

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**INTERIM SUPPLEMENTAL REQUEST
FOR FY 2009-10**

DEPARTMENT OF HUMAN SERVICES

(Office of Self-sufficiency)

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:
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	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Interim Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

DEPARTMENT OF HUMAN SERVICES
Executive Director - Karen Beye

Interim Supplemental - TANF Emergency Fund Initiative

(1) Office of Self-sufficiency

(B) Colorado Works Program

TANF-Supported Subsidized Employment

[new line item] - Federal Funds n/a n/a 11,250,000 11,250,000 11,250,000

TANF-Funded Homeless Prevention
and Rapid Rehousing Program

[new line item] - Federal Funds n/a n/a 4,750,000 4,750,000 4,750,000

(C) Special Purpose Welfare Programs

(1) Low Income Energy Assistance 70,175,729 33,795,980 8,574,001 8,574,001 42,369,981

FTE 5.1 6.6 0.0 0.0 6.6

Cash Funds 0 0 0 0 0

Reappropriated Funds 2,149,832 2,149,832 0 0 2,149,832

Federal Funds 68,025,897 31,646,148 8,574,001 8,574,001 40,220,149

(7) Refugee Assistance - Federal Funds 5,610,500 4,017,490 4,383,512 4,383,512 8,401,002

FTE 0.3 10.0 0.0 0.0 10.0

	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Interim Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Interim Supplemental	<u>75,786,229</u>	<u>37,813,470</u>	<u>28,957,513</u>	<u>28,957,513</u>	<u>66,770,983</u>
General Fund	0	0	0	0	0
Cash Funds	0	0	0	0	0
Reappropriated Funds	2,149,832	2,149,832	0	0	2,149,832
Federal Funds	73,636,397	35,663,638	28,957,513	28,957,513	64,621,151

Totals					
DEPARTMENT OF HUMAN SERVICES (Self-sufficiency ONLY)					
TOTALS for ALL Departmental line items	N.A	345,699,790	28,957,513	28,957,513	374,657,303
FTE		<u>289.0</u>	<u>0.0</u>	<u>0.0</u>	<u>289.0</u>
General Fund		6,741,726	0	0	6,741,726
Cash Funds		26,105,110	0	0	26,105,110
Reappropriated Funds		2,184,598	0	0	2,184,598
Federal Funds		310,668,356	28,957,513	28,957,513	339,625,869

Key:

"N.A." = Not Applicable or Not Available

	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Interim Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Associated Adjustment - Department of Local Affairs					
<i>(3) Division of Housing</i>					
TANF-Funded Homeless Prevention and Rapid Rehousing Program					
[new line item] - Reappropriated Funds	n/a	n/a	0	4,750,000	4,750,000
Associated Adjustment - Department of Labor and Employment					
<i>(2) Division of Employment and Training,</i>					
<i>(B) Employment Training Programs</i>					
TANF-Supported Subsidized Employment					
[new line item] - Reappropriated Funds	n/a	n/a	0	11,250,000	11,250,000

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Interim Supplemental - TANF Emergency Fund Initiatives

	Request	Recommendation
Total	<u>\$28,957,513</u>	<u>\$28,957,513</u>
General Fund	0	0
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	28,957,513	28,957,513

<p>Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.? [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.]</p> <p>In addition, does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]</p> <p>Staff and the Department agree that the request is necessary due to new data/an unforeseen contingency and that full information about ARRA funding opportunities was not available while the General Assembly was in session.</p>	YES
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Department Request: The Department requests additional appropriations of federal funds in the amount of \$28,957,513 for FY 2009-10 in order to implement programs that will mitigate the effects of current economic conditions, create jobs, and draw down all of the federal funding made available by the Temporary Assistance for Needy Families Emergency Fund (TANF) provisions of the American Recovery and Reinvestment Act of 2009 (ARRA). The Department proposes to use those funds for purposes of maintaining the safety net for needy families and stimulating the economy.

No associated General Fund is required. Of the \$28,957,513 in the request, \$23,166,010 (80 percent) will be reimbursed by the ARRA TANF Emergency Fund, resulting in a net cost to the state's existing TANF reserves of \$5,791,503.

Components of the Request. The request includes four major components:

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\$11,250,000 - Hire Colorado: TANF-supported Subsidized Employment. Funds could apply to non-recurrent short-term work supports and subsidized wages, creating 1,667 jobs during the last three quarters of FY 2009-10 at an average cost of \$6,750 per job. This subsidized employment would be carried out through a Memorandum of Understanding with the Colorado Department of Labor and Employment (CDLE). .

The employment support would be administered at the local level via CDLE workforce regions. According to Department and county staff, it would be flexible based on the skills of the employee and the needs of the employer: it might provide an employer with anywhere from a 25 percent subsidy to a 100 percent subsidy for a period ranging from a few weeks to six months. Consistent with TANF diversion requirements, the program could benefit families with dependent children earning up to \$75,000 (including non-custodial parents responsible for child support). The request notes that the program gives participants opportunities for positive work experience, gives employers opportunities to "test drive" potential employees with limited risk, and should prevent participants from requiring other welfare benefits. Counties that have run similar programs report good experience in turning short-term job subsidies such as these into long-term employment opportunities.

\$4,750,000 - Homelessness Prevention: These funds would be used in collaboration with the Colorado Community and Interagency Council on Homelessness to leverage federal funds for the Homeless Prevention and Rapid Re-Housing Program. Federal funding of \$15.5 million from the Department of Housing and Urban Development (HUD) has been made available to Colorado for Homeless Prevention and Rapid Re-Housing, pursuant to ARRA. These HUD funds will be distributed through Department of Local Affairs and larger cities by October 1. The current Department of Human Services proposal would enhance these HUD funds with TANF moneys to prevent and end homelessness. The entire program, including any TANF funding, would be administered by the Department of Local Affairs.

The TANF funds will support services for 1,440 families at an average cost of \$3,300 per family. The program will prevent foreclosure, improve families' access to affordable housing, and address the risks of homelessness in partnership with agencies specializing in these activities. This assistance would cover short-term rental and utility assistance, housing search assistance, and time-limited case management and supportive services to help families maintain stable housing or find new housing as quickly as possible. The TANF dollars would allow for wrap-around services for families that cannot be covered by the HUD grant, such as childcare and substance abuse treatment.

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An estimated 50 percent of homeless individuals are families with children, according to the Colorado Coalition for the Homeless.

The request cites an evaluation of the Boulder County Housing Crisis Prevention Program that spent approximately \$540,000 for housing crisis supports to 280 families (\$1,930 per family). The program resulted in 79 percent of clients avoiding foreclosure or eviction, enabled 24 percent to keep a job they were at risk of losing due to transportation programs, and enabled 59 percent to avoid eviction due to lack of utility payment. Had these families enrolled in TANF Basic Cash Assistance instead, costs for one year would have been \$1.8 million.

\$4,383,512 - Colorado Refugee Services: Funds will support a refugee recertification/retraining program aimed at reemploying refugees in areas of high need, such as nursing. They will also be used to provide case management, supported services, English as a Second Language, and childcare to job seekers and the newly employed. The request notes that refugee services are efficient investments that successfully promote self-sufficiency. On average, refugees who receive employment services receive far fewer months of cash assistance than mainstream TANF recipients. The Department's data indicates that 59.2 percent of refugee families attain employment within eight months of entry into the program.

Based upon additional information provided, staff understands that the Long Bill line item understates the actual federal funds provided for the program. The Department indicates that total funding available for FFY 2008-09 was \$11,318,246. Of this amount, \$815,850 is TANF funds appropriated by the state General Assembly, while the remainder represents various custodial funds from the federal Office of Refugee Resettlement. According to Department staff, there have been ongoing declines in federal support for refugees. Federal support has effectively dropped from \$1,418 in refugee resettlement funds per arriving refugee in 2002 (when 712 refugees were resettled in Colorado) to a projected \$492 per refugee in FY 2009-10, when 2,626 are projected to be received. *To a large extent, the current proposal, which will provide for a 39 percent increase in the real base budget for Refugee Services, will merely allow the State to accommodate the 40 percent increase in refugee arrivals anticipated from FY 2008-09 to FY 2009-10.*

Federal authorities have increasingly required states to rely on other basic assistance programs, such as TANF, for refugee services. Refugees, who flee from persecution in their homelands and are approved for resettlement in the United States, are not excluded from benefits programs. Thus, if there is a child in the home, a refugee family qualifies for TANF upon arrival (66 percent of all Colorado's refugee families). It appears to staff that there might well be an ongoing request for a higher level of TANF-support for refugee services, although not necessarily at the level in the

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current request. According to Department staff, there is also a serious push from states to ensure that the federal government provides increases for refugee resettlement, consistent with the increases in refugees received. In the absence of this, staff assumes that neither Colorado nor other states will be able to accommodate refugees in the future at the levels anticipated for FY 2009-10.

\$8,574,001 - Low-income Energy Assistance (LEAP): These funds will go directly to TANF-eligible families to offset energy costs. This will help satisfy ARRA priorities by aiding families in need and providing economic stimulus. Money families would have spent on utilities will be available for other household expenses such as medicine, groceries, and clothing. Funding requested would support an estimated 14,753 cases (assumes 14 percent increase over FY 2008-09 caseload of 105,735 x \$581.17, the average provided per case in FY 2008-09).

The Department's request indicated that these funds are intended to partially offset a loss of one-time funding in LEAP's FY 2009-10 budget; however, updated information from Department staff indicates that overall funding available for LEAP and related administration and services for FY 2009-10 (including amounts not reflected in the line item) is currently projected to be \$76,626,514--similar to the FY 2008-09 budget of \$78,173,235--even in the absence of the current request. Notably, this funding level is substantially higher than prior years (\$50.9 million in FY 2007-08 and \$41.5 million in FY 2006-07). *Staff's calculations indicate that, depending upon the amount of FY 2009-10 federal LEAP funds transferred to the Governor's Office for weatherization (which is not yet determined), as well as final federal LEAP awards, overall LEAP funding, including amounts in the current request, could increase between 20 and 28 percent above FY 2008-09 levels.*

The Department nonetheless currently anticipates that it is capable of fully using the proposed funding increase. Department staff have noted that: (1) their calculations for the current request are based solely on the projected caseload increase for the program due to the economic downturn, rather than any backfill of a reduction from FY 2008-09 funding (the Department has projected a 14 percent increase in demand, based on the FY 2007-08 to FY 2008-09 increase); (2) the LEAP program plus Energy Outreach Colorado generally only reach about one-third of eligible households (households with incomes below 185 percent of the federal poverty level); (3) LEAP does not fully cover families' costs; the portion of the bill covered is adjusted each year based on the number of approved applications and total funds available. In FY 2008-09, the LEAP program covered 60 to 80 percent of participants' bills. It could cover more; (4) Expanding LEAP funding is a way to rapidly distribute funds that enable individuals to avoid utility shut-offs, stay in their homes, and redirect limited funds to other household necessities.

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Additional Background: Overall TANF increases available under ARRA. The current request represents only a portion of the additional federal TANF block grant funds the Department expects to be available under ARRA. The Department expects that, overall, a total of \$68,028,345 in one-time supplemental TANF funds may be available through FFY 2009-10 as part of the federal response to the economic downturn. The funds derive from a combination of the TANF Emergency Fund created through the American Recovery and Reinvestment Act (ARRA) and the Contingency Fund created in 1996 through the Personal Responsibility and Work Opportunity Reconciliation Act (PWORA). From these two funding sources, ARRA allows a state to receive supplemental funds totaling up to 50 percent of one year's TANF block grant in FFY 2008-09 and FFY 2009-10 (\$68.0 million is 50 percent of the state's annual award of \$136.1 million).

- ARRA Emergency Funds: \$43,084,618 is expected to be available in ARRA TANF Emergency Funds based on increased caseload and expenditures for the TANF program in FFY 2008-09 and FFY 2009-10. The TANF Emergency Fund created by ARRA will reimburse the State for 80 percent of increased spending for basic assistance, non-recurrent short-term benefits, and subsidized employment when compared with FFY 2006-07 and FFY 2007-08 spending levels. The current interim budget request is designed to access some of these funds (\$23.2 million) by creating or expanding selected programs that benefit qualified individuals consistent with ARRA priorities. Additional appropriations may be requested in the future, particularly to support some of the programs outlined in this interim supplemental through the first quarter of FY 2010-11.
- PWORA Contingency Funds: Additional federal funding of \$24,943,727 has already been applied for and provisionally granted from the PWORA Contingency Fund. To qualify for the PWORA Contingency Fund, states must meet either a Food Stamp caseload increase trigger or an unemployment trigger. Colorado qualified in November 2008 for the Food Stamp trigger and remains qualified.¹ It is not yet certain whether the Department will propose to use these funds for a specific new purpose or will simply use them shore-up existing balances in the TANF long-term reserve so that TANF block grants are not reduced in the coming years. The current request does not address these additional funds. An additional \$50 million in non-federal "maintenance of effort" (MOE) expenditures will need to be identified to draw down these federal funds. The Department is currently hopeful that

¹The average number of food stamp participants for the most recent 3 month period must be at least 110 percent of the monthly average for FFY 1994 or 1995, whichever is less, had the immigrant and Food Stamp provisions of PWORA been in effect in those years. Colorado has also been eligible under the unemployment trigger since February 2009.

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it will be able to identify qualifying MOE expenditures (which may include, for example, local government and non-profit organizational expenditures for qualifying individuals).

The table below summarizes the sources of the \$68.0 million in federal funds, including the portion included in the current request. Note that these plans are still provisional and subject to change.

Amount	Description
\$24,943,727	PWORA Contingency Funds: Already provisionally granted. Additional information on state eligibility for funds will be available after September 30, 009
23,166,010	ARRA TANF Emergency Fund Reimbursements for new program expenditures described in this interim supplemental request (80 percent reimbursement of total dollars requested in supplemental).
15,518,608	ARRA TANF Emergency Fund Reimbursements for natural TANF caseload expenditure increases for the period October 1, 2009 through September 30, 2010 (80 percent reimbursement for expenditures that exceed correlating expenditures in FFY 2007 or 2008).
4,400,000	ARRA TANF Emergency Fund Reimbursements for new program expenditures to be incurred in the first quarter of SFY 2010-11 (final quarter of federal ARRA reimbursement). The expenditures would continue the HIRE Colorado and Housing Assistance programs described in the current interim request (80 percent reimbursement for expenditures.)
68,028,345	TOTAL

Staff Recommendation: Staff recommends the Department's request for an appropriation of \$30.0 million in federal TANF funds, with a technical adjustment to specifically provide associated reappropriated funds spending authority to the Department of Local Affairs and Labor and Employment. TANF moneys must be appropriated by the state legislature, pursuant to federal law. Thus, this request is not merely a federal funds "information only" adjustment.

The basis for the recommendation is as follows:

- The request is consistent with interim supplemental criteria. In April 2009, the Department submitted a change request for spending authority related to ARRA (\$11.7 million for a new TANF Emergency Contingency Funds line item) and was denied. At that time JBC Staff recommended that the Committee not provide spending authority without a clearer picture of how the funds will be used. Staff further recommended that related budget adjustments be addressed through the interim supplemental process. Since the April 2009 request (and subsequent to the adjournment of the General Assembly), the Department's overall estimate

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of federal funds available through ARRA has increased greatly and, as anticipated, its plans have been refined.

- The request appears to be consistent with federal ARRA requirements. As reflected in the request, the federal ARRA legislation concerning the TANF Emergency Fund specifies that states may be reimbursed in an amount equal to 80 percent of the increase over the base year in state expenditures for "basic assistance" due to caseload increases, for increases in non-recurrent short-term expenditures (expenditures designed to deal with a crisis situation and not intended to extend beyond four months), and for subsidized employment. Overall, the Department's proposals appear to be consistent with requirements of ARRA for earning TANF Emergency Fund moneys based on non-recurrent short-term expenditures and subsidized employment.
- The proposals also appear consistent with the broader requirements and goals reflected in both federal welfare reform legislation and state law [Section 26-2-705, C.R.S.] that TANF funds be used to assist needy families so that children can be cared for in their homes and to reduce dependency and promote job preparation and work. The proposals are generally to provide a temporary service, support, or employment "bridge" for families during the current economic down-turn. In most cases, the proposals also appear designed to provide some economic stimulus, consistent with the goals of the federal ARRA legislation.
- Funding at the level requested will only be available for one year: between such time as this supplemental is approved and (if further approved by the General Assembly) the first quarter of FY 2010-11, when the additional federal ARRA appropriation expires. The proposals appear to be rapidly implementable and time-limited. They build on existing activities and programs, and the Executive and counties have already done key groundwork. They also do not appear to be a "set-up" for a long-term funding increase, with the possible exception of services in the Refugee Services area, where staff expects the Executive may seek additional TANF funding in future years, though at a lower level.
- This proposal will enable the State to access an additional \$23.1 million in ARRA funds, since the federal government will provide reimbursement for 80 percent of expenditure increases over FFY 2007 or 2008. While the General Assembly could choose to appropriate these moneys to expand *different* line items or programs, funding must be to expand, rather than refinance, activities consistent with federal TANF and ARRA requirements.

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- Pursuant to the constraints imposed by interim supplemental legislation, the JBC's only options are to approve this supplemental in its entirety, approve it in part, or reject it entirely. If the JBC proposes to do something different with the moneys, it would need to address this through the regular supplemental process when the General Assembly is in session.

Technical adjustment: The Department's request notes that it does not require additional spending authority for the receiving departments because these funds would be treated by the Controller's Office as federal pass-through moneys. **Although the Department does not request this, the staff recommendation would be to provide explicit spending authority in the receiving departments, consistent with the way other appropriated funds are treated.** For General Fund and cash funds, a department requires reappropriated funds spending authority from the General Assembly to spend moneys received from another department. With custodial federal funds, the Controller's Office is able to provide spending authority to the Executive without legislative appropriation; for such funds, authority for pass-through spending is provided by the Controller's Office. The TANF funds in questions are a special case, as they are legislatively appropriated federal funds. JBC staff feels it is more appropriate to treat them like other appropriated funds--and provided reappropriated funds spending authority to other departments--than to treat them like custodial funds over which the General Assembly has no control. The Controller's Office agrees that having the General Assembly provide reappropriated funds spending authority would be a reasonable and conservative approach, although it would likely provide spending authority even without this.
