

MEMORANDUM

TO: Joint Budget Committee Members

FROM: Kevin Neimond, Joint Budget Committee Staff, 303-866-4958

SUBJECT: SNAP Budget and Policy Recommendations Comeback

DATE: March 16, 2016

Request: The Colorado Department of Human Services did not submit a decision item related to the implementation of the Supplemental Nutrition Assistance Program (SNAP) for FY 2016-17.

Original Recommendation: On Wednesday, February 20th during figure setting for the Colorado Department of Human Services, staff recommended a series of Long Bill and statutory changes related to the implementation of SNAP. The changes included:

- An addition of seven staff positions to the Department for FY 2016-17 to improve the State's role in the oversight of SNAP (increase of \$800,000 total funds, including \$400,000 General Fund);
- An addition of a line item to the Department's Long Bill structure for FY 2016-17 to capture all appropriations for the State's administrative functions associated with SNAP;
- Legislation to clarify SNAP performance standards and establish a framework for performance incentives and financial sanctions; and
- Elimination of the State's rule making process for SNAP via legislation.

Committee Action: The Joint Budget Committee tabled action on staff's recommendations during figure setting for the Colorado Department of Human Services.

Revised Recommendation: Staff took into consideration the feedback offered by Joint Budget Committee members during the February 20th figure setting presentation concerning the original recommendations, reanalyzed these recommendations, and formulated a series of six recommendations for SNAP quality improvement. The quality improvement plan calls for the following six changes:

- Increase transparency in budgeting and accounting by adding a new line item in the Long Bill to capture appropriations for the State's administrative and supervisory functions associated with SNAP;
- Increase State oversight by adding three staff positions to the Department of Human Services with \$342,857 total funds, including \$171,429 General Fund, to enhance management, fiscal, and performance functions;
- Clarify performance standards in statute;
- Establish framework for performance incentives and sanctions in statute;
- Collect and analyze data on county costs and performance through a contract with an external contractor using \$550,000 of county Temporary Assistance for Needy Families (TANF) reserve funds; and
- Streamline the rules making process through internal Colorado Department of Human Services actions.

The following pages detail each of staff's six recommendations associated with the quality improvement plan.

Increase Transparency in Budgeting and Accounting (Long Bill)

Original Recommendation vs. Revised Recommendation – no change

Staff recommends that the Committee add a line item to the Department’s Long Bill structure for FY 2016-17 to capture all appropriations for the State’s administrative and supervisory functions associated with SNAP. This line item, called “Supplemental Nutrition Assistance Program Administration,” would contain appropriations transferred from two existing line items. The current structure of the Long Bill is not specific in the area of SNAP administration. This provides the opportunity for moneys intended for this purpose to be expended for different, non-SNAP uses. The following table summarizes staff’s recommendation.

Increase Transparency in Budgeting and Accounting				
Line Item	TF	GF	FF	FTE
Office of Self Sufficiency, Administration, Personal Services	(\$1,000,000)	(\$500,000)	(\$500,000)	(7.0)
Office of Self Sufficiency, Administration, Operating Expenses	(49,616)	(26,250)	(23,366)	0.0
Office of Self Sufficiency, Special Purpose Welfare Programs, Supplemental Nutrition Assistance Program Administration (new line item)	1,049,616	526,250	523,366	7.0
Total	\$0	\$0	\$0	\$0

Increase State Oversight (Long Bill)

Original Recommendation vs. Revised Recommendation – revision includes a decrease of 4.0 FTE compared to the figure setting recommendation based on staff’s revised recommendation on “Performance and Cost Data Collection.” Staff recommends that data on performance and cost are collected and analyzed on a county-by-county basis to identify system gaps prior to adding regional county representatives to support SNAP operations.

Staff recommends that the Committee add three staff positions to the Colorado Department of Human Services for FY 2016-17 to improve the State’s role in the oversight of SNAP. The expense of the positions, \$342,857, would be shared 50/50 between federal funds and the General Fund. The positions include a SNAP Program Manager (1.0 FTE), SNAP Fiscal Manager (1.0 FTE), and SNAP Performance Analyst (1.0 FTE). Staff also recommends that the Department receive an appropriation of \$25,000 (\$12,500 General Fund and \$12,500 federal funds) for FY 2016-17 for internal staff training purposes. The following table summarizes staff’s recommendation.

Increase State Oversight (Recommended Long Bill Action)				
Item	TF	GF	FF	FTE
Addition of SNAP Program Manager, Fiscal Manager, and Performance Analyst	\$342,857	\$171,429	\$171,428	3.0
Funding for State Staff Training	25,000	12,500	12,500	0.0
Total	\$367,857	\$183,929	\$183,928	3.0

Clarify Performance Standards (Legislation)

Original Recommendation vs. Revised Recommendation – no change

Staff recommends that the Joint Budget Committee sponsor legislation to clarify SNAP performance standards. Specifically, staff recommends language that identifies that in implementing SNAP, the Colorado Department

of Human Services and counties shall strive to meet federally established performance standards in the following areas:

- Application Processing Timeliness;
- Payment Error Rate (PER); and
- Case and Procedural Error Rate (CAPER).

Establish Framework for Performance Incentives and Sanctions (Legislation)

Original Recommendation vs. Revised Recommendation – no change

In the recommended legislation to clarify performance standards, staff recommends that the Joint Budget Committee establish a framework for performance incentives and financial sanctions.

- Permit the issuance of incentives to counties for meeting or exceeding federal performance standards.
 - If the state receives a performance bonus based on the following measures established by the federal government for SNAP administration, the moneys shall be passed through to counties.
 - Application Processing Timeliness;
 - Payment Error Rate (PER); and
 - Case and Procedural Error Rate (CAPER).
 - The State may award SNAP administration performance bonuses in addition to those awarded by the federal government, if moneys are available.
 - The distribution of such incentives shall be determined by the Colorado Department of Human Services and counties based on a mutually agreed upon methodology.
 - Moneys may be used by counties for one-time activities related to the administration SNAP.
- Permit the issuance of financial sanctions to counties for failing to meet federal performance standards in administering SNAP.
 - If the state receives a financial sanction from the federal government due to failing to meet SNAP standards in the following federal performance measures, the financial sanctions may be passed through to counties for payment:
 - Application Processing Timeliness;
 - Payment Error Rate (PER); and
 - Federally imposed sanctions resulting from unresolved compliance issues, such as claims discrepancies, specific to county responsibilities in administering the SNAP.
 - The distribution of such sanctions shall be determined by the Colorado Department of Human Services and counties based on a mutually agreed upon methodology.
 - Counties may only be held responsible for the portion of federal sanctions that are applicable to county performance.

Collect and Analyze Data on County Costs and Performance (Legislation or Long Bill)

Original Recommendation vs. Revised Recommendation – revision includes a General Fund-neutral appropriation of \$550,000 to collect data on county performance and costs associated with the administration of public assistance programs supervised by the Department of Human Services and the Department of Health Care Policy and Financing.

Staff recommends that the Colorado Department of Human Services receive an appropriation of \$500,000 total funds to contract with an external vendor for to collect and analyze data on county costs and county performance associated with administering public assistance programs, including those supervised by the Department of Human Services and the Department of Health Care Policy and Financing. Data collection and analysis provides the legislature, the executive branch, counties, and stakeholders with the following information that can be used to target system improvements:

- Status of each county in meeting stated performance measures (e.g. timeliness) for administering public benefits (e.g. SNAP, Medicaid, etc.);
- Backlog of work not yet completed by counties and cause of the backlog;
- Inventory of all activities (e.g. application initiation, interactive interview, case reviews, etc.) that each county conducts and its purpose (e.g. State or federal requirement);
- Amount of time (e.g. minutes) spent per county on each activity conducted;
- Costs (e.g. staff and operating) per county for each activity conducted;
- Source of cost disparities across counties (e.g. county X spends more time and money on the application initiation activity than county Y);
- Relationship between counties activities, costs, and performance against standards (e.g. county X meets SNAP performance standards at a lower cost than county Y because it spends less time on the application initiation activity than county Y);
- The business process improvements that contribute to a county’s ability to decrease activity time and costs and meet or exceed performance standards (e.g. county X changed to a more generalized staffing model for the application initiation activity and it decreased activity time and costs by five percent); and
- Options for altering the manner in which State funding is allocated to counties to promote the implementation of best practices (as identified by this data collection and analysis initiative) rather than on allocating funds to meet existing costs irrespective of peer costs and peer performance.

Staff also recommends that the Colorado Department of Human Services receive an appropriation of \$50,000 total funds to work with an external vendor to consult with funders, administrators, and stakeholders to ensure that the scope of the data collection and analysis project is clearly identified prior to a vendor conducting any data collection and analysis. This will improve the ability of the initiative to yield information that is beneficial to a wide variety of parties.

The data collection and analysis contract can be funded with zero impact to the General Fund by using existing county Temporary Assistance for Needy Families (TANF) reserve funds. The mechanics of this funding model are shown in the following table, and include decreasing General Fund for child welfare services by \$550,000, increasing federal funds from county TANF reserve funds by \$550,000, and appropriating \$550,000 General Fund to a new line item in the County Administration budgetary division for the purposes of county data collection and analysis.

Collect and Analyze Data on County Costs and Performance			
Item	TF	GF	FF
Child Welfare Services	\$0	(\$550,000)	\$550,000
Data Collection and Analysis Scope Development	50,000	50,000	0
Data Collection and Analysis	500,000	500,000	0
Total	\$550,000	\$0	\$550,000

Staff recommends that the Joint Budget Committee choose between two vehicles for funding staff's recommendation:

- Option #1 – Appropriate moneys in the FY 2016-17 Long Bill for data collection and analysis (including pre-data collection and analysis scope development); or
- Option #2 – Include the data collection and analysis (including pre-data collection and analysis scope development) component in the staff-recommended legislation described previously.

Staff recommends option #2 because it provides the General Assembly with an opportunity to include language to more accurately describe the purpose of the data collection and analysis initiative than is offered through a Long Bill Appropriation. However, if the Joint Budget Committee opts to fund the project in the Long Bill, staff recommends that the moneys be appropriated to a new line item so that the intent of the appropriation is clear.

Streamline the Rules Making Process (Department Action)

Original Recommendation vs. Revised Recommendation – staff's original recommendation called for legislative changes to eliminate the rules making process for SNAP. After consulting with additional stakeholders and the Department of Human Services, staff no longer recommends this item for inclusion in legislation.

Staff recommends that the State's rule making process for SNAP be revamped by the Department of Human Services and its partners to increase the Department's ability to make policy changes and comply with federal regulations in a timely manner. Specifically, staff recommends that the agency explore a hybrid approach to the State rulemaking process for SNAP whereby policy options and waivers go through the rulemaking process while mandatory federal directives are implemented via the State's policy/procedure manual. Legislation is not necessary or recommended to pursue this approach.