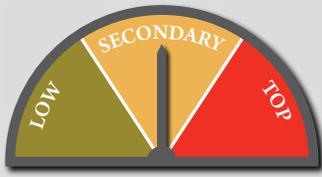


OLD AGE PENSION PLAN

PRIORITY



OVERVIEW

The material describes the how Colorado maintains its own Social Security program. It is the second time this chapter has appeared in a Citizen's Budget.

RECOMMENDATIONS

Put on the 2014 general election ballot a proposal to delete this program from the Colorado constitution.

SAVINGS

Total Recommended Savings = \$87.1 million

Citizens are rightly concerned about the future stability of the Social Security Administration in Washington. They know that the promised benefits are higher than the expected income from FICA taxes.

Even so, Colorado has maintained the Old Age Pension Plan since its inception in 1937. A recipient may qualify even if he or she has never paid any taxes in Colorado. From the sales taxes collected for the State, the Colorado Constitution requires that 85 percent be diverted to

this program. Only after the program is fully funded may the rest of the diverted funds be returned to the General Fund. The funding is automatic and off-budget, as far as the legislature's ability to adjust either the flow of funding or the amount spent each year. The total cost of the program in fiscal year 2012-13 is expected to be \$87.1 million.¹ The program is an entitlement, so that anyone who qualifies may obtain the distribution. Funds are continually appropriated based on program demands and not budgeted by the legislature.

Back in the depths of the Great Depression, 38 states (of the then-48 states) operated old-age assistance plans, and Colorado's was the most generous.² The pension plan was passed in the 1936 general election as Article XXIV of the State constitution. The structure was modified in the 1956 general election to its current status. With the establishment and expansion of the federal Social Security System, most other states quickly dropped their programs. Colorado today is the only state with its own old age pension plan.³

To qualify, one must be a resident of Colorado over age 60 and meet the need-based standard for eligibility. On the first day a person declares himself a Colorado resident, he becomes eligible to receive a free pension from taxpayers. A requirement that the beneficiary needed to reside in Colorado for 35 years was overturned by the Colorado Supreme Court in 1979.⁴ A person does not even need to be a U.S. citizen.⁵ A legal immigrant may receive these benefits, as long as the sponsor rules have been met.⁶ The Old Age Pension provides financial benefits up to \$725 per month to nearly 23,000 beneficiaries.⁷ The amount was raised just this past year and a new dental care benefit added.⁸

Many forms of income—such as wages, social security benefits, disability benefits, pension, or Veteran's Assistance—can reduce the amount paid by the Old Age Pension. Some applicants are required to apply for federal Supplemental Security Income benefits

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as a condition of receiving the Old Age Pension and the SSI benefits reduce the amount of the Old Age Pension. However, owning a residence does not disqualify a Colorado resident from receiving the pension and there is no limit to the size and value of that property. The presence of relatives who may be able to contribute to the pensioner's upkeep is no condition for disqualification by law. Beneficiaries never need to pay back the moneys, even if they come into an extraordinary amount of new income or assets.

Plenty of existing state and federally funded programs assist the elderly with their living expenses, including energy rebates, Meals on Wheels, Medicaid and Medicare. Colorado allows income tax filers to shelter a portion of pension earnings from the state income tax. In strong revenue years for the State, many elderly residents do not pay property taxes on the first \$200,000 of their homes' values. The Old Age Pension Plan is the only program to offer direct income assistance through stipend payments.

There are a host of other funded assistance programs for the elderly. The Old Age Pension is a redundancy and an anachronism.

The Plan is even more generous than Social Security in the sense that, unlike the federal program, beneficiaries do not need to show they have ever earned income, lived in the state before applying for benefits, nor ever paid any taxes of any nature to Colorado.

There are a host of other funded assistance programs for the elderly. The Old Age Pension is a redundancy and an anachronism. To repeal the Old Age Pension Plan would take a vote of the people, and one that could not be scheduled before the next general election in 2014. If it were to pass, some modest transition time would likely be built into the measure, so the reduction in spending would likely impact the 2014-15 budget year.

ACKNOWLEDGEMENTS

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ENDNOTES

- ¹ Amanda Bickel, Joint Budget Committee analyst. "FY 2012-13 Staff Figure Setting, Department of Human Services." February 21, 2012, pages 65 to 68, at <http://www.kentlambert.com/Files/humfig2.pdf>. This figure is derived by summing the 2012 base \$78,592,000 times 103.7 percent for new level of benefit, plus \$3,000,000 for a new dental benefit and \$2,567,000 for county administration, all rounded to the nearest \$100,000.
- ² As reported by the Colorado Welfare Director, Earl M. Kouns, Colorado paid \$30 on top of the \$15 sent by the Social Security Administration, the highest amount in the nation. "Discord Between Various Factions Are Smoothed Out; Question of Raising Huge Sum is Big Problem for the Legislature," Gene Cervi, *Denver Post*, November 5, 1936, page 6.
- ³ Justine Fink, Tax and Fiscal Policy Task Force of the American Legislative Exchange Council. "Census of States' Pension Plans." Unpublished paper, July 2010.
- ⁴ *Jeffrey v. Colorado Department of Social Services*, 198 Colo. 265, 599 P.2d 874 (1979).
- ⁵ Colorado Revised Statutes § 26-2-111.8 (1)(a) and (1)(b) and (1)(c), Eligibility of noncitizens for public assistance.
- ⁶ Colorado Revised Statutes § 26-2-111.8 (2)(a)(II).
- ⁷ Bickel, *ibid*.
- ⁸ House Bill 1326, "Concerning Assistance to the Elderly," sponsored by Rep. Cindy Acree (R - Aurora).