



June 4, 2019

To: Council Finance and Governance Committee, City and County of Denver

From: Ernestine Mondragon and Tanya Kelly-Bowry, Policy Matters

Subject: 2019 State Budget Wins

Summary

During the 2019 legislative session, Colorado lawmakers relished another year where they were able to make meaningful investments in State government due a robust economy and an abundance of General Fund revenue. The General Assembly enacted a 2019-20 state budget that maintains current state programs, invests in universal full day kindergarten, avoids tuition increases for resident college students, gives state employees a three percent raise, targets additional transportation funding and most importantly, makes vital investments in the area of human services.

The main budget bill, SB 19-207, was signed into law on April 18, 2019. Each year, the six member Joint Budget Committee (JBC) writes and introduces the Long Bill as a JBC bill. This year, the make up of the Committee was comprised of four Democrats and two Republicans. Four of the six Joint Budget Committee members were brand new to the Committee and we were able to cultivate and educate them on the importance of county human services funding which they were incredibly supportive of during the budget writing process. The Policy Matters team is very thankful for the JBC’s support of the City and County of Denver’s budget priorities.

The City and County of Denver’s Human Services Department prioritized funding for the state’s child welfare system and the child care assistance program during the 2019 session and both programs saw big increases as a result of Policy Matters’ lobbying efforts.

For 2019-20, total state spending is projected at about \$32 billion, an increase of 4.8 percent from the prior year. The following report includes some key facts and figures about the 2019-20 budget, SB 19-207, and related spending:

Long bill at a glance

- Proposed budget package appropriations (all funds) - \$32.3 billion (4.8%)
- General Fund proposed appropriations - \$12.2 billion (7.2%)

Human Services at a glance

- \$2.3 billion total funds (6%)
- \$1 billion General Fund (7.8%)

Policy Matters was successful in securing significant resources on behalf of the City and County of Denver's Department of Human Services for FY 2018-19 in the following program areas:

Child Welfare

Supplemental - Policy matters was successful in advocating for an FY 2018-19 supplemental brought forth by JBC staff for an increase of \$4,908,507 total funds, including \$2,356,084 General Fund, to provide funding to increase county foster care and kinship care provider rates consistent with provider rate increases for congregate care providers implemented pursuant to S.B. 18-254 (Child Welfare Reforms). SB 19-114 Supplemental Appropriation for the Department of Human Services was signed into law on February 28, 2019.

In addition, that supplemental included the addition of a footnote to the FY 2018-19 Long Bill indicating that it is the intent of the General Assembly that \$4,908,507 appropriated to the Child Welfare Services line item through the supplemental bill be used to fund increases to county foster and kinship care provider rates consistent with increases to congregate care foster care rate increases applied pursuant to S.B. 18-254 (Child Welfare Reforms).

Child Welfare Caseworkers - The JBC and Legislature also approved funding in the amount of \$6.3 million total funds, including \$4.6 million General Fund for FY 2019-20 and beyond for counties to increase child welfare caseworkers. This is the fifth phase of funding by the Legislature, which is in response to the Child Welfare Workload Study performed by the State Auditor in 2014.

The City and County of Denver received funding for 13.25 FTE in FY 2018-19, 10 FTE in FY 2017-18, 15 FTE in FY 2016-17, and 7 FTE in FY 2015-16. For the FY 2019-20 Denver anticipates receiving 16.75 FTE, which is an estimated cost of \$925,000.

Provider Rates - Furthermore, the JBC allocated \$10.4 million total funds, including \$4.9 million General Fund, to implement out of home placement provider rate increases required by previous years legislation.

Title IV-E Waiver Demonstration Project – Policy Matters lobbied and secured an appropriation of \$15.7 million federal funds which includes \$6 million from continuing the Title IV-E waiver through the end of the fiscal year and \$9.7 million in TANF Reserve

funds for the Child Welfare Prevention and Intervention Services Fund created in SB 19-258.

On February 9, 2018, the federal government passed the Families First Prevention Services Act, which changed how states can spend federal Title IV-E funds. The federal act also extended existing Title IV-E waivers, including Colorado's, through the end of federal fiscal year 2018-19 (September 30, 2019).

This policy, SB 19-258, is important because it addresses the gap in funding that would have occurred when the State's current waiver expires in September of 2019. The bill extends the project by one year to June 30, 2020. It also requires the Department to submit a report on behalf of counties, outlining a plan for the sustainability of interventions defined in performance agreements with the counties.

States have a two-year window in which to implement the Family First Prevention Services Act, which will provide states with federal funds to deliver child welfare prevention services, conditioned on states altering the way in which they deliver congregate care to children placed out of home. The window opens October 1, 2019 and closes September 30, 2021. States have no choice but to implement the provisions of the Act. Colorado's Title IV-E waiver will expire September 30, 2019, resulting in a loss of \$12 million annually in federal revenue supporting prevention services. The funding in SB 19-258 prevents counties from experiencing this loss in federal funding for one year.

Mitigation of Colorado Child Care Assistance Program (CCAP) Waitlists

Policy Matters was successful in advocating for \$10.5 million in federal funds from the Child Care Development Fund to fund the implementation of HB 18-1335 and maintain the current level of services provided in the CCAP. When HB 18-1335 was passed, it was with some expectation from budget committee staff and the counties that incremental funding would be provided to address the gap between families that have access to child care and those that do not. This same legislation required that counties pay providers at rates established through the market rate study. The study is expected to be released and become effective July 1, 2019.

The initial Department budget request did not include funding for the CCAP. Denver Human Services worked alongside Policy Matters to urge the Department to put forth a request. Without it, counties would be on the hook to pay for increased rates, which would have resulted in wait lists. Once the request was made, we worked with JBC staff and the budget committee to push for General Fund but instead; the Committee approved the above compromise using federal funds.

County Administration

The budget includes \$7.6 million total funds in the Department of Health Care Policy and Financing to increase the Department spending authority for eligibility determinations, customer service functions, and related activities performed by the counties. The total

includes \$2.6 million cash funds from the counties that matches \$5.1 million federal funds.

The budget also includes funding for local administration in the amount of \$3.1 million total funds, including \$1.9 million General Fund for three initiatives to improve county administration:

- Consolidate returned mail processing to remove it from county responsibilities;
- Increase incentive funding for county performance; and
- Centralize administration of non-emergency medical transportation.

Additionally, during the FY 2018-19 supplemental process, the JBC approved an appropriation of \$10.6 million total funds to reimburse counties for eligibility determination and related services for Medicaid and the Children's Basic Health Plan. Of the total, \$3.7 million cash funds are from the counties and \$6.9 million are matching federal funds. With this supplemental counties are allowed to draw down federal funds to partially offset their costs based on projected local county expenditures and estimated matching federal funds. SB 19-113 the Supplemental Appropriation for the Department of Health Care Policy and Financing was signed into law on March 14, 2019.

Community Provider Rates

The Joint Budget Committee approved a 1.0 percent provider rate increase for FY 2019-20. The appropriation includes \$9 million total funds, including \$5.4 million General Fund for an across the board increase for community providers.

Trails

Trails is the computer system used by county human services' departments for child protective services. The budget includes an increase of \$2.5 million total funds, including \$1.1 million General Fund to be used for contracting services, desk support, etc. to maintain the state's child protective services computer system.

The Trails modernization project has caused significant issues for the counties, especially during the fourth phase, which led to inaccuracies and inefficiencies for county human services staff. The Department had not asked for funding in many years and this years appropriation will help address some of the ongoing issues for the counties. Going forward, the State Department of Human Services will have to make changes to the system to comply with the Federal Families First Act. The Department is evaluating the changes that will need to be made, and recognize that they will most likely need to ask the JBC for future funding for Trails to comply with the federal law.

Colorado Benefits Management System (CBMS)

The long bill includes an increase of \$2.5 million reappropriated funds from the Departments of Health Care Policy and Financing, Human Services and Public Health and Environment to the Governor's Office of Information Technology. The funds will ensure

compliance with both federal and state laws, reduce security risks, as well as several other improvements. The CBMS has had a number of issues over the years and significant investments have been made to remedy the aging system. The CBMS is the computer system used for benefits eligibility and enrollment for public assistance programs.

Miscellaneous Programs

The Mayor's Office and Council Members have expressed interest in other areas of the state budget highlighted below.

State Reserves - The statutorily required General Fund reserve is at 7.25% of appropriations for FY 2019-20. The reserve now sits at \$874.7 million.

Transportation - Democrats and Republicans this year revived their annual battle over how much money to shift from the state's main General Fund to the Department of Transportation. Republicans made an increase a priority for the session, and they launched their first slowdown over this issue in March during the Senate debate on the long bill. In the end, the two parties agreed to a transportation increase of \$100 million, and the JBC cobbled the money together from five different parts of the budget. That funding is on top of a scheduled \$200 million transfer to the Highway Users Tax Fund (HUTF) set up during a previous legislative session.

Child Support Employment - The budget includes \$952,669 in federal funds from the Temporary Assistance to Needy Families (TANF) reserve fund and 1 FTE for the State Department of Human Services evidence based request to implement a pilot program to provide employment services to low income, non custodial parents.

Film Incentives - The Joint Budget Committee voted down the Executive request for an increase (\$1.25 m) in funding for film incentives. Instead, the JBC and Legislature approved continuation funding of \$750,000 General Fund.

Referred Measures

Finally, the General Assembly tossed two other spending decisions to the voters next November, including:

State revenue cap – This ballot measure, proposed by HB 19-1257, would allow the state to retain and spend revenues collected in excess of the annual cap set by the Taxpayer's Bill of Rights (TABOR). The impact on future budgets would be variable and uncertain because in many years revenues don't exceed the cap. The companion measure HB 19-1258 would divide any excess revenues among K-12, transportation and higher education.

Sports gambling – Surfacing late in the session was HB 19-1327, which would allow sports gambling at casinos in Blackhawk, Central City and Cripple Creek and through

online services run by those casinos. If voters say yes, taxes on the gaming would generate about \$6.5 million in the first year, to be divided among state enforcement costs, programs to treat gambling addiction and for implementation of the state water plan.

Closing & Special Thanks

Special thanks to our team in the Mayor's office, especially Skye Stuart, as well as Don Mares, and Lauren Harvey in Denver's Department of Human Services. And lastly, we'd like to thank Councilwoman Black for her leadership. It is an honor to represent the City and County of Denver!