Schedule 13
Change Request for FY 08-09 Budget Request Cycle

Request Title: Child Welfare Services Block Increase
Department: Human Services - Division of Child Welfare
Priority Number: 3

Decision Item FY 08-09 ☑ **Base Reduction Item FY 08-09** ☐ **Supplemental FY 07-08** ☐ **Budget Request Amendment FY 08-09** ☐

Dept. Approval by: [signature] **Date:** 10/17/07
OSPB Approval: [signature] **Date:** 10/25/07 for 11/1/7

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	318,923,705	337,351,314	0	337,351,314	336,776,466	11,304,453	348,080,919	0	348,080,919	11,304,453
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	156,513,669	152,107,575	0	152,107,575	151,693,512	6,449,386	158,142,898	0	158,142,898	6,449,386
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	68,020,139	88,351,854	0	88,351,854	88,205,428	2,350,210	90,555,638	0	90,555,638	2,350,210
	FF	94,389,897	96,891,885	0	96,891,885	96,877,526	2,504,857	99,382,383	0	99,382,383	2,504,857
	MCF	16,074,967	34,875,613	0	34,875,613	34,836,293	0	34,836,293	0	34,836,293	0
	MGF	8,037,483	17,437,807	0	17,437,807	17,418,147	0	17,418,147	0	17,418,147	0
	NGF	169,545,382	169,545,382	0	169,545,382	169,111,659	6,449,386	175,561,045	0	175,561,045	6,449,386
(5) DIVISION OF CHILD WELFARE	**Total**	318,923,705	337,351,314	0	337,351,314	336,776,466	11,304,453	348,080,919	0	348,080,919	11,304,453
Child Welfare Services	**FTE**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	156,513,669	152,107,575	0	152,107,575	151,693,512	6,449,386	158,142,898	0	158,142,898	6,449,386
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	68,020,139	88,351,854	0	88,351,854	88,205,428	2,350,210	90,555,638	0	90,555,638	2,350,210
	FF	94,389,897	96,891,885	0	96,891,885	96,877,526	2,504,857	99,382,383	0	99,382,383	2,504,857
	MCF	16,074,967	34,875,613	0	34,875,613	34,836,293	0	34,836,293	0	34,836,293	0
	MGF	8,037,483	17,437,807	0	17,437,807	17,418,147	0	17,418,147	0	17,418,147	0
	NGF	169,545,382	169,545,382	0	169,545,382	169,111,659	6,449,386	175,561,045	0	175,561,045	6,449,386

Letternote revised text: f. Shall be from Medicaid funds transferred from the Department of Health Care Policy and Financing.
g. Shall be from Title IV-E Reimbursements Cash Fund created in Section 26-1-111 (2) (d) (II) (C), C.R.S. (2007).

Cash Fund name/number, Federal Fund Grant name:

IT Request: ☐ Yes ☑ No

Request Affects Other Departments: ☐ Yes ☑ No **If Yes, List Other Departments Here:**

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CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department: Human Services	Division of Child Welfare
Priority Number:	3
Change Request Title:	Child Welfare Services Block Increase

SELECT ONE (click on box):
☒ Decision Item FY 08-09
☐ Base Reduction Item FY 08-09
☐ Supplemental Request FY 07-08
☐ Budget Request Amendment FY 08-09

SELECT ONE (click on box):
Supplemental or Budget Request Amendment Criterion:
☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

This Decision Item is requesting an $11,304,453 increase in funding to the Division of Child Welfare; Child Welfare Services line to support children and families receiving services through the Child Welfare Block funding. This request is to provide appropriate and adequate funding to the Child Welfare Block to continue to meet the need by the counties for the care of children requiring protection from abuse and neglect, and their families needing assistance in caring for these children.

Background and Appropriation History:

Prior to FY 1999-00, funding for child welfare services was determined each year based on estimated caseloads and average rates (including cost-of-living adjustments and changes in the average cost of each case or "case mix") for individual line items (e.g., out-of-home care, subsidized adoptions, child welfare-related child care, etc.); related county administrative funding was increased based on an annual "salary survey-type" increase based on the merit system. County administration was only increased in relation to

changes in caseloads through decision items. The following table summarizes increases provided since FY 1998-99 (including caseload and inflationary components):

Appropriations for the Child Welfare Services Block				
Fiscal Year	**Appropriation**	**Caseload Increase**	**Inflationary Increase**	**Annual Change in Total Funds**
FY 1998-99	$232,750,327			
FY 1999-00	$241,218,855	0.99%	2.00%	3.64%
FY 2000-01	$263,056,077	5.75%	2.00%	9.05%
FY 2001-02	$280,921,405	3.17%	2.50%	6.79%
FY 2002-03	$289,944,933	3.40%	0.00%	3.21%
FY 2003-04	$297,146,124	2.80%	0.00%	2.48%
FY 2004-05	$302,016,627	2.34%	0.00%	2.14%
FY 2005-06	$315,785,901	2.50%	2.00%	4.50%
FY 2006-07	$328,042,534	0.56%	3.25%	3.88%
FY 2007-08	$337,208,753	1.10%	1.50%	2.79%

In the last eight fiscal years, total county child welfare expenditures have exceeded the amounts appropriated. The funding "gap", which counties have covered either by using transfers of federal TANF funds or county-only funds or a combination of both is listed below for each fiscal year:

State Fiscal Year	County Over Expenditure
SFY 1999-00	$20.6 million
SFY 2000-01	$21.4 million
SFY 2001-02	$33.4 million
SFY 2002-03	$24.4 million
SFY 2003-04	$12.37 million
SFY 2004-05	$10.89 million
SFY 2005-06	$14.21 million
SFY 2006-07	$16.72 million

In FY 2000-01, the Department began working with Pareto Solutions LLC to develop a new method of allocating child welfare funding among counties. The "optimization" model uses concrete, measurable cost drivers rather than demographic data to allocate resources. A cost driver variable is considered appropriate for inclusion in the model if: (a) there is currently variability among counties; (b) the variable is measurable and manageable; and (c) variability among counties is potentially minimized through variance reduction processes.

Pareto Solutions developed the model under the direction of the Child Welfare Allocations Committee. Two subcommittees consisting of representatives from county departments of social services have continued to work with the consultant to identify cost drivers and determine which variables would be appropriate to include in the model and have made recommendations to the Child Welfare Allocation Committee regarding variables to be included in the model. The ten variables included in the model were selected by the subcommittees and approved by the Child Welfare Allocation Committee. Each subcommittee makes recommendations to the Child Welfare Allocation Committee regarding desired range of variability for each factor. The following table summarizes the variables that were approved for the Ten Large counties (Adams, Arapahoe, Boulder, Denver, El Paso, Jefferson, Larimer, Mesa, Pueblo and Weld) to be included in the model for purposes of allocating funds for FY 2007-08, the actual range of data for the Ten Large counties, and the desired range of variability.

Child Welfare Optimization Model: Ten Large County Cost Drivers for FY 2007-08		
Description of Cost Driver	**Range of Actual SFY2006 Data for Largest 10 Counties**	**Desired Range**
Total child/adolescent population (0 - 17)	31,611 to 149,787	No variance reduction is applied.
Referrals (families) per 1,000 child/adolescent population	23.22 to 98.79	46.32 to 89.92
Assessments (children) as a percent of referrals	22.2% to 39.5%	22.2% to 39.5%
New involvements as a percent of assessments	21.8% to 37.0%	21.8% to 37.0%
Out-of-home placements as percent of open involvements	25.9% to 46.6%	25.9% to 46.6%
Average days per year per youth in out-of-home placement	121.9 to 213.0	129.1 to 202.0
Average cost per day per youth in out-of-home placement	$41.68 to $76.14	$49.58 to $70.26
"Program services" costs per open involvement (administration and other services related to foster care)	$1,890 to $5,363	$2,453 to $4,537
Average cost per youth per day for adoption	$11.98 to $19.19	$12.53 to $18.30

As indicated above, in many cases the Child Welfare Allocation Committee has chosen to apply a variance reduction adjustment for several variables. Counties operating outside the range for a selected driver are identified as outliers for the driver and adjustments are made to reduce the variability of these counties and move the data closer to the mean. Counties on the low end might not have been providing sufficient services, while counties on the high end may have been providing excessive services.

Once the cost drivers and desired ranges of variability have been determined, the optimization model allocates resources based on actual county-by-county data for each variable. The purpose of the model is to allow flexibility in county practice while providing an equitable means of funding. The model is not intended to force counties to mirror one another in every aspect of program administration. For example, if a county generally pays more for out-of-home placement, but by doing so it achieves an average length of stay that is shorter than other counties, it can continue to administer its program in this manner because the two factors are likely to offset one another in the model. However, if a county is serving a relatively high percentage of children out of the home, if children stay in out-of-home care for a longer period of time, and if the county pays a higher average cost for such care, the model will adjust the county's allocation so that funding is limited to an amount that is reasonable. The county may need to adjust practice when operating outside the reasonable range because its allocation would likely be lower than its actual costs.

The model is dynamic, so over time one can choose to add or delete factors, change the desired ranges, and change the total resources to be allocated. In the following table, staff has provided an example of how the model is used to calculate a county's relative share of funding using two counties of similar size.

Child Welfare Optimization Model: Example of Calculations (Data from SFY08 Model)		
Description of Cost Driver	**County A - data used by model adjusted per desired range**	**County B - data used by model adjusted per desired range**
Total child/adolescent population (0 - 17)	64,447	61,674
Referrals (per 1,000 child/adolescent population)	3,386 (52.54%)	5,546 (89.92%)
Children Assessed (as percent of referrals)	2,876 (84.9%)	3,074 (55.4%)
New involvements (as a percent of assessments)	652 (22.7%)	1,136 (37.0%)

Child Welfare Optimization Model: Example of Calculations (Data from SFY08 Model)		
Description of Cost Driver	**County A - data used by model adjusted per desired range**	**County B - data used by model adjusted per desired range**
Existing involvements	1,881	2,465
Out-of-home placements as percent of total open involvements	513 (27.3%)	659 (25.9%)
Average days per year per youth in out-of-home placement	149.2	159.7
Average cost per day per youth in out-of-home placement	$59.68	$49.58
Total out-of-home placement costs per model	$4,568,686	$5,055,763
Program services costs per open involvement	$4,537	$3,509
Total program services costs per model	$8,534,024	$8,649,356
Children receiving Adoption Subsidy	487	313
Average cost per child/adolescent per day for adoption	$13.31	$15.07
Total adoption costs per model	$1,662,623	$1,120,753
Total costs per model	$14,765,332	$14,825,872

The optimization model provides several key benefits over alternative allocation models. First, it eliminates the ongoing arguments about *conceptual* cost drivers (e.g., what is the relationship between poverty and abuse and neglect?), and instead focuses discussion on concrete, measurable, manageable factors that drive costs. Second, it encourages entities to compare their practices to those of other comparable entities. However, rather than dictating local policy and practice based on a *single* standard of practice, the model

allocates funds based on a number of different manageable variables. Third, the model supports an incremental consensus on the degree of acceptable variation in practices. Finally, the model has the potential to lay the foundation for a model that determines what overall level of resources are required to support a range of uncontrollable as well as manageable local practices.

The use of the allocation model as a tool to project child welfare services needs based on estimated population is the next logical step. The model using the same variables of "cost drivers" and the "squeezes" determined by the Child Welfare Allocation Committee and inflates the expenditures by using the individual county estimated child/adolescent population increase for SFY 2007-08. The model increases or decreases the funding based on the same premise of the allocation model and only funds the desired range.

The Department has provided data indicating the resources estimated to be required to cover projected increases/decreases in individual counties' child/adolescent populations. This approach differs from the past practice of applying a flat percentage increase (based on an estimate of the increase in the overall child welfare caseload) to the current appropriation, as it differentiates between population increases that occur in counties with relatively low child welfare costs and those with relatively high child welfare costs.

General Description of Request:

The projection model indicates an amount of $347,913,858 is needed to fund child welfare services at the county level, which is an increase of $10,562,544 over the FY 2007-08 total appropriation of $337,351,314. When annualizations for Leap Year ($495,077) and S.B. 07-226 ($79,771) are removed from the FY 2008-09 total appropriation, a continuation request of $336,776,466 for FY 2008-09 is calculated. When this amount is subtracted from the total estimated need for FY 2008-09 and the adjustment for inflation using the FY 2007-08 provider rate increase is factored in, a request of $11,304,453 total funds is calculated. This amount is then added to the FY 2008-09 continuation base for a request of $348,080,919 total funds. The calculation is shown in the table below.

FY 2008-09 Estimated Child Welfare Funding Needs for the State of Colorado	$347,913,858
FY 2007-08 Continuation Request (=Long Bill + Special Bills +Annualizations)	$336,776,466
Difference	$11,137,392
FY 2007-08 Provider Rate Increase of 1.5% (applied to the difference between what was appropriated and what is needed to account for inflation= $11,137,392 x 1.5%)	$167,061
Total Caseload Increase for Child Welfare FY 2008-09 ($11,137,392 + $167,061)	**$11,304,453**

The number of children requiring protection and families needing assistance in caring for their children continues to increase. To meet this need, funding for the Child Welfare Services Block appropriation should also be increased. The Child Welfare Services Block Appropriation provides funding for Child Welfare Services as defined in 26-5-101, C.R.S. with the exception of certain services (such as Core services, Promoting Safe and Stable Families services, and Chafee Independent Living services). Counties may use funding without categorical restriction in order to provide the least restrictive, most appropriate service available to meet the child's need. To operate within the current capped allocation, counties can negotiate provider rates, services, and outcomes. The Child Welfare Services allocated block provides funding to County Departments of Social Services/Human Services to be used to protect children from harm, to assist families in caring for, and protecting their children, and to move those children who cannot remain in their own home to a permanent placement as quickly as possible. The following are brief descriptions of some of the broad categories of service, which may be provided through this allocation.

Child Welfare Block Services

- Out of Home Placement provides 24-hour temporary or long-term care for those children who must live outside their own homes. Out-of-Home Placement Services are provided in the least restrictive most appropriate setting that meets the child's need. This includes a variety of settings including county department family foster homes, kinship care homes and group care, Child Placement Agency family foster and group care (CPAs) and Residential Child Care Facilities (RCCFs) and Children's Habilitation Residential Program (CHRP) placements.

  The Center for Medicare and Medicaid Services (CMS) notified the State that services provided by Residential Treatment Centers (RTC's) would no longer be eligible for Medicaid reimbursement. Beginning July 1, 2006 county departments began utilizing a new continuum of care to replace the residential treatment center program. The new program models are:
  - Psychiatric Residential Treatment Facility (PRTF)
  - Therapeutic Residential Child Care Facility (TRCCF)

  The new program offers a higher level of treatment for children and youth in Colorado using a Medical model as a basis, which is a lower level of care than psychiatric hospitalization. The RTC Redesign goals were to develop a program that met the best interests of children and their families, while preserving federal funding to the extent possible.

- Subsidized Adoption provides funding to families adopting children with special needs. These special needs include significant physical or mental disabilities, emotional disturbance or other considerations such as membership in a sibling group. Most of the children adopted with this subsidy were previously in out-of-home placement.

- Case Services Payments for Subsidized Adoptions provides funding for certain one-time costs incurred in freeing a child for adoption, such as legal fees. In addition,

these payments fund certain ongoing costs incurred in maintaining the child in the adoptive home, such as physical and speech therapy, special transportation needs or funding for pre-existing medical conditions that are not covered by insurance. These payments are necessary for the initial adoptions and to prevent later disruptions.

- Child Welfare Related Child Care (Special Circumstance Child Care) provides less than 24-hour care to children at risk of out-of-home placement due to abuse, neglect or exploitation. This care is authorized by the county department and is provided primarily by private child care facilities. These services are used to prevent out-of-home placements and to maintain children in the least restrictive settings and most appropriate setting as possible.

- County Administration provides funding to the county department for caseworker and administrative staff to implement child welfare programs. This funding is for both direct client services as well as administrative costs. The appropriation includes funding for personal services, operating expenses and other associated costs.

Consequences if Not Funded:

If this request is not fully funded, counties will provide less services or utilize county only funds to provide the state mandated services and could impact the Department's ability to meet its objectives of child safety, permanency, and family/child well being.

Colorado held its Child Family Services Review in June 2002, the federal report on compliance and non-compliance was issued and Colorado has implemented the Performance Improvement Plan (PIP). Part of the review is the determination of the State's compliance with key performance indicators such as the ones shown in this decision item. It is important that the counties receive the resources needed in order to have the fullest opportunity to meet safety and permanency outcomes for children and families. Colorado has not successfully met the measures negotiated in the Program Improvement Plan with the federal office and sanctions may be imposed. The second Child and Family Services review is expected to occur in FY2008. Adequate funding is critical to assure that counties have the resources to successfully implement the

requirements of the Child and Family Services Plan and to comply with any imposed Program Improvement Plan as a result of this review to avoid federal sanctions.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Medicaid Cash Funds	Medicaid General Funds	Net General Fund	FTE
Division of Child Welfare – Child Welfare Service line									
Total Request	$11,304,453	$6,449,386	$0	$2,350,210	$2,504,857	$0	$0	$6,449,386	0.0

Summary of Request FY 09-10	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Medicaid Cash Funds	Medicaid General Funds	Net General Fund	FTE
Division of Child Welfare – Child Welfare Service line									
Total Request	$0	$0	$0	$0	$0	$0	$0	$0	0.0

Assumptions for Calculations:

The model has been updated to reflect SFY 2006-07 final closeout expenditures and the most recent SFY 2007 child/adolescent population increase by county and the SFY 2007 cost drivers and desired ranges. The projection indicates that counties will require a total of **$348,080,919** in FY 2008-09 to cover the increased costs of providing child welfare services related to caseload increases. Below is the final closeout information for the ten large counties.

Child Welfare Optimization Model: Projection for Ten Large Counties	
Description of Cost Driver (The data used by model is adjusted per desired range)	**County Projections**
Total child/adolescent population (0 - 17)	Range of 32,150 to 153,698
Referrals (per 1,000 child/adolescent population)	Range of 1,879 to 10,458
Children Assessed	Range of 1,900 to 8,553
New involvements	Range of 509 to 2,377
Existing involvements	Range of 608 to 3,323
Out-of-home placements as percent of total open involvements	Range of 23.9% to 67.5%
Average days per year per child/adolescent in out-of-home placement	Range of 130.9 to 196.7
Average cost per day per child/adolescent in out-of-home placement	Range of $50.19 to $71.49
Total projected out-of-home placement costs per model	**Range of $4,349,010 to $25,398,836**
Program services costs per open involvement	Range of $3,014 to $7,857
Total projected program services costs per model	**Range of $5,472,839 to 29,562,288**
Children receiving Adoption Subsidy	Range of 348 to 1,819
Average cost per child/adolescent per day for adoption	Range of $12.45 to $18.02
Total projected subsidized adoption costs per model	**Range of $1,139,526 to $9,360,172**
Total projected county costs per model	**Range of $12,509,954 to $63,813,867**

Impact on Other Government Agencies: N/A.

Cost Benefit Analysis: Not Required – Caseload Driven Request.

Implementation Schedule: N/A.

Task	Month/Year
Ongoing placement of youth in out-of-home care, subsidized adoptions, child welfare-related child care, etc.	ALL

Statutory and Federal Authority:

Section 26-5-101, C.R.S. (2007). As used in this article, unless the context otherwise requires:

(1) "Capped allocation" means a capped amount of funds distributed to counties or a group of counties for the purpose of providing all or a portion of the child welfare services as defined in subsection (3) of this section.

(1.5) "Caseload" means the number of children who are eligible for child welfare services that are defined in subsection (3) of this section and who are currently receiving such child welfare services on a regular basis from a county.

(2) "Child welfare allocations committee" means a committee that is organized and authorized pursuant to the provisions of section 26-5-103.5 C.R.S. (2007).

(3) "Child welfare services" means the provision of necessary shelter, sustenance, and guidance to or for children who are or who, if such services are not provided, are likely to become neglected or dependent, as defined in section 19-3-102, C.R.S. (2007). "Child welfare services" includes but is not limited to:

(a) Child protection; (b) Risk assessment; (c) Permanency planning; (d) Treatment planning; (e) Case management; (f) Core services, as defined in section 19-3-208, C.R.S. (2007); (g) Adoption and subsidized adoption; (h) Emergency shelter; (i) Out-of-home placement, including foster care; (j) Utilization review; (k) Early intervention and prevention; (l) Youth-in-conflict functions; and (m) Administration and support functions.

(4) "County" means a county or a city and county or any two or more counties.

(5) "Governing body" means the board of county commissioners of a county or the city council and mayor of a city and county.

(6) "Targeted allocation" means a fixed amount of funds from a capped allocation to a group of counties that is designated for a specific county within that group of counties.

Section 26-5-104, C.R.S. (2007) (4) (a) Allocations. (a) For state fiscal year 1997-98, and for each state fiscal year thereafter, all counties shall receive capped allocations for child welfare services. A county may receive one or more capped allocations for the provision of child welfare services. The counties may use capped allocation moneys for child welfare services without category restriction within a specific capped allocation if not prohibited by federal law.

Performance Measures:

Program	Performance Measure	Outcome	FY 2005-06 Actual	FY 2006-07 Actual
Child Welfare Services	Families have the enhanced capacity to provide for their children's needs. Family needs are addressed through services at least 94.12 % of the time.	**Benchmark**	N/A	94.12%
		Actual	94.12%	Available Dec 2007

Program	Performance Measure	Outcome	FY 2005-06 Actual	FY 2006-07 Actual
Child Welfare Services	Children are first and foremost protected from abuse and neglect. For children who were victims of substantiated or indicated abuse or neglect, the percentage of children that do not experience another incident of abuse or neglect within the following 6-month period, shall exceed the national standard of 94.6%.	**Benchmark**	94.60%	94.60%
		Actual	96.24%	Available Dec 2007

Program	Performance Measure	Outcome	FY 2005-06 Actual	FY 2006-07 Actual
Child Welfare Services	Children have permanency and stability in their living situations. The percentage of children that are reunified with their parents or caretakers when discharged from foster care within 12 months will exceed the national standard of 76.2%.	**National Benchmark**	76.20%	76.20%
		Actual	80.00%	Available Dec 2007