The Colorado Health Foundation

State of the State’s Budget: The Fiscal Outlook for Colorado's State Government and Its Impact on Communities

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What Happened to State Revenues?
Below from May 12, 2020 Revenue Projections
Where Do Taxes and Fees Go?

The taxes and fees for government services that you pay each year fund federal, state, and local government programs. Combining all of these taxes and fees, the graphic below illustrates where the average $1 in taxes and fees goes.

A little less than a quarter of your taxes and fees is collected by the state government.
What Are the State’s Revenue Sources?
From Fiscal Year 2019-2020

Total State Revenues = $23.8 billion

General Fund (GF): $12.6 billion including:
- Income Taxes ($8.3 B individual, $766 M corporate)
- Excise Taxes (Sales Tax $3.2 B, Other $650 M)

Cash Funds (CF) of $2.45 billion including:
- Fees (licenses, permits, use fees)
- Specific Excise Taxes (marijuana, tobacco)
- Lawsuit Settlements (tobacco, Volkswagen)

Federal Funds (FF): $8.75 billion
What Happened to Sales Tax Revenue?

**Changes in U.S. Retail Sales, March 2020**

- **Food services & drinking places**: -26.5%
- **Online & mail-order shopping**: -19.7%
- **Sports, hobby, music & book stores**: -23.3%
- **Clothing & accessories**: -50.5%
- **Gas stations**: -17.2%
- **Health & personal care stores**: 4.3%
- **Grocery stores**: 26.9%
- **Building material & garden dealers**: 1.3%
- **Electronics & appliance stores**: -15.1%
- **Furniture & home stores**: -26.8%
- **Motor vehicle & parts dealers**: -25.6%
- **TOTAL: retail & food services**: -8.7%
General Fund Revenues Drop: What Now?

Reminder: Colorado must maintain a balanced budget each year, meaning that spending may not exceed the amount of tax and fee revenue that the state collects or saves. In other words, unlike the federal government, the state cannot run a deficit.

May 12 News: A balanced budget for FY20-21 requires a General Fund reduction of $3.3 billion: a 27% cut

Proposals for Budget Cuts Came From:
• Governor’s Office
• Joint Budget Committee Staff
• JBC Members and Other Legislators
• Interest Groups Proposing Lesser Evils
What Are the State’s General Fund Expenses (from FY 19-20):

**GENERAL FUND $12.20 BILLION**

- Human Services/Health Care: 34.4%
- Education (K-12): 36.1%
- Corrections/Judicial: 12.3%
- Higher Education: 9.1%
- General Government: 1.0%
- Other: 7.1%
How Did the Legislature Make These Cuts and Balance the Budget?

One-Time (Or Very Limited) Measures

• $304 million in transfers from existing cash funds
  – Spend marijuana taxes in the year they are collected ($139 million)
• State reserve amount reduced to 2.86% from a previous rate of 7.65% ($572 million)
• State employee compensation reduction of 5%
• Suspension of the $225 million GF transfer to PERA
• Only critical repair projects for state-owned buildings/property ($3 million)
• Increased revenue through HB1420: decouple from federal tax cuts (+$94 million)
And Then, The Budget Cuts

• Higher education cut by 58%, or about $493.2 million. This equals the $450 million in federal aid to higher education announced by Gov. Polis as part of his federal CARES funding plus an additional 5% cut

• An overall cut to K-12 education of $577 million (approx. 7%). Schools did receive about $600 million in federal CARES funding

• Community provider rate reduction of 1% for most Medicaid providers, a variety of human services providers, and local public health agencies (LPHAs).

• No cut to senior and disabled veteran homestead exemption or Amendment 35 programs.
Too Many To List... Some Examples:

- Substance Use Disorder (SUD) Prevention, Treatment and Recovery: $21 million
- Delay Medicaid benefit for inpatient/residential SUD treatment by 6 months
- Safety net and teaching hospitals: $3.2 million
- Low-Income Senior Dental: $1 million + Medicaid adult benefit annual max from $1500 to $1000
- Student loan repayment for health professionals in underserved areas: $672,000
- Family planning services: $714,000
- Assisting persons with disabilities apply for federal disability benefits: $3.75 million
- K-12 Education Grant Programs:
  - Behavioral Health Professionals: $3.0 million, K-5 Social and Emotional Health Pilot Program: $2.5 million, Bullying Prevention: $1 million
  - Grants for Empowering Parents, Student Re-Engagement, Career Development Success, Concurrent Enrollment, Local Libraries, Quality Teacher Recruitment and Grow Your Own Educator programs
- Closing a minimum-security prison in Canon City and reducing beds at the women’s prison in Pueblo
- Using $30 million directed to Affordable Housing in 2019, 2020 and 2021 to balance the budget instead (a total of $90 million)
Federal Funds: Good News?

Congress passes the CARES Act and Colorado gets $1.67 billion in federal funds:

• Can’t cover anything already in the state budget on 3/20/20

• Has to be spent by 12/30/20

• Has to be related to COVID-19

Governor allocates all but $70 million through an Executive Order.
Legislature’s $70 million of CARES $ 

• $20 million to small businesses (<25 FT employees).
• $20 million in direct rental and mortgage assistance to Coloradans. Includes $350,000 for the eviction legal defense fund.
• $4.8 million to the Low-Income Energy Assistance Fund for direct utility payments.
• $500,000 for a new Food Pantry Assistance Grant Program.
• $15.2 million to mental health programs and substance use disorder services.
• Continued Medicaid reimbursement for telehealth services implemented by emergency rule ($5 million to continue for FY20-21).
• $500,000 for the 2-1-1 Statewide Human Services Referral System.
• $500,000 for domestic violence programs.
• $1.5 million to coordinate contact tracing activities for smaller/rural Local Public Health Agencies.
• $2.0 million to increase immunization rates for flu in adults and children and for Measles Mumps Rubella (MMR) in children.
Nonprofits Partnerships with Government: Mixed Messages?

• State Budget Cuts
  – reduce your services
  – no new programs that require state funds
  – it will get worse before it gets better

• Federal CARES Money
  – spend lots of money right now (at least before 12/30/20)
  – but don’t count on more
  – but... we might send more later if we can agree, or the November election changes our minds
How Can Nonprofits Plan for the Future?

• The future of the state budget is uncertain in an unprecedented way. Contingency plan(s) will be necessary. State agencies asked to submit budgets to Governor with a 10% General Fund cut for FY21-22.

• So many one-time measures... absent new/increased revenues or new federal funds, the state budget for FY21-22 is expected to be even more dire.

• It will likely be several years before the state legislature can add new funding to the budget or pass any new legislation with a General Fund cost; once there is revenue growth, they will likely focus first on restoring cuts made. Though, not all cuts will be restored (value must be proven).

• Be strategic about pursuing non-government funding, including foundations and donors, look for ways to generate revenue if possible, and try to maintain a reserve to withstand the volatility.
How To Find Colorado Budget and Fiscal Information

From [leg.colorado.gov](http://leg.colorado.gov), click on Budget, then Explore the Budget from the dropdown menu for a great overview (or click the arrow to the right of Budget in the vertical list of options to see options). You can also click on Budget, then Budget again with either view.
Budget Overview

Go to Budget Documents Table

The table below lists documents presented to the Joint Budget Committee (JBC) during public meetings in order to assist that committee in preparing its annual budget recommendations for the General Assembly.

The General Assembly also receives budget-related recommendations from sources other than the JBC. Follow the links for documents related to:

- Capital Development Committee
- Joint Technology Committee
- Economic Forecasts prepared by Legislative Council Staff

Go to more information about the Budget Process

- FY20-21 Long Bill Package Narrative
- FY19-20 Supplemental Narrative
- HB20-1360 (Long Bill)
Legislative Council Economic Forecasts

Forecasting

Legislative Council Staff publishes forecasts of the Colorado and U.S. economies and state revenue each March, June, September, and December. The General assembly uses these forecasts to develop the state budget, monitor state spending in relation to revenue, and determine and report the amount of excess state revenue under TABOR.

Economic and Revenue Forecasts

Other Forecasts

The Economics staff also prepares several annual forecasts that are used to prepare budget requests for various state programs. These annual forecasts include:

- the prison and parole population for adults and juveniles;
- assessed property values for school districts;
- kindergarten through twelfth grade public school enrollment;
- higher education enrollment; and
- tobacco master settlement agreement payments.

Subscribe to Economic and Revenue Quarterly Forecast mailing list
ECONOMIC OUTLOOK

After two months of precipitous declines, the U.S. economy appears to have begun to grow slightly in May and June, though from extremely low levels. The U.S. economy added more than 2.5 million jobs in May after losing more than 22 million in March and April, and retail sales grew by 7.9 percent after declining by 16 percent in April. Despite this improvement, the recovery is expected to be slow and contingent upon public health conditions and federal relief measures.

Colorado lost more than 300,000 jobs in March and April, and the unemployment rate rose to 11.3 percent. Despite these dire numbers, the state’s large professional services sector is helping Colorado weather the COVID-19 recession is better than most other states. Other critical industries, however, such as tourism and energy, have been severely impacted and are expected to face lengthy recoveries.
How to Find a Bill’s Fiscal Note

From leg.colorado.gov, click on Bills, then All Bills, then search by bill number, topic, sponsor, year, house of origin, etc. Once you find your bill, click on it to open the bill’s “folder”. Then, click on View Recent Fiscal Note

HB20-1085
Prevention Of Substance Use Disorders
Concerning the prevention of substance use disorders, and, in connection therewith, making an appropriation.

SESSION: 2020 Regular Session

SUBJECT: Health Care & Health Insurance

BILL SUMMARY

Opioid and Other Substance Use Disorders Study Committee. The bill requires the commissioner of insurance (commissioner) to promulgate rules that establish diagnoses of covered conditions for which a health benefit plan to provide coverage for nonpharmacological alternatives treatment as an alternative to opioids, are appropriate. Each health benefit plan is required to provide coverage for The required coverage must include, at a cost-sharing amount not to exceed the cost-sharing amount for a primary care visit for nonpreventive services, at least 6 physical therapy visits, and 6 occupational therapy visits, per year or 12 chiropractic visits, and 6 acupuncture visits per year, with a maximum of one copayment per year for 12 covered visits. The bill requires the commissioner to conduct a financial study to determine the economic
Is There Any Possible Budget Relief?  
YES... well, MAYBE

• Economic Recovery: State revenue will likely increase and return to normal, when the economy recovers. Last recovery took 2-3 years for revenues to rebound to previous revenues. This summer, watch July income tax collections, unemployment numbers, evictions/foreclosures, permanent layoffs and business closures.

• Federal Funds for State Budget Relief – Congress?

• Increased state revenue:
  – Tobacco/Vaping Tax referred to November ballot. Would raise $ for K-12 and affordable housing, taking pressure off of current GF revenues
  – Fair Tax collecting signatures for November ballot to lower taxes on those below $250k income, increase for higher; raises $2 billion/year
  – Legislature to further explore decoupling from federal tax breaks, like in HB20-1420. Will there be 2021 legislation?
  – Gallagher change referred to November ballot would reset property tax assessments. Colorado is among lowest in nation for residential, among highest for commercial. Impacts LOCAL government

• Other potential ballot initiatives are on the SOS website
Q&A and Wrap-Up

• Time for a few questions from the chat box

• You will receive an email with a link to this presentation and to the recording

• Up Next: Local Government Budget Webinar on August 4, 2020