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Fiscal Note Memorandum

April 12, 2022

TO: Representatives Duran and Jodeh

FROM: Bill Zepernick, Fiscal Note Manager
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SUBJECT: Fiscal Assessment of Proposed Amendments **HB1259_L.001, L.002, and L.004**

This memorandum is a preliminary assessment of the fiscal impact of the attached proposed amendments L.001, L.002, and L.004 to HB 22-1259. This fiscal assessment is for the impact of the bill with inclusion of these amendment only. Any other added amendment could influence the fiscal impact. This memorandum focuses primarily on the costs of the bill, as amended, that are associated with benefit changes under the Temporary Assistance for Needy Families (TANF) program, i.e., Colorado Works, and county administration costs. Additional information on changes to fund sources and state administrative expenses will be addressed in a revised fiscal note prior to the bill's next committee.

Summary of Proposed Amendment

Concerning basic cash assistance payments under Colorado Works, the amendments to HB 22-1259 make the following changes:

- requiring that basic cash assistance payments increase by 20 percent in FY 2022-23 compared to the prior year and then by the greater of 2 percent or a three-year average of prior year social security cost of living increases in FY 2023-24 and future years (L.002), rather than requiring that payments increase to 50 percent of the federal poverty level by FY 2027-28 as required in the introduced bill;
- limiting eligibility for the introduced bill's exemptions to the 60-month lifetime service limit and work requirement under TANF by removing persons addressing family or medical needs (L.001); and
- removing the requirement in the introduced bill that counties disregard 6 months of income after an individual becomes employed, and instead maintains the introduced bill's requirement that program rules provide for a gradual step down of an individual's income disregard after becoming employed (L.002).

Amendment L.004 makes exit interviews with persons leaving the program voluntary and strongly encouraged, rather than mandatory, for counties.

Fiscal Impact of Amendments

Compared to the introduced bill, Amendments L.001 and L.002 increase the costs of basic cash assistance under Colorado works by \$9.5 million in FY 2022-23 and decrease costs by \$15.8 million in FY 2023-24. Costs in FY 2027-28 are \$101 million lower with these amendments compared to the introduced bill when fully implemented. These change in benefit costs are shown in Table 1 and discussed below. Other impacts of the bill, with the amendments, are also described below.

Table 1
Change in Basic Cash Assistance Costs under HB 22-1259
Introduced Bill compared to Bill as Amended by L.001 and L.002

	FY 2022-23	FY 2023-24	FY 2027-28
Introduced Bill			
Phased-in Increase to Cash Assistance	-	\$21,420,000	\$105,984,000
Income Disregard	\$3,505,200	\$9,269,568	\$16,720,440
Work Requirement Hardship Waiver	\$1,066,800	\$2,821,500	\$5,088,000
60-Month Lifetime Limit Waiver	\$975,360	\$3,235,320	\$5,838,480
Reduced Sanctions	\$278,709	\$368,480	\$664,411
Drug Felony Eligibility	\$426,720	\$1,128,600	\$2,035,200
Total Costs	\$6,252,789	\$38,243,468	\$136,330,531
As Amended by L.001 and L.002			
Increased Cash Assistance	\$13,171,200	\$17,075,520	\$28,914,908
Income Disregard	\$705,600	\$1,564,920	\$1,860,338
Work Requirement Hardship Waiver	\$592,704	\$1,314,533	\$1,562,684
60-Month Lifetime Limit Waiver	\$592,704	\$1,314,533	\$1,562,684
Reduced Sanctions	\$258,067	\$286,276	\$340,209
Drug Felony Eligibility	\$395,136	\$876,355	\$1,041,789
Total Costs	\$15,715,411	\$22,432,137	\$35,282,612
Change in Costs	\$9,462,622	(\$15,811,331)	(\$101,047,919)

Assumptions. The analysis above holds assumption from the March 18 fiscal note constant, with the following changes resulting from the amendments:

- basic cash assistance benefits will grow by 20 percent in FY 2022-23 compared to the prior year, and then grow by 4 percent in FY 2023-24 and FY 2024-25, 3 percent in FY 2025-26, and then 2 percent per year thereafter;
- the number of program participants receiving a hardship waiver to the work requirement or the 60-month lifetime limit will be about half as many compared to the assumed amount in the original fiscal note; and

- about 1,000 individuals per year will continue to receive an additional 3 months of benefits due to the income disregard under the amended bill (rather than 2,3000 individuals receiving an additional 6 months as previously assumed).

Changes to the assumed required benefit amounts in the bill as amended will also decrease the benefits resulting from other policy changes relative to the introduced bill, including adding eligibility for persons with a drug-related felony conviction and reduced sanctions for program noncompliance.

State administration. By making certain data and reporting optional, L.004 may also reduce the number of FTE required in the state Department of Human Services under the bill. This impact on state costs, as well as impacts from other any other amendments adopted, has not been fully assessed.

County administration. L.004 makes approximately \$3.75 million in costs for reimbursing counties for administrative expenses optional, rather than mandatory. This amount may be appropriated by the General Assembly at its discretion.

Bill's Revised Fiscal Impact with Amendments

As full assessment of all amendments likely to be offered has not been conducted as of this writing. Therefore, an updated estimate will be provided in a revised fiscal note for a future committee after accounting for all amendments adopted. Preliminarily, after accounting for the impacts from L.001, L.002, and L.004, the bill is estimated to increase state expenditures by at least the following amounts:

- \$17.3 million in FY 2022-23;
- \$22.9 million in FY 2023-24; and
- at least 2 percent more per year in each year thereafter.