

**STATE and LOCAL
REVISED FISCAL IMPACT**

(replaces fiscal note dated April 23, 2014)

Drafting Number: LLS 14-0155
Prime Sponsor(s): Sen. Kefalas
Rep. Exum

Date: May 2, 2014
Bill Status: House Second Reading
Fiscal Analyst: Bill Zepernick (303-866-4777)

SHORT TITLE: AID TO THE NEEDY DISABLED PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	\$0	\$450,000
<i>Revenue Change</i>		
Cash Funds	0	450,000
<i>State Transfers</i>		
General Fund	Potential reduction	Potential reduction.
State Expenditures	\$1,495,144	\$1,662,640
General Fund	1,240,067	1,379,491
Cash Funds	247,380	283,149
Federal Funds	7,697	
FTE Position Change		
Appropriation Required: \$1.5 million - Multiple agencies (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

The reengrossed bill, as amended by the House Finance Committee and House Appropriations Committee, requires the Department of Human Services (DHS) to increase the monthly benefit amount for Aid to the Needy and Disabled (AND) program by 8 percent in FY 2014-15. From FY 2015-16 to FY 2018-19, subject to available appropriations, the DHS is encouraged to increase the monthly award until it is equal to the award level in FY 2006-07, and then to increase the award to account for cost of living in future years. The bill also allows the DHS to promulgate rules permitting counties to waive the requirement that AND applicants first submit a federal Supplemental Security Income (SSI) application. This requirement may be waived for specified period of time in order to give applicants more time to submit a complete and through SSI application. The bill also increases the cap on funds that may be held in the SSI Stabilization Fund to 20 percent of the annual appropriations for the AND program from the current cap of \$1.5 million.

The bill also creates the Federal Supplemental Security Income Application Assistance Pilot Program in the DHS. The pilot program will provide assistance to SSI applicants in order to increase the approval rate and timeliness of federal SSI applications. The DHS must contract for and implement the pilot program by October 1, 2014.

Background

The AND program provides assistance payments to low-income Colorado residents from ages 18 to 59 who have been medically certified as disabled and are unable to work for a period of at least six months. The current monthly AND payment is \$175 per month, which may be offset by other income or benefits received by the recipient. If a person on AND is found to be permanently disabled and later deemed eligible for federal SSI benefits, the state is retroactively reimbursed for any state payments made to the person under the AND program.

State Revenue

The bill is estimated to increase cash fund revenue to the DHS by **approximately \$450,000 per year beginning in FY 2015-16**. This revenue is from increased federal interim assistance reimbursement for providing AND to persons ultimately determined eligible for SSI benefits. This increase includes \$310,000 from raising the monthly payment under AND and \$140,000 from the pilot program raising the success rate of SSI applications from populations that currently have low approval rates.

Assumptions. The increases in federal reimbursement is based on the assumption that:

- federal reimbursement after approval for SSI occurs in the fiscal year following the year in which the original AND payments are made;
- for the general AND population, the state will be reimbursed for 25 percent of the \$1.2 million in increased AND payments made under the bill, based on the historical rate of reimbursement under the program; and
- the SSI application assistance pilot program will serve 150 clients, receiving AND for the whole year, for whom the reimbursement rate is increased from 10 percent to 50 percent.

It should be noted that the actual timing and level of reimbursements may vary from this estimate. Federal approval for SSI payments, upon which reimbursement is based, can vary greatly depending on the specifics of an individual application. In addition, federal reimbursements may potentially increase by allowing more time for applicants to submit a thorough and complete application for SSI, if doing so ultimately results in more SSI approvals.

Use of revenue. Revenue is assumed to be deposited to the SSI Stabilization Fund, or, at the discretion of the General Assembly, used to offset the state and local costs of the AND program. For the last several fiscal years, \$2.3 million in federal reimbursements per year has been earmarked in the Long Bill to pay a portion of the costs of the AND grant program. Any excess reimbursement and recoveries above this amount are deposited into the SSI Stabilization Cash Fund, which is continuously appropriated to the DHS to fund programs that meet the state's maintenance of effort requirements under the federal SSI program.

State transfers. By increasing the statutory cap on funds that may be held in the SSI Stabilization Fund from \$1.5 million to 20 percent of the annual appropriation to the AND program, the bill decreases the likelihood that moneys from the SSI Stabilization Fund will spill over into the General Fund. Based on expected appropriations for AND, the SSI Stabilization Fund may hold up to \$3.5 million (20 percent of \$17.5 million). Under the existing cap, money have not been transferred to the General Fund on a regular basis (once in the last five years), so the change is not expected to have a significant impact on General Fund transfers.

State Expenditures

The bill increases costs, primarily in the DHS, by **\$1,495,144 in FY 2014-15 and \$1,662,640 in FY 2015-16**. These costs are summarized in Table 1 and the discussion below.

Cost Components	FY 2014-15	FY 2015-16
Increased AND Payments	\$1,234,483	\$1,415,743
SSI Application Assistance Pilot Program	246,897	246,897
Information Technology Costs (CBMS)	13,764	0
<u>TOTAL</u>	<u>\$1,495,144</u>	<u>\$1,662,640</u>
General Fund	1,240,067	1,379,491
Cash Funds	247,380	283,149
Federal Funds	7,697	0

Assumptions. In calculating the increased AND payment costs, it is assumed that:

- the current average AND payment is \$175 per month, which increases by \$14.00 to \$189 in FY 2014-15;
- the AND award in FY 2015-16 will remain at \$189 and any additional increase beyond this amount will be addressed through the annual budget process; and
- average monthly AND caseload is 8,016 for the 11 months in FY 2014-15 following the effective date of the bill and 8,427 for all of 2015-16.

Increased AND payments. The DHS will have increased costs of \$1.2 million in FY 2014-15 and \$1.4 million in FY 2015-16 to provide increased AND payments under the bill. AND payments are made with 80 percent General Fund and 20 percent cash funds (local matching funds), thus the costs includes \$1.0 million General Fund in the first year and \$1.1 million in the second year. Table 2 illustrates the estimated impact of the required increase in AND payments.

Cost Components	FY 2014-15	FY 2015-16
Average Monthly Caseload	8,016	8,427
Increase in Monthly AND Payment	\$14.00	\$14.00
Months	11	12
TOTAL	\$1,234,483	\$1,415,743

Federal SSI Application Assistance Pilot Program. The bill creates a pilot program to assist AND recipients apply for federal SSI assistance. The goal of the program is increase approval rates and subsequent federal reimbursement for AND costs. The fiscal note assumes that the pilot program will operate in three counties at a cost of \$246,897 per year for two years. In addition to the revenue impact of the pilot program, to the extent the pilot program improves the timeliness and success of applications for SSI, it may also decrease AND expenditures by shifting clients from AND to SSI. This potential caseload impact of the pilot program has not been estimated in the fiscal note and will be addressed through the annual budget process.

Information technology costs (CBMS). The bill results in one-time cost of \$13,764 in FY 2014-15 in the Governor's Office of Information Technology (OIT) for system changes to the Colorado Benefit Management System (CBMS). These changes will require 111 hours of staff time at the standard rate of \$124 per hour. Specifically, the changes will update the maximum AND award and the corresponding income eligibility level for AND, which by rule is linked to the size of the maximum grant. It is assumed that future updates to the AND payment amount due to changes in the federal poverty guidelines can be accomplished within existing resources once the initial system change is made.

Local Government Impact

The bill increases costs to counties statewide by \$246,897 in FY 2014-15 and \$283,149 in FY 2015-16. This increase represents the local share of the AND payment increase under the bill. Costs to individual counties will vary by population and the number of AND recipients in each county. Correspondingly, county costs for AND benefits could be offset in the future from additional federal reimbursement for AND clients who are found eligible for SSI benefits, as discussed in the State Revenue section.

Effective Date

The bill takes effect on August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State Appropriations

The bill requires the following appropriations for FY 2014-15:

- \$1,234,483 to the DHS for AND payments, including \$987,586 from the General Fund and \$246,897 from cash funds (local funds);
- \$246,897 General Fund to the DHS for the Federal SSI Application Assistance Pilot Program;
- \$4,697 to the Department of Health Care Policy and Financing for CBMS, the whole amount of which is to be reappropriated to the DHS and includes \$2,301 General Fund, \$29 from the Children's Basic Health Plan Trust, \$12 from the Old Age Pension Health and Medical Cash Fund, and \$2,355 from federal funds;
- \$13,764 to the DHS for CBMS, the whole amount of which is reappropriated to the OIT and includes \$3,283 General Fund, \$442 from the Old Age Pension Fund, \$4,697 from reappropriated funds, and \$5,342 from federal funds; and
- \$13,764 to the OIT for CBMS, consisting of reappropriated funds.

State and Local Government Contacts

Human Services
Law

Office of Information Technology
Counties