



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated March 18, 2022)

Drafting Number:	LLS 22-0296	Date:	April 22, 2022
Prime Sponsors:	Rep. Duran; Jodeh Sen. Moreno	Bill Status:	House Appropriations
		Fiscal Analyst:	Bill Zepernick 303-866-4777 Bill.Zepernick@state.co.us

Bill Topic: **MODIFICATIONS TO COLORADO WORKS PROGRAM**

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue <input checked="" type="checkbox"/> State Expenditure <input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> TABOR Refund <input checked="" type="checkbox"/> Local Government <input type="checkbox"/> Statutory Public Entity
----------------------------------	---	---

The bill makes numerous changes to the Colorado Works program to increase benefit amounts, expand eligibility for specific populations, and alter program rules and operations. The bill will increase state and local expenditures on an ongoing basis.

Appropriation Summary:	For FY 2022-23, the bill requires appropriations totaling \$27.7 million to the Department of Human Services.
Fiscal Note Status:	The fiscal note reflects the introduced bill, as amended by the House Public and Behavioral Health and Human Services Committee.

Table 1
State Fiscal Impacts under HB 22-1259

		Budget Year FY 2022-23	Out Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-	-
Expenditures	General Fund	-	\$11,552,651	\$16,410,499
	CO Long-Term Works Reserve ¹	\$20,692,704	\$11,904,554	\$16,762,403
	Unclaimed Property Trust Fund	-	\$11,552,650	\$16,410,499
	Economic Recovery/Relief Cash Fund ²	\$7,000,000	-	-
	Federal Funds – County Block Grant ³	-	(\$5,760,000)	(\$11,520,000)
	Centrally Appropriated	\$81,047	\$81,047	\$81,047
	Total Expenditures	\$27,773,751	\$29,330,902	\$38,144,448
	Total FTE	5.0 FTE	5.0 FTE	5.0 FTE
Transfers	Economic Recovery/Relief Cash Fund ²	(\$18,000,000)	-	-
	CO Long-Term Works Reserve	\$18,000,000	-	-
	Net Transfer	\$0	-	-
Other Budget Impacts	General Fund Reserve	-	\$1,179,998	\$1,539,884

¹ Starting in FY 2023-24, this portion of funding for basic cash assistance may come from either the Colorado Long-Term Works Reserve or the statewide county TANF reserves. These funds consist of federal Temporary Assistance for Needy Family funds held by the state and counties, respectively.

² Money in the Economic Recovery and Relief Cash Fund consists of federal ARPA funds.

³ This funding is federal TANF money provided in block grants to counties that is shifted to other fund sources under the bill.

Summary of Legislation

The bill makes several changes to the Temporary Assistance for Needy Families (TANF) program known as the Colorado Works program in the Colorado Department of Humans Services (CDHS). The bill will increase program benefits, expand eligibility for specific populations, modify program rules and operations, and require new public outreach, data collection, and reporting. The changes in the bill are described in more detail below.

Increased cash assistance benefits. The bill requires monthly basic cash assistance payments under Colorado Works to increase by 20 percent above the previous year's level in FY 2022-23. Starting in FY 2023-24, the basic cash assistance amount must increase by the greater of 2 percent or the three-year average of prior year Social Security cost of living adjustments. Funding for the increased benefit is described below.

- For FY 2022-23, the bill transfers \$18 million from the Economic Recovery and Relief Cash Fund to the Colorado Long-Term Works Reserve to cover the costs of increasing basic cash assistance under the bill. In FY 2023-24 and future years, the costs of increasing cash assistance must be split evenly between General Fund, the Unclaimed Property Trust Fund, and state and county TANF reserves. The CDHS must determine an equitable portion of TANF reserves that must come from the state and from counties.
- The bill includes triggers for changes in funding sources based on the level of funds in state and county TANF fund reserves. The Joint Budget Committee (JBC) must review the amount of TANF state and county TANF reserves available each year to determine if the reserves are expected to fall below the specified thresholds so that the state can adjust appropriations in line with the bill's requirements.

Other benefit changes. The bill makes several other changes that increase benefit amounts and the length of time Colorado Works participants may receive them. These changes include:

- requiring that the CDHS establish rules for both an initial disregard of earned income following the start of employment and a gradual step down in the amount of disregarded income;
- requiring the CDHS to use the lowest monthly income conversion ratio for converting weekly and bi-weekly income to a monthly amount; and
- reducing to \$1 the amount that a person receiving cash assistance may be sanctioned for the first violation of program rules, compared to a minimum sanction of 25 percent of a household's assistance payment under current law.

Expanded eligibility and exemptions. The State Board of Human Services is required to establish standards and procedures that require counties to provide benefits beyond the program's current 60-month lifetime limit and to waive the program's work requirement if an applicant or program participant demonstrates good cause for doing so., including being a single parent with a child below 1 year of age, and experiencing hardship, as defined in rule. In addition, the bill allows persons convicted of a drug felony on or after June 3, 1997, to receive benefits.

Program rules and operations. The bill places several new program rules and operations requirements on the CDHS. First, the CDHS must annually review and update the standard of need for households receiving assistance under Colorado Works in relation to the state's economic conditions. Second, the bill encourages the CDHS to align Colorado Works redetermination and verification timelines with other public assistance programs. Third, the State Board of Human Services is charged with ensuring compliance with the federal work participation rate in regards to the waiver of the work requirement (discussed above).

Outreach and training. The CDHS is required to create an outreach plan, with input from counties and stakeholders, to promote program access among eligible Coloradans. The bill specifies requirements for this outreach plan, including strategies for reaching diverse populations and information on program processes. Further, the bill requires the CDHS to provide comprehensive program training to county workers, along with toolkits, manuals, and other materials for county staff, applicants, and participants, including information about child care assistance, education, and work requirements, and other means to help participants meet their goals.

Program data and reporting. The bill requires the CDHS to monitor counties' workload impacts due to the administration of the Colorado Works program. Additionally, the CDHS will consult with counties to determine if additional funding is required to maintain or improve staffing levels. The bill encourages counties to contact program participants for exit interviews and inform the CDHS of any potential rule changes to enhance the client experience. Lastly, the bill requires the CDHS to report to the General Assembly in its annual SMART Act hearing, various data about program participants specified in the bill, and, to the extent practicable, information gathered through surveys and exit interviews.

Emergency and disaster funding. For a county that has exhausted its TANF reserves and is experiencing a local or statewide natural disaster or emergency, the bill creates a new process for the county to request funds from the County Block Grant Support Fund. The CDHS, with input from the Works Allocations Committee, must set criteria for use of funds in these situations.

Employment Opportunities with Wages Program. The bill includes an appropriation of \$7 million from the Economic Recovery and Relief Cash Fund to the Employment Opportunities with Wages Program in the DHS. This program assists Colorado Works participants find permanent employment with a living wage.

Background

Colorado Works is the state's implementation of the federal TANF program and is funded through a federal block grant to states. Colorado has received a flat \$136.1 million TANF block grant since 1996. The program is overseen by the CDHS and administered by counties in Colorado. Most of the annual TANF block grant (\$128 million) is allocated to counties, which are required to provide local matching funds of 20 percent. About \$150 million in federal and county funds supports the Colorado Works program. Each county receives an annual allocation, based on a formula, to administer the program, provide monthly cash assistance to eligible households, and provide support services to help recipients meet their employment goals.

Federal rules allow unused TANF funds to be held in reserve by both the counties and the state. County reserves consist of unused funds from the county's annual allocation. Current law limits county reserves to 40 percent of a county's allocation or \$100,000, whichever is higher. The state's reserve consists of unappropriated and unexpended TANF funds, including any funds that revert from the counties over the statewide cap.

Assumptions

Basic cash assistance. The basic cash assistance award for a family of three (one parent and two children) is currently \$508 per month. Actual awards vary by family size and composition. It is assumed that the average benefit for all households is about \$480 per month based on available state and federal data. It is assumed that basic cash assistance benefits will grow by 20 percent in FY 2022-23 compared to the prior year (as required by the bill), and then grow by 4.8 percent in FY 2023-24 and 5.6 percent in FY 2024-25, based on prior year Social Security cost of living adjustments and the March 2022, Legislative Council Staff forecast of the change in the consumer price index.

Program caseload. It is assumed that about 14,000 households per month will receive basic cash assistance in FY 2022-23. This number is assumed to increase to 15,000 households in FY 2023-24 and 16,000 in FY 2024-25 and future years. These amounts are informed by FY 2019-20 actual caseloads and account for future increases as the impact of federal pandemic assistance wears off, cases return to historical norms, and the impact of increased outreach under the bill. Additional detail on increased caseload from policy changes in this bill is provided in the State Expenditures section below.

Rulemaking and implementation. The fiscal note assumes that the CDHS will require around six months to conduct rulemaking and make necessary computer system changes concerning waivers and modifications in program eligibility. Therefore, caseload impacts are assumed to start on January 1, 2023. The increase in the cash assistance amount is assumed to take effect on July 1, 2022.

Fund sources. All costs in FY 2022-23 are assumed to be paid from the Colorado Long-Term Works Reserve. For FY 2023-24, it is assumed that there will be sufficient state and county TANF reserves for the costs of basic cash assistance to be paid equally from General Fund, Unclaimed Property Tax, and state and county TANF reserves. All administrative costs under the bill are assumed to be paid from the Colorado Long-Term Works Reserve.

State Expenditures

The bill increases state expenditures in the CDHS by \$27.8 million in FY 2022-23, \$29.3 million in FY 2023-24, and \$38.1 million in FY 2024-25. Costs for basic cash assistance will increase in future years by at least 2 percent, depending on inflation. The bill will also shift a portion of costs that are currently paid from county block grants to the new state and local funding stream created by the bill. Costs are shown in Table 2 and detailed below.

Table 2
Department of Human Services Expenditures under HB 22-1259

	FY 2022-23	FY 2023-24	FY 2024-25
Personal Services	\$345,153	\$345,153	\$345,153
Operating Expenses	\$6,750	\$6,750	\$6,750
Capital Outlay Costs	\$31,000	-	-
CBMS Upgrades	\$1,066,400	-	-
Basic Cash Assistance ¹	\$19,243,401	\$28,897,952	\$37,711,498
Employment Opportunities Wage Program	\$7,000,000	-	-
Centrally Appropriated Costs ²	\$81,047	\$81,047	\$81,047
Total Cost	\$27,773,751	\$29,330,902	\$38,144,448
Total FTE	5.0 FTE	5.0 FTE	5.0 FTE

¹ See Table 3 for a breakdown of these costs.

² Centrally appropriated costs are not included in the bill's appropriation.

Personal services. CDHS requires 5.0 FTE to implement the bill. The staff includes 2.0 FTE for policy advisors/analysts to create data reporting standards for counties, analyze data and information provided by counties, coordinate with stakeholders, develop reports, evaluate county workload impacts, and provide information through the SMART Act and 3.0 FTE for marketing and communications specialists to implement the bill's outreach and engagement requirements, conduct training, and provide technical assistance to counties. Costs for this FTE include personal services costs, standard operating, and capital outlay costs.

Colorado Benefits Management System (CBMS). This bill requires 8,600 hours of contract computer programming to modify the CBMS at a rate of \$124 per hour, which increases costs by \$1,066,400 in FY 2022-23. While the CDHS receives an annual appropriation for a set amount of CBMS programming each year (CBMS pool hours), the fiscal note assumes that modifications of this scope cannot be conducted within this existing appropriation. Funding for CBMS is reappropriated to the Office of Information Technology.

Basic cash assistance. Spending on basic cash assistance to Colorado Works participants is expected to increase by \$19.2 million in FY 2022-23, \$28.9 million in FY 2023-24, and \$37.7 million in FY 2024-25. This amount will increase in future years by the greater of two percent or the rolling three-year average of social security cost of living adjustments. These costs are summarized in Table 3 and described in more detail below. The increase in basic cash assistance, shown in the first row of Table 3, applies to the projected caseload under current law. The other eligibility changes discussed below and shown in Table 3 account for both the projected change in caseload and the phased-in benefit increase.

Table 3
Increased Basic Cash Assistance under HB 22-1259

	FY 2022-23	FY 2023-24	FY 2024-25
Increased Cash Assistance	\$16,128,000	\$22,256,640	\$30,230,839
Income Disregard	\$864,000	\$1,940,297	\$2,185,551
Work Requirement Hardship Waiver	\$725,760	\$1,629,850	\$1,835,863
60-Month Lifetime Limit Waiver	\$725,760	\$1,629,850	\$1,835,863
Reduced Sanctions	\$316,041	\$354,749	\$399,474
Drug Felony Eligibility	\$483,840	\$1,086,566	\$1,223,908
Total Costs	\$19,243,401	\$28,897,952	\$37,711,498

- *Increased cash assistance.* Increasing the basic cash assistance benefit by 20 percent will increase costs by \$16.1 million in FY 2022-23. Based on projected increases to the Social Security cost of living adjustments, expenditures will increase by \$16.1 million in FY 2022-23, \$22.3 million in FY 2023-24 and \$30.2 million in FY 2024-25.
- *Income disregard.* After the State Board of Human Services adopts a phased in step down of the income disregard, the fiscal note assumes that about 7 percent of program participants who become employed, or about 1,000 to 1,150 participants per year, will continue to receive basic cash assistance for an average of three months longer than they would have otherwise received under current law. Actual costs may vary depending on rules promulgated by the board to implement this new income disregard and current county practices.
- *Work requirement and lifetime limit waivers.* It is assumed that creation of the work requirement waiver and the lifetime limit waiver will each increase average monthly caseload by about 1.5 percent, or about 210 to 240 participants per waiver (a combined increase of 3 percent, or 420 to 480 participants, per year). Actual costs will depend on waiver rules promulgated by the CDHS.
- *Reduced sanctions.* According to the counties, most participants who have their benefit reduced for failure to comply with program requirements come into compliance after the first time that sanctions are imposed under current law. It is assumed that program rules will continue to allow for more substantial sanctions on second or subsequent violations, and program participants will come into compliance following a second sanction if they do not do so after the minimal first sanction under the bill. Therefore, based on available data, the fiscal note assumes that about 180 participants per month will receive increased cash assistance from the lower sanction. The increased benefit is assumed to equal 25 percent of the average monthly benefit, reduced slightly by the \$1 sanction per participant sanction imposed by the bill.
- *Persons convicted of drug-related felonies.* Currently, persons previously convicted of a drug felony are not eligible for Colorado Works and are unlikely to apply; therefore, current data on persons who are rejected for this reason likely significantly underestimates the population that will become eligible under the bill. Preliminarily, the fiscal note assumes that expanding eligibility for persons with a drug-related felony conviction will increase the average monthly caseload by at least 1 percent, or between 140 and 160 persons per month. The actual increase will depend on outreach, information availability, and post-incarceration programs implemented by the CDHS and counties.

Basic cash assistance funding streams. The bill changes how basic cash assistance is funded when the amount of assistance exceeds FY 2021-22 funding levels. Specifically, starting in FY 2023-24, assuming certain reserve thresholds are met, the bill requires that any increase in basic cash assistance above the amount provided in FY 2021-22 be paid equally from the General Fund, Unclaimed Property Trust Fund, and state and county reserves. Information on how basic cash assistance will be paid for under the bill, and shifts in funding that will occur, are described below.

- *FY 2022-23.* As stated in the Assumptions section, costs of the increase in basic cash assistance is assumed to be paid entirely from the Colorado Long-Term Works Reserve in FY 2022-23. However, the bill only specifically requires that the \$18 million transferred to the reserve be used for the increase in basic cash assistance relative to FY 2021-22 levels. Should the entire \$19.2 million not be appropriated from the Colorado Long-Term Works Reserve, then county reserves would need to be used.
- *FY 2023-24 and FY 2024-25.* Because the new funding formula starting in FY 2023-24 applies to any increase in basic cash assistance, not just those attributable to this bill, a portion of basic cash assistance that would be paid by counties from their annual block grant under current law will instead shift to this new funding stream. Because of pandemic era assistance programs, caseloads in FY 2021-22 are currently lower than historical norms. In future years, caseload growth is assumed to occur, with or without this bill. Thus, the costs of increasing caseload beyond FY 2021-22 levels will increase costs to the General Fund, Unclaimed Property Trust Fund, and state and county reserves and decrease costs paid by county block grants. This shift in funding is estimated to be about \$5.8 million in FY 2023-24 and \$11.5 million in FY 2024-25.

Employment Opportunities with Wages Program. Based on the included appropriation, the bill increases expenditures in the DHS by \$7 million for the Employment Opportunities with Wages Program.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills rather than in this bill. These costs include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the General Fund held in reserve starting in FY 2023-24 by the amounts shown in Table 1. Money held in reserve decreases the amount of General Fund available for other purposes.

Local Government

The bill will increase county government expenditures for providing basic cash assistance to Colorado Works participants. In the first year, these costs will be paid primarily using ARPA funds transferred to the Colorado Long-Term Reserve. In future years, counties will be required to pay a portion of the costs for increasing basic cash assistance under the bill, as one-third of the costs are to be paid from state and county TANF reserves. The exact impact to counties will depend on the portion required to be paid from county reserves. Should county reserves drop below 15 percent of the total county block grant, additional state funding will be provided to the county block grant or appropriated to support the costs of the bill, depending on the amount of state reserves available. To the extent that county TANF reserves are used to pay the increased cash assistance and counties had other planned uses for funds, the bill will shift funding from those other purposes. In addition, the bill shifts a portion of basic cost assistance costs that would likely be paid from county TANF block grants in future years to the General Fund and the Unclaimed Property Tax Fund, to the extent that costs that would have been incurred in future years exceed FY 2021-22 levels.

To the extent counties meet the encouraged provisions to conduct exit interviews and other data collection, workload for county staff will increase. It is assumed the CDHS and counties will examine these administrative costs, as specified in the bill, and additional funding may be requested through the budget process if needed.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2022-23, the bill requires an appropriation of \$20,692,704 to the Department of Human Services from the Colorado Long-Term Works Reserve, and 5.0 FTE. Of this amount, \$1,066,400 is reappropriated to the Office of Information Technology.

In addition, the bill includes an appropriation of \$7,000,000 from the Economic Recovery and Relief Cash Fund to the Department of Human Services for the Employment Opportunities with Wages Program.

State and Local Government Contacts

Counties	Health Care Policy & Financing
Human Services	Information Technology
Labor	Law