resolution of Mandy R. lawsuit, where the State now stands with respect to growing waiting lists, how Colorado's overall funding for developmental disability services compares with other states, and the distribution of waiting lists and demand for services across the state.

Background: Resolution of Mandy R. v. Owens
The Mandy R. v. Owens lawsuit, filed in federal district court in August 2000, alleged that the state's wait list for comprehensive residential services for persons with developmental disabilities was illegal and that rates paid for services were insufficient to comply with provisions of federal

Medicaid law. The remedies requested by the named plaintiffs and the community centered boards, that were added to the case as intervenor-plaintiffs, included the elimination of the state's comprehensive services waiting list--either through the provision of additional community-based waiver placements (proposed by the CCBs) or through small-scale institutional placements (named plaintiffs). The CCBs also sought a 33 percent increase in rates paid for waiver placements.

In February 2005, Judge Richard P. Matsch, the trial court judge for the federal district court, ruled in the State's favor. On September 21, 2006, the 10th Circuit Court of Appeals upheld the ruling. It concurred with the State's argument that there is only a Medicaid entitlement is to ICF/MR services (as opposed to HCBS waiver services), and that the State has no obligation to provide ICF/MR services–only to pay for the service if a provider chooses to create and bill for the service. The court also found that there was no enforceable right that would enable the community centered boards to sue with respect to the adequacy of rates for services. A request by the named plaintiffs for a rehearing. has been denied.

This outcome is highly advantageous to the General Assembly because it leaves allocation of funding to developmental disability services within the General Assembly's control. However, an unfortunate implication of the ruling is that General Fund expended to address the waiting list for developmental disability services is not exempt from the six percent limit on increases in General Fund appropriations.

Waiting Lists

The tables below show: (1) The numbers of persons served over the last five years in residential and adult supported living services versus the known demand, where "known demand" equals persons served plus the current budget period waiting list for the service; and (2) the ratios of persons served and known demand in the residential and supported living services programs to 1,000 persons in the Colorado adult population. As can be seen from these tables, growth in known demand has been rapidly outstripping growth in persons served. As can also be seen, **the number of persons in services per 1,000 adults in the Colorado population has been relatively steady or fallen only slightly---however, the known demand per 1,000 adults in the Colorado population has grown rapidly. Staff estimates growth in demand for services has been running at nearly six percent per year, while growth in the state's population has been running at between 1 and 2 percent per year during the same period.**

Table 1 -Developmental Disability Waiting List Management Report Data, as of June of Each Year*

Year	Comprehensive Residential Budget Period Wait List	Supported Living Budget Period Wait List
2001	453	1,121
2002	663	1,265
2003	758	1,347
2004	785	1,785
2005	1,057	2,111
2006	1,308	2,438
2007	1,368	2,324

*Reflects March data, the most recent available, for 2007

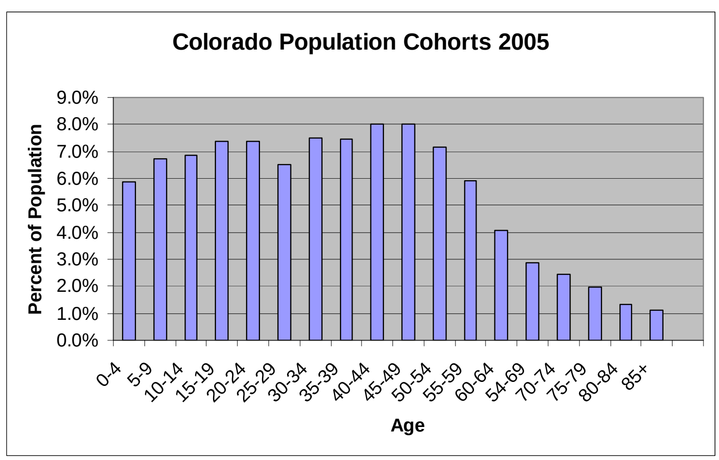
Table 2 - Percentage Known Demand Met

Year	Known Comprehensive Residential Demand	Percent Known Comprehensive Residential Demand Met	Known Adult Supported Living Demand	Percent Known Adult Supported Living Demand Met
2001	3,684	87.7%	3,685	75.6%
2002	4,034	83.6%	4,035	73.6%
2003	4,254	82.2%	4,255	72.8%
2004	4,367	82.0%	4,368	67.2%
2005	4,664	77.3%	4,665	63.4%
2006	4,960	73.6%	4,961	60.3%

Table 3 - Growth in Persons Served v. Growth in Demand per 1,000 population

Year	Comprehensive Residential Persons Served per 1,000 adult population	Known Comprehensive Residential Demand per 1,000 adult population	Adult Supported Living Persons Served per 1,000 adult population	Known Supported Living Demand per 1,000 adult population
2001	0.98	1.11	1.05	1.39
2002	1.00	1.20	1.05	1.42
2003	1.02	1.24	1.05	1.44
2004	1.03	1.26	1.05	1.57
2005	1.02	1.32	1.04	1.63
2006	1.01	1.38	1.03	1.71

Based on the FY 2006-07 appropriation prior to supplemental adjustments, the State should have expected to serve 1.04 persons in the comprehensive residential program per 1,000 in the state's adult population---the highest ratio ever; however, because of the rapid growth in demand, the waiting list continues to grow.



Colorado, like most states in the nation, faces rapid growth in its waiting list associated with an aging baby-boomer population. The chart below reflects the overall Colorado population. As can be seen, the population currently peaks in the 40 to 50 year age range, reflecting the baby boomers. The population of people with developmental disabilities may be expected to follow the same pattern. Persons who are age 40 to 50 can be expected to have parents aged 65 to 75--parents who, after years of caring for their disabled child, may no longer be able to care for them. The result is a rapid growth in demand for state services that is being experienced throughout the country. A comprehensive study of national and state trends in developmental disability services (David Braddock, *State of the States in Developmental Disabilities* 2005) estimates that, nationwide, in FY 2004, 61 percent of persons with developmental disabilities lived with a family care giver. Further, 25 percent of such care givers were estimated to be over age 60, while an additional 35 percent were estimated to be between ages 41 and 59. *Braddock estimates that, in Colorado, 8,756 individuals with developmental disabilities were living in households with care givers aged 60+ years in 2004.*

Cost to Eliminate the Adult Waiting Lists

The table below reflects the projected cost to the State of entirely eliminating the current waiting lists for comprehensive services and the estimated cost of eliminating the waiting list.

Table 4 - Cost of Eliminating the Current Waiting Lists

	Net General Fund Cost per client	Resources required	Total Cost
Adult Comprehensive Services	$29,688	1,094	$32,478,672
Adult Supported Living Services	$9,320	1,515	$14,119,800
Total			**$46,598,472**

Notes: Costs are based on current average costs; numbers of resources are based on April 2007 management report, reduced by 20 percent to account for individuals not removed from the wait list in a timely fashion and assuming 344 SLS slots would be opened up by individuals moving to comprehensive services from SLS.

Eliminating the current waiting list would only take care of the problem for a year. After eliminating the waiting list, annual increases would be required to avoid recreating just the comprehensive waiting list. **Based on the most recent data, it appears that over $8 million General Fund would likely be required per year to avoid recreating the comprehensive waiting list and over $3 million General Fund would be required per year to avoid recreating the supported living waiting list**.

In the absence significant changes to the state revenue stream for developmental disability services, staff continues to encourage the JBC to discuss with the Department of Human Services how available funding should be targeted. Recent funding has been targeted to: (1) individuals transitioning from foster-care (who are not generally included on waiting lists); (2) emergencies, based on current or imminent homelessness, an abusive or neglectful situation placing the persons health, safety or well being in serious jeopardy, are a danger to others, or a danger to self; and (3) the "high risk" indicator group, which includes individuals who are forty years or older and living at home with parents or relatives; have a condition in addition to their developmental disability that makes it more difficult for the family to continue to provide care in their home (dual diagnosis including mental illness, significant behavioral problems, non-mobile and/or medically fragile); and those who have a functioning level of profound, indicating a nearly constant level of daily care needs. **Figures provided by the Department of Human Services in 2006 suggest that $12 to $15 million General Fund would be required to address solely the "high risk" waiting list.**

How Does Colorado Stack up Nationally?
Advocates for increased support for developmental disability services often highlight that Colorado is "48th in the nation" in funding for developmental disability services. While this is true by some measures, it is only a piece of the picture. As members debate whether anything can be done to address growing waiting lists for developmental disability services, given budget constraints, the following information may help to inform the debate.

Researchers at the University of Colorado have been studying national and state developmental disability service and expenditure patterns for many years, and their "State of the State" reports are frequently cited on this topic. The table below draws from information in their 2005 report to compare Colorado's expenditure and service patterns with the nation's.

Table 5 - Colorado and National Developmental Disability Spending - FY 2004

	Colorado State Rank	Colorado	United States
Fiscal Effort			
Fiscal effort for MR/DD services (state spending for MR/DD per $1,000 of aggregate statewide personal income)	48	$2.27	$4.11
Colorado fiscal effort for community services	41	$2.18	$3.28
Colorado fiscal effort for institutional services	46	$0.10	$0.83
Placement Utilization			
Utilization rate, per 100,000 citizens, of MR/DD out-of-home placements		169	168
Percentage of total persons with MR/DD in out-of-home settings who are residing in 1-6 person settings (ranked highest to lowest)	9	87%	68%
Utilization rate, per 100,000 citizens, of state operated large ICF/MRs (ranked lowest to highest)	13	2.5	14.1
Cost of Care			
HCBS average waiver cost per participant (includes residential and non-residential support)		$37,756	$37,784
Supported living/personal assistance cost per participant		$15,224	$21,021
Annual cost of care per resident in large, state operated facility		$138,608	$146,325

Source: David Braddock, et. al., *State of the States in Developmental Disabilities, 2005*, University of Colorado, 2005

Some points of note from the table above:

- ❑ Colorado is ranked 48th in the country for fiscal effort for spending for developmental disability services. However, note that fiscal effort is based on expenditures per $1,000 of personal income in the State. *Colorado has a relatively high average personal income compared to many states, and this affects its fiscal effort rank.*

❑ Colorado does extremely well compared to the nation as a whole with respect to the percentage of persons in out-of-home placements who are in small, community-based placements as opposed to large, institutional placements. This helps to keep its costs relatively low for the number of people served–which also has an affect on the fiscal effort calculation.

❑ Colorado's overall utilization of out-of-home placement for individuals with developmental disabilities (169 per 100,000 people) is very similar to the national pattern.

❑ Colorado's cost per person served in large, state run facilities is on the low-average side, its supported living cost per participant is below the national average, and its average cost per participant in HCBS waiver programs is almost identical to the nation's as a whole. (Note, however, that services offered by HCBS waiver programs across the states can vary considerably).

In sum, while Colorado's national ranking for fiscal effort is extremely low, its service penetration rate and expenditures per person served are not as different from those of other states as this might imply. This is not to suggest that Colorado could not do better. Most states across the nation have waiting lists for developmental disability services and struggle with low direct support staff wages and high turnover. These continue to be ongoing issues in Colorado, as elsewhere.

The ongoing changes to Colorado's Medicaid developmental disability programs may well drive increases in costs per person served in the long-term, as well as short-term reversions. However, as these issues play out, **the JBC should remain in ongoing discussion with the Department as to how the limited dollars that are available can be most effectively targeted.**

Distribution of Waiting Lists and Demand for Services in Colorado

Developmental disability resource availability and waiting lists vary substantially across Colorado.

- Some areas have large waiting lists for services, while others have far smaller waiting lists, and two rural areas have no waiting lists at all.
- The "known demand" (waiting list + persons served) is far greater in some areas than in others.
- Some areas receive far more state dollars per capita of their total regional population than others.
- Some areas have significant support from local tax dollars; others do not.

Table 3 below shows the percentage of known demand met by community centered board. As seen on the table, the percentage of know demand met by CCBs ranges from 54.4 percent to 94.7 percent. Two small rural areas (included in the 8) reported no waiting lists in June 2006, and thus demand in these areas was 100 percent met.

Table 6 - Known Demand by Met by Region		
	June 2006 Comprehensive Residential Waiver Resources Used	**Percentage Known Demand Met**
Dev. Pathways (Arapahoe, Douglas, City Aurora)	343	68.6%
Resource Exchange (El Paso, Park, Teller counties)	392	54.4%
DDRC (Jefferson county and Summit area)	370	67.2%
Denver Options (City and County Denver)	506	81.2%
Imagine (Boulder and Broomfield)	260	78.3%
North Metro (Adams County exc. City Aurora)	261	58.0%
Foothills Gateway (Larimer County)	257	80.8%
Envision (Weld county)	172	73.8%
Colorado Bluesky (Pueblo County)	233	94.7%
Mesa Developmental Svcs. (Mesa County)	157	91.8%
Mountain Valley (Eagle-Garfield-Pitkin area)	72	70.6%
Eastern Colorado (Elbert-Logan-Morgan area)	103	78.6%
8 Remaining Rural Areas	468	89.3%
TOTAL	3,594	73.3%
Source: Derived from Developmental Disability Quarterly Management Report, June 2006 (persons served and waiting list data)		

While the percentage of known-demand that is met is significant, this is only a part of the story. There is wide variation between regions in the known demand for services, as well as in the number of individuals served per capita of the general population, as is reflected in Figure 1.

Figure 1
Comprehensive Developmental Disability Resources and Known Demand by Community Centered Board per 1,0000 Adult General Population

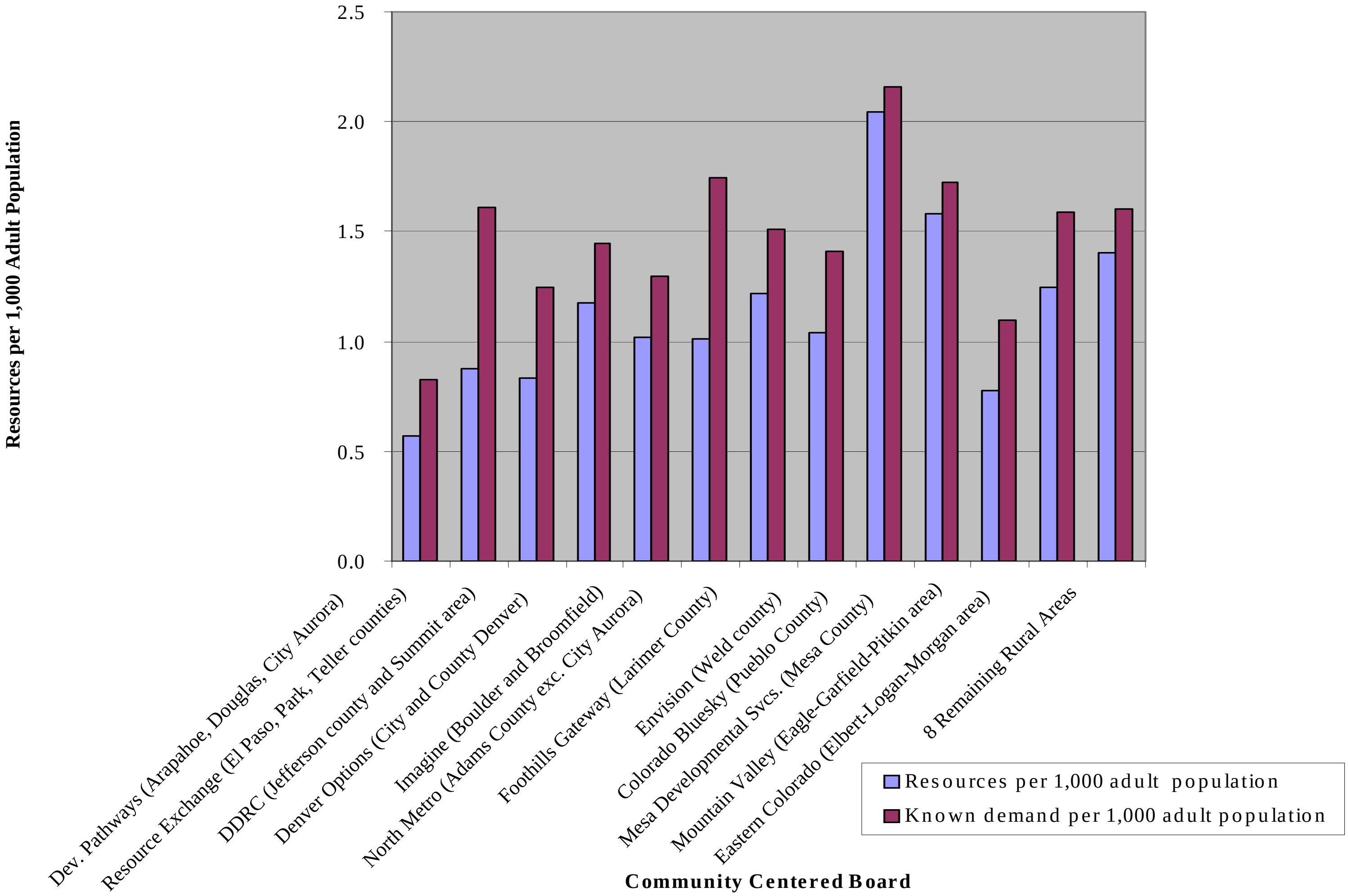


Figure 1 compares the distribution of resources across the state and the distribution of known demand (people served + people on waiting list). Statewide, in June 2006, there was 1.0 person in comprehensive residential services per 1,000 adults in the Colorado population. As reflected in the chart, individual CCBs had anywhere from 0.6 to 2.0 resources per 1,000 adults in their catchment areas. **Statewide, if persons in services and persons on the budget-period waiting list are combined, the known demand for comprehensive residential services was 1.4 "slots" per 1,000 adults in the general population–and thus, on the table, all CCBs would be expected to reflect total demand around this 1.4 number, whether demand was fully met or not. This is clearly not the case.**

Table 7, below, compares the state general population by community centered board (CCB) catchment area with the total funding received by the CCB from the state and total funding received from all sources in FY 2004-05. As can be seen, **CCBs in areas of the state where population has grown rapidly, such as Arapahoe Douglas, tend to receive disproportionately little support, while areas of the state where growth has been slower, such as many rural parts of the state, tend to receive disproportionately large support compared with their catchment area**. In addition, **areas of the state that accepted many people who were deinstituionalized from state regional centers tend to have disproportionately high resource allocations**. This is particularly evident in Mesa, Pueblo, and Denver counties, where the regional centers that deinstitutionalized are located.

As is also reflected in the table, **community centered boards have demonstrated varying capacity to obtain local support to augment state funding**. Some counties have chosen to vote in property tax mill levies of up to 1 mil to provide services to individuals with developmental disabilities. Other county government choose, at their discretion, to allocate funds to their local CCBs. In some areas, such as the Arapahoe-Douglas area, non-state sources made up as much as 32 percent of revenue. In other areas (such as Colorado Springs) non-state sources are less than 1 percent.

Resource distribution among the 20 community centered boards has become an increasingly contentious issue in the last few years. The Department's allocations to community centered boards have, since the program's inception, been historically based: when a community centered board receives a new "resource" for an individual, the resource is built into the community centered board's base funding. If a resource "turns over", *i.e.*, the individual in the placement dies or moves away, the community centered board retains the associated placement. Although the State maintains a statewide waiting list for developmental disability services, the waiting lists are actually managed at the local level and, when a resource opens up locally as a result of turn over, the CCB has been authorized to fill the open slot with someone in an emergency situation or the next individual on their local waiting list. Variations among community centered boards related to *rates* are being eliminated, as part of the process of complying with federally-required changes. However, the issue of the number of resources allocated, whether existing base resources should be reallocated, and how new resources should be allocated remain contentious.

Table 7

Developmental Disability Community Funding: Total Area Population, Total State Support, and Total Support all Fund Sources FY 2004-05

	A - 2005 Regional Population	B -State DD Support	C -State DD Support per capita (B/A)	D - CCB Support - all fund sources	CCB Support per capita (D/A)
Dev. Pathways (Arapahoe, Douglas, City Aurora)	827,512	$28,222,322	$34	$41,622,409	$50
Resource Exchange (El Paso, Park, Teller)	604,288	26,419,975	$44	26,688,820	$44
DDRC (Jefferson county and Summit area)	574,595	27,543,361	$48	37,734,856	$66
Denver Options (City and County Denver)	571,847	37,487,971	$66	46,407,906	$81
North Metro (Adams County exc. City Aurora)	363,712	18,562,934	$51	23,643,495	$65
Imagine (Boulder and Broomfield)	331,635	19,031,594	$57	25,509,682	$77
Foothills Gateway (Larimer County)	271,990	16,516,120	$61	19,891,164	$73
Envision (Weld county)	228,729	11,738,365	$51	12,365,674	$54
Colorado Bluesky (Pueblo County)	151,099	15,728,555	$104	17,853,855	$118
Mesa Developmental Svcs. (Mesa County)	130,399	11,483,266	$88	13,068,077	$100
Mountain Valley (Eagle-Garfield-Pitkin area)	124,413	4,651,970	$37	5,709,913	$46
Eastern Colorado (Elbert-Logan-Morgan area)	110,866	6,725,589	$61	7,718,753	$70
8 Remaining Rural Areas	431,375	29,907,410	$69	39,665,392	$92
Total for State	4,722,460	$254,019,432	$54	$317,879,996	$67

Source: Department of Local Affairs, Colorado Population Statistics; Condensed Combined Financial Statements of Community Centered Boards and Report of Independent Certified Public Accountants, State of Colorado - Department of Human Services, Division for Developmental Disabilities, June 30, 2005

Community Centered Boards in some fast-growth areas of the State argue for reallocation of base resources from CCBs with higher numbers of resources per capita of the general population to CCBs with lower numbers of resources per capita of the general population. CCBs in areas that would stand to lose resources in the above scheme–as well as those with limited impact either way--argue that transferring existing resources would cause substantial disruption to services and would have wide-ranging, negative impacts.

Advocates for people with developmental disabilities point out that the focus should be on equal access throughout the State to services for people with developmental disabilities and not on equity among the community centered boards: an individual in Adams County should not be forced to wait 30 years for a resource while someone in Alamosa can be served virtually immediately upon request. Some advocates see the appropriate solution to the situation as a statewide waiting list for services, rather than one that is tied to local CCBs. However, this approach could destabilize existing services, particularly in smaller areas, depending upon whether it reallocated funds across regions. A statewide waiting list would also require additional state involvement and oversight and presumably staffing.

All community centered boards and advocates note that if state funding were adequate to eliminate all waiting lists, geographical resource distribution would no longer be a major issue. Last year, the Department of Human Services indicated that it planned to commission a study from an outside group to examine the resource distribution issue. However, staff understands that this plan has been placed on hold due to internal resource constraints.

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FISCAL YEAR 2008-09 STAFF BUDGET BRIEFING
DEPARTMENT OF HUMAN SERVICES:
Child Welfare, Child Care, and
Executive Director's Office (Child Welfare-related line items ONLY)

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared By:
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November 29, 2007

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FY 2008-09 Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES:
CHILD WELFARE, CHILD CARE AND EDO (CHILD WELFARE-RELATED ONLY)

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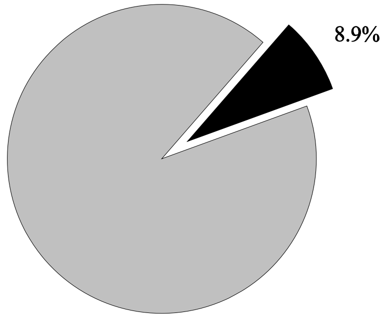
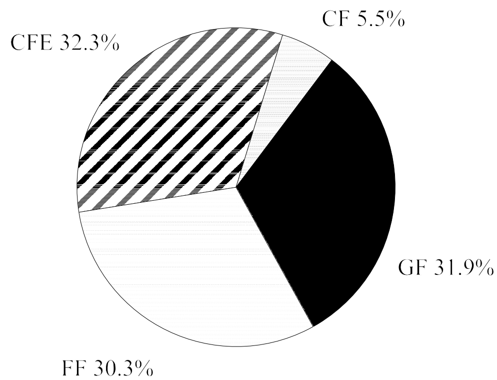
DEPARTMENT OF HUMAN SERVICES
GRAPHIC OVERVIEW

Share of State General Fund FY 2007-08

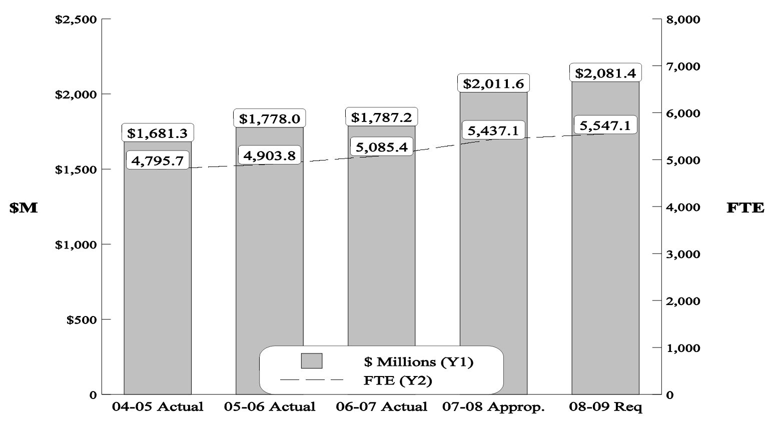


Funding Source Split FY 2007-08



Note: If General Fund appropriated to the Department of Health Care Policy and Financing for human services programs were included in the graph above, the Department of Human Services' share of the total state General Fund would rise to 11.6 percent.

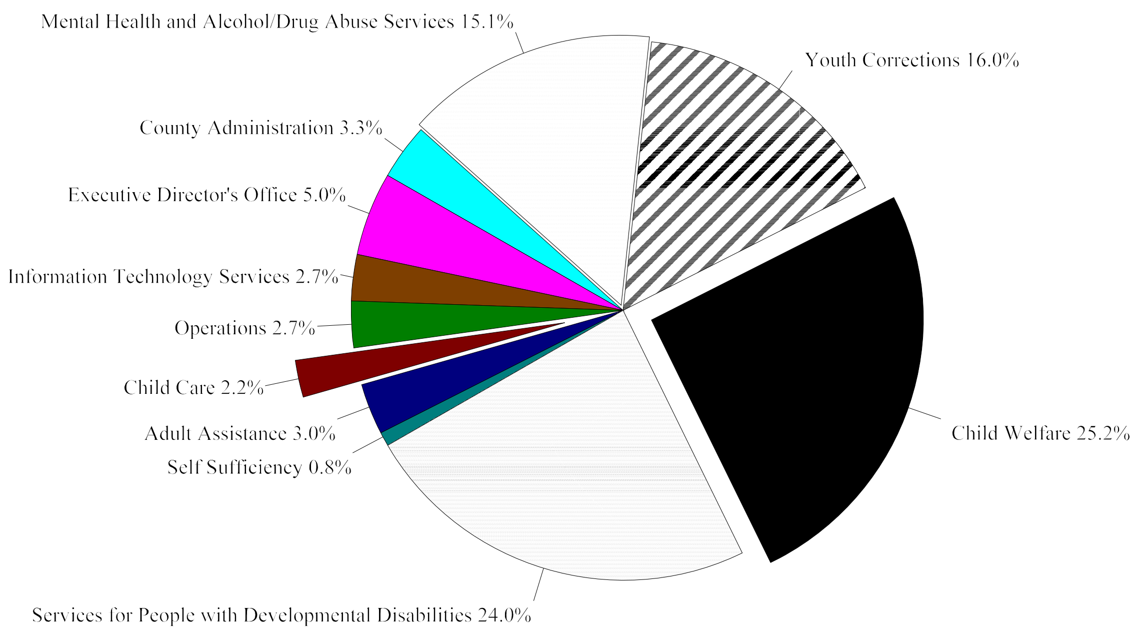
Budget History



FY 2008-09 Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES:
Child Welfare and Child Care
OVERVIEW

Department of Human Services: Net General Fund

FY 2007-08 Appropriation ($839.2 million)



Key Responsibilities

Child Welfare: Child welfare programs are administered by 64 county departments of social services under the supervision of the state Department of Human Services. County departments of social services: (1) Receive and respond to reports of potential child abuse or neglect; and (2) Provide 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 this is in the best interests of the child.

Child Care: Child care subsidies for low income children (the Colorado Childcare Assistance Program or CCAP) are administered by Colorado's 64 counties under supervision of the Department. The Department also licenses child care providers, enforces child care regulations, and works to improve the quality of child care in Colorado.

Factors Driving the Budget

Child Welfare

County departments of social services receive and respond to reports of potential child abuse or neglect under the supervision of the Colorado Department of Human Services. In FY 2005-06, the most recent year of actual data, counties received more than 67,000 reports of abuse or neglect. On average, counties conducted an assessment (investigation) in response to about one in three reports received. Following an assessment, a county is required to provide necessary and appropriate child welfare services to the child and the family. Less than one-third (32 percent) of county assessments result in the county providing child welfare services, which may include in-home support or court-ordered placement in a foster care home or 24-hour child care facility. Of the 57,261 children who received child welfare services in FY 2005-06: nearly two-thirds (60 percent) remained in their own home; 9,199 (16 percent) were children who had been adopted out of foster care but whose families continued to receive support from county departments; and 13,715 (24.0 percent) were in foster care.

Appropriations for child welfare programs for FY 2007-08 ($409.0 million) consist of 47.5 percent General Fund, 26.7 percent federal funds, and 25.8 percent county funds and various cash fund sources. The vast majority of funds appropriated (about 97 percent) are made available to county departments for the provision of child welfare services. A county that overspends its annual share of state and federal funds is required to cover the over expenditure with other county funds.

Statewide, over half of all county expenditures (57 percent) are for families and providers who care for children who have been removed from their homes. These expenditures include subsidies that are paid to families who have adopted children previously in foster care. The remaining funds are expended for county staff and administrative costs, as well as to provide services (mental health services, substance abuse treatment, etc.) to children and families. County expenditures are thus driven by:

✓ the number of reports of abuse or neglect received;
✓ the number of children and families requiring child welfare services;
✓ the number of children who are removed from the home and placed in residential care; and
✓ the cost of providing residential care and other services.

Each year, the General Assembly decides whether to increase child welfare funding to cover caseload increases and inflationary increases in the cost of providing services. A county that overspends its annual share of state and federal funds is required to cover the over-expenditure with other funds. County child welfare expenditures have exceeded the annual appropriation in each of the last six fiscal years for which data is available.

	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
Appropriation for Child Welfare Services and Family and Children's Programs line items ($ millions)	$305.6	$323.0	$332.0	$341.9	$343.2	$359.3	$370.4	$382.3

	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
Percent Change		*5.7%*	*2.8%*	*3.0%*	*0.4%*	*4.7%*	*3.1%*	*3.2%*
County Expenditures In Excess of Capped Allocations ($ millions)	$21.4	$33.4	$24.4	$12.4	$10.8	$14.2	$12.2	n/a
Shortfall as Percent of Capped Allocations	*8.2%*	*12.4%*	*8.8%*	*4.2%*	*3.7%*	*3.4%*	*3.9%*	*n/a*

Notes (1) County expenditures in excess of capped amounts include transfers from the TANF block grant, as well as county funds. (2): For purposes of providing comparable information, the FY 2002-03 appropriation excludes one-time adjustments associated with the change in Medicaid accruals. Also, please note that the FY 2005-06 appropriation excludes $4.5 million for training and administrative costs; this amount was previously included in the Family and Children's Programs line item but was transferred to other line items for FY 2005-06.

Child Care

The *Colorado Child Care Assistance Program* is a state-supervised, county-administered program to provide child care subsidies for low income families. Counties set eligibility guidelines and provider reimbursement levels, subject to state- and federal- guidelines that require access to the program for eligible families on the Temporary Assistance to Needy Families (TANF) program and those earning less than 125 percent of the federal poverty level (FPL). At county option, families earning up to 225 percent of FPL may access the program. Funding is based on a combination of state federal Child Care Development Fund (CCDF) block grant moneys, state General Fund, and county maintenance-of-effort requirements. Although state General Fund and federal CCDF funding is capped, counties may, at their option, transfer up to 20 percent of their capped allocations from the Temporary Assistance to Needy Families (TANF) block grant to supplement these funding sources.

In recent years, appropriations for the CCAP program have been driven by the availability of federal block grant funds to meet program funding needs, common policy provider rate increases, and overall funding needs based on county eligibility and reimbursement policies. In the late 1990s and early 2000s, spending increased rapidly through a combination of state allocation of federal CCDF funds and county use of TANF-transfer funds. However, since 2002, program utilization has dropped sharply, based on county policies. As a result, in the last several years, virtually all TANF-transfer spending has been eliminated. In FY 2005-06, the program reverted almost $840,000 General Fund, in FY 2006-07 a $5.1 million negative supplemental (including $2.5 million General fund) was taken and an additional $1.3 million federal funds removed through the Governor's transfer authority; and, for FY 2007-08, although $3.4 million of the FY 2006-07 cuts were restored in the Long Bill, $2.0 million was then reallocated to Child Care Councils (a quality-focused initiative) through H.B. 07-1062.

	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
CCAP Appropriations ($ millions)	$66.2	$72.5	$73.4	$73.7	$74.9	$74.7	$76.1
Percent Change		*9.5%*	*1.2%*	*0.4%*	*1.6%*	*-0.3%*	*1.9%*

	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
CCAP Expenditures (including TANF $$) ($ millions)	$98.3	$94.5	$86.3	$81.1	$76.3	$74.3	n/a
Percent Change		*-3.9%*	*-8.7%*	*-6.0%*	*-5.9%*	*-2.6%*	*n/a*

Summary of Major Legislation

Child Welfare

✔ **S.B. 07-2 (Sandoval/Stafford):** Extends Medicaid eligibility for persons who are in the foster care system immediately prior to emancipation.

✔ **S.B. 07-64 (Keller/Frangas):** Creates a one-year task force on foster care issues. The 24-member task force includes representation from the General Assembly, foster, adoptive, and biological parents involved in the foster care system, former foster children, organizations that advocate for providers, parents, and children, the Department of Human services (mental health and child welfare divisions), county departments of social services, and the courts. The task force is to address how to promote permanency for children placed in the system and address a variety of related issues. The task force is to issue a report to the Governor and the Chief Justice by May 31, 2008 on its findings and proposals for legislation and may also make recommendations to the Department of Human Services regarding child welfare policies and procedures.

✔ **S.B. 07-226 (Boyd/Reisberg):** Makes several changes to various statutes concerning the placement of children outside of the home in order to comply with the federal Safe and Timely Interstate Placement of Foster Children Act of 2006, Child and Family Services Improvement Act of 2006, and Adam Walsh Child Protection and Safety Act of 2006. Authorizes the release of certain confidential child abuse information during the screening of prospective foster or adoptive parents. Requires the court to consult with a child, in an age-appropriate manner, regarding the child's permanency plan. Requires all family foster care and kinship care applicants, and all adults who reside in the foster care or kinship care applicant's home, to submit to a fingerprint-based criminal history records check. Requires the court to ensure that a juvenile and the juvenile's foster parents, pre-adoptive parents, or relatives receive notice of all hearings and reviews concerning the juvenile.

✔ **H.B. 07-1025 (Jahn/Boyd):** Requires the Department of Human Services to promulgate rules governing the methodology by which counties may negotiate rates, services, and outcomes with licensed providers by January 1, 2008; requires counties to incorporate provider rate increases provided by the General Assembly in rate negotiations with providers; and requires the Department to review the methodologies by which counties negotiate rates, services and outcomes with providers by July 1, 2008 and July 1 of every even-numbered year thereafter. Also modifies statutory provisions concerning residential treatment rates (Medicaid and non-Medicaid) to specify that reimbursement rates for residential service providers include a defined service package to meet the needs of the child. Requires a new approved rate setting process for residential treatment services be implemented beginning FY 2008-09 (rather than FY 2007-08) and that a report on the rate setting process be submitted to the Joint Budget Committee by January 1, 2008.

✔ **H.B. 06-1395 (Buescher/Keller)**: Establishes the Psychiatric Residential Treatment Facility (PRTF), which is now the highest level of treatment facility in Colorado, in response to changes in Medicaid funding for children placed in out-of-home settings. Allows the Department to seek supplemental funding related to PRTFs for FY 2006-07 and FY 2007-08. Requires the Department of Human Services to submit a report to the Joint Budget Committee by January 15, 2008 with recommendations on the county contribution toward services provision for FY 2008-09 onward, including any legislative changes required.

✔ **H.B. 05-1084 (King/Keller):** Requires the Department of Human Services to develop a rate-setting process for providers of residential treatment services and to submit an initial report to the Joint Budget Committee by July 1, 2006, concerning the implementation of such rate-setting process. This is to include recommendations for a two- to three-year implementation timeline, with implementation beginning FY 2007-08.

✔ **H.B. 04-1414 (Witwer/Reeves):** Requires federal Title IV-E reimbursements earned in excess of amounts appropriated to be credited to a new fund, entitled "Excess Federal Title IV-E Reimbursements Cash Fund". Makes moneys in the new fund subject to annual appropriation by the General Assembly to the Department for allocation to counties for two purposes: (1) To help defray the costs of performing administrative functions related to obtaining federal Title IV-E reimbursements; and (2) for the provision of assistance (as defined for the Colorado Works Program), child care assistance, social services, and child welfare services. Authorizes the General Assembly to require counties to spend excess federal Title IV-E funds received for the latter purpose on the types of expenditures that can be counted toward the federal maintenance of effort requirement for Temporary Assistance for Needy Families (TANF) programs. Requires the Department to submit an annual report on October 1 to the Joint Budget Committee concerning the amount of federal Title IV-E revenues earned and expended.

✔ **H.B. 04-1451 (Clapp/Reeves):** Authorizes each county department of social services and local representatives of the judicial districts, health departments, school districts, community mental health centers, and mental health assessment and service agencies to enter into a memorandum of understanding ("MOU") to promote a collaborative system of treatment and services for children and families. Authorizes parties to an MOU to reinvest any state General Fund savings that result from such collaboration and creates the Performance-based Collaborative Management Incentive Cash Fund to provide incentives to parties to an MOU. On and after July 1, 2005, transfers moneys in the Performance Incentive Cash Fund, the Family Stabilization Services Fund, and moneys received through civil docket fees to the new fund. Repeals the Integrated Care Management Program.

✔ **H.B. 03-1024 (Jahn/Chlouber): Child Care and Child Placement Agencies.** Requires the State Board of Human Services to promulgate rules that apply to foster care generally, regardless of whether such care is provided by a foster home that is certified by a county department of social services or by a child placement agency. Requires the Department of Human Services, within available appropriations, to monitor county department of social services' certification of foster homes on at least a quarterly basis.

- ✔ **H.B. 03-1211 (T. Williams/Anderson): Records of Child Abuse or Neglect.** Repeals the Central Registry of Child Protection, effective January 1, 2004, and substitutes the use of records and reports of child abuse or neglect maintained by the Department for use in providing information to certain individuals and agencies. Creates the Records and Reports Fund, which consists of moneys transferred from the Central Registry Fund and fees assessed for providing information to certain persons and agencies using records and reports of child abuse or neglect (e.g., for screening prospective employees or volunteers).

- ✔ **S.B. 01-12 (Linkhart/Chavez) [as subsequently amended by H.B. 02-1138 and S.B. 03-172]: Services for Children in Foster Care.** Creates the Family Stabilization Services Fund, for counties to provide short-term, voluntary services to help stabilize families that are at risk of having their children placed in out-of-home placement. Requires that $115 of every docketing fee paid for a dissolution of marriage action, beginning July 1, 2004, be credited to the Fund. Specifies that 25 percent of revenues to such fund be allocated among small- and medium-sized counties, and the remaining 75 percent be used to provide performance incentives to counties participating in the Integrated Care Management Program.

- ✔ **S.B. 97-218 (Rizzuto/Adkins): Funding of Child Welfare Services.** Caps the state's reimbursements to counties for the cost of providing child welfare services and authorizes counties to use capped allocation moneys without category restriction. Also authorizes counties to negotiate rates, services, and outcomes with providers. Creates the Child Welfare Allocations Committee to provide input to the Department regarding the calculation of counties' child welfare allocations.

<u>Child Care</u>

- ✔ **H.B. 07-1062 (Solano/Williams):** Replaces 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. Expands the existing 17 consolidated childcare pilot sites to additional sites, subject to available appropriation. Establishes procedures for stakeholders to apply to the Department of Human Services to become early childhood council sites; specifies required and optional representation on councils (from local government, health care, mental health care, childcare providers and parents, among others); specifies duties of councils including development of funding applications, local strategic plans to improve early childhood services, accountability measures and evaluations. Indicates that councils may apply for waivers of state rules that would prevent a council from implementing a project. Establishes the Colorado Early Childhood Council Advisory Team in the Office of the Lieutenant Governor. Requires a contracted evaluation of the early childhood council system no later than March 1, 2010. Requires the Office of the State Auditor to conduct a performance audit of the Colorado Child Care Assistance Program in the Department of Human Services beginning in FY 2007-08 with a report of findings and recommendations to the Legislative Audit Committee no later than December 30, 2008.

- ✔ **S.B. 06-45 (Williams/Solano):** Requires child care providers that are otherwise exempt from child care licensing requirements but receive fund through the Child Care Assistance Program (CCAP) to submit to background check requirements as a condition of receiving CCAP funding**.**

- ✔ **H.B. 05-1227 (Frangas/Entz): Licensing for Agencies that Facilitate Intercountry Adoptions.** Expands the definition of child placement agency (CPA) to include entities that facilitate placement for a fee, including agencies that facilitate intercountry adoptions. Consistent with this, authorizes the Department of Human Services to license federally-accredited agencies to make placements under the "Intercountry Adoption Act of 2000" and to charge a fee for that licensing.

- ✔ **H.B. 05-1238 (Hefley/S. Williams): School Readiness Quality Improvement.** Modifies, continues, and renames the previous School-readiness Child Care Subsidization Program that provides subsidies to child care centers located in the catchment area of low-performing schools. Subject to adequate ongoing federal funding, expands the program to any community with a low-performing school. Applications for subsidies are submitted by each community's Early Childhood Education Council, which may be formed for this purpose. Also expands the child care voluntary staff credentialing system statewide.

- ✔ **S.B. 03-37 (Nichol/Mitchell): County Funding for the Child Care Assistance Program.** Changes a county's required maintenance of effort for the Child Care Assistance Program so that by FY 2005-06 the ratio of required county spending to total state and federal funds will be the same for all counties. Specifies that the statewide county maintenance of effort required for each fiscal year shall be set in the annual Long Bill.

- ✔ **H.B. 03-1024 (Jahn/Chlouber): Child Care and Child Placement Agencies.** Requires the State Board of Human Services to promulgate rules that apply to foster care generally, regardless of whether such care is provided by a foster home that is certified by a county department of social services or by a child placement agency. Requires the Department of Human Services, within available appropriations, to monitor county department of social services' certification of foster homes on at least a quarterly basis.

- ✔ **S.B. 00-22 (Alexander/Tebedo): Inspections of Child Care Facilities.** Requires the Department to respond to and conduct an on-site investigation within 48 hours when it receives a serious complaint about a licensed child care facility alleging the immediate risk of health or safety of children cared for in such facility.

- ✔ **S.B. 97-120 (Coffman/C. Berry): Welfare Reform -- Colorado Works Program and Colorado Child Care Assistance Program.** Made multiple changes to public assistance programs in response to 1996 federal welfare reform legislation, including implementation of the Colorado Works program. Among various changes, established the Colorado Child Care Assistance Program in statute. Provided a block grant of state and federal funds to each county, and required each county to maintain a certain level of spending for the Child Care Assistance Program. Authorized counties to negotiate rates with child care providers.

Major Funding Changes FY 2006-07 to FY 2007-08

Action (Source)	**General Fund**	**Other Funds**	**Total Funds**	**Total FTE**
Executive Director's Office (Child Welfare-related Line Items Only)				
Records and reports staff increase (DI; CF)	$0	$61,326	**$61,326**	1.3
Salary and benefits adjustments (common policy)	20,270	14,060	**34,330**	0.0
Subtotal - Executive Director's Office (CW)	$20,270	$75,386	**$95,656**	1.3
Division of Child Welfare				
1.5 Percent COLA (common policy; CFE Medicaid & local, FF)	$2,832,762	$2,804,051	**$5,636,813**	0.0
Population increases (CFE Medicaid & local, FF)	1,661,450	2,028,812	**3,690,262**	0.0
Collab. management incentives (DI; CFE docket fees)	0	1,088,750	**1,088,750**	0.0
Leap year adjustment (CFE Medicaid and local)	364,605	130,472	**495,077**	0.0
S.B. 07-226 Compliance with Federal Child Placement Law (CFE background check fees and various, FF)	88,388	54,173	**142,561**	0.0
Annualize salary increases (common policy; FF)	28,953	25,782	**54,735**	0.0
Eliminate one-time funding (common policy; CFE, FF)	(31,879)	(25,889)	**(57,768)**	0.0
Base Reduction (common policy; CFE, FF)	(7,225)	(5,709)	**(12,934)**	0.0
Subtotal -Child Welfare	$4,937,054	$6,100,442	**$11,037,496**	0.0
Division of Child Care				
CCAP utilization - partially restore cut (JBC**;** of this restoration, $2.0 million then reduced by HB 07-1062; FF**)**	$2,500,000	$903,823	**$3,403,823**	0.0
H.B. 07-1062 Child Care Councils (adds $2.0 for CC Councils via equal CCAP cut; adds CFE double-count)	0	1,022,168	**1,022,168**	1.0
Annualize salary increases (com. pol.; licensing CF, FF)	44,231	44,777	**89,008**	0.0
CHATs system rebuild (DI; $8.5 million in Capital; FF)	0	73,924	**73,924**	0.0
1.5 percent COLA (common policy: FF CCDF)	0	27,053	**27,053**	0.0
Fund split adjustment (JBC; CF licensing fund)	(1,662)	1,662	**0**	0.0
Base reduction (common policy; primarily FF CCDF)	(9,949)	(10,523)	**(20,472)**	0.0
Annualize S.B. 06-45 (common policy; licensing CF)	0	(19,844)	**(19,844)**	(0.5)
Sunset provider loan program (common policy; FF)	0	(5,000)	**(5,000)**	0.0
Subtotal - Child Care	$2,532,620	$2,038,040	**$4,570,660**	0.5
TOTAL	**$7,489,944**	**$8,213,868**	**$15,703,812**	**1.8**

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
1A	**Office of Behavioral Health and Housing, Mental Health Institute- Pueblo** Provide staff and operating funds for new High Security Forensics Institute *[Sections 16-8-105 through 16-8-106 and 16-8-112, C.R.S.]*	$638,190	$0	$0	$0	$638,190	*$638,190*	5.1
1B	**Office of Operations** Provide facility operating funds for new high security forensic institute and heat plant expansion at the Colorado Mental Health Institute at Pueblo *[Section 27-1-104, C.R.S.]*	$764,363	$0	$0	$0	$764,363	*$764,363*	6.5
2	**Division of Youth Corrections, Community Programs** Increase funding due to population impacts on contract bed placements. *[Sections 19-2-402 and 403, C.R.S., require DYC to provide care and treatment to detained and committed youth. DYC is responsible for supervising youths on parole pursuant to Section 19-2-209, C.R.S.]*	1,718,738	0	41,208 *[Medicaid]*	0	1,759,946	*1,739,342*	0.0

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
3	**Division of Child Welfare, Child Welfare Services** Increase funding by 3.4 percent to cover the projected cost increases due to the anticipated growth in the state child / adolescent population. *[Sections 26-5-101 and 104, C.R.S.]*	6,449,386	0	2,350,210 *[Local funds[*	2,504,857 *[Title IV-E Social Security Act]*	11,304,453	*6,449,386*	0.0
3A	**Division of Youth Corrections, Community Programs** Increase funding for S.B. 91-94 programs in order to increase capacity. *[Sections 19-2-310, 1201, and 1203-1204 , C.R.S.]*	666,308	0	0	0	666,308	*666,308*	0.0

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
3B	**Division of Child Welfare and Division of Youth Corrections** Increase support for the Collaborative Management Program, which promotes interagency collaboration in services to children and families. Increase incentive funds for counties and provide 2.0 FTE for DYC program coordination. The impact of the request for areas covered in this briefing packet is shown in italics at right. *[Section 24-1.9-104, C.R.S.]*	122,372 *0*	0 *0*	500,000 *500,000* *[Performance-based Collaborative Management Incentive Cash Fund]*	0 *0*	622,372 *500,000*	*122,372* *0*	1.8 *0.0*
3C	**Division of Youth Corrections, Community Programs** Increase funding for the statewide expansion of the Functional Family Parole (FFP) program, which is currently being run as a pilot program. *[Section 19-2-1003 ,C.R.S.]*	359,062	0	0	0	359,062	*359,062*	1.8

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
4	**Services for People with Disabilities, Developmental Disability Services, Community Services** Provide comprehensive community-based residential services for an additional 151 adults for six months, including 45 individuals transitioning from foster care, 62 needing emergency placement, and 44 from the waiting list; provide adult supported living services (SLS) for an additional 28 youth aging out of the Children's Extensive Support (CES) waiver program. Request annualizes to $16.6 million ($7.4 million NGF) in FY 2009-10. *[Sections 27-10.5-101 through 106 and 25.5-6-401 through 411 C.R.S.]*	0	0	8,265,672 *[Medicaid]*	0	8,265,672	*3,670,651*	0.0
5	**Executive Director's Office** Increase funding to add five human resources staff to restore portions of staffing cuts made in FY 2003-04 and deal with increased departmental staffing size. *[Section 24-50-101, C.R.S.]*	91,371	7,817 *[Various Sources]*	37,618 *[Various Sources]*	107,622 *[Various Sources]*	244,428	*107,828*	5.0

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
6	**Services for People with Disabilities, Developmental Disability Services, Regional Centers** Convert Wheatridge regional center beds from the Medicaid waiver program to ICF/MR institutional placements for purposes of management and Medicaid billing. Also continue to increase staffing at regional centers as second year of multi-year plan to increase staffing intensity. Amount shown is annualized to $4.0 million ($1.9 million net General Fund) and 72.7 FTE in FY 2009-10) *[Sections 27-10.5-301 through 304 and 25.5-6-204 C.R.S.]*	$150,667	$0	$2,111,227 *[Medicaid]*	$0	$2,261,894	*$1,206,281*	40.4
7	**Office of Behavioral Health and Housing, Mental Health Institutes** Compression pay for nursing positions at the Colorado Mental Health Institutes, Pueblo and Fort Logan, to improve retention. *[Sections 27-13-103 and 27-15-103,*	1,006,095	0	0	0	1,006,095	*1,006,095*	0.0

Decision Item Priority List

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF [Source]	Total	*Net GF**	FTE
8	**Division of Child Welfare, Administration** Add 5.5 FTE to improve state oversight of the county-administered foster care program. Request annualizes to 6.0 FTE in FY 2009-10. *[Sections 26-1-108 (2); 26-1-111 (1) and (2) (b), (d), (h) and (q); 26-1-118 (1) and (2); 26-6-106.5; 19-3-406; and*	373,729	0	0	105,411 *[Title IV-E Social Security Act]*	479,140	*373,729*	5.5
9	**Office of Operations and Mental Health and Alcohol and Drug Abuse Services, Mental Health Institutes** Transfer linen contract from Office of Operations to Mental Health Institutes. *[Section 24-102-202 and 27-1-104, C.R.S.]*	0	0	0	0	0	*0*	0.0
10	**Office of Behavioral Health and Housing, Mental Health** Provide community mental health services to 966 additional clients *[Sections 27-1-203 and 27-1-204, C.R.S.]*	2,998,464	0	0	0	2,998,464	*2,998,464*	0.0

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
11	**Office of Information Technology Services** Increase funding to increase OIT staff that provide support to department and county clients. *[Section 26-1-105, C.R.S.]*	126,550	733 *[Old Age Pension*	16,410 *[Medicaid (from HCP&F) and various sources]*	24,432 *[Food Stamps and TANF]*	168,125	*129,826*	2.4
12	**Office of Operations** Increase FTE and spending authority for Buildings and Grounds Fund, which supports maintenace and repair of Human Services facilities and grounds rented by other state agencies and non-profit organizations. Request annualizes to $115,410 and 3.5 FTE in FY 2009-10] *[Section 25-1-118, C.R.S.]*	0	102,888 *[Building and Grounds Cash Fund]*	308,665 *[Building and Grounds Cash Fund reserves]*	0	411,553	*0*	3.5
13	**Office of Self Sufficiency** Increase funding to add 4.0 FTE to create a quality control unit that will provide oversight of county TANF programs *[Section 26-2-712, C.R.S.]*	0	0	0	235,542 *[TANF long-term reserves]*	235,542	*0*	4.0

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
14	**Executive Director's Office, Special Purpose, Colorado Commission for the Deaf and Hard of Hearing** Add 0.5 FTE and associated funding transferred from the Disabled Telephone Users Fund for a Telecommunications Equipment Distribution Program coordinator. *[Section 26-21-102 through 108, C.R.S.]*	0	0	31,116 *[Disabled Telephone Users Fund]*	0	31,116	*0*	0.5
15	**Office of Information Technology Services** Fund TANF-related changes to CBMS to support increased supervision of county operations. *[Section 26-2-712, C.R.S.]*	0	0	0	2,838,755 *[TANF long-term reserves]*	2,838,755	*0*	0.0
16	**Office of Self Sufficiency** Creates a new Promoting Responsible Fatherhood Grant line item with $222,222 GF. Offsets this with a corresponding GF reduction in County Block Grants, in turn offset by a corresponding increase in TANF funding for County Block Grants. *[Section 26-1-109, C.R.S., and 42 U.S.C. 603 (a) (2)]*	0	0	0	222,222 *[TANF long-term reserves]*	222,222	*0*	0.0

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Decision Item Priority List

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF [Source]	Total	*Net GF**	FTE
17	**Adult Assistance Programs** Increase in cash funds for the Old Age Pension program related to COLA increase. This request is informational, as OAP funding is continuously appropriated by the Colorado Constitution. *[Article XXIV, Constitution of the State of Colorado, Sections 26-2-111 (2) and 26-2-114, C.R.S.]*	0	3,420,600 *[Old Age Pension Fund]*	0	0	3,420,600	*0*	0.0
18	**Adult Assistance Programs** Increases the federal funds shown in the Community Services for the Elderly line item to reflect available federal funds. Requests an increase of $210,743 cash funds exempt funding needed to draw down the matching federal funds *[Section 26-11-207 (6), C.R.S.]*	0	0	210,743 *[Local Funds]*	1,004,271 *[Older Americans Act fund]*	1,215,014	*0*	0.0
19	**Office of Self Sufficiency** Allocates an additional $358,718 to the Colorado Refuge Services Program from the federal TANF block grant, bringing the total TANF funding in CRSP to $815,850. *[Section 26-2-703 (17.7), C.R.S.]*	0	0	0	358,718 *[TANF]*	358,718	*0*	0.0

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
20	**Division of Child Care** Add 1.0 FTE and associated funding to provide support for the Division of Child Care website. *[Sections 26-6-105, 26-6-106, and 26-6-108.5, C.R.S.]*	0	66,349 *[Child Care Licensing Cash Fund]*	0	0	66,349	*0*	1.0
NP-1	**Various** Provide a 1.35 percent cost of living adjustment (COLA) for all community providers. The impact of the request for areas covered in this briefing packet is shown in italics at right. *[Sections 26-1-108 and 111, C.R.S.; Section 26-1-201, C.R.S.; Sections 26-2-801 to 805, C.R.S.; Sections 26-6-101 to 107, C.R.S.]*	5,101,845 *$2,784,410*	939 *$0*	6,029,442 *$1,469,086* *[Medicaid (transfers from HCPF) and county funds]*	2,550,772 *$2,060,650* *[Title IV-E and Child Care Development Funds]*	13,682,998 *$6,314,146*	*7,449,528* *$3,019,820*	0.0 *0.0*
NP-2	**County Administration** Requests the Long Bill Division "County Administration" and the line item of the same name within the Division be renamed *[Sections 26-1-105 and 108, C.R.S.]*	0	0	0	0	0	*0*	0.0
DPA-1	**Office of Information Technology Services** Multiuse Network Payments *[Section 24-30-1104 (2), and 24-37.5-202,203, C.R.S.]*	161,324	2,645 *[Various Sources]*	21,157 *[Various Sources]*	79,340 *[Various Sources]*	264,466	*167,513*	0.0

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Decision Item Priority List

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF [Source]	Total	*Net GF**	FTE
DPA-2	**Office of Operations** Vehicle lease reconciliation and vehicle replacements *[Section 24-30-1104 (2), C.R.S.]*	(47,747)	1,626 *[Various sources]*	(34,568) *[Medicaid (transfers from HCP&F) and Various sources]*	6,146 *[Varioius sources]*	(74,543)	*(65,605)*	0.0
DPA-3	**Executive Director's Office** Workers' Compensation *[Section 24-50-101, C.R.S.]*	47,889	214 *[Various Sources]*	38,758 *[Various Sources]*	3,927 *[Various Sources]*	90,788	*61,478*	0.0
	Total Department Request	**$20,728,606**	**$3,603,811**	**$19,927,658**	**$10,042,015**	**$54,302,090**	***$27,844,811***	**77.5**
	Total for Shaded Items	**$9,607,525**	**$66,349**	**$4,319,296**	**$4,670,918**	**$18,664,088**	**$9,842,935**	**6.5**

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about 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 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Base Reduction Priority List

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF [Source]	Total	Net GF*	FTE
1	**Office of Self Sufficiency** Requests appropriation of two FTE to replace current contract resources that support the Child Support Enforcement web site. *[Section 26-13-102 and 103, C.R.S.]*	(38,142)	0	0	(74,041) *[Title IV-D of the Social Security Act]*	(112,183)	*(38,142)*	2.0
NP	**Division of Child Welfare** Reduce appropriation for Family and Children's Programs associated with reassignment of responsibilities to HCPF for administrative case management *[Sections 25.5-1-120 (1) and 24.75-106 (1), C.R.S.]*	($650,000)	$0	$0	$0	(650,000)	*($650,000)*	0.0
	Total Department Request	**($688,142)**	**$0**	**$0**	**($74,041)**	**($762,183)**	**($688,142)**	**2.0**
	Total for Shaded Items	**($650,000)**	**$0**	**$0**	**$0**	**($650,000)**	***($650,000)***	**0.0**

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about 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.

Requested Changes FY 2007-08 to FY 2008-09						
Description	**FTE**	**General Fund**	**Cash**	**Cash Exempt**	**Federal**	**Total**
Increase funding to Child Welfare block by 3.4 percent based on caseload-related cost increases *(DI #3).*	0.0	$6,449,386	$0	$2,350,210	$2,504,857	$11,304,453
1.35 percent community provider rate increase for Child Welfare and Child Care programs *(DI #NP-1).*	0.0	2,784,410	0	1,469,086	2,060,650	6,314,146
Increase funding for Collaborative Management Incentive Program that promotes local child welfare/DYC/judicial/mental health agency collaboration *(DI #3B).*	0.0	0	0	500,000	0	500,000
Add funding and FTE for the Division of Child Welfare to increase oversight of county foster care programs *(DI #8).*	5.5	363,016	0	0	102,390	465,406
Personal services adjustments (annualize salary survey, performance-based pay, employee PERA contribution, .02 percent base reduction). (*OSPB common policy*)	0.0	203,749	39,870	4,540	130,860	379,019
Add funding and FTE for Division of Child Care licensing website support *(DI #20).*	1.0	0	65,071	0	0	65,071
Child Welfare reduction associated with Department of Health Care Policy and Financing Decision Item #15*(BR #NP).*	0.0	(650,000)	0	0	0	(650,000)
Eliminate FY 2007-08 leap year funding *(common policy).*	0.0	(364,605)	0	(130,472)	0	(495,077)
Annualize 2007 session new legislation *(common policy).*	0.0	(65,465)	0	(31,961)	(30,366)	(127,792)
Net Change	**6.5**	**$8,720,491**	**$104,941**	**$4,161,403**	**$4,768,391**	**$17,755,226**

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests

DEPARTMENT OF HUMAN SERVICES
Executive Director: Karen Beye

(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. 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; and funding to support staff who conduct background/employment screenings using records and reports of child abuse or neglect. Cash funds are from fees paid by those requesting background/employment checks. *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 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
Administrative Review Unit	1,735,777	1,762,416	1,899,494	1,970,264	
FTE	19.3	20.2	22.2	22.2	
General Fund	1,058,290	1,033,073	1,160,911	1,208,326	
Federal Funds	677,487	729,343	738,583	761,938	
Records and Reports of Child Abuse or Neglect	336,256	489,962	556,108	568,169	
FTE	4.1	6.0	7.5	7.5	
Cash Funds	336,256	163,038	294,105	306,166	
Cash Funds Exempt	0	326,924	262,003	262,003	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Request v. Approp
TOTAL - (1) EXECUTIVE DIRECTOR'S OFFICE	2,072,033	2,252,378	2,455,602	2,538,433	3.4%
FTE	23.4	26.2	29.7	29.7	0.0
General Fund	1,058,290	1,033,073	1,160,911	1,208,326	4.1%
Cash Funds	336,256	163,038	294,105	306,166	4.1%
Cash Funds Exempt	0	326,924	262,003	262,003	0.0%
Federal Funds	677,487	729,343	738,583	761,938	3.2%
**Medicaid Cash Funds*	*0*	*0*	*0*	*0*	
**Net General Fund*	*1,058,290*	*1,033,073*	*1,160,911*	*1,208,326*	4.1%

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	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	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 lso supports training for county and state staff, direct care service providers (e.g. foster parents), and court personnel. Cash funds exempt sources include Medicaid funds transferred from the Department of Health Care Policy and Financing, 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).

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
Administration	2,183,224	2,281,207	2,350,900	2,906,961	DI #8
FTE	23.8	25.1	26.0	31.5	
General Fund	1,434,560	1,481,349	1,538,950	1,960,868	
Cash Funds Exempt	98,457	124,326	127,485	132,025	
Federal Funds	650,207	675,532	684,465	814,068	
**Medicaid Cash Funds*	*98,457*	*128,349*	*127,485*	*132,205*	
**Net General Fund*	*1,483,789*	*1,545,524*	*1,691,081*	*2,113,269*	
Training	4,810,582	4,810,715	4,928,419	4,928,419	
General Fund	2,238,994	2,210,044	2,295,012	2,295,012	
Cash Funds Exempt	38,834	37,230	37,230	37,230	
Federal Funds	2,532,754	2,563,441	2,596,177	2,596,177	
Foster and Adoptive Parent Recruitment, Training, and Support	303,658	298,396	330,685	333,995	
FTE	1.0	1.0	1.0	1.0	
General Fund	242,949	232,522	264,567	267,215	
Federal Funds	60,709	65,874	66,118	66,780	
Child Welfare Services	310,244,917	318,923,705	337,351,314	352,633,237	DIs #3, NP-1
General Fund [a/]	110,824,383	156,513,669	152,107,575	160,195,157	
Cash Funds Exempt [b/]	113,450,736	68,020,139	88,351,854	91,748,003	
Federal Funds [c/]	85,969,798	94,389,897	96,891,885	100,690,077	
**Medicaid Cash Funds*	*64,703,843*	*16,074,967*	*34,875,613*	*35,307,114*	
**Net General Fund*	*143,176,305*	*164,551,152*	*169,545,382*	*177,848,713*	

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
Excess Federal Title IV-E Distributions for Related County Administrative Functions - Cash Funds Exempt	1,632,000	1,685,040	1,710,316	1,710,316	DI #NP-1
Excess Federal Title IV-E Reimbursements - Cash Funds Exempt	6,168,000	5,929,152	5,929,152	6,009,196	DI #NP-1
Family and Children's Programs	45,281,760	44,131,490	45,055,425	45,013,673	DI #NP-1, BR #NP
FTE	0.0	0.0	0.0	0.0	
General Fund	36,881,888	37,051,314	37,857,021	37,718,091	
Cash Funds Exempt [d/]	6,376,591	5,049,139	5,136,901	5,206,249	
Federal Funds	2,023,281	2,031,037	2,061,503	2,089,333	
**Medicaid Cash Funds*	*1,350,212*	*0*	0	*0*	
**Net General Fund*	*37,556,994*	*37,051,314*	37,857,021	*38,368,091*	
Performance-based Collaborative Management Incentives - Cash Funds Exempt	550,000	2,075,000	3,188,750	3,688,750	DI #3B
Integrated Care Management Program - Cash Funds Exempt	1,650,000	0	0	0	
Independent Living Programs - Federal Funds	2,388,602	2,899,637	2,826,582	2,826,582	
Promoting Safe and Stable Familiy Programs	4,338,469	4,659,067	4,449,912	4,458,102	
FTE	1.9	2.0	2.0	2.0	
General Fund	44,983	46,089	48,573	50,621	
Cash Funds Exempt	1,121,753	1,064,160	1,064,160	1,064,160	
Federal Funds	3,171,733	3,548,818	3,337,179	3,343,321	
Federal Child Abuse Prevention and Treatment Act Grant - Federal Funds	374,085	347,977	908,201	914,933	
FTE	2.8	2.0	3.0	3.0	

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
					Request v. Approp
TOTAL - (5) CHILD WELFARE	379,925,297	388,041,386	409,029,656	425,424,164	4.0%
FTE	29.5	30.1	32.0	37.5	5.5
General Fund	151,667,757	197,534,987	194,111,698	202,486,964	4.3%
Cash Funds	0	0	0	0	
Cash Funds Exempt	131,086,371	83,984,186	105,545,848	109,595,929	3.8%
Federal Funds	97,171,169	106,522,213	109,372,110	113,341,271	3.6%
**Medicaid Cash Funds*	*66,152,512*	*16,203,316*	*35,003,098*	*35,439,319*	1.2%
**Net General Fund*	*184,744,014*	*205,636,645*	*211,701,636*	*220,942,921*	4.4%

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. 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.

(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. Cash funds exempt sources reflect county tax revenues.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
Child Care Licensing and Administration	5,936,175	6,199,918	6,295,696	6,564,894	DIs #20, NP-1
FTE	57.8	59.7	63.0	64.0	
General Fund	2,184,368	2,322,605	2,275,147	2,367,883	
Cash Funds (fees and fines)	584,447	472,330	710,008	802,888	
Cash Funds Exempt (fees and fines)	0	0	0	0	
Federal Funds (CCDF and Title IV-E)	3,167,360	3,404,983	3,310,541	3,394,123	
Fines Assessed Against Licensees - (CF)	30,218	0	18,000	18,000	
Child Care Licensing System Upgrade Project (Federal Funds - CCDF)	490,550	0	0	0	
Child Care Assistance Program Automated System Replacement (FF-CCDF)	0	0	73,924	73,924	

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
Child Care Assistance Program (a)	74,927,197	73,435,733	76,098,619	77,153,548	DI #NP-1
General Fund	15,021,716	13,755,029	15,354,221	15,575,302	
Cash Funds Exempt (local funds)	9,186,572	9,184,636	9,431,793	9,559,122	
Federal Funds (CCDF and Title XX)	50,718,909	50,496,068	51,312,605	52,019,124	
Child Care Assistance Program expenditures using TANF transfers out of Works Program County Block Grants and County Reserve Accounts - (FF) (b)	1,372,522	865,885		Not appropriated; see note a/ below	
Short-term Works Emergency Fund - (FF)	0				
Subtotal: Child Care Assistance Program expenditures, including all TANF transfers and allocations from the Short-term Works Emergency Fund for child care needs	76,299,719	74,301,618			
Grants to Improve Quality and Availability of Child Care - (FF - CCDF)	293,714	298,856	0	0	
Federal Discretionary Child Care Funds Earmarked for Certain Purposes - (FF -CCDF)	3,872,535	3,138,722	0	0	
Grants to Improve the Quality and Availability of Child Care and to Comply with Federal Earmark Requirements (FF-CCDF)	n/a		3,473,633	3,473,633	
Early Childhood Councils Cash Fund - General Fund	n/a		1,022,168	1,006,161	

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
Early Childhood Councils [formerly Pilot for Community Consolidated Child Care Services]	972,538	972,438	3,016,775	2,984,761	
FTE	0	0	1.0	1.0	
General Fund	0	0	0	0	
Cash Funds Exempt (Early Childhood Councils Cash Fund)	0	0	1,022,168	1,006,161	
Federal Funds (CCDF)	972,538	972,438	1,994,607	1,978,600	
Early Childhood Professional Loan Repayment Program - (FF - CCDF)	3,000	1,000	0	0	
School-readiness Quality Improvement Program *[formerly School-readiness Child Care Subsidization Program]* - (FF - CCDF)	2,170,791	2,213,630	2,226,096	2,227,877	
FTE	0.6	0.8	1.0	1.0	
Early Childhool School Readiness Commission - CFE	0	0	0	0	
					Request v. Approp
(6) TOTAL - DIVISION OF CHILD CARE	88,696,718	86,260,297	92,224,911	93,502,798	1.4%
FTE	58.4	60.5	65.0	66.0	1.0
General Fund	17,206,084	16,077,634	18,651,536	18,949,346	1.6%
Cash Funds	614,665	472,330	728,008	820,888	12.8%
Cash Funds Exempt	9,186,572	9,184,636	10,453,961	10,565,283	1.1%
Federal Funds	61,689,397	60,525,697	62,391,406	63,167,281	1.2%

a/ For FY 2006-07, the Department transferred $1.0 million of Title XX Social Security Block Grant Funds from this line item to the Division of Child Welfare. It also transferred $303,400 to Child Care Licensing and Administration. This eliminated a reversion and effectively forced some county expenditure of TANF transfer funds.

b/ Staff has reflected the actual expenditure of federal TANF funds that were transferred from County Block Grants or from County Reserve Accounts (both associated with the Works Program) to federal Child Care Development Funds in order to cover county expenditures related to child care.

Department of Human Services: Division of Child Welfare and Child Care

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 Request	Change Requests
					Request v. Approp
TOTAL - HUMAN SERVICES - CHILD CARE AND CHILD WELFARE (INCLUDING EDO CHILD WELFARE LINE ITEMS)	470,694,048	476,554,061	503,710,169	521,465,395	3.5%
FTE	111.3	116.8	126.7	133.2	6.5
General Fund	169,932,131	214,645,694	213,924,145	222,644,636	4.1%
Cash Funds	950,921	635,368	1,022,113	1,127,054	10.3%
Cash Funds Exempt	140,272,943	93,495,746	116,261,812	120,423,215	3.6%
Federal Funds	159,538,053	167,777,253	172,502,099	177,270,490	2.8%
**Medicaid Cash Funds*	*66,152,512*	*16,203,316*	*35,003,098*	*35,439,319*	1.2%
**Net General Fund*	*185,802,304*	*206,669,718*	*212,862,547*	*222,151,247*	4.4%

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. 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 abov plus the General Fund transferred as part of Medicaid.

FY 2007-08 LONG BILL FOOTNOTE UPDATE

55 **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.

Comment: The Department is in compliance with this footnote and has annually transferred moneys when necessary. The following table details transfers that have occurred in the last three fiscal years.

Transfers of General Fund and Federal Funds (Title IV-E) Spending Authority Among Division of Child Welfare Line Items

Line Item	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Administration	$0	($144,539)	($55,613)	($39,318)
Training	0	(99,902)	(119,441)	(84,968)
Foster and Adoptive Parent Recruitment, Training, and Support	(77,593)	(39,582)	(23,378)	(31,070)
Child Welfare Services	3,572,837	561,228	(804,665)	166,148
Family and Children's Programs	(3,451,957)	(285,925)	1,003,097	(10,792)
Expedited Permanency Planning Project	(43,286)	8,720	0	0
Net Transfers	$0	$0	$0	$0

56 **Department of Human Services, Division of Child Welfare** -- The Department is requested to provide to the Joint Budget Committee, by November 1, 2007, 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: *This footnote was initially vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. However, the Governor indicated that he would instruct the Department to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services.*

The Department provided a report on November 1, 2007. The Long Bill appropriation for Child Welfare Services does not reflect the *gross* amount of payments anticipated to be paid to out-of-home care providers. Instead, the gross payments are reduced by the amount of revenue counties collect through various sources and the appropriation simply reflects the *net* amount of county, state, and federal funds anticipated to be paid to providers. This footnote requests that the Department annually report information regarding these other revenue sources. The information provided by the Department is detailed in the following table.

Payments to Service Providers From Non-Appropriated Revenue Sources				
Description	**FY 03-04**	**FY 04-05**	**FY 05-06**	**FY 06-07**
Parental Fees	$4,152,335	$3,870,659	$3,828,619	$3,515,732
Federal Supplemental Security Income (SSI)	3,260,585	3,485,781	3,588,002	3,658,661
Child Support	2,115,948	2,085,761	2,349,991	2,263,407
Federal Social Security Death Benefit (SSA)	1,000,899	1,063,882	1,395,175	1,370,546
Provider Recovery	274,639	254,795	128,644	140,088
Federal Social Security Disability Income (SSDI)	212,352	178,166	173,843	143,058
Other	108,811	55,772	228,956	99,699
Total Offsets	$11,125,569	$10,994,816	$11,693,230	$11,191,191

Staff notes that the "Other" category above includes offsets for veteran's benefits, medical adjustments, and miscellaneous items.

57 **Department of Human Services, Division of Child Welfare** -- The Department is requested to report on a proposal for a rate-setting process consistent with Medicaid requirements for providers of residential treatment services in the state of Colorado. It is anticipated that counties and the provider community will participate in the actual development of the rate-setting process. The Department is requested to report to the Joint Budget Committee on or before January 1, 2008, on a range for reimbursement for residential treatment services that represents a base-treatment rate for serving a child who is subject to out-of-home placement. The base-treatment rate is anticipated to be based on a defined service package to meet the needs of the child. The Department is requested to include recommendations for a two- or three-year implementation plan for the proposed rate structure.

Comment: *This footnote was initially vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; (2) it constitutes substantive legislation; and (3) H.B. 07-1025, which was signed into law, serves the same function as this footnote, thus rendering it redundant. Nonetheless, the Department was instructed to comply to the* *extent required by H.B. 07-1025. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services.*

House Bill 07-1025 included a variety of provisions regarding rate setting. These included:

1. Modifications to Section 26-5-104, C.R.S. [concerning overall funding of child welfare services] to require the Department of Human Services to promulgate rules governing the methodology by which counties may negotiate rates, services, and outcomes with licensed providers by January 1, 2008; to require counties to incorporate provider rate increases provided by the General Assembly in rate negotiations with providers; and to require the Department to review the methodologies by which counties negotiate rates, services and outcomes with providers by July 1, 2008 and July 1 of every even-numbered year thereafter.

2. Modifications to Section 25.5-4-106, C.R.S. [concerning Medicaid rate setting for residential treatment providers] and Section 26-1-132, C.R.S. [concerning Department of Human Services rate setting for residential treatment providers] to specify that reimbursement rates for residential service providers shall include a defined service package to meet the needs of the child, that a new approved rate setting process shall be implemented beginning FY 2008-09 (rather than FY 2007-08), and that a report on the rate setting process shall be submitted to the Joint Budget Committee by January 1, 2008.

The Department of Human Services indicates that it changed the methodology used to calculated reimbursement rates for residential services beginning FY 2007-08. Medicaid rates for providers are set by the State; for other residential rates (room and board) counties may either use rates set by the Department of Human Services or negotiate such rates, subject to approval by the Department. Nonetheless, many counties use the Department-set rates. In the past, state-established rates were based on provider cost reports, and there were large disparities among providers. The Department's new methodology, known as the "Rates Equity Model", is based on the following principles: the process will be equitable across providers; it needs to be realistic from a budget perspective/within the budget; it becomes market-driven over time; it allows for counties to negotiate according to the children's needs; and it is transparent and understandable.

To develop the rates model, an average was computed across all providers from rates currently in Trails, paid out through the Colorado Financial Management System for Therapeutic Residential Child Care Facility Payments (TRCCFs). The rates were taken directly from FY 2006-07 Trails payments for base anchor rates or negotiated rates and then adjusted for the FY 2007-08 community provider cost of living adjustment of 1.5 percent.

The FY 2007-08 TRCCF base anchor rates in Trails, as developed by the equity model, are as follows: (1) the average is $170.58 per day; (2) the median is $175.39 per day; (3) the standard deviation is $11.82. Of the 64 TRCCF providers, only five received a decrease from the change in methodology. Based on data from the first six months of FY 2007-08, there appears to be very little negotiation (approximately 5 percent) outside the new base anchor rates derived from the equity model. Please note that these reflect the non-Medicaid rate components.

58 **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, 2007, information concerning actual expenditures for the last two fiscal years for services that are now funded through this consolidated line item. 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: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. However, the Governor indicated that he would instruct the Department to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services.*

The Department provided a report on November 1, 2007. As indicated in the table below, annual expenditures for program services (a category that encompasses county-administered services and county administration) increased by 14.7 percent in FY 2006-07. Expenditures for subsidized adoption increased by 3.7 percent during the same fiscal year. However, out-of-home placement care expenditures for FY 2006-07 increased by just 0.3 percent.

Child Welfare Expenditures and Caseloads: FY 2004-05 through FY 2006-07

Description	Cost Per Case - Small and Mid-sized Counties	Cost Per Case - 10 Large Counties	Annual Expenditures
Program Services			
FY 2004-05	$3,332	$3,099	$123,267,880
FY 2005-06	3,004	2,812	135,258,521
Percent Change FY 05 to	*-9.8%*	*-9.3%*	*9.7%*
FY 2006-07	$3,838	$4,237	$155,110,458
Percent Change FY 06 to	*27.8%*	*50.7%*	*14.7%*

Child Welfare Expenditures and Caseloads: FY 2004-05 through FY 2006-07			
Description	Average Daily Cost Per Child - Small and Mid-sized Counties	Average Daily Cost Per Child - 10 Large Counties	Annual Expenditures
Out-of-Home Placement			
FY 2004-05	$65.99	$60.17	$135,971,686
FY 2005-06	60.11	56.31	129,851,094
Percent Change FY 05 to	*-8.9%*	*-6.4%*	*-4.5%*
FY 2006-07	*$65.68*	*$59.64*	*$130,260,933*
Percent Change FY 06 to	*9.3%*	*5.9%*	*0.3%*
Description	Average Daily Cost Per Child - Small and Mid-sized Counties	Average Daily Cost Per Child - 10 Large Counties	Annual Expenditures
Subsidized Adoption			
FY 2004-05	$14.89	$15.19	$40,876,335
FY 2005-06	14.08	14.69	41,264,647
Percent Change FY 05 to	*-5.4%*	*-3.3%*	*1.0%*
FY 2006-07	$14.52	$14.61	$42,773,976
Percent Change FY 06 to	*3.1%*	*-0.5%*	*3.7%*

59 **Department of Human Services, Division of Child Welfare, Child Welfare Services** -- Pursuant to section 26-5-104 (6), C.R.S., counties are authorized to negotiate rates, services, and outcomes with child welfare service providers and are thus not required to provide a specific rate increase for any individual provider. This provision does not apply, however, to Medicaid treatment rates. The funding appropriated for this line item includes an increase of $4,930,846 based on a 1.5 percent increase in funding for county staff salaries and benefits and a 1.5 percent increase in community provider rates and Medicaid treatment rates. The purpose of this increase is to provide counties and tribes with additional funds to increase community provider rates and to pay for increases in Medicaid treatment rates.

Comment: Per the intent of the General Assembly, the Department of Human Services implemented a 1.50 percent provider rate increase effective July 1, 2007. Rates for Medicaid treatment are active throughout the state fiscal year and are set by the Department of Human Services each year, usually near the beginning of the new fiscal year.

59a **Department of Human Services, Division of Child Welfare, Child Welfare Services** -- The Department is requested to provide a report to the Joint Budget

Committee and the House and Senate Health and Human Services Committees by November 1, 2007, that includes an explanation of the allocation formula created pursuant to Section 26-5-104, C.R.S., by which state funds are allocated to counties. The report is also requested to include a description of those components that relate to county payments to entities that provide services to children in the custody of county departments of human services.

Comment: The Department provided the requested report. The report includes a brief description of the Child Welfare Allocation model. As discussed elsewhere in this briefing packet, the allocation model currently includes the following components: referrals per 1,000 child/adolescent population, assessments as a percentage of child/adolescent referrals, total new involvement as percentage of assessments, out of home as a percentage of open involvements, average days per year for out of home open involvements, average cost per day for all out of home, program services costs per open involvement, and average cost per child/adolescent per day for adoption. The model allocates resources among counties based on actual county-by county data for each variable and the desired range for each variable.

The report also included data on FY 2006-07 expenditures for those allocation model components that relate to county payments to entities that provide services to children in the county's care. The report indicates that 15,409 children were served out of home for a total of 2,083,742 days of services at a total cost of $136,064,980. This includes costs for services provided by child placement agencies, group homes, residential facilities, and foster homes, including kinship care.

60 **Department of Human Services, Division of Child Welfare, Excess Federal Title IV-E Reimbursements** -- Section 26-1-111 (2) (d) (II) (C), C.R.S., authorizes the General Assembly to annually appropriate moneys in the Excess Federal Title IV-E Reimbursements Cash Fund to the Department of Human Services for allocation to the counties for the provision of assistance, child care assistance, social services, and child welfare services. This provision also authorizes the General Assembly to specify, in the annual appropriations act, that counties shall expend such moneys in a manner that will be applied toward the state's maintenance of historic effort as specified in section 409 (a) (7) of the federal Social Security Act, as amended. Pursuant to this statutory authority, the General Assembly hereby specifies that counties shall expend $1,000,000 of the moneys received through this line item appropriation for FY 2007-08 in a manner that will be applied toward the state's maintenance of historic effort related to the federal Temporary Assistance for Needy Families program.

Comment: This footnote was included in the Long Bill because, at the time of FY 2007-08 figure setting, it appeared that total Temporary Assistance for Needy Families (TANF) maintenance of effort (MOE) would be below a threshold the Joint Budget Committee considered appropriate. To account for this, the JBC, through the provisions available to it in Section 26-1-111 (2) (d) (II) (C), C.R.S., required counties to expend $1.0 million of their excess Title IV-E reimbursements on TANF MOE eligible expenditures.

61 **Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- It is requested that $4,028,299 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 footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. The Governor instructed the Department to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services.*

In the Spring of 2003, when staff presented FY 2003-04 funding recommendations for child welfare programs to the Committee, staff included a discussion of adolescents, a population that is relatively expensive to serve through the child welfare system. At that time staff recommended that the General Assembly earmark $1.5 million of the General Fund increase provided for FY 2003-04 to cover child welfare caseload increases to assist counties in serving adolescents in home- and community-based settings. The objective was to help counties avoid or reduce the length of stay in costly out-of-home placements, when appropriate. The Committee, and ultimately the General Assembly, approved this approach. Subsequently, the General Assembly earmarked another $1.5 million of the General Fund increase provided for FY 2004-05 for this same purpose, and an additional $750,000 was allocated for FY 2005-06. As of January 1, 2006, the total awarded for evidence- based services to adolescents was approximately $3.95 million. This footnote was included in the Long Bill to specify the legislative intent associated with a portion of the funding increase. A 1.5 percent provider rate increase for FY 2007-08 increased the $3.95 million appropriation to the current amount of $4,028,299.

Background Information Concerning Adolescents. In Colorado, youths between the ages of 10 and 17 who have been adjudicated on a delinquency petition and require residential placement out of the home can be served through either the child welfare system or the Division of Youth Corrections. The Judicial Branch makes the determination, on a case-by-case basis, which system is appropriate for the youth. In addition, county departments of social services are required to provide services to youths who have run away from home or are otherwise beyond the control of their parent or guardian (and are thus determined to be neglected or dependent). Once a youth is placed in the custody of the Division of Youth Corrections, oversight by the court regarding placement and treatment decisions ends. In contrast, when a youth is sentenced to placement through a county department of human services as a condition of probation, the court maintains oversight thereafter to determine whether placement should continue, whether reasonable efforts have been made to return the youth home, whether there has been compliance with the youth's case plan, etc.

Studies that have been conducted to date indicate that the youths served by both systems are more similar than dissimilar. In general, however, youths committed to the Division of Youth Corrections are older, are more likely to be male and minority, and are more likely to have committed a major property offense. Although there have historically been significant limitations on data concerning the number and characteristics of delinquents served through the child welfare system, it appears that a significantly greater number of delinquents are served through the child welfare system than through the Division of Youth Corrections. For example, a December 2001 report estimated about 2,400 delinquents were being served through the child welfare system while about 770 juveniles were committed to the Division of Youth Corrections -- a greater than three-to-one ratio. Proposals to modify the way that Colorado serves this population have generally involved either limiting Judicial discretion to make specific placement, treatment, and case management decisions for youths involved in the child welfare system, or improving the collaboration between the two systems.

Another study demonstrated a link between the two systems that should be noted. A 1994 study conducted by the Child Welfare League of America found that 1.4 percent of children ages nine to 12 in Sacramento County, California, had been referred to the child welfare system at least once for an investigation of child mistreatment; this 1.4 percent of children, however, accounted for half of all arrests for that age group.[1] The report that summarizes the results of the Child Welfare League of America study underscores the importance of coordinating services among agencies (including the education and mental health systems). In addition, this study recommends supporting intensive early childhood intervention programs, as well as structuring systems and funding sources associated with services for older youths, to: (1) encourage agencies to serve youths in their homes and communities whenever possible; (2) reduce unnecessary placements of delinquents to group homes and residential treatment centers; and (3) discourage the commitment of non-dangerous youths to state correctional facilities.

Department Actions to Date. In the initial year, the Department received 25 applications from 26 counties (some counties submitted joint applications). Over the last three years, the Department has received 47 applications from 33 counties. This year, six applications were not awarded funds due to a lack of available funds. To apply, counties need to follow the conditions stated below:

- The additional funds must be in their Core Plan under County Design and all appropriate forms must be submitted.
- Each county must put forward a 20% share in order to utilize the additional funds, as the funds have been allocated as 80/20 funds.
- The services offered must be evidenced-based services for adolescents.

All applications are reviewed and evaluated by a committee established by the Department. The committee includes staff from the state divisions of child welfare, alcohol and drug abuse, and the Colorado Works Program, as well as representatives from local juvenile diversion programs and

[1]Richard A. Mendel, *Less Hype, More Help: Reducing Juvenile Crime, What Works -- and What Doesn't* (American Youth Policy Forum: Washington D.C.).

providers. The following table details the Department's allocation of the $4.0 million earmarked to date.

Allocation of Funding Earmarked for Community-based Services for Adolescents		
County Department(s)	**Amount Awarded**	**Program**
Adams	$288,569	Youth intervention program
Alamosa	62,893	Mentoring
Arapahoe	562,902	Multi-systemic therapy
Archuleta	82,729	Moral recognition therapy and responsibility training
Broomfield	55,869	Multi-systemic therapy
Chaffee	96,696	Mentoring
Conejos	61,513	Mentoring
Costilla	38,930	Mentoring
Denver	222,830	Multi-systemic therapy and strengthening families
Elbert	154,714	Multi-systemic therapy
El Paso	244,964	Multi-systemic therapy
Fremont	91,617	Functional family therapy
Garfield	22,095	Adolescent mediation services
Gunnison / Hinsdale	38,607	Functional family therapy
Huerfano	11,762	Reconnecting youth
Jefferson	418,523	Multi-systemic therapy and team decision-making
Kit Carson	19,339	Functional family therapy
La Plata / San Juan / Montezuma / Dolores / Archuleta	309,590	Multi-systemic therapy and adolescent dialectical behavioral therapy
Larimer	193,925	National Youth Program Using Mini-bikes and family group conferencing
Mesa	286,229	Rapid response and day treatment for adolescents
Montrose	64,034	Multi-systemic therapy
Pueblo	179,907	Youth outreach
Summit	21,488	Mentor-supported substance abuse treatment
Teller	113,457	Multi-systemic therapy
Weld	385,117	Reconnecting youth
TOTAL	$4,028,298	

62 **Department of Human Services, Division of Child Welfare, Family and Children's Programs** -- Pursuant to section 26-5-104 (6), C.R.S., counties are authorized to negotiate rates, services, and outcomes with child welfare service providers and are thus not required to provide a specific rate increase for any individual provider. The funding appropriated for this line item includes an increase of $680,691 based on a 1.5 percent increase in funding that is allocated to counties and tribes. The purpose of this increase is to provide counties and tribes with additional funds to increase rates paid to community providers.

Comment: Per the intent of the General Assembly, the Department of Human Services implemented a 1.50 percent provider rate increase effective July 1, 2007. Rates for Medicaid treatment are active throughout the state fiscal year and are set by the Department of Human Services each year, usually near the beginning of the new fiscal year.

63 **Department of Human Services, Division of Child Care, Child Care Assistance Program Automated System Replacement; and Capital Construction, Department of Human Services, Division of Child Care, Capital Construction, Child Care Assistance Tracking System** -- 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 footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. The Governor instructed the Department to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services.*

The Department reported the following:

- The steering committee is currently being formed, to be seated by November 30, 2007 at the latest. The Division is seeking participation of a county commissioner, a county human services director, and at least one user of the system to be seated, along with other members identified by the Department.

- The requirement for piloting the system will be met in FY 2008-09 at the time that the system has been developed and tested to the point of piloting.

- The Department anticipates that the steering committee will bring the recommendation of "go/no go" to the Executive Director at the time that they system needs that decision made.

- The Division will comply with the requirement that ongoing costs of maintenance and administration will be covered through savings or reductions to the child care subsidy program at the time of implementation in FY 2009-10 and forward.

89 **Department of Human Services, Totals** -- The General Assembly requests that the Executive Director of the Department 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 year 2006-07: (a) The total amount of federal funds available to Colorado, including funds rolled forward from previous state fiscal years; (b) the amount of federal funds expended, by Long Bill line item; (c) the amount of funds expended, by Long Bill line item where applicable, that were reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; (d) a demonstration that the information provided in the report is consistent with related financial information reported to the federal government; (e) the amount of funds expended that met the four percent federal requirement related to quality activities; and (f) the amount of funds expended that met earmark requirements. In addition, the report should include the following information related to federal Child Care Development Funds for state fiscal years 2007-08 and 2008-09 : (a) The total amount of federal funds estimated to be available to Colorado, including a break out of new allocations and funds rolled forward from previous state fiscal years, and the federal classification of all such funds as mandatory, matching or discretionary; (b) the amount of federal funds estimated and requested to be expended, by Long Bill line item; (c) the amount of state or local expenditures that are anticipated to be required to comply with federal maintenance of effort and matching requirements; (d) the amount of funds estimated to be expended, by Long Bill line item where applicable, that are anticipated to be reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; (e) the amount of funds estimated to be required to comply with federal earmark and four percent quality requirements; and (f) estimated and requested expenditures, by line item, anticipated to be used to comply with federal earmark and four percent quality requirements.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. The Governor instructed the Department to comply to the extent feasible. After the General Assembly overrode all Long Bill vetoes, the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly implicitly identified this as a footnote that can be adhered to without adversely impacting the operation of the executive branch or the delivery of government services.*

The Department submitted the requested report. The table below reflects the requested appropriation by Department of Human Services' division.

Long Bill Section and Line Items	SFY 2009 Requested CCDF Funds
Executive Director's Office - Personal Services	$280,000
Office of Self Sufficiency - Electronic Benefits Transfer Service	35,575

Long Bill Section and Line Items	SFY 2009 Requested CCDF Funds
Information Technology Services - Personal Services/Operating/ Colorado Trails	531,709
Division of Child Care	
Child Care Licensing and Administration	3,394,123
CHATS System Replacement operating	73,924
Child Care Assistance Program (CCAP)	51,019,124
Earmark and special purpose line items (see numbers pages)	7,680,110
Subtotal - Division of Child Care	$62,167,281
Total Request*	$63,014,565

The table below reflects the total estimated CCDF funds *available* by category and actual, estimated, and requested *expenditures*. As reflected in the table, the Department's CCDF fund balance is being spent down.

Child Care Development Funds - Available and Expenditures			
	FY 2006-07 Actual	FY 2007-08 Estimate	FY 2008-09 Request
Funds Available			
CCDF Fund Balance	$16,265,788	$18,140,036	$8,980,693
New Annual CCDF Award	$61,254,876	$61,450,620	$61,450,622
Total Funds Available	$77,520,664	$79,590,656	$70,431,315
Mandatory Funds	$10,504,266	$10,173,800	$10,173,800
Discretionary Funds	34,210,799	35,717,721	26,558,380
Matching Funds	32,805,599	33,699,135	33,699,135
Expenditures	$59,380,628	$70,609,963	$63,014,565
Difference (balance to roll forward)	$18,140,036	$8,980,693	$7,416,750

The Department also provided information indicating that its 4.0 percent quality requirement for FY 2006-07 was exceeded (expenditures of $7.7 million compared to a requirement of $2.7 million). The Department estimates that the *maximum* 4.0 percent quality requirement that could be needed for FY 2007-08 and FY 2008-09 is $4,742,761 (assumes full expenditure of the maximum transfer to CCDF from TANF, which has not occurred in recent years). Quality expenditures for these two years are currently projected to be at least $7,080,686 (staff note: this amount is $1.0 million greater if Child Care Council amounts are fully included).

The Department also provided information indicating that open earmarks in FY 2006-07 were projected at $3,161,809 and actual expenditures were $2,442,591, suggesting that the State may not be fully meeting its obligations. For FY 2007-08, open earmarks are projected at $3,161,109 and the Department estimates spending at $2,938,562. For FY 2008-09, open earmarks are projected at $3,603,633, while estimated spending is $3,708,627.

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Child Care

ISSUE:

Funding for the Division of Child Care and Child Care Subsidies

SUMMARY:

- ❑ The majority of the state's child care budget is allocated to the Colorado Child Care Assistance Program (CCAP), which provides child care subsidies for low income Colorado families and those transitioning from the Colorado Works program. Funding for this program comes largely from federal Child Care Development Funds (CCDF). These federal funds may be appropriated by the General Assembly consistent with federal rules and regulations governing the funds.

- ❑ The CCAP program is administered by counties, which are responsible for establishing local eligibility for the program and setting provider reimbursements in their geographic area. Counties may also, at their option, transfer funds from the Temporary Assistance to Needy Families (TANF) block grant to their CCDF block grant allocations.

- ❑ The program has a significant history of rapid program expansion, followed by rapid program contraction when counties have become concerned about their spending levels or funds availability. Since FY 2001-02 enrollment the program has plummeted, based on county eligibility restrictions. In FY 2006-07, expenditures fell so low that substantial negative supplementals and Executive budget action was required to avoid reversions. In response, counties are again rapidly expanding eligibility.

- ❑ Staff believes a number of key program parameters–notably program eligibility–should be set at the State–rather than county–level. Staff believes this might help to improve the fiscal stability of the program and would also help address issues of statewide access and equity.

RECOMMENDATION:

Staff recommends that the Committee discuss with the Department the options and implications of increasing state control over the basic parameters of the Colorado Child Care Assistance Program, as well as other questions outlined in this briefing issue.

DISCUSSION:

State Funding for Child Care

There are five sources of funding for state child care programs in Colorado. For FY 2007-08, the $92.2 million appropriation is comprised of federal Child Care Development Funds (67.7%), state General Fund (20.2%), local county match (11.3%), and licensing fees from child care facilities (0.8%). Historically, transfers of Temporary Assistance to Needy Families (TANF) funds that are authorized by counties (but are not appropriated in this part of the budget) have also been a major funding source for child care subsidies; however, in the last few years county expenditures of these funds for child care has declined dramatically and this source is therefore less significant at present.

The Division has three primary responsibilities:

- The bulk of funding is used to fund the Child Care Assistance Program (CCAP), which funds counties to provide child care subsidies to low-income families and families transitioning off of the Colorado Works program.

- The Division is also responsible for child care facility licensing (including for 24-hour facilities such as treatment residential child care facilities); and

- The Division is responsible for promoting statewide child care quality improvements.

Federal funds are used primarily for child care subsidies and quality improvement initiatives. Federal Child Care Development Funds (CCDF) are unusual in that the General Assembly is authorized under federal law to appropriate them. There are three types of funds: *mandatory* funds are received by all states based on historic expenditures prior to federal welfare reform; *matching* funds are based on the number of state's children who are under 13. These require a 1:1 non-federal match ; and *discretionary* funds were added as part of Welfare Reform. Funding is based on various state population in need. Federal funding comes with various "strings", including maintenance of effort requirements, a requirement that 4.0 percent of expenditures from all sources be tied to quality initiatives and that, of the federal discretionary funds, certain portions be targeted for particular functions, including infant and toddler care and school-age care and resource and referral services.

For many years, the Department has held substantial reserves of CCDF funds. However, these amounts are being rapidly spent down, largely associated with an $8.6 million Child Care Automated Tracking System (CHATs) rebuild approved during the 2007 legislative session (primarily located in the capital construction budget). .

A table at the back of this issue summarizes the current status of CCDF funds and reserves. As can be seen, the state CCDF reserves as of the beginning of FY 2008-09 are projected to be $9.0 million. The request, including the proposed cost of living increase, would spend these down at the rate of $1.8 million in FY 2008-09. Of this "spend down" amount, $725,126 is driven in FY 2008-09 by the requested community provider cost of living increase for the CCAP program. As reflected in the projection, staff currently anticipates that reserves will be exhausted by FY 2011-2012, at which point program reductions or General Fund backfill will be required.

The table below summarizes the Division's request for FY 2008-09.

FY 2008-09 Child Care Request

	FTE	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total
FY 2007-08 Approp	65.0	$18,651,536	$728,008	$10,453,961	$62,391,406	$92,224,911
DI #NP1 (1.35% COLA.)	0	221,081	0	127,329	725,126	1,073,536
Personal Svc. (com. pol)	0	92,736	27,809	0	66,756	187,301
DI #20 (web mgmt. FTE)	1.0	0	65,071	0	0	65,071
Annualize (H.B. 07-1062)	0	(16,007)	0	(16,007)	(16,007)	(48,021)
FY 2008-09 Request	**66.0**	**18,949,346**	**820,888**	**10,565,283**	**63,167,281**	**93,502,798**

The sections below first address the Child Care Assistance Program and then briefly touch on other budgetary and programmatic issues and questions related to this Division.

Colorado Child Care Assistance Program

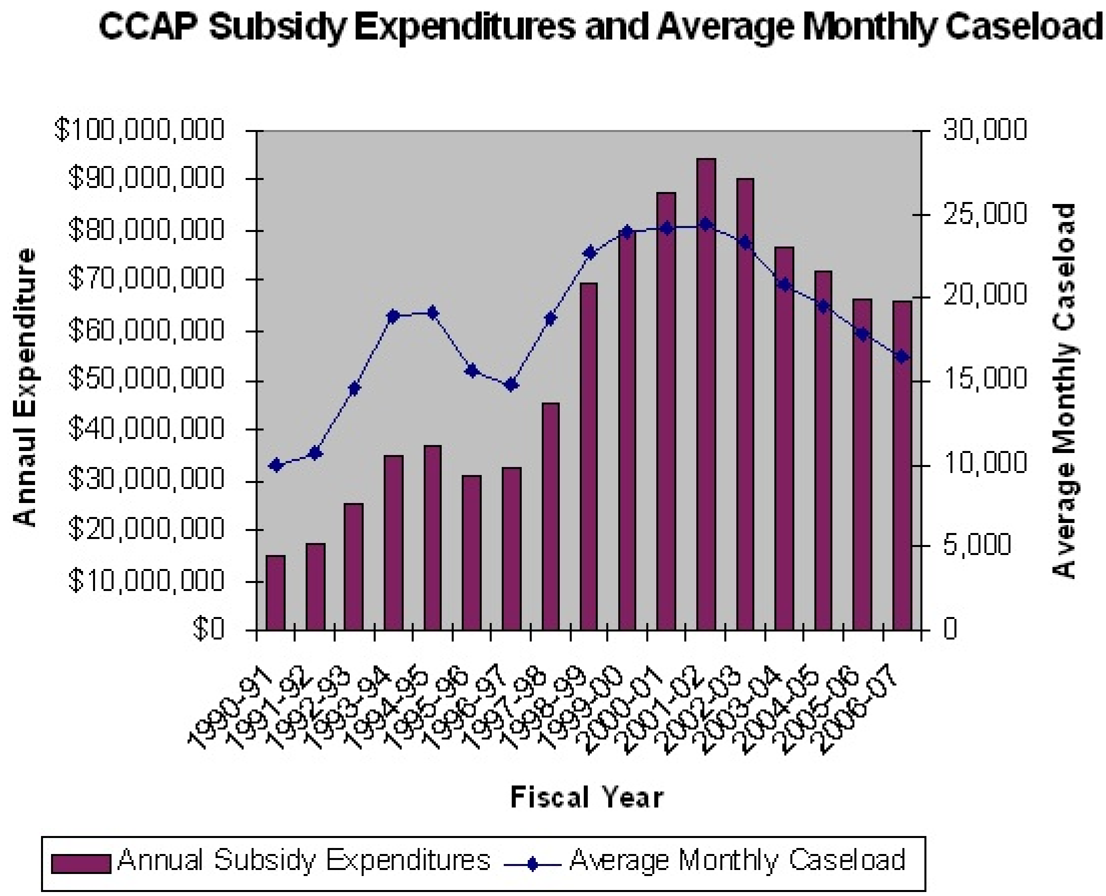
Funding for the Colorado Child Care Assistance Program (CCCAP) makes up over 82 percent of the total Division of Child Care appropriation. The appropriation provides a block grant to each county for child care subsidies following an allocation formula that includes: (1) the number of children in the county ages 0-12; (2) the number of county children in the Food Stamp program; and (3) the previous year's CCCAP utilization.

Of the 1.2 million children under age 18 in Colorado in 2006, 12.8 percent lived under the federal poverty level and 29.8 percent (about 359,000) live in families with incomes under 185 percent of poverty.

In FY 2006-07, the CCAP program served an average of 16,451 children per month.

Counties are required to provide child care subsidies to any person or family whose income is less than 130 percent of the federal poverty level subject to available appropriations. 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 and 225 percent of the federal poverty level. Persons transitioning off the Works program made up 37 percent of persons served in FY 2006-07, with 63 percent qualifying based on income; this reflects a substantial shift from prior years when Works participants made up only 25-30 percent of those served. Children in families earning 130 percent or less of the federal poverty level make up about 74 percent of persons served. Specific county eligibility policies do vary and have changed over time.

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 CCAP and the number

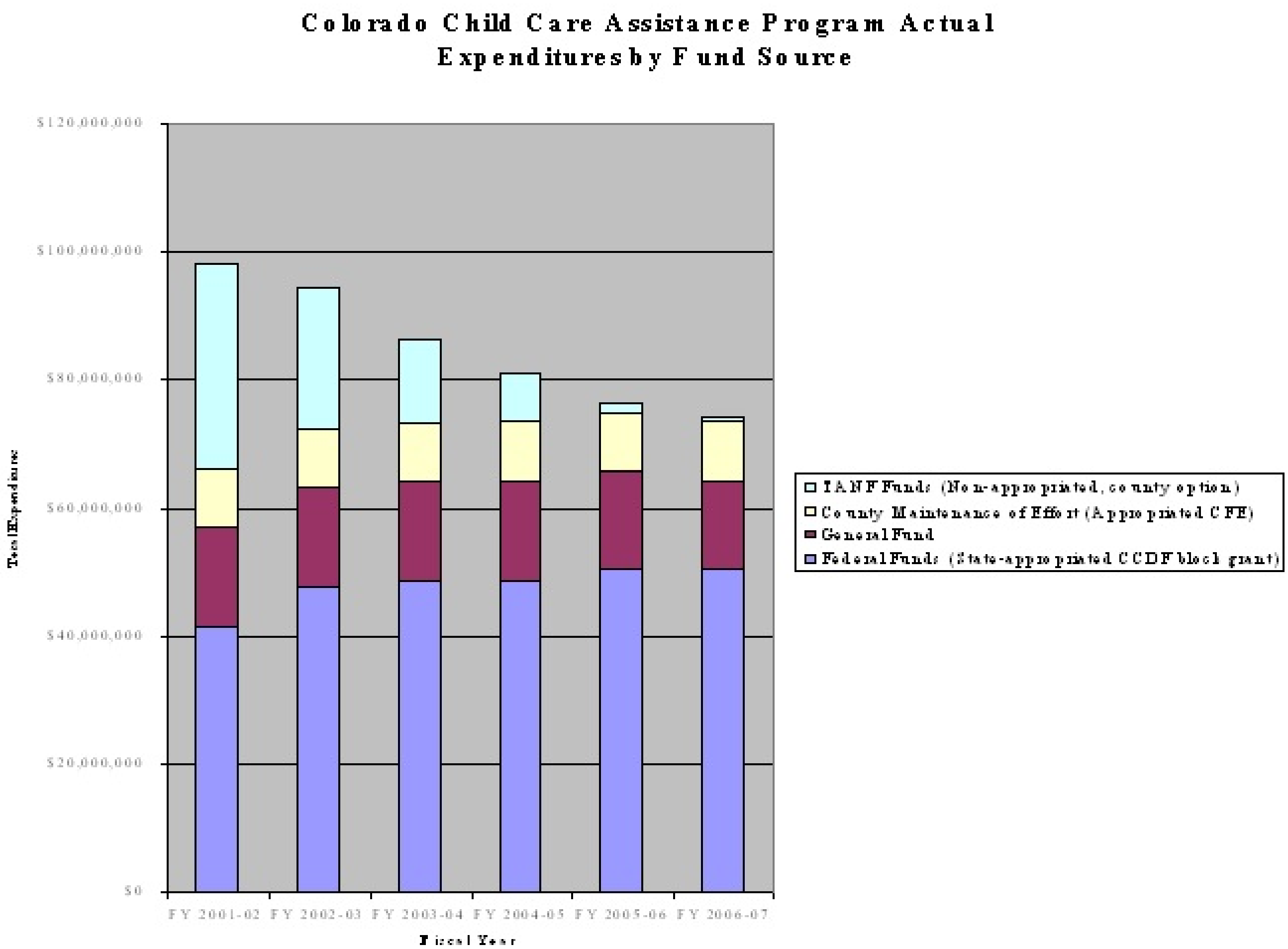


of children for whom subsidies were provided increased rapidly in the early 1990s. However, the caseload increased at a faster rate than appropriations, requiring the Department to institute a caseload freeze in January 1995. In July 1995, this caseload freeze was replaced with specific allocations to individual counties. The new allocation method reduced utilization temporarily. However, both state and local funding then increased substantially until federal welfare reform in FY 1997-98. At this point, growth in the program began to be fueled by a combination of federal Child Care Development Fund (CCDF) block grant funds and transfers to this block grant from the Temporary Assistance to Needy Families (TANF) block grant. Counties are permitted to transfer up to 30 percent of their TANF allocations into CCDF and Title XX Child Welfare Funding. As the maximum of 10 percent is generally transferred to Title XX, 20 percent is generally available for transfer into Child Care.

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 CCAP caseloads (*e.g.*, reducing income eligibility standards, instituting waiting lists).

Through FY 2004-05, the declines were seen solely in reductions in the expenditures of TANF transfer dollars. However, by FY 2006-06, expenditures had dropped below the level that required TANF transfers, and the program reverted almost $840,000 General Fund at year end. Despite continued increases in appropriations (reflecting increases in the federal block grant), expenditure declines continued through FY 2006-07. An exacerbating factor in this was the passage of S.B. 06-45, which required child care providers that receive CCAP but that are otherwise exempt from licensing requirements to submit to background checks. Many of these providers (often grandparents or other relatives) appear to have forgone CCAP reimbursement to avoid such background checks on themselves or others living in their homes.

As reflected in the table below, the appropriation for the program for FY 2006-07 started out at $79.9 million, but had to be reduced through negative supplementals and close-of-books transfers by the Governor's office to avoid reversions (this also had the effect of forcing a modest amount of county expenditure of TANF transfer funds). For FY 2007-08, further reductions were taken through the Long Bill and new legislation, as is also reflected below.



Child Care Assistance Program Appropriations and Expenditures FY 2006-07 and FY 2007-08				
	General Fund	Cash Funds Exempt	Federal Funds	Total
FY 2006-07 Actual				
Long Bill	16,376,389	9,710,598	53,784,774	79,871,761
Negative Supplemental	(2,500,000)	(525,962)	(2,106,666)	(5,132,628)
Governor's Transfers	0	0	(1,303,400)	(1,303,400)
County TANF transfers	0	0	865,885	865,885
Final Actual	**13,876,389**	**9,184,636**	**51,240,593**	**74,301,618**
FY 2007-08				
FY 2006-07 Long Bill + Supplementals	13,876,389	9,184,636	51,678,108	74,739,133
Partial restoration 07 sups	2,500,000	247,157	656,666	3,403,823
H.B. 07-1062	(1,022,168)	0	(1,022,169)	(2,044,337)
Current Appropriation	**$15,354,221**	**$9,431,793**	**$51,312,605**	**$76,098,619**
			FY 2007-08 Approp v. FY 2006-07 Actual.	1,797,001
			FY 2007-08 v. FY 2006-07 Long Bill Approp.	(3,773,142)

Expenditure of TANF-Transfer Funds for Child Care	
	(million $)
FY 2001-02	$31.9
FY 2002-03	21.9
FY 2003-04	12.9
FY 2004-05	6.5
FY 2005-06	1.4
FY 2006-07	0.8
CCDF county reserves, 6/30/07	$39.9

While county CCAP *expenditures* have been falling, county *reserves* of Child Care Development Funds have remained very high. Until FY 2006-07, many counties continued to transfer into the Child Care Development Fund the maximum 20 percent of their TANF block grant permitted–even though they were not spending at equivalent levels. Thus, county reserves remain very large (although they are down from the $47.7 million in June 2007). Notably, however, TANF moneys transferred into child care fund reserves may ultimately be transferred back to the TANF program, so transfers to child care reserves are not necessarily a good indication of counties' spending intentions. It should also be noted that: (1) a major source of the current reserves may be one-time federal bonuses that were received over a two-year period; and (2) the size of individual county reserves ranges from zero in eight counties to $12.3 million in Denver. Staff has attached the June 2007 reserves by county.

In the past, counties have explained the low levels of expenditure and growing child care reserves as reflective of their concerns about federal welfare reform legislation and need to be prepared for this. As the Committee is aware, the TANF program was reauthorized at the federal level in February 2006 as part of the budget reconciliation bill (S. 1932). For Colorado, this has meant an overall increase in Child Care and Development Block grant of 5.1 percent over the previous FFY 2005-06 level, and a CCDF increase of $2.9 million per year for Colorado through 2010. The law also included provisions designed to drive increases in work participation by TANF recipients. To avoid federal penalties, Colorado is expected to need to increase its work participation among TANF recipients. Most recently, however, TANF families as a share of the total CCAP participants declined in FY 2006-07.

TANF Families as Share Total CCAP Participants						
	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
TANF kids as share of CCAP served	16.9%	20.4%	24.9%	25.4%	25.3%	19.4%

At the same time, there are strong indications that counties are moving quickly to change their eligibility requirements for CCAP so as to increase overall participation levels. In the two month period from April 2007 to June 2007, eleven counties increased their eligibility cap. The number of counties with caps between185 percent to 225 percent of poverty (the highest range) increased from 43 counties to 47, while those from 130 to 149 percent of poverty (the lowest range), decreased from 5 to 3. While, in the near term these actions seem reasonable to use reserves and avoid further cuts and reversions, they again raise the specter of too rapid growth which may (again) be cut short by eligibility freezes.

Staff also understands that the Department will be supporting legislation this year to broaden county options on reimbursement rates up to the federally-permitted maximum of 85 percent of state median income (rather than 225 percent of poverty). This legislation could enable counties to more effectively address the "cliff effect" in the Child Care Assistance Program (*i.e.*, that parents common lose eligibility for the program before they can afford quality child care without subsidies). However, this change may also create additional risk of too-rapid program expansion–and thus set the stage for future freezes and reductions, as has happened in the past.

Options for Changes to the CCAP Program
Staff believes the General Assembly should seriously consider changes to the structure of the CCAP program so as to transfer certain key program decisions from county to State control. Staff believes there are a number of issues that should be considered.

Statewide eligibility. **Staff believes the General Assembly should consider establishing eligibility for child care subsidies at the state level, rather than leaving this decision to counties**. **The state could either move to a single eligibility criterion or could chose to use four**, covering the four categories of state geographic placement that are already used to set provider reimbursement guidelines, *i.e.*, metro, resort, rural, and Pueblo. Staff believes there are a number of significant potential advantages.

At present eligibility for the CCAP program is set entirely by counties, within the specified range of 130 to 225 percent of the poverty level. Counties decide not only their income limits but also whether, for example, they will serve individuals who are in higher education programs. As a result, persons who receive CCAP in one county may find that they are no longer eligible if they move across the street. This can create significant problems for program beneficiaries. Based on a review of the criteria being used by counties, furthermore, there does not appear to be consistent patterns in county behavior, *e.g.,* based on county geographical location or wealth: adjacent metro counties that have similar populations routinely have dramatically different eligibility criteria. Staff has attached information on the eligibility criteria range in different countries to the back of this issue.

It is not clear why the State should treat citizens who live close to each other so differently in a program that is primarily financed with State and federal block grant dollars. *Staff believes this is the only statewide public assistance in Colorado where basic access to the program is determined at the county level*. Even the TANF program, which is administered quite differently in different parts of Colorado, uses a single set of statewide criteria for initial access to the program.

Based on information from the federal National Childcare Information Center (NCCIC), National Conference of State Legislatures (NCSL), and discussions with some other states, staff understands that *there are only two other states that leave such eligibility decisions to local agencies: Texas and Florida.* While there are other states that are "state supervised, county administered", virtually all of these rely on counties to determine an individual's eligibility for the program based on criteria established by the state. Virginia authorizes several different eligibility levels based on geographic areas, but these levels are also set by the state, rather than regional bodies.

Staff believes some other important advantages to a change might include:

Functional data on program demand. At present, it is essentially impossible to determine what the program's needs are as whole statewide, as there is no single "whole": there may be waiting lists in one county and not next door, and there may be funding surpluses in one county and not next door. There is no means to assess the need for the program statewide or what it costs to address that need, as both need and service availability are locally determined.

Capacity to conduct statewide information campaigns on the program. At present, the program serves a small proportion of the individuals who are eligible. When counties experience under expenditure, a common response is to expand eligibility and/or increase provider rates; however, in some cases it might be more appropriate to serve a larger number of poorer individuals–rather than simply allowing more people with higher incomes access to the program. Because eligibility is locally determined, it is essentially impossible for the state to conduct an information campaign about the existence of the program in circumstances when that might be appropriate.

Efficiencies of scale in program oversight and fiscal management. Some counties clearly do an excellent job of managing their CCAP programs. However, fiscal management of this program is not easy. Even large counties have found themselves in the position that they opened up eligibility too broadly or too rapidly and then had to freeze access to the program based on real or perceived budget constraints. After a prolonged period in which program access has been frozen, it can be difficult to spread the word that it is again available. As reflected in the charts above, the history of this program demonstrates numerous cycles of program expansion to budget-straining levels and then program contraction greater than necessary. Clearly, when the program was more State-run in the 1990s, the State, too, experienced a period in which it had to freeze enrollment, so greater State control is not a guarantee of greater program stability. Nonetheless, based on information from the NCCIC, NCSL, and discussions with some individual states, Colorado's recent cycle of plummeting enrollment and expenditures seems to be highly unusual. *Staff suspects that Colorado's pattern of expenditure peaks and valleys is, at a minimum, exacerbated by the degree of local control in the system*.

The above said, a move to a state-set eligibility criterion would have a number of complex elements to address.

1. Counties that currently have set their eligibility levels higher than the level that appears financially sustainable at the State level would have to restrict their programs. Those with restrictive eligibility criteria but high demand might need to receive funding increases, potentially straining the State budget, depending upon where eligibility levels were set.

2. How would TANF transfers be handled? As noted previously, counties currently have the flexibility to determine whether and how much of their TANF block grant (generally up to 20 percent) they wish to transfer for Child Care. Much of the present rationale for providing counties with a high degree of program flexibility is tied to this transfer authority. If counties choose to make such transfers, they may have a more expansive program than if they do not make such transfers. If the State sets eligibility levels, it might also be appropriate to change how these TANF transfers are handled. For example: (1) the State could take the 20 percent TANF transfer for child care (or some smaller percentage) "off the top" before other TANF amounts are allocated out to counties; (2) the State could require that the TANF program internally address the child care needs of TANF clients (and thus assume that both a significant portion of the child care population and a significant share of dollars would be handled within county TANF programs, rather than within the child care program; this is a model used in Pennsylvania); or (3) the State could simply forgo TANF transfers as a major source of funding for the program, thus likely restricting the program to its current size. A related issue would be to determine how county child care reserves accumulated to-date would be addressed: would counties be expected to spend these $40 million in reserves down for child care in the new environment or to transfer them back to TANF programs?

3. Would counties retain control over provider reimbursement rates or not? If the State established program eligibility, but counties established reimbursement rates, program access might still vary greatly from county to county, *e.g.*, if a county set very low rates that few providers were willing to accept as compared to another county that set rates higher. In the metro area, providers have raised concerns about the different rates they are paid by different counties for the same service.

4. How would county funds be integrated into the program? Counties presently must contribute a proportionate share of the $7.7 million in maintenance of effort (MOE) funding, plus a 20 percent share for administrative expenses. The MOE requirement could conceivably be translated into a consistent, statewide county match requirement. However, the State would need to consider how any additional funds counties might, at their option, choose to make available for subsidized child care would be incorporated, e.g., to serve program waiting lists, incentivize certain types of providers, etc., in a given area.

Establishing state-wide policies would require statutory change. Section 26-2-801 through 806, C.R.S. gives broad authority to counties in managing child care block grants. Staff believes that, given the complexities discussed above, it may be appropriate to give this issue further study over the next year. One component of this is already in place. **Senate Bill 07-1062 included a requirement that the State Auditor's Office conduct a performance audit of the CCAP program**. **The results of this audit are expected to suggest some additional direction for the program.** If the JBC is definitely interested in moving the State toward more centralized CCAP eligibility guidelines, it might consider making a specific request to the State Auditor's Office that the CCAP performance audit evaluate this issue. Staff's understanding is that to-date the Department is taking a neutral position on whether it is appropriate to move to state-set eligibility for this program. Staff recommends that the Committee discuss with the Department how to proceed on this issue at the budget hearing.

State-wide framework for provider reimbursement. Pursuant to Section 26-2-803, C.R.S., counties are authorized to negotiate payment rates for the CCAP program. A question currently receiving attention is whether the State should mandate a set of higher, more consistent rates than those negotiated by counties. For the Joint Budget Committee, this has a routinely come up because, although the General Assembly provides provider rate increases for the CCAP program through the budget process, providers do not necessarily receive these increases. Instead, counties determine rates as they deem appropriate: in some cases they may give increases greater than the approved statewide cost of living increase; in other cases they may not receive any increase. As a result, providers have brought reimbursement rate concerns to the JBC on a number of occasions.

Federal rules encourage the use of the "75th percentile" of child care rates in an area as a benchmark for setting child care reimbursements. The 75th percentile refers to the price-point at which 75 percent of providers charge the same amount or less for child care; this may be very close to the median reimbursement rate in an area or substantially above it, depending upon the distribution of rates among providers. Federal guidelines require the State to conduct a survey every two years to identify child care reimbursement rates and identify the 75th percentile. Colorado does this and, through its contractors, identifies the 75th percentile rate for four geographic regions: metro, mountain resort, rural, and Pueblo. However, these levels are simply informational, and counties have flexibility in how they choose to use this information.
The rationale for using benchmarks—and for promoting higher reimbursement rates in general for the subsidy program---is that, if rates are too low, low income families do not have adequate access to high quality providers in the community (who are commonly more expensive). At the same time, higher reimbursement rates mean higher overall program costs or fewer children served for the same money.

A group of providers, advocates, and other interested parties met over the summer to discuss some of the challenges associated with provider rates. Staff understands that, associated with this, the Colorado Children's Campaign is interested in pursuing legislation this year that would effectively require higher levels of provider reimbursement. Staff assumes that this could have a substantial fiscal impact. However, because of the enormous variation in rates (and rate structures) established among counties, determining this impact is a challenge. In response to a request by staff, the Department has indicated that it is working on assessing associated costs and impacts of raising all rates to the 75th percentile--and it may be able to provide some input on this question by the time of the budget hearing.

Other Budget Topics

Decision Item #20: This decision item requests 1.0 cash-funded FTE to provide support for the Division of Child Care's website and the Colorado Child Care Licensing System. The goal is to improve the timeliness of communicating information regarding the status of child care facilities through improved technology. The new position would be funded through a 10 percent increase in licensing fees.

State Auditor's Office Child Welfare Review: The SAO raised serious questions about the effectiveness of the child care licensing unit. These concerns are covered in a separate issue on the SAO Foster Care audit.

Implementation of H.B. 07-1062: This bill expands the previous Pilot Program for Consolidated Child Care System into a system of statewide Child Care Councils. The councils bring together community representatives involved in early childhood care and education issues, including county staff, providers, mental health professionals, community colleges, and others to coordinate and expand the quality and quantity of early childhood care in pilot communities. The bill expands this infrastructure throughout the State and initiates various other programs to promote child care quality. The Department is currently in the early stages of implementation.

Child Care Automated Tracking System Rebuild: The Department is progressing with this two-year $8.6 million project to rebuild the system that manages eligibility and billing for state child care systems. Funding was first approved for FY 2007-08. The Department has indicated that it will be complying with the requirements outlined in Long Bill Footnote 63, including use of a steering committee with a county commissioner, county human services director and user of the system, a pilot of the new system, and steering committee authority to decide "go/no-go" at the point of implementation.

Long Term Projection - Child Care Development Funds

The attached table reflects staff's projection for Child Care Development Funds through FY 2011-12. Note that this projection reflects the status of CCDF funds received and held by the state (different from the CCDF reserves held by individual counties). Overall, the reserve status is substantially higher than was anticipated at this time last year, due to FY 2006-07 negative supplemental reductions and lower FY 2007-08 CCDF appropriations levels. Nonetheless, the Department's request spends down reserves at the rate of $1.8 million in FY 2008-09.

Starting in FY 2009-10, additional costs are anticipated to be incurred ($1.2 million per year) associated with the new CHATs information system rebuild. These additional costs are primarily associated with the "point of sale" technology which will enable CCAP services to be tracked at daycare centers through "swipe cards". Once this system is implemented, the speed of the spend-down increases to nearly $3.0 million per year. However, as discussed during FY 2007-08 figure setting, the Department's proposal for rebuilding the CHATs system (including the implementation of "point of sale" technology) indicated that significant savings (10 percent of the base CCAP appropriation per year or more) could be anticipated due to better system controls and fraud reduction. In light of this, the following legislative intent was expressed in FY 2007-08 Long Bill Footnote #63:

> "....it is the intent of the General Assembly that ongoing costs for maintenance and administration of the [new CHATS system] be covered through savings in or reductions to the [CCAP] program and remaining [CCDF] reserves."

If the savings projected for the new CHATs system fail to materialize–and even if no further increases are provided for the CCAP program in future years–reserves will be exhausted during FY 2011-12 and program reductions or General Fund backfill will be required.

Hearing Questions
Staff recommends that the Committee ask the Department to respond to the following questions:

1. Discuss the advantages and disadvantages to moving to state-set eligibility levels for the Colorado Child Care Assistance Program. These could be either statewide or regional (e.g. mountain resort, metro, rural). Does the Department have a position on this issue?

2 Does the Department see the impending SAO performance audit as the best venue for determining if state-determined CCAP eligibility levels are a reasonable direction for the State--or would the Department suggest other or additional steps for ensuring this issue is thoroughly examined prior to the 2009 legislative session?

3. Discuss the advantages and disadvantages to requiring reimbursement for child care providers be at the 75th percentile or some similar standard. (The 75th percentile refers to the rate at which 75 percent of providers set their rates at or below the specified reimbursement rate.) Does the Department have a position on this issue?

4. What are the Department's current estimates of the fiscal implications of requiring that provider reimbursement rates for the CCAP program be set at the 75th percentile in each Colorado region? If this requirement were instituted in the absence of additional appropriations, what would be the implications for the number of children who could be served by the CCAP program?

5. Is there a need for a provider rate increase for the CCAP program in FY 2008-09, based on current spending projections for the program and the $40 million in county-held CCDF reserves?

6. Is the requested increase in the federal CCDF portion of the CCAP appropriation (for the provider rate increase) advisable at this time, given that the appropriation already exceeds the annual federal allocation to Colorado of CCDF funds and the uncertainties regarding the impact of the CHATs system rebuild on child care subsidy spending beginning in FY 2009-10?

7. Discuss Decision Item #20. What functionality would this new staff person add? Is this an IT position or a content position? Is additional statutory authorization required for this function?

8. Through Decision Item #20, the Department proposes to add a new cash-funded FTE based on higher child care licensing fees. Licensing fee revenues have been coming in below budget, and FTE authority for Child Care Licensing and Administration is also under-utilized. Why wouldn't the Department simply increase fees (which have not been increased since July 2000) to fully use *current* spending and FTE authority--and, if appropriate based on statutory authority, reallocate the *existing* FTE and spending authority for the proposed new activity?

9. The Department transferred $303,400 (General Fund and CCDF federal funds) from the CCAP line item to the Child Care Licensing and Administration line item pursuant to Section 24-75-108, C.R.S. This statute authorizes the head of a department of state government, on or after May 1 of any fiscal year and before the 45th day after the close, to transfer moneys from one line item of appropriation to another line item of appropriation to the same department; except that such transfers shall be made only between appropriations for like purposes. The statute further specifies that a transfer shall *not* be deemed a like purpose if it is a transfer from a nonpersonal services item into a personal services item, except that this is allowed for temporary personal services. In response to staff questions, the Department indicated that the transfer enabled the Department to use General Fund "pots" elsewhere that would otherwise have been allocated to the Child Care Licensing and Administration line item. It also noted that, because the Child Care Licensing Cash Fund was under earning, cash funds were not available to cover the need. The implication appears to be that the funds transferred from the CCAP line item were used to cover personal services costs in the Child Care Licensing and Administration line item. This appears to be a violation of statute. Is it? Why or why not?

FEDERAL CHILD CARE DEVELOPMENT FUNDS (CCDF)						
	FY 2007-08 Approp.	FY 2008-09 Request	FY 2009-10 Projection	FY 2010-11 Projection	FY 2011-12 Projection	FY 2012-13 Projection
FUNDS AVAILABLE:						
CCDF Funds Rolled Forward From Prior Years	$18,140,034	$8,980,693	$7,406,750	$4,667,439	$1,903,950	n/a
New Funds Available	61,450,622	61,440,622	61,440,622	61,440,622	61,440,622	61,440,622
TOTAL TANF FUNDS AVAILABLE	**79,590,656**	**70,421,315**	**68,847,372**	**66,108,061**	**63,344,572**	**61,440,622**
CCDF EXPENDITURES:						
CHATs Information System Replacement	8,615,588	73,924	1,239,292	1,263,470	1,287,950	1,287,950
Other Indirect Costs and Information Systems	847,284	847,284	847,284	847,284	847,284	847,284
Child Care Assistance Program (CCAP)	50,312,605	51,019,124	51,019,124	51,019,124	51,019,124	51,019,124
Child Care Licensing and Administration	3,140,150	3,394,123	3,394,123	3,394,123	3,394,123	3,394,123
Child Care Grants (including federal earmarked funds)	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633	3,473,633
Child Care Pilots/Councils	1,994,607	1,978,600	1,978,600	1,978,600	1,978,600	1,978,600
School-readiness Child Care Subsidization Program	2,226,096	2,227,877	2,227,877	2,227,877	2,227,877	2,227,877
TOTAL EXPENDITURES	**70,609,963**	**63,014,565**	**64,179,933**	**64,204,111**	**64,228,591**	**64,228,591**
AVAILABLE FUNDS LESS EXPENDITURES	**8,980,693**	**7,406,750**	**4,667,439**	**1,903,950**	**-884,019**	**-2,787,969**
Annual Grant Compared to Annual Expenditures	-9,169,341	-1,573,943	-2,739,311	-2,763,489	-2,787,969	-2,787,969

Assumptions: No increases or decreases for the CCAP program or other programs in out-years. CHATs Information System Replacement maintenance is reflected as an ongoing cost starting FY 2009-10, although the cost is anticipated to be absorbed in the CCAP program in the event of a funding shortfall.

County Eligibility Levels - Percent (%) of Federal Poverty Guideline
(CCDF State Plan - Attachment D) Eff: 4/1/07

130%-149%	150%-184%	185% - 225%		
Number of Counties in this range: **5**	Number of counties in this range: **16**	Number of Counties in this range: **43**		
Arapahoe	Alamosa	Adam	Garfield	Mineral
Clear Creek	Chaffee	Archuleta	Gilpin	Moffat
El Paso	Cheyenne	Baca	Gunnison	Otero
Jackson	Dolores	Bent	Hinsdale	Ouray
Larimer	Grand	Boulder	Huerfano	Pitkin
	La Plata	Broomfield	Jefferson	Prowers
	Montezuma	Conejos	Kiowa	Rio Blanco
	Montrose	Costilla	Kit Carson	Routt
	Morgan	Crowley	Lake	San Juan
	Park	Custer	Las Animas	San Miguel
	Phillips	Delta	Lincoln	Sedwick
	Pueblo	Denver	Logan	Summit
	Rio Grande	Douglas	Mesa	Washington
	Saguache	Eagle		Weld
	Teller	Elbert		
	Yuma	Fremont		

Number of Counties at Minimum Level of 130%: **1**

Number of Counties at maximum level of 225%: **16**

2007 Percentage of Federal Poverty Guidelines to Monthly Income by Household Size

Family Size	100%	130%	185%	225%
2	1,141	1,483	2,111	2,567
3	1,431	1,860	2,647	3,219
4	1,721	2,237	3,184	3,872
5	2,011	2,614	3,720	4,524

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES:
CHILD WELFARE

ISSUE:

Overview of Child Welfare Request

SUMMARY:

❑ The Child Welfare request includes two large, and relatively standard components: (1) an increase for the Child Welfare block for case services; and (2) a community provider rate increase of 1.35 percent.

❑ The request also includes a decision item for the Collaborative Management project and a decision item for 5.5 FTE to increase oversight of county child welfare activities. This second item appears to address some of the concerns raised by a recent State Auditor's Office audit of foster care programs.

❑ The November 1 request does not include adjustments associated with the billing and rate structure for psychiatric residential treatment facilities and treatment residential childcare facilities. However, in light of the likelihood of associated supplementals and budget amendments, the Committee may wish to discuss with the Department its proposals for changes in these areas.

RECOMMENDATIONS:

Staff recommends that the Committee include the hearing questions identified in this issue in the Department's hearing agenda.

DISCUSSION:

Overview of Child Welfare Request
The table below summarizes the components of the Child Welfare Request.

FY 2008-09 Child Welfare Request						
	FTE	General Fund	Cash Funds Exempt	Federal Funds	Total	"Net" General Fund
FY 08 Approp	32.0	$194,111,698	$105,545,848	$109,372,110	$409,029,656	$211,701,636
DI #3 Caseload	0.0	6,449,386	2,350,210	2,504,857	11,304,453	6,449,386
DI #NP1 COLA	0.0	2,563,329	1,341,757	1,335,524	5,240,610	2,798,739
DI #3B Incentives	0.0	0	500,000	0	500,000	0
DI #8 CW Staff	5.5	363,016	0	102,390	465,406	363,016
Personal Svc. Adj.	0.0	63,598	4,540	40,749	108,887	63,868
BR #NP - HCPF	0.0	(650,000)	0	0	(650,000)	(650,000)
Annualization	0.0	(414,063)	(146,426)	(14,359)	(574,848)	(433,724)
FY 2008-09	37.5	202,486,964	109,595,929	113,341,271	425,424,164	220,292,921

Child Welfare Caseload and Provider Rate Increases
As is typically the case, the caseload and rate increases requested for the Division dwarf all other adjustments requested, as reflected below.

Caseload and Rates versus Other Child Welfare Adjustments FY 2007-08 Appropriation to FY 2008-09 Request			
	Child Welfare Total	"Net" General Fund	Net General Fund as % total
Caseload Increase - 3.4%	$11,304,453	$6,449,386	
Rate increase - 1.35%	5,234,610	2,287,669	
Subtotal - caseload + rates	16,539,063	8,737,055	99.9%
Balance requested changes	150,555	6,840	0.1%
Total Child Welfare Changes	$16,689,618	$8,743,895	

The requested caseload increase is driven by the child welfare optimization model. This model is currently used for two purposes: (1) to allocate appropriations among counties; and (2) to project the state need for cost-increases based on caseload. Each of these issues is reviewed below

The Allocation Model and County Allocations. Pursuant to Section 26-6-104, C.R.S., the Department, with input from the eight-member child welfare allocations committee, is to develop formulas for capped and targeted allocations to counties. Since 2000-01, the Department has used an optimization model to develop these allocations. The Child Welfare Allocations Committee, in concert with an outside contractor, has worked 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. There are currently eight drivers used to establish allocations:

- ❑ 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;
- ❑ and average cost per day for subsidized adoptions.

For each driver, the allocations committee establishes and maximum and minimum range. Counties whose practice leads to costs outside the range for a given driver, *e.g.*, average cost per day for subsidized adoptions, do not receive an increase in their allocation for costs above the range. The model allows county flexibility in practice, and does not force counties to mirror one another in program administration. However, it does adjust county allocations when counties operate outside a range that is deemed reasonable by the allocations committee.

Staff has attached, at the back of this issue, a table that summarizes final FY 2006-07 child welfare close-out by county. As shown, counties' total expenditures for child welfare services significantly exceeded state allocations for FY 2006-07, as has been the case in past years. However, the majority of these shortfalls were covered by TANF transfer amounts (the State is authorized by federal authorities to transfer up to 10 percent of the TANF block grant to child welfare). The overall shortfall that counties had to cover by funds <u>other than</u> TANF transfer funds was not large; however, certain counties (particularly Denver) had substantial shortfalls resulting in high levels of county-funds expenditure for the year. The pattern of shortfalls reflects a combination of the impact of the allocation model and the impact of the Collaborative Management Incentives program, which has limited the redistribution of funds at close-out (discussed later in this issue).

Use of the Allocation Model to Project Caseload Increases. Prior to FY 2004-05, the Department calculated the projected funding need for counties based on historical increases in the overall number of children receiving child welfare services. Beginning in FY 2004-05, the Department has used the child welfare allocation model to project costs associated with child welfare caseload growth. Conceptually, using the model to project caseload increases is attractive for two reasons:

- ✓ it differentiates between population increases that occur in counties with relatively low child welfare costs and those with relatively high child welfare costs; and

- ✓ it is based on the cost of providing child welfare services if counties operate their programs within the desired range of practice as determined by county child welfare practitioners. Thus, the budget would not incorporate spending for behavior outside this range.

While staff appreciates these advantages from a conceptual position,, **staff is concerned that the model may be flawed with respect to its projection component.** Specifically:

At its root, the projection is based on the following calculation:

> Rates per child served **in FY 2006-07** X projected number of children **to be served in FY 2008-09.** [The projection of children to be served is, in turn, based on the ratio of children served in FY 2006-07 to the FY 2006-07 state population under age 17 x the FY 2008-09 projected state population under age 17]
>
> To calculate the needed caseload increase, the Department then subtracts **the FY 2007-08 total costs** from the FY 2008-09 children served X FY 2006-07 rates calculation.

Joint Budget Committee and Department staff suspect that this under-states the annual increase required, because the figure produced by the model as total need does not incorporate rate increases provided for the prior year (FY 2007-08) and relies on FY 2006-07 rates for the calculation of total need.

More generally, staff believes the Department should understand and explain the reasons the model produces certain results. For FY 2007-08, the Department requested and received increase of 1.1 percent; for FY 2008-09 it has requested an increase of 3.4 percent. It is not clear to staff why such varied figures are being generated by the model. The model was primarily designed to allocate appropriated funds among counties, thus pushing counties toward certain behaviors and away from others. It was not initially designed for projecting total expenditure needs for the State. *When staff spoke with the outside contractor who developed the model, he indicated that he had developed the projection portion of the model several years earlier as a "starting point for discussion" and he was not even aware that this portion was being used to develop the Department's annual budget request.* The Department has subsequently noted that the contractor has been informed of this several times and has even provided training on this component; nonetheless, the comment may reflect some discomfort on the part of the contractor with this functionality.

The table below provides some comparison of the caseload and inflationary rate increases provided for child welfare services in recent years and some other indicators of growth (state population growth and inflation). Based on the table, it is difficult to see a clear relationship between the caseload increases provided in recent years, the monthly average number of children served in child welfare, or the Colorado ages 0-17 population increase. *This does not mean that the figures being generated by the model are inappropriate, it but does suggest that further review may be warranted.*

Child Welfare Growth Factors versus Inflation and Population								
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06**	FY 06-07	FY 07-08	FY 08-09 Request
Appropriation for Child Welfare Services and Family and Children's Programs line items ($ millions)	$323.0	$332.0	$341.9	$343.2	$359.3	$370.4	$382.3	$397.6
*Percent Change**	*5.7%*	*2.8%*	*3.0%*	*0.4%*	*4.7%*	*3.1%*	*3.2%*	*4.0%*
Budget Increase for C. Welfare Caseload**	*3.2%*	*3.4%*	*2.8%*	*2.3%*	*2.5%*	*0.6%*	*1.1%*	*3.4%*
Caseload comparison								
Monthly average - # children served in CW	*13.5%*	*3.3%*	*1.3%*	*0.8%*	*3.2%*	*4.8%*	*n/a*	*n/a*
CO ages 0-17 Population increase	*1.8%*	*1.2%*	*1.1%*	*1.1%*	*1.2%*	*1.5%*	*1.7%*	*1.7%*
Budget Increase for Child Welfare Rates	*2.5%*	*0.0%*	*0.0%*	*0.0%*	*2.0%*	*3.3%*	*1.5%*	*1.4%*
Rate comparison								
Inflation (Actual and projected Denver-metro CPI)	*3.0%*	*1.8%*	*-0.2%*	*1.2%*	*3.3%*	*3.3%*	*3.0%*	*3.2%*

*Note that the overall Child Welfare increases and reductions include a range of other factors, such as leap year-related increases and reductions and other fiscal adjustments, in addition to caseload and rates adjustments.
**FY 2005-06 increases for caseload included both amounts generated by the allocation model and a large increase to address county expenditures for child welfare services.

The September 2007 State Auditor's Office Foster Care Audit has emphasized that costs for the child welfare system have increased more quickly then population and inflation and that rates paid to providers have increased, overall, more than community provider rate increases provided. It has suggested that the Department of Human Services needs to develop a better understanding of how the optimization model works. Staff concurs. Staff recommends that the Committee include the following question in the hearing agenda:

1. What are the trends reflected within the child welfare allocation model that drive an overall caseload increase of 3.4 percent for FY 2008-09 when the state's under-17 population is only projected to grow at about 1.7 percent? Why is the FY 2008-09 increase relatively large, while the FY 2007-08 increase was a strikingly small 1.1 percent?

2. Is the allocation model, as presently formulated, an appropriate tool for projecting child welfare cost increases associated with caseload? Do you have the expertise, or do you believe it would be appropriate to bring in some additional outside consulting expertise, to revisit the portion of the model that is being used to project child welfare caseload to determine this?

3. Do you believe the State should consider revising its projection methodology for FY 2008-09 figure setting or should such an adjustment wait until figure setting for FY 2009-10?

Collaborative Management Incentives

The request includes decision item 3B to expand the Collaborative Management Program created under H.B. 04-1451. The request includes components in the Division of Youth Corrections (discussed during that briefing) as well as an overall increase of $500,000 to the collaborative management incentives available for counties, based on various civil docket fees. Staff understands that the Department also expects to pursue legislation during the 2008 legislative session (estimated cost of $200,000 from this cash fund) to add an evaluation component to this legislation.

Background. House Bill 04-1451 (Section 24-1.9-101, C.R.S., et. seq.) 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; and
- each behavioral health organization (BHO).

The statute specifies, however, that nothing shall preclude a county from including other parties in the MOU (e.g., the Division of Youth Corrections). The bill 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 any state General Fund savings realized as a result of the MOU to be reinvested in services for children and families. The sources of funding subject to this reinvestment process are to be specified in the MOU. However, the bill specifies that a county that underspends the General Fund portion of its "capped or targeted allocation" may use the savings to provide services to children and families.

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 will be 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.

Program Participation and Impacts. In FY 2006-07, 10 counties participated in the program: Boulder, Denver, El Paso Larimer, Mesa, Weld, Jefferson, Elbert, Teller and Chaffee. The Department's Decision Item #3B indicates that 18 counties are participating in FY 2007-08. The request further indicates that counties active in the program since FY 2005-06 have cumulatively reported a reduction in children entering out-of-home placement, those dropping out of school, and reduced hospitalization and residential services. These counties estimate a 12 month reinvestment of savings of $2.9 million. However, they have had difficulty definitely determining reinvestment savings, as evaluation resources have not been available.

Within the context of Child Welfare programs, it appears that, in FY 2006-07, half of the counties participating in the H.B. 04-1451 program overspent their Child Welfare block allocation (*i.e.* Boulder, Denver, Elbert, Mesa, and Weld), while the other half underspent their block allocation (*i.e.*, Chaffee, El Paso, Jefferson, Larimer, and Teller). *It is not clear that the H.B.04-1451 program can explain either the child welfare over- or the under- expenditures*--although counties that under-expended their block grant were provided the substantial benefit of being allowed to keep funds that would otherwise have been redistributed to other counties, while those that over-expended were allowed to benefit from the usual funds redistribution process (an inconsistency staff finds problematic).

Funds Available. In light of the statutory authorization and requirements, *staff believes funds from the Collaborative Management Incentives Cash Fund should be appropriated for use in county incentives, to the extent funding is available. However, it appears to staff that the request would set appropriations at a level that is not sustainable.* Data recently provided by the Department projects a fund balance of $3.2 million at the end of FY 2007-08 and annual revenues of $2.8 million. Based on the FY 2007-08 appropriation, the fund balance is being spent down at the rate of close to $400,000 per year. However, if the request is approved, the spend-down would increase to almost $900,000–or $1.1 million if the Governor's proposed program evaluation legislation passes (estimated $200,000 cost). At this rate, reserves would be exhausted within three years. At that point (approximately FY 2011-12), incentives for counties would need to be sharply reduced back to $2.8 million per year or, to maintain incentives at an ongoing level, the General Assembly might be faced with providing a backfill of $900,000 or more from the General Fund.

Performance-based Collaborative Management Incentives Cash Fund					
	Actual 2005-06	Actual 2006-07	Estimate 2007-08	Request 2008-09	Projected 2009-10
BeginningBalance	0	730,980	3,543,493	3,154,743	2,265,993
Revenue	1,280,980	4,887,513	2,800,000	2,800,000	2,800,000
Expenditures	550,000	2,075,000	3,188,750	3,688,750	3,688,750
EndingBalance	730,980	3,543,493	3,154,743	2,265,993	1,377,243
Reserves Increase/Decrease	730,980	2,812,513	(388,750)	(888,750)	(888,750)

Recommendation. In light of the proposed expansion, staff recommends that the Committee include the following question in the hearing agenda:

1. Discuss the information currently available with respect to the effectiveness of these pilot programs and the basis for the "$2.9 million in savings" figure included in the request. Please also discuss how you anticipate that the evaluation of these programs could be improved so that effectiveness and cost-effectiveness can be clearly demonstrated.

2. Should there be a change to statutory provisions allowing any county participating in the program that underspends the General Fund portion of its "capped or targeted allocation" to use the savings to provide services to children and families--given the uncertain link between counties' child welfare expenditure levels and their participation in this program?

3. The FY 2008-09 funding level requested from the Collaborative Management Incentive Cash Fund does not appear to be sustainable. How does the Department expect that it (and counties) will address this when the fund balance is exhausted? Would the anticipated drop in funding after three years present a significant problem for counties participating in the program?

Proposed Staffing Increase

The request includes $479,140 ($373,729 net General Fund) to increase Division staff by 5.5 FTE (annualizing to 6.0 FTE in FY 2009-10). The request includes:

✓ 5.0 FTE (when annualized) to monitor county foster care programs, oversee subsequent corrective actions, and provide technical assistance and training. The purpose is to create a comprehensive monitoring, oversight, and accountability team through supervision of county's welfare practice.

✓ 1.0 FTE is also requested to specialize in supporting kinship care programs to assure safety for children placed with kin.

✓ $53,043 in contract funds for training county staff responsible for completion of home studies and training their supervisors regarding an instrument used for conducing home studies of foster and adoptive homes (the Structured Analysis Family Evaluation or SAFE instrument).

The Department indicates that, in response to a 2002 State Auditor's Office performance audit, it agreed to increased monitoring of county programs. It conducted 21 county reviews between FY 2002-03 and FY 2004-05 in part using staff borrowed from other divisions. Reviews dropped to 4 in FY 2005-06 and 6 in FY 2006-07, plus three special reviews. Currently 1.0 FTE is responsible for all foster care home monitoring. The Department emphasized that the request will help it to respond to problems identified through the federal Children and Family Services Reviews and State Auditor's Office performance audits. As discussed in separate issues (attached), the Department has failed to meet six of the goals on its federal Performance Improvement Plan from its 2002 CFSR (performance in a number of areas has declined). Further, based on interviews and file reviews, the State Auditor's Office identified significant concerns with respect to the safety of children in foster care and insufficient Department oversight.

In light of the request, staff recommends that the Committee include the following questions in the hearing agenda:

1. Explain the decision item and how you anticipate that the staff requested will be used. To what extent is staff time expected to be allocated to training as opposed to monitoring and file reviews? What kinds of data will be collected, accessed and used? What will be the process for follow-up (including sanctions) if problems are found?

2. How do the specific components of this request tie to the problems identified by the CFSR and the 2007 SAO Foster Care performance audit, as well as the associated SAO recommendations?

3. Other Department sections also have responsibility for oversight of foster care services and programs. Specifically, the Administrative Review Division conducts an in-person review of every out-of-home placement every six months. The Child Care division is responsible for licensing both 24-hour facilities and Child Placement Agencies. In addition, the Field Services section provides technical assistance to counties in various compliance areas. In the past, staff from some of these sections were used to assist the Division in conducting reviews of county child welfare programs. The 2007 SAO Audit has also suggested that there may be overlap between the activities of the Division of Child Welfare's 24-hour monitoring team and the Division of Child Care's licensing activities. How would the duties of the staff requested in this decision item overlap with–and interact with--the responsibilities of other Department sections such as the Division of Child Care and the Administrative Review Division?

4. A "risk based" approach could allow the Department to target limited oversight resources to counties with significant problems. The 2007 SAO Audit found that the Department had not authorized a risk-based approach to the licensing of child placement agencies, despite the fact that this approach had been authorized in statute since 2004 [Section 26-6-104(1), C.R.S.].

Would a risk-based approach be used in the review of county foster care programs? Why or why not?

Residential Treatment Redesign
A number of statutory provisions, as well as recent-year expenditure patterns for the child welfare block grant, suggest that the Department may request FY 2007-08 supplemental adjustments, FY 2008-09 budget amendments, and legislative action related to the psychiatric residential treatment facility (PRTF) program and the therapeutic residential child care facility (TRCCF) program.

Background: From FY 1994-95 through FY 2005-06, Colorado financed a significant portion of out-of-home child welfare and youth corrections community-based services through the Medicaid Residential Treatment Center (RTC) program. Federal authorities raised concerns about the program in April 2005, and, after negotiation with federal authorities and action by the General Assembly to revise the budget and adopt H.B. 06-1395, the Departments of Human Services and Health Care Policy and Financing implemented a new service delivery and billing model in FY 2006-07. This new system eliminated the RTC option and replaced it with the Therapeutic Residential Child Care Facility (TRCCF) program and the Psychiatric Residential Treatment Facilities (PRTF) program.

Psychiatric Residential Treatment Facilities. As designed and enacted through H.B. 06-1395, the PRTF is designed as the highest level of care for children with mental health issues in the Child Welfare and Division of Youth Corrections systems. This care is reserved for children who: (1) have one of thirteen high-level mental disorders; (2) have some impairment in reality testing, communication, or work, school, or family relations; (3) have been determined by a physician to require the high level of care; and (4) are expected to improve their current condition or prevent further regression with PRTF treatment.

The Department of Human Services did not anticipate that a large population of children would qualify for placement in a PRTF, but for those that qualify, the PRTF program offers a high daily treatment rate and the ability to earn Medicaid dollars on both the treatment and room and board components of the PRTF (under the former RTC model, room and board costs were not eligible for Medicaid reimbursement)..

Therapeutic Residential Child Care Facilities. For this program, room, board, and many treatment costs are not eligible for Medicaid reimbursement. However, the TRCCFs are allowed to bill Medicaid, fee-for-service, for 31 allowable treatments. Reimbursements for these treatments range from $4.20 for 15 minutes of group therapy to $96.47 for 75 to 80 minutes of individual therapy. All other treatment is funded through General Fund and local funds, although a few services are eligible for federal Title IV-E dollars.

The TRCCF structure provides the following services: (1) Basic child care, which is Title IV-E eligible because it qualifies as case management; (2) Daily living environment services provided to all residents, such as behavior management and recreation, which are not Title IV-E eligible and are funded through General Fund and local funds; (3) Optional therapeutic services, such as offense specific services and art therapy, which is also funded through General Fund and local funds; and (4) Medicaid funded fee-for-service treatments.

H.B. 06-1395. This bill was introduced by the Joint Budget Committee and subsequently adopted by the General Assembly during the 2006 session. The bill created the psychiatric residential child care facility program (now codified at Section 25.5-5-306, C.R.S.). It included the following provisions regarding residential child health care:

- ✓ Defines psychiatric residential treatment facility (PRTF) for purposes of the program for residential child health care;
- ✓ Authorizes the program for residential child health care to provide services to Medicaid-eligible children residing in PRTFs;
- ✓ Requires the Medical Services Board to define in rule the staff permitted to order, monitor, and assess seclusion and restraint in PRTFs, and the corresponding restrictions on the use of seclusion and restraint;
- ✓ **For both FY 2006-07 and FY 2007-08, specifies that the 20 percent county share shall be reduced to the county's FY 2004-05 actual contribution**;
- ✓ **On or before January 15, 2008, requires the Department of Human Services, in collaboration with the Child Welfare Allocation Committee, to submit recommendations to the Joint Budget Committee on a county share for the actual cost of providing PRTF and TRCCF care for FY 2008-09 and each fiscal year thereafter;**
- ✓ Specifies that services provided in a residential child care facility by a provisional licensee to Medicaid-eligible children shall receive Medicaid reimbursement only if approved by the federal government;
- ✓ **Authorizes the Department to seek supplemental funding related to the implementation of the placement of children in a residential child health care program for both FY 2006-07 and FY 2007-08**;
- ✓ Defines residential child care facility to include community-based residential child care facilities, shelter facilities, and therapeutic residential child care facilities (TRCCFs);
- ✓ Establishes a provisional license for specified mental health professionals who are working in residential child care facilities; and
- ✓ Specifies that a provisional license shall be issued for a 2-year period.

FY 2006-07 Final Child Welfare Expenditures for TRCCFs and PRTFs. The table below reflects the final allocations included in the child welfare block grant for the TRCCF and PRTF programs. As can be seen, final program expenditures were $18.7 million less than the original expenditure allocations to the counties.

Child Welfare Block Grant Allocations and Expenditures for Treatment Residential Child Care Facilities (TRCCF) and Psychiatric Residential Treatment Facilities (PRTF) FY 2006-07			
	TRCCF (non-Medicaid portion)	PRTF and Medicaid portion of TRCCF	Total
FY 2006-07 County allocations	$58,736,629	$17,455,117	$76,191,746
FY 2006-07 County expenditures	50,208,097	7,270,537	57,478,634
Total under-expenditure	$8,528,532	$10,184,580	$18,713,112

In general, use of all residential child welfare programs has been declining in recent years in favor of other community-based services. Medicaid funds appropriated for child welfare services are exclusively associated with residential services. (Medicaid for other services that may be used for children in child welfare services are appropriated elsewhere, such as for Medicaid premiums or mental health capitation.) Because of the decline in the use of residential treatment services, overall use of Medicaid funds in the Division of Child Welfare has declined.

As reflected in the table below, the Division substantially underspent the FY 2006-07 appropriation of Medicaid funds. However, the General Fund appropriated for PRTFs or the Medicaid fee-for-service portion of TRCCFs may be moved between the Departments of Human Services and Health Care Policy and Financing pursuant to Section 24-75-106 (1), C.R.S. Thus, although FY 2006-07 expenditures for these specific services were far lower than anticipated when FY 2006-07 figures were set, the associated General Fund was not reverted. Instead, counties were allowed to spend the General Fund on other child welfare services. Matching Medicaid federal funds, in contrast, could not be drawn down for these services, and the matching federal funds spending authority reflected in the budget was therefore not used.

Department of Health Care Policy and Financing, Department of Human Services Medicaid- funded Programs, Child Welfare Services*			
	General Funds	Federal Fund	Total
FY 2006-07 Appropriation	$17,031,778	$17,031,777	$34,063,555
FY 2006-07 Actual Expenditures	8,037,484	8,037,483	16,074,967
Difference	$8,994,294	$8,994,294	$17,988,588
General Fund transferred to Human Services	$8,994,294		

*Note that this includes Medicaid appropriations and expenditures for other child welfare residential Medicaid programs and not solely the PRTF and TRCCF programs.

Impact on Title IV-E Receipts. The Department has also indicated that the reduced use of out-of-home placement has affected its total receipt of Title IV-E federal funds. It has indicated that IV-E earnings are not likely to support the amounts projected for FY 2008-09, and that the final earnings were not enough to cover the "Excess Federal Title IV-E Distribution for Related County Administrative Functions ($1,710,316) and "Excess Federal Title IV-E Reimbursement" for counties ($5,929,152) line items as included in the FY 2007-08 Long Bill. The excess earnings of $3.8 million from FY 2006-07 fell short of the amount of $7.6 million projected for the Long Bill. This was due to an over-estimate related to the redesign of RTCs into TRCCFS, as well as changes in federal policy resulting in a decrease in claimable expenditures through Title IV-E. Staff anticipates associated supplemental and budget amendment adjustments.

Possible Additional Federal Medicaid Changes. The Department has also indicated to staff that, as a result of new federal rules limiting federal Medicaid reimbursement for "rehabilitation" services, it anticipates that further changes to the PRTF and TRCCF programs may be required. On August 13, 2007, the Centers for Medicare and Medicaid Services (CMS) published a notice of proposed rule making on the coverage for rehabilitation services in the Federal Register. The proposed rule seeks to clarify the services definition for rehabilitation services and to ensure that these do not include services furnished by other programs that are focused on social or educational development goals. Among the proposed changes is to prohibit payment under the rehabilitative services option for expenditures for room and board in an institutional, community, or home setting.

Hearing Questions. In light of the budget trends, the provisions of H.B. 06-1395, and anticipated federal Medicaid changes, it seems likely that the Department will ask for related budgetary and statutory adjustments in Child Welfare. Staff therefore recommends that the following questions be included in the hearing agenda.

1. Is the continuum of care model for residential services (PRTF and TRCCF programs) functioning as anticipated? Is the model consistent with recently-announced federal Medicaid changes? If not, how should it be changed?

2. What are the financial implications of any proposed changes to the PRTF and TRCCF programs (including any proposed changes to county match rates)?

3. Does the Department seek to have the Joint Budget Committee sponsor related legislation in 2008?

County	Total FY 2006-07 Child Welfare Expenditures	Total FY 2006-07 Allocation from Child Welfare Services Line Item[1]	(Deficit) / Surplus	(Deficit)/ Surplus as Percent of Allocation	Funds Used to Cover Deficit/Surpluses Retained		
					Close-out Funds[2]	TANF Transfer	County Funds[3]
Adams	$31,839,449	$30,773,707	($1,065,742)	-3.5%	$1,065,742	$0	$0
Arapahoe	27,070,108	30,304,134	3,234,026	10.7%	0	0	(3,234,026)
Boulder	15,878,145	13,655,223	(2,222,922)	-16.3%	1,009,231	1,213,691	0
Denver	73,923,339	57,475,529	(16,447,810)	-28.6%	1,768,935	8,724,623	5,954,252
El Paso	37,897,076	39,576,400	1,679,324	4.2%	(1,477,805)	0	(201,519)
Jefferson	26,421,879	27,547,378	1,125,499	4.1%	(337,650)	0	(787,849)
Larimer	15,877,668	16,099,080	221,412	1.4%	(26,569)	0	(194,843)
Mesa	11,885,176	10,599,867	(1,285,309)	-12.1%	1,190,984	94,325	0
Pueblo	15,249,448	18,446,428	3,196,980	17.3%	(3,196,980)	0	0
Weld	17,736,910	15,739,405	(1,997,505)	-12.7%	1,263,757	733,748	0
Other Counties	54,366,169	55,781,647	1,415,478	2.5%	(1,218,027)	0	(197,451)
Total	**328,145,367**	**315,998,798**	**(12,146,569)**	**-3.8%**	**41,618**	**10,766,387**	**1,338,564**

[1] Total Allocation includes additional federal Medicaid funds drawn down for TRCCF, PRTF and CHRP placements (or in the case of many counties, the loss of such funds because the county spent less on such care than anticipated). Please note that a portion of the Child Welfare Services appropriation is used by the Department to pay for statewide expenses such as foster care insurance.

[2] The close-out process includes redistribution of funds from counties that have under-spent to counties that have over-spent. Negative figures reflect amounts reduced from counties that under-expended.

[3] Negative figures in this column reflect surpluses counties were allowed to retain. Counties were authorized to retain surpluses based on their participation in a Collaborative Management Incentive Pilot.

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES:
CHILD WELFARE

ISSUE:

Colorado has failed to meet many of the goals associated with its 2002 federal Child and Family Services Review and subsequent Performance Improvement Plan. This is anticipated to result in federal sanctions. Colorado is now preparing for a 2008 federal review.

SUMMARY:

- ❑ Pursuant to the federal Adoption and Safe Families Act of 1997, the federal government has identified specific outcome measures that will be used to determine whether states are complying with federal law and whether states' child welfare systems are meeting the needs of children and families.

- ❑ The federal government conducted a Child and Family Services Review (CFSR) for Colorado in 2002. Colorado was found to be in substantial compliance with six of seven systemic factors that affect the State's capacity to deliver services leading to improved outcomes. However, Colorado was only found to achieve substantial compliance with five of eleven specific outcome measures related to child safety, permanency, and child and family well-being. Like all states that have been reviewed, Colorado was required to submit and implement a Performance Improvement Plan (PIP) in order to avoid financial sanctions.

- ❑ The PIP was completed in March 2007, but Colorado's final report indicated that it was still out of compliance with regard to six specific outcome measures. In many areas performance has declined. Such noncompliance could result in a federal sanction of up to $2.2 million dollars. The State is currently negotiating with federal authorities about which outcomes will be deemed out of compliance and the associated level of financial sanction.

- ❑ The federal government has planned a second CFSR for Colorado that is expected to take place in June 2008. This review will benchmark Colorado against even higher outcome measures than the first review.

RECOMMENDATION:

Staff recommends that the Committee ask the Department at its hearing how it plans to accommodate for the likely sanction of $2.2 million that will affect Title IV-B and Title IV-E dollars. Additionally, staff recommends that the Committee ask the Department how it plans to meet the additional requirements of the second Child and Family Services Review that is anticipated around the beginning of calendar year 2008.

DISCUSSION:

Background. Approximately 33 percent of the Child Welfare appropriation originates as federal funds.[1] This includes fairly stable grant funding, including the Title XX Social Services Block Grant and funding provided under Title IV-B of the Social Security Act and it includes the federal portion of Medicaid funding for residential treatment transferred from the Department of Health Care Policy and Financing. In addition, 64 percent of the Division's federal funding is authorized under Title IV-E of the Social Security Act. Under IV-E, the state receives partial federal reimbursement for qualifying child welfare expenditures for low-income children in the child welfare system. Most of the reimbursement is at the rate of $.50 on each $1.00 spent by the state.

Key federal Child Welfare Legislation

Adoption Assistance and Child Welfare Act (1980) Emphasis on limiting foster care placements. Promoted permanency planning, reducing unnecesary separation of children and families, and "reasonable efforts" to prevent out-of-home placement.

Multi-ethnic Placement Act (1994 amend 1996) Aimed at removing barriers to permanency for children in foster care and ensuring that adoption and foster placements are not delayed or denied based on race, color or national origin.

Adoption and Safe Families Act (1997). Emphasis on speeding permanency planning, including streamlining placements, increasing adoptions and terminating

As a condition for receipt of federal funds, states agree to comply with a wide range of federal requirements, many of which were authorized under the 1997 Adoption and Safe Families Act (ASFA). This legislation reflected the most recent attempt to balance between the competing goals of reunifying families, ensuring children's safety, and moving children into permanent placement within reasonable time frames. In particular, AFSA reflected a federal reaction to evaluations that had revealed long delays in the court process for terminating parental rights and making children eligible for adoption. A significant number of children in foster care nationally were awaiting adoption, and many children waited three to five years for an adoptive home.[2] ASFA made significant changes to the federal Title IV-E program, attempting to streamline placement with changes that included clarifying what comprised "reasonable efforts" to prevent out-of-home placement. This included:

- detailing instances in which states are not required to make efforts to reunify families;

- requiring states to initiate or join proceedings to terminate parental rights for children who have been in foster care for 15 of the most recent 22 months;

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[1] Including Title IV-E reimbursements to counties that are reflected as CFE and Medicaid federal funds reflected as CFE.

[2] Geen, Rob and Karen Tumlin. October 1999. *State Efforts to Remake Child Welfare: Responses to New Challenges and Increased Scrutiny.* Washington D.C.: Urban Institute. Occasional Paper Number 29.

- providing financial incentives for states to increase the number of adoptions; and
- reducing the time by which states are required to hold permanency hearings from 18 to 12 months after the date a child enters foster care.

One of the key principles of ASFA was a focus on results, requiring states to not only ensure that procedural safeguards are in place, but to determine whether their efforts are leading to positive outcomes for children and families. ASFA required the federal Department of Health and Human Services (DHHS) to identify useful outcome measures to evaluate states' progress in meeting the needs of children and families in the child welfare system. In January 2000, the federal DHHS issued final regulations governing foster care, adoption, and child welfare programs (Titles IV-B and IV-E of the Social Security Act). The new rules, which became effective March 27, 2000, provided further guidance for states in implementing both ASFA and the Multiethnic Placement Act.

The federal DHHS was required to review each state's child welfare programs over a four-year period, starting in FFY 2000-01. In these reviews, known as Child and Family Services Reviews, each state was examined in two areas: (a) outcomes for children and families related to safety, permanency, and child and family well being; and (b) systemic factors that have an impact on the state's capacity to deliver services. These reviews consisted of a statewide assessment and an on-site review to determine whether a state was in compliance with federal requirements.

2002 Child and Family Services Review. Colorado's first Child and Families Services review was completed by federal authorities in August 2002. The State is currently in the process of its second such review. Colorado's 2002 Child and Family Services Review included the following components: a statewide assessment prepared by the state department, a state data profile prepared by federal authorities, on-site, in-depth reviews of 50 case records, and interviews and focus groups with state and local stakeholders.

The following table provides a summary of the data included in the 2002 federal report. Those items for which Colorado did not achieve substantial compliance at the time of the federal review (seven of the 18 items listed) are italicized.

2002 Colorado CFSR Review		
Outcome Measure / Description	**Colorado Data 2002**	**Compliance Standard**
Safety		
1a. Percentage of children experiencing more than one substantiated or indicated child maltreatment report within a six month period (statewide data).	2.7%	6.1%
1b. Percentage of children maltreated while in foster care by foster parents or facility staff (statewide data).	*0.73%*	*0.57%*
2. Percentage of cases in which the outcome of children being "maintained in their homes whenever possible and appropriate" was substantially achieved (based on 50 cases reviewed).	*82.0%*	*90.0%*
Permanency		
3a. Percentage of re-entries in foster care within 12 months of a prior foster care episode (statewide data).	*19.3%*	*8.6%*
3b. Percentage of reunifications occurring within 12 months of entry into foster care (statewide data).	85.7%	76.2%
3c. Percentage of adoptions finalized within 24 months of entry into foster care (statewide data).	49.5%	32.0%
3d. Percentage of children in foster care for 12 months or less that had no more than two placement settings (statewide data).	86.9%	86.7%
4. Percentage of cases in which the outcome of "continuity of family relationships and connections is preserved for children" was substantially achieved (based on 50 cases reviewed).	*79.3%*	*90.0%*
Child and Family Well-being		
5. Percentage of cases in which the outcome of "families have enhanced capacity to provide for their children's needs" was substantially achieved (based on 50 cases reviewed).	*60.0%*	*90.0%*
6. Percentage of cases in which the outcome of "children receive appropriate services to meet their educational needs" was substantially achieved (based on 50 cases reviewed).	91.3%	90.0%
7. Percentage of cases in which the outcome of "children receive adequate services to meet their physical and mental health needs" was substantially achieved (based on 50 cases reviewed).	*61.0%*	*90.0%*
Systemic Factors		
1. Statewide information system	Substantial Conformity (4/4)	
2. Case review system	*Not in Substantial Conformity (2/4)*	

2002 Colorado CFSR Review		
Outcome Measure / Description	Colorado Data 2002	Compliance Standard
3. Quality assurance system	Substantial Conformity (4/4)	
4. Training	Substantial Conformity (3/4)	
5. Service array	Substantial Conformity (3/4)	
6. Agency responsiveness to the community	Substantial Conformity (4/4)	
7. Foster and adoptive parent licensing, recruitment, and retention	Substantial Conformity (3/4)	

The initial review determined that Colorado did not achieve substantial compliance with six of the seven safety, permanency, and well-being outcomes that were evaluated. The report also identified several specific concerns associated with the various areas of noncompliance. These included insufficient emphasis on permanency placement for older children in foster care, excessive placement changes (particularly for older youth), failure to actively seek adoptive homes for some children due to their ethnicity, age, or disability, lack of consistency in promoting children's relationship with their noncustodial fathers, and failure to provide needed dental services due to delays in receiving Medicaid cards and a lack of providers who will accept Medicaid payments.

With respect to systemic factors that directly affect the capacity to deliver services leading to improved outcomes, Colorado was found to be in substantial compliance with all but one factor: the State's case review system. The report indicated that many parents are not involved in the case planning process, particularly fathers.

Of the states reviewed, all have had to submit a performance improvement plan, indicating that none "passed" all components evaluated during the reviews. Federal staff have worked with states to develop plans for making improvements in programs before assessing penalties and withholding funds. However, if a state remains in noncompliance, a financial penalty based on the extent of noncompliance is to be assessed.

2003 Performance Improvement Plan (PIP). On October 10, 2003, the Department submitted its Performance Improvement Plan in response to the federal Child and Family Services Review in 2002. Within each outcome measure domain (safety, permanency, and child and family well-being), the Department established broad goals designed to improve Colorado's performance on the specific outcome measures. In addition, the Department created specific action steps to reach the broader goals. The table below illustrates the goals and action steps associated with the outcome measure domains as well as the final level of achievement for each specific action step as of the PIP's conclusion in March 2007. **As reflected in the table below, as of the final report on the PIP in March 2007, Colorado had failed to reach its goals with respect to six action steps**. Staff notes that not all achieved action steps have been included in the table.

Goals, Action Steps, and Final Performance of PIP (March 2007)			
Outcome Domain	**Goals**	**Action Steps**	**Achievement**
Safety	Children are first and foremost protected from abuse and neglect.	85% of reports of maltreatment will receive a face-to-face observation of the child within the assigned time frame.	Achieved 9/30/2004
		Percentage of children who experience abuse and/or neglect in foster care will decrease to .57%.	Achieved 9/30/2004
	Children are safely maintained in their homes whenever possible and appropriate.	88% of Family Services Plans will contain a description of specific services that address the needs of the children.	Achieved 12/31/2004
		75% of Safety Plans will address the issues identified in the Safety Assessment.	Achieved 12/31/2004
Permanency	Children have permanency and stability in their living situation.	*No more than 8.6% of children will experience re-entry into foster care within a 12 month period per AFCARS data.*	*Out of compliance/ needs improvement*
		For 76% of children who experience change of placement, the change will be directly related to helping the child achieve his/her goal in the case plan.	*Out of compliance/ needs improvement*
		96% of children in foster care will have an appropriate permanency goal.	Achieved 6/1/2005
		81% of the children legally free for adoption will have an adoptive family identified.	*Out of compliance/ needs improvement*
		90% of the Independent Living cases will reflect diligent efforts to prepare youth for emancipation.	Achieved 12/31/06

Goals, Action Steps, and Final Performance of PIP (March 2007)			
	The continuity of family relationships and connections is preserved for children	94% of visitation plans address permanency goal and are of sufficient frequency with each parent	Achieved 9/30/2004
		96% of case records address maintaining familial and cultural connections.	*Out of compliance/ needs improvement*
Child and Family Well-Being	Families will have the enhanced capacity to provide for their children's needs.	Services will address the mothers' and children's needs 95% of the time and the fathers' needs 91% of the time.	Achieved 9/1/2004
		97% of parents and children interviewed will be involved in case planning.	Achieved 3/1/2005
		90% of monthly visits with the child will be face-to-face.	*Out of compliance/ needs improvement*
	Children will receive appropriate services to meet their educational, physical, and mental health needs.	*86% of initial health assessments of children in foster care will be done in a timely manner and 94% of children in foster care will have health needs identified and services provided.*	*Out of compliance/ needs improvement.*
		84% of children with mental health needs will have services provided	Achieved 9/1/2004

Of the 7 outcomes and 7 systemic factors upon which states were reviewed, Colorado's Program Improvement Plan addressed 6 outcomes and 1 systemic factor. As of March 2007, **Colorado is still short of the agreed upon goals on six action steps in the areas of permanency and child and family well being.**

Action Step Goals Not Achieved. The following details each of the six performance improvement plan components that currently appear out of compliance. **Staff understands that the State is negotiating with federal authorities with regard to whether all of these components will ultimately deemed out-of-compliance or whether authorities may ultimately deem the State's performance acceptable on some of them.**

<u>Foster Care re-entries:</u>. This action step focuses on the permanency and stability of children's placement in the home. *The national standard used was that only 8.6 percent of children will experience a re-entry within a 12 month period. Colorado's baseline was 19.3 percent and its performance for the period 4/1/06 through 3/1/07 was 20.6 percent* (*i.e.*, performance has declined).

Nonetheless, the State has proposed that it has substantially achieved Permanency Measure 1.

Stability of Foster Care: This action step attempts to assure that the placement change children experience while in foster care is in line with their case plans. *Colorado's baseline was 72 percent and its goal was 76 percent, but its performance for the period 4/1/06 through 3/1/07 was 58.85* percent (*i.e.*, performance has declined). The Department has noted that the measurement system used for this item looked solely at how placement changes aligned with the child's case plan: each unplanned move or move that might be more restrictive was seen as a move not in line with the child's case plan. The measurement did not assess the efforts of counties to address children's changing issues and needs. Although the State is out of compliance with regard to this measure, many counties have attempted to address this issue by implementing a team decision-making process whenever a child has to experience a move; technical assistance from the State, Denver County, and the Annie E. Casey Foundation is being provided to have 36 counties implementing this process by 2009. For the future, the Department has proposed alternative measurements for determining if this remains a problem area. The new assessment method will more effectively incorporate the reasons for placement changes.

Adoption: This action step is designed to ensure that children free for adoption move promptly through the adoption process. The goal established was that at least 81 percent of children legally free for adoption would have an adopted family identified. Colorado's 2002 baseline was 76%. The statewide performance for 4/1/06 through 3/31/07 was 79.91 percent. Although Colorado fell short of the goal, there has been nearly a 4% improvement.

Preserving Connections: This action step attempted to assure that the Family Services Plan, and services provided, including foster placements, takes into account the unique characteristics of the child and family. Colorado's goal was that 96 percent of case records would address maintaining familial and cultural connections. It's baseline was 95 percent, but the statewide performance for this action step for the period 4/1/06 through 3/31/07 was 93.82 percent (*i.e.*, performance has declined).

The Department has noted that it continues to emphasize the importance of maintaining and preserving a child's natural support and connections. More emphasis has been placed on the recruitment of Family foster and adoptive homes in the communities and neighborhoods where children currently live. The State further notes that although it agreed to include a 1% increase on this item in the performance improvement plan, this may not have been necessary, given Colorado's overall high performance in this area.

Worker Visits With the Child: This action step attempts to assure that when the county department has an open case, monthly face-to-face contacts occur between the caseworker and children in foster care as well as children living in their homes. Colorado's baseline measure was that 92 percent of visits would be face-to-face, and its goal was 95 percent. However, the statewide actual performance for the period 4/1/06 through 3/31/09 was 85.19 percent (*i.e.*, performance has declined). This was primarily related to a rule-change that required counties to make monthly face-to-face contact with children living in their homes (rather than visits every-other-month). Counties struggled to meet the revised State rule. Further, the Department has noted that the way this measure was calculated would give a compliance score of 0% for a quarter, even if a caseworker made face-to-face visits two out of three months. If scoring is based on a monthly, rather than quarterly, calculation, statewide compliance scores have been stable and consistently high throughout the period of the PIP. Finally, the Department is putting additional steps in place to come into compliance that focuses on increased caseworker training, tracking of performance by county, and financial incentives, among other components.

Physical Health: (1) Timely Initial Health Assessments: This action step attempts to assure that children with open cases receive timely initial health and dental assessments. The goal is 86 percent for this action step and baseline performance was 82 percent, but the statewide performance for the period 4/1/06 through 3/31/07 was 80.95 percent (i.e., performance has declined). The Department noted that a major systemic factor has been a computer glitch that delayed the arrival of Medicaid cards and led fewer providers to accept Medicaid. The Department noted that although this is still an area needing improvement, the percentage of compliance had increased over the past year and may have leveled off; thus, the current figure may be a more realistic baseline.

Physical Health: (2) Health Needs Identified and Services Provided: This action step attempts to assure that children's health needs are identified, and that health services are provided on a regular basis. The goal for this item is 94 percent and the baseline was 90 percent. Performance for the period 4/1/06 through 3/31/07 was 90.19. The Department noted that this is an area that continues to need improvement and indicated that it will continue to work with the Department of Health Care Policy and Financing on these issues.

Potential Sanctions. Based upon the goals not being met on the above items, the potential sanctions that Colorado faces could be up to $2.2 million. This is based upon a formula that establishes a pot of Title IV-E and Title IV-B funds against which the sanctions are applied. The pot includes: (1) Title IV-B funds that have been issued while the State has been out of compliance; and (2) 10% of the Title IV-E foster care administrative costs while the State has been out of compliance. The sanctions could be 1% of the pot for each outcome found to be out of compliance and can be applied for each year since the PIP was approved.

The Department has indicated that it does anticipate that there will be sanctions, but that it is still in negotiation with federal authorities. In response to a hearing question last year, the Department indicated that it expected to pass-on any sanctions to counties that were in violation. In light of the new administration and ongoing negotiations with federal authorities, staff recommends that the Committee include the following questions in the hearing agenda:

1. Provide an update on the status of negotiations with federal authorities, the scope of sanctions currently anticipated, and the date when such sanctions would likely be applied.

2. How does the Department plan to accommodate the anticipated financial sanctions in the budget?

2008 Child and Family Services Review. The federal government is now in the process of conducting a second round of Child and Family Services Reviews throughout the nation. This includes an extensive data collection effort by the State which will be followed by an on-site review by federal authorities in June 2008. The measures that will be used in this second round have been modified and are expected to be more stringent in various respects, including that 95 percent (rather than 90 percent) compliance is required to national standards. In preparation for the federal visit, the State has been conducting meetings and focus groups throughout the State. It has also assembled baseline data on areas that will be evaluated. The table below compares this data with the national standards and medians. Areas in which the State is out of compliance with national standards is shown in bold italics. As reflected**, Colorado can be expected to be deemed out of compliance in one safety compliance standard (maltreatment in foster care) and in two of the four permanency composite standards (timeliness of reunification and placement stability).**

Outcome Measure / Description	Colorado 2007	National Comparison	
		Compliance Standard	Median
Safety			
1. Recurrence of maltreatment. Of children who were victims of substantiated or indicated child abuse or neglect, what percent did NOT experience another incident of maltreatment within a six month period (statewide data). [inverse of 2002 measure]	95.7%	94.6%	
2. Maltreatment in foster care. Of children in foster care, what percent were NOT victims of an incident of maltreatment by foster parents or staff while in foster care (statewide data). [inverse of 2002 measure]	***99.4%***	***99.7%***	
Permanency			
Composite 1: Timeliness of reunification. (Overall score)	***110.8***	***122.6***	
Composite 1, Component A - Timeliness of Reunification			
Measure 1: Of all children discharged from foster care, what percent was reunified with the family in less than 12 months	77.2%		69.9%
Measure 2: Of all children discharged from foster care to reunification, what was the median length of stay in months	5.4		6.5
Measure 3: Of all children entering foster care, what percent was discharged in less than 12 months from the date of entry?	41.9%		39.4%
Composite 1, Component B: Permanency of Reunification			
Measure 1: Of all children discharged from foster care to reunification, what percent reentered foster care in less than 12 months	20.6%		24.2%

Outcome Measure / Description	Colorado 2007	National Comparison	
		Compliance Standard	Median
Composite 2: Timeliness of adoptions of children exiting foster care	113.5	106.4	
Composite 2, Component A: Timeliness of adoptions of children exiting foster care			
Measure 1: Of children discharged from foster care to adoption, what percent was discharged in less than 24 months from date of most recent entry into foster care	58.4%		26.8%
Measure 2: Of all children who were discharged from foster care to adoption, what was the median length of stay in foster care (months)	21.9		32.4
Composite 2, Component B: Progress toward adoption of children in foster care 17 months or longer			
Measure 1: Of all children in foster care 17 months or longer, what percent was discharged to a finalized adoption	18.2%		20.2%
Measure 2: Of all children in foster care 17 months or longer, what percent became legally free for adoption	3.4%		8.8%
Composite 2, Component C: Timeliness of adoptions of children legally free for adoption			
Measure 1: Of children legally free for adoption, what percent was discharged in less than 12 months of becoming legally free	55.5%		45.8%
Composite 3: Achieving permanency for children in foster care for extended periods of time	122.5	121.7	
Composite 3, Component A: Achieving permanency for children in foster care for extended periods of time			
Measure 1: Of all children in foster care for 24 months or longer, what percent was discharged to a permanent home prior to age 18	19.2%		25.0%
Measure 2: Of all children discharged who were legally free for adoption, what percent was discharged to a permanent home prior to age 18	96.7%		96.8%
Composite 3, Component B: Children growing up in foster care			
Measure 1: Of all children who exited with a discharge of emancipation prior to age 18 or who reached age 18, what percent was in foster care for 3 years or longer	31.4%		47.8%

Outcome Measure / Description	Colorado 2007	National Comparison	
		Compliance Standard	Median
Composite 4: Placement Stability	***97.4***	***101.5***	
Measure 1: Of children in foster care for 12 months or less, what percent had two or fewer placement settings	86.5%		83.3%
Measure 2: Of all children in foster care between 12 and 24 months, what percent had two or fewer placement settings	62.7%		59.9%
Measure 3: Of all children in foster care 24 months or more, what percent had two or fewer placement settings	34.5%		33.9%

As reflected in the table, it appears that Colorado will not meet a number of CFSR compliance standards for the 2008 review. In light of this, as well as the results of the 2007 State Auditor's Office performance audit, staff recommends that the Committee include the following questions in the hearing agenda:

3. Is the Department concerned about these results? If so, what steps does it propose to take to improve its performance in ensuring safe, permanent placements for Colorado children who have been abused and neglected?

ISSUE:

Foster Care Services Performance Audit by the State Auditor's Office, May 2007

SUMMARY:

❏ A May 2007 SAO Performance Audit of Foster Care Services identified many serious concerns about the quality of care provided to children in foster care and the Department's supervision of county foster care programs.

RECOMMENDATION:

Staff recommends that the Committee discuss with the Department the steps it is taking to address concerns raised by the audit, with particular focus on Department proposals for statutory, regulatory, and staffing changes to improve the Department's oversight of county foster care programs.

DISCUSSION:

Colorado's compliance with its Performance Improvement Plan from its 2002 federal Child and Family Services Review, as well as initial data gathered for the 2008 federal review, suggest weaknesses in the state's child welfare system. This State Auditor's Office (SAO) performance audit focused on whether the Department has adequate tools at its disposal, and is using them effectively, to ensure that foster children are safe and receive high quality services as demonstrated by the State's performance on the CFSR and other measures.

Safety of Foster Children.
The Auditor's review of case files indicated significant problems.

Quality of Foster Homes. The auditors found major problems in the areas of training for foster parents, background checks, and the inclusion of foster parents in case planning. For example: 43 percent of files sampled did not demonstrate that foster parents had completed the required training; "ICON" background checks that identify events that would not be flagged by a fingerprint check such as a restraining order had not been required until 3 years after legislative authorization and were still not consistently used for foster parents; and foster parents are not consistently included in Family Service Plan development and meetings and therefore often lacked key information about their foster children. *Overall, the auditors indicated that the state was not providing sufficient oversight over counties and CPAs to ensure children's safety.*

Foster Parent Recruitment. In addition, Department was unable to demonstrate the efficacy (or not) of its foster parent recruitment and retention efforts, due to insufficient data. This area is of increasing significance, as many counties report a shrinking pool of families willing to serve as foster parents.

Institutional Abuse or Neglect. *The Department has failed to ensure that counties adequately investigate and act upon allegations of abuse in foster homes.* The Department convenes a team to review and identify any deficiencies in county responses to allegations of abuse in foster homes--but does not follow-up when it disagrees with a county's conclusion. *The audit identified 205 foster homes that were subject to multiple abuse or neglect allegations; for nine of these homes, it found that confirmed incidents of abuse or negligent might have been prevented if the state had followed up adequately on prior abuse or neglect allegations against the homes.* The Department's records on cases recommended for follow-up were incomplete, and the data that was available indicted that counties implemented state recommendations for corrective action against foster homes less than half the time. Finally, recommendations by the Department review team that were designed to improve county investigation practices were largely ignored.

Timeliness of Investigations. County investigations of abuse in a foster placement frequently fail to comply with Department timeliness guidelines: 48 percent of investigative reports were late, but the Department had failed to consistently monitor county performance in this area, assist counties in overcoming obstacles to timeliness or to impose sanctions on counties that consistently failed to comply.

Multiple Founded Cases of Abuse or Neglect. *Auditors found two cases where counties and CPAs should have acted more swiftly to permanently close foster homes after a first founded incident of abuse or neglect. Failure to do so resulted in further significant abuse incidents.* The audit found the Department provides minimal supervision over county decision s to continue using foster parents that have abused or neglected foster children.

Department review of CPA practices - Stage II investigations. The Department's review process for "Stage II" investigations (that examine if there are institutional practices with respect to how a CPA operates that contribute to an abuse situation) is flawed. The Department does not inform counties of the results of its investigations of CPAs, so that they can see whether a CPA has a history of problems; it does not conduct investigations of counties to determine their administrative culpability in abuse or neglect; and it does not consistently apply sanctions for repeat CPA offenders. *The auditors found that eight CPAs had committed at least 10 violations each over the last four years, but Department does not appear to have recommended sanctions as often as it should have*. The Department pursues further licensing sanctions only when the CPA violates the same rule repeatedly.

Critical Incidents. A critical incident is an event that poses a threat to a foster child's safety and well-being. CPAs are required to report such incidents to the Department within 24 hours. The audit found that about 28 percent of critical incidents were not reported in a timely manner and found evidence suggesting not all such incidents were reported. Only since November 2006 have counties been required to report incidents in county-certified homes.

Quality of Care
This portion of the audit focused on the broader tools the Department does (and does not) use to oversee counties and child placement agencies in the delivery of services.

Oversight of counties. The Department's oversight of county performance includes both monitoring individual corrective action plans for the 21 largest counties (plans developed in 2005 to check if counties were meeting federal standards) and periodic on-site reviews of all county foster care programs. *The audit found that the mechanisms for overseeing quality of care had not been used effectively.* The audit recommends:

1. Including specific strategies in corrective action plans to address county noncompliance with federal foster care standards and state and federal requirements. These should be based on analyses by the counties of the reasons for noncompliance (e.g., is the problem one of record keeping or of foster parent training?)

2. Developing and implementing a system of ongoing or recurring corrective action and progressive sanctions, up to and including withholding reimbursement of county child welfare expenditures, to use when counties are noncompliant with statutory or regulatory requirements or federal standards. [Note: it is staff's understanding that, in the past, the Department had such a system in place based on existing statute. However, the Department has no current rules in place for implementing such a system.]

3. Improving the monitoring of implementation of county plans to ensure problems are corrected in a timely manner. The audit found that for reviews conducted between September 2002 and April 2005, ti has taken an average of 2.7 years for the Department to confirm that counties completely implemented their corrective action plans.

4. Modifying the procedures followed in periodic reviews of county foster care programs to focus more resources on case file reviews rather than interviews and policy reviews. The audit found this particularly important given the results of the Auditor's files reviews and the results on the Performance Improvement Plan.

The Department agreed with these findings and indicated plan to implement between October 2007 and July 2008.

Supervision of counties. The audit found that federal laws are very clear that states are responsible for the adequacy of programs funded with federal child welfare moneys. However, state statutes do not provide the Department with specific authority to direct county activities, require compliance with Department directives or penalize counties for noncompliance through fines or corrective action. *The Department agreed with the audit recommendation that it should review statues and regulations relating to the Department responsibilities and assess whether statutory or regulatory change is required. Staff recommends that the JBC discuss with the Department what statutory and regulatory changes are being pursued in response to the audit findings.*

Oversight of child placement agencies. The Department oversees CPAs through licensing requirements enforced by the Division of Child Care and through a monitoring unit within the Division of Child Welfare. The audit found:

- The Division of Child Care has been late in reviewing licenses for renewal. Out of a sample of eight, the Department had visited all of them on or after the date the current license expired. The audit found an average renewal cycle of 14.5 months in 2006, rather than 12 months, because of such delays. This appears to be related to the following factors: (1) the Division does not send out renewal materials promptly; and (2) the Department has not authorized risk-based approach to CPA licensing, although this has been authorized in statute since January 2004. The delays are significant because, in conducting license renewals, the Division found significant violations.

- There is insufficient monitoring of high-risk CPAs by the 24-hour monitoring unit in the Division of Child Welfare. The auditors found several CPAs that appear to be high risk but that did not receiving monitoring visits for long periods. For example, there were 17 CPAS with at least 20 investigations each or alleged or abuse or neglect involving a foster home they certified. The audit found that 5 of the 17 had gone at least four years without a monitoring visit.

- There was poor documentation of some elements of both the licensing and monitoring reviews. As a result, the audit could not determine if staff properly followed procedures.

- The audit found similarities between the licencing and monitoring visits that may indicate some duplication of effort and resources. Monitoring visits are supposed to be more in depth, but the audit found no evidence of this.

The Department agreed to address all of these concerns, including changing the Trails system to assist it identifying risk factors.

Federally-required foster care reviews (Administrative Review Division). The audit found that the Administrative Review Division, which independently reviews cases every six months, does not always review cases within the required nine month window allowed by federal requirements. However, based on new staff appropriated beginning July 2006-07, these time frames are anticipated to be fully addressed.

County Grievance Process. County grievance procedures are established pursuant to statute at Section 19-3-211, C.R.S. Such procedures are required to include transmittal of all grievances to the county director of human/social services within ten days. If the issue cannot be resolved to the complainants' satisfaction the complainant can appeal to the external citizen review panel, established and required by statute. Ultimately, complainants may appal to the county's Board of Commissioners. The audit found that the counties frequently do not comply with requirements for the grievance process, resulting in complainants' being denied their rights to seek resolution from a body outside the county departments. For example, five rural counties had no citizen review panel. The Department agreed to improve oversight and monitoring of grievance procedures.

Core Services
The audit examined the services known as "core services" that are designed to preserve families and prevent children from being placed outside their homes. The purpose of the program is to limit out-of-home placement and their costs by limiting removal of children from their homes. Services include substance abuse treatment, optional county-designated services, mental health services, life skills, and intensive family therapy, home-based intervention, special economic assistance, sexual abuse treatment, and therapeutic day treatment. About 60 percent of such services are provided to families with children still in their own homes, while the other 40 percent are provided to families with children in out-of-home placement. The number of children receiving core services has increased by 40 percent from 2003 to 18,800 in 2006. Cost per child is about $2,500. The audit identified concerns with methods used by counties to document the need for core services and with the methods used by the Department to measure cost-effectiveness of the services. As a result, the audit questioned whether the program is serving children and their families effectively and meeting intended goals.

Eligibility for Services. The audit found lack of documentation to show that core services were warranted. This raised concerns about whether counties are providing services to families that are truly at-risk of out of home placement. The Department asserts that the program prevented placement for 88 percent of participants, but this statistic is not accurate if not all persons receiving services are truly at risk. The Department agreed to begin sampling county files for imminent risk criteria, developing a rule-based discipline policy, and to provide technical assistance to address the issue.

Evaluating Service Effectiveness. The audit found that the Department's claim that services prevent placement was distorted, as all core services were included in its prevention calculation, even though 43 percent of services were provided to families with children already in out of home placement. The Department failed to disaggregate data for children receiving services while living with their families and children in out of home placement and failed to assign risk levels to children, making data difficult to interpret. The audit also found hat the time frame for assessing the effectiveness of services (90 days) is too short. The auditor's own efforts to assess the effectiveness of core services using a North Carolina Family Assessment Scale indicated that individuals who received core services were *more* likely to be removed from the home than those who didn't. The SAO has raised concerns about the Department's methods for demonstrating the effectiveness of core services since 1990, but these have not been addressed.

Cost Savings from Core Services. The audit found that the Department's methods for determining savings related to core services are misleading. The audit analysis found that for a four year period, the average amount spent per child on core services was about $4,000 compared with about $10,800 for out-of-home placements. In many cases children receive both.

Statutory Clarification. The audit also noted that statutes in four locations appear to authorize core services, but that there are discrepancies among the statutes that result in a lack of clarify regarding the intent of core services. The auditors recommended that the Department work with the General Assembly to clarify this statutory authority.

ISSUE:

Foster Care Financial Activities Audit by the State Auditor's Office, September 2007

SUMMARY:

❑ A recent State Auditors' Office audit found that the Department of Human Services does not compile enough information, perform sufficient analysis, or provide adequate oversight to determine whether child welfare funds are being used efficiently and cost-effectively by counties.

❑ Among the many recommendations:
  - The Department should provide meaningful review of county-negotiated foster care rates, more thoughtfully construct its own "base anchor rates", and pursue the use of validated "level of care" tools that could assist in setting rates and determining if rates paid are reasonable.
  - The Department develop a better understanding of how the child welfare allocation computer model operates and address specific model weaknesses.

❑ The Department agreed with many of the recommendations, including those to improve base anchor rate calculations, review county rate models, analyze the allocation model, and correct payment discrepancies. It rejected or only "partially agreed" with others. Its objections generally focused on Department workload, feasibility and the level of oversight over counties the Department is prepared to provide.

RECOMMENDATION:

Staff recommends that the Committee ask the Department to discuss the most significant steps it is taking to address concerns raised by the audit and to ensure child welfare funds are being used efficiently.

DISCUSSION:

Foster Care Costs
This State Auditor's Office (SAO) performance audit focused on the cost-effectiveness of foster care services provided through family foster homes, group homes, kinship care, and receiving homes (rather than more institutionalized forms of care such as treatment residential child care facilities. The audit found that:

- **Total spending on child welfare services has grown faster than inflation and the child population since 2000.** The appropriation for child welfare services grew about 31 percent between FY 1999-2000 and FY 2005-06, although local inflation grew about 17 percent and the child population grew about 6 percent over the same time period.

- **Provider rates for foster care grew more than local inflation over the last five years.** The average daily rate paid to child placement agencies (CPAs) and group homes for foster care administration increased about 18 percent between FY 2002-03 and the first half of FY 2006-07 and the child maintenance rate increased by 11 percent. Both are higher than the 7 percent inflation rate occurring the Denver metro area of r the same period.

- The average rate paid to foster parents for covering the cost of raising a child exceeds the U.S. Department of Agriculture's estimate of the cost to raise a child.

The audit acknowledged that this does not definitely prove the State spends more than necessary for child welfare services and foster care. However, in general, **the audit found that the Department does not compile enough information, perform sufficient analysis, or provide adequate oversight to determine whether child welfare funds, including those spent on foster care, are being used efficiently and cost-effectively by counties and CPAs** to provide necessary services.

Department Controls over Foster Care Rates. Federal law requires that states receiving federal funding for foster care periodically review foster care payments to ensure their continued appropriateness. In Colorado, counties may either use "base anchor rates" established by the Department or, pursuant to Section 26-5-104 (6), C.R.S., they may negotiate rates with providers if they use a methodology approved by the Department. The foster care rate structure includes separate rates for child maintenance (cost of raising a child); administrative maintenance (CPA or group home administrative costs such as staff and overhead; provided only for CPAs and group homes); administrative services (direct therapy , treatment, recreational, educational services); and additional payments for respite care, clothing, and costs for serving a child with physical or mental disability.

- **Base Anchor Rates.** Twenty-five counties primarily use the base anchor rates to pay for foster care services. The Department uses biennial self-reported CPA and group home expense report information to determine unique base administrative rates. The auditors found the formulas for setting the base rates administrative maintenance and administrative services had technical flaws, causing the Department to set base rates that were significantly higher than they should have been. Furthermore, child maintenance rates have not been adjusted since May 1999. As a result, counties are not using them to pay for foster care child maintenance (average county payments are twice the amount of the base rates).

- **County Negotiated Rates.** The auditors found no evidence that the Department reviewed the methodologies used by the counties to determine if they are acceptable. Further, the Department has no criteria or process for evaluating or approving these methodologies. The average foster care rates paid by counties varies significantly. For the 10 largest, child maintenance rates ranged from $23.26 to $35.80, while administrative maintenance ranged from $3.99 to $23.09.

The auditor's recommendations were that the Department:

1. analyze the foster care rates being paid to providers against providers costs and benchmark information on an annual basis;
2. revise the formula for setting base administrative maintenance, administrative services, and child maintenance rates for CPAs and group homes;
3. improve supervision of counties' rate-setting and negotiations by requiring counties to submit documentation on their practices; and
4. identify and consider implementing alternative rate-setting methodologies that rely on objective cost data.

The Department agreed to the second and third of these recommendations (implementation July 2009 and December 2008 respectively), although it did not agree there were over-payments. The Department partially agreed to recommendations one and four. In light of resource constraints, it agreed to periodic reviews of rates for a sample of cases to ensure rates are set according to a rate-setting methodology accepted by the Department. It indicated it would explore alternative rate setting methodologies for determining base anchor rates.

Level-of-Care Assessments. The Department does not use a level-of-care assessment to set base anchor rates. Most counties that negotiate rates use a level-of-care assessment; however, based on interviews with staff and review of child files, the auditors found inadequate documentation, rates unsupported by level-of-care assessments, and inadequate level-of-care tools. None of the ten counties contacted have validated their level-of-care tool in Colorado, although one report its tool was validated in Michigan.

The audit recommended that the Department work with counties to develop and implement a validated, statewide level-of-care assessment tool, update the Trails system to include fields for recording a child's level of care, and conduct periodic file reviews to ensure counties are using tools to assist with setting and negotiating rates. *The Department partially agreed with the first recommendation and indicated it would "explore whether there are validated tools nationally that could be adapted to Colorado's system" by January 2009.* It also agreed to make the Trails modification and to conduct periodic file reviews at counties by 2009.

Provider rate increases. The auditors noted that, per statute and the Long Bill, it is not clear that counties are obligated to pass along provider rate increases included in the child welfare block grant to providers. The auditor's analysis indicated that, on average, provider rate increases provided by counties have exceeded the increases approved by the general Assembly from FY 2002-03 through FY 2006-07. Average daily rates for child maintenance and administrative maintenance increased more rapidly than the rate increase approved by the General Assembly. Administrative services declined sharply, largely due to federal government's disallowing payment for mental health services. *Overall, rates increased more than amounts identified in the Long Bill, though individually some rates increased less*. Counties have not specifically considered the General Assembly's approved increases when adjusting their rates, and the Department has not consistently adjusted base anchor rates by the amounts approved by the General Assembly for provider rate increases. The Department agreed to adjust its base anchor rates when the General Assembly authorized a provider rate increase and to require counties to report changes in their rate methodologies.

Foster Care Cost Comparison. Senate Bill 01-012 requires the Department to conduct an annual analysis comparing foster care expenditures at counties and CPAs and report the results of its analysis and comparisons to counties. The legislation was initiated by the 2000 Foster Care Interim Committee, which raised concerns about potentially excessive CPA costs. The auditors found that, overall, the Department has been unable to conduct a meaningful comparison of CPA versus county expenditures for foster care as required by statute. The data used for the reports does not provide for an apples-to-apples comparison of county and CPA expenditures. The Department does not consistently collect the required information and has not reported any results since January 2005. The audit recommended the Department should work with counties and CPAs to develop and effective method for comparing costs between CPAs and counties and seek statutory change to allow the cost comparison to be based on actual payments. *The Department disagreed with the recommendation and indicated that it intends to seek repeal of Section 26-5-104 (6.5)* on the basis that the reports presently provided are not of value.

Child Welfare Funding

This portion of the audit focused on the allocation of the child welfare block among counties and the use of federal Title IV-E reimbursements for foster care. Counties receive annual block grant allocations for child welfare services. Consistent with statute the allocation of funding among counties is based on the recommendations of the Child Welfare Allocations Committee (or the JBC, should there be no agreement). From fiscal years 1998 through 2001, counties received capped allocations based on expenditures from prior years and demographic factors. For FY 2002, the Department hired an outside contractor to develop an allocations model that is still be used. The model uses past case rates and costs and applies them to the child population of each county in the allocation year. There are currently eight drivers: 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, and average cost per day for subsidized adoptions. For each driver, the allocations committee establishes and maximum and minimum range. Counties above the maximum must pay for these extra costs or services with funds other than block grant moneys. Those at the low end of the range are given additional funding.

County Administrative Spending. The auditors noted that the driver "Program Services Average Cost per Involvement" has been increasing sharply. Program services costs accounted for 43 percent of program costs in FY 2005-06, and costs have been increasing faster than caseload. This spending category encompasses both county administrative expenditures and service costs for children in county-managed placements. The auditors recommended that the Department take steps to separate out case management and administrative costs, *e.g.*, through sampling or proxy measures such as number of children receiving in-home and out-of-home services or umbers of caseworkers. The Department partially agreed. It indicated that it would not be cost-effective to track administrative costs separately, through it did agree to explore other methods available, such as proxies, to evaluate increases in program service costs. The auditors also recommended that the Department consider using improved information to allocate funds separately for administrative and case management costs. The Department disagreed with this recommendation. It emphasized that it was not interested in prescribing where counties spend blocked funding.

Surplus Distributions. By the end of the year, some counties have exceeded their blocked allocations, while others have underspent. Pursuant to statute, the Department is authorized to redistribute these funds "for authorized expenditures attributable to caseload increases beyond the caseload estimate" [Section 26-5-104 (7) (b), C.R.S.]. *T he auditors found that the Department is unable to ensure that the redistribution of funds is based on unanticipated caseload increases, because the Department does not determine why counties have overspent their allocations.* The auditors recommended that the Department seek a formal option for the Attorney General's office to ensure that the Department's process complies with statute and to make any necessary changes based on this.

Funding Stability. The auditors found that each of the 54 balance-of-state counties had significant caseload shifts that did not result in comparable changes in funding levels. Specifically, 22 counties experienced one or more shifts of 10 percent or greater in their caseloads over a three year period, without corresponding shifts in their allocation. For the other 32 counties, in some instances funding from one fiscal year to the next shifted in the opposite direction from caseload. One explanation is the inherent time-lag built into the allocation model. Another explanation is that the mitigation process, designed to provide stability, is not achieving this. Four percent of funds are set aside to help balance-of-state counties to cover over-expenditures; however the auditors found problems with the process used to distribute these funds. The auditors recommended that the Department analyze shifts in caseload an allocations for the balance of state counties to determine if the model is working properly and develop and implement written criteria for the distribution of mitigation funds. The Department agreed with implementation between July and October 2008.

Department Oversight of Model. The auditors found that the Department lacks detailed knowledge about the model's mechanics and that counties were not given full access to the model until April 2007. The auditors recommended that the Department develop a comprehensive understanding of the model, maintain documentation of all source data, and restructure its relationship with the model's contractor to either take over all aspects of managing and operating the model or more formally laying-out the Department and contractor's rights and responsibilities. The Department agreed, with implementation between January 2008 and July 2009.

Federal Reimbursements. Title IV-E of the Social Security Act providers federal funding to help states pay the costs of providing foster care to eligible children from low-income families. In FY 2005-06, about 46 percent of foster care payments were on behalf of children who qualify for IV-E services. Two of three foster care rate components–child maintenance and administrative maintenance–qualify for Title IV-E reimbursement, while administrative services does not. The audit found that:

- **The Department may not be collecting all IV-E reimbursement to which the State is entitled, due to the way CPA case management expenses are recorded in Trails.** Specifically, the Department's own "base rates", which are used by 25 counties to purchase foster care services from CPAs and group homes, allocate case management to the administrative services component, the cost component not eligible for reimbursement. Further, counties that negotiate their own rates are not given any guidance in this area. Based on a sample of 10 counties, the auditors found that about half allocated these costs to administrative services (not reimbursable), while the other allocated the costs to administrative maintenance (reimbursable). The auditors estimated that the Department could have potentially claimed about $1 million more annually, if case management costs were consistently classified as administrative maintenance.

- The auditors also found that counties do not always enter payments into the correct rate components–child maintenance, administrative maintenance, and administrative services. Based on a sample of payments, the auditors found 12 percent of expenditures were incorrectly allocated. One county allocated costs arbitrarily. The Department also found some costs that were not Title IV-Eligible that may have been inappropriately claimed.

The Department agreed to explore federally acceptable alternatives for claiming Title IV-E funding for case management activities, to provide counties with instructions on recording and classifying expenditures, and to conduct a larger sample to determine if data entry errors for county rates exceed a reasonable margin of error, all by December 2008. It also agreed to correct and adjust for any errors identified by the auditors by December 2007.

Controls Over Expenditures

The final chapter of the audit focused on the sate's cost controls over CPA foster care administrative expenses and payments to foster parents, county payments for core services, and county payments for the Chafee foster care independence program, which helps older children transition to self-sufficiency. For this section, the auditors tested financial transactions and records in a sample of counties.

CPA Expenditures. Overall, the audit did not find the high volume of questioned costs identified in the last audit (2002); however, it found a substantial number of transactions not compliant with state and federal regulations. The audit noted that one CPA had paid a county rebates to encourage the county to place foster children with the CPA. Other CPAs had made loans or advance-payments to foster parents that raised concerns. A small amount of unallowable expenditures were found in the sample reviewed, and insufficient documentation for other expenditures. The auditors recommended that the Department consider whether CPAs should be considered financial "subrecipients" under federal audit guidelines or vendors (and therefore, for large CPAs, subject to audit). They also recommended that the Department evaluate options for further review of CPA expenditures, *e.g.*, during monitoring visits, and that the Department clarify unallowable costs in regulations by providing examples. The Department agreed to explore whether CPAs should be classified as vendors versus subrecipients and to clarify regulations. It indicated that it would be interested in providing further oversight of CPA expenditures, if additional resources were available for this work.

Payments to Foster Parents. The auditors reviewed payments made to determine whether CPAs received correct payment from counties for payments to foster parents and whether they passed the payments along to foster parents as required. The audit identified substantial numbers of payment discrepancies. The auditors found that 29 percent of payments from counties to CPAs did not match contracted amounts. The audit also found that, for 46 parent of foster parents in its sample, the CPAs did not pass along the specific amount the CPA received for child maintenance. The majority of these received *more* than the amount received by the CPA, but some received slightly less. The audit also found that 27 percent of foster parent payments did not match the amounts contracted between the county and the CPA. The audit found that one CPA consistently underpaid foster parents of children in the Children's Habilitation Residential Program (CHRP), which provides services to children with developmental disabilities. The audit recommended that the Department implement routine, period reviews of payments made from CPAs to foster parents to ensure they match up on payments by counties. The Department agreed, with implementation by 2008.

Chafee Independent Living Program. The Chafee program provides funding to states to help children who are likely to remain in foster care until age 18 transition to independent living. Counties may provide cash assistance, including for rental payments, provide counseling or independent living skills training and other services. The auditors found exceptions with 50 percent of the Chafee transactions tested. Each of the eight counties reviewed had at least two exceptions. For most, there was inadequate documentation; however, there were nine examples of unallowable expenditures. Overall the audit found significant weaknesses in the controls counties maintain over Chafee funds. For example, in one county, the Chafee worker had complete authority to make and receive purchases and pay for them out of a special account; in many cases payments were made directly to program participants without appropriate follow-up; inventories were not checked; there were errors in coding of certain expenditures; and there was poor documentation on goods and services received by youth. In response to the audit recommendation, the Department agreed to make various improvements to its program oversight, including providing additional training and technical assistance.

Core Services. Core services are child welfare services designed to prevent or shorten out-of-home placements or allow children to move to less restrictive placements. One component is special economic assistance: cash assistance of up to $400 annually for families requiring emergency assistance for expenses such as housing, food, clothing, etcetera. Based on a review of a sample of files in seven counties, the auditors found that documentation supporting eligibility for this assistance was lacking and that in some cases funds were not disbursed in accordance with rules. In response to the audit, the Department agreed to ensure counties limit services to qualified families for qualifying services and that countries properly authorize and supervise the use of funds.

Parental Fees. Statute requires the Department to promulgate rules establishing fees, based on child support guidelines, for all child welfare services including foster care and core services. It also mandates that persons legally responsible will pay for all or a portion of the child welfare services received on the basis of income. The auditors found that all of the eight counties they visited charge parental fees for foster care but only one charged fees for core services as required by statute. The auditors found that Department regulations effectively do not require counties to charge the fees for core services, contrary to statute. The Department and counties expressed concern that charging fees for core services might prevent families from accessing the services. The auditors recommended that the Department work with counties to determine if Department rules should change to become compliant with statute or if statute should be changed to eliminate the core services fee requirement. The Department agreed to do this by December 2008.

Data reliability. Federal law requires each state to develop a statewide automated child welfare information system (SACWIS) to collect information about children in adoption and foster care. In Colorado, the SACWIS system is the Trails system. The auditors reviewed the rules, regulations and internal controls over data entry and payments in Trails to determine whether data were reliable and consistent as required by federal law. The auditors found the Department's internal controls over data to be weak, ultimately jeopardizing the reliability and consistency of the data. For example, the audit found cases in which payment end dates registered as prior to payment start dates. It also found counties do not enter data into Trails consistently. For example, one of the large counties logs each individual report about a potential case of abuse as a separate referral, while others count multiple reports as one referral. This skews data used in the allocation model. There is no Trails data dictionary nor a comprehensive list of data entry controls and edit checks. The Department agreed to make various improvements in these areas between July 2008 and February 2009.