Schedule 13
Change Request for FY 08-09 Budget Request Cycle

Decision Item FY 08-09 ☑ Base Reduction Item FY 08-09 ☐ Supplemental FY 07-08 ☐ Budget Request Amendment FY 08-09 ☐

Request Title: Old Age Pension Cost of Living Adjustment (COLA)
Department: Human Services
Priority Number: 17

Dept. Approval by: Reynald Jeffers **Date:** 10/19/07
OSPB Approval: **Date:** 10/20/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	Total	72,932,800	77,451,318	0	77,451,318	77,451,318	3,420,600	80,871,918	0	80,871,918	6,420,600
	FTE	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	CF	72,932,800	77,451,318	0	77,451,318	77,451,318	3,420,600	80,871,918	0	80,871,918	6,420,600
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
	MCF	0	0	0	0	0	0	0	0	0	0
	MGF	0	0	0	0	0	0	0	0	0	0
	NGF	0	0	0	0	0	0	0	0	0	0
(10) Adult Assistance Programs (B) Old Age Pension Program - Cash Assistance Program	Total	72,932,800	77,451,318	0	77,451,318	77,451,318	3,420,600	80,871,918	0	80,871,918	6,420,600
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	CF	72,932,800	77,451,318	0	77,451,318	77,451,318	3,420,600	80,871,918	0	80,871,918	6,420,600
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
	MCF	0	0	0	0	0	0	0	0	0	0
	MGF	0	0	0	0	0	0	0	0	0	0
	NGF	0	0	0	0	0	0	0	0	0	0

Letternote revised text:
Cash Fund name/number, Federal Fund Grant name: Cash Fund: Old Age Pension Fund/AATC
IT Request: ☐ Yes ☑ No
Request Affects Other Departments: ☐ Yes ☑ No **If Yes, List Other Departments Here:**

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CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Adult Disability and Re-determination Services, Aging and Adult Services
Priority Number:	17
Change Request Title:	Old Age Pension Cost of Living Adjustment (COLA)

SELECT ONE (click on box):

☒ Decision Item FY 08-09
☐ Base Reduction Item FY 08-09
☐ Supplemental Request FY 07-08
☐ Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

Requested is an increase in cash funds of $3,420,600 for the Old Age Pension Program to adjust for grant changes related to Cost-of-Living-Adjustments (COLA). Because the OAP program is constitutional and continuously appropriated, this request is informational.

Background and Appropriation History:

The Depression in 1930 created an acute need for public assistance for the elderly and others, as persons lost homes, livelihoods, and savings. The Old Age Pension program (OAP) was authorized through an amendment to the Colorado Constitution passed in 1936. This program is intended to supplement older individuals' income. The current total monthly income is at 76 percent of the Federal Poverty Level ($850 per month). The OAP program is for persons 60 and older with no disability requirement for eligibility. There is a maximum grant of $648 per month effective January 1, 2007. There is a resource limit of $2,000 for an individual and $3,000 per couple.

The State Constitution (Article XXIV, Old Age Pensions, Section 2) dedicates

several major State revenue sources for financing the OAP program. The OAP program receives its funding from revenues based on 85 percent of the State sales, use and liquor taxes; license fees; as well as by inheritance and incorporation tax revenues. Only after Old Age Pension obligations are met do the remaining revenues from these sources become available to the General Fund. The State Board of Human Services has constitutional authority to administer the Old Age Pension programs. The Board can adjust the basic minimum grant award if living costs have changed sufficiently to justify such action.

There are three separate grant payment programs under OAP:

- OAP – A: This program is for the client population age 65 and above.
- OAP – B: This program serves clients between the ages of 60-64.
- OAP – C: This is a very small program for institutionalized clients aged 60 and older.

CDHS operates under a Maintenance of Effort Agreement (MOE) Agreement with the Social Security Administration (SSA). The MOE agreement specifies that the State must maintain expenditures at the same level as the highest, previous calendar year. If the Maintenance of Effort agreement is not met, the State risks the loss of over five hundred twenty million dollars of Federal matching funds in the Medicaid program. The MOE is currently based on CY 2006. The expenditures that are counted toward the Maintenance of Effort are the mandatory supplementary programs of OAP (for individuals receiving a Supplement Security Income grant); the Aid to the Needy Disabled/Supplemental Security Income-Colorado Supplement (AND/SSI-CS); the Aid to the Blind/Supplemental Security Income Colorado Supplement (AB/SSI-CS).

The optional supplementary payments of Home Care Allowance (HCA) and Adult Foster Care (AFC), if the recipient receives an SSI grant, are also counted toward meeting the MOE. Additionally, the State's Property Tax and Heat Rebate program have been added to the MOE expenditures, in order to offset reduced grant

expenditures in State Fiscal year 2002-03. Consequently, the Property Tax and Heat Rebate program has become an integral part of the MOE plan. Colorado has been on the expenditure test to meet the MOE compliance requirements since 1991.

The MOE is a requirement that must be met to receive Federal Financial Participation (FFP) for Medicaid reimbursements. Compliance with these regulations is measured in one of two ways: 1) the State must pass along the federal Cost of Living Adjustment increase or 2) the State must spend as much on the supplement programs in one calendar year as it did in the previous calendar year. The MOE requirements apply to both optional State supplementary payments and the mandatory minimum State supplementary payment.

If the State is found out of compliance for meeting its financial expenditure test, the State must correct the under-expenditure by restoring the SSI supplement payment back to the appropriate expenditure level for the previous calendar year. This action must be taken no later than in the 12-month period after the time of non-compliance. The State can make a retroactive benefit payment to each of the beneficiaries eligible for the retroactive payment in the previous calendar year, or can increase payments in the following calendar year by an amount large enough to meet the previous year's shortfall in expenditures. Monies spent in the subsequent year to meet the expenditure test of the previous year are counted toward the prior year's shortfall. To avoid a finding of noncompliance, the State must increase the total expenditures in the same calendar year by an amount at least equal to the amount of the shortfall. If a State has not complied with the MOE requirements and failed to take corrective action measures in the subsequent calendar year, the State shall be determined by the Secretary of Health and Human Services to be ineligible for FFP. A State would be ineligible for Medicaid payments from the Federal government for any calendar quarter containing a month in which the State was out of compliance. By increasing the supplemental payment to all or a sub-set of the population groups entitled to a Colorado Supplement late in the calendar year in which an under-expenditure is projected, the State is able to avoid a finding of non-compliance. This action can save the State money in complex programming costs needed to correct an under-

expenditure problem, or having to set grants at a higher level to make up for the previous year's shortfall in expenditures.

In calendar years 2003 and 2004, Colorado did not meet the level of expenditure required by the MOE. Consequently, supplemental payments were made to the AND/SSI-CS group in 2004 and 2005 to comply with the State's corrective action plan to make up the shortfall. The calendar year 2006 MOE was met and has become the new standard. The annual COLA to the OAP grant standard is an essential part of the plan to continue to meet the MOE. This request is reflective of the Department's plan to meet and control MOE expenditures.

Appropriation History	**Total**	**FTE**	**GF**	**CF**	**CFE**	**FF**
OAP-Cash Assistance Program-						
FY 03-04 Long bill	**$58,710,975**	0.0	$0	**$58,710,975**	$0	$0
05 DI #11Caseload and Cost of Living increases	$6,612,107	0.0	$0	$6,612,107	$0	$0
FY 04-05 Long Bill	**$65,323,082**	0.0	$0	**$65,323,082**	$0	$0
FY 05-06 Long Bill	**$65,323,082**	0.0	$0	**$65,323,082**	$0	$0
07 DI # NP-1 OAP Caseload and Population Increase	$8,788,990	0.0	$0	$8,788,990	$0	$0
Cost of Living Adjustment	$360,349	0.0	$0	$360,349	$0	$0
FY 06-07 Long Bill	**$74,472,421**	0.0	$0	**$74,472,421**	$0	$0
Historic caseload increase by Joint Budget Committee Recommendation an increase of 4%	$2,978,897	0.0	$0	$2,978,897	$0	$0
FY 07-08 Long Bill	**$77,451,318**	0.0	$0	**$77,451,318**	$0	$0

General Description of Request:

The Old Age Pension (OAP) Program, authorized by the State Constitution, provides cash assistance to eligible individuals age 60 and older, up to a maximum of $648 per person per month as of January 2007. These funds are "continuously

appropriated" by the State Constitution. The Long Bill reflects anticipated program expenditures for informational purposes, as the level of these expenditures can have an impact on the revenue available to the General Fund. OAP is an entitlement program; therefore, caseload and expenditure increases must be funded. This request will adjust the Long Bill to reflect the appropriate OAP expenditures for FY 2008-09 and FY 2009-2010. The OAP expenditures are projected to increase each year, as grant standards are increased for changes in costs of living. The annual COLA increases are necessary in order to comply with the MOE agreement with the Social Security Administration. Generally, the cost of a COLA increase is associated with individuals not receiving SSI grants, as they do not receive annual increases in income that are deducted from the maximum OAP grant. SSI recipients receive an increase from SSA, which is then deducted as income from the OAP grant; therefore, there is a net increase in income to the recipient, but OAP expenditures remain level. The Department increases the OAP grant standard by the same dollar amount the SSI grant increased. For example, the 2007 COLA increased the SSI grant from $603 to $623 per month; consequently, the OAP grant standard was increase to $648 per month from $628 per month.

Consequences if Not Funded:

If the request is not funded, the Long Bill will not accurately reflect the OAP expenditures, which may impact the State's General Funds estimate. The OAP program is funded prior to the General Fund spill over to appropriations. Additionally, if the COLA is not added to the OAP grant standard, MOE expenditures will fall and the MOE expenditure level will not be met, putting the Medicaid program federal funding in jeopardy (potentially over one billion dollars).

Calculations for Request:

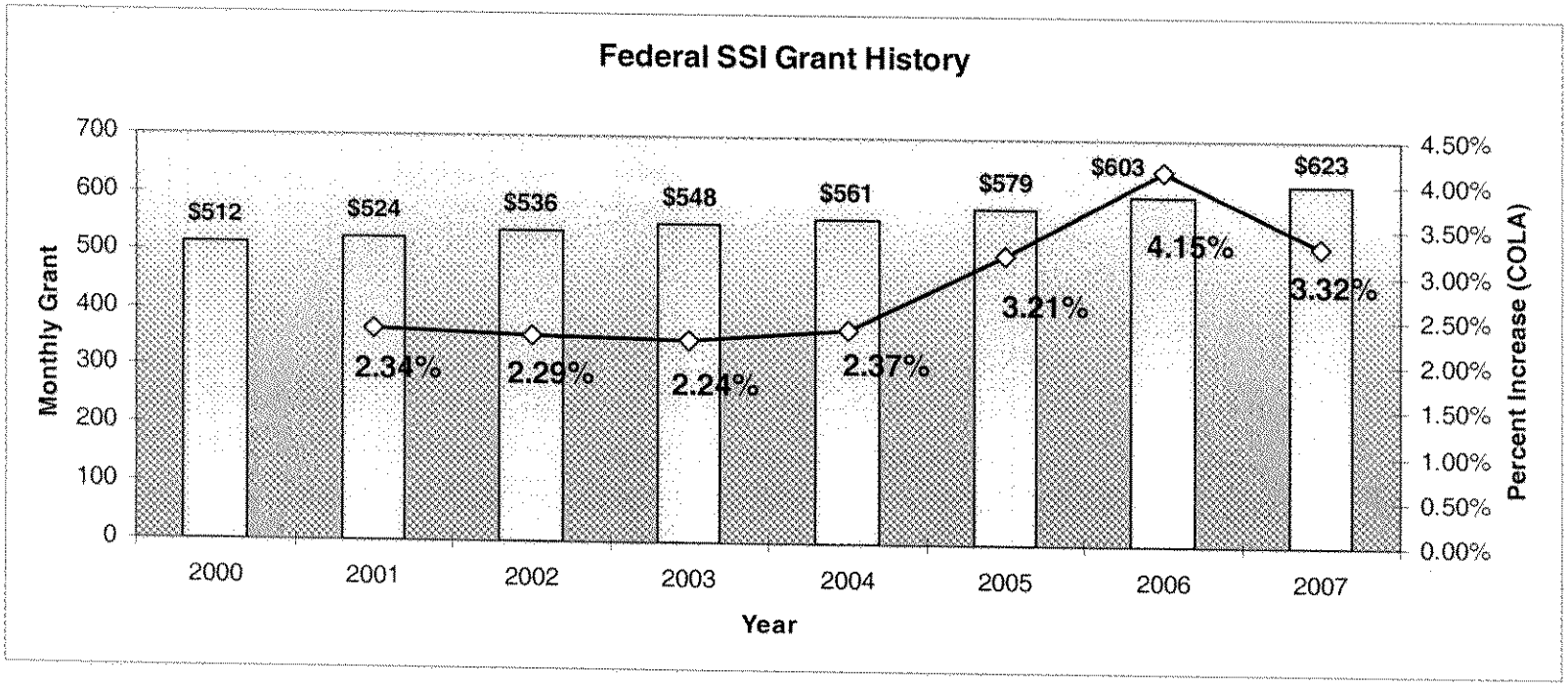
Summary of Request FY 08-09	Total Funds	GF	Cash Funds	CFE	FF	FTE
Total Request	$3,420,600	$0	$3,420,600	$0	$0	0.0
(B) Old Age Pension Program Cash Assistance Program	$3,420,600	$0	$3,420,600	$0	$0	0.0

Summary of Request FY 09-10	Total Funds	GF	Cash Funds	CFE	FF	FTE
Total Request	$6,420,600	$0	$6,420,600	$0	$0	0.0
(B) Old Age Pension Program Cash Assistance Program	$6,420,600	$0	$6,420,600	$0	$0	0.0

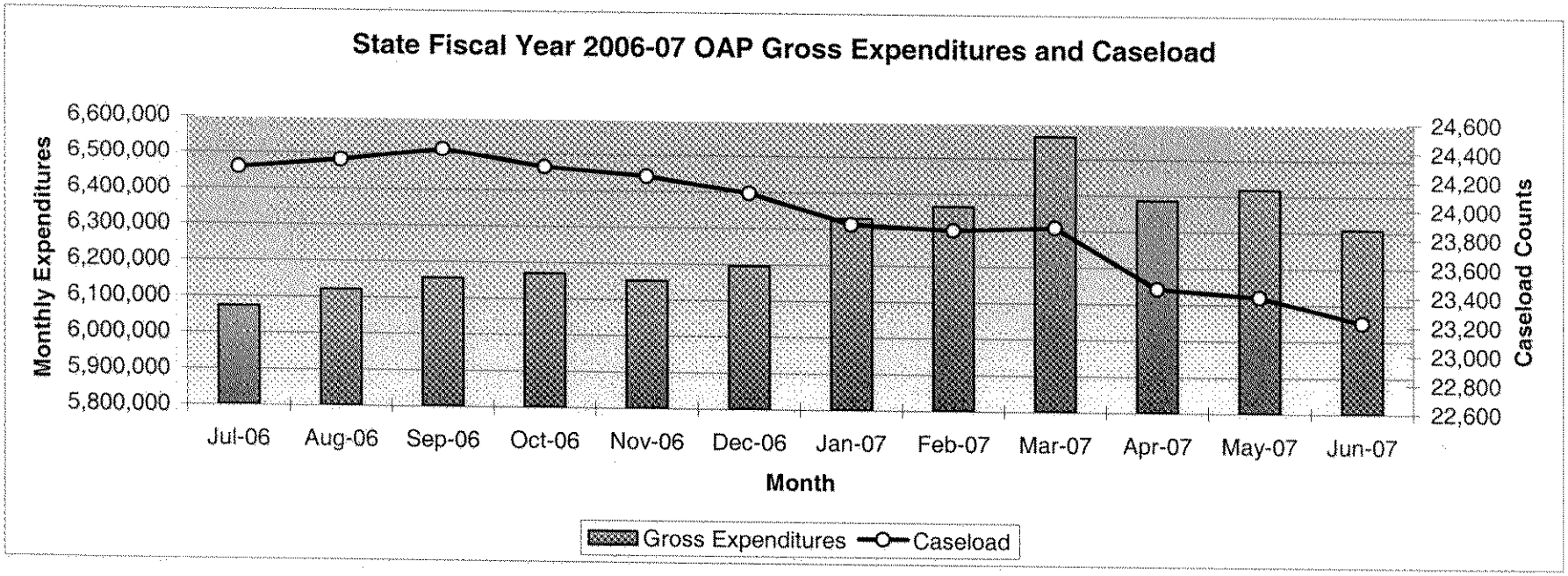
Assumptions for Calculations:

OAP expenditure projections are based on State Fiscal Year 2006-07 data. Over the last three fiscal periods, OAP expenditures have had annual increased of 4.21% - 5.83%. The average expenditure increase over the same period has been approximately $3,307,000 per year, when COLAs increases are added to the OAP grant standard. This request represents a 4.42% and 3.71% annual increase, for SFY 2008-09 and SFY 2009-10 respectively. The projected annual increases are within line of historical increases. The most recent monthly expenditures were annualized and increased for 2008 and 2009 annual COLAs. The projected average increase in OAP expenditures as a result of COLAs is $285,000 in SFY 2008-09 and $250,000 in SFY 2009-10. These estimates are dependent on actual COLAs passed by the Social Security Administration.

It is assumed that the Federal COLA rates will be approximately 3.32% (equal to the 2007 increase) of the SSI grant standard (resulting in a $20 per month increase). Each calendar year COLA will impact six months of any given State fiscal year. For example, the calendar year 2008 will impact the last six months of State fiscal year 2007-08. The request's projection was estimated assuming COLA adjustments would be made each calendar year and the full SSA COLA adjustment will be passed to OAP monthly grant standard each calendar year.



The average OAP caseload over the last twelve months has decreased slightly and leveled in recent months. During the last three State fiscal years, the OAP caseload has not significantly changed. Increases to OAP expenditures have been a result of increases in the OAP grant standard and changes to recipient's income. There are no trends indicating the number of recipients will increase in the future. The graph below has the caseload and gross expenditures in State Fiscal Year 2007-08.



The graph above clearly depicts the effects of the OAP COLA in calendar year 2007. In January 2007, the gross expenditures rose (approximately $200,000 per month). This increase was a result of the 2007 SSI COLA (the OAP grant was increased by $20 resulting in a $648 monthly grant). Historically, COLAs increase the monthly OAP expenditures approximately $200,000 to $300,000 per month, depending on the size of the SSI grant increase.

State Fiscal Year	**2005**	**2006**	**2007**
OAP Grants	$67,077,079	$69,951,930	$72,932,800
Annual Increase	$0	$2,874,851	$2,980,870

There are several different groups receiving OAP grants (i.e. SSI recipients, Social Security recipients, Rail Road/Private pension recipients, and individuals with no

income). The cost of the OAP COLA is related to individuals who have no other sources of income, and or do not receive an annual increase income. For example, when the 2007 COLA was passed, the average payment to these individuals (primarily non-citizens/non-SSI recipients) increased approximately $20 per month, or the 2007 OAP COLA increase.

The table below shows the effects of a SSI/OAP COLA to recipient income and State obligations, when the State increases the OAP grant in an amount equal to the SSA COLA.

Recipient/Individual Description	**Calendar Year 2007**			**Calendar Year 2008 - With a $21 SSI Increase (Approximately 3.32% COLA)**			**Net Expenditure COLA Increase/ Decrease**
	Recipient Income (SSI Grant of $623 per month)	OAP Grant Standard	Recipient Grant and State Cost	Recipient Income	OAP Grant Standard	Recipient Grant and State Cost	
A. SSI Recipient	$623	$648	$25	$644	$669	$25	$0
B. Recipient w/no income	$0	$648	$648	$0	$669	$669	$21

The table above shows an SSI grant increase of $21 per month and the corresponding increase in OAP cost as a result. For individuals with SSI income (A. SSI Recipient), the table has zero incremental cost (($669 - $644) – ($648 - $623) = 0). In contrast, the individual with no income (B. Recipient w/no income) has an incremental increase in OAP cost of $21 per month (($648 - $0) – ($669 - $0) = $25) – the increase in the SSI and OAP grant. The increased cost to individuals with no income is the primary cause of increased OAP cost as a result of COLAs.

The tables below show each State Fiscal Year request and the revised OAP budget, if this request is approved.

Summary of Request FY 2008-09	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
(B) Old Age Pension Program - Cash Assistance Program					
CURRENT BUDGET	$77,451,318	$0	$77,451,318	$0	$0
REQUEST	$3,420,600	$0	$3,420,600	$0	$0
REVISED BUDGET	$80,871,918	$0	$80,871,918	$0	$0

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
(B) Old Age Pension Program - Cash Assistance Program					
CURRENT BUDGET	$77,451,318	$0	$77,451,318	$0	$0
REQUEST	$6,420,600	$0	$6,420,600	$0	$0
REVISED BUDGET	$83,871,918	$0	$83,871,918	$0	$0

Impact on Other Government Agencies: None

Cost Benefit Analysis: This is a technical adjustment, and is informational only. No cost benefit analysis is required.

Implementation Schedule:

Task	Month/Year
COLA Rule 1st Reading	09/2008
COLA Rule 2nd Reading	10/2008
COLA Rule Final Reading	11/2008

Task	Month/Year
CBMS Mass Change and Grant Table Changes	12/2008
New OAP Grant Effective	01/2009

Statutory and Federal Authority:

***CONSTITUTION OF THE STATE OF COLORADO*: ARTICLE XXIV OLD AGE PENSIONS:** Section 7. Stabilization fund and health and medical care fund. All the moneys deposited in the old age pension fund shall be first available for payment of basic minimum awards to qualified recipients, and no part of said fund shall be transferred to any other fund until such basic minimum awards shall have been paid.

26-2-111 (2), C.R.S. (2007) Eligibility for public assistance. Old age pension. (a) Except as provided in paragraph (d) of this subsection (2), public assistance in the form of the old age pension shall be granted to any person who meets the requirements of subsection (1) of this section and any one of the following requirements:

The person has attained the age of sixty years or more and meets the resource eligibility requirements of the federal supplemental security income program

26-2-114, C.R.S. (2007) Amount of assistance payments - old age pension. (1) The basic minimum award payable to those persons qualified to receive an old age pension shall be one hundred dollars monthly; but the state board may adjust the said basic minimum award above one hundred dollars if, in its discretion, living costs have changed sufficiently to justify such adjustment.

Performance Measures:

Program	Performance Measure	Outcome	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Current	FY 2008-09 Request
Aging and Adult Services	Improve the standard of living for individuals living in poverty. Recipient income (as a percentage of the federal poverty level) for Colorado's Old Age Pension and Aid to the Needy Disabled programs (Colorado Supplement and State Only).	**Program Benchmark**	OAP 76% AND-CS 73% AND-SO 27%	OAP 76% AND-CS 73% AND-SO 27%	OAP 76% AND-CS 73% AND-SO 27%	OAP 76% AND-CS 73% AND-SO 27%
		Actual	OAP 76% AND-CS 73% AND-SO 27%	OAP 76% AND-CS 73% AND-SO 27%		

The benchmarks and actuals for this measure compare a recipient's subsidized income level (after receiving financial assistance provided by one of these programs) to the federal poverty level. Actuals show that, even with financial assistance, individuals on these programs are still living well below the poverty level. Ideally, financial assistance would bring a recipient's subsidized income level to 100% of (or greater than) the federal poverty level.