



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 22-0296	Date:	March 18, 2022
Prime Sponsors:	Rep. Duran; Jodeh Sen. Moreno	Bill Status:	House HHS
		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 type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<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. Costs are phased in over several years and reach their full implementation amount in FY 2027-28.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$1.6 million to the Department of Human Services. See State Appropriations section.

Fiscal Note Status: The fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts under HB 22-1259**

	Budget Year FY 2022-23	Out Year FY 2023-24	Out Year FY 2027-28
Revenue	-	-	-
Expenditures			
General Fund	-	-	\$140,581,056
Federal Funds	\$11,613,114	\$42,493,993	-
Centrally Appropriated	\$114,173	\$114,173	\$114,173
Total Expenditures	\$11,727,287	\$42,608,166	\$140,695,229
Total FTE	7.0 FTE	7.0 FTE	7.0 FTE
Transfers	-	-	-
Other Budget Impacts			
General Fund Reserve	-	-	\$21,087,158

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 equal to 50 percent of the federal poverty level (FPL) by FY 2027-28. This increase is phased in over five years, with the bill specifying that the benefit amount must increase to:

- 32 percent of FPL in FY 2023-24;
- 37 percent of FPL in FY 2024-25;
- 41 percent of FPL in FY 2025-26;
- 46 percent of FPL in FY 2026-27; and
- 50 percent of FPL in FY 2027-28 and future years.

The bill requires that federal revenue, including funds available in state and county TANF reserve accounts, be used as the first source for implementing this benefit increase. The Joint Budget Committee (JBC) must review the amount of TANF reserves available each year, and if the balance of reserves is not sufficient to support the continuation of these benefits, the JBC is encouraged to appropriate General Fund for this purpose.

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:

- exempting all income that a program participant earns in, at least, the first six months after starting employment from the program income limits and requiring that the CDHS adopt rules that reduce this income disregard over an undetermined period after the start of employment in a way that ensures that appropriate work supports remain available for the participant;
- 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 new rules requiring 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. 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 board is charged with ensuring compliance with the federal work participation rate when establishing the priorities for exemptions to the lifetime eligibility limit and 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 information gathered through surveys and exit interviews.

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 average basic cash assistance award is currently \$508 per month, equal to about 27 percent of the FPL. This benefit amount is expected to increase to the following amounts, after accounting for the phased-in increase to 50 percent of the FPL in FY 2027-28 specified in the bill and an assumed 2.0 percent annual increase in the FPL thresholds:

- \$627 in FY 2023-24;
- \$739 in FY 2024-25;
- \$835 in FY 2025-26;
- \$955 in FY 2026-27; and
- \$1,060 in FY 2027-28.

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. Other policy changes under the bill that increase caseload are also assumed to grow at a similar rate. 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, 2023.

Available TANF reserves and use of General Fund. As specified in the bill, state and county TANF reserves will be used first to cover the increased costs of the bill. It is estimated that \$78 million is available in the state TANF reserve and about \$60 million in county reserves. These reserves are assumed to support the costs in the bill for the first three years, and that General Fund will be required starting in FY 2025-26. While the bill only encourages future appropriations from the General Fund, the fiscal note estimate assumes that the bill will be fully funded to support the changes proposed by the bill, even after TANF reserves are exhausted.

State Expenditures

The bill increases state expenditures in the CDHS by \$11.7 million in FY 2022-23 and \$42.6 million in FY 2023-24. Costs will continue to increase until the bill is fully implemented in FY 2027-28, when costs are projected to increase by \$140.7 million. Costs, shown in Table 2 and detailed below, are paid with federal funds for the first three years; starting in FY 2024-25, General Fund will be required.

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

	FY 2022-23	FY 2023-24	FY 2027-28
Personal Services	\$491,075	\$491,075	\$491,075
Operating Expenses	\$9,450	\$9,450	\$9,450
Capital Outlay Costs	\$43,400	-	-
CBMS Upgrades	\$1,066,400	-	-
Basic Cash Assistance ¹	\$6,252,789	\$38,243,468	\$136,330,531
County Administration	\$3,750,000	\$3,750,000	\$3,750,000
Centrally Appropriated Costs ²	\$114,173	\$114,173	\$114,173
Total Cost	\$11,727,287	\$42,608,166	\$140,695,229
Total FTE	6.3 FTE	7.0 FTE	7.0 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 7.0 FTE to implement the bill. The staff includes 2.0 FTE for policy advisors to create data reporting standards for counties, analyze data and information provided by counties, coordinate with stakeholders, develop reports, and provide information through the SMART Act; 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; and 2.0 FTE for research analysts to evaluate county workload impacts, track caseload data and trends, and conduct other analyses under the bill. Costs for this FTE include personal service costs, standard operating, and capital outlay costs, as shown in Table 2.

Colorado Benefits Management System (CBMS). This bill requires 8,600 hours of contract computer programming to modify CBMS at a rate of \$124 per hour, which increases costs by \$1,066,400 in FY 2022-23. While 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 \$6.3 million in FY 2022-23 and \$38.2 million in FY 2023-24. This amount will increase to about \$136.3 million in FY 2027-28 when the bill is fully implemented. These costs are summarized in Table 3 and described in more detail below. The phased-in increase to basic cash assistance benefit equaling 50 percent of the FPL, 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 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 2027-28
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 Cost	\$6,252,789	\$38,243,468	\$136,330,531

- *Increased cash assistance.* Increasing the basic cash assistance benefit as a percent of the FPL will increase costs by \$21.4 million in FY 2023-24, increasing over five years to \$106 million in FY 2027-28 when reaching the fully phased-in amount.
- *Income disregard.* The fiscal note assumes that about 16 percent of program participants, or about 2,300 participants per year, will enter the workforce and begin earning income that will place them over the limits for receiving basic cash assistance who would not otherwise qualify for the existing income disregard. It is assumed that this policy change, on average, will increase the length of time these participants receive benefits by six months. Actual costs may vary depending on rules promulgated by the CDHS to implement this new income disregard and current county practices.
- *Work requirement - hardship waiver.* Based on data provided by counties, it is assumed that 1,250 program participants exit the program monthly, either permanently or temporarily, due to not meeting the work requirement or due to other personal or family member health issues and other hardships. It is assumed that about 400 additional participants per month will qualify for a waiver under the bill. Some participants granted a work requirement waiver under the bill may have met the work requirement under the current law if the waiver was not available; no change in costs will be incurred in such instances. Actual costs will depend on waiver rules promulgated by the CDHS.
- *Lifetime limit waiver.* Based on data provided by counties, it is estimated that between 150 and 200 participants exit the program each month after reaching the 60-month lifetime maximum. It is assumed that half of these persons exiting the program will receive a waiver and continue on the program for an additional six months, the maximum allowed under the current Colorado Works rules. On average, this will increase the monthly average caseload by 320 participants in the first year under the bill, which will increase to around 460 persons per month as the caseload phases in and grows over time. The actual number of approved waivers and the length of time that benefits are extended 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 have 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 CDHS and counties.

County administration. The bill highly encourages county staff to conduct exit or follow-up interviews with program participants to collect data on the Colorado Works program's effectiveness and assign a caseworker to all program participants. After accounting for existing and new cases eligible under the bill for the Colorado Works program, the fiscal note estimates that counties will require approximately 50 new FTE, totaling \$3.75 million in new costs. It is assumed that the state will provide funding for these expenses. If funding is not provided, counties would either need to reduce other services or not meet the encouraged provisions of the bill.

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 2024-25. The bill will increase the reserve by \$21.1 million when fully implemented. 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 and will require additional staff to implement the bill's requirements and other encouraged policies such as assigning cases to a caseworker and exit interviews. As described in the State Expenditures section above, county costs for increased benefits and county staff are assumed to be covered using federal funds in the first two years, including from county TANF reserves. In the third year and beyond, it is assumed that General Fund appropriations from the state will be provided to counties to cover some or all of these costs.

To the extent that counties had other planned uses for county TANF reserves, the bill will shift funding from those purposes to the expanded cash assistance benefits required under the bill. If the General Assembly does not appropriate sufficient funds to fully support the required benefits, counties will have to reprioritize the use of TANF funds or find other ways to manage Colorado Works benefits within available funds.

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 \$1,610,325 in federal funds from the state long-term TANF reserve to the Department of Human Services and 7.0 FTE. Of this amount, \$1,066,400 is reappropriated to the Office of Information Technology for CBMS modifications.

It is assumed that costs in FY 2022-23 for the estimated increase in basic cash assistance (\$6,252,789) and county administration (\$3,750,000) will be paid using county TANF reserves, and appropriation from the state TANF reserve is required when county reserves are exhausted first.

State and Local Government Contacts

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