

Schedule 13

Funding Request for the FY 2018-19 Budget Cycle

Department of Human Services

Request Title

R-12 Old Age Pension Program Cost of Living Adjustment

Dept. Approval By:

Melissa Wavelle

Supplemental FY 2017-18

Change Request FY 2018-19

OSPB Approval By:

[Signature]

Budget Amendment FY 2018-19

Summary Information	Fund	FY 2017-18		FY 2018-19	FY 2019-20	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$95,329,664	\$0	\$95,329,664	\$1,908,641	\$1,987,999
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$95,329,664	\$0	\$95,329,664	\$1,908,641	\$1,987,999
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2017-18		FY 2018-19	FY 2019-20	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$95,329,664	\$0	\$95,329,664	\$1,908,641	\$1,987,999
	FTE	0.0	0.0	0.0	0.0	0.0
10. Adult Assistance Programs, (B) Old Age Pension Program -- Cash Assistance Programs	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$95,329,664	\$0	\$95,329,664	\$1,908,641	\$1,987,999
	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 schedule 4 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 13s:	None			

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Cost and FTE

- The Department requests \$1,908,641 total funds/Old Age Pension (OAP) cash funds in FY 2018-19 and \$1,987,999 total funds/OAP cash funds in FY 2019-20 and on-going in order to fund an anticipated 1.5% Cost of Living Adjustment (COLA) to the grant award provided to OAP program participants.
- This is an increase of 2.0% over the FY 2017-18 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 adjust the OAP grant standard effective on January 1 annually.

Problem or Opportunity

- In October 2017, the SSA will announce a Supplemental Security Income COLA. The new COLA amount is subject to the Maintenance of Effort (MOE) requirement that requires a minimum State expenditure level of \$27,575,059 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 the approved COLA 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.
- 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 \$1,908,641 total funds/OAP cash funds to pass along a 1.5% COLA to OAP eligible recipients, pending approval by the SBHS.
- The FY 2018-19 COLA monthly increase will be \$12, setting the grant standard to \$785 per month.
- This supports the Department's strategic policy initiative of helping individuals thrive in their own community.

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COLORADO

Department of Human Services

John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

FY 2018-19 Funding Request | November 1, 2017

Department Priority: R-12

Request Detail: Old Age Pension Program Cost of Living Adjustment

Summary of Incremental Funding Change for FY 2018-19	Total Funds	FTE	Cash Funds
Old Age Pension Program Cost of Living Adjustment	\$1,908,641	0.0	\$1,908,641
Summary of Incremental Funding Change for FY 2019-20	Total Funds	FTE	Cash Fund
Old Age Pension Program Cost of Living Adjustment	\$1,987,999	0.0	\$1,987,999

Problem or Opportunity:

The Department of Human Services request \$1,908,641 in total funds/OAP cash funds spending authority in FY 2018-19 to provide a 1.5% Cost of Living Adjustment for the Old Age Pension Program (OAP). According to the State Demographer, the official poverty rate for seniors in Colorado is about 1% higher than that of the general population. The Supplemental Poverty Rate indicates a wider gap, whereby seniors are almost twice as likely to be poorer 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. The number of seniors in Colorado is growing faster than the overall State population.

As such, the Old Age Pension program is designed to mitigate the effects of poverty among vulnerable Coloradans, over age 60, via cash benefits. Currently, the maximum OAP grant is \$773. For many seniors, OAP funds are their primary source of disposable 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 this effect, the Social Security Administration (SSA) reviews the Consumer Price Index annually to determine whether to increase benefits to Supplemental Security Income (SSI) recipients in

order to keep pace with inflation rates through a Cost of Living Adjustment (COLA). The SSA announces its COLA decision and corresponding amount in late October to be effective on January 1st of the following calendar year. Given the similarity in the SSI and OAP populations, Colorado typically mirrors the 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 Old Age Pension (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 program participants is magnified by its impact to the State's Maintenance of Effort (MOE) obligation whereby the State is required to meet a specific minimum expenditure level – \$27,419,920 each calendar year – on Supplemental Security Income (SSI) recipients as a condition of receiving its full amount of Federal Financial Participation (FFP) for Medicaid. The penalty for non-compliance is equal to at least \$325 million quarterly and at least \$1.3 billion annually. Colorado 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 expenditure benchmark.

In FY 2016-17, the Joint Budget Committee approved a COLA increase of 0.3% of the grant standard payment, consistent with the SSA's increase, increasing the monthly payment by \$2 and setting the grant standard at \$773. As anticipated in the July 2017 SSA Trustees' report, the SSA is expected to announce a COLA of as high as 2.2% in October 2017 to be effective on January 1, 2018. As a more conservative estimate, given the previous low COLAs, this proposal calculates the impact of an OAP COLA of 1.5% in FY 2018-19 and beyond.

This increase to OAP goes directly to participants as cash benefits to assist vulnerable seniors with daily living expenses. As such, 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" and "Helping individuals to thrive in their community."

Proposed Solution:

The Department of Human Services requests \$1,908,641 total funds/OAP cash funds in FY 2018-19 and beyond to pass the anticipated COLA along to OAP recipients, pending approval of the COLA by the SSA and subsequent approval by the SBHS. The COLA will result in a 1.5% monthly increase (\$12 per month) to vulnerable seniors. This request will be amended if the actual COLA amount is higher or lower than anticipated. 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, 2018; it would result in a maximum grant of \$785 which is approximately 80% of the 2016 federal poverty level.

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 prominently failing to reduce 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, not making funds available to pass a COLA to OAP participants would create 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. The penalty for not meeting MOE obligations is at least one quarter (\$325 million) of the State's federal annual Medicaid funding.

Assumptions and Calculations:

The following calculations in Table 1 are based on the assumption that the SSA will announce a COLA of 1.5% in October 2017. The table below makes the following assumptions: 1) the SBHS will approve the COLA for OAP recipients for the same percentage as SSA, and 2) SBHS approval will be effective January 1, 2018 and the full annual increase would be in FY 2018-19. The OAP grant standard will be increased by \$12. The COLA for SSI recipients (45% of the caseload) will be funded by SSI benefit. The COLA for OAP only recipients (55% of caseload) will be funded by this request.

Table 1: Old Age Pension Projection Calculation				
		FY 2018-19	FY 2019-20	Source
A.	OAP Monthly Caseload	24,099	25,101	COGNOS
B.	Grant Standard (Monthly)	\$773	\$773	COGNOS
C.	Cost of Living Adjustment (1.5%) Monthly Increase	\$12	\$12	Row B * 0.015
D.	OAP Annual COLA	\$3,470,256	\$3,614,544	Row C*12*A
E.	Caseload OAP Only (COLA not paid by SSA)	55%	55%	COGNOS
F.	Fiscal Year Cost	\$1,908,641	\$1,987,999	Row D*0.45

Table 2 illustrates the Long Bill appropriation and requested funding for FY 2018-19 and beyond

Table 2: Long Bill Appropriation and Requested Funding for FY 2018-19 Through FY 2020-21			
Line Item: (10) Adult Assistance Programs (B) Old Age Pension Program	Total Funds	General Fund	Cash Funds
FY 2017-18 Appropriation (SB 17-254)	\$95,329,664	\$0	\$95,329,664
Requested Funding (or Spending Authority)	\$1,908,641	\$0	\$1,908,641
FY 2018-19 Total Requested Appropriation	\$97,238,305	\$0	\$97,238,305
FY 2019-20 Annualization of Prior Year Funding	\$79,358	\$0	\$79,358
FY 2019-2020 Total Requested Appropriation	\$97,317,663	\$0	\$97,317,663
FY 2020-2021 Total Requested Appropriation	\$97,317,663	\$0	\$97,317,663