

Schedule 13 Funding Request for the 2014-15 Budget Cycle

Department: Department of Human Services
 Request Title: Old Age Pension Cost of Living Adjustment
 Priority Number: R-5

Dept. Approval by: Will B 10-17-13
 Date

OSPB Approval by: Erin N. Kelly 10/22/13
 Date

- Decision Item FY 2014-15
- Base Reduction Item FY 2014-15
- Supplemental FY 2013-14
- Budget Amendment FY 2014-15

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	Total	78,713,073	0	71,334,099	1,340,400	1,340,400
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0
	CF	78,713,073	0	71,334,099	1,340,400	1,340,400
	RF	0	0	0	0	0
	FF	0	0	0	0	0
	MCF	0	0	0	0	0
	MGF	0	0	0	0	0
	NGF	0	0	0	0	0
(10) Adult Assistance Programs, (B) Old Age Pension Program, Cash Assistance Programs	Total	78,713,073	0	71,334,099	1,340,400	1,340,400
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0
	CF	78,713,073	0	71,334,099	1,340,400	1,340,400
	RF	0	0	0	0	0
	FF	0	0	0	0	0
	MCF	0	0	0	0	0
	MGF	0	0	0	0	0
	NGF	0	0	0	0	0

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: Old Age Pension Fund
 Reappropriated Funds Source, by Department and Line Item Name: N/A
 Approval by OIT? Yes: No: Not Required:
 Schedule 13s from Affected Departments: N/A
 Other Information: N/A

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Cost and FTE

- This request is for \$1,340,400 cash funds spending authority in FY 2014-15 and beyond to provide a 1.5 percent cost of living adjustment (COLA) for the Old Age Pension (OAP) program.

Current Program

- The OAP program provides finance assistance for low-income individuals who are 60 years of age or older. To qualify for the program, an individual's income must be at or below \$737 (77 percent of the federal poverty level).
- During FY 2014-15 estimated OAP expenditures of \$71.3 million will serve 18,370 Colorado residents. While the maximum monthly assistance available is \$737, the average grant provided is \$323. This reflects offsets to the grant award for other income a recipient may have (such as Social Security benefits, Supplemental Security Income (SSI), veteran benefits, or wage income).

Problem or Opportunity

- Each year the Social Security Administration determines whether to provide a COLA increase for individuals eligible for the SSI program. The Congressional Budget Office estimates the COLA increase for the SSI program will be 1.5 percent effective January 2014.
- The State Board of Human of Services is authorized by the State Constitution to determine the amount of the OAP grant award.

Consequences of Problem

- Without a corresponding increase, a COLA increase in the SSI benefit will lower the OAP assistance provided to SSI eligible individuals.
- If overall state spending on SSI eligible individuals is not maintained at current year levels, the State will have difficulty meeting its obligations under the Federal Maintenance of Effort agreement with the Social Security Administration.
- If OAP assistance is not adjusted for inflation, the vulnerable elderly served by the program will have less purchasing power to meet their daily needs.

Proposed Solution

- A 1.5 percent COLA increase for the OAP program will provide vulnerable elderly with financial assistance to help meet their daily requirements. Furthermore, a COLA increase will assist the State in meeting its financial obligations under the Maintenance of Effort Agreement.

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State of Colorado
Department of Human Services
FY 2014-15 Funding Request
November 1, 2013

John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

Department Priority: R-5
Request Detail: Old Age Pension Cost of Living Adjustment

Summary of Incremental Funding Change for FY 2014-15	Total Funds	Cash Funds
State Funding for Senior Services	\$1,340,400	\$1,340,400

Request Summary:

The Department requests \$1,340,400 cash funds spending authority in FY 2014-15 and beyond to provide a 1.5% cost of living adjustment for the Old Age Pension program.

Problem or Opportunity:

The Old Age Pension (OAP) program provides financial assistance for elderly, low-income Colorado residents. To be eligible for the OAP program, individuals must be 60 years of age or older, a U.S. citizen or qualified legal immigrant, have monthly income under \$737, and have resources valued at or under \$2,000 for an individual or \$3,000 for a couple. As of January 2013, individuals may receive a grant award up to \$737 a month, but this grant amount may be reduced by any other income the recipient receives including Social Security benefits, Supplemental Security Income, Veteran's Assistance, or wage income. Currently individuals eligible for the OAP program have total incomes (the OAP grant plus any other income) at 77% of the federal poverty level.

As required under federal law (20 CFR 416 et. seq.), Colorado has a "maintenance of effort" (MOE) agreement with the Social Security Administration for individuals eligible for the Supplemental Security Income (SSI) program. The MOE agreement requires Colorado to spend at least the same amount in State funds each year as the State spent during the previous year on programs benefiting individuals eligible for the SSI program. The amount spent on OAP recipients eligible for SSI is included in Colorado's MOE agreement.¹

Each year, the Social Security Administration determines whether to provide a cost of living adjustment (COLA) for individuals eligible for the SSI program. Without a corresponding increase for the OAP grant standard, a COLA increase for SSI payments will reduce the OAP grant award for those individuals eligible for both programs. Therefore, a COLA increase for the SSI program will reduce the level of OAP expenditures and make it more difficult for the State to meet its MOE requirements.

¹ Colorado's SSI MOE Agreement includes the amount of state spending on SSI recipients from the Home Care Allowance, Old Age Pension, Property/Rent Tax Rebate, Aid to the Needy Disabled, Heat Rebate, and Adult Foster Care programs.

Proposed Solution:

The State Board of Human Services is responsible for setting the grant standard for the OAP program (Section 6 of Article XXIV of the Colorado Constitution). Beginning in FY 2014-15, the Department recommends the State Board of Human Services increase the OAP Grant Standard from \$737 per month to \$748 per month, an increase of \$11 or 1.5 percent. While this amount may appear modest, the additional funding will help approximately 18,370 elderly currently living at or below 77 percent of the Federal Poverty Level retain their current purchasing power.

A 1.5 percent COLA will increase OAP program expenditures by \$1,340,400 cash funds in FY 2014-15. Because the OAP cash fund receives its revenues from excise and state sales taxes that would otherwise be deposited in the General Fund, there will be a corresponding decrease in General Fund revenues of \$1,340,400.

If the State Board of Human Services votes to provide the COLA increase prior to the beginning of FY 2014-15, the Department will submit a supplemental requesting the additional funding.

Anticipated Outcomes:

The primary outcome of providing a COLA increase for the OAP recipients is that the OAP grant standard will keep pace with inflation and help provide low-income elderly with the resources necessary for daily living requirements. Long term, increasing the grant stand will assist the State in meeting the MOE spending requirements. This would reduce the possibility of the federal government imposing either a performance improvement plan or federal penalties on the State.²

Assumptions and Calculations:

The Social Security Administration announces COLA increases for the next calendar year in October each year. The Congressional Budget Office estimates the COLA for 2014 will be 1.5 percent. Table 1 below shows the impact of providing a 1.5 percent COLA increase for the OAP program in FY 2014-15.

Table 1: Old Age Pension – COLA for FY 2014-15				
FY 2014-15	Estimated Monthly Caseload ¹	% of Caseload that is non-SSI ²	Projected Monthly Cost Increase/Case	Total Estimated COLA Expenditures ³
Total	18,370	10,104	\$11.00	\$1,340,400

1. FY 2014-2015 caseload is based on the Department’s projections including the impact of H.B. 10-1384 which reduced eligibility for the program.
2. The cost increase is offset by SSA for the SSI population, only the non-SSI population has a cost impact.
3. Rounded to the nearest 100.

² The federal penalty for not meeting the MOE requirement is 1/4 of the State’s total federal Medicaid funding. While it is unlikely the federal government would impose a penalty this large, it is a possibility under federal law.