

JOINT BUDGET COMMITTEE BILL**SUMMARY OF H.B. 09-1215:****CONCERNING THE CREATION OF A STABILIZATION FUND TO ASSIST WITH THE STATE'S EFFORTS TO MEET THE FEDERAL MAINTENANCE OF EFFORT REQUIREMENTS FOR THE STATE SUPPLEMENTAL SECURITY INCOME PROGRAM**

Prime Sponsors: Representative Ferrandino and Senator Tapia

Bill Summary

This bill authorizes creates a stabilization fund for the purpose of stabilizing the source of funding used for programs that contribute to the State's federal maintenance of effort requirement on benefits paid to persons receiving federal Supplemental Security Income. Failure to meet the maintenance of effort target puts the State at risk of large federal sanctions.

Specifically, this bill makes the following changes:

- Section 1 creates the fund and establishes the terms for its operation. This section: creates the fund; defines the sources of revenue for the fund; continuously appropriates the monies in the fund to the Department of Human Services; establishes a cap on the amount of monies which may remain in the fund at the end of the fiscal year; and specifies that monies above that cap are to be transferred to the General Fund. The Department is required to submit an annual report to the Joint Budget Committee concerning any expenditures from the fund.
- Section 2 is a safety clause, so that creation and use of the fund may commence with the beginning of the new fiscal year.

Fiscal Impact

This bill allows excess recoveries (described below) to be transferred to the stabilization fund rather than the General Fund. The annual amount of excess recoveries may vary considerably, from zero to several tens of thousands of dollars. The General Assembly may also choose to appropriate other monies to the stabilization fund. The bill currently does not include an appropriations clause.

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Background Information

Colorado is required to meet a federal maintenance of effort (MOE) target with respect to its spending of state monies on individuals residing in the state who have qualified for federal Supplemental Security Income (SSI) benefits. The MOE spending is measured on a calendar year basis. The current target is \$28.9 million. The State has had considerable difficulty meeting the MOE target for the past several years. Failure to meet the MOE target may result in serious federal sanctions; the minimum sanction is the loss of three months' of federal Medicaid matching funds.

The combination of the calendar-year measurement and fiscal-year funding often puts the Department in a difficult position. The Department can be forced to increase spending during the July-December period as it tries to meet the federal requirement, then decrease spending for January-June in order to stay within its appropriation. This can lead to increases and decreases in benefit levels that seem erratic and arbitrary to recipients. In addition, decreased spending during January-June can make it more difficult to increase spending by enough in the second half of the calendar year to meet the target. In addition, the difficulties that occur in the July-December period occur while the General Assembly is not in session, so appropriations adjustments are difficult.

The stabilization fund is intended to provide a modest amount of money which can be tapped quickly, if necessary, in order to allow the Department to make adjustments. In order to provide the greatest flexibility, the funds may be spent on any program which contributes towards the MOE. The fund is continuously appropriated, so the full amount is available. The cap on the fund balance at the end of the fiscal year counterbalances the continuous appropriation by generally limiting how much can be spent in any given year. In addition, the Department is required to provide an annual report on any use of the fund.

Persons who apply for the Colorado Aid to the Needy Disabled - State Only program are required to apply for SSI as well. State payments begin immediately, while the federal application is being processed. When an individual is accepted for SSI, benefits are paid back to the time of application, and the state is reimbursed for its payments during that time. The Long Bill makes an appropriation of these "recoveries" each year based on estimates. Excess recoveries occur when the state receives more recovery monies than were appropriated. These funds, and any other appropriations made by the General Assembly, will be deposited in the stabilization fund for the purposes described.