

Schedule 13

Funding Request for the FY 2017-18 Budget Cycle

Department of Human Services

Request Title

R-11 Old Age Pension Program Cost of Living Adjustment

Dept. Approval By:

Melissa Wardlet

Supplemental FY 2016-17

Change Request FY 2017-18

OSPB Approval By:

Erin K. ...

Budget Amendment FY 2017-18

Summary Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$95,007,967	\$0	\$95,007,967	\$321,697	\$321,697
FTE		0.0	0.0	0.0	0.0	0.0
GF		\$0	\$0	\$0	\$0	\$0
CF		\$95,007,967	\$0	\$95,007,967	\$321,697	\$321,697
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2016-17		FY 2017-18		FY 2018-19
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$95,007,967	\$0	\$95,007,967	\$321,697	\$321,697
10. Adult Assistance Programs, (B) Old Age Pension Program - Cash Assistance Programs	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$95,007,967	\$0	\$95,007,967	\$321,697	\$321,697
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

CF Letternote Text Revision Required	Yes	No	<input checked="" type="checkbox"/>	if Yes, see attached fund source detail.
RF Letternote Text Revision Required	Yes	No	<input checked="" type="checkbox"/>	
FF Letternote Text Revision Required	Yes	No	<input checked="" type="checkbox"/>	
Requires Legislation?	Yes	No	<input checked="" type="checkbox"/>	
Type of Request?	Department of Human Services Prioritized Request			
Interagency Approval or Related Schedule	None			

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Cost and FTE

- The Colorado Department of Human Services requests \$321,697 in Old Age Pension (OAP) cash funds for FY 2017-18 and beyond to fund a 0.3% Cost of Living Adjustment (COLA) to the grant award provided to OAP program participants.
- This request constitutes a 0.3% increase over the current appropriation.

Current Program

- The OAP Program is established in the State constitution and is continuously appropriated. The OAP program provides basic cash assistance to low-income adults, age 60 or older, who meet OAP program eligibility requirements.
- Each year, the Social Security Administration (SSA) reviews the Consumer Price Index (CPI) to determine whether to increase benefits to Supplemental Security Income (SSI) recipients, through a COLA increase in order to keep pace with inflation.
- OAP program participants typically receive a COLA increase that matches the COLA passed for SSI recipients.
- The State Board of Human Services (SBHS) has constitutional authority to choose to raise or not raise the OAP grant standard effective on January 1 annually.

Problem or Opportunity

- If the SSA passes a Supplemental Security Income COLA, the new COLA amount would be subject to the Maintenance of Effort (MOE) requirement that requires a minimum State expenditure level of \$27,534,135 on SSI recipients annually.
- Not passing along the COLA would result in the OAP grant standard not keeping pace with inflation and creating a negative fiscal impact on a vulnerable population.

Consequences of Problem

- If a COLA is approved by the SSA but is not passed along to OAP recipients, it will reduce the total amount of state expenditures applied towards SSI recipients as required by the SSA to meet the MOE spending requirement. This situation would require other programs to bear the cost of meeting the mandated spending, creating an inequitable distribution of benefit dollars.
- Non-compliance with the MOE requirement could result in a loss of a quarter of the State's annual federal Medicaid funds or \$325 million quarterly.

Proposed Solution

- The Department requests \$321,697 OAP cash funds to pass along a 0.3% COLA to OAP eligible recipients, pending approval of the COLA by the SSA and subsequent approval by the SBHS.
- If passed, the FY 2017-18 COLA monthly increase will be \$2, setting the grant standard to \$773 per month.

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COLORADO
Department of Human Services

John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

FY 2017-18 Funding Request | November 1, 2016

Department Priority: R-11
Request Detail: Old Age Pension Program Cost of Living Adjustment

Summary of Incremental Funding Change for FY 2017-18	Total Funds	Cash Funds
Old Age Pension Program Cost of Living Adjustment	\$321,697	\$321,697

Problem or Opportunity:

The Colorado Department of Human Services requests \$321,697 in Old Age Pension (OAP) cash funds in FY 2017-18 and beyond to provide a 0.3% Cost of Living Adjustment (COLA) for the Old Age Pension Program. This would increase the monthly grant standard from \$771 to \$773 for OAP recipients.

According to the State Demographer, the official poverty rate for seniors in Colorado is approximately 1% higher than that of the general population. The Supplemental Poverty Rate (SPR) however indicates a wider gap, whereby seniors are almost twice as likely to be poor than the average Colorado resident. This disparity is mostly attributed to medical costs that are not considered in the official poverty measure, yet are accounted for in the supplemental measure. As such, the Old Age Pension program is designed to mitigate the effects of poverty among vulnerable Coloradans over age 60 via cash benefits. For many seniors, OAP funds are their primary source of income to meet daily needs. The effects of inflation and other changes in the cost of living are magnified among these vulnerable seniors living on a limited, fixed income.

In order to reduce the effect of inflation, the Social Security Administration (SSA) reviews the Consumer Price Index (CPI) annually to determine whether to increase benefits to Supplemental Security Income (SSI) recipients in order to keep pace with inflation rates through a COLA. This decision and corresponding COLA amount is announced annually in late October and is effective on January 1st of the following calendar year. Given the similarity in the SSI and OAP populations, Colorado often mirrors the SSA COLA, increasing the grant standard and monthly payments among OAP recipients.

If a COLA is approved by the SSA, the State Board of Human Services (SBHS) has the constitutional authority to choose to raise (or not raise) the OAP grant standard in accordance with the SSA's action. The SBHS has the sole discretion to set the grant standard for the OAP program based on analysis of the impact and recommendation for action from the Department. As such, the SBHS could change the grant standard at any time, regardless of whether or not the SSA has approved a COLA. However, when SSA does approve a COLA, the importance of mirroring the action via benefit increases to OAP recipients is magnified by its impact to the State's Maintenance of Effort (MOE) obligation. The MOE is an obligation whereby the State is required to meet a minimum expenditure level of \$27,354,135 annually on SSI recipients as a condition of receiving its full amount of Federal Financial Participation (FFP)

for Medicaid. The penalty for non-compliance with this requirement is \$325 million quarterly and a minimum of \$1.3 billion annually. Colorado has failed to meet its MOE obligation in nine out of the last ten years. In years when the SSA COLA was not passed along to OAP recipients, this has contributed to the Department not meeting the State’s MOE obligation.

In FY 2015-16, the Joint Budget Committee approved a COLA increase of 1.7% of the grant standard payment, increasing the monthly payment by \$12 and setting the grant standard at \$771. The SSA did not pass a COLA increase in FY 2016-17 nor did the State increase the OAP grant.

This request supports two of the Department’s strategic goals: “Improving the lives of Colorado families in need by helping them to achieve economic security through meaningful work” and “Helping individuals to thrive in the community of their choice.”

Proposed Solution:

The Department of Human Services requests \$321,697 in OAP cash funds in FY 2017-18 and beyond to pass along a 0.3% COLA to OAP recipients. The COLA will result in a monthly increase of \$2 per month to OAP recipients, thereby setting the new grant standard at \$773 per month for each OAP recipient. This request does not require any increase in FTE.

Anticipated Outcomes:

By passing along a COLA to OAP recipients, the OAP grant will remain aligned with inflation and will help provide vulnerable, elderly Coloradans with needed resources to meet their daily needs. If approved by the SBHS, this increase will be effective January 1, 2017. It would result in a maximum grant of \$773.

If funds are not made available and/or the SBHS chooses not to pass along the COLA to OAP recipients, there could be negative repercussions to vulnerable seniors, most notably increased hardship among one of the State’s most vulnerable populations. By preserving recipients’ purchasing power, the Department will ensure seniors are no worse off.

Furthermore, there would be negative implications to the State’s MOE obligation. Failing to pass along the COLA would effectively reduce the amount of countable state expenditures to meet the MOE obligation. This mandated spending would need to occur in other programs, or put Colorado at risk for federal penalties.

Assumptions and Calculations:

Table 1: Long Bill Appropriation and Requested Funding for FY 2017-18 and Beyond

Line Item Cash Assistance Programs	Total Funds	General Fund	Cash Funds
FY 2016-17 Appropriation (HB 16-1405)	\$95,007,967	\$0	\$95,007,967
Requested Funding	\$321,697	\$0	\$321,697
FY 2017-18 and Beyond Total Requested Appropriation	\$95,329,664	\$0	\$95,329,664

Table 2: OAP Calculation

		FY 2017-18	FY 2018-19	Notes
A	OAP Monthly Caseload	24,371	25,343	
B	Grant Standard (Monthly)	\$771	\$773	
C	Cost of Living Adjustment	0.3%	0.0%	
D	COLA Amount (Rounded Down)	\$2.00	\$0.00	=B*C
E	New Grant Standard	\$773	\$773	=B+D
F	Months	12	12	
G	Percentage Multiplied By	55% ¹	55%	
H	Fiscal Year Cost	\$321,697 ²	\$321,697 ³	=(A*G)*D*F
<p>1 - Approximately 45% of the OAP caseload is SSI eligible. OAP recipients on SSI would receive the COLA directly from the increased SSI benefit; therefore the state only needs to budget for increase among the 55% not receiving SSI. OAP payments made to this population will contribute to the State Maintenance of Effort requirement.</p> <p>2- The FY 2017-18 funding request will impact the last six months of calendar year 2017 (the first six months of State FY 2017-18) and the first six months of calendar year 2018 (the last six months of State FY 2017-18). In the event a new COLA is passed in October of 2017 and is subsequently approved by the State Board of Human Services, the new COLA would be applicable from January 1st, 2018 – December 30th, 2018.</p> <p>3- FY2018-19 Fiscal Year Cost is dependent on a new COLA being passed in October of 2017 by the Social Security Administration, as well as the COLA being passed by the State Board of Human Services. Due to the uncertainty surrounding a new COLA being passed, the calculation does not assume an increased funding request amount.</p>				