

## Schedule 13

### Department of Human Services

#### Funding Request for The FY 2019-20 Budget Cycle

Request Title

**R-09 Colorado Works Basic Cash Assistance COLA**

Dept. Approval By: Melissa Wavell

Supplemental FY 2018-19

OSPB Approval By: [Signature]

Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$150,548,087	\$0	\$150,548,087	\$1,171,848	\$1,189,426
	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	\$22,349,730	\$0	\$22,349,730	\$173,135	\$175,732
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$128,198,357	\$0	\$128,198,357	\$998,713	\$1,013,694

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$150,548,087	\$0	\$150,548,087	\$1,171,848	\$1,189,426
	FTE	0.0	0.0	0.0	0.0	0.0
07. Office of Self Sufficiency, (B) Colorado Works Program, (1) Colorado Works Program - County Block Grants	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$22,349,730	\$0	\$22,349,730	\$173,135	\$175,732
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$128,198,357	\$0	\$128,198,357	\$998,713	\$1,013,694

#### Auxiliary Data

Requires Legislation? YES

Type of Request? Department of Human Services  
Prioritized Request

Interagency Approval or  
Related Schedule 13s:

No Other Agency Impact

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### ***Cost and FTE***

- The Department requests \$1,171,848 total funds, including \$173,135 local cash funds and \$998,713 federal Temporary Assistance for Needy Families (TANF) funds in FY 2019-20 and \$1,189,426 total funds, including \$175,732 local cash funds and \$1,013,694 federal TANF funds in FY 2020-21 with an anticipated annual 1.5% increase ongoing.
- This request represents a 0.8% increase over the FY 2018-19 appropriation.

### ***Current Program***

- The Colorado Works/TANF program provides cash assistance, education, training, and work assistance to low-income families to help them become self-sufficient.
- Program components are delivered by county departments of human/social services. Performance is measured by participant engagement in work activities and employment entry.
- The State Board of Human Services (SBHS) has authority to raise the Colorado Works Basic Cash Assistance grant standard, based on the appropriation.

### ***Problem or Opportunity***

- On average, a single-parent family with two children receives a maximum Colorado Works Basic Cash Assistance (BCA) payment of \$508/month.
- The value of the cash assistance benefits has eroded over time, as it has not been adjusted for inflation or cost of living increases.
- Since the Colorado Works program was established in 1997, the purchasing power of Colorado's BCA has decreased 35% because the grant amount has not kept pace with inflation.

### ***Consequences of Problem***

- Monthly income of \$508 is inadequate for raising two children in Colorado today. Families with this level of income live at about 29.3% of the Federal Poverty Guideline and struggle to meet their basic needs.

### ***Proposed Solution***

- The funding will be used to implement a Colorado Works Basic Cash Assistance (BCA) annual cost of living adjustment (COLA). A 1.5% COLA, or the Social Security Administration's (SSA) announced COLA, whichever is lower, will be applied to Basic Cash Assistance benefits.
- The Department has determined that the TANF Long Term Works Reserve (LTR) needs to contain a minimum of \$33.9 million (one quarter of the annual federal block grant) to maintain program stability. Any year when the TANF LTR year-end balance is projected to dip below \$33.9 million, the COLA increase would not be implemented.

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# COLORADO

## Department of Human Services

John W. Hickenlooper  
Governor

Reggie Bicha  
Executive Director

FY 2019-20 Funding Request | November 1, 2018

**Department Priority:** R-09

**Request Detail:** Colorado Works Basic Cash Assistance COLA

Summary of Incremental Funding Change for FY 2019-20	Total Funds	FTE	Cash Funds	Federal Funds
Colorado Works Basic Cash Assistance Cost of Living Adjustment	\$1,171,848	0.0	\$173,135	\$998,713
Summary of Incremental Funding Change for FY 2020-21	Total Funds	FTE	Cash Funds	Federal Funds
Colorado Works Basic Cash Assistance Cost of Living Adjustment	\$1,189,426	0.0	\$175,732	\$1,013,694

### **Problem or Opportunity:**

The Department requests \$1,171,848 total funds, including \$173,135 local cash funds and \$998,713 federal Temporary Assistance for Needy Families (TANF) funds in FY 2019-20 and \$1,189,426 total funds, including \$175,732 local cash funds and \$1,013,694 federal TANF funds in FY 2020-21 and ongoing with a projected annual increase of 1.5%. The funding will be used to implement a Colorado Works Basic Cash Assistance (BCA) annual cost of living adjustment (COLA).

Colorado Works is the State's Temporary Assistance for Needy Families (TANF) program. It provides cash assistance and employment services to about 17,000 of Colorado's neediest families monthly. The value of the program's cash assistance benefits has eroded over time, as benefits have not adjusted for inflation or cost of living increases. Since the Colorado Works program was established in 1997, the purchasing power of Colorado's Basic Cash Assistance (BCA) grant has decreased 35%.

In June 2018, the State Board of Human Services (SBHS) approved a 10% increase to Colorado Works Basic Cash Assistance (BCA) payments. The increase took effect in September 2018. During the SBHS' deliberations, all parties, including both those who opposed and supported the increase, expressed concern that BCA increases had not been proposed in the last ten years. Some questioned whether an annual or

biannual update would be more appropriate. The Department has considered this suggestion, as it has reviewed options to continue to address the needs of some of Colorado's most financially vulnerable families.

Even after the recent benefit increase, the \$508 benefit received by a one-parent family with two children is still woefully inadequate, putting the family's income at about 29.3% of the Federal Poverty Guideline<sup>1</sup>. For a large majority of the families receiving Basic Cash Assistance, that benefit is the family's only source of cash income. The Colorado Center on Law & Policy estimates that families need more than \$2,700<sup>2</sup> monthly to cover housing, child care, food, health care, transportation, personal care and clothing, and miscellaneous expenses (e.g. school supplies)<sup>3</sup>.

Since 1997, the value of the Colorado Works benefit has decreased by 14.9% in inflation-adjusted dollars, while costs have continued to rise. According to the U.S. Department of Housing, in 1996, BCA was approximately 62% of fair market rents in Colorado. By 2000, BCA reflected 56% of fair market rents, and as of 2017, it would only cover 40% of rent costs. Child care costs in 2016 were typically more than \$6,000 annually and could be \$17,000 or more. For comparison, over the same time period (1997 to 2017), the hourly minimum wage in Colorado has increased 140%, from \$4.25 to \$10.20. Even when paired with Supplemental Nutrition Assistance Program (SNAP) benefits, families receiving Colorado Works BCA still struggle to meet their basic needs.

Families' ability to have income to meet their basic needs matters for both short- and long-term outcomes among parents and children. Growing evidence shows that low income can have lasting adverse effects on children, and that increasing family income can help poor children catch up in educational, behavioral, and health outcomes<sup>4</sup>. Years of accumulated evidence supports the notion that alleviating childhood poverty has long-term benefits on their academic achievement, health, and adult earning power<sup>5</sup>. Furthermore, increased household income may also increase a parent's likelihood to retain a job<sup>6</sup> once employed. Currently, only about half of those who leave Colorado Works with employment continue to be employed one year later<sup>7</sup>.

#### ***Proposed Solution:***

The Department requests \$1,171,848 total funds, including \$173,135 local cash funds and \$998,713 federal TANF funds in FY 2019-20 and \$1,189,426 total funds, including \$175,732 local cash funds and

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<sup>1</sup> <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html> \$508/\$1,645=30.9%

<sup>2</sup> This depends on where a family lives, family size, children's ages, and more. \$2,700 would cover costs for a family with one adult, one preschooler, and one school-age child living in Bent County, a relatively inexpensive Colorado location.

<sup>3</sup> Pearce, Diana. [The Self-Sufficiency Standard for Colorado 2015](#). The Colorado Center on Law and Policy. Published June 2015. Accessed August 3, 2018.

<sup>4</sup> [https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over#\\_ednref9](https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over#_ednref9)

<sup>5</sup> Sherman, Arloc and Mitchell, Tazra. Economic Security Programs Health Low-Income Children Succeed Over Long Term, Many Studies Find. Center on Budget and Policy Priorities. Published July 17, 2017. Accessed August 1, 2017.

<sup>6</sup> <https://www.mdrc.org/publication/improving-employment-and-earnings-tanf-recipients>

<sup>7</sup> Internal analysis

\$1,013,694 federal TANF funds in FY 2020-21 and ongoing with an annual increase. The funding will be used to implement a Colorado Works Basic Cash Assistance annual cost of living adjustment (COLA) of 1.5% in FY 2019-20. In future years, a 1.5% COLA, or the Social Security Administration's (SSA) announced COLA, whichever is lower, will be applied to Basic Cash Assistance benefits.

The State Board of Human Services (SBHS) has the authority to raise the Colorado Works Basic Cash Assistance grant standard based on the appropriation and projected caseload.

### **Increase the Basic Cash Assistance Amount Annually**

Applying a Colorado Works Basic Cash Assistance COLA will mean that inflation is not draining value from a family's benefits. The annual benefit increase is intended to reflect the increasing cost of living during a one-year period.

The concept of an annual cost of living adjustment was established by the SSA more than forty years ago to ensure that the purchasing power of Social Security and Supplemental Security Income (SSI) benefits is not eroded by inflation. It is based on the percentage increase in the Consumer Price Index from the third quarter of the last year a COLA was determined to the third quarter of the current year. If the cost of living does not increase, there is no COLA. The SSA announces its COLA annually in October and implements it in January.

The Department proposes to model the COLA process to stabilize the purchasing power of TANF Basic Cash Assistance. In the Department's COLA process, the Colorado Works grant standard would increase 1.5% annually, pending approval by the State Board for Human Services (SBHS). However, in years when the SSA COLA is less than 1.5%, the actual COLA amount will be applied. The SBHS has the authority to set the grant standard for the Colorado Works 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. Applying a 1.5% COLA in FY 2019-20 translates to \$8 per month for a three-person, single parent family. This request does not require any increase in FTE.

The Department has determined that the TANF Long Term Works Reserve (LTR) needs to contain a minimum of \$33.9 million (one quarter of the annual federal block grant) to maintain program stability in case of a government shut down or during an unprecedented downturn in the economy. This minimum LTR balance would act as a trigger to halt the annual BCA COLA increase. Any year when the TANF LTR year-end balance is projected to dip below \$33.9 million, the COLA increase would not be implemented.

### **Precedent**

A number of healthcare and public benefits programs that serve families and individuals living in poverty are adjusted for inflation. Medicaid and Medicare are indexed to the SSA COLA. Colorado's Old Age Pension (OAP) program is also indexed to the SSA COLA. The Supplemental Nutrition Assistance Program (SNAP) benefit amounts are also adjusted annually, based on a COLA.

## **Impact on Families in Poverty in Colorado**

An annual COLA adjustment would halt the erosion of Colorado Works benefits for the State's poorest families. As Table 1 illustrates, the proposed annual increase (estimated at 1.5% in FY 2019-20 and in future years) for a family's Colorado Works BCA is relatively small, yet this policy change recognizes and addresses the compounding effect of benefit erosion over decades.

A COLA would have no impact on county workload and would be fully funded by this request. This proposal addresses all concerns expressed at the June 2018 State Board of Human Services rule-making session regarding addressing the value of the Basic Cash Assistance grant more frequently. Moreover, a 1.5% COLA increase is affordable. Using the proposed amount, the Department's Long Term Works Reserve (LTR) is still expected to increase by about \$500,000 annually. Families receiving other program benefits, such as SNAP, would have a slight reduction in the family's allotment to reflect the BCA increase. However, the family would still have an overall net increase in total benefits for the family.

### ***Anticipated Outcomes:***

#### **Implementation Timeline**

Providing a COLA to Colorado Works recipients will ensure that BCA not be eroded by inflation. The increase will help provide financially vulnerable Colorado families with needed resources to meet their daily needs, reducing hardship among parents and children. If approved by the SBHS, this COLA increase will be effective on July 1, 2019. The maximum BCA grant for a single parent family with two children would increase by \$8/month, to \$516, approximately 29.8% of the 2017 Federal Poverty Guideline (FPG). Implementing an annual COLA will ensure that the purchasing power of the Colorado Works grant does not erode over time. While the FPG is expected to increase in January 2019, applying a COLA will ensure that the BCA benefit will remain close to 29.3% of FPG over time as it adjusts annually.

If TANF funds are not made available and/or the SBHS chooses not to pass along a COLA to Colorado Works recipients, neither short- nor long-term outcomes would improve among financially vulnerable parents and children. By preserving recipients' purchasing power, the Department will ensure families do not fare worse than when they apply for benefits.

Many years of accumulated evidence supports the notion that alleviating childhood poverty has long-term benefits on children's academic achievement, health, and adult earning power. With increased income, parents can better support their children and themselves while continuing to work towards sustainable employment.

### ***Assumptions and Calculations:***

The actual COLA amount would be adjusted annually, by either 1.5% or the SSA COLA announced annually in October, whichever is less. For FY 2019-20 and ongoing, these projections use an anticipated 1.5% increase. Table 1 illustrates the expenditure projection from FY 2018-19 to FY 2022-23.



**Table 1: SSA COLA Increase**

	Fiscal Year	FY 2018-19 (Current)	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
A	Previous Fiscal Year BCA Expenditures		\$78,123,228	\$79,295,076	\$80,484,502	\$81,691,769
B	COLA Increase (row A x 1.5%)		\$1,171,848	\$1,189,426	\$1,207,267	\$1,225,376
C	Benefit Amount (3-person, single-parent family)	\$508	\$516	\$523	\$531	\$539
D	Total BCA Expenditures (row A + row B)	\$78,123,228	\$79,295,076	\$80,484,502	\$81,691,769	\$82,917,145

Table 2 shows the projected TANF Long term Reserve (LTR) balance from FY 2018-19 to FY 2022-23. Based on the updated TANF LTR projections, the Department estimates the ending FY 2017-18 balance to be \$103.3 million, after adding FY 2018-19 expenditures for Child Care of \$1.5 million, Child Welfare of \$6.8 million, and implementing HB18-1306 related to Foster Care for \$2.2 million. The current budget for FY 2018-19 projects a \$95.0 million reserve balance. Of this balance, approximately \$35 million is designated for program planning and implementation, and leaves \$61.1 million available for appropriation. The TANF LTR projection does not currently reflect any budget requests proposed for FY 2019-20.

**Table 2: State Long Term Works Reserve Estimated Impact**

Fiscal Year	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Beginning balance	\$103,345,372	\$94,952,343	\$91,478,654	\$86,815,539	\$80,945,157
Grants	\$148,056,690	\$148,056,690	\$148,056,690	\$148,056,690	\$148,056,690
Current Appropriations	\$156,449,719	\$150,358,531	\$151,530,379	\$152,719,805	\$153,927,072
Proposed Additional Appropriation	\$ -	\$1,171,848	\$1,189,426	\$1,207,267	\$1,225,376
Ending balance (projected)	\$94,952,343	\$91,478,654	\$86,815,539	\$80,945,157	\$73,849,399

\*\* Assumes entire amount is TANF-funded (no county or General Fund contribution).

\*\*\* An ending balance less than \$33.9 million will trigger the COLA to halt in order to maintain program solvency.

Table 3 illustrates the Long Bill appropriation and requested funding for FY 2019-20 and beyond.

Table 3: Long Bill Appropriation and Requested Funding for FY 2019-20 Through FY 2021-22							
County Block Grants	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE	Notes
FY 2018-19 Appropriation (HB 18-1322)	\$150,548,087	\$0	\$22,349,730	\$0	\$128,198,357	0.0	Enter FY 2018-19 Appropriation Amount
Requested Funding (or Spending Authority)	\$1,171,848	\$0	\$173,135	\$0	\$998,713	0.00	
<b>FY 2019-20 Total Requested Appropriation</b>	<b>\$151,719,935</b>	<b>\$0</b>	<b>\$22,522,865</b>	<b>\$0</b>	<b>\$129,197,070</b>	<b>0.0</b>	
FY 2020-21 Annualization of Prior Year Funding	\$17,578	\$0	\$2,597	\$0	\$14,981	0.00	
<b>FY 2020-21 Total Requested Appropriation</b>	<b>\$151,737,513</b>	<b>\$0</b>	<b>\$22,525,462</b>	<b>\$0</b>	<b>\$129,212,051</b>	<b>0.0</b>	
FY 2021-22 Annualization of Prior Year Funding	\$17,841	\$0	\$2,636	\$0	\$15,205		
<b>FY 2021-2022 Total Requested Appropriation</b>	<b>\$151,737,513</b>	<b>\$0</b>	<b>\$22,525,462</b>	<b>\$0</b>	<b>\$129,212,051</b>	<b>0.0</b>	