

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 13-0691
Prime Sponsor(s): Sen. Steadman
 Rep. Levy

Date: March 27, 2013
Bill Status: Senate Health and Human Services
Fiscal Analyst: Bill Zepernick (303-866-4777)

TITLE: CONCERNING THE CREATION OF THE TITLE IV-E WAIVER DEMONSTRATION PROJECT.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures Cash Funds Title IV-E Waiver Demonstration Cash Fund		Potential increase. See State Expenditures section.
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

The bill, *recommended by the Joint Budget Committee*, creates the Title IV-E waiver demonstration project and specifies that waiver funds will be distributed through performance agreements with counties or groups of counties. The Department of Human Services (DHS) is required to establish rules governing county participation in the demonstration project. The DHS is authorized to contract for an external evaluation of the demonstration project and counties with performance agreements are required to participate in such an evaluation. The demonstration project is repealed on June 30, 2019.

The bill also specifies the use for unspent moneys allocated to participating counties at the end of any fiscal year. Specifically, half of unspent Title IV-E moneys are to remain with the county for use on child welfare purposes and half are to be deposited into the Title IV-E Waiver Demonstration Cash Fund created by the bill for redistribution to over-spending counties. The unspent General Fund portion of capped county allocations may be redistributed as specified under several provisions of law, except that General Fund savings reinvested by a county must be used for child welfare purposes as specified in the performance agreement.

Background

Under Title IV-E of the Social Security Act, federal funds are made available to reimburse states for costs of certain child welfare expenditures for low-income children (Colorado is currently reimbursed for 50 percent of such costs). Beginning in 2011, the federal government has been authorized to grant up to 10 Title IV-E waivers per year to states that waive many of the requirements of Title IV-E. Instead, these states are granted a fixed amount of funding to provide child welfare services. Under current law, the DHS has the statutory authority to pursue a Title IV-E waiver (Section 26-5-105.3, C.R.S.). The federal government authorized a waiver and the DHS agreed to the terms of the waiver agreement in October 2012. However, certain federal requirements for Title IV-E waivers conflict with Colorado's current methods for allocating and redistributing child welfare funding to counties. Thus, this bill allows the DHS to implement the Title IV-E waiver in compliance with federal requirements, while also creating the demonstration project to allocate waiver funds to counties.

Under the Title IV-E waiver terms and conditions agreed to by the federal government, Colorado will receive \$46.9 million in federal Title IV-E funds for FY 2013-14. Funding increases annually over the course of the five-year waiver, reaching \$50.9 million in FY 2017-18. In recent years, Title IV-E funding to Colorado has decreased. Without a waiver, based on current trends in the child welfare population eligible for Title IV-E funding, federal funds would be about \$39.0 million in FY 2013-14 and would likely continue to decrease.

State Expenditures

The bill potentially increases spending from the Title IV-E Waiver Demonstration Cash Fund beginning in FY 2014-15. However, at this time it is unknown how many counties will participate in the demonstration project, and which of these counties will underspend the capped allotment specified in their performance agreement. To the extent that participating counties underspend their allotments, 50 percent of the federal Title IV-E funds will be deposited into the fund and available for appropriation by the General Assembly to the DHS for allocation to participating counties to defray the costs of functions specified in their performance agreement. It is assumed any underspent funds transferred to the cash fund at the close of FY 2013-14 would be available for appropriation in FY 2014-15.

Other waiver-related expenditures. As noted above, the DHS already has authority to pursue a Title IV-E waiver and an agreement has been reached with the federal government on the details of the waiver. Thus, several aspects of the waiver are currently being addressed through the regular budget process, rather than in this bill. Information on these costs is provided below.

Additional Title IV-E funding. Participation in the Title IV-E waiver is expected to increase available federal funds to the state from about \$39.0 million to \$46.9 million in FY 2013-14 (an increase of about \$7.9 million in federal funds). This money will be allocated to the DHS and to counties through the regular budget process and through performance agreements with counties participating in the demonstration project.

Management and evaluation. The bill allows the DHS to contract for an evaluation of the demonstration project. However, the management and evaluation costs associated with the Title IV-E waiver, including the demonstration project, are being addressed through the budget process. These costs are estimated to be approximately \$186,000 in the current fiscal year (FY 2012-13) and \$500,000 in FY 2013-14 and future years, split evenly between General Fund and federal funds.

Local Government Impact

The bill creates a process for counties to voluntarily participate in the Title IV-E waiver demonstration project. Given the increase in available federal Title IV-E funding for child welfare services and the removal of restrictions associated with Title IV-E reimbursement under the waiver, counties participating in the demonstration project will likely receive more funding under a capped allotment than they would have otherwise received if they continued to be reimbursed under the current 50 percent rate for eligible children only. Participating counties will also have to follow the process outlined in the bill for the use and redistribution of unspent General Fund and federal funds in their capped allocation under the project.

Departments Contacted

Human Services

Counties

JBC Staff