



**June 13, 2018**

**To:** Council Government and Finance Committee, City and County of Denver

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

**Subject:** 2018 State Budget Wins

### **Summary**

In 2018 Colorado lawmakers had the opportunity to spend lots of money, something they haven't been able to do in some recent sessions. So legislators were able to funnel extra funding to K-12 education, transportation projects and the state pension system and at the same time they were able to enhance spending on some of Denver's top priorities including child welfare and child care assistance. 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 2018 session and both programs saw big increases as a result of Policy Matters' lobbying efforts.

The expanded spending was made possible by strong state revenue growth and changes in federal tax law that had the effect of increasing state tax collections. And last year's Senate Bill 17-267 The Sustainability of Rural Colorado Act, had a significant impact on revenues because it removed hospital provider fee revenues from calculation of the state revenue cap. That gave lawmakers the ability to spend more money rather than return it to the taxpayers as TABOR refunds.

For 2018-19, total state spending is projected at about \$30.4 billion, an increase of 5.9 percent from the current year. The following report includes some key facts and figures about the 2018-19 budget, House Bill 18-1322, and related spending:

### **Long bill at a glance**

- \$28.9 billion total from all funds
- \$10.9 billion General Fund

The state budget bill, HB18-1322 Long Appropriations Bill, was signed into law on April 30, 2018. 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 three Democrats and three Republicans. The split make up of the JBC was challenging for our lobbying efforts but Policy Matters was able to work strategically with the JBC members and JBC staff to secure resources and our relationships were essential to reaching a compromise on Denver's top budget priorities.

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:

### **Mitigation of Colorado Child Care Assistance Program (CCCAP) Waitlists**

Policy Matters was successful in advocating for a supplemental to mitigate the CCCAP waitlists. The Joint Budget Committee approved funding for FY 2017-18 in the amount of \$7.25 million total funds. The supplemental appropriation breaks down as: \$1.5 million cash funds/county match, \$1.5 million TANF reserve, and \$4.25 million Child Care Development Funds (CCDF). Denver was vocal in raising concerns with the JBC staff and committee members regarding anticipated deficits in federal funding and the state's dependence on those funds. We worked with staff and other stakeholders to push for General Fund but instead; the Committee approved the above compromise with the promise of future reforms for the program, which will help counties mitigate waitlists for this program.

In addition to the supplemental for 2017-18 that was approved by the Joint Budget Committee, an additional \$12.9 million total funds, including \$3.9 million General Fund was secured for FY 2018-19 to mitigate county waitlists in the Colorado Child Care Assistance Program.

Furthermore, the JBC and the Legislature approved a JBC staff initiated bill to re-work the CCCAP allocation formula, House Bill 18-1335 County Child Care Assistance Block Grants. Policy Matters worked closely with budget committee staff and other stakeholders on this bill to ensure Denver's feedback and requested changes were included in the final version of the bill. Due to our relationships with staff, we were included in several small working groups and most of Denver's input was included in the bill. While Denver was unable to fully support the bill, we were able to amend it to ease most of Denver's major concerns and believe that the anticipated funding as a result of the bill, will better serve Colorado children and families.

House Bill 18-1335 makes several changes to the Colorado Child Care Assistance Program (CCCAP) in the Department of Human Services (DHS):

- It requires that the DHS contract for a market rate survey of provider rates each year, rather than every two years as under current law, and provide the report to the Joint Budget Committee by January 2, 2019, and each January 2 thereafter.
- Based on the market rate survey, the bill specifies block grant funding be allocated to counties based on the provider rate multiplied by the estimated total number of children eligible to participate in CCCAP in that county. The DHS

may adjust the county allocations based on various factors specified in the bill and adopted in rule.

- In addition, the bill sets uniform income eligibility criteria for CCCAP of up to 185 percent of the federal poverty level. Counties may provide services for families above this threshold if they are currently serving all children in families with incomes below 185 percent of the federal poverty level and they use only local funds to serve those higher income families.

Policy Matter's relationships with JBC staff were paramount in the compromise on this bill.

## **Child Welfare**

Policy matters was again successful in advocating for a supplemental for Child Welfare Block Funding in the amount of \$3,158,363 total funds, including \$1,516,014 General Fund, in FY 2017-18 to fund services and supports for increased caseload in county child welfare agencies.

The JBC and Legislature also approved funding in the amount of \$6.2 million total funds, including \$1.9 million General Fund for FY 2018-19 and beyond for counties to increase child welfare caseworkers. This is the fourth phase of funding 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 10 FTE in FY 2017-18, 15 FTE in FY 2016-17, and 7 FTE in FY 2015-16.

A major highlight of the legislative session included a JBC bill brought forth by JBC staff to completely reform the state's child welfare system. The Governor signed Senate Bill 18-254 Child Welfare Reforms on May 18, 2018. It makes several changes to how the state funds child welfare services and includes an appropriation of \$18.4 million in FY 2018-19 for allocation and funding reforms in the child welfare system. Policy Matters advocated for this additional funding during the final push at the JBC to close out the budget.

Denver DHS staff, Jay Morein, consulted with JBC staff in the creation of this bill and provided significant input on all aspects of the bill. Denver was strongly supportive of its passage. Policy Matters played a critical role in getting this bill out of the budget committee for introduction as there was some last minute controversy over the new structure of the Child Welfare Allocation Committee called for in the bill. We worked behind the scenes with the JBC members to get the bill rolling despite opposition from other players and apprehensions from the members.

The bill is complex, but in short does the following:

- Requires the DHS to contract with an outside entity to develop a funding model for child welfare services and determine the amount of total funding required;

- Requires the state to retain any unspent capped allocation money and create the Child Welfare Prevention and Intervention Services Cash Fund to receive these funds;
- Allows the DHS to provide funding to small and medium counties from the Child Welfare Prevention and Intervention Services Cash Fund;
- Changes the negotiation process for how counties negotiate with providers; and
- Clarifies how certain appropriations should be spent.
- Changes the structure of the Child Welfare Allocation Committee and creates the Child Welfare Services Task Force to give recommendations to the committee, Governor, Legislature, and the DHS.

### **Community Provider Rates**

The Joint Budget Committee approved a 1.0 percent provider rate increase for FY 2018-19. The appropriation includes \$8.7 million total funds, including \$4.9 million General Fund for an across the board increase for community providers.

### **County Administration**

Policy Matters worked alongside the Department of Healthcare Policy and Financing other county stakeholders to advocate for a supplemental that combines two line items that pay for eligibility determination services that counties perform in support of Medicaid. The passage of the supplemental bill will increase funding by \$6.8 million total funds based on projected local expenditures and estimated matching federal funds. This means additional spending authority, which will allow the counties to draw down federal funds for county administration. Denver was supportive of this compromise.

### **Miscellaneous Programs**

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

*Colorado Civil Rights Commission:* During the waning hours of the session, the legislature came up with a clutch compromise that renewed the Colorado Civil Rights Commission, which was set to expire under the state's sunset law. On the initial vote to fund the commission, the JBC members deadlocked and the vote failed, which essentially de-funded the commission. A later vote restored the funding in the amount of \$1,082,522 million General Fund.

*SNAP:* The long bill also included funding for technical support for the Supplemental Nutrition Assistance Program in the amount of \$405,479 total funds including \$202,740 General Fund to provide technical assistance to counties in administering the SNAP. The funding seeks to ensure compliance with federal SNAP regulations.

*State Reserves:* SB 18-276 will increase the state reserve to 7.25 percent of appropriations in FY 2018-19. The anticipated cost of this increase is between \$85 million and \$90 million.

*Colorado Energy Office:* The long bill included an increase of \$3.1 million General Fund and 16.5 FTE in base funding for the Colorado Energy Office.

*Transportation:* Lawmakers have been wrestling with this issue for several sessions. Highway officials put the cost of necessary improvements at \$9 billion over the next decade. The budget Committee set aside \$495 million to fund transportation infrastructure needs in Senate Bill 18-001 Transportation Infrastructure Funding.

That bill could put almost \$3 billion in transportation over the next two decades, including \$645 million of transfers from the state General Fund over the next two years. If voters approve a \$2.3 billion bonding plan in 2019 then \$122.6 million a year would be taken from the General Funder to help repay the bonds. (The 2019 vote wouldn't take place if the Denver Metro Chamber of Commerce puts a transportation measure on the 2018 ballot and it passes.)

*Film Incentives:* The Joint Budget Committee voted down the Executive request for an increase in funding for film incentives. Instead, the JBC and Legislature approved continuation funding of \$750,000 General Fund and \$500,000 cash funds from limited gaming revenue.

### **Changing of the Guard**

The top legislative leaders, Senate President Kevin Grantham and House Speaker Crisanta Duran are both term limited and will be gone in 2019. Also departing are the Chair and Vice Chair of the Joint Budget Committee, Rep. Millie Hamner and Sen. Kent Lambert as well as Rep. Dave Young and Rep. Kevin Lundberg. Which means that over the interim, we will need to cultivate relationships with legislators looking to get on the Joint Budget Committee.

Lastly, Henry Sobanet, the Director of the Governor's Office of State Planning and Budgeting, is leaving the Governor's Office at the end of June. Lauren Larson, who is currently working in the Lt. Governor's Office, will head up the OSPB thereafter.

### **Closing & Special Thanks**

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