

# M E M O R A N D U M

**TO:** Joint Budget Committee

**FROM:** Amanda Bickel, JBC Staff

**SUBJECT:** Additional Child Welfare and Youth Corrections Budget Balancing Options

**DATE:** March 17, 2010

The following additional budget balancing options were inadvertently omitted from the chart in the figure setting packet.

Options with <i>Appropriation</i> Impacts	GF	CF	RF	FF	Total	FTE
1  <b>Further Refinance General Fund in Child Welfare with TANF</b>  Based on the data provided by the Department on the amount of money in the Child Welfare Services line item \$12.5 million after the current request for a \$7 million refinance is completed and the Family and Children's Programs line item (\$10.1 million) it appears that additional refinance of General Fund in Child Welfare would be feasible. It seems likely this could be done without so-jeopardizing the TANF MOE that the State would not be able to comply. However, such a refinance would only be sustainable on an ongoing basis if matched with decreases in other TANF-supported programs.	(10,000,000)	0	0	10,000,000	0	
2  <b>Youth Corrections 120 percent of Capacity</b>  The Committee could require Youth Corrections to operate at 120 percent of capacity in state facilities, as was done in FY 2009-10 (rather than the 110 percent recommended by staff). This provides additional savings as reflected above.	(2,352,816)	0	(94,010)	0	(2,446,826)	
3  <b>Reduce DYC Detention Cap</b>  The Committee could run a bill to further reduce the DYC detention cap from the current 479. For example, if the cap were reduced by 40 ADP, staff anticipates savings on the order of \$2.0 million might be feasible. Additional work would be required to more precisely identify savings amounts, including FTE reductions.	(2,000,000)	0	0	0	(2,000,000)	

# MEMORANDUM

**TO:** Joint Budget Committee

**FROM:** Amanda Bickel, JBC Staff

**SUBJECT:** Human Services SBA #7 - Refinance General Fund of Child Welfare Services with Federal TANF Moneys

**DATE:** March 17, 2010

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

1. Further refinance \$7.0 million in the Child Welfare Services line item with Temporary Assistance for Needy Families (TANF) block grant funds.
2. Reduce Appropriations for the Colorado Works Program Maintenance Fund and Statewide Strategic Use Fund to offset the increase for Child Welfare Services.

The requested adjustment are reflected in the table below.

<b>SBA #7 - Refinance Child Welfare with TANF - Request</b>			
	<b>Total</b>	<b>General Fund</b>	<b>Federal Funds</b>
Child Welfare Services	\$0	(\$7,000,000)	\$7,000,000
Self-Sufficiency, Colorado Works Program Maintenance Fund	(2,000,000)		(2,000,000)
Colorado Works, Statewide Strategic Use Fund	<u>(5,000,000)</u>		<u>(5,000,000)</u>
Subtotal	(\$7,000,000)	(\$7,000,000)	\$0

Background - Child Welfare Component: For FY 2009-10, the Department requested and the General Assembly approved an adjustment to refinance \$9.5 million General Fund in the Division of Child Welfare with TANF dollars. This was increased during supplementals by an additional \$3.0 million. These adjustments were presented as time-limited and related to spending down the TANF fund balance. The additional requested adjustment will bring the refinance total to \$19.5 million, although this is the first time the refinance has been identified as an ongoing change.

Office of Self Sufficiency Programs Background: The Department proposes to offset the Child Welfare TANF increase with reductions in two other programs: the Statewide Strategic Uses Fund (reduction of \$5.0 million or 50 percent of the base funding of \$10.0 million) and the Colorado Works Program Maintenance Fund (reduction of \$2.0 million or 2/3rds of the base funding of \$3.0 million). Both of these line items were created through S.B. 08-177, which capped county TANF reserves.

*Colorado Works Program Maintenance Fund:* The fund was created to allow the Department to respond to emergencies or other unforeseen circumstances at both the state and county level, pursuant to Section 26-2-721.3, C.R.S. Funds that are not spent revert to TANF Long Term Reserve. An annual report to the General Assembly indicated that during FY 2008-09, the Department did not incur any expenditures from the Fund. In FY 2009-10, the Department anticipates incurring expenditures related to case management services for TANF-eligible refugees, and expenditures to provide resources to counties for implementation of their Colorado Works programs.

*Statewide Strategic Use Fund:* Pursuant to Section 26-2-721.7, C.R.S., the fund is to be used to support initiatives and programs that have demonstrated effectiveness and meet one of the purposes of the federal TANF program including assisting needy families and assisting families to reduce dependence on government benefits. Funds are allocated by the Department based on the recommendations of an advisory committee including representatives of the Department and the Department of Public Health and Environment; Colorado counties; and advocates for participants in the Colorado Works program, early childhood development, child welfare, community colleges, workforce development and mental health. According to an annual report to the General Assembly, funds have been allocated in two grant cycles, based on \$10 million appropriated in FY 2008-09 and \$10 million appropriated in FY 2009-10. Amounts in this fund do not revert to the Long Term Reserve, and funding associated with the second grant cycle is only expected to be fully completed at the end of FY 2010-11 (based on funds appropriated in FY 2009-10).

**Staff Recommendation.** Staff recommends the request with the following modifications:

- Staff recommends a reduction of \$863,249 (all but \$100,000 out of amount remaining) to the Colorado Works Program Maintenance Fund; and
- Staff recommends a reduction of \$6,000,000 to the Colorado Works Statewide Strategic Uses Fund, leaving \$4.0 million in the Fund.

<b>SBA #7 - Refinance Child Welfare with TANF - Recommend</b>			
	<b>Total</b>	<b>General Fund</b>	<b>Federal Funds</b>
Child Welfare Services	\$0	(\$7,000,000)	\$7,000,000
Self-Sufficiency, Colorado Works Program Maintenance Fund	(863,249)		(863,249)
Colorado Works, Statewide Strategic Use Fund	<u>(6,000,000)</u>		<u>(6,000,000)</u>
Subtotal	(\$6,863,249)	(\$7,000,000)	\$136,751

*Colorado Works Program Maintenance Fund.* Due to previous committee action related to the Colorado Works Program Maintenance Fund, \$2.0 million is no longer available to be taken from this line item. During figure setting for the Office of Self Sufficiency, the Committee reduced this line item to offset ongoing increased costs for the Refugee Services program and Colorado Works administration. The staff recommendation removes all funding in the Works Program Maintenance Fund apart from \$100,000. Given the limits on TANF dollars, "unassigned" dollars are a reasonable reduction target. The remaining \$100,000 allows the Department to retain a small amount of flexibility in addressing crisis situations. If the funds are not used, they revert to the Long Term

Reserve.

*Statewide Strategic Use Fund:* The Statewide Strategic Uses Fund is designed to enable the State to pursue initiatives that may reduce poverty on a statewide or cross county basis. A portion of the block grants received by counties are used in a similar manner at the county level, and staff believes addressing issues at the statewide level is appropriate and beneficial. However, given state General Fund shortfalls, the effective reallocation of this funding to provide child welfare services seems reasonable.

*TANF Long Term Reserve Projection.* As reflected in the table below, based on Committee action to-date and the staff recommendation on this decision item, the TANF Long Term Reserve will still become insolvent--but not until FY 2013-14. Staff anticipates that by this point, demands for TANF basic cash assistance will have declined and the state's budget situation may be somewhat improved. Even if the picture with respect to reserves has not improved by that point (based on TANF reauthorization), staff believes that the FY 2013-14 time frame provides counties and the State with a generous time frame for determining how to strategically address the structural TANF shortfall.

The table below summarizes the projected impact of the recommendation on the Temporary Assistance to Needy Families Long Term Reserve. A more detailed spreadsheet is also attached.

<b>Temporary Assistance to Needy Families Long-term Reserve Analysis - Recommend 3/16/10</b>					
	<b>SFY 09-10</b>	<b>SFY 10-11</b>	<b>SFY 11-12</b>	<b>SFY 12-13</b>	<b>SFY 13-14</b>
<b>Funds Available</b>					
Available Prior Year Funds	\$51,922,216	\$53,509,072	\$35,645,796	\$12,231,092	\$1,316,388
Ongoing Estimated Annual Grant	149,626,381	149,626,381	149,626,381	149,626,381	149,626,381
ARRA Funding	<u>61,729,650</u>	<u>6,298,695</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$263,278,247</b>	<b>\$209,434,148</b>	<b>\$185,272,177</b>	<b>\$161,857,473</b>	<b>\$150,942,769</b>
<b>Appropriation/Recommend</b>					
Approved/Estimated exc. Refi.	197,269,175	161,151,601	160,404,334	160,404,334	160,404,334
Child Welfare Refinance, including additional request	12,500,000	19,500,000	19,500,000	7,000,000	7,000,000
Reductions to SSUF and Works Program Maintenance Funding	0	(6,863,249)	(6,863,249)	(6,863,249)	(6,863,249)
<b>Total</b>	<b>\$209,769,175</b>	<b>\$173,788,352</b>	<b>\$173,041,085</b>	<b>\$160,541,085</b>	<b>\$160,541,085</b>
<b>Total TANF End-of-year Long Term Reserve Balance</b>	<b>\$53,509,072</b>	<b>\$35,645,796</b>	<b>\$12,231,092</b>	<b>\$1,316,388</b>	<b>(\$9,598,316)</b>

TANF Long-term Works Reserve Analysis							
Estimated TANF Funds Available to Appropriate	SFY10	SFY11	SFY12	SFY13	SFY14	SFY15	
Prior Grant Year Funds Available <1>	106,452,115	53,509,072	35,645,796	12,231,092	1,316,388	(9,598,316)	
25% of remaining current FFY Grant Year Funds Available in current state fiscal year	37,406,595	37,406,595	37,406,595	37,406,595	37,406,595	37,406,595	
75% of FFY Grant beginning 10/1 available in current state fiscal year <2>	112,219,786	112,219,786	112,219,786	112,219,786	112,219,786	112,219,786	
PRWORA Contingency Fund <3>	24,943,727						
ARRA Emergency Contingency Fund <4>	36,785,923	6,298,695					
Less County Reserve Balance as of 9/30/08 <5>	(57,393,454)						
Plus remittances per SB08-177 <6>	12,174,581						
Less unspent SSUF from prior years <7>	(9,311,026)						
<b>Sub-Total</b>	<b>263,278,247</b>	<b>209,434,148</b>	<b>185,272,177</b>	<b>161,857,473</b>	<b>150,942,769</b>	<b>140,028,065</b>	
Estimated TANF Spending/Appropriations By Long Bill Line Item							
Executive Director's Office (General Admin)	707,332	707,332	707,332	707,332	707,332	707,332	
Office of Information Technology Service (various Lines)	1,148,892	1,043,331	1,043,331	1,043,331	1,043,331	1,043,331	
TRAILS (098)	1,384,292	1,384,292	1,384,292	1,384,292	1,384,292	1,384,292	
Colorado Benefits Management System	3,292,243	3,992,243	3,292,243	3,292,243	3,292,243	3,292,243	
OPS - Admin-Vehicle Lease Payments	4,000	4,000	4,000	4,000	4,000	4,000	
Colorado Works Administration	1,552,298	1,599,565	1,552,298	1,552,298	1,552,298	1,552,298	
County Block Grants	128,713,135	128,713,135	128,713,135	128,713,135	128,713,135	128,713,135	
Reimbursements to Counties for Prior Year Exp Due to Reduction in MOE	11,049,452	5,524,726	5,524,726	5,524,726	5,524,726	5,524,726	
County Block Grant Support Fund	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
County Training	592,534	592,534	592,534	592,534	592,534	592,534	
Domestic Abuse Program	659,824	659,824	659,824	659,824	659,824	659,824	
OSS - Works Program Evaluation	350,029	350,029	350,029	350,029	350,029	350,029	
Workforce Development Council	105,007	105,007	105,007	105,007	105,007	105,007	
Federal TANF Reauthorization CBMS Changes <8>	2,229,774						
Colorado Works Statewide Strategic Use Fund <10>	10,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	
Colorado Works Program Maintenance Fund <10>	3,000,000	100,000	100,000	100,000	100,000	100,000	
Low Income Energy Assistance Program	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	
Electronic Benefits Transfer Service	204,679	204,679	204,679	204,679	204,679	204,679	
Refugee Assistance	815,850	2,805,334	2,805,334	2,805,334	2,805,334	2,805,334	
Systematic Alien Verification for Eligibility	2,321	2,321	2,321	2,321	2,321	2,321	
TANF 1331 <9>	28,957,513						
<b>Sub-Total Long Bill Line Item Spending For SFY</b>	<b>197,269,175</b>	<b>154,288,352</b>	<b>153,541,085</b>	<b>153,541,085</b>	<b>153,541,085</b>	<b>153,541,085</b>	
Approved and Proposed Budget Refinance Items							
Core Services Refinance <11>	9,500,000	9,500,000	9,500,000				
Proposed Additional Refinancing in Child Welfare for SFY10		7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	
Proposed Additional Refinancing in Child Welfare for SFY10	3,000,000	3,000,000	3,000,000				
<b>Sub-Total Actual and Proposed Budget Reduction Items</b>	<b>12,500,000</b>	<b>19,500,000</b>	<b>19,500,000</b>	<b>7,000,000</b>	<b>7,000,000</b>	<b>7,000,000</b>	
<b>Total Estimated Spending For SFY</b>	<b>209,769,175</b>	<b>173,788,352</b>	<b>173,041,085</b>	<b>160,541,085</b>	<b>160,541,085</b>	<b>160,541,085</b>	
<b>June 30 Estimated Long-term Works Reserve Balance</b>	<b>53,509,072</b>	<b>35,645,796</b>	<b>12,231,092</b>	<b>1,316,388</b>	<b>(9,598,316)</b>	<b>(20,513,020)</b>	

<1> For SFY10, the amount in this column is the sum total of all unspent funds available to Colorado from all open grant years.

<2> Based on the federal budget request for FFY11, the \$13 million in supplemental funding is restored for future years as it now appears likely that this will be reinstated.

<3> These are the amount of funds available to the State for FFY09 expenditures only and contingent upon finding enough additional MOE per the federal requirements. These funds are part of the \$68 million total that is available to Colorado. Based on our final FFY09 federal reports, we believe we have met our MOE requirement to draw down all of these funds.

<4> This is the balance of the \$68 million available to Colorado which we intend on receiving based on historical expenditures allowed by ARRA, including those proposed by the TANF 1331 spending.

<5> This is the aggregate amount held in County Reserve Accounts. These funds are included in <1> above, but must be subtracted here since these are not available to be spent or appropriated by anybody other than counties.

<6> This is the aggregate amount of remittances to the Long-term Works Reserve as per SB08-177 for SFY09. We anticipate little remittances in future years.

<7> The SSUF line is a continuing appropriation. This amount represents the amount of unspent SSUF funds that were appropriated for SFY09 that are allowed to be spent in future years. Thus, they are also included in <1> above since they are appropriated but not spent yet and need to be subtracted here.

<8> This amount represents the amount of funds still available to be spent in SFY10 based on legislative authority and an approved roll-forward request from the State Controller.

<9> Approved by JBC September 21 for SFY10. The amounts in SFY11 are the remaining amounts needed to be appropriated in SFY11 to draw down all \$68 million.

<10> Includes staff recommended reductions \$963,249 in Maintenance Fund plus reduction of \$2,036,751 already approved and \$6.0 million for SSUF.

<11> This was a budget amendment approved by the JBC for SFY10. OSPB requested it be for three years.

<12> Approved: County Oversight DI (\$47,267 - ongoing); CBMS Changes DI (700,000 - one-time); CRSP DI (\$1,989,484); SBA #1 refinance adjustments (reduce \$101,561 in ITS)

# MEMORANDUM

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**TO:** Joint Budget Committee

**FROM:** Amanda Bickel, JBC Staff

**SUBJECT:** Option for Recognizing FY 2009-10 Savings from Restrictions

**DATE:** March 17, 2010

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Pursuant to Section 24-75-109, C.R.S., the Controller may authorize overexpenditures, with certain limitations, and restrict the Department's appropriation in the subsequent fiscal year by the amount of the overexpenditure. The Department so restricted may then request a supplemental for the year in which the overexpenditure occurred and, by so doing, have the current year restriction lifted. The Department of Human Services had significant over-expenditures in FY 2008-09 and, as a result, expenditures were restricted in FY 2010-11. However, the Department did not request a supplemental to lift the restrictions. As a result, the Department expects to revert General Fund in FY 2009-10 that it is not allowed to spend, based on the restrictions. Based on communication with the Controller, staff believes this amount could be recognized in the General Fund overview for FY 2009-10, as these moneys will be reverted and not spent.

Based on the Controller's letter of December 18, 2009 regarding overexpenditures and restrictions, these are the amounts staff expects will be reverted in FY 2009-10:

	General Fund	
Human Services, Colorado Trails	\$300,538	Approved overexpenditure due to impact of RMS statistics that limited ability to earn from other sources
Human Services Office of Operations, Information Technology Services, EDO, Various	348,264	Unapproved overexpenditures related to insufficient indirect earning and failure to limit expenditures.
Total	\$648,802	

# MEMORANDUM

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**TO:** Joint Budget Committee

**FROM:** Amanda Bickel, JBC Staff

**SUBJECT:** Proposed Bill to Assist Counties that Would Qualify Under Tier I County Tax Base Relief

**DATE:** March 17, 2010

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**Summary:** Staff recommends that the Committee sponsor a bill to provide some alternative assistance to small, poor counties that will be negatively affected by the elimination of funding for county tax base relief for FY 2010-11. The bill would not have a fiscal impact on the State but would assist some of the smallest counties.

**Background:** During staff's February 17, 2010 figure setting presentation for the Department of Human Services, the Department requested, and the Committee approved removing all remaining funding for County Tax Base Relief. For FY 2009-10 funding is being provided for Tier I counties only. (The list of qualifying counties and associated funding below).

FY 2009-10 Tier I Funding Estimate - Projection from December 2009			
	County Funding share required	County tax base relief per Tier I	County Tax base relief as Percent County Funding Required
Alamosa	\$918,706	\$400,678	43.6%
Bent	282,340	88,358	31.3%
Conejos	372,296	171,040	45.9%
Crowley	211,986	80,276	37.9%
Fremont	1,312,274	17,770	1.4%
Lincoln	283,654	54,914	19.4%
Logan	745,056	103,134	13.8%
Otero	794,862	337,842	42.5%
Prowers	591,256	162,218	27.4%
Pueblo	5,227,752	1,183,982	22.6%
Rio Grande	570,396	42,612	7.5%
Saguache	249,020	<u>57,862</u>	23.2%

FY 2009-10 Tier I Funding Estimate - Projection from December 2009

	County Funding share required	County tax base relief per Tier I	County Tax base relief as Percent County Funding Required
TOTAL		\$2,700,686	

As discussed during figure setting, in the absence of any funding for County Tax Base Relief, staff anticipates that:

- Counties will use any reserves available in their social services funds and will reallocate funds from other sections of their budgets. Operating under TABOR, counties are constrained in their total mill levy revenue, but capable of redirecting a higher share of their mill levy revenue to social services. This means redirecting funds away from other key community services, such as public safety.
- Six of the 12 counties qualifying for County Tax Base Relief (but NOT Alamosa, Fremont, Logan, Otero, Prowers or Pueblo) could increase their use of **Colorado Works mitigation, authorized at Section 26-2-714 (8), C.R.S.** The Colorado Works allocation committee has authority provided at Section 26-2-714 (8), C.R.S., to provide small counties (as defined in statute) with relief, as needed, related to their maintenance of effort requirement for Colorado Works, *based on counties' application for such relief*. This statute allows the Works Allocation Committee to waive some or all of a small county's responsibility for Colorado Works maintenance of effort. This does not backfill reduced county share, but allows counties to contribute less.

Associated with this, **staff recommended, and the Committee approved, mitigation authorized pursuant to Section 26-2-714 (8) be increased to \$500,000** (Long Bill footnote change) to accommodate any additional demands.

- Staff noted that some **statutory change on works mitigation** could make more counties eligible for this kind of assistance but did recommend a change based on initial county feedback.

**Counties have now reviewed the issue and have indicated that they would appreciate a statutory change. Based on this, staff would recommend the Committees sponsor a related bill.**

**Background - provisions of Section 26-2-714 (8), C.R.S.:** Section 26-2-714 (8), C.R.S. authorizes the Colorado Works Allocation Committee to relieve counties with a very small Colorado Works caseload from some or all of their share of the Works Maintenance of Effort requirements. Relief may be granted to a county with less than 0.38 percent of the statewide Colorado Works caseload, subject to the annual mitigation amount in the Long Bill (formerly \$100,000 and now \$500,000) and specified criteria, including: the equity of a small county's total program expenditures as they relate to the targeted or actual spending level for the small county; the extent to which the small county

will have insufficient revenues to meet its targeted or actual spending level; and the extent to which the provision of any mitigation may enhance the efforts of a small county or group of small counties to regionalize pursuant to the provisions of section 26-2-718, C.R.S.

Counties must apply for mitigation, and in recent years only one county has chosen to do so. Counties that receive mitigation have no impact on their total federal share of the Colorado Works block grant, but they are no longer required to pay their county share (or must only pay a portion of it).

**Recommended Changes to Section 26-2-714 (8), C.R.S.:** Staff recommends the following statutory modifications. In lieu of the statute's current provisions:

- Make eligible for mitigation only those counties that meet both of the following criteria:
  - (1) Eligible for County Tax Base Relief Tier during the prior actual fiscal year; and
  - (2) Have less than 2.0 percent of the statewide Colorado Works caseload. This will effectively make eligible all counties that would have received County Tax Base Relief Tier I except Pueblo (which has more than 2.0 percent of the statewide Works caseload).
- Authorize migration for these counties up to the amount of relief they would have received under Tier I County Tax Base Relief. If the mitigation amount authorized in the Long Bill is smaller than the total, prorate among the counties accordingly.
- Require the counties to notify the Department by September 1 if they wish to take advantage of the MOE mitigation provisions during that state fiscal year (rather than requiring application to the Colorado Works Allocation Committee).

As reflected in the table below, staff anticipates that the maximum mitigation available to counties could be limited by either their Colorado Works MOE requirement or their County Tax Base Relief eligibility, whichever was smaller. With these provisions, **staff anticipates that a mitigation total of \$1.0 million specified in the Long Bill footnote would be appropriate, and staff would recommend this further adjustment.** The bill would have no fiscal impact except on the total availability of funds counted as TANF MOE. As the Department is able to identify other sources of MOE (e.g., via non-profit spending), staff does not believe that this proposal will affect the MOE funding unduly.

	<b>County Tax Base Relief per Tier I</b>	<b>TANF Initial County MOE for FY 2009-10</b>	<b>Maximum Mitigation Possible</b>
003 Alamosa	\$400,678	\$187,257	\$187,257
011 Bent	88,358	91,004	88,358
021 Conejos	171,040	117,845	117,845
025 Crowley	80,276	86,347	80,276
043 Fremont	17,770	263,508	17,770
073 Lincoln	54,914	31,637	31,637
075 Logan	103,134	148,495	103,134
089 Otero	337,842	175,796	175,796
099 Prowers	162,218	173,120	162,218
105 Rio Grande	42,612	170,070	42,612
109 Saguache	<u>57,862</u>	<u>61,857</u>	<u>57,862</u>
	\$1,516,704	\$1,506,937	\$1,064,765