

# COLORADO DEPARTMENT OF HUMAN SERVICES

## OVERVIEW

The material describes the scope and size of the Department responsible for welfare programs. It is the first time this chapter has appeared in a Citizen's Budget.

U.S. taxpayers spent more than \$927 billion on welfare programs in 2011.<sup>1</sup> The Heritage Foundation compiled national spending data to show how total expenditures have risen during the past 60 years. The trend shows no likelihood of abating its upward course. In fact, the recent recession and ensuing economic weakness have increased the rate of growth.

Today, over 80 different social programs provide assistance from medical care and childcare, to food and nutrition, housing, and cash.<sup>2</sup>

The federal government is not the only entity to supply welfare funding, and it does not directly administer the majority of program operations. State and local governments not only spend their own funds, but these governments also deliver federal spending on welfare programs and public assistance to citizens. The federal government determines the amount of aid sent to each state based on each state's population and the extent of its own spending on public assistance.

Talk of cuts to social services spending ignites propaganda

of cutting off food for the hungry, eliminating shelter funding for homeless children, or turning off heat and electricity to the elderly in the cold winter months. However, these fears are unwarranted. Even the federal Government Accountability Office (GAO) testified to Congress several times in the last two years about the high and escalating costs of fraud, inefficiency, ineffectiveness, and duplication found in Temporary Aid for Needy Families (TANF) and Foster programs.<sup>3</sup> Improving the efficiency of the administration of state welfare agencies will help make the safety net function better.

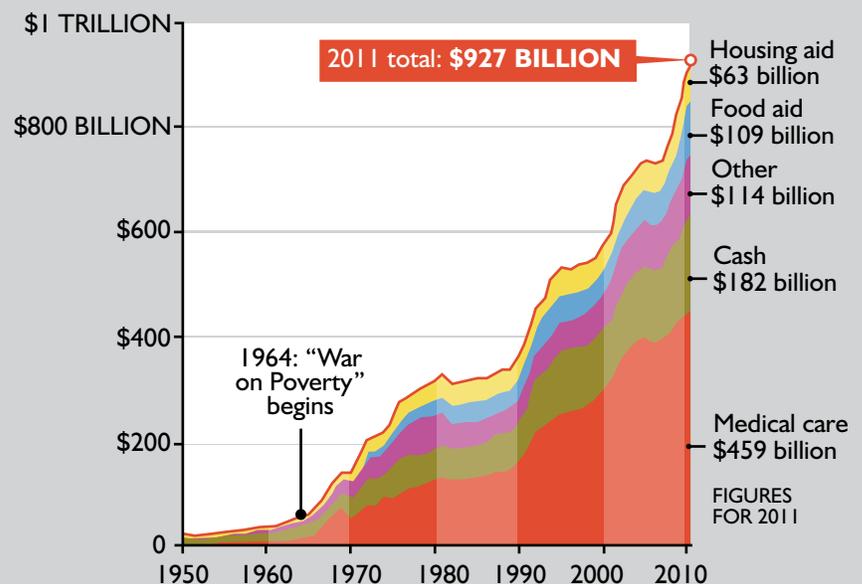
## COLORADO

The Colorado Department of Human Services (CDHS) was established to provide welfare assistance to families, the elderly,

### Welfare Spending Reaches Nearly \$1 Trillion a Year

In 2011, the total cost of federal and state means-tested welfare programs was \$927 billion, an all-time high. That includes over 80 federal programs but does not include spending on Social Security or Medicare. The amount is 16 times higher than it was in 1964 when the government began the "War on Poverty."

TOTAL WELFARE SPENDING, IN 2011 INFLATION-ADJUSTED DOLLARS



Source: Heritage Foundation research

*Welfare spending in Colorado through the CDHS exceeds \$2 billion in 2012. The federal government transfers about \$640 million into the CDHS budget, while Colorado taxpayers fund the remaining \$1.4 billion through state and local taxes.*

individual citizens requiring short-term or emergency assistance for necessities, and underprivileged children. Welfare spending in Colorado through the CDHS exceeds \$2 billion in 2012. The

federal government transfers about \$640 million into the CDHS budget, while Colorado taxpayers fund the remaining \$1.4 billion through state and local taxes.<sup>4</sup>

CDHS operates 11 different divisions; six divisions deliver services, while five are administrative. The State's role is to budget, design and oversee welfare distribution, but county governments conduct program operations. For example, a Colorado Springs family applying for welfare goes to an office run by El Paso County. They do not visit a state agency to go through the process.

A few states have met with success in adopting strategies to simplify the processes. It is critical both to the population served by government programs and to the program budgets that Colorado finds a way to generally overhaul the "fragmenta-

tion and overlap among government programs or activities as these can be harbingers of unnecessary duplication."<sup>5</sup>

Analysis of portions of the CDHS budget suggests further investigation for reform in two important programs:

1. In 2012, TANF remains as a shadow of the original, more robust program designed to lend government assistance to Americans in need of a temporary helping hand, assisting them to be self-sufficient again as quickly as possible. CDHS must direct its agency, Colorado Works, to return TANF standards to those put in place 15 years ago.
2. Since 2007, Colorado's Foster Care Program has failed to meet national standards for its adolescent population.

## **TANF DETAILED**

The predecessor to the current welfare program was Aid to Families with Dependent Children (AFDC). It was established by the Social Security Act of 1935 as a grant program to enable states to provide cash welfare payments for needy children who had been deprived of parental support or care because their father or mother

was absent from the home, incapacitated, deceased, or unemployed.<sup>6</sup> The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) replaced AFDC with the Temporary Aid for Needy Families, commonly called the TANF program, originally designed as a cash welfare block grant. The program includes a five-year lifetime limit on assistance that a family with an adult can receive, and requires increasing work participation.<sup>7</sup>

TANF provided government support for 12,552 Colorado families in 2011.<sup>8</sup> Much of the funding supports the bureaucracy and does not go directly to the people in need of assistance. If the government had delivered funds directly to the applicants, then the average Colorado tax-financed value of TANF would have been \$11,316 per family. Adding the value of federal tax-financed TANF funds used (\$16,168 per family for such costs as transportation, prevention of out-of-wedlock births, childcare, and administration), the total value of TANF if paid directly to the participating families would top \$27,483 a year.<sup>9</sup>

The Colorado budget calls for \$298 million spending on TANF in fiscal year 2012-13, about 14.5 percent of the \$2 billion CDHS budget. Colorado's general funds pay for \$34.7 million of the TANF bill,<sup>10</sup> from line items under the Office of Self Sufficiency, program administration employs about 10 percent of CDHS personnel. However, these figures do not represent a full accounting of TANF expenses. Under the budget heading *County Administration*, costs that directly support the county offic-

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es will top \$38 million in FY 2012-13. The county locations, where intake specialists interview potential recipients and customer service employees distribute benefits, incur direct TANF costs to Colorado's taxpayers, which should count as such.

In addition, the reporting system excludes indirect overhead costs. About \$50 million in salaries and \$125 million in general overhead costs are budgeted for the Executive Director's Office, the Office of Information Technology Services, and the Office of Operations, which together employ more than 550 full-time employees. The correct overhead proportion should be included in the costs for our state government to run the TANF program. A quick analysis suggests that the \$34.7 million listed as direct costs to the taxpayer for TANF is higher—between \$44 and \$59 million.<sup>11</sup>

An accurate accounting of the direct and indirect costs attributed to running all CDHS programs, including TANF, should be a standard practice. Absent this information, policymakers and citizens are acting—and voting—blindly. Legislators must require transparency at all levels of reporting. A full and accurate accounting of attributed overhead and county-level costs to each program's budget is essential for informed policymaking.

Colorado implemented TANF in 1997 when the state's population was 3.97 million. By 2011, more than 5.12 million call Colorado home, an increase of 29 percent.<sup>12</sup> Both the number of people qualifying for TANF and

spending has grown faster than population.<sup>13</sup> Part of the increase in demand for services since 2008 must be attributed to the recession, when a large number of people applied to be covered. As part of the American Recovery and Reinvestment Act of 2009 (also known as the "stimulus"), Congress created the TANF Emergency Fund to provide states an additional \$5 billion in temporary emergency cash relief to the states.<sup>14</sup> In 2008, federal TANF funds awarded to the states totaled \$5.8 billion for cash, child-care, transportation, and emergency funds. That amount represented 40 percent of the total available for temporary assistance of \$14.47 billion in 2008.<sup>15</sup> Colorado's two-year share of the stimulus funds was \$68 million.<sup>16</sup>

Along with the funding increase, the federal government relaxed eligibility rules, which greatly increased the number of families who received benefits. Changes in work requirements over the past decade also have allowed participants to maintain eligibility for TANF while not bettering their current or future employment prospects. More than 32,100 Coloradans received TANF benefits in 2011.<sup>17</sup> The increased population receiving TANF funds compelled CDHS' agency, Colorado Works, to distribute the total lower assistance to a larger pool of eligible citizens. The result has been less aid available for the most vulnerable cohort that traditionally received funding.

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## CHANGES TO THE TANF WORK RULES

Research and policy experts from across the spectrum of political and social views generally agree that the 1996 Welfare Reform Act worked.<sup>18</sup> The reforms were based on ideals that harken back to the nation's founding, when safety nets formed organically out of the community, charity, or church to provide for the indigent. Simple theories on self-sufficiency and liberty state that governments and able-bodied persons ought to conform to the following guidelines:

1. bear their own weight,
2. not spend more than they earn,
3. be responsible for their actions and inactions,
4. be held accountable to the consequences of the same, and
5. act or be represented fairly in matters of taxation for local and national security, and for provisions to those less able.

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Scholars writing for the American Psychological Association (APA) observe:

*In "Making 'Welfare to work' really work careful review of hundreds of successful community interventions reveals that although underfunded, expedient, shallow programs almost always fail, intensive, creative, highly flexible, well-funded programs led by energetic visionaries succeed beyond anyone's dreams (Schorr & Schorr, 1988). For example, many community-based housing programs, often without federal assistance, such as Habitat for Humanity, combine volunteers, private funding, and work by residents to build and rehabilitate housing."<sup>19</sup>*

According to the Colorado State Plan for TANF, "All work eligible individuals are required to participate in a state or county defined work activity except those with a domestic violence waiver or those single parents with a child under age six for whom childcare is unavailable. Single custodial parents with a child under age one is not exempt unless specified by county policy."<sup>20</sup> However, HHS loosened the rules in a July 12, 2012 memorandum. A state is authorized to "test approaches and methods other than those set forth . . . , including definitions of work activities and engagement, specified limitations, verification procedures, and the calculation of participation rates."<sup>21</sup>

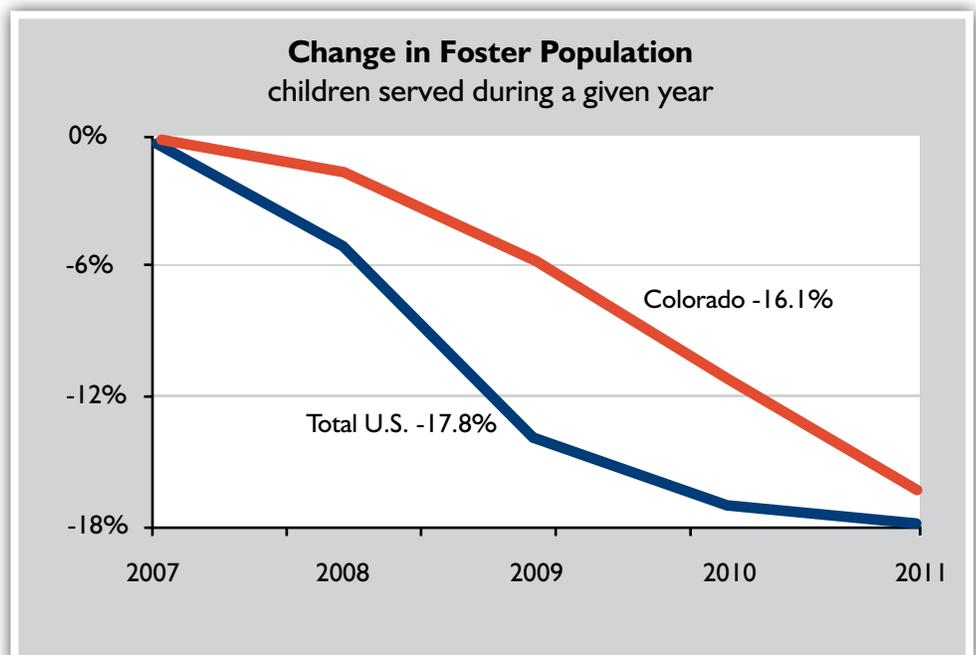
The policy change was controversial. Many people were concerned that such modification would move welfare policy to pre-Clinton reform measures, which had been perceived as failures. Heritage Foundation's Robert Rector observed: "Cutting TANF's work requirements also means that only two of the nation's 80-plus welfare programs will require able-bodied recipients to work or prepare for work as a condition of receiving aid . . ." <sup>22</sup> Elsewhere he notes, "At present, half of the work-eligible TANF recipients receive checks while doing nothing."<sup>23</sup>

## FOSTER CARE SYSTEM

Colorado's fiscal year 2012-13 budget for the Division of Child Welfare is \$402 million from all sources. Of that total, the Foster Care programs spend \$203 million, just over half, from the general fund.<sup>24</sup> The Executive Director of Jefferson County's Human Services, Lynn Johnson, described foster care services as a way to help "provide safe and stable out-of-home care for children until the children are safely returned home, placed permanently with adoptive families, or placed in other planned arrangements for permanency."<sup>25</sup>

The Foster Care program is broken into three functional areas. First, Core Services administers the Child Protection Response system that provides functions such as temporary and emergency foster care, foster family placements until adoptions are final, services to help keep families together, and services to facilitate reunification when possible.

Out of Home placement operates adolescent group homes and provides mental



health and substance abuse treatment facilities. Out of Home placements are more expensive relative to traditional foster care, but necessary for some at-risk or delinquent youth who require special services. According to Johnson, the current general fund budget for these two programs adds up to over \$220 million. Another \$38 million funds community-based services for adolescents in foster care who are at risk for out of home placement, often as the result of a delinquent act. The Division spends the balance of the budget on administration and support, specifically for employee training; foster family recruitment, training and support; adoptive parent recruitment and post placement programs and services.

The trends nationally and in Colorado are toward fewer foster placements. Foster placements in the U.S. are the lowest

they have been for the last two decades at 5.4 placements per 1,000 children after a high of 8.1 in 1999.<sup>26</sup> Colorado placed 4.3 children per 1,000 in 2011.<sup>27</sup> Since 2007, 17.8 percent fewer children have needed foster care nationally. Similarly, 16.1 percent (or 2,062) fewer Colorado children have needed foster care services.<sup>28</sup>

However, Colorado still lags behind the nation on several important benchmarks. The most recent data indicate that the

average time between the termination of parental rights and adoption in Colorado is 15.9 months, slower than the national average of 13.6 months, placing Colorado in 38th.<sup>29</sup> Seven states average fewer than eight months in the foster system. On aver-

age, children spend 39.6 months in Colorado's foster system, versus the national average of 23.9 months—an additional year and four months.<sup>30</sup>

## ACKNOWLEDGMENTS

**Tamara Hannaway** was the author of this section. She is an Associate Professor of Economics and Policy at Colorado Christian University and the head of the Economics program within the School of Business and Leadership. She also teaches in the graduate program at CU Denver's School of Public Affairs. Her corporate career spanned over 19 years in sales, management, and forecasting for three Fortune 1000 companies. She has been a professor for 10 years. She earned her Ph.D. in Public Affairs from the University of Colorado Denver's School of Public Administration, where her research focused on the effects of governance corruption on public budgets and income inequality. Dr. Hannaway maintains several small businesses and consults on increasing businesses efficiencies, and as economic advisor.

We appreciate the observations and comments on the chapter by **Peter deLeon**. He is a retired professor from the School of Public Affairs at the University of Colorado at Denver. His earlier career included positions as senior policy analyst for both The RAND Corporation and the National Renewable Energy Laboratories. He taught at Columbia University in New York City until 1986.

**Don Klingner** also reviewed the chapter for accuracy and interpretation. He is a Distinguished Professor in the School of Public Affairs at the University of Colorado at Colorado Springs. He is an elected Fellow of the National Academy of Public Administration and was President of the American Society for Public Administration. He was a Fulbright Senior Scholar in Central America, a visiting professor at UNAM, Mexico, and a consultant to the United Nations, the World Bank, and the Interamerican Development Bank on public management capacity building. His prior faculty appointments were at IUPUI and Florida International University. He worked for the US Civil Service Commission. He earned a PhD in Public Administration from the University of Southern California.

## NOTES

<sup>1</sup> "Welfare Spending Reaches Nearly \$1 Trillion a Year," Heritage Foundation Research, Infographic (2012), [http://www.heritage.org/multimedia/infographic/2012/10/welfare-spending-reaches-nearly-\\$1-trillion-a-year](http://www.heritage.org/multimedia/infographic/2012/10/welfare-spending-reaches-nearly-$1-trillion-a-year).

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- <sup>2</sup> Robert Rector, "An Overview of Obama's End Run on Welfare Reform," Heritage Foundation Issue Brief (September 12, 2012), p. 2, <http://www.heritage.org/research/reports/2012/09/an-overview-of-obama-s-end-run-on-welfare-reform>.
- <sup>3</sup> Kay E. Brown, Director of Education, Workforce, and Income Security, "Human Services Programs: Opportunities to Reduce Inefficiencies," Testimony before the Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives, Publication GAO-11-531T, April 5, 2011, p. 2, <http://www.gao.gov/assets/130/125910.pdf>. See also Patricia A. Dalton, Chief Operating Officer, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," Testimony before the Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending, Committee on Oversight and Government Reform, U.S. House of Representatives, Publication GAO-11-714T, June 1, 2011, <http://www.gao.gov/assets/130/126321.pdf>; "TANF and Child Welfare Programs: Increased Data Sharing Could Improve Access to Benefits and Services," Report to Congressional Requesters, Publication GAO-12-2, October 2011, <http://www.gao.gov/assets/590/585649.pdf>.
- <sup>4</sup> Colorado General Assembly, House Bill 12-1335, "Long Appropriations Bill FY2011-13," Department of Human Services, p. 75, [http://www.leg.state.co.us/CLICS/CLICS2012A/csl.nsf/lbcontainer/6611E98106772A39872579D60058D0A7/\\$FILE/hum\\_act.pdf](http://www.leg.state.co.us/CLICS/CLICS2012A/csl.nsf/lbcontainer/6611E98106772A39872579D60058D0A7/$FILE/hum_act.pdf).
- <sup>5</sup> Ibid.; Brown testimony in GAO-11-531T, p. 2.
- <sup>6</sup> U.S. Department of Health & Human Services, "Indicators of Welfare Dependence," Annual Report to Congress (2008), Washington, D.C., Appendix A, p. 1, <http://aspe.hhs.gov/hsp/indicators08/index.shtml>.
- <sup>7</sup> "Welfare Reform Act of 1996 (Personal Responsibility and Work Opportunity Reconciliation Act of 1996)," Public Law 104-193, 104th Congress, [http://infousa.state.gov/government/branches/welfare\\_reform\\_1996.html](http://infousa.state.gov/government/branches/welfare_reform_1996.html).
- <sup>8</sup> U.S. Department of Health and Human Services, Office of Family Assistance, "TANF Total Number of Families - Caseload Data," (April 3, 2012), <http://www.acf.hhs.gov/programs/ofa/resource/2011-family-tan>.
- <sup>9</sup> Colorado Department of Human Services, Office of Administration of Families and Children (2013), "FY 2011 TANF Financial Data," <http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2011>. Scroll tabs on bottom to Section D and continue within that section to the Colorado tab. Under page title "Federal TANF and State MOE Expenditures Summary by ACF-196 Spending Category FY 2011," see Line 26 for State and federal contributions; total.
- <sup>10</sup> Ibid.; House Bill 12-1335, pp. 75-102.
- <sup>11</sup> Ibid.; House Bill 12-1335. The Office of Self Sufficiency employs over 10 percent of the total CDHS staff, and TANF represents over 14.5 percent of the CDHS budget. We did not locate a TANF report of total administrative costs. If we distribute fairly the \$108 million in overhead over the CDHS programs, we derive a reasonable estimate that additional TANF costs from the General and Cash funds is between \$10 and \$15 million, for a total between \$44 million and \$59 million for fiscal year 2012.
- <sup>12</sup> Colorado Department of Local Affairs, "Population Totals for Colorado and Sub-state Regions," Access "User Lookup," select Colorado and 2011, <http://www.colorado.gov/cs/Satellite?c=Page&childpagename=DOLA-Main%2FCBONLayout&cid=1251593346834&pagename=CBONWrapper>.
- <sup>13</sup> Tamara Hannaway, "US and Colorado Welfare Data, Statistics, and Sources," <http://www.tamarahannawayccu.com/data-sets/data-set-13-2-tanf-and-welfare-co-and-us-2/> (compiled February 2013). See Columns AH and AG, respectively.
- <sup>14</sup> U.S. Department of Health and Human Services, Office of Family Assistance, "Ninth Annual Report to Congress," (September 2012), Executive Summary, p. v, [http://www.acf.hhs.gov/sites/default/files/ofa/9th\\_report\\_to\\_congress\\_3\\_26\\_12.pdf](http://www.acf.hhs.gov/sites/default/files/ofa/9th_report_to_congress_3_26_12.pdf).
- <sup>15</sup> U.S. Department of Health and Human Services, Office of Family Assistance, TANF Financial Data 2008, Table A, [http://archive.acf.hhs.gov/programs/ofa/data/2008/tableA\\_spending\\_2008.html](http://archive.acf.hhs.gov/programs/ofa/data/2008/tableA_spending_2008.html).
- <sup>16</sup> Colorado General Assembly, Joint Budget Committee, "Interim Supplemental Request for FY 2009-10 for the Department of Human Services," September 21, 2009, p. 8, [http://www.state.co.us/gov\\_dir/leg\\_dir/jbc/hum09-21-09.pdf](http://www.state.co.us/gov_dir/leg_dir/jbc/hum09-21-09.pdf).
- <sup>17</sup> U.S. Department of Health and Human Services, Office of Family Assistance, "TANF Total Number of Recipients - Caseload Data" (April 3, 2012), <http://www.acf.hhs.gov/programs/ofa/resource/2011-recipient-tan>.
- <sup>18</sup> Sharon Parrott, Liz Schott and Eileen Sweeney, "Implementing the TANF Changes in the Deficit Reduction Act: 'Win-Win' Solutions for Families and States" (Second Edition), *Center on Budget and Policy Priorities*, Washington D.C. (2007). See also: Robert Rector, "Obama's End Run on Welfare Reform, Part One: Understanding Workfare," *Heritage Foundation* (September 19, 2012), p. 2.
- <sup>19</sup> Joy K. Rice and Karen F. Wyche, "Making 'welfare to work' really work: Improving welfare reform for poor women, families and children," *American Psychological Association* (1998), <http://www.apa.org/pi/women/programs/poverty/welfare-to-work.aspx>.
- <sup>20</sup> Colorado Department of Human Services, "Colorado State Plan: Temporary Assistance for Needy Families" (2012), pp. 2-4, <http://www.colorado.gov/cs/Satellite/CDHS-ColoradoWorks/CCW/1251575231405>.
- <sup>21</sup> U.S. Department of Health and Human Services, Office of Family Assistance. "Guidance concerning waiver and expenditure authority under Section 1115," Publication TANF-ACF-IM-2012-03 Information Memorandum 03 (July 12, 2012), <http://www.acf.hhs.gov/programs/ofa/resource/policy/im-ofa/2012/im201203/im201203>.
- <sup>22</sup> Robert Rector and Rachel Sheffield, "Welfare Is at an All-Time High: America's means-tested welfare spending has reached \$1 trillion per year," *National Review Online* (October 22, 2012), <http://www.nationalreview.com/articles/331111/welfare-all-time-high-robert-rector>.
- <sup>23</sup> Robert Rector, "Obama's End Run on Welfare Reform, Part One: Understanding Workfare," *Heritage Foundation Backgrounder #2730*, Washington, D.C., (September 19, 2012), p. 7, <http://www.heritage.org/research/reports/2012/09/obamas-end-run-on-welfare-reform-part-one-understanding-workfare>.
- <sup>24</sup> Ibid.; House Bill 12-1335, pp. 81-82.
- <sup>25</sup> Lynn Johnson, unpublished letter to Tamara

- Hannaway, November 28, 2012.
- 26 "Indicators on Children and Youth," Child Trends Data Bank (August 2012), p. 3, <http://www.childtrendsdatabank.org/?q=node/199>.
  - 27 U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, "Child Welfare Outcomes Report Data," <http://www.acf.hhs.gov/programs/cb> (data current as of February 17, 2012), [http://cwoutcomes.acf.hhs.gov/data/tables/demo\\_stats?states%5B%5D=6&state=&region=](http://cwoutcomes.acf.hhs.gov/data/tables/demo_stats?states%5B%5D=6&state=&region=).
  - 28 U.S. Department of Health and Human Services, Administration for Children and Families, "Foster Care FY2003-FY2011 Entries, Exits, and Numbers of Children In Care on the Last Day of Each Federal Fiscal Year," [www.acf.hhs.gov/programs/cb](http://www.acf.hhs.gov/programs/cb) (data current as of July 2012), <http://www.acf.hhs.gov/programs/cb/resource/fy2003-2011-foster-care-entries-exits>.
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  - 30 North American Council on Adoptable Children, "Colorado Adoption Facts," St. Paul, MN (2013), State Adoption Fact Sheets, Colorado, p. 1 (data current as of AFCARS FY 2011), <http://www.nacac.org/policy/statefactsheets.html>.