



**Colorado
Legislative
Council
Staff**

HB16-1408

**REVISED
FISCAL NOTE**

(replaces fiscal note dated March 28, 2016)

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-1094
Prime Sponsor(s): Rep. Rankin
Sen. Steadman

Date: March 30, 2016
Bill Status: House Second Reading
Fiscal Analyst: Greg Sobetski (303-866-4105)

BILL TOPIC: CASH FUND ALLOCATIONS FOR HEALTH-RELATED PROGRAMS

Fiscal Impact Summary	FY 2015-2016 (current year)	FY 2016-2017	FY 2017-2018
State Revenue	\$0	\$0	\$0
<i>State Transfers</i>			
Accountable Care Collaborative Fund		20,000,000	
Tobacco Litigation Settlement Cash Fund	Potential increase	140,007	142,053
Other Cash Funds	Potential decrease	(20,140,007)	(142,053)
State Expenditures		\$71,915,128	(\$142,053)
General Fund		(6,451,471)	
Cash Funds		33,803,580	(142,053)
Federal Funds		44,563,019	
Appropriation Required: See State Appropriations section.			
Future Year Impacts: Ongoing state expenditure decrease and change in transfers.			

Summary of Legislation

As amended by the House Appropriations Committee, this bill establishes a new formula for the allocation of the annual payment received by the state as part of the Tobacco Master Settlement Agreement (Tobacco MSA). The new formula allocates all Tobacco MSA revenue by percentage shares, rather than the hybrid scheme of fixed dollar amounts and capped percentage shares in multiple tiers. The formula increases annual allocations to most programs receiving funding under the current distribution, while eliminating dedicated funding for the six purposes:

- the Early Literacy Fund in the Department of Education;
- the Public Health Services Support Fund in the Department of Public Health and Environment;
- the Offender Mental Health Services Program in the Department of Human Services;
- the Alcohol and Drug Abuse Prevention Program in the Department of Human Services;
- the Children's' Mental Health Treatment Program in the Department of Human Services;
- and
- the annual audit of Tobacco MSA-funded programs by the Office of the State Auditor.

For all of these purposes listed above except the audit, the bill makes FY 2016-17 appropriations from the Marijuana Tax Cash Fund in the amounts that the programs are expected to receive under the current law allocation formula.

The bill repeals the Public Health Services Support Fund and the Tobacco Litigation Settlement Trust Fund. It requires the State Treasurer to transfer any remaining balance in the Public Health Services Support Fund and the Offender Mental Health Services Fund to the Tobacco Litigation Settlement Cash Fund at the end of FY 2015-16.

The bill creates a new Accountable Care Collaborative Fund in the Department of Health Care Policy and Financing for the purpose of paying efficiency and health outcome-based rate incentives for primary care medical providers in the Medicaid coordinated care system. On July 1, 2016, \$20.0 million is transferred from the Children's Basic Health Plan Trust to this new fund.

Background

Tobacco MSA. The Tobacco Master Settlement Agreement (Tobacco MSA) was signed in 1998. Under the agreement, states consented to release participating tobacco manufacturers from health-related claims associated with the use, manufacture, and marketing of tobacco products in exchange for perpetual annual payments from the manufacturers. Colorado receives a fixed portion of the national MSA payment each April. The state received \$88.1 million in April 2015 and is expected to receive \$87.6 million in April 2016. Most of this money will be used to fund health care programs across the state.

Marijuana Tax Cash Fund. The Marijuana Tax Cash Fund comprises most state revenue from taxes assessed on retail and medical marijuana. The balance of the fund is budgeted for expenditure in the fiscal year after taxes are collected. Marijuana Tax Cash Fund expenditures for FY 2015-16 are dictated by appropriations in House Bill 15-1367. The General Assembly has not yet budgeted marijuana taxes collected in FY 2015-16 for expenditure in FY 2016-17.

State Revenue

While the bill does not affect total state revenue, it creates state transfers as described below.

State transfers. The bill requires the State Treasurer to transfer the total balances of the Public Health Services Support Fund and the Offender Mental Health Services Fund to the Tobacco Litigation Settlement Cash Fund at the end of FY 2015-16. It is assumed that the agencies administering these cash funds will spend their total balance and that no transfers will be made. To the extent that there is a balance in either cash fund at the end of FY 2015-16, transfers to the Tobacco Litigation Settlement Cash Fund will increase.

The bill creates a one-time transfer of \$20.0 million from the Children's Basic Health Plan Trust to a new Accountable Care Collaborative Fund in the Department of Health Care Policy and Financing on July 1, 2016.

Additionally, the bill is expected to decrease total transfers from the Tobacco Litigation Settlement Cash Fund by \$140,007 in FY 2016-17 and \$142,053 in FY 2017-18, and by similar amounts in subsequent fiscal years. Beginning in FY 2016-17, the bill changes the statutory formula for allocations from the Tobacco MSA payment to various state cash funds and programs. Table 1 shows the allocations anticipated for FY 2016-17 under current law and HB16-1408. Allocations for FY 2017-18 are expected to change similarly.

Table 1. FY 2016-17 Tobacco MSA Allocations Under Current Law and HB16-1408			
	Current Law	HB16-1408	Change
Expected Payment	\$87,573,562	\$87,573,562	\$0
Dept of Law			
<i>Tobacco MSA Defense Account</i>	1,751,471	2,189,339	437,868
Dept of Health Care Policy and Financing			
<i>Children's Basic Health Plan Trust</i>	25,548,831	15,763,241	(9,785,590)
<i>Autism Treatment Fund</i>	1,000,000	1,751,471	751,471
Dept of Public Health and Environment			
<i>AIDS Drug Assistance</i>	3,065,075	4,378,678	1,313,603
<i>HIV Prevention</i>	1,751,471	3,065,075	1,313,603
<i>Local Gov't Public Health Services</i>	1,764,696	0	(1,764,696)
<i>Immunizations</i>	1,008,397	2,189,339	1,180,942
<i>Dental Loan Repayment</i>	200,000	875,736	675,736
<i>Health Services Corps</i>	250,000	875,736	625,736
Dept of Human Services			
<i>Nurse Home Visitors</i>	16,638,977	23,382,141	6,743,164
<i>Tony Gramscas Youth Services</i>	3,502,942	6,568,017	3,065,075
<i>Offender Mental Health Services</i>	3,025,192	0	(3,025,192)
<i>Alcohol and Drug Abuse Programs</i>	756,298	0	(756,298)
<i>Children's Mental Health Treatment</i>	300,000	0	(300,000)
Dept of Personnel and Administration			
<i>Supplement State Employee Insurance</i>	1,134,447	2,014,192	879,745
Dept of Education			
<i>Early Literacy Fund</i>	4,378,678	0	(4,378,678)
Dept of Higher Education			
<i>CU Health Sciences Center</i>	12,352,869	13,573,902	1,221,033
<i>CU Health Sciences Cancer Research</i>	0	1,751,471	1,432,979
Dept of Military and Veterans Affairs			
<i>Veterans Trust Fund</i>	875,736	875,736	0
Capital Construction			
<i>Fitzsimons Trust Fund</i>	7,005,885	7,005,885	0
Office of the State Auditor			
<i>Tobacco MSA Annual Audit</i>	89,000	0	(89,000)
Unallocated Portion	1,173,596	1,313,603	140,007

State Expenditures

The bill is expected to increase state expenditures by \$71,915,128 in FY 2016-17, before decreasing expenditures by \$142,053 in FY 2017-18. The increase in state expenditures for FY 2016-17 incorporates a \$33,803,580 increase in cash fund expenditures, a \$6,451,471 decrease in General Fund expenditures, and a \$44,563,019 increase in federal fund expenditures. Spending is expected to decrease in subsequent fiscal years by amounts similar to that expected for FY 2017-18. State expenditures are summarized in Table 2 and described below.

Table 2. Expenditures Under HB16-1408		
Cost Components	FY 2016-17	FY 2017-18
Tobacco MSA Program Expenditures	(\$140,007)	(\$142,053)
Marijuana Tax Backfill of Tobacco MSA Programs	7,601,424	
Federal Funds Expenditure for Medical Services Premiums	44,563,019	
Cash Funds Expenditure for Medical Services Premiums	26,342,163	
General Fund Expenditure for Medical Services Premiums	(6,451,471)	
TOTAL	\$71,915,128	(\$142,053)

Tobacco MSA programs. Consistent with the changes in state transfers described in the previous section, the reduced total allocation of revenue from the Tobacco Litigation Settlement Cash Fund is expected to reduce expenditures for Tobacco MSA programs by \$140,007 in FY 2016-17 and \$142,053 in FY 2017-18. For FY 2016-17 only, the bill appropriates funds from the Marijuana Tax Cash Fund to completely offset reduced Tobacco MSA payment distributions to five programs:

- the Early Literacy Program in the Department of Education (\$4,378,678);
- the Local Government Public Health Services Program in the Department of Public Health and Environment (\$1,767,584);
- the Offender Mental Health Services Program in the Department of Human Services (\$3,025,192);
- the Alcohol and Drug Abuse Prevention Program in the Department of Human Services (\$756,298); and
- the Children's Mental Health Treatment Program in the Department of Human Services (\$300,000).

For FY 2016-17 only, the bill also reduces Marijuana Tax Cash Fund expenditures for the Tony Grampsas Youth Services Program in the Department of Human Services by \$2,626,328. Total state expenditures for the program will nevertheless increase in FY 2016-17 because the bill's modifications to the Tobacco MSA payment distribution formula are expected to net the program \$3,065,075 in transfers from the Tobacco Litigation Settlement Cash Fund.

Medical services premiums. The bill increases medical services premium expenditures by \$65,205,182 in FY 2016-17, including \$20,000,000 from the new Accountable Care Collaborative Fund, \$6,451,471 from the Autism Treatment Fund, \$642,163 from the Hospital Provider Fee Cash Fund, and \$44,563,019 from federal funds. General Fund expenditures for medical services premiums are reduced by \$6,451,471. Expenditures are for payment of efficiency and health outcome-based rate incentives for primary medical providers in the Medicaid

coordinated care system. The expenditure from the Autism Treatment Fund includes a \$5,700,000 increase from the fund's current revenue stream, plus \$751,471 reflecting the expected increase in the fund's allocation resulting from changes to the Tobacco MSA formula. The latter amount is included as Tobacco MSA program expenditures for the purpose of Table 2.

Technical Note

Section 31 of the bill reduces the General Fund appropriation to the Department of Health Care Policy and Financing for medical services premiums and increases the Autism Treatment Fund appropriation to the department for medical and long-term care services for Medicaid eligible individuals. This fiscal note assumes that Section 31 will be amended to appropriate Autism Treatment Fund for medical services premiums. If this amendment is not adopted, the State Expenditures section of this fiscal note will be revised accordingly.

Effective Date

The requirement that all money in the Public Health Services Support Fund and the Offender Mental Health Services Fund be transferred to the Tobacco Litigation Settlement Cash Fund at the end of FY 2015-16 takes effect upon signature of the Governor, or upon becoming law without his signature. The remainder of the bill takes effect July 1, 2016.

State Appropriations

For FY 2016-17, the bill includes the following cash fund appropriations:

- \$2,972,504 from the Tobacco Litigation Settlement Moneys Health Education Fund to the Department of Higher Education;
- \$6,743,164 from the Nurse Home Visitor Program Fund to the Department of Human Services;
- \$879,745 from the Supplemental State Contribution Fund to the Department of Personnel and Administration;
- \$1,313,603 from the Drug Assistance Program Fund to the Department of Public Health and Environment;
- \$1,313,604 from the AIDS and HIV Prevention Fund to the Department of Public Health and Environment;
- \$1,180,942 from the Colorado Immunization Fund to the Department of Public Health and Environment;
- \$675,736 from the State Dental Loan Repayment Fund to the Department of Public Health and Environment;
- \$625,736 from the Colorado Health Services Corps Fund to the Department of Public Health and Environment; and
- \$65,205,182 to the Department of Health Care Policy and Financing, including \$20,000,000 from the Accountable Care Collaborative Fund, \$642,163 from the Hospital Provider Fee Cash Fund, and \$44,563,019 from federal funds.

Adjustments to 2016 Long Appropriations Bill. For FY 2016-17, the bill makes the following adjustments to appropriations proposed in the 2016 Long Appropriations Bill:

- a decrease of \$4,378,678 in the Early Literacy Fund appropriation to the Department of Education;
- an increase of \$4,378,678 in the Marijuana Tax Cash Fund appropriation to the Department of Education;
- a decrease of \$3,025,192 in the Offender Mental Health Services Fund appropriation to the Department of Human Services;
- a decrease of \$300,000 in the Tobacco Litigation Settlement Cash Fund appropriation to the Department of Human Services;
- a decrease of \$756,298 in the Alcohol and Drug Abuse Community Prevention and Treatment Fund to the Department of Human Services;
- an increase of \$4,081,490 in the Marijuana Tax Cash Fund appropriation to the Department of Human Services;
- a decrease of \$1,767,584 in the Public Health Services Support Fund appropriation to the Department of Public Health and Environment;
- an increase of \$1,767,584 in the Marijuana Tax Cash Fund appropriation to the Department of Public Health and Environment;
- a decrease of \$2,626,328 in the Marijuana Tax Cash Fund appropriation to the Department of Human Services;
- an increase of \$2,626,328 in the Youth Services Program Fund appropriation to the Department of Human Services;
- a decrease of \$6,451,471 in the General Fund appropriation to the Department of Health Care Policy and Financing; and
- an increase of \$6,451,471 in the Colorado Autism Treatment Fund appropriation to the Department of Health Care Policy and Financing.

State and Local Government Contacts

Education
Health Care Policy and Financing
Human Services
Joint Budget Committee
Legislative Council Staff Economics Section
Personnel and Administration
Revenue

Governor's Marijuana Office
Higher Education
Information Technology
Law
Military Affairs
Public Health and Environment
State Auditor