COLORADO FISCAL
POLICY INSTITUTE

ISSUE BRIEF: The High Cost of Cutting Services

A detailed look at selected state budget cuts

September 2, 2009

INTRODUCTION

On August 18, 2009, Governor Ritter announced $318 million in budget cuts designed to bridge a growing shortfall in this year's state budget (FY 2009-2010). As Colorado has experienced declining revenues and a growing budget gap, many are increasingly concerned about the impacts of these cuts on Colorado families. By making continued cuts in a state that ranks 47th in the country in key areas of investment like health care, education, transportation, and higher education, Colorado risks pursuing a fiscal strategy that could prolong its perpetual budget crisis.

This Issue Brief focuses on specific cuts that directly and indirectly impact low-income communities and Colorado as a whole. The Colorado Center on Law and Policy (CCLP), and its project the Colorado Fiscal Policy Institute (COFPI), have provided the following analysis outlining budget items in the Departments of Health Care Policy and Financing, Human Services, Public Health and Environment, Higher Education, and Revenue.

CCLP and COFPI applaud the efforts of the Governor and Legislature over the last 18 months to mitigate the impact of declining revenues on vulnerable populations. While the latest round of cuts will have a drastic impact on some of the most vulnerable and least visible Coloradans, it could have been much, much worse, and it leaves open the possibility of even more devastating cuts in the future. That is why CCLP and COFPI believe that there should be no more cuts, and instead the state should explore various revenue options immediately and into the future to stop the continued erosion of public investment.

SUMMARY OF BUDGET CUTS

The $318 million in cuts include the following: eliminating 270 FTE positions; $115 million cut in the Department of Health Care Policy and Financing (including a 1.5 percent provider rate cut); $18 million cut in the Department of Corrections; eliminating a 39-bed nursing facility in Grand Junction and 57 jobs; eliminating 59 beds in the children, adolescent, and geriatric units at the Colorado Mental Health Institute in Fort Logan and 48 jobs; $80 million cut in higher education to be backfilled by stimulus dollars contingent on federal approval; as well as additional cuts in agriculture, health care, human services, local affairs, military and veterans affairs, natural resources, personnel, public health and environment, public safety, and elsewhere. **The cuts also mean that Colorado will lose out on $59.3 million in federal funds.**

This following analysis focuses specifically on selected cuts in the Departments of Health Care Policy and Financing, Human Services, Public Health and Environment, Higher Education, and Revenue.

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DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Fiscal Year 2009-10 Reductions
Total Funds: $113.75 million*
General Fund: $454.7 million

Total of all Medicaid Program Reductions
General Fund Reduction: $17 million
Total Impact: $38.6 million

Total of all Indigent Care Program reductions
General Fund Reduction: $21.5 million
Total Impact: $62.2 million ($12 million less if hospital provider fee approved by April 2010).

*The Total Funds reductions are less than the General Funds reductions because there is actually an increase in Federal Funds from the American Recovery and Reinvestment Act (ARRA).

Reductions Annualized to Fiscal Year 2010-2011
Total Funds: $114.05 million
General Fund: $71.51 million

Total of all Medicaid Program Reductions
General Fund Reduction: $29 million
Total Impact: $62 million

Total of all Indigent Care Program reductions
General Fund Reduction: $15 million
Total Impact: $31.5million

DETAILS BY PROGRAM

Budget Item: Enhanced Federal Medical Assistance Percentage
General Fund Reduction: $52.5 million reduction in General Fund
Federal Fund Impact: $52.5 million increase in Federal Fund
Real Cut or Refinance: Refinance
Analysis: Colorado is receiving an enhanced matching rate through December 2010 because of provisions in the American Recovery and Reinvestment Act (ARRA) that allow for increased Medicaid matching rates depending on a state's change in unemployment since the beginning of the recession. Colorado is now receiving the highest possible matching rate under ARRA. This enhanced matching rate will be applied to revenue received through the new Hospital Provider Fee in order to offset $41.4 million in Medicaid General Fund expenses. The State will recognize a General Fund offset of $11.1 million as a result of an increase in Federal matching rates for the last quarter of 2008-09.

MEDICAID PROGRAM ADJUSTMENTS
Budget Item: Transportation in Home and Community Health Based Waivers (HCBS)

General Fund Reduction: $185,000 reduction in general fund
Federal Fund Impact: $297,000 reduction in federal matching funds
Total: $482,000
Real Cut or Refinance: Real Cut
Analysis: This reduction in general fund will result from capping non-medical transportation services at 2 trips per week from the current average of 3.3 trips per week. HCBS waivers serve persons with developmental and physical disabilities to allow for independent living in the community without the need for institutionalization. Non-medical transportation is transportation for clients to and from adult day care and other types of programs and services.
Providers and advocates say this cut will impact the ability of people with disabilities to engage in work activities, exercise, shop for food and engage in other activities necessary to healthy and independent lives.

Budget Item: Personal Care and Homemaker Services
General Fund Reduction: $425,000 general fund reduction
Federal Fund Impact: $675,000 in federal fund reductions
Total: $1.1 million
Real Cut or Refinance: Real Cut
Analysis: This is a reduction and cap of $72.05 on the total individual daily expenditure for Personal Care and Homemaker services by people with disabilities and the elderly. These services support individuals who otherwise would not be able to live independently. The loss of these services, which include cooking, shopping, bill paying, help making appointments and managing schedules, doing laundry, and housekeeping, among other services, means that more people are likely to move to institutional care settings which are more costly to the state and less desirable for the client.

Budget Item: Full Medicaid Eligibility for State-only clients
General Fund Reduction: $1.1 million general fund reduction
Real Cut or Refinance: Refinance
Analysis: Children's Health Insurance Program Reauthorization Act (CHIPRA) provided federal matching dollars for states to provide optional coverage through Medicaid or CHIP for immigrant pregnant women and children who have been in the country for less than five years. Federal law had previously required a five year waiting period before a legal immigrant was able to access certain federal benefits programs. Colorado was using state only funds to cover medical care for legal immigrant pregnant women. This new federal provision allows Colorado to draw down federal matching funds for this program.

Budget Item: Provider Rate Decrease
General Fund Reduction: $7.0 million reduction in General Fund
Federal Fund Impact: $12.6 million reduction in Federal (matching) Funds
Total $19.6 million
Real Cut or Refinance: Real Cut
Impact: All Medicaid providers will see a 1.5% reduction in the amount that they are paid for treating Medicaid patients. Colorado had, in recent years, increased provider rates recognizing that paying adequate rates increases access to Medicaid providers. During the 2009 legislative session, the General Assembly approved a 2.0 percent ($30 million total fund) provider rate cut. These cumulative rate reductions, in conjunction with Medicaid caseload growth of 4500 new clients a

month, and other cuts impacting traditional Medicaid providers, raise serious questions about the ability to find providers to serve Medicaid clients and systematically undermine program gains made in recent years.

Budget Item: Federally Qualified Health Center Rates Decrease
General Fund Reduction: $1.5 million General Fund reduction
Federal Fund Impact: $2.4 million Federal (matching) Fund reduction
Total: $3.9 million
Real Cut or Refinance: Real Cut
Analysis: While this cut in isolation may seem relatively small, cumulative impact of all cuts to Federally Qualified Health Centers mean they are losing 6% of their total budget. In addition to the rate decrease, the health centers will also feel negative effects from the elimination of the **Health Care Services Fund $11.9 million general fund reduction, and $30 million total funds reduction.** FQHCs are health clinics throughout Colorado that form a critical health care safety net for low-income and uninsured populations by providing primary and preventive care services. Decreasing the rates paid to the FQHCs will negatively impact the clinics' ability to provide needed health services to an expanding low-income, uninsured population.

COLORADO INDIGENT CARE PROGRAM
Budget Item: Health Care Services Fund
General Fund Reduction: $11.9 million reduction in general fund
Federal Fund Impact: $18.1 million reduction in federal funds
Total: $30 million
Real Cut or Refinance: Real Cut and Refinance
The Health Care Services Fund is a cash fund established under Referendum C. This money will be moved from cash funds to the general fund making it a refinance. Because the funds will no longer go to the designated program and program recipients, it is also a real cut.
Analysis: The Health Care Services Fund was created by Referendum C to increase reimbursements to providers under the Colorado Indigent Care Program (CICP). CICP is a program that helps offset the cost to providers of providing health care services to low income and uninsured persons not eligible for Medicaid. The Health Care Services Fund was going to sunset in 2010, but has been eliminated one year early in order to offset costs to the General Fund. The Fund allowed for an increase in reimbursements from 14 cents on the dollar to 95 cents on the dollar. Fifteen health centers in addition to other providers will be negatively affected by this cut, which they were not expecting to occur for another year. Combined with other cuts affecting health centers and providers, this cut greatly reduces the capacity of these critical health care safety net providers, including the Federally Qualified Health Centers, to provide needed health services to their low-income and uninsured clients.

Budget Item: Comprehensive Primary and Preventive Care (CPPC) Grants Program and the Rural and Public Hospitals Payments (RPHP)
Cash Fund Reduction: $648,053 CPPC; $1.5 million RPHP
Federal Fund Impact: $2.45 million in lost Federal Fund revenue from the RPHP program
Total impact from both programs: $4.63 million

Real Cut or Refinance: Real Cut and Refinance. These programs are funded through transfers from the Tobacco Master Settlement agreement. Reduction in this appropriation will allow the cash funds to offset the General Fund.
Analysis: The funding for these programs comes from the Tobacco Master Settlement. The CPPC program makes grants to clinics for providing primary and preventive care to indigent and uninsured Coloradans. The RPHP program makes grants to rural and public hospitals that treat an above average number of indigent clients. The grants help offset the cost of providing care to these clients. These cuts may decrease capacity for the provider safety net that treats Colorado's indigent patients.

Budget Item: Private Hospital Reimbursement in Colorado Indigent Care Program (CICP)
General Fund Reduction: $7.8 million general fund reduction
Federal Fund Impact: $7.8 million in federal matching fund reduction
Total: $15.6 million
Real cut or Refinance: Proposed Refinance
Analysis: This cut means a loss of all funding to private hospitals that receive reimbursements for treating low-income uninsured Coloradans through the CICP program. These hospitals will no longer receive reimbursement for treating these clients. Actual impact is not clear, as hospitals are likely to be reimbursed if hospital provider fee is approved by the federal government and refinancing was anticipated during budget setting process this year.

Budget Item: Eliminate Telehealth Disease Management Program
General Fund Reduction: $159,000
Federal Fund Impact: $158,000
Total: $317,000
Real Cut or Refinance: Real Cut
Analysis: This cut would end the contract to provide Telehealth services because the Department did not believe it was the most cost effective method to manage client care. Note that this program was just one year old, and it was not clear whether it would realize savings over a longer period of time. Telehealth provides medical access, particularly in rural areas, to people who otherwise are unable to get or have difficulty obtaining medical care. The Department believes that implementation of its Accountable Care Collaborative project will allow for delivery of these services on a local level. It is not clear whether all of the services delivered will be available locally.

PHARMACY
Budget Item: Reduce Pharmacy Reimbursement Rates
General Fund Reduction (net): $1.3 million
Total impact: $3.5 million
Real Cut or Refinance: Real Cut
Analysis: This cut would reduce rates paid to pharmacies serving Medicaid clients for both brand-name and generic prescriptions. The reduction in pharmacy rates was passed as part of the final budget for 2009-10 during the 2009 legislative session and was to begin in January 2010. The reduction will now be implemented in September 2009.

Budget Item: Expansion of the Preferred Drug List (PDL)
General Fund Reduction: $496,000

Total impact: $1.3 million
Real Cut or Refinance: Real Cut and Refinance
Analysis: The Department will add new drugs to the state PDL and anticipates supplemental rebates as a result. The Department will require additional funding for prior authorization requests to implement this change. The Department has not yet chosen the drugs that will be added to the PDL. These types of restrictions generally concern clients and client advocates because restricting the drug list from which providers can prescribe could have negative health implications due to drug interactions and effectiveness. Anticipated Effective Date: March 1, 2010

REDUCTIONS IN ENROLLMENT ASSISTANCE
Budget Item: Eliminate Out-Stationing Payments
General Fund Reduction: $600,000
Real Cut or Refinance: Refinance
Analysis: Out stationing payments are made to Denver Health for the receipt and initial processing of Medicaid applications from certain applicants as required under Federal law. This reduction would reduce the General Fund allotment but would continue to draw down federal funds using certification of public expenditures financing. The Department says that this reduction in funds will need a "corresponding increase in cash funds spending authority to account for the certification of public expenditure."

Eliminate School Based Medical Assistance Pilot Project:
General Fund Reduction: $75,566
Total Impact: $216,675
Real Cut or Refinance: Real Cut
Analysis: This was a pilot project at three sites to increase access to enrollment in Medicaid and CHP+ at schools funded by Health Care Expansion Funds. Conversion of the funds requires declaration of a fiscal emergency.
Effective Date: September 1, 2009

Commission on Family Medicine:
General Fund Reduction: $90,679
Total Impact: $260,010
Real Cut or Refinance: Real Cut
Analysis: Reduces by 10% state appropriation to Commission on Family Medicine. The Commission promotes family physician services and supports residencies. Budget documents say that it is believed, but not certain, that no residency positions will need to be eliminated as a result of this reduction.

MENTAL HEALTH - HCPF
Budget Item: Mental Health Capitation Rates
General Fund Reduction: $1.6 million
Federal Fund Impact: $2.5 million reduction
Total: $4.4 million
Real cut or refinance: Real Cut

Analysis: The Behavioral Health Organizations (BHO) will see their rates reduced by 2.5%, to the bottom of the actuarially acceptable range. BHOs contract with HCPF to operate managed care programs to provide mental health services to Medicaid eligible individuals. This cut raises concerns that the mental health system in Colorado is being even further stressed, given significant cuts to beds at Ft. Logan, given the possibility that some patients at Ft. Logan may end up being served by the BHOs, and cuts to safety net providers such as the Federally Qualified Health Centers.

Budget Item: Behavioral Health Organization Reconciliation Payments
General Fund Impact: INCREASE of $2.0 million
Federal Fund Impact: INCREASE of $2.0 million
Total: $4.1. million
Real Cut or refinance: Recoupment of payments from prior years
Analysis: HCPF states that this reduction is associated with implementing a new methodology more accurately track and recover payments to BHOs for clients determined ineligible for Medicaid in previous budget years.

DEPARTMENT OF HUMAN SERVICES

Total Reductions Fiscal Year 2009-10
Total Funds: $46.35 million
General Fund: $19.66 million

Total Reductions Annualized to Fiscal Year 2010-11
Total Funds: $63.46 million
General Funds: $24.05 million

DETAILS BY PROGRAM

Budget Item: Closure of the 32-bed Nursing Facility at Grand Junction Regional Center
General Fund Reduction: $1.29 million reduction in General Fund
Total Funds: $2.82
FTE: 57
The Department of Human Services describes the Grand Junction nursing facility as providing services to extremely medically fragile adults with the most complex medical and behavioral needs including persons with developmental disabilities and severe mental illness. The plan is to identify privately operated nursing facilities and Community Centered Boards to which individuals may be transferred. There is concern about the availability of suitable alternative placements and the transfer itself given the fragility of the individuals.

MENTAL HEALTH - DHS
Budget Item: Close 59 beds at Colorado Mental Health Institute at Ft. Logan
General Fund Reduction: $1.36 million
Federal Fund Impact: $2.1 million reduction in federal funds
Total: $3.1 million
FTE: 48.4
Real Cut or Refinance: Real Cut
Analysis: This proposed cut will close the Geriatric and Adolescent units, and the Therapeutic Residential Child Care Facility at CMHI Fort Logan for a total of 59 beds 2009-10 and 79 beds, $4.2 million and 126.6 FTE in 2010-11. In cutting beds for children, adolescents and seniors at Ft. Logan, the state intends to find alternate placement, however, there is considerable disagreement between representatives at HCPF and mental health advocates about the availability of such placements whether it would be in the best interest of the patients, their families, and the community. Patients often enter Ft. Logan as a last resort, after all attempts to treat in the community or at lower level facilities have failed, or as an alternative to the Division of Youth Corrections. There is concern that alternative placements may not be geographically near family which could undermine an important support structure for the patients. Also, the youth and older adults served at Ft. Logan are considered difficult to treat and there is a great deal of concern that we risk destabilizing patients that are incredibly fragile. This cut results in greatly reducing or eliminating the mental health safety net for children, adolescents and seniors. Colorado already ranks 50th among states for the number of inpatient beds per 100,000 people. Once cut, it is unlikely the state will be able to recover these beds if and when it becomes clear that they are needed. Also, the cuts raise questions as to the long

term viability of Ft. Logan and whether the efficiencies and economies of scale required to run the Institute will be recognized once these cuts are made.

CHILD WELFARE

Budget Item: Functional Family Therapy Program: Division of Child Welfare

Program Description: Provides services to youth at risk of being placed in out-of-home placement. Not implemented yet, funding new for FY 09-10.
General Fund Reduction: $2,632,599
Cash Fund: $649,342
Total: $3,281,941
FTE reduction: .5
Real Cut or Refinance: Real Cut
Analysis: Funding would have provided 4 new functional family therapy programs intended to reduce child welfare out-of-home placement and youth corrections placement for high risk offenders ages 11 through 17. The programs were expected to serve 480 kids per year. Out of home placement is one of the largest cost drivers in child welfare.

Budget Item: Child Welfare Services Block Grant

Program Description: Child welfare block grants provide essential funding for state and county programs that protect children from abuse and neglect and assist families in providing safe and stable living environments.
General Fund Reduction: $2,527,611
Federal Fund: $868,243
Cash Fund: $779,396
Reappropriated Funds: $4,238,722
Total: $8,413,972
Real Cut or Refinance: Real Cut **and** Refinance
Analysis: Most recent data (FY07-08) shows that on average counties received 75,000 reports of abuse or neglect per year. They assess about 1/3 of those cases and provide services to about 1/4 of those assessed. Roughly 41,847 kids received child welfare services in FY07-08. The GA decides yearly whether to increase child welfare funding to cover caseload and inflationary increases. Counties that overspend must over the expense with county funds. While there are issues around the allocation formulas between counties, overall counties have exceeded the annual appropriation from 3.1% to 5.3% of their capped allocation in each of the last 6 fiscal years.

DIVISION OF CHILD CARE

Budget Item: Division of Child Care

Program Description: General fund reduction in vacant positions who are responsible for licensing child care facilities.
General Fund Reduction: $146,105
Total: $146,105
Real Cut or Refinance: Real Cut
Analysis: This cut eliminates funding for 3 vacant FTE who are responsible for licensing child care facilities and providing administrative support to the Department. This office has 52.5 FTE who

license roughly 7,500 facilities (+&-24HR) and account for roughly 74% of the administrative funding. This is a 5.5% staff reduction.

OFFICE OF SELF-SUFFICIENCY
Budget Item: Promoting Responsible Fatherhood Grant
Program Description: State must meet at least 10% of total funding to receive this grant to support activities to promote responsible fatherhood.
General Fund Reduction: $150,000
Total: $150,000
Real Cut: Yes
Refinance: Yes, one time refinance with donated funds.
Analysis: The state typically provides $222,222 in GF to draw down $2,000,000 in federal funds. GF obligation remains at $72,222. The Department has identified $150,000 in donated advertising dollars that can be used in place of GF match for the current year. These grants are used to support low-income fathers in healthy marriage activities, responsible parenting and greater economic security. The donated advertising dollars were to be used for spots played on cable TV stations.

Budget Item: Automated Child Support Enforcement System
Program Description: Part of the Office of Self-Sufficiency contains a computer system used by county staff to establish paternity, locate absent parents, manage child support enforcement caseloads and track collection efforts.
General Fund Reduction: $136,000
Federal Fund: $264,000
Total Impact: $400,000
Real Cut: Yes
Refinance: Yes, these savings will be carried forward permanently.
Analysis: Per OSBP this is a re-procurement of the contract for this system at a lower cost. The Long Bill appropriated $11.5 million total funds for this system: $3.7 Million GF, $424,000 Cash Funds and $7.3 million Federal Funds. The Automated Child Support System supports all required case handling for 142,000 child support cases in Colorado, including unites that include the Family Support Registry and the State Directory of New Hires. DHS re-contracted these systems in 2007 for a saving of about $400,000. This budget item is for the savings from the new contract for the Family Support Registry which is funded with 34% GF and 66% Federal Financial Participation. These percentages were applied to the reduction.

DIVISION OF YOUTH CORRECTIONS
Budget Item: IMPACT Contract
Program Description: In the Division of Youth Corrections Boulder County Integrated Managed Partnership for Adolescent Community Treatment Project serves delinquent youth who are in or at risk of out-of-home placement.
General Fund Reduction: $271,421
Real Cut or Refinance: Real Cut. Some refinancing with ARRA dollars at the local level.
Analysis: IMPACT is a managed care pilot project between DYC and Boulder County to provide health services to at risk youth. Total appropriation for this line item is $1.39 million with $1.35 in GF and $33,336 in reappropriated Medicaid funds from the DHCPF. This cut reduces the project budget by 20

percent. The program will delay the hire of a person in the juvenile drug court, reducing some treatment services and applying for community-based programming rather than commitment. DHS reports that IMPACT officials feel they can maintain low commitment numbers for 1 year by delaying new programming and targeting ARRA dollars to existing services.

Budget Item: Increase State Placements at State Commitment Facilities
Program Description: This is a decrease in the number of contract placements for the Division of Youth Corrections (DYC).
General Fund Reduction: $4,273,976 for contract savings
General Fund Increase: $354,489 for DYC Institutional Medical Services
General Fund Increase: $190,283 for DYC institutional Custody Expenses (Food/Clothing/Other)
Reappropriated Funds Reduction: $166,246
Total Impact: $3,812,327
Real Cut or Refinance: Real Cut **and** Refinance
Analysis: Per OSBP these placements will be offset with an increase in state commitment facilities to 120%. The Long Bill line item for purchase of contract placements was $42.4 million with $40.9 million in GF and $1.5 million in reappropriated funds. Up to 20% of the line item can be used to provide treatment, transition and wrap-around services to youths in DYC's residential and non-residential settings. The current number of state facility beds for committed use is 434.5. This cut will require the Division to increase that number to 521.4. The cut will decrease the amount of money paid to 3rd party contractors, but will increase the custody costs associated with housing additional kids. There is a corresponding GF increase of $190,283 in the line item for state commitment facilities and a $354,489 increase for medical services that are intended to absorb the cost of these placements. However, there could be severe consequences associated with increasing capacity to this level, including safety of the staff and youth. Double-bunking will be required “despite the risk,” there will be a reduction in the ability to provide clinical and other treatment services and DHS predicts an increase in the strain on local law enforcement and social service agencies.

Budget Item: Reclassification of Licensing Category of Ridge View Youth Services Center
Program Description: Reclassifies the Ridge View Youth Services Center from a secure to an open campus residential facility.
General Fund Reduction: $1,160,845 FY09-10
Increase in Cash Funds: +$412,083
Increase in Reappropriated Funds: +$412,083
Increase in Federal Funds: +$748,762
Total Impact: $0
Real Cut: No
Refinance: Yes, permanent refinance with Medicaid and Title IV-E funds.
Analysis: The reclassification of this facility to an open campus residential facility will allow the DHS to bill Title IV-E and Medicaid for services provided to youth at this facility. DHS does not believe this is a change to practice since the facility is not fenced and staff monitor youth. The reclassification will allow DHS to refinance GF spending of $748,762 with an equal portion of Title IV-E funds and $206,042 (FY09-10) GF with Medicaid Cash Funds saving 50% of total GF by matching those cash funds with federal Medicaid funds in Health Care Policy and Financing.

Budget Item: Rate Reduction in COLA for Contract Services

Program Description: 2% provider rate decrease for contractors of the DYC. One-time cut.
General Fund Reduction: $691,102
Real Cut or Refinance: Real Cut
Analysis: The DYC manages a number of contracts with outside providers, including with mental health treatment providers, residential treatment facilities for children, therapeutic child care facilities. This is a 2% cut in community programs for residential services to house and treat youth; institutional programs personal services which could include contracts with licensed therapeutic and psychiatric residential treatment facilities, medical providers, local school districts and colleges; institutional programs/medical services the main contract with Devereaux Cleo Wallace for acute mental health services at Lookout Mountain Youth Services Center and Colorado Access for specialty off-site medical needs; and institutional programs/educational programs such as AIDS prevention and substance abuse prevention. The FY 09-10 provider rates were held at FY 07-08 levels, representing a NET GF cut of just over $1.1 million for FY 09-10. This increases that reduction again.

Budget Item: Client Management Positions
Program Description: Elimination of 7 FTE in DYC responsible for providing client management services to youth while in residential placement and on parole.
General Fund Reduction: $428,160
FTE reduction: 6.4 FY09-10 beginning October 1 and FY 2010-11 9.6 FTE and $642,240 GF
Real Cut or Refinance: Real – permanent staff realignment
Analysis: DYC currently has 99.8 case managers who assist youths through residential treatment/commitment through their parole. Total FTE is 117 including support staff, total Long Bill budget was $8.1 million of which $7.8 million is GF. Current caseload is 1:20. DHS will increase this for youth who are in residential placements to 1:25 and decrease for youth who have returned to the community on parole to 1:18.

ADULT ASSISTANCE PROGRAMS
Budget Item: Aid to Needy and Disable, State Only Program
Program Description: This cut suspends a program that provides state-only benefits to people who have been disabled for 6 months or more and are waiting to receive a determination for Supplemental Security Income (SSI) benefits from the federal government.
General Fund Reduction: $4,544,073 FY 09-10; (FY 10-11 $9,755,357)
Cash Fund Reduction: $2,624,303 FY 0910; (FY 10-11 $5,504,328)
Reappropriated Funds: +$11,683
Federal Funds: +$10,216
Total Impact: $7,146,477
Real Cut or Refinance: Real Cut
Analysis: This program, established in 1953, provides and average of $185 per month to people waiting for eligibility determinations for SSI, the Social Security Administration reimburses the state for these funds. To qualify for the program participants must be 18-59, certified disabled and very low income. Total income per month must not exceed $200 and resources may not exceed $2,000. All applicants must be legal residents or documented immigrants. DHS states that as of June 2009, 6,449 individuals received AND-SO and Aid to Blind-SO programs. Advocates for the homeless argue that all AND-SO participants who receive housing assistance through Supportive Housing and Homeless Programs will become homeless as a result of this cut. Clients who receive housing assistance are

required to pay a portion of their housing costs and AND-SO allows them to do that. DHS counters that if clients have no source of income, then they are not required to pay for their housing as long as they obtain an exemption. DHS does not oversee Section 8 or Shelter plus Care programs but has stated that it will attempt to work with the Housing and Urban Development office so that nonprofits and other housing assistance providers will obtain those exemptions for AND-SO clients. Total line item for AND Programs, including AND-SO, was $17.4 million, including $11.4 million GF and $6.0 million Cash Funds.

Budget Item: OAP Cost of Living Reduction
Cash Fund Reduction: $6.1 million
Real Cut or Refinance: Refinance. The state will use the cash fund savings recognized by reduced caseloads and a revision to the cost of living adjustment in the OAP program to help offset the General Fund.
Analysis: Old Age Pension is a program initially created by an amendment to the Colorado Constitution in 1936 to provide financial assistance to low income Coloradans over the age of 60. The $6.1 million savings will be achieved because the Department of Human Services anticipates a lower caseload and no cost of living adjustment (COLA) for 2010.

Budget Item: Elimination of OAP Dental Benefit
General Fund Reduction: $520,000
Real Cut or Refinance: Real cut
Analysis: This program, which was created in 1977 to provide dental services to low-income Colorado seniors receiving Old Age Pension benefits, will be eliminated. This funding provided reimbursement to dental providers for services such as dentures and denture maintenance, oral cancer screening, x-rays, and routine cleaning. In 2007-08, the Dental Assistance Program for Seniors provided dental services for 863 low-income seniors. In 2008-09 the program served over 500 low-income seniors. Dental health is closely associated with physical health, and there are no other resources available to these seniors.

SERVICES FOR PEOPLE WITH DISABILITIES
Budget Item: State Veteran Nursing Home Consulting Services
Program Description: Contract for services to 5 of the 6 state veterans homes. Contractors provide review of fiscal operations, quality assurance, culture change, marketing consultation, pre-survey and pre-survey reviews, and complete Medicaid cost reports for each home.
General Fund Reduction: $195,627
Total Impact: $195,627
Real Cut: Yes
Refinance: No
Analysis: Contracts for services were added in FY05-06. The 6 nursing homes and 1 assisted living center run by the DHS are considered enterprises under TABOR and receive the bulk of their funding from federal and cash fund sources. The total for these contracts is $500,000 of which $195,627 is GF the remainder is cash funded. This contract was targeted by JBC as an option to cut and was intended to phase out over time. However, these services are said to improve services to clients and ensure greater quality. DHS reported that the services have been beneficial to residents. DHS estimates that this cut will result in fewer staff training and less external oversight.

IT AND ADMINISTRATIVE

Budget Item: Information Technology Services, Personal Services

Program Description: Elimination of 7 vacant positions in the Office of Information Technology Services that support various department information systems, hardware systems, help desk.
General Fund Reduction: $346,500
Federal Fund Reduction: $58,500
Reappropriated Funds: $36,000
Cash Funds: $9,000
Total Reduction: $450,000
FTE Reduction: 7
Real Cut or Refinance: Real Cut
Analysis: The OIT provides funding and support for large data systems used by the department to track and administer public benefits programs like TANF, Food Stamps, Medicaid and others. The systems are used by over 8,800 DHS and County staff and process files for more than 634,000 Colorado citizens. Systems include CBMS, the Colorado Financial Management System and Colorado Trails. Four of the FTE were added to address the backlog of requests for help. Total Personal Services line item in the Long Bill was $5.75 million and 75.2 FTE. This represents a cut of almost 10%. Unclear if the additional $100,000 is in federal funds, cash funds or re-appropriated dollars.

Budget Item: Information Technology Services, Colorado TRAILS Personal Services

Program Description: Elimination of 3 vacant FTE and 2 contract staff that work on the DHS's Colorado TRAILS system. Colorado TRAILS provides case management and tracking for county and state child welfare services workers.
General Fund Reduction: $216,000
Federal Fund Reduction: $184,000
Total Impact: $400,000
FTE Reduction: 3
Real Cut or Refinance: Real Cut
Analysis: Colorado Trails contract staff was reduced by $250,000, 2 positions, in the Long Bill. That cut was 25% of the contract staff dedicated to open requests for TRAILS. The system provides financial tools and case management for DYC and Child Welfare. The additional 2 contractors will reduce contract staff and budget by 50%. TRAILS line item has 48 total FTE. DHS notes in their request that downsizing Colorado Trails IT support staff will require that all State and County requests will be reprioritized based on criticality and limited resources available.

Budget Item: Office of Operations, Personal Services

Program Description: Elimination of 4 FTE in the Division of Facilities Management and operating and maintenance services in state buildings.
General Fund Reduction: $138,441
Cash Funds: $16,336
Reappropriated Funds: $94,081
Federal Funds: $18,604
Total Impact: $267,462
FTE Reduction: 4 (6FTE in 2010-11)

Real Cut or Refinance: Real Cut
Analysis: Division is responsible for 301 Department buildings and facilities including youth correctional facilities, mental health institutes, regional centers for the developmentally disabled, offices. These cuts will eliminate 3 planning and support staff in the Division of Facilities Management due to decline in capital construction projects, increase the ratio of custodial supervisors to staff from 1:6 to 1:8, consolidate administrative and purchasing staff functions and reduce operating services for landscape maintenance and waste removal. There are 327.2 FTE in Facilities Maintenance. Total Personal Services line item is $23.6 million. Total Operating Expenses line item was $3.7 million.

Other DHS Reductions

Office of Operations
One Time State Fleet Rebates: Total Impact $37,124
Building Maintenance Reductions: Total Impact $16,991

Office of Information Technology
One Time Adjustment OIT Management and Administration: Total Impact $132,251

Executive Director's Office
Risk Management Reduction of Liability, Property and Workers' Comp Volatility: $539,018
Risk Management Contract Review and Reduction: $143,161

DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT

Budget Item: Amendment 35 Funds/Tobacco
General Fund Reduction: $7,000,000
Real Cut or Refinance: Real Cut and Refinance. The funds move from CDPHE to Medicaid and are shown as general fund savings in HCPF.
Analysis: This program was created in 2004 when Colorado voters approved Amendment 35, increasing the excise tax on tobacco products in order to fund statewide health programs. Annually, 16 percent of the revenue is allocated to public health for Tobacco Education and Prevention, including community-based programs to: reduce tobacco use among youth, promote tobacco cessation and reduce exposure to secondhand smoke. The total refinancing of Amendment 35 funds from tobacco for FY 2009 – 10 is $15 million. The $7 million has been appropriated as grants to local public health and 75% will be rescinded with modified contracts and purchase orders being issued. Local public health agency programs will be laying off staff and decimating their programs in order to manage the grant cuts.

Budget Item: Amendment 35 Funds/CCPD
General Fund Reduction: $7,000,000
Real Cut or Refinance: Real Cut and Refinance. The funds move from CDPHE to Medicaid and are shown as general fund savings in HCPF.
Analysis: This program was created in 2004 when Colorado voters approved Amendment 35, increasing the excise tax on tobacco products in order to fund statewide health programs. Annually, 16 percent of the revenue is allocated to public health for Cancer, Cardiovascular Disease and Pulmonary Disease (CCPD) grants, including breast and cervical cancer screening and treatment. The total refinancing of Amendment 35 funds from CCPD for FY 2009 – 10 is $19 million. The $7 million has been appropriated as grants to local public health and will be rescinded with modified contracts and purchase orders being issued.

Budget Item: Tony Grampsas Youth Services
General Fund Reduction: $1,000,000
Real Cut or Refinance: Real Cut
Analysis: Tony Grampsas is a statutory program intended to provide funding to local organizations targeting youth and their families with programs designed to reduce youth crime and violence. State general funds are being cut completely but Tobacco Master Settlement funding of $4 million will remain to finance grants.

DEPARTMENT OF HIGHER EDUCATION

Colorado institutions of higher education have been slated for an $80.9 million cut to their state general fund support for FY2009-2010. The monies will be backfilled with federal American Recovery and Reinvestment Act funds that are specifically dedicated to stabilizing state education funding at all levels.

The $80.9 million cut and subsequent backfilling to higher education is contingent on approval of a federal waiver. As required by ARRA, a state cannot drop below a specified maintenance-of-effort. This means that Colorado cannot drop state general fund support for higher education below FY2005-2006 funding levels with out the waiver.

With the cut in state support and backfilling with federal monies, the result is no additional cuts in ***total*** spending in state supported institutions of higher education. Higher education is held harmless in this additional round of rescissions.

While higher education is protected in the current year, the K-12 education may experience a cut as a result of this budget move. The $80.9 million of federal funds being diverted to higher education are being diverted from state education stabilization funds that were originally anticipated to be deposited in the State Education Fund, from which the state can meet its Amendment 23 K-12 spending requirements. The diversion of these monies may result in a cut to K-12 education in the future, however, neither the legislature nor the governor has taken any official action to cut K-12 funding.

In summary, while protecting higher education for the current fiscal year from further cuts, in summary there are several issues with the backfilling of higher education funding with federal ARRA dollars:

- A federal waiver must be approved for the cut and backfilling before it is to occur. If the waiver is not approved by the federal Department of Education, Colorado puts into jeopardy all federal education stabilization funds, if the cut is implemented.

- The restoration of base funding is expected to be filled by state general fund revenues in FY2010-2011. The state is anticipating a shortfall of approximately $500 million in FY2010-2011, and it is unclear where and how funds will materialize to fix the long-term shortfall.

- The monies used to fill the gap were originally anticipated for K-12 education. It is possible that the shifting of these monies from K-12 to higher education may cause a future cut for K-12.

DEPARTMENT OF REVENUE

Total Reductions Fiscal Year 2009-2010:

Total Cuts from Department of Revenue: $1.5 million
Total cut from General Fund for Department of Revenue: $1.8 million
Total FTE lost 16.1

Total Reductions Fiscal Year 2010-2011:

Total Cuts from Department of Revenue: $1.66 million
Total Cuts from General Fund for Dept of Revenue: $1.6 million
Total FTE lost: 19.6

- From the Department of Revenue, it appears that four people will lose their job. The other FTE cuts eliminate retiring or vacant positions.
- The vast majority of the reductions are simply cuts that will reduce General Fund obligation.
  - The large exception is the $350,000 refinancing for the DMV from the HUFT "Off the Top." This is a one time refinancing.
- The General Fund obligation is reduced $1.8 million for FY 2009-2010, and $1.6 million for FY 2010-2011.
- Importantly, the Citizens' Advocate Position was originally cut. Following the August 18th presentation to the Joint Budget Committee, it was decided that this position would **not** be cut and would remain intact.

Following are a more detailed list of the cuts.

Budget Item: Tax Policy and Analysis Program
FY 2009-2010 Cut: $23,354
FY 2010-2011 Cut: $35,302
FTE Cut: 0.3
Reduces program which is responsible for promulgation
This cut comes almost entirely from "Taxation and Compliance Division, Personal Services" ($22,355 09-10). This department is currently staffed by two positions and will be reduced by .3 FTE. Tax policy requests will be directed to the tax staff, diverting them from other responsibilities.

Budget Item: Conservation Easement Appraisals
FY 2009-2010 Cut: $90,750
FY 2010-2011 Cut: $99,750
FTE Cut: 0
Eliminates the appraisals of conservation easements through a third party vendor, instead relying soley on staff provided.
Conservation easement creates legally enforceable land agreements between the land owner and the government. Moving the appraisals from a contractor to in-house will "likely result in eventual backlog of appraisals." There are about 70 appraisals a year. The property tax specialist will provide help, but the position will not be able to provide as much support for the Taxation and Compliance Division.

Budget Item: Taxation Business Group Vacant Positions Elimination

FY 2009-2010 Cut: $203,103
FY 2010-2011 Cut: $270,178
FTE Cut: 3.1
Three divisions will be reduced by about 1 FTE each: Tax Conferee Division, Taxpayer Service Division, Taxation Business Group Finance Office

- The Tax Conferee cut will not fill a current vacancy. The conferee processes protested audit cases. The average conferee's workload per year is $2.1 million. The result will be delayed handling of cases, and collection owed to state will be deferred until a later date. The program will be reduced .9 FTE and $79,380.
- The Tax Payer Service Division will not fill a retiring vacancy. This position is an expert on rules promulgation and adoptions, maintains tax indexes, and is responsible for the publication of tax literature specific to CO tax law. The program will be reduced .4 FTE and $28,443
- The Taxation Business Group Finance Office will not fill two current vacancies. The office will be reduced to four workers, and they believe they can still do all the work without the two vacancies filled. The office is responsible for budget forecasting, expenditure tracking, analysis and other things. The total cuts will be 1.8 FTE and $95,280.

Budget Item: Refinance DMV Administration with HUTF "Off the Top"
One-Time Refinance for FY 2009-2010: $350,000 – taking $350,000 cut from General Fund
FTE Cut: 0
SB 09-274 allows HUTF "Off-the-Top" funds to be used for the Division of Motor Vehicles Drivers License. There is $1.2 million in unappropriated "Off the Top" funds, this will take $350,000 from that amount. The remaining amount is $897,450.

Budget Item: Eliminate Program Assistant I
FY 2009-2010 Cut: $38,770
FY 2010-2011 Cut: $58,611
FTE Cut: .7 in 09-10, 1 in 10-11
This will reduce a Program Assistant I from the Motor Carrier Services division that is currently filled.
Result is that more tax examiners in the International Registration Plan section will have to attend to customer services needs rather than processing and reviewing commercial carrier registrations. This will create workflow issues and lead to backlog.

Budget Item: Eliminate Temporary Staffing from the Motor Carrier Services Division
FY 2009-2010 Cut: $10,000
FY 2010-2011 Cut: $20,862
FTE cut: 0
This proposal may jeopardize Colorado's role in the reciprocity agreement.
The International Registration Plan is an agreement between all states and Canadian provinces to accept registrations for carriers from other jurisdictions, so that carriers do not have to submit registrations in every jurisdiction. Funds for the current FY have already been expended, so that the cuts are not as large as the following year.

Budget Item: Cash Fund Internal Auditor Position
FY 2009-2010 Cut: $90,704

FY 2010-2011 Cut: $99,725
FTE Cut: 0
Will finance internal auditor position with internal Dept of Revenue Cash funds.
Financing this position with cash funds will cut the money from the general fund. This division deters and detects employee fraud.

Budget Item: Eliminate Human Resources Data Specialist
FY 2009-2010 Cut: $35,877
FY 2010-2011 Cut: $39,446
FTE Cut: 0.9 in FY 2009-2010, 1 in FY 2010-2011
Will eliminate currently vacant position as data specialist.
Department professional staff will be required to perform administrative tasks, reducing the amount of time they spend performing their job duties.

Budget Item: Eliminate Annex Security Contract
FY 2009-2010 Cut: $35,200
FY 2010-2011 Cut: $41,600
FTE Cut: 0 because it is contracted
Security began after the attack in July of 2007, decreasing this position will lessen the safety of employees and customers in the capitol annex.

Budget Item: Pueblo Data Entry Center Line Item Reduction
FY 2009-2010 Cut: $70,649
FY 2010-2011 Cut: $70,649
FTE Cut: 0
The entry rate will be reduced from $3.89 per thousand keystrokes to $3.80.

Budget Item: Document Imaging and Storage Line Item Reduction
FY 2009-2010 Cut: $50,805
FY 2010-2011 Cut: $50,805
FTE Cut: 0
Savings will be accomplished by rate reductions and reductions in the number of documents imaged.

Budget Item: Overtime Expense Elimination
FY 2009-2010 Cut: $40,333
FY 2010-2011 Cut: None
FTE Cut: 0
The elimination of overtime will slow the processing of deposits, refunds, mailings, and penalty assessments.
It will be particularly burdensome during peak times during the year.

Budget Item: Central Department Operations FTE Elimination
FY 2009-2010 Cut: $154,092
FY 2010-2011 Cut: $198,898
FTE Cut: 4.2
The positions cut are in Business Tax Clearing, Administration, Pierce Street Annex, and Tax files.

The CDO Division has several duties, including processing incoming checks and documents, outgoing mailings, edits corrections, and penalty assessments. 2 positions, or 22% of staff, will be cut from Business Tax Clearing division. There is a *strong likelihood* that not all sales tax returns will be processed by month-end, which may impact sales tax distributions to local jurisdictions. This will negatively impact their cash-flows. Jobs lost in administration will be absorbed by remaining staff, taking time from their previous duties.

Budget Item: Eliminate Cashiering Services to the Public at the Capitol Annex Building
FY 2009-2010 Cut: $85,231
FY 2010-2011 Cut: $132,993
FTE Cut: 2.1
Customers at the capitol will not be able to make cash payments.
Back office work will continue with 2 of the 5 current employees. In 2008-2009, the capitol unit received about 17,500 payment transactions.

Budget Item: Information Technology Division Vacancy and Operating Reduction
FY 2009-2010 Cut: $433,503
FY 2010-2011 Cut: $465,763
FTE Cut: 4.8 in 09-10, 5.1 in 10-11
The FTE cut are vacant positions that work on customer service, application development for business groups, infrastructure services, and help desk and desktop support.
There are 113.6 FTE in the Division. The IT department did not disagree with the proposed cuts.

Budget Item: Risk Management Contract Review and Reduction
FY 2009-2010 Cut: $8,454
General Fund: $2,396
Cash Funds: $4,853
HUTF OTT: $1,205

Budget Item: Building Maintenance Reductions
FY 2009-2010 Cut: $33,747
General fund cut: $17,754
Cash Funds: $15,245
HUTF OTT: $748

Budget Item: Risk Management Reduction of Liability, Property, and Workers' Compensation Volatility
FY 2009-2010 Cut: $36,491
General Fund: $5,217
Cash Funds: $4,853
HUTF OTT: $4,246

Budget Item: State Fleet Rebates – One-time Refinance for FY 2009-2010
One time Refinance – Cut in General Fund is $5,484
FY 2010-2011 Cut: NO

Budget Item: Office of Information Technology Management and Administration One time Adjustment
FY 2009-2010 Cut: $63,055
FY 2010-2011 Cut: None

CONCLUSION

While the overall cuts announced on August 18th protected some key safety-net programs, only utilizing half of the ledger unnecessarily limits the state's options. The revenue side of the equation was largely ignored, despite the fact that there are some reasonable options that make a lot of sense in terms of tax fairness, protecting the most vulnerable, and investing in economic growth.

COFPI has outlined numerous revenue options that the legislature could enact without having to go to the ballot and without asking the majority of working families to make the sacrifice. The revenue options compiled by COFPI include: suspending the net operating loss carry forward, limiting salary deductions for corporations and pass-through entities who deduct salary expenses for employees earning more than $250,000 per year, requiring out-of-state partners and shareholders to have Colorado taxes withheld, stronger tax enforcement, redirecting federal dollars, and other options.

Cuts mean tradeoffs, and right now those tradeoffs are being shouldered by the most vulnerable and least visible Coloradans. CCLP and COFPI are very concerned that these cuts will hurt people and force the state to spend more, rather than less money. There is also cumulative damage where these cuts affect so many that have already shared in the pain of reduced services and opportunities during previous rounds of reductions.

Colorado needs a balanced revenue solution, not a budget that's balanced on the backs of its most vulnerable people. This is not a problem that we can simply cut our way out of, nor can we rely on temporary measures, because this is a systemic problem. Colorado faces a perpetual budget crisis because we do not have a revenue system that sustains the public services Coloradans rely on every day. Until lawmakers address the state's tax system in a comprehensive way, and work to modernize its broken revenue system, Colorado will continue to face these budget problems. A strong 21st Century economy demands a modern tax system that is adequate, equitable, and sustainable."