

**STATE and LOCAL
FISCAL IMPACT**

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

Date: January 23, 2014
Bill Status: Senate Health and Human Services
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SHORT TITLE: AID TO THE NEEDY DISABLED PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		\$2,100,000
Cash Funds		\$2,100,000
State Expenditures	\$8,525,124	\$9,865,440
General Fund	6,814,672	7,892,352
Cash Funds	1,702,755	1,973,088
Federal Funds	7,697	0
FTE Position Change		
Appropriation Required: \$8.5 million - Multiple agencies (FY 2014-15)		

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

Summary of Legislation

The bill, recommended by the **Economic Opportunity Poverty Reduction Task Force**, requires the Department of Human Services (DHS) to set the monthly assistance payment under the Aid to the Needy Disabled (AND) Program to be equal to at least 28 percent of the federal poverty guidelines for a household of one. The assistance payment is to be set in rule and updated annually. The bill also specifies that state program rules must require AND applicants and recipients who may be eligible for other state or federal benefits to apply for and accept any such benefits.

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 Supplemental Security Income (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 \$2.1 million per year beginning in FY 2015-16. This revenue is from increased federal interim assistance reimbursement for covering persons ultimately determined eligible for SSI benefits, the costs of which are increased by this bill.

Assumptions. The \$2.1 million increase in federal reimbursement is based on the assumption that:

- the state is reimbursed for 25 percent of the \$8.5 million in increased AND payments made under the bill, based on the historical rate of reimbursement under the program; and
- reimbursement occurs in the fiscal year following the year in which the payments were made.

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.

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 Expenditures

The bill increases costs, primarily in the DHS, by \$8,525,124 in FY 2014-15 and by \$9,865,440 in FY 2015-16. These costs are summarized in Table 1 and the discussion below.

Table 1. Expenditures Under SB 14-012		
Cost Components	FY 2014-15	FY 2015-16
Increased AND Payments	\$8,511,360	\$9,865,440
Information Technology Costs (CBMS)	13,764	0
<u>TOTAL</u>	<u>\$8,525,124</u>	<u>\$9,865,440</u>
General Fund	6,814,672	7,892,352
Cash Funds	1,702,755	1,973,088
Federal Funds	7,697	0

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

- 28 percent of the federal poverty guidelines for a household of one is equal to \$268 per month, based on the 2013 guidelines;
- the current average AND payment is \$175 per month;
- AND payments increase by \$93 per month (\$268 - \$175 = \$93) under the bill;
- average monthly AND caseload is 8,320 for the 11 months in FY 2014-15 following the effective date of the bill and 8,840 for all of FY 2015-16;
- the requirement that AND applicants apply for and accept other forms of assistance will not have a significant impact on caseload or award amount;
- any future increases in AND payments because of changes to the federal poverty guidelines will be addressed through the annual budget process.

Increased AND payments. The DHS will have increased costs of \$8,511,360 in FY 2014-15 and \$9,865,440 million in FY 2015-16 to cover the increased AND payment under the bill. AND payments are made with 80 percent General Fund and 20 percent cash funds (local matching funds), thus the costs includes \$6.8 million General Fund in the first year and \$7.9 million in the second year. Table 2 illustrates the estimated impact of raising the AND payment by \$93 per month.

Table 2. Increased AND Payments under SB 14-012		
Cost Components	FY 2014-15	FY 2015-16
Average Monthly Caseload	8,320	8,840
Increase in Monthly AND Payment	\$93	\$93
Months	11	12
TOTAL	\$8,511,360	\$9,865,440

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 \$1.7 million in FY 2014-15 and \$2.0 million 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, counties 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:

- **\$8,511,360 to the DHS for AND payments**, including \$6,809,088 from the General Fund and \$1,702,272 from cash funds (local funds);
- **\$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