FY 2023-24 Long-Range Financial Plan: Department of Human Services

November 1, 2022

Contents

Summary of Long Range Financial Plan

Pursuant to Section 2-3-209, C.R.S., each state agency is required to submit to the General Assembly an annual long-range financial plan. The purpose of the long-range financial plan is to:

A. Have each state agency anticipate and strategically plan for future contingencies that may impact the state agency's ability to meet its performance goals;
B. Assist the state agency as it prepares its annual budget request;
C. Provide additional information to the General Assembly so that it can appropriate money in light of possible future changes; and
D. Provide notice to the public about the potential growth or decline of state government in the future.

To the extent possible, the state agency shall utilize information that is included in the state agency's annual performance report prepared in accordance with Section 2-7-205. Therefore the November 1, 2022 Long Range Financial Plans include:

A. Description of anticipated trends, conditions, or events affecting the agency
B. Description of any programs funded by federal funds or gifts, grants, and donations that may decrease in the future.

The Long Range Financial Plan is supplemented by the annual performance report which includes:

A. Statement of the agency's mission
B. Description of the agency's major functions
C. Description of the agency's performance goals
D. Performance evaluation of the agency's major programs with recommendations to improve performance

The long-range financial plan covers a five-year period and is not a policy document but rather a management tool to support effective planning and resource allocation. As such, it does not reflect the impact of policy proposals. In addition, given the November 1 statutory deadline for the plans, they were developed prior to the finalization of the Governor's FY 2023-24 budget request, and thus may not reflect all technical changes prepared for the budget.

Section 1: Financial Structure

This section complies with the requirements of Section 2-3-209 (2)(e), C.R.S., which states the Long Range Financial Plan may include components which discuss the anticipated trends, conditions or events that could impact the department's ability to meet its goals and objectives.

This section is organized by each of the Department’s administrative and programmatic offices with the following sections for each: Major Budget Drivers, Scenario Evaluation: Department-specific Contingency and Scenario Evaluation: Economic Downturn. As appropriate each of the subsections may include the following Emerging Trends and Major Expenses Anticipated.

Administrative Solutions

Major Budget Drivers

For the purposes of the projections included in the Administrative Solutions Long Range Financial Plan, cost drivers are separated into three categories: 1) Wages & Operating Costs; 2) Capital Asset Costs; and 3) Information Technology (IT) Costs.

Wages & Operating Costs

Wages and operational costs for the business units in Administrative Solutions are driven by common market drivers, including wage growth and inflation. Colorado's unemployment rate (3.3% in July 2022 down from 6.5% a year ago, both compared to 2.5% prior to the pandemic)[1] is improving. The tight labor market has increased the Department's usage of contractors and increased labor costs. Divisions across Administrative Solutions struggle to find qualified applicants at the lower end of the salary ranges.

For operational costs, the Consumer Price Index (CPI) can be used to predict general cost increases. Per the U.S. Bureau of Labor Statistics, the Denver-Aurora-Lakewood area CPI-U in July 2022 is up 8.2% from July 2021, up from the 3.5% previous year's increase[2]. This would indicate an upward trend in operational costs for the Department.

Capital Asset Costs

Capital Construction (CC), Capital Renewal (CR) and Controlled Maintenance (CM) project costs are driven by current market drivers including inflation, supply chain delays and the current labor market staff shortages that support these types of projects (this includes staff such as professional - architectural and engineering - and construction services).

The Mortenson Construction Cost Index (MCCI) reported data that the current market conditions will continue to increase costs (including industry labor, construction materials and equipment) for the second quarter of 2022, indicating an average cost increase of 3.3% nationally and 2.2% in the Denver metro market for the quarter. This quarterly increase continues to be the trend that we began seeing in 2020. MCCI expects to see much of the same moving forward in the second half of the year including ongoing workforce challenges, increases in material shipping costs, product lead times and material shortages. MCCI continues to state "a resilient approach to adapt to and minimize these ongoing impacts during project planning and execution will continue to be necessary into 2023."

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1 Bureau of Labor Statistics, United States Department of Labor

2 https://www.bls.gov/regions/mountain-plains/news-release/consumerpriceindex_denver.htm

In January 2021, Construction Analytics (CA), predicted inflation for nonresidential buildings near 4%. They have since confirmed inflation in 2021 for nonresidential buildings was 7%, the highest since 2006-2007. According to CA, deflation is not likely. Only twice in 50 years has the construction industry seen cost deflation, which was during the recession years of 2009 and 2010.

The types of facilities and programs that CDHS support have always required added costs relative to the 24/7 and high security nature of the facility. The goods and services needed to support these facilities are themselves specialized and therefore experience more market cost volatility, since there are fewer vendors and suppliers in the market that provide assemblies, furniture, fixtures, and equipment needed to make our facilities operational for program requirements. Taking this into account and including the current inflationary numbers we are working with when developing project budgets, we are expecting to see a continued increase in our capital expenses. While we expect to see these significant increases impact us into FY 2022-23, the outyears are difficult to predict. We continue to be optimistic that the current market will normalize and afford some reprieve from current market pricing.

Information Technology (IT) Costs

In the coming years IT costs are expected to continue to increase. There are several factors that contribute and they relate to trends in hardware, software, and the workforce providing professional services to support technology. The following discussion considers this as well as aspects of the Department's spending including Payments to OIT known as "Common Policy" and IT projects.

Hardware

With respect to hardware, the trend is increasingly moving away from purchased equipment and shifting instead to managed service models. "The Cloud" is effectively a managed Infrastructure-as-a-Service (IaaS) offering that does away with the need for traditional IT shops to manage physical hardware. It enables things like virtual servers, and vendors like Amazon Web Services (AWS), Google, Salesforce, and CenturyLink which are able to add value to customers by managing the servers, switches, firewalls and other infrastructure. Examples of this at OIT and DHS include:

- CenturyLink's Voice over IP (VOIP) service with leased phones and switches
- 24 DHS applications in Salesforce
- DHS server project in 2019 to decommission on premise servers

Software

Software is also changing, and the trend is increasingly moving toward an annual subscription model.

This can be applied in what is known as Platform-as-a-Service (PaaS) and Software-as-a Service (Saas). In the past software was often an upfront capital expense that could be purchased and owned. There were sometimes maintenance agreements or upgrade packages to be purchased over the years to ensure access to new releases, but as a general rule costs were much lower after the initial purchase. Now it is much more common to expect an ongoing monthly or annual cost for software use. Some of that is driven by the fact that the software vendor is hosting data and has costs for the infrastructure to maintain that. The trend in the industry is toward annual subscriptions for desktop applications (Microsoft Office, Adobe Acrobat, etc). Subscriptions, while more predictable for budgeting purposes, tend to increase overall costs.

Security

Information security is another cost driver. As our dependency on digital information increases, so does the risk of inappropriate use of that data, and information security is a critical element of information technology management. Additional security controls such as encryption, event monitoring, two-factor authentication, and ensuring redundancy to protect against a disruption in access, come with a premium. For example, in FY 2018-19 DHS implemented encryption for Salesforce applications containing personally identifiable information (PII) for client data. This was accomplished using a Salesforce product called Shield adding an additional thirty percent to the base licensing cost each year. In addition to products like Shield there is an accreditation certification called FedRAMP that validates the security controls in cloud environments. Many federal agencies are now mandating that cloud vendors receiving federal funds have this FedRAMP certification. Because of the additional security controls (e.g. private servers, background checked employees, etc.) FedRAMP hosting comes at an additional cost. The Salesforce FedRAMP solution known as "GovCloud" adds significantly more to the Salesforce costs (perhaps as much as another 30%). It is important to note there are levels of FedRAMP (i.e., FedRAMP Moderate, FedRAMP High) with different resulting costs.

COVID-19 Technology Impact

The increase in telecommuting as a result of the pandemic and resulting alternate workplace policies have caused a shift in certain technologies as the Department supports a more mobile workforce. A continuation of this trend will result in some increased costs (computer security, software, mobile devices, etc). Additionally, the pandemic is creating an increased need for on-line service delivery, as State and County offices scale back in-person services, and clients increasingly prefer to access those services from home. Accordingly, the Department will need to increase and improve our on-line delivery model.

Scenario Evaluation: Department-specific Contingency

Not Applicable

Emerging Trends

Not Applicable

Major Expenses Anticipated

Not Applicable

Scenario Evaluation: Economic Downturn

Administrative Solutions provides services for the rest of the Department, including the Executive Director's Office and the five programmatic offices. The demand for services will therefore be a function of the impact a downturn has across the broader Department.

Office of Adult, Aging and Disability Service

Major Budget Drivers

Aging and Adult Services

The Aging and Adult Services Division provides services to older adults and vulnerable adults through Adult Protective Services (APS) and the Older Americans Act (OAA) Programs. According to data from the State Demographer's Office, Colorado is currently home to over 1.2 million individuals over the age of sixty, and that number is growing. During the next four-year period, that number is projected to increase by nearly thirteen percent. Currently, one in five Coloradans is sixty or older. By 2050, more than a quarter of the State's population will be sixty or older. This unprecedented demographic shift will require special attention to ensure that communities are livable and accessible and appropriate services are available for older adults in the State. Further, since the population of older adults has been increasing, the number of eligible individuals for these programs has increased. Currently, approximately five percent of the population of older adults is served by at least one of the Division's programs annually. Even if the percentage of older adults in the State that access these services remains constant, with the increased number of older adults in the State, there will be a greater demand for services.

Over the past ten years, due to a variety of legislative and policy initiatives that have been completed, the Colorado APS Program has evolved into a more robust program and consequently the program has grown considerably in size and scope. While the changes to the program have led to better outcomes for at-risk adults in Colorado, these advancements have also created a cumulative increase in workload for Department and County Department APS staff over time. The APS Program is not a federally-funded or federally-regulated program. Rather, each state must establish their own statutes and regulations for the operation of APS and provide the necessary funding to support the work associated with meeting those requirements. Since FY 2018-19 the counties have overspent their allocations of the appropriated funds. In FY 2021-22 the approximate overexpenditure is $1.5 million in administration.

Division of Regional Centers

The Division of Regional Centers operates three Regional Centers, located in Wheat Ridge, Pueblo, and Grand Junction and consists of a total of 41 group homes. These Centers provide long-term habilitation, intensive treatment, and short-term treatment. The vast majority of the Centers' expenses are reimbursable through Medicaid. Medicaid reimbursements are made up of 50% federal funds plus 50% State General Fund. There are two factors that drive the budget of the Regional Center operations: census and the type of services needed to meet the residents' treatment plan. Although the estimated census is projected to not increase dramatically, the admission of people with more severe behavioral and complex psychiatric needs requires additional resources including professional staff and highly trained staff. Over the last year, the number of residents has not increased significantly due to the national direct support workforce shortage despite the need. Unfortunately this has led to increased staff costs due to mandatory overtime and the use of temporary staffing agencies. Furthermore, the delay in building the two new group homes in Grand Junction related to the

COVID Pandemic has drawn out the continued expenses associated with continuing to maintain the Grand Junction Regional Center campus.

Veterans Community Living Centers (VCLCs)
The Veterans Community Living Centers (VCLCs) consist of four Department-operated state veterans homes and one state veterans home operated by the Huefano County Hospital District. The five VCLCs provide long-term care, short term rehabilitation, domiciliary cottages, memory care services, and end-of-life care to honorably discharged veterans, veterans' spouses, and Gold Star parents. The Veterans Community Living Centers operate as self-supporting enterprises. This means the VCLCs have to generate adequate revenue to cover the expenses of day-to-day operations. The factors that drive the budget of the VCLCs are census and expenditures.

VCLC census generates the revenue to support the daily operations. Resident/veteran payors include a combination of private payments, Medicaid, Medicare, and the US Department of Veterans Affairs (VA) per diem payments for the services. Since the beginning of the Pandemic, the VCLCs have experienced an overall drop in census, and therefore revenue, due to admission restrictions, reduced availability of space for required COVID positive cohorts, reduced space due to private room quarantine requirements, and an overall decrease in existing census as a result of COVID and other causes of death. Census in the VCLCs has begun to slowly recover in 2022, however, the operational costs currently exceed revenue generated from the current census. This imbalance is not anticipated to result in a loss of services to VCLC residents.

The VCLCs operational expenditures include personal services, medical services, raw food, and medical supplies. These factors drive the annual budget and are variable based on census fluctuations and cost of living adjustments. Personal services is one of the largest expenditures for the VCLCs. Due to the shortage of staff and higher turnover rate, the VCLCs have relied on temporary agencies to supplement direct care vacancies. Temporary agencies staff rates have increased the cost of personal service. In addition, the cost of food and medical supplies have increased due to inflation.

The effects of the pandemic continue to impact the VCLCs, primarily in staff stability, retention, and recruitment. Staff have worked tremendous hours under stressful conditions and COVID fatigue has led to burnout for many.

Scenario Evaluation: Department-specific Contingency

Aging and Adult Services
For several years, statute directed that General Fund not utilized for the Senior Property Tax Exemption would go to the Older Coloradans Cash Fund to be used by the Department for services provided by the Area Agencies on Aging. However, House Bill 20-1387 eliminated any future transfers of under-utilized Homestead funds so those funds will no longer be available to the Area Agencies on Aging. Therefore, this will no longer be a potential source of funds for services for older adults in Colorado.

Division of Regional Centers
No major impacts anticipated.

Veterans Community Living Centers (VCLCs)

No major impacts anticipated.

Emerging Trends

Aging and Adult Services

As mentioned earlier, the number of older Coloradans continues to grow which will result in greater service needs for the older adult population in years to come. During the COVID-19 pandemic, service delivery methods have shifted from in-person contact, such as congregate meals, to remote options such as home delivered meals and grab and go meals.

Division of Regional Centers

Although the census at the Regional Centers is not expected to increase dramatically, the admission of people with more complex behavioral and psychiatric needs has resulted in increased costs of personal services. For example, some individuals need one-on-one support which results in higher staffing costs. It is now the case that every current resident has a co-occurring behavioral health issue and each resident has on average at least three co-occurring diagnoses. This change in the complexity and psychiatric needs of residents has highlighted the need for additional training and support for staff in order to better understand the needs of the residents, decrease injuries on the job, and retain staff.

In addition, as previously discussed, staff recruitment and retention are an ongoing challenge for Regional Centers. Consistent with staffing challenges being faced across the country, recruiting qualified workers for direct support positions at the Regional Centers is very difficult given the number of options direct service workers have at this time.

Veterans Community Living Centers (VCLCs)

As previously mentioned, the VCLCs are experiencing higher than usual turnover of employees. Recruiting qualified workers in healthcare is more challenging and competitive now that both staffing agencies and private industry are able to pay unusually high wages and offer additional flexibility. In addition, four of the five VCLCs are located in rural parts of the State where the applicant pool is limited, commutes are long and cost of living is on the rise. All of this exacerbates the difficult staffing situations faced by the Division.

Major Expenses Anticipated

Division of Aging and Adult Services

Federal funding for Older Americans Act programs and services provided under the Division of Aging and Adult Services has remained largely unchanged for many years. However, federal stimulus funds provided during the COVID-19 pandemic have increased the overall federal allocation during the past year. The latest stimulus package allows for expenditures to be made through Federal Fiscal Year 2023-24. It is unlikely that the regular Title III federal allocation will be increased during this time due to stimulus funding available.

The majority of the increases experienced for these programs, aside from federal stimulus funds, have been the result of increases in the State Funding for Senior Service Long Bill line item. Specifically, Table 1 shows the funding over the past seven years.

Table 1: History of State Funding for Senior Services and Older Americans Act Programs							
State Fiscal Year	Older Americans Act (Federal)*	State Funding for Senior Services					Grand Total
	Regular Funding	SFSS (GF)	SFSS (CF)	Homestead (CF)	Reappropriated Funds (ADRC)**	SFSS Total	
2023-24 (projected)	$23,728,644	$14,487,707	$14,091,110	$1,000,000	$1,000,000	$30,578,817	**$54,307,461**
2022-23	$23,728,644	$14,487,707	$14,091,110	$3,000,000	$1,000,000	$32,578,817	**$56,307,461**
2021-22	$23,728,644	$14,487,707	$10,007,752	$7,000,000	$1,000,000	$32,495,459	**$56,224,103**
2020-21	$20,178,219	$12,803,870	$10,007,752	$6,000,000	$0	$28,811,622	**$48,989,841**
2019-20	$19,810,368	$14,803,870	$10,007,752	$3,000,000	$1,000,000	$28,811,622	**$48,621,990**
2018-19	$19,711,004	$14,803,870	$10,007,752	$ -	$0	$24,811,622	**$44,522,626**
2017-18	$17,084,707	$10,803,870	$10,007,752	$ -	$0	$20.811.622	**$37,896,329**
2016-17	$16,326,246	$11,445,911	$10,007,752	$1,519,482	$0	$22,973,145	**$39,299,388**

*Includes OAA Long Bill line item as well as NAPIS, CCOA, AAA Admin, State Admin and Ombudsman programs and state match
**The $1,000,000 Reappropriated Funds are $500,000 General Fund from this line item and $500,000 Medicaid matching funds via transfer from HCPF.

The 2019-2023 Colorado State Plan on Aging and the Community Assessment of Older Adults (CASOA) Survey completed in 2018 are key documents that provide information on the aging demographic in Colorado. They are located on the DHS website under the State Unit on Aging at: https://www.colorado.gov/pacific/cdhs/state-unit-aging.

Table 2 demonstrates the increase in the number of unduplicated clients served and the number of units of service provided by the Area Agencies on Aging (AAA) over the past five federal fiscal years. A unit of service equates to one service provided by the Area Agency on Aging or their contracted service provider such as one congregate meal, one home delivered meal, one transportation trip, or one visit to the home for homemaker services. Data from prior to 2015 is not reliable because the Department did not require service providers to register clients for certain services prior to that year, so including the available data from that year would result in comparing two types of data that do not correlate to one another.

Table 2: State Unit on Aging, Area Agencies on Aging Total Individuals Served and Units Provided By Federal Fiscal Year		
Federal Fiscal Year	**Total Individuals Served - Unduplicated**	**Total Units of Service Provided**
2015	43,962	2,559,020
2016	51,428	2,824,409
2017	53,824	2,892,945
2018	52,751	2,790,287
2019	56,898	2,815,364
2020	59,563	2,962,279
2021	55,756	2,908,128
Services include: congregate meals, home delivered meals, transportation, assisted transportation, homemaker, chore, personal care, caregiver services, and legal assistance. One unit of service equates to one service being provided.		

COVID-19 Impact - Older adults have been among the most affected populations during the COVID-19 pandemic. To ensure adequate services for older adults in need, the federal government provided funding to states through a series of stimulus packages. Most recently, the Division received $21,146,828 in additional federal funding from the American Rescue Plan Act of 2021 (ARPA, H.R. 1319) stimulus package during the summer of 2021 to provide services to older adults in Colorado through September 30, 2024 to assist them during the COVID-19 Pandemic.

In addition to the federal stimulus funds the AAA network received, the Colorado General Assembly was also responsive to the increased needs of older Coloradans by passing Senate Bill 21-290 that created a grant program for the AAAs and included a $15 million appropriation. The bill allows for investments in AAAs that address the systemic health and economic challenges that have been exacerbated by the COVID-19 Pandemic.

The APS program anticipates increased expenditures in the future due to the growing needs of the program. The Department has contracted with an independent evaluator, RTI International, to conduct the first-ever Workload Study of the APS Program, to be completed this winter. RTI International is taking a mixed-methods, data-driven approach to understanding the Colorado APS Program workload burden and developing operational recommendations on (1) factors related to optimal workload, staffing, and training necessary to maintain a strong, well-trained, and stable workforce; and (2) financial resources needed to sustain and improve client outcomes through the APS program across Colorado.

While the final results of this workload study are not yet known, in May 2022 RTI International provided an interim report to the Department that identified three main areas in which the APS landscape has changed over the past several years that are likely contributing to an increasing workload for APS staff. First, a growing need in the community for APS services, second, APS cases have become increasingly complex, time-consuming, and challenging to manage, and third the increased burden and time needed to effectively document APS casework and meet requirements of the program. Additionally, the interim report noted that initial research conducted with Department and county department representatives identified these wider issues within the context of significant constraints that further affect their workloads, including staffing concerns, limited availability of community-based resources, and the wider impact of the COVID-19 Pandemic in recent years.

Division of Regional Centers

The Regional Centers are funded through a combination of General Fund, cash funds, and reappropriated funds. The primary funding source is reappropriated funds from the Department of Health Care Policy and Financing, which are 50% federal Medicaid and 50% General Fund. The Division of Regional Centers anticipates a slight increase in cash funds and reappropriated funds due to cost-of-living adjustments (COLA) in the coming years.

The following table, Table 3, illustrates the FY 2020-21 through FY 2025-26 budget forecasts for the Division of Regional Centers. The projected census days per year were determined based on historical trends and data and the Division’s knowledge of current residents and their interest in transitioning out of the Regional Centers.

Table 3: Regional Center Budget Projections for FY 2022-23 to FY 2026-27 by Regional Center and License Type							
		Actual	Projected				
	Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Grand Junction Regional Center- ICF	Census Days	7,300	8,760	8,784	8,760	8,760	8,760
	Expenditures by fund type						
	Cash Fund	$118,346	$121,896	$125,897	$129,319	$133,199	$137,195
	Reappropriated Funds	$5,672,372	$6,175,450	$6,192,370	$6,378,495	$6,436,651	$6,629,750
Grand Junction Regional Center- Waiver	Census Days	16,433	18,250	19,032	18,980	19,345	19,345
	Expenditures by fund type						
	General Fund	$128,710	$132,572	$136,549	$140,645	$144,865	$149,210
	Cash Funds	$378,580	$389,937	$401,636	$413,685	$426,095	$438,878
	Reappropriated Funds	$8,745,134	$10,014,921	$10,040,231	$10,341,438	$10,651,681	$10,971,231
Pueblo Regional Center- Waiver	Census Days	17,339	20,075	21,960	21,900	22,265	22,630
	Expenditures by fund type						
	General Fund	$138,851	$143,017	$147,307	$151,726	$156,278	$160,966
	Cash Funds	$402,157	$414,222	$426,649	$439,448	$452,632	$466,211
	Reappropriated Funds	$10,697,747	$11,552,968	$11,587,131	$11,934,745	$12,292,787	$12,661,571
Wheat Ridge RC-ICF	Census Days PerYear	34,324	36,500	41,724	41,610	41,975	42,340
	Expenditures by fund type						
	Cash Funds	$609,589	$627,877	$717,740	715,779	$722,058	$728,337
	Reappropriated Funds	$22,971,505	$24,545,345	$24,519,389	$25,278,464	$26,052,013	$26,848,956

Veterans Community Living Centers (VCLCs)

The Office of Adult, Aging and Disability Services (OAADS) operates four Veterans Community Living Centers (VCLCs) directly (Fitzsimmons, Rifle, Homelake and Bruce McCandlass) across the State and provides oversight through a contract for a fifth VCLC operated by a third party vendor in Walsenburg. Since the VCLCs are identified as an Enterprise Fund as defined by Section 20, Article X of the State Constitution, they are responsible for generating the revenue it takes for their own operations. The revenue generated from the census, and the expenses covered by the fund include personal service costs, operating costs, capital construction and capital renewal. As a result, the amounts shown in the VCLCs lines in the Long Bill are for informational purposes only. The following table, Table 4, illustrates the FY 2021-26 forecasts for the Veterans Community Living Centers.

Table 4: Colorado Veterans Community Living Centers Budget Projections FY 2021-22 to FY 2025-26 by Facility

		Actual	Projected				
Facility	**Fiscal Year**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**
Fitzsimons	Revenue	$23,043,834	$25,126,224	$26,810,686	$28,608,074	$30,525,960	$32,572,420
	Expenditures *	$25,976,682	$26,293,325	$27,607,991	$28,988,391	$30,437,810	$31,959,701
	Census Days	44,743	47,804	49,716	51,705	53,773	55,924
Florence	Revenue	$9,721,490	$10,161,963	$10,738,959	$11,348,717	$11,993,098	$12,674,066
	Expenditures *	$12,438,107	$11,982,250	$12,581,363	$13,210,431	$13,870,952	$14,564,500
	Census Days	20,554	21,889	22,546	23,222	23,919	24,636
Homelake	Revenue	$7,388,135	$8,421,236	$8,985,796	$9,588,203	$10,570,035	$11,652,407
	Expenditures *	$8,420,131	$9,898,804	$10,393,744	$10,913,431	$11,459,103	$12,032,058
	Census Days-NH	14,139	16,417	17,074	17,757	18,467	19,206
	Census Days-DOM	13,680	15,323	15,936	16,573	17,236	17,926
Rifle	Revenue	$7,402,541	$10,177,882	$10,860,207	$11,588,276	$12,365,153	$13,194,113
	Expenditures *	$9,732,255	$11,098,650	$11,653,583	$12,236,262	$12,848,075	$13,490,478
	Census Days	16,657	23,230	24,159	25,126	26,131	27,176

Note: Expenditures * does not include the Pension Expenses GASB 68

Scenario Evaluation: Economic Downturn

Aging and Adult Services

Aging and Adult Services receives funding through State and federal sources. An economic downturn at the federal or State level could result in reduced funding for services for older adults. The cash funds for programs in Aging and Adult Services do not fluctuate based on economic conditions, but require legislative action to change the current funding levels.

Division of Regional Centers

The Regional Centers receive funding through cash funds from residents' Social Security Disability Income (SSDI), reappropriated funds from Medicaid, and a small amount from the

General Fund. An economic downturn could result in reducing the reappropriated funds for services in the Regional Centers. In addition, it could result in reducing the cash fund if the census is reduced.

Veterans Community Living Centers (VCLCs)

The Veterans Community Living Centers are an enterprise fund, meaning the VCLCs have to generate enough revenue to cover the operating expenditure. An economic downturn could result in insufficient revenue to cover the expenditure. The VCLCs need to generate enough revenue to maintain operating the four skilled nursing facilities.

Behavioral Health Administration

Major Budget Drivers

The Behavioral Health Administration (BHA) represents a paradigm shift in the State for how behavioral health will be prioritized, services delivered, and overseen. The BHA is the legislatively identified behavioral health lead entity for Colorado, setting a state-wide vision and strategy across the behavioral health continuum in collaboration with State departments including community behavioral health, with the responsibility to maintain programs, deliver services, and are accountable to State and federal authorities. The BHA represents one of many steps towards strategic investments in improving the behavioral health system in Colorado.

The BHA operates behavioral health programs for adults and youth that are affected by a variety of factors including population and Medicaid rates. In addition to caseload (population) and funding (Medicaid rates), the BHA is influenced by the recommendations of S.B. 19-222 to create a robust safety net system for behavioral health, the Behavioral Health Task Force recommendations, the blueprint for Behavioral Health Reform, and the Population in Need Study. Additional budget considerations beyond paying for direct services include addressing the provider gaps and the various gaps in the continuum of care that exist in communities across the State. Key findings in the behavioral health needs assessment include the following:

- *Fragmentation in the system impacts client care*. Mental health and substance use programs are overseen by multiple state agencies and are funded by many separate sources. As a result, there are silos in behavioral health services which create gaps in care for individuals in need. One of the results of a system with silos and fragmentation is there is no shared vision for behavioral health in the State. Instead, there are many visions in silos. A shared vision across state agencies would support the State in building a stronger system of care.
- *Treatment integration is lacking across the continuum of the delivery system*. Stakeholders identified that poor integration of services impacts a client's ability to access the right level of care. In the Needs Assessment, integration is described as "treating behavioral and physical health together; treating mental health and substance use together." Additionally, integration involves integrating oversight, licensing, standards of care, and accountability for a core set of services across the State.
- *Behavioral health workforce shortage*. The current behavioral health workforce is not adequately meeting the needs of Coloradans, as is evidenced by the lack of accessible encounters in designated Substance Use Disorder Health Professional Shortage Areas. Workforce data indicates a need for providers that reflect the populations served - for example, it is estimated that over 81% of the behavioral health workforce identifies as White. Expanding access by addressing structural barriers to entering the workforce, supporting providers of diverse backgrounds, and those serving rural and frontier communities, improving telehealth capability and competency, along with continuing to identify other populations (e.g., income groups, insurance status, race/ ethnicity among others) in need of further services, will strengthen outcomes across the state.

- *Limited step-down and subacute services.* The middle is missing- subacute services, or those that fall between traditional outpatient and the more intensive inpatient services, are limited. Stakeholders described a need for greater focus on intensive outpatient programs, especially those that can be tailored to priority populations, including Black, Indigenous, People of Color (BIPOC) communities, criminal justice involved, veterans, individuals with intellectual and developmental disabilities, complex & high needs youth and families, American Indian communities, and Lesbian, Gay, Bisexual, Trangender, Queer and Others (LGBTQ+) populations. Programs that offer services that include increased intensity and duration of services such as Assertive Community Treatment, Intensive Case and Care Management, High Intensity Wrap-around, Dialectical Behavior Therapy and Intensive Outpatient Programs for substance use are needed statewide. Also highlighted in the assessment was the need for more transitional step-down and recovery settings and sober and recovery living environments.

Data Sources and Population

Mental health and substance use treatment admission data was collected through the Colorado Client Assessment Record (CCAR) and Drug/Alcohol Coordinated Data System (DACODS). The report period is the state fiscal year (FY) 2010-11 through 2022 (July 1, 2010 - June 30, 2022). FY 2021-22 was pulled on September 1, 2022. Table 5 represents Mental Health CCAR data and Table 6 represents substance use treatment admission DACODS data. Note, delays in data submissions and Medicaid claims determinations will modify these numbers slightly in the long term.

Inclusion/Exclusion Criteria

These data are inclusive of mental health treatment admissions for FY 2010-11 through FY 2021-22. The data includes services from any BHA licensed substance use provider and potentially some portion of services funded with Medicaid capitated dollars. These data do not include records for individuals who received behavioral health services through an emergency room, in their primary care office, or other entities not funded with public dollars (e.g., private insurance or out-of-pocket). BHA monitors the volume of data received on a monthly basis, but does not compare or reconcile volumes of data with other state agencies or databases.

Clients do not have a systematic and consistent identifier across State systems; therefore their information may be duplicated across publicly funded services including Medicaid, Colorado Mental Health Institutes, and BHA-funded community providers. Because of the limitations of the data, the true utilization of behavioral health services that occurs across the State or with State dollars likely exceeds the numbers reported to BHA.

Mental Health Treatment Admissions

Figure 1. Unique Number of Clients Admitted to Mental Health Treatment (FY 2010-11 through FY 2021-22)

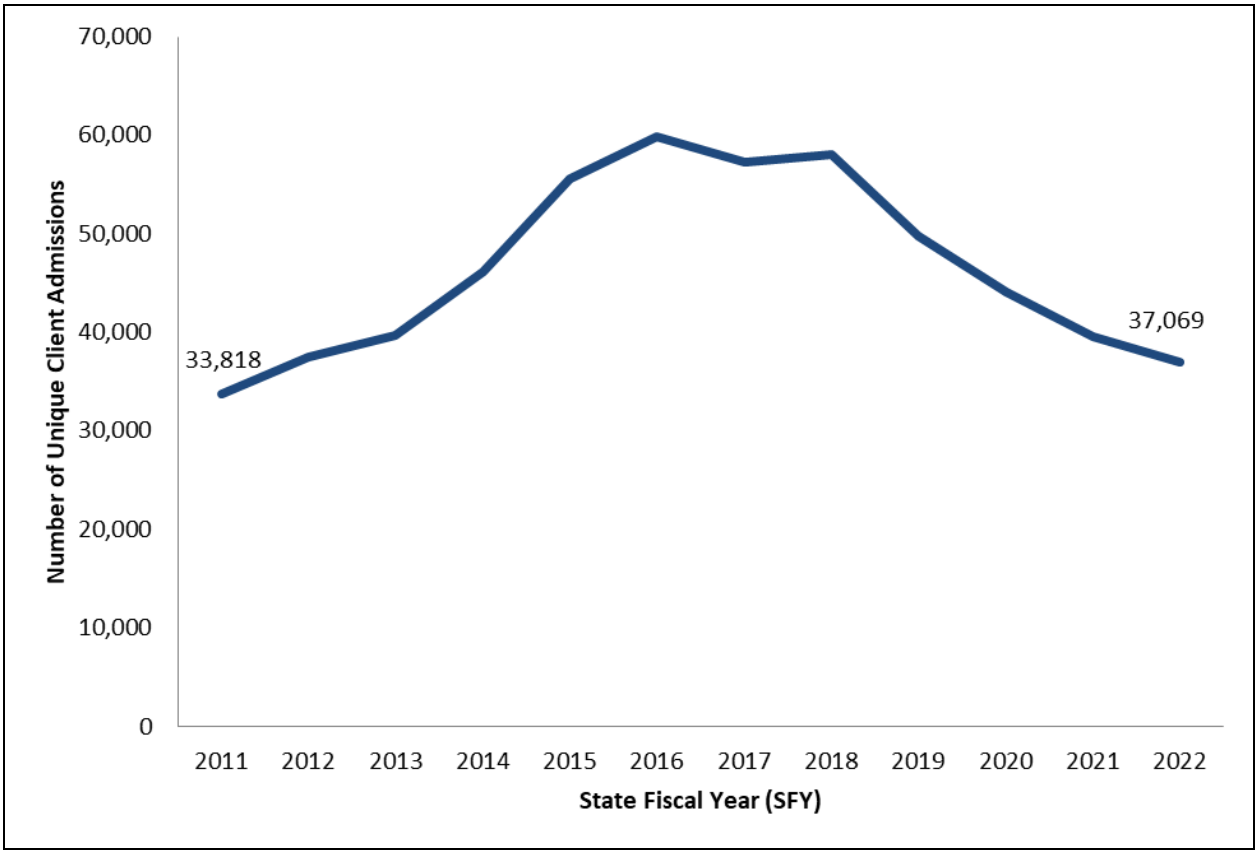


Table 5: Total Number of Mental Health Treatment Admissions and Unique Clients (FY2011-FY2022)		
State Fiscal Year	**Total Number of Admissions***	**Number of Unique Client Admissions**
2010-11	43,408	33,818
2011-12	49,073	37,474
2012-13	52,995	39,754
2013-14	62,540	46,234
2014-15	75,275	55,673
2015-16	84,259	59,855
2016-17	83,137	57,302
2017-18	83,728	58,125
2018-19	71,370	49,745
2019-20	64,666	44,066
2020-21	57,165	39,600
2021-22	53,643	37,069
Total	**781,259**	**558,715**
*Total number of admissions may include duplicate clients; number of unique clients are not duplicated		

Key Takeaway for Mental Health Treatment: As seen in Figure 1 and Table 5 (above), the number of clients admitted to mental health treatment steadily increased from FY 2010-11 through FY 2014-15. After plateauing between FY 2015-16 and FY 2017-18, the number of clients admitted to mental health treatment has declined. The decline in admissions may be attributed, in part, to Medicaid expansions in 2014, which cover a larger portion of client behavioral health services. Declines in calendar year 2020-22 are almost certainly affected by the COVID pandemic. Anecdotally, several providers reported temporary decreases in service availability which affected their ability to admit new clients. It is noteworthy that admission data is not necessarily reflective of utilization trends as a whole as it excludes existing clients and, potentially, clients who transition in and out of the system. Due to the limitations of the available data, the true utilization of behavioral health services across the State likely exceeds the numbers reported to BHA by providers.

Substance Use Treatment Admissions

Figure 2. Unique Number of Clients Admitted to Substance Use Services (FY 2010-11 through FY 2021-22)

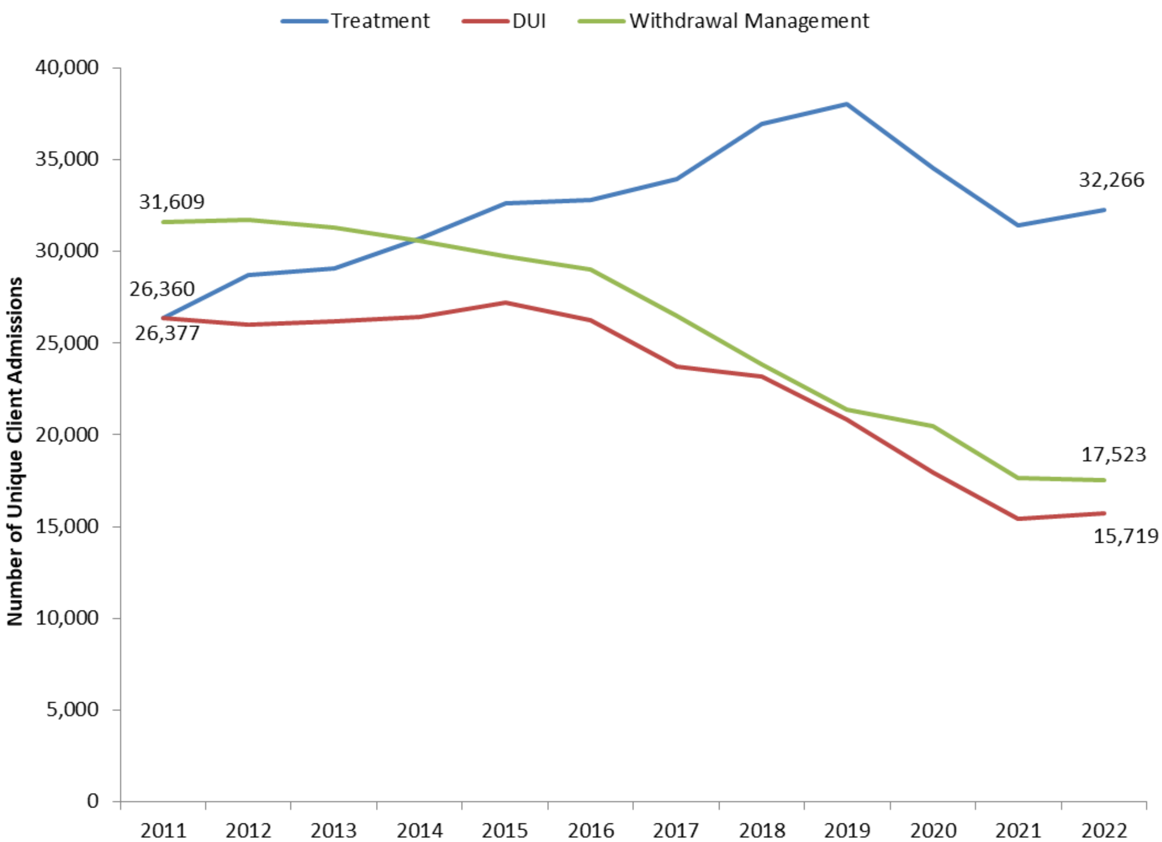


Table 6: Total Number of Substance Use Treatment Admissions and Unique Clients (FY 2010-11 through FY 2021-22)						
State Fiscal Year	Service Type					
	Total Number of Admissions*			Number of Unique Client Admissions		
	Treatment	DUI	Withdrawal Mgmt.	Treatment	DUI	Withdrawal Mgmt.
2011	29,730	28,082	50,493	26,360	26,377	31,609
2012	32,832	28,048	53,549	28,736	26,035	31,695
2013	33,127	27,938	53,749	29,051	26,208	31,270
2014	34,987	28,690	53,439	30,668	26,453	30,579
2015	37,399	29,146	53,210	32,625	27,226	29,710
2016	38,017	28,303	53,074	32,823	26,271	29,036
2017	40,027	25,191	47,630	33,956	23,724	26,476
2018	43,210	24,576	42,856	36,941	23,201	23,849
2019	44,389	21,779	38,467	38,006	20,845	21,352
2020	40,095	19,077	37,287	34,564	17,943	20,458
2021	46,912	16,085	30,319	31,430	15,419	17,640
2022	38,805	16,408	27,956	32,266	15,719	17,523
Total	**459,530**	**293,393**	**542,029**	**387,426**	**275,421**	**311,197**
*Total number of admissions may include duplicate clients; number of unique clients are not duplicated The data includes services for withdrawal management, driving under the influence (DUI), and treatment including inpatient and outpatient services.						

Key Takeaway for Substance Use Treatment: As seen in Figure 2 and Table 6 (above), the number of clients receiving substance use treatment (inpatient or outpatient treatment) typically increased from FY 2010-11 through FY 2021-22. Withdrawal management numbers may reflect a shift in utilization to the Crisis System, which also responds to individuals in a behavioral health emergency and is reported separately to BHA. Declines in DUI and withdrawal management may be affected by the COVID pandemic because bars, which are associated with the need for withdrawal management and DUI services, were closed or held restricted hours during this period. Additionally, Medicaid expanded the outpatient substance use benefit several years ago, and again in January 2021, which may impact the number of clients served and/or reported to BHA by service providers.

It is noteworthy that admission data is not necessarily reflective of utilization trends as a whole as it excludes existing clients and, potentially, clients who transition in and out of the system. Due to the limitations of the available data, the true utilization of behavioral health services across the State likely exceeds the numbers reported to the BHA.

Scenario Evaluation: Department-specific Contingency

The BHA is responding to and implementing several bills that may impact its long term operations.

House Bill 22-1278

This bill is streamlining administration of behavioral health services and programs and requires transformational statewide changes throughout the next two fiscal years. This comprehensive work will be completed with careful consideration of community stakeholders as well as collaboration with other departments.

For FY 2022-23 and FY 2023-24, the BHA sits within DHS. H.B. 22-1278 requires the BHA to make a recommendation on its long-term place after July 1, 2024. This will be a significant decision and contingency for the BHA.

Senate Bill 19-222

This bill requires the BHA to establish a minimum set of behavioral health services in communities across Colorado. S.B. 19-222 implementation plan outlines steps needed to address systemic fragmentation, aligns policies, accountability, and regulatory oversight, reduces the silos that are present in the current delivery system, outlines specific steps to re-define what a core set of behavioral health services should deliver in order to achieve the goal of a comprehensive and coordinated behavioral health safety net system, and includes new value-based funding opportunities for comprehensive behavioral health provider agencies that increase client access to High Intensity Behavioral Health Treatment Services. Establishing or expanding services in communities with significant gaps in basic services necessary to meet the community need, overcoming workforce challenges, and addressing coverage gaps for uninsured and underserved populations are all major areas that will need to be addressed.

Emerging Trends

The BHA has received an influx of American Rescue Plan Act (ARPA) funding from various federal grants and also the General Assembly (as indicated in Section 2).

- This Federal and State COVID-19 legislation appropriated significant increases in time-limited funding to address behavioral health impacts and needs arising from the COVID-19 pandemic.
- The BHA received major increases in funding from the federal Substance Abuse and Mental Health Services Administration (SAMHSA). Two COVID-19 relief federal House of Representatives resolutions affected both the Mental Health and Substance Use Treatment and Prevention block grants. Funding from these two packages will increase services for mental health, substance abuse treatment and primary substance use prevention.

The BHA is focused on spending the additional monies appropriately and effectively. As these funding streams sunset, the BHA's focus will turn to effectively transitioning resources and ensuring that programs are sustainable without access to these additional funds.

Major Expenses Anticipated

The BHA is currently creating its Strategic Plan which will outline the key priorities and milestones for the administration. The Strategic Plan for the BHA will take into account the Behavioral Health Task Force's Blueprint for Behavioral Health Reform, and the Comprehensive Behavioral Health Needs Assessment known by federal requirements as the Population In Needs (PIN) study.

These resources and planning activities will indicate the transition necessary for the future state of the BHA, which will require financial resources (which will be evaluated as part of the annual budget process) to fund the implementation of the change.

Additionally, COVID-19 continues to present challenges to the State and to the BHA. At this time it is unclear what the long-term economic effects of the pandemic will be. As a result, it is reasonable to assume that the BHA will encounter increased expenses as it works to continue serving the populations in need of behavioral health support. As noted in the above emerging trends, the BHA will be tasked with expending significant amounts of stimulus funding.

It is anticipated that significant increases in funding will be needed to address the needs identified as part of Behavioral Health Task Force (BHTF) Blueprint recommendations and programmatic needs. These injections of funding will address the surge of behavioral health demand driven by the COVID pandemic, close some of gaps in the pre-existing statewide behavioral health system, and enable expansion of services as laid out in the BHTF Blueprint, the S.B. 19-222 implementation plans, and H.B. 22-1278 requirements. This represents doubling or tripling of the State's annual expenditures for the BHA potentially for the years spanning 2022-2025. It is reasonable to anticipate that further funding will be needed to sustain a larger and more robust behavioral health safety net after the stimulus funding ends in 2025.

Scenario Evaluation: Economic Downturn

The BHA's Community Behavioral Health programs are a non-entitlement behavioral health safety net program that encompasses substance use prevention services, behavioral health criminal justice programs, mental health community programs, substance use treatment services along with a continuum of Behavioral Health Crisis Services. Many of these services are primarily labor cost driven, therefore economic downturns resulting in budget reductions will often require contractors to reduce programs, clients, and services provided to balance the budget. In extreme downturns, the BHA would consider various options for balancing the budget which may include across the board budget reductions, targeted reductions based upon usage and need, delaying the expansion of existing programs, deferring the implementation of new investments, or eliminating programs. All of these actions were taken during the budget balancing driven by the economic hit during the early months of the COVID-19 pandemic.

Office of Behavioral Health

Major Budget Drivers

Division of Mental Health Institutes and Forensic Services

The caseload for the Mental Health Institutes and Forensic Services continues to rise based on the number of court orders received and projected increases based on the referral trend data for competency exams, sanity exams, restoration, education, and inpatient care. The increase in projections impacts the need for additional beds, staff and operational resources in order to meet demands and stay in compliance with a court settlement agreement from 2019.

The Department has received funding to address this increased caseload through additional jail-based restoration beds, additional forensic psychologist evaluators, and through capital construction for additional bed space at the Colorado Mental Health Institute at Pueblo and Ft. Logan as well as funds for contracting with private hospitals for the provision of restoration services. However, it is anticipated the increase in demand will continue, and the Department will need to explore other solutions (including legislative) in order to meet the ongoing needs.

Table 7 illustrates Court Referrals for Colorado Department of Human Services Evaluations, as of August 2022. For reference, JBER is Jail-Based Evaluations and Restorations, and includes court referrals addressed through admissions to the RISE program and contracted beds at Peak View Behavioral Health and Denver Health.

Table 7: Court Referrals for CDHS Forensic Evaluations (sanity, competency, mental condition, etc.) and Competency (ITP) Restorations per Fiscal Year											
Fiscal Year	Total Evaluations				Restorations (ITPs)					% Change from FY 2000-01	
	In Pt	Out Pt	Total	% Change	In Pt	In Pt JBER	Out Pt	Total	% Change	Exams	ITPs
2000-01	236	193	429	N/A	87	0	0	87	N/A	N/A	N/A
2001-02	169	271	440	2.6%	98	0	0	98	12.6%	2.6%	12.6%
2002-03	82	344	426	-3.2%	111	0	0	111	13.3%	-0.7%	27.6%
2003-04	90	415	505	18.5%	109	0	2	111	0.0%	17.7%	27.6%
2004-05	102	441	543	7.5%	135	0	1	136	22.5%	26.6%	56.3%
2005-06	190	630	820	51.0%	167	0	3	170	25.0%	91.1%	95.4%
2006-07	223	618	841	2.6%	224	0	23	247	45.3%	96.0%	183.9%
2007-08	264	650	914	8.7%	219	0	15	234	-5.3%	113.1%	169.0%
2008-09	329	626	955	4.5%	170	0	18	188	-19.7%	122.6%	116.1%
2009-10	356	646	1,002	4.9%	212	0	22	234	24.5%	133.6%	169.0%
2010-11	345	747	1,092	9.0%	213	0	18	231	-1.3%	154.5%	165.5%
2011-12	355	828	1,183	8.3%	268	1	44	313	35.5%	175.8%	259.8%
2012-13	445	797	1,242	5.0%	270	4	42	316	1.0%	189.5%	263.2%
2013-14	461	1,005	1,466	18.0%	277	65	47	389	23.1%	241.7%	347.1%
2014-15	490	1,194	1,684	14.9%	368	94	109	571	46.8%	292.5%	556.3%
2015-16	374	1,497	1,871	11.1%	430	120	121	671	17.5%	336.1%	671.3%
2016-17	378	1,899	2,277	21.7%	534	177	186	897	33.7%	430.8%	931.0%
2017-18	315	2,186	2,501	9.8%	631	234	310	1,175	31.0%	483.0%	1250.6%
2018-19	275	2,433	2,708	8.3%	685	286	539	1,510	28.5%	531.2%	1635.6%
2019-20	228	2,425	2,653	-2.0%	637	245	615	1,497	-0.9%	518.4%	1620.7%
2020-21	138	3,066	3,204	20.7%	1,011	245	987	2,243	49.8%	646.9%	2478.2%
2021-22	103	3,492	3,595	12.2%	1,349	307	1,184	2,840	26.6%	738.0%	3164.4%

Scenario Evaluation: Department-specific Contingency

Division of Mental Health Institutes

Ongoing demand for inpatient beds continues to challenge the Department due to the limited space available to treat patients which is further exacerbated with the staffing shortages. While the Department anticipates that its efforts to increase bed capacity will assist in addressing the continuing rise in demand for inpatient competency services, they are unlikely to keep pace with the demand for inpatient services considering over the long term since the demand is projected to continue to increase.

Emerging Trends

Federal and State COVID-19 legislation appropriated significant time-limited funding to address behavioral health impacts and needs arising from the COVID-19 pandemic.

The Department's Office of Behavioral Health received major increases in funding from three bills in 2022 aimed at utilizing the appropriated federal dollars. Table 8 illustrates how much funding was received from each bill, along with the term of each appropriation.

Table 8: Office of Behavioral Health COVID-19 Relief Funding

Bill/Program Title	Bill Number	Term	Amount
Competency To Proceed & Restoration To Competency	HB22-1386	7/1/22 to 12/30/24	$29,363,828
Increase Residential Behavioral Health Beds	HB22-1303	7/1/22 to 12/30/24	$46,432,445
Youth And Family Behavioral Health Care	HB22-1283	7/1/22 to 12/30/24	$35,539,926
Contracted Competency Beds/Jail Based Restoration	SB21-288	9/20/21 to 1/31/23	$26,950,000
		Total	**$138,286,199**

*Legislation authorizes one additional fiscal year for funds that have not been expended in State Fiscal Year 2022-23.

Major Expenses Anticipated

The Colorado Mental Health Institute, Pueblo (CMHIP) campus requires significant suicide mitigation improvements identified by the Colorado Department of Public Health and Environment (CDPHE), as directed by Centers for Medicare and Medicaid Services (CMS), as it must meet certain requirements by multiple agencies in order to maintain licensure, accreditation, and in order to receive reimbursement for services. This includes:

- CMS Conditions of Participation: These are requirements the State must comply with in order to receive reimbursement from Medicare and Medicaid. CPDHE is the designated agency for ensuring compliance with these requirements.
- Joint Commission: Surveys on behalf of CMS and provides accreditation, which certifies the hospital as eligible to receive reimbursement from Medicare and Medicaid.
- CDPHE: Surveys and licenses CMHIP on behalf of CMS. Failure to comply with the Colorado Code of Regulations for Healthcare Facilities results in loss of

reimbursement, revocation of licensure, and potential closure of the facility.

The Mental Health Institutes are also experiencing staffing challenges associated with market rate salary shortfalls and industry staffing shortages resulting in additional contract position costs and significant overtime expenditures.

Scenario Evaluation: Department-specific Contingency

Mental Health Institutes

The high and increasing demand for inpatient beds will continue to challenge the Department due difficulty recruiting qualified staff, especially nurses. In FY 2021-22 CMHIP has a total of 387 beds operational out of a capacity of 516 when fully staffed. Ft. Logan has 94 civil beds and is in the process of opening 44 forensic beds, which has been delayed in part due to construction delays and in part due to difficulty recruiting nurses.

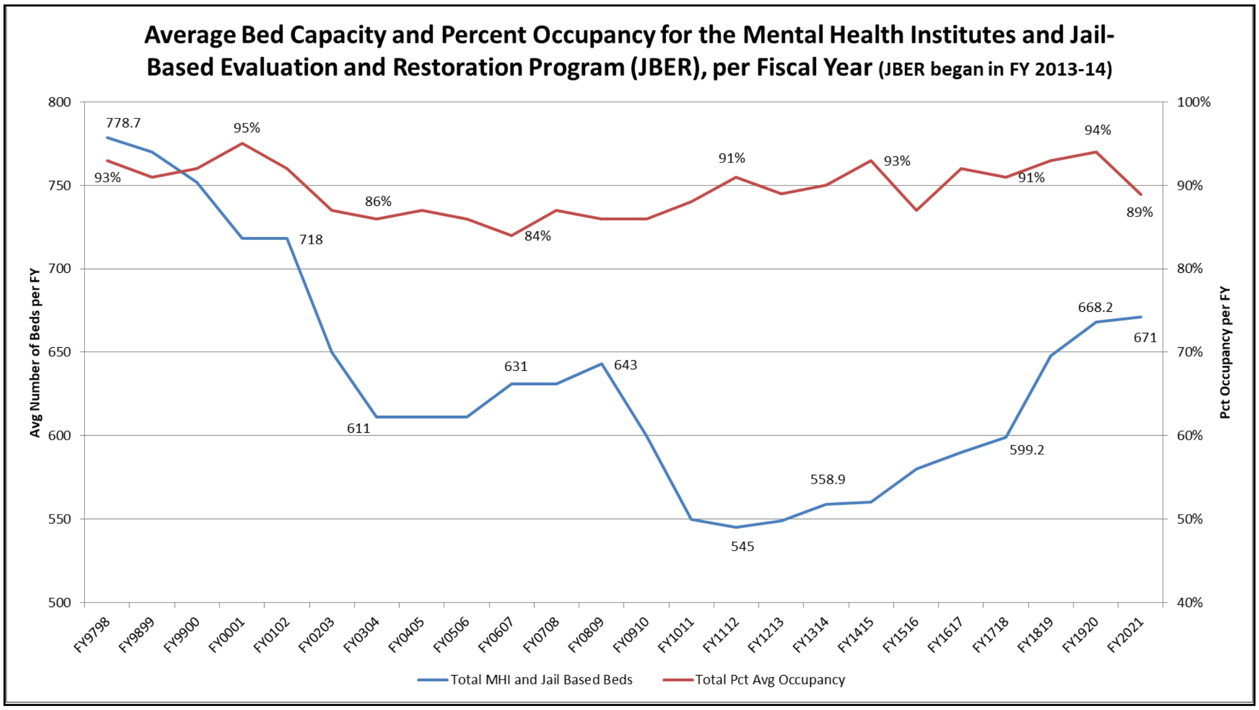
Difficulty recruiting qualified staff has resulted in dramatically increased costs for less qualified, but more expensive, contract staff. OBH spent approximately $21.3 million on contract staff in the last fiscal year.

The need for inpatient beds is partially offset through the addition of beds contracted through the Department's Jail-Based Evaluation and Restoration programs, although this is not a preferred solution. Currently the Department has a total of 700 beds between the Institutes, jail-based restoration, and private hospital contracts:

- Sixty (60) beds at the Arapahoe County Jail (RISE Program),
- Eighteen (18) beds at the Boulder County Jail (RISE Program),
- Twelve (12) beds at Denver Jail,
- Forty (40) beds at Peak View Behavioral Health,
- Twenty (22) beds at Denver Health,
- Five (5) at West Springs Hospital, and
- Eighteen (18) at Johnstown Behavioral Health Hospital.

Figure 3 illustrates the average bed capacity and percent occupancy for the Mental Health Institutes and jail-based evaluation and restoration programs since FY 2013-14.

Figure 3: Average Bed Capacity and Percent Occupancy from the Mental Health Institutes and Jail-Based Evaluation and Restoration Program (JBRP), per Fiscal Year.



Office of Children, Youth and Families

Department Major Budget Drivers

Division of Child Welfare

The Division of Child Welfare (DCW) allocates three primary funding streams to counties with the Child Welfare Block, Core Services, and County Staffing funds via S.B. 15-242. Appropriations from each of these line items in the Long Bill are used in their respective allocation models to allocate funds to the counties. The following data elements are used to allocate funds to counties, which directly affects county budgets:

- County Category: County categories are distinguished in two ways. One category captures the eleven counties which represent 80% of child welfare services provided (referred to as the Big 11 or B11) and the other contains the remaining counties and is referred to as the Balance of State (BOS). The weight of this category affects how much a county will be allocated in the models. There is no change expected in the next few years. The following counties are considered the B11 counties; all others are BOS counties: El Paso, Arapahoe, Denver, Adams, Jefferson, Larimer, Weld, Boulder, Douglas, Mesa and Pueblo.
- Child Population: Counties' child populations come from the State Demographer's Office and affect the amount of their allocation with the use of a weighting factor. Actual data for Calendar Years 2018-2022 are shown in Table 9. The State Demographer's projections for Calendar Years 2023-2027 are shown in Table 10.
- Poverty: Both child and family census poverty statistics are used in the allocation models. The weight of this variable affects the distribution of a county's allocation. Any changes in poverty rates are incorporated into the allocation models.
- Workload measures: Referrals, Assessments, Involvements, number of Out-of-Home Placements (OOH), Program Services Costs, Foster Care Days Paid, and Congregate Care Days Paid are all workload measures used to allocate funds to the counties. Each item has a weight within the allocation model. Actual workload metrics for State Fiscal Years 2018-2022 are shown in Table 9 and an estimate of each of these out to 2027 is provided in Table 10 With the implementation of the Family First Prevention Services Act (Family First), there are considerations for these estimates. Because Family First will focus heavily on prevention work to prevent any OOH placements, and because certain OOH placements will not be eligible for federal reimbursement, the Division expects to see an increase in prevention services work/cost and a decrease in the utilization of the OOH placements not eligible for federal reimbursement, as well as overall OOH placements to come down as prevention services are more heavily offered and will potentially offset the need for OOH services. As a result, there may be higher numbers of work activity and expenses related to in-home involvements and lower numbers of OOH work activity and expenses related to OOH involvements. During 2021, some workload measures modestly decreased largely due to the COVID pandemic as children and youth were not in school and mandatory reporters were not able to observe and report concerns or signs of child neglect and abuse. Abuse and neglect referrals to the statewide child welfare hotline are expected to rebound as awareness efforts have increased calls measurably.

Table 9 illustrates child population, referrals, assessments, involvements, out-of-home placements, and program services costs for foster care and congregate care for the Child Welfare program from 2018 to 2022.

Table 9: Child Welfare Budget Drivers and Programmatic Costs - Actual 2018-2022					
Year	**2018**	**2019**	**2020**	**2021**	**2022**
Child Population (State Demographer's Office)	1,339,556	1,333,488	1,326,136	1,318,836	1,314,616
Referrals	109,805	113,021	107,669	102,427	113,607
Assessments	38,487	38,474	36,190,	35,591	34,040
Involvement Days	4,153,156	4,066,342	3,971,042	3,688,661	3,361,522
Number of Out-Of-Home Placements	10,162	9,125	8,113	7,572	6,821
Program Services Costs	$249,605,092	$253,230,557	$259,107,840	$262,822,922	$277,863,571
Foster Care Days Paid	925,509	963,390	989,891	930,834	932,238
Congregate Care Days Paid	292,807	246,620	180,115	138,237	81,487

Table 10 illustrates the trend for child population, referrals, assessments, involvements, out-of-home placements, and program services costs for foster care and congregate care for the Child Welfare program through 2027.

Table 10: Child Welfare Budget Drivers and Programmatic Costs - Projected 2023-2027					
Year	**2023**	**2024**	**2025**	**2026**	**2027**
Child Population (State Demographer's Office)	1,312,250	1,310,722	1,310,247	1,311,699	1,315,023
FY Referrals	108,124	107,999	107,960	108,080	108,355
FY Assessments	36,203	36,161	36,148	36,188	36,280
FY Involvements	3,792,257	3,853,966	3,791,471	3,745,491	3,753,495
Number of FY Out-Of-Home Placements	8,128	7,984	8,024	8,029	8,102

DCW can use existing caseload data for referrals and assessments to make projections that extend into future years. DCW cautions that these projections be reviewed and revised as necessary on an annual basis as it is difficult to estimate exactly how many children, youth and families may enter the child welfare system. As previously noted, DCW currently uses a variety of factors in developing allocations to counties on a fiscal year basis, using population, poverty, and workload data by county.

Division of Youth Services

Population projections for the Division of Youth Service (DYS) are done for committed, detained, and paroled youth by the Division of Criminal Justice (DCJ) as well as Legislative Council Staff (LCS). Traditionally, these forecasts are finalized in December or January of each year. The latest DCJ forecast is linked here: https://cdpsdocs.state.co.us/ors/data/PPP/2022-PPP.pdf

Relevant excerpts from the most recent DCJ report published in February 2022 are included below. Please refer to Table 11, which forecasted the year end average daily commitment population (ADP) for FY 2021-22 at 285.4 in the previous report (published in February 2021). The Division ended this fiscal year with an ADP of 283.0, just 2.4 ADP less than the DCJ projection. Per the Division of Criminal Justice in February 2022:

> *The current forecast indicates a decline of 14.6% in the annual number of new commitments across FY 2022, leading to a 16.4% decline in the average daily population (ADP) of committed juveniles. Smaller declines are expected in subsequent years. The commitment ADP is forecast to fall by 34.5% by the end of FY 2026, from 341.8 as of the end of FY 2021 to 223.7. The juvenile parole average daily caseload (ADC) is expected to fall 29.9% by the end of FY 2022, followed by smaller declines over the next four years. Overall, the caseload is expected to reach 89.6 by the end of FY 2026, a 45.2% decline from the end of FY 2021. The detention forecast indicates a 17.3% increase in the ADP by the end of FY 2022, followed by gradual growth through FY 2024. The ADP is then expected to stabilize, with very small declines in the following two years. Overall, the detention ADP is expected to reach 190.1 by the end of FY 2027, a 30.1% increase from the ADP observed at the end of FY 2021.*

Similarly, DYS served 110.5 ADP paroled youth for FY 2021-22, a difference of 4.1 ADP less than the DCJ projection (114.6) for FY 2022

At this point, neither agency (Legislative Council or the Division of Criminal Justice) creates a forecast that extends to FY 2024-25 for the youth services population; however, based on the final population in June 2022 (532.1), the Division anticipates that the existing forecasts are trending upward, however, will likely remain flat until FY 2025-26.

Table 11: DCJ December 2022 Juvenile Commitment Fiscal Year-End Average Daily Population and New Admissions Forecast, FY 2016 through FY 2026

Fiscal Year End	YTD ADP Forecast <1>	Annual Growth	Annual DYS Admissions	Annual Growth
2016*	692.6	-6.4%	381	-7.1%
2017*	651.1	-6.0%	381	0.0%
2018*	646.8	-.07%	396	3.9%

2019*	577.6	-10.7%	291	-26.5%
2020*	454.8	-21.3%	259	-11.0%
2021*	341.2	-25%	185	-28.6%
2022	285.4	-16.4%	158	-14.6%
2023	251.1	-12.0%	144	-8.9%
2024	238.6	-.05%	139	-3.5%
2025	228.9	-4.0%	135	-2.9%
2026	223.7	-2.3%	130	-3.7%

1 Year to date average daily population.

*Actual average daily population. Data source: Colorado Department of Human Services Division of Youth Services Monthly Population Report. Available at https://www.colorado.gov/pacific/cdhs/publications-reports

While the juvenile detention ADP declined in both fiscal years 2016 and 2017, the population increased slightly (2.2%) in FY 2017-18. However, the ADP declined again (by 3.4%) in FY 2018-19. By the end of FY 2019-20, the ADP fell an additional 12.0%. However, this was mainly driven by the very significant declines occurring on the heels of the COVID-19 pandemic and subsequent system responses. Data from the first nine months of the year indicated a small decline of approximately 3.2%. However, the monthly ADP fell by 34.8% in the final quarter of the year alone. Executive Orders initially issued by the Governor in April 2020 authorized DYS to temporarily reduce the detention cap to 200, then further to 188 in October. Temporarily reducing the statewide detention cap from the 327 set in 2019 to 200, then to 188, along with temporarily halting virtual bed borrowing practices were the main contributors to the significant decline in the detention population during the last quarter of FY 2019-20. The ADP continued to decline through September 2020, but showed signs of stabilization through FY 2020-21, returning to growth in early FY 2021-22. The more recent report from February 2022 indicated that strong growth was expected through FY 2021-22 and expected to moderate by mid-FY 2022-23, with the detention ADP remaining very stable through the end of FY 2025-26. Overall, the ADP is expected to increase by 30.1% between the ends of fiscal years 2020-21 and 2025-26, from 146.2 to 190.1 as seen in Table 26. The fiscal breakout for the figures in Table 12 can be found in Table 13.

Table 12: DCJ December 2020 Juvenile Detention Fiscal year-end average daily population, FY 2015-16 through FY 2025-26		
Fiscal Year End	**YTD ADP Forecast**	**Annual Growth**
2016*	275.0	-2.4%
2017*	257.1	-6.5%
2018*	262.8	2.2%
2019*	253.9	-3.4%
2020*	223.5	-12.0%
2021*	146.2	-34.6%
2022	171.5	17.3%
2023	186.6	8.8%
2024	193.4	3.7%
2025	191.1	-1.2%
2026	190.1	-0.5%

Table 13: Estimated Expense for Purchase of Contract Placements based on DCJ Forecast		
Fiscal Year	**General Fund**	**ADP Forecast***
2021-22	$7,221,164	279.42
2022-23	$7,807,292	302.1
2023-24	$7,484,250	289.6
2024-25	$7,233,569	279.9
*Assumptions: FY 2021-22 appropriation was set using the Division of Youth Services forecast. Out years use the Division of Criminal Justice forecast. The Division anticipates an increase in provider rates during FY 2021-22, while federal funding for IV-E is projected to decline and is not adjusted for leap years.		

Division of Child Welfare

Budget drivers for DCW are external as well. Colorado's child welfare system is state-supervised and county-administered. This means that DCW allocates the funding using population, poverty, and workload data by county to provide child welfare services to their county populations. Colorado has seen increased child welfare costs with its growing population and an increase in personnel costs due to increased salaries and numbers of positions. Additionally, initial analysis shows that the Family First Prevention Services Act (Family First), which the Department is in the process of implementing, will accelerate ongoing shifts in child welfare practice, including reducing placements in congregate care and increasing availability of prevention services. As discussed earlier, this shift in practice has the potential to shift the cost of relying on State funds to being able to draw down increased federal funds when the practice shift is fully implemented.

Division of Youth Services

Budget drivers for DYS are often external and can be the product of federal or State legislation. Federal programs, such as the Family First Prevention Services Act (Family First) are expected to increase the cost of residential programs where DYS youth identified as lower risk are often placed for commitment and parole. During the 2021 legislative session, Senate Bill 21-071 reduced the maximum capacity for detention youth in DYS facilities (those that are awaiting adjudication) which has had the effect of reducing the detention population to the highest risk youth who have been determined to be at substantial risk of serious harm to others or a substantial risk of flight from prosecution and where community-based alternatives to detention are insufficient. Additionally, recent national evidence-based trends supporting treatment based and trauma informed programming (as opposed to more traditional “corrections” based programming) continue. These standards typically cost more, however, research shows they yield better outcomes in terms of recidivism and diverting youth from the adult justice system, and better prepare youth for transition back into communities and job readiness.

Scenario Evaluation: Department-specific Contingency

Division of Child Welfare

The Division monitors any significant changes in caseload drivers and evaluates the status of current funding streams to accommodate any need. Based on the Division’s assessment and recommendation, solutions would be developed internally or additional funding would be requested.

Division of Youth Services

The Division receives population projections from the Division of Criminal Justice and Legislative Council Staff twice annually. Fiscal projections are updated based on the new population numbers and reviewed to determine if funding is sufficient to cover projected costs. Based on this review, solutions would be developed internally or additional funding would be requested.

Emerging Trends

Division of Child Welfare

As mentioned earlier, current trends will change in federal funding reimbursements as Family First is implemented. Less federal funding will be accessible for out-of-home (OOH) placements as Family First will frontload federal funding for prevention and intervention services. As Family First is implemented, DCW could expect to see OOH placements decline as a result of increased prevention and intervention services offered at the front end. Casework volume may also shift from OOH placements to prevention, and depending on the intensity of prevention work, additional FTE may still be needed if the OOH casework shift does not satisfy the prevention casework need.

Division of Youth Services

Current trends are establishing and expanding a continuation of treatment-based programming and smaller "homelike" environments in youth services facilities as best practices. Trends also favor locating facilities closer to the youth's home community in order to encourage family visitation and a "two-generation approach" that supports the Department's key strategic initiative to act with a "whole-person, whole-family, whole-community approach". In addition, DYS is trending toward single purpose youth centers as opposed to multi-purpose centers that serve both detained and committed youth in the same building.

Major Expenses Anticipated

Division of Child Welfare

S.B. 18-254 increased the reimbursement rate for adoptions and relative guardianship assistance from 80% to 90% in an effort to encourage counties to increase their efforts to utilize these preferred forms of permanency for children and youth. The legislation removed estimated funding for these services from the Child Welfare Services Block and allows the Department to request supplemental funding if counties increase costs for these services. For FY 2020-21 the Department will continue its focus to increase adoption rates and relative guardianship assistance subsidies.

Finally, as the Department continues to implement Family First, costs may be different than initial estimates. The Division, working in consultation with county fiscal partners and national experts, continually makes adjustments to the fiscal analysis as new information and guidance is received. DCW will be monitoring shifts in federal reimbursement after the Department opts into the new federal reimbursement structure and will be making recommendations for changing appropriations if necessary.

Division of Youth Services

The COVID-19 pandemic created strenuous staffing situations at DYS facilities with critical direct care personnel. Mandatory quarantines and COVID cases among staff caused critical personnel shortages and a large overtime burden for staff able to work. During FY 2021-22 this staffing shortage trend continued and DYS continued to experience significant overtime burdens for existing direct care staff in all classifications. During FY 2020-21 and continuing through FY 2021-22 the Department instituted incentive pay for personnel working in 24/7 facilities. Due to uncertainty around returning to pre-COVID staffing levels, and the continuation of staffing challenges reflective of similar national trends COVID-19 and emerging variants, DYS is poised to continue to incur such expenses.

During the 2021 legislative session, S.B. 21-071 reduced the maximum capacity for detained youth in DYS facilities. This change, while reducing the number of youth in DYS' detention population, has had the consequence of diverting only the highest need youth, which typically require increased supervision, behavioral, and psychiatric health and substance use interventions, and medical care. The implementation of S.B. 21-071 coupled with the "smaller is better" philosophy in staffing and housing ratios, DYS is anticipating a higher than anticipated need in direct care staff and program services.

Scenario Evaluation: Economic Downturn

Division of Child Welfare

DCW could experience an increase in the need for child welfare services if the economy continues to decline as a result of COVID-19 since poverty is correlated to a family or child's referral to or involvement in the child welfare system. DCW cash funds could continue to be affected by an economic downturn as the General Assembly looks for budget balancing alternatives.

Division of Youth Services

DYS may experience a softening of the trend toward declining committed populations if the economy continues to decline as a result of COVID-19. The impact of a stressed economy can lead to higher crime rates, detention use, adjudications, and eventually commitment.

Office of Economic Security

Major Budget Drivers

Employment and Benefits Division

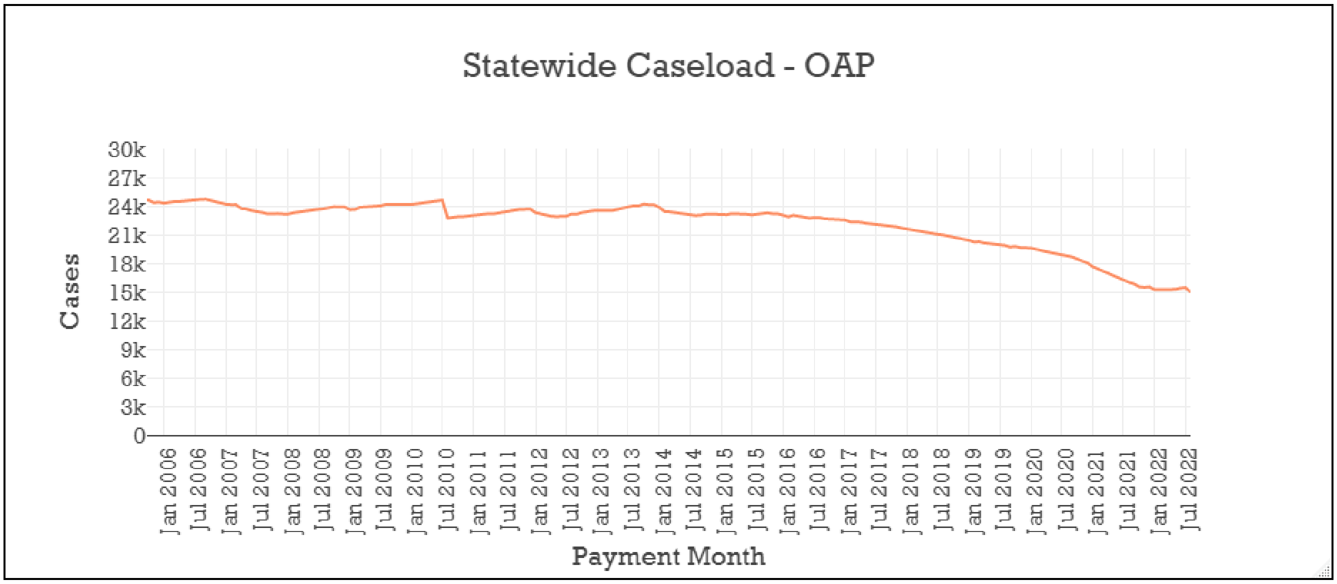
Old Age Pension Program

The OAP program is constitutionally mandated with continuously appropriated funding. This means that sufficient revenue to run the program will be available, regardless of demand for services and resources. In other words, OAP program funds are taken off the top, before any other State appropriations are made. As such, OAP is a significant budget driver because changes to the OAP caseload can affect the entire State budget. OAP caseloads/benefits are driven by external factors, including the economy, inflation (manifested as a cost of living adjustment), and population changes. In March 2020, significant policy changes to the OAP program became effective, including several changes to reduce the administrative burden. These changes have not affected the caseload.

Over the span of the last fifteen years (FY 2006-07 through FY 2021-22), the OAP caseload has decreased approximately 32%. However, there was a slight increase (6.27%) during the Great Recession and its immediate aftermath as the OAP caseload climbed from 22,898 in January 2008 to 24,518 in July 2010. In August 2010, the caseload dropped 7.57% following implementation of a statute change that closed a loophole that had allowed certain immigrants to be immediately eligible for OAP upon joining relatives in Colorado, instead requiring a five-year waiting period. After that immediate drop, the caseload grew slowly (likely indicating the latent effects of the Great Recession on this population), approaching its previous 2010 high in October 2013 (24,097).

Since October 2013, the OAP caseload has declined 36.2% to 15,429 in June 2022. This consistent decline is despite an increase in the number of individuals who are potentially eligible based on age (which is projected to increase eight percent every two years per the State Demographer's data). The Department does not know the exact reason for the declining caseload, yet it is likely partially correlated with the availability of other income that compares favorably to the relatively low fixed income ($879/month in 2022) provided by OAP. Program eligibility considers an applicant's resources, making individuals with retirement accounts or other savings ineligible. Additionally, office closures and a shift to electronic applications may have affected OAP caseload. However, the exact effects are currently unknown. If employment opportunities become less favorable and/or if individuals spent their resources during the pandemic, OAP cases may begin to increase.

Figure 6: OAP Caseload, FY 2006-07 through FY 2021-22

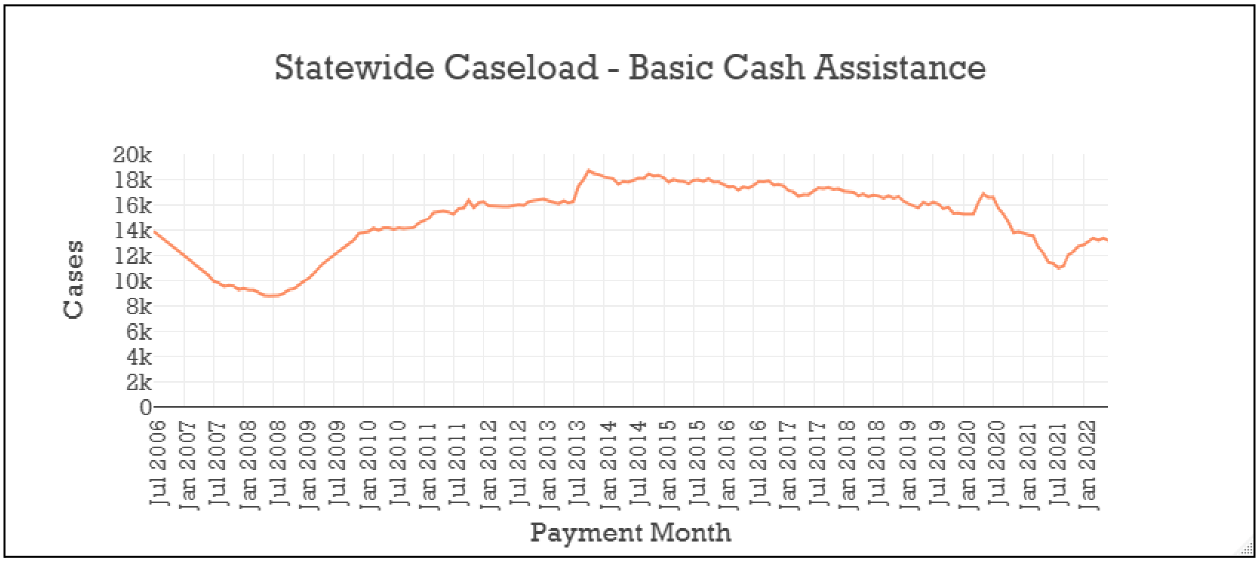


Temporary Assistance for Needy Families

Historically, the TANF caseload loosely tracks unemployment, with the caseload increasing and decreasing accordingly. Traditionally, the TANF caseload is low during periods of robust employment and grows during economic recessions. However, the COVID-19 economic recession is an anomaly. Other than an increase during the first few months of the pandemic, Colorado's TANF caseload has declined fairly rapidly since June 2020.

During the span of the last fifteen years (FY 2006-07 through FY 2020-21) the TANF Basic Cash Assistance (BCA) caseload has been somewhat volatile, as depicted in Figure 7. Between July 2006 and July 2008, the caseload decreased by 36.9%, capturing the first ten months of the Great Recession. The TANF caseload began increasing in the middle of 2008, climbing from 8,926 in September 2008 to a high of 18,659 in October 2013. The TANF caseload began to plateau early in 2012, hovering around 16,000 for eighteen months before spiking in August 2013 following implementation of a significant policy change which changed the period of eligibility. Following an all-time high of 18,659 in October 2013, the TANF caseload has generally trended down, reaching 15,233 in March 2020 just as the pandemic was hitting. However, as Figure 7 shows, cases spiked for several months in response to the pandemic, reaching a high of 16,849 in May 2020 before dropping consistently through June 2021. Between the pandemic high-point in May 2020, the caseload fell 32.2% to 11,424 at the end of FY 2020-21. Caseload began increasing in FY 2021-22. At the end of FY 2021-22, caseload grew to 13,119, up 12.9% over the prior year. The block grant funding amount has remained consistent during the period of this analysis.

Figure 7: Basic Cash Assistance Caseload, FY 2006-07 through FY 2021-22



Scenario Evaluation: Department-specific Contingency

Employment and Benefits Division

Old Age Pension Program

The annual Social Security Administration's (SSA) cost of living adjustment (COLA), typically applied to OAP benefits, is the primary driver of the Department's long-range forecast for OAP. During the last twenty years, the highest COLA set by the Social Security Administration was 5.8% (2008), immediately followed by two years of 0.0% COLAs. During the last two decades, which have included both recessions and robust recovery periods, the average COLA is approximately 2.2%. However, the prospect of inflation has caused the SSA to consider a significant COLA increase, with projections hovering around six percent. If implemented, this would be the highest COLA in forty years.

Senate Bill 21-199 removed the requirement for lawful presence to be established for State programs. Based on this change, a newly eligible group of Coloradans will be eligible for the Old Age Pension. While there is uncertainty surrounding the number of undocumented citizens that may be eligible for this program, rough projections indicate that policy change could increase the caseload by 3,000 individuals, with a cost of roughly $31,000,000 annually.

Temporary Assistance for Needy Families

The federal government has not provided much insight into its thinking about TANF funding. As part of the federal American Rescue Plan Act, states/territories/tribes received a total of $1 billion in pandemic Emergency Assistance Funds for TANF participants. Colorado's $13.5 million share was spent directly on benefits to TANF recipients. This was one-time funding and there are no indications of additional resources for the program. The $608 million federal Contingency Fund remains available for states demonstrating need. Colorado has historically qualified for these funds, and budgets $12 million in annual revenue, based on historical trends.

Colorado Refugee Services Program

The President and the federal government retain oversight on immigration policies, including those that affect refugees and other eligible populations, such as asylees, resettling in Colorado. Major immigration policy changes would affect the overall functioning of the program. However, because the Department's charge is to ensure services for eligible individuals already living in Colorado, the actual effect of federal policy changes would be incremental. Furthermore, because the authority for much of refugee policy rests solely with the President, changes in federal direction can be swiftly applied under any new Administration.

Emerging Trends

Employment and Benefits Division

Old Age Pension

Depending on the availability of employment opportunities for adults sixty years and older, the OAP caseload may continue to decrease if employment is readily available. If employment is not available, more eligible adults may turn to the program for benefits. Additionally, individuals who exhausted savings or other assets during the pandemic may now be eligible for OAP.

Temporary Assistance for Needy Families
A quicker than expected rebound in the labor market and a significant influx in federal funds likely affected the TANF caseload. After an initial increase in the Spring of 2020 (at the outset of the Pandemic), the caseload decreased through June 2021. Then, during FY 2021-22, the TANF caseload increased by 12.9%. As extended unemployment benefits and other supports enacted during the Pandemic end, more households may qualify for and seek benefits through the TANF program.

House Bill 22-1259 is expected to have significant impacts to the TANF Long-term Reserve. Those impacts will primarily be due to the annual cost of living adjustments (COLA) that will be required for the cash benefits, beginning in FY 2024-25. Over time, the COLA is projected to shift in TANF spending toward cash benefits. The bill requires the benefits increase to be covered by a ratio of one-third federal (State and county) TANF funds and two-thirds General Fund. Once State and county reserves reach their respective floors, General Fund will be required to cover the full amount. As spending increases via application of the COLA, the General Fund impact will increase In future years.

Colorado Refugee Services Program
In the two preceding federal fiscal years (FFY 2020 and FFY 2021), arrivals were low (partially due to the Public Health Emergency), thus already resettled refugees made up a large portion of the clients seeking services from the Department's refugee services contractors, particularly employment services. However, in FFY 2022, the emerging humanitarian crises in Afghanistan and Ukraine drastically increased the number of refugees arriving in Colorado. In FFY 2021, a total of 765 new clients enrolled in services; to date in FFY 2022, 3,931 new clients have already enrolled in services in Colorado. Families from Afghanistan and Ukraine will continue to arrive in Colorado in FFY 2023 and beyond, yet are expected to arrive at a more moderate rate.

Major Expenses Anticipated

Employment and Benefits Division

Temporary Assistance for Needy Families
The TANF program is unique in that there are unspent funds in both State and county reserves. In an economic downturn, these funds can be used to meet a variety of program needs. For example, in FY 2020-21, the General Assembly passed legislation that provided an additional, one-time $500 payment to TANF cases, to help recipients navigate the impact of the recession. If emerging impacts of the Pandemic will require support for TANF clients, both counties and the State have reserves to help program recipients.

As part of the federal American Rescue Plan, the federal government provided $13.5 million in Pandemic Emergency Assistance Funds to support TANF recipients in Colorado. This funding was appropriated in the 2021-22 Long Bill for the Department to make a one-time payment to participants, resulting in a $1,182 payment to TANF cases in August 2021.

The CW-STEP program was also funded in FY 2021-22. $2.0 million was authorized for a three-year time-period to support subsidized employment and training for TANF recipients.

This funding will draw from the State's Long-term Reserve; despite the expenditure impact, the State projects adequate reserves.

House Bill 22-1259 passed during the 2022 session. It requires an initial 10% increase to households' cash assistance grant; annual cost of living adjustments will be applied beginning in July 2023. This bill also makes policy changes to reduce sanction amounts, evaluate the needs standard, and increase the income disregards. Combined, these changes will have a significant impact on the TANF Long-term reserve.

Employment and Benefits Division

Old Age Pension Program

Table 14 presents an updated Old Age Pension (OAP) program expenditure forecast. The out-year projections reflect recent spending trends.

The Department presents a quarterly OAP projection to the Governor's Office and Legislative Council to include in their respective economic forecasts. Historically, those projections were based on the State Demographer's projections for population changes (i.e. 8% increase biannually) among Coloradans over age 65. However, the increasing population who are potentially eligible for OAP, based on their age, has not translated into an increased caseload. This may be, in part, because OAP eligibility hinges on income and assets in addition to age. After studying client demographics, the Department revised the OAP projection formula beginning in FY 2019-20. Now, the formula assumes a 1.3% annual caseload decrease in its projections which is likely to more accurately project future expenditures. Along with the change in methodology, the Department agreed to review caseload assumptions annually to ensure fidelity to the model. This trend has played out during the COVID-19 pandemic, so the current methodology will remain in place. Table 14 presents the Department's projections for total OAP expenditures through FY 2025-26.

Table 14: OAP Financial Forecast, FYs 2021-22 through 2025-26

FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
$55,181,249	$55,238,152	$55,317,690	$55,389,004	$56,345,273

Table 15: OAP Cash Funds Actual/Projections (FY 2015-16 - FY 2025-26)

	DHS Components	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Actuals	FY 2020-21 Actuals	FY 2021-22 Actuals	FY 2022-23 Projection	FY 2023-24 Projection	FY 2024-25 Projection	FY 2025-26 Projection	
A.	Cash Assistance Programs[1]	$81,865,323	$75,554,525	$71,409,373	$68,517,367	$62,030,111	$59,945,829	$52,485,658	$52,492,733	$52,516,104	$52,529,826	COGNOS
B.	Burial Reimbursements[2]	$1,434,363	$1,358,099	$1,265,086	$1,586,022	$1,549,419	$1,474,166	$918,364	$918,364	$918,364	$918,364	Projection
C.	State Administration	$366,702	$393,619	$528,368	$482,816	$413,513	$379,671	$454,399	$454,399	$454,399	$454,399	Long Bill
D.	County Administration	$3,176,795	$3,744,568	$4,193,525	$4,255,125	$5,178,392	$5,338,634	$2,566,974	$2,566,974	$2,566,974	$2,566,974	Long Bill
E.	Adult Assistance Programs Indirect Expenses	n/a	$132,297	$143,297	$176,139	$131,165	$143,602	$150,302	$141,690	$145,198	$145,730	Forecast b
F.	OIT-CBMS Personal Expenses	$79,237	$85,580	$62,398	$60,057	$47,229	$36,148	$70,162	$70,162	$70,162	$70,162	Forecast b
G.	OIT-CBMS Centrally Appropriated Expenses	$10,763	$18,671	$8,432	$8,765	$8,438	$8,134	$8,134	$8,134	$8,134	$8,134	Forecast b
H.	OIT-CBMS Operating Expenses	$813,167	$1,062,824	$466,411	$758,739	$517,081	$416,167	$638,007	$638,007	$638,007	$638,007	Forecast b
.	OIT-CBMS Staff Development Center	$34,605	$48,400	$51,523	$38,421	$26,934	$25,078	$40,762	$40,762	$40,762	$40,762	Forecast b
.	Electronic Benefits Transfer Services	$90,261	$62,336	$78,019	$45,523	$51,337	$31,035	$42,632	$41,668	$38,445	$40,915	Forecast b
K.	Systematic Alien Verification for Eligibility	$806	$678	$747	$672	$807	$854	$778	$813	$815	$802	Forecast b
L.	**CDHS Total**	**$87,872,022**	**$82,461,597**	**$78,207,179**	**$75,929,646**	**$69,954,425**	**$67,799,319**	**$57,376,172**	**$57,373,705**	**$57,397,364**	**$57,414,074**	

Notes:

Last updated 9/6/2022

1 - Cash Assistance expenditure projection assumes:
- Caseload decrease of 1.3% every year based on recent caseload actuals of poor aged 60 years or older. This results in decreased caseload offset by COLA increases in subsequent years.
- Current benefit plus a 2.8% COLA on January 1, 2019, 1.6% COLA for January 1, 2020, a COLA of 1.3% for January 1, 2021, and a 5.9% COLA for January 1, 2022. Subsequent COLA adjustments for 2023, 2024 and 2025 are assumed at 1.5%. COLAs for 2019-2022 reflects announced Social Security Administration annual adjusted benefits paid to Social Security beneficiaries based on Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The COLAs for subsequent years are estimated.

2 - Burial Reimbursements expenditures from the COGNOS Report of actuals are through Fiscal Year 2021-22. Projections are based on Long Bill appropriation. The Burial Reimbursements appropriation for FY 2022-23 is $918,364.

Temporary Assistance for Needy Families

Over the last decade, TANF caseloads have experienced both periods of volatility and relative stability. Cases spiked in 2013 following policy changes related to eligibility determination. Following that spike, cases then slowly declined from late 2013 through early 2020. Then, at the outset of the Pandemic, statewide caseload spiked more than 10%, jumping from 15,233 in January 2020 to 16,849 in May 2020. Following that initial spike, cases began declining in June and July, but totals remained above the pre-Pandemic levels. Beginning in August 2020, the caseload dropped consistently, reaching 11,424 in June 2021. This trend was reversed in FY 2021-22. Caseload steadily increased throughout FY 2021-22, posting a 12.9% increase (13,119 cases) in June 2022.

TANF income eligibility is very low (approximately 23% FPL, or a little more than $5,000/year for a family of three) and requires active participation in work activities in exchange for benefits whereby economic and/or population changes have a limited effect on the caseload. Moreover, most of the TANF block grant (more than 94%) is allocated to counties (County Block Grant) to provide benefits to TANF cases and serve other TANF-eligible community needs. If there are significant variations in demand for TANF assistance across Colorado, the allocation formula may change, yet the County Block Grant is unlikely to vary significantly. (The remaining 6% of TANF funds are primarily used to support the automated system, administer the program, and report to the federal government.) Therefore, changes to the TANF caseload are not expected to affect the Department's budget.

The Department's primary forecasts for the TANF program are fiscal forecasts, assessing program solvency by gauging existing and pending requests for TANF appropriations against the available funding. These forecasts are compiled into the annual request for information (RFI) submitted to the Joint Budget Committee (as a preliminary report in November and final in January). As presented in the RFI, TANF appropriations consistently exceed the net new dollars from the federal TANF block grant and estimated Contingency Fund. Yet, the TANF Long-term Reserve (LTR) fills the gap. Given the current reserve balance and expenditure projections, the LTR is not projected to approach insolvency in FY 2022-23 or FY 2023-24. The General Assembly partially reinstated the Colorado Works Subsidized Training and Employment Program (CW-STEP) in FY 2021-22 through FY 2023-24 with a $2.0 million annual appropriation. This appropriation will draw from the LTR, but is not anticipated to threaten its solvency. HB 22-1259 increases benefits by 10% and applies an annual cost of living adjustment to those benefits. This change is projected to drive the LTR down to its floor over the longer term. Any continued utilization of the LTR funds will need to be strategic in purpose.

County TANF reserves remained relatively flat at $61.0 million in FY 2021-22. In both FY 2020-21 and FY 2021-22, unspent county block grant funds exceeded the county reserve cap, causing some funds to revert from county reserves to the LTR. In FY 2020-21, $1.7 million was reverted; in FY 2021-22, $4.4 million was reverted. Funds will continue to revert from county reserves to the LTR in future years until county spending increases. HB 22-1259's funding mechanism includes county contributions to the benefits increase and cost of living adjustments. This is expected to increase TANF spending over the next few years.

To forecast the TANF caseload through FY 2025-26, the Department used a model that references Colorado's unemployment rate, based on the State Demographer's forecast.

Assuming the federal government does not make any significant changes to the TANF program, the Department anticipates that the county block grant allocation will remain stable over the next five years, as presented in Table 16.

Table 16: TANF Financial Forecast, FY 2021-22 through FY 2026-27

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Caseload	25,272	25,019	24,211	23,485	22,780
County Block Grant	$128,198,357	$128,198,357	$128,198,357	$128,198,357	$128,198,357
County MOE	$22,349,790	$22,349,790	$22,349,790	$22,349,790	$22,349,790

Colorado Refugee Services Program

The State's refugee arrival numbers depend on the nationwide number of refugee arrivals set annually by the President, in consultation with Congress (and is subject to wide variation). In federal FY 2021-22, the Presidential Determination was set at 125,000 refugees. Using this number, and in consultation with local resettlement agencies, the Department projects the number of refugees that will be served in Colorado. The projected annual caseload includes all new arrivals (including refugees, asylees, Special Immigrant Juveniles, and secondary migrants) as well as existing refugee populations who are within five years of resettlement.

Two major factors contributed to the significant increase in funding received by CRSP in FFY 2022: more new arrivals and changes to the Refugee Cash Assistance funding. First, in FFY 2022, Colorado has had a 413% increase in its new arrival caseload over the previous year. Much of this increase has been driven by the humanitarian crises occurring in Afghanistan and Ukraine. Congressional action in response to these crises directed ample funding to states resettling these populations in order to provide needed services and support. The budget increase is largely attributed to this. Secondly, in October 2021, the Office of Refugee Resettlement (ORR) issued policy memos that increased the Refugee Cash Assistance (RCA) ceilings from $335/month to $537/month and extended the period of eligibility for RCA from eight months to twelve months. When CRSP builds its budget requests from ORR, it projects the maximum amount of RCA needed for the projected caseload. Therefore, the increase in payments and eligibility term increased the requested federal budget.

Overall, the Department receives several distinct federal funding streams to serve its refugee caseload. All federal funding for the refugee program is discretionary and can vary year to year, based on federal funding available to states. Among these federal funding streams, approximately 29% of Colorado's funds are formula-driven, based on the caseload. Table 17 presents a five-year CRSP financial forecast.

Table 17: CRSP Financial Forecast*					
	FY 2021-22	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
Funding	$62,433,692	$36,136,034	$34,136,034	$28,135,937	$28,135,937
*decreases between fiscal years reflect the end of a grant period; there may be an opportunity to reapply under a new grant cycle					

Scenario Evaluation: Economic Downturn

Employment and Benefits Division

Old Age Pension Program

The OAP caseload is based on program eligibility related to age and income/resources of participants. The OAP caseload has continued to decline during the Pandemic, which was unexpected given trends during the Great Recession. If the State's economy declines into another recession, the OAP caseload may increase, depending on other resources available to counteract the effects of a recession.

Temporary Assistance for Needy Families

The Department receives an annual federal block grant to operate the TANF program. Colorado's TANF block grant has been static since 1996 and does not depend on changes in caseloads or the economy. However, during the Great Recession states received additional funds through the American Recovery and Reinvestment Act (ARRA), which was provided by separate legislation from the regular TANF grant. In response to the pandemic, Governor Polis directed some federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds to provide a one-time cash supplement to TANF recipients. Additionally, the federal American Rescue Plan Act provided $13.5 million for Colorado to supplement funds to TANF recipients. However, no structural changes were made to the block grant. If there are any lingering effects of the recession, counties can use their county reserve balances to provide additional support or other services to families.

Colorado Refugee Services Program

Cash assistance for refugees is time-limited to the first twelve months post arrival for refugees and other eligible populations (e.g. asylees); therefore, an economic downturn will not affect CRSP cash assistance expenditures. However, demand for other CRSP services (e.g. employment) generally increases during an economic downturn as individuals may need more assistance to secure employment or access other services (e.g. housing assistance) that support economic security.

Capital Construction Funds & Projects

This section allows the agency to provide information related to capital construction projects. The agency may use this section to provide a high-level discussion on capital construction within the Department, providing insight into current capital construction projects and status updates on such projects.

The following table illustrates capital appropriations to the Department for FY 2018-19 through FY 2022-23.

Table 18: Department Capital and IT Capital Construction History						
FY	Total Funds	Controlled Maintenance	Capital Renewal	Capital Construction	IT Projects	Sources
2017-18	$35,786,363	$2,991,663	$6,520,475	$5,420,468	$20,853,757	SB17-254, HB 18-1170, HB 18-1322, SB 19-127
2018-19	$61,832,608	$25,855,850	$16,465,657	$19,011,101	$500,000	SB19-127, HB 18-1006, HB 18-1322, SB 21-205
2019-20	$27,978,282	$3,323,991	$22,333,342	$0	$2,320,949	SB 19-172 (no impact to DHS), SB 19-207, HB 20-1259
2020-21	$4,868,903	$1,913,089	$2,955,814	$0	$0	HB 20-1408, HB 20-1360, SB 21-052 (no impact to DHS), SB 21-112 (no impact to DHS)
2021-22	$39,175,275	$12,660,160	$18,068,197	$0	$8,446,918	SB 21-205, HB 22-1184
2022-23	$69,785,812	$13,926,517	$55,859,295	$0	$0	HB 22-1329

The following table gives the predictive status and projected over/under expenditures on current Department capital projects.

Capital Projects Status Report

#	Project Name	Spending Authorization	Unobligated (Over) Under Budget	Predictive Status	Appropriation Expires	Funding Expires	Notes (Type of Issue-Time and/or Money)	Projected Over/Under-Expenditure
1	Upgrade Campus Utility Infrastructure, CMHIFL	$ 8,935,147.00	$0.00	No issues	6/30/2025	6/30/2025	Appropriation expired on 6/30/21. Construction in progress. 100% of appropriation either encumbered or spent. Phase 2 funded in May 2022 but with SLFRF funding.	$0.00
2	SB267 Repair/Replace HVAC Systems in A,C,D,E Bldgs, CMHIFL Phase 3	$ 2,129,317.00	$ 216,332.00	No issues	6/30/2022	6/30/2022	$600,000 transfer from 2015-147M19. Additional $900,000 transfer from 2015-147M19. SB267 Funding extended to 6/30/2022. OSA extended time extension due to construction delays related to COVID-19. Project completed	$ 216,332.00
3	SB267 Repair/Replace Roofs CMHIFL Phase 3	$ 2,343,153.00	$323,734.00	No issues	6/30/2022	6/30/2022	$610,000 transfer of funds in. Time extension from OSA until 6/2022 to complete added scope of work. No bidders can complete needed work by the 6/30/22 deadline which will result in large reversion of funds. Project completed and closed.	$ 323,734.00
4	SB267 - Repair/Replace Elevators, CMHIP	$ 3,703,199.00	$ 148,605.00	No issues	6/30/2022	6/30/2022	$150,000 transfer from 2016-070M19. $135,036 transfer from 2016-052M19. $115,000 transfer from 2016-070M19. SB267 funding expires 6/30/22. Project completed and closed.	$ 148,605.00
5	Fall Prevention, Fire Control, and Video Surveillance Improvements Homelake and McCandless VCLCs	$ 781,900.00	$4,001.00	No issues	6/30/2021	6/30/2022	Appropriation expired 06/30/21 and was fully encumbered. Project in construction and final billing underway. Project completed.	$4,001.00
6	F2 and F3 Cottage Renovation CMHIFL	$ 17,835,851.00	$6,681.00	No issues	6/30/2022	6/30/2023	Project was delayed due to expectation of funding being withdrawn (at the start of COVID) and has experienced significant cost increases due to material and labor cost escalations. Request has been submitted to extend appropriation expiration date but it has been denied. Have encumbered all remaining funds. (Time and Money)	$6,681.00
7	Replace Fire Alarm Control Panels CMHIP and Ridgeview Youth Services Center	$ 728,439.09	$1,692.00	No issues	6/30/2022	6/30/2023	Tranfers into the project totalling $39,473.09. Two additional Vendors installing the final panels. Project to be completed by 8/30/22.	$1,692.00
8	OES Food Warehouse	$1,499,792.00	$183,082.00	No issues	6/30/2023	6/30/2023	Project DFM is conducting for OES. Project was appropriated but placed into OES operational funds. Bids for construction were over budget but DFM was given approval to proceed and CDHS to find additional operational dollars to offset the overage. Have received approval for the additional operational funding to complete the project.	$ 183,082.00

Ongoing Debt Obligations

The Department does not currently have ongoing debt obligations beyond current capital construction projects.

Section 2: Federal Funds

This section complies with the requirements of Section 2-3-209 (2)(f), C.R.S. which states the Long Range Financial Plan may include components which describe any programs currently funded in whole or in part with federal funds or gifts, grants, or donations that the department anticipates will decrease in the future and, therefore, may require state money as a backfill.

Table 19: Department State and Federal Stimulus Funding

	Total Stimulus Funds	ARPA	HR 133	IIJA	Other Federal Stimulus*	State Stimulus
FY 2020-21 & FY 2021-22	$1,583,009,637	$886,879,179	$643,260,038	$7,729,925	$12,140,495	$33,000,000
FY 2022-23 & FY 2023-24	$494,684,409	$0	$0	$0	$494,684,409	$0
FY 2024-25	$0	$0	$0	$0	$0	$0
FY 2025-26	$0	$0	$0	$0	$0	$0

<1> "Other Federal Stimulus" includes all line items that did not fall into ARPA, HR133, IIJA, or State Stimulus.

As instructed, all dollars are bucketed into the year in which the program started, regardless of whether that program spanned over multiple years. As a result, there are no dollars allocated into the 2024-2025 or the 2025-2026 buckets since there are no programs that have yet started in those years.

Two additional notes. First, funds that were appropriated to the Department that cross multiple fiscal years are shown in the first year of the appropriation. Secondly, funds directed to the Department of Early Childhood are not reflected in the totals above.

Federal Funds Rolloff Planning

The Department has received a significant level of federal and state stimulus funding, in response to the COVID-19 pandemic. This funding was always intended to be one-time funding, and has been spent strategically as one-time investments in services to Coloradans.

The Department is currently working with the Governor's Office in order to plan stimulus fund rolloff to ensure there will be minimal impact to Coloradans' access to services provided by DHS. As part of this collaboration, the Department and the Governor's Office are working to identify alternative sources of funding for ongoing cost needs, and/or programs that will have significant impacts from the loss of federal funds.

Matching Requirements for federal Infrastructure Investment and Jobs Act

The Department's Office of Economic Security, Low Income Energy Assistance Program (LEAP) received ARPA funds for energy assistance which are now exhausted. The program used the funding to pay off utility arrearages and did not hire any additional staff or add any program components to be continued once the funds were exhausted. As a result there will be no staff or program shortages as a result of losing the ARPA fund. The newly funded Low Income Household Water Assistance Program (LIHWAP), funded strictly with ARPA and Consolidated Appropriations Act (CAA) funds is funded through September 2023 and there are adequate funds for the intended funding structure. There has been no established permanent water assistance program at this time.

There are no identified spending gaps in the program as the funding was federal block grant funding for emergency pandemic relief spending only.