

*Colorado Legislative Council Staff Fiscal Note*

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 15-0923  
**Prime Sponsor(s):** Rep. Moreno

**Date:** April 13, 2015  
**Bill Status:** House Public Health Care and Human Services  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**BILL TOPIC:** LIFELINE BENEFITS PROGRAM FOR DISCOUNT WIRELESS SERVICE

<b>Fiscal Impact Summary*</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
<b>State Revenue</b> Cash Funds	Minimal gifts, grants, and donations. See State Revenue section.	
<b>State Expenditures</b>	<b><u>\$1,098,023</u></b>	<b><u>\$1,840,626</u></b>
General Fund	1,098,023	1,840,626
Cash Funds Federal Funds	Possible financing from cash or federal funds. See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Appropriation Required:</b> \$1,098,023 - Department of Human Services (FY 2015-16)		

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

**Summary of Legislation**

This bill establishes a program to provide state subsidies for telecommunications companies that choose to participate in the Lifeline Benefits Program (program). Through the program, eligible consumers receive discounts on the cost of wireless phones and monthly service charges on these phones. Eligible consumers (recipients) must be receiving temporary assistance to needy families (TANF) and must have eligibility verified at the point of purchase.

Under the program, a participating eligible telecommunications carrier (ETC) provides a \$30 discount for a new wireless phone if a recipient has not already received this discount in the last 12 months. The ETC also provides a \$13 discount on the monthly charge for wireless phone service. If a recipient is employed, the \$13 monthly service reimbursement is deducted from the basic cash assistance amount paid to the individual through TANF.

County participation in the program is voluntary. Participating counties must verify the eligibility of TANF recipients requesting a subsidy through an ETC. The state and counties then coordinate reimbursement payments to ETC.

Rulemaking by the DHS is required, in collaboration with the PUC, to develop regulatory assurance that adequate service and consumer protection are provided by ETCs. The DHS is required to post information about the program on its website and must report on the progress of the program to human services committees on an annual basis.

The program is repealed on July 1, 2020.

## **Background**

**Universal access and telephone assistance funding.** Following the nationwide deregulation of telephone service, the Federal Communications Commission (FCC) began administering the universal service program through the federal Universal Service Fund created in 1996 with revenue from a surcharge on telephone accounts. Today, low-income telephone customers in Colorado may receive free or other low-cost wireless service through the federally-supported Lifeline program, and landline customers continue to receive a federal subsidy on their monthly bill. Federal Lifeline subsidies are generally available to households with income at or below 135 percent of the federal poverty level. Enrollment in one or more of several federal assistance programs also establishes eligibility for Lifeline assistance.

In 2013, with Senate Bill 13-194, the state discontinued its Low-income Telephone Assistance Program (LITAP) for eligible landline telephone customers, that was previously administered by the DHS in conjunction with the PUC. The discontinuation of LITAP was based in part on declining utilization attributable to changing technology and consumer preferences, rapidly increasing costs to comply with FCC requirements, and the availability of federal telephone assistance.

**TANF.** TANF is funded by block grants from the federal government to the states to implement assistance programs pursuant to federal law. The Colorado Works Program, Colorado's TANF program, is operated by county departments of human services and overseen by the state Department of Human Services. Beyond meeting basic program guidelines, all 64 counties have discretion in designing their TANF programs to best meet local needs. Adults need to reapply for benefits every six months and, with limited exceptions, may receive up to 60 months of benefits in their lifetime.

Unallocated federal moneys are deposited in the state Long-term Works Reserve ("Long Term Reserve"). The DHS may request appropriations from the fund balance in the Long Term Reserve after consulting with counties and providing certain information to the Joint Budget Committee. In the annual budget process for the FY 2015-16 Long Bill, the DHS presented information stating that the Long Term Reserve will become insolvent in future budget years. A current balance of approximately \$15 million in the Long Term Reserve is projected to decline to approximately \$8 million by the end of FY 2015-16.

**Colorado Benefits Management System (CBMS).** The CBMS is used to maintain eligibility data for TANF, which data must be accessible at the point of sale according to this bill. When legislation requires changes to benefits, eligibility, or other aspects of public assistance programs administered by the state, the CBMS must be updated. Hourly vendor costs for CBMS updates are allocated between the DHS and the Department of Health Care Policy and Financing (HCPF) for programs that receive federal funding based on state caseload.

## **State Revenue**

The bill may result in a minimal increase in state cash funds revenue. The Lifeline Benefits Program Account may receive gifts, grants, and donations. No source of such gifts, grants, and donations is known at this time, and new state revenue under the bill is therefore assumed to be minimal.

**State Expenditures**

The bill increases costs in the Department of Human Services by \$1,098,023 in FY 2015-16 and by \$1,840,626 in FY 2016-17. Workload will also increase for the PUC in the Department of Regulatory Agencies.

<b>Table 1. Expenditures Under HB 15-1338</b>		
<b>Cost Components</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Reimburse discounted wireless handset purchase	\$161,295	\$322,590
Reimburse discounted monthly service (unemployed)	759,018	1,518,036
Reimburse discounted monthly service (employed)	79,716	159,432
Reduction in basic cash assistance payments	(79,716)	(159,432)
Develop new CBMS module	177,710	0
<b>TOTAL</b>	<b>\$1,098,023</b>	<b>\$1,840,626</b>

**Assumptions.** This fiscal analysis incorporates the following assumptions:

- The program will begin issuing phone discounts on January 1, 2016, following an implementation period for the state and counties.
- Based on the discretion of ETCs, counties, and recipients to participate in the program, 75 percent of recipients eligible to participate in the program due to their TANF status will seek the discounts offered by the program. The actual extent of participation may vary from this estimate, though the DHS reports anecdotal evidence that a significant percentage of TANF recipients in Colorado already possess a cell phone.
- Development of a new CBMS module is required to facilitate ETCs in their obligation to verify TANF eligibility at the point-of-sale.
- The program does not change the number of families eligible for TANF. Point of sale verification applies only to existing and ongoing TANF caseload.
- The program does not result in caseload changes for other existing public assistance programs for which the state receives federal funding (e.g, Medicaid). For this reason, all changes to the CBMS required by the bill are attributable to the DHS and are not allocated between DHS and HCPF.
- As articulated in current law, federal block grant funds deposited in the LTR are subject to annual appropriation by the General Assembly.

**Department of Human Services.** Starting in FY 2015-16, the bill increases DHS expenditures paid to counties for the Colorado Works program, specifically to add reimbursement costs for ETC discounted phones and monthly service to TANF recipients. The bill also increases DHS workload to implement the program.

Reimbursement to ETCs depends on the number of participating TANF recipients utilizing the products of each ETC. Overall, up to 14,337 recipients are estimated to be eligible for the program, of which 10,763 recipients will participate in the program. At \$30 per phone, reimbursements for each 12-month cycle of new phones may cost up to \$322,590 annually. There are an estimated 12,975 unemployed recipients and 1,362 employed recipients that may receive \$13 monthly discounts on wireless phone service. Of these, 9,731 unemployed and 1,022 employed recipients will receive monthly service discounts. Reimbursement costs for unemployed recipients ( $\$13 \times 12 \text{ months} = \$156$  per recipient annually) are estimated at \$1,518,036 each fiscal year. Because monthly service reimbursement for employed recipients is deducted from basic cash assistance, there is no net change to state expenditures for these recipients. All reimbursement costs are prorated for one-half fiscal year in FY 2015-16.

The DHS is responsible for administering the program, with increased workload associated with developing information to be included on its website, rulemaking, compiling information received from ETCs, and making annual reports the General Assembly.

**Colorado Benefits Management System (CBMS).** Changes to the CBMS are necessary to develop real-time access to TANF databases for point-of-sale verification of eligibility, at a one-time cost of \$177,710 in FY 2015-16. An estimated 1,367 hours of contractor work at a rate of \$130 per hour is necessary for the state's CBMS contractor to create the point-of-sale eligibility tool required by the bill. Hourly work includes scoping of requirements, programming, and testing. The Office of Information Technology (OIT) receives reappropriated funds from affected departments to administer contractor work. While the bill increases workload for the OIT, no new appropriations are required beyond those allocated to contractor costs.

**Public Utilities Commission.** The bill increases workload for the PUC starting in FY 2015-16. The PUC certifies ETCs as part of its current workload, but would be required to exchange and update this information with county social service agencies statewide. In addition, the bill requires the PUC to collaborate with the DHS on development of various rules. As the primary source of expertise on relevant aspects of telecommunication service and pricing, the one-time or periodic increase in workload for PUC involvement in rulemaking may be significant. No new appropriation to the PUC is necessary to implement the bill, but additional resources may be requested in the annual budget process, as warranted.

**Funding sources for the program.** Given that minimal cash funds are anticipated to be received in the Lifeline Benefits Program Account, other funding sources for the bill are required. To the extent that unallocated federal funds are available for appropriation in the Long Term Reserve, ongoing costs of the program may be funded by using those federal funds. However, the Long Term Reserve is not currently available to fund the program in FY 2015-16 due to statutory requirements.

The fiscal note concludes that General Fund will be used in FY 2015-16 and future fiscal years. If available, the DHS may request appropriation of federal block grant funds in the Long Term Reserve in FY 2016-17 and future fiscal years. As noted in the Background section, the potential insolvency of the Long Term Reserve is a concern in current budget projections. Long-term funding from the Long Term Reserve may not guarantee any particular level of service. Cash fund financing from the Lifeline Benefits Program Account will also be used in FY 2016-17 and future fiscal years if the account receives any gifts, grants, and donations.

**Local Government Impact**

Counties that elect to participate in the program will experience increased costs to administer the program, as well as increased revenue and expenditures associated with pass-through state reimbursements to ETCs. These impacts are conditional, as each county has discretion to participate in the program or not as part of its overall implementation of Colorado Works.

The administrative costs of the program are expected to be significant. County social service agencies will determine if a telephone customer is eligible to participate, check the employment status of discount recipients, provide reimbursements to ETCs, monitor and enforce rules, and make periodic reports to the DHS. Prior to its repeal, the former LITAP program was administered by DHS at an annual cost of approximately \$118,000 and 1.5 FTE, with administrative costs projected to multiply based on increased requirements to determine eligibility. A similar effort will be required of counties under this bill.

**Effective Date**

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

**State Appropriations**

For FY 2015-16, the bill requires a General Fund appropriation of \$1,098,023 to the DHS for reimbursements and administration of the program. Of this amount, \$177,710 is reappropriated to the Governor's Office of Information Technology for CBMS changes.

**State and Local Government Contacts**

Human Services  
Local Affairs  
Regulatory Agencies

Office of Information Technology  
Health Care Policy and Financing

Counties  
Law