



Week's Worth

September 24, 2010

This past Monday the Joint Budget Committee (JBC) met with Natalie Mullis of Legislative Council and Todd Saliman from OSPB for the quarterly revenue projections. For a copy of Legislative Council's Economic and Revenue Forecast go to http://www.colorado.gov/legcouncil/Economic_and_Revenue_Forecast_Sept_2010.pdf. For a copy of OSPB's September Revenue Forecast go to <http://www.colorado.gov/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1251657749367&ssbinary=true>. The JBC was briefed on overall national and Colorado economic recovery trends and what it means for the state for FY 10/11, FY 11/12 and FY 12/13. Both Legislative Council and OSPB are predicting a slow recovery as a result of a slow recovery by the financial sector and slow growth in the housing market. The JBC also met with John Ziegler, JBC staff to discuss the differences in Legislative Council's numbers and OSPB's numbers. Legislative Council is predicting higher general fund revenues in FY 10/11 but a slower recovery following in FY 11/12. OSPB is predicting lower general fund revenues in FY 10/11 but a quicker recovery in FY 11/12. For a copy of John Ziegler's analysis go to http://www.state.co.us/gov_dir/leg_dir/jbc/gfo-09-20-10.pdf.

FY 10/11

There are currently enough revenues to fully fund appropriations made for FY 10/11, but not enough to maintain a 4% reserve. The General Assembly will need to pass legislation to approve a 2% reserve. **Legislative Council is estimating the shortfall to be \$248.7M while OSPB is estimating the shortfall to be \$256.9M.** Both Legislative Council and OSPB assumed a 6 month extension of FMAP; however, Legislative Council does not account for the decrease in the expected match (a \$67.2M difference) while OSPB does. Both Legislative Council and OSPB incorporated the Governor's August 23rd budget balancing recommendations into their estimates totaling \$136M.

FY 11/12

Despite a budget not yet available for FY 11/12, Natalie Mullis of Legislative Council predicts the state will not have enough revenue to meet a 4% General Fund reserve. The state will need to consider different funding mechanisms because of the one-time fixes in FY 10/11 including ARRA funding for Medicaid, Federal funds for higher education and child welfare, and Amendment 35 moneys. In all these one-time fixes amount to \$617M. Her assumption does not include caseload increases. **The shortfall to reach the 4% reserve in FY 11/12 is expected to be \$202M.** However, if you incorporate the loss of one-time sources of money this

increases to \$754.7M and if the General Assembly chooses to fund inflation and caseload growth the shortfall grows to just over \$1.1B. It is likely that tobacco dollars will be used again to offset Medicaid costs and help balance the budget.

Governor Ritter released a statement after the morning revenue projections were announced, indicating his office has **already cut \$4.4 Billion from the state's budget** and will need to cut more to address the shortfalls in the coming year. He plans to address the FY10-11 shortfall with a plan to be released by the end of October, and will be working on next year's budget to be submitted to the JBC on November 1st.

The JBC also was briefed by Melodie Beck, the JBC analyst for Health Care Policy and Financing (HCPF). The briefing included an **update on ARRA funding for Medicaid**. You can find the entire memo at http://www.state.co.us/gov_dir/leg_dir/jbc/hcpf1-09-20-10.pdf. The total anticipated enhanced FMAP funding was not approved by Congress; however, they did approve a lesser amount, leaving the state with \$67.2M less than budgeted. Colorado's budget assumed an FMAP of 61.59% and the amount approved by Congress was 59.71%. If Congress had not approved the FMAP extension, the General Fund impact would have been \$213.6M. Thus, Congressional action saved Colorado approximately \$146.5M in General Funds. The JBC took no action on this today, but will officially approve the needed changes in January of 2011.

We do not yet know if there will be further Medicaid provider reductions in the current calendar year and we will keep you posted as we learn more. At this time we urge members to learn about the legislative process if you are not familiar with it and plan to be "engaged" in the legislative process during the upcoming 2011 Legislative session. **The CAHSA Nexters are hosting their annual "Legislative 101" program at the State Capitol on October 26th.** The registration flyer is attached. Come learn from our lobbyist about the process and Senator Pat Steadman about the issues, and take a tour of the Capitol to learn your way around—just in case we ask you to testify on a bill!