

**STATE
FISCAL IMPACT**

Drafting Number: LLS 11-0959

Date: April 5, 2011

Prime Sponsor(s): Sen. Hodge

Bill Status: Senate Appropriations

Fiscal Analyst: Bill Zepernick (303-866-4777)

TITLE: CONCERNING THE REDUCTION OF GENERAL FUND APPROPRIATIONS FOR THE CHILDREN'S BASIC HEALTH PLAN BY REALLOCATING TOBACCO-RELATED REVENUE STREAMS, AND, IN CONNECTION THEREWITH, ABOLISHING THE PEDIATRIC SPECIALTY HOSPITAL FUND AND THE SUPPLEMENTAL TOBACCO LITIGATION SETTLEMENT MONEY ACCOUNT IN THE PEDIATRIC SPECIALTY HOSPITAL FUND, ABOLISHING THE COMPREHENSIVE PRIMARY AND PREVENTIVE CARE FUND, ABOLISHING THE COMPREHENSIVE PRIMARY AND PREVENTIVE CARE GRANT PROGRAM, AND MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
State Transfers or Diversions Transfer from the Pediatric Specialty Hospital Fund to the General Fund Transfer from the Comprehensive Primary and Preventative Care Fund to the General Fund Eliminate transfer from the Pediatric Specialty Hospital Fund to the Short-term Innovative Health Program Grant Fund	See State Transfers or Diversion sections	
State Expenditures		
<u>Total</u>	(\$4,217,302)*	(\$4,217,302)*
General Fund	(3,449,967)	(3,449,967)
Cash Funds		
Children's Basic Health Plan Trust Fund	3,003,867	3,003,867
Comprehensive Primary and Preventative Care Fund	(2,731,358)	(2,731,358)
Pediatric Specialty Hospital Fund	(296,872)	(296,872)
Reappropriated Funds	(446,100)	(446,100)
Federal Funds	(742,972)	(742,972)
FTE Position Change	(0.2 FTE)	(0.2 FTE)
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: See State Appropriations section.		
Local Government Impact: None.		

*The total excludes reappropriated funds to avoid double-counting of funds.

Summary of Legislation

The bill changes the distribution of master tobacco settlement moneys to decrease moneys provided to various cash-funded programs. Beginning in FY 2011-12, these moneys are redirected to the Children's Basic Health Plan (CBHP) Trust Fund to offset the program's General Fund costs. Specifically the bill does the following:

- reallocates an additional 3 percent of the Tier 1 distribution of master tobacco settlement moneys to the CBHP program instead of the Comprehensive Primary and Preventative Care Grant (CPPCG) program;
- reallocates an additional 1 percent of the Tier 2 distribution of master tobacco settlement moneys to the CBHP program instead of the Pediatric Specialty Hospital Fund;
- eliminates the transfer of moneys from the Tobacco Tax Cash Fund to the Pediatric Specialty Hospital Fund and redirects this money to the CBHP Trust Fund;
- eliminates the CPPCG Fund and the Pediatric Specialty Hospital Fund, as these cash funds no longer have any sources of revenue.

Background

In Colorado there are two primary sources of revenue from tobacco - the tobacco tax and the master tobacco settlement. The tobacco tax was created by Amendment 35 and is revenue that can be used for tobacco- and health-related purposes. The master tobacco settlement was agreed to by the state and the major tobacco manufacturers. Revenue from the settlement is dispersed according to a statutory formula according, with priority for funding going to Tier 1 programs and if funding remains, to Tier 2 programs. The CPPCG program receives master tobacco settlement moneys and the Pediatric Specialty Hospital Fund receives both master tobacco settlement moneys and tobacco tax moneys.

The CPPCG program provides grants to qualified health care providers to expand access to primary and preventive care to medically indigent patients in Colorado. This bill would eliminate this grant program. The Pediatric Specialty Hospital Fund is a source of funding to the Children's Hospital for indigent care. The bill eliminates this cash fund and the associated funding. However, the Children's Hospital will continue to receive appropriations of about \$13.3 million in FY 2011-12 for indigent care from other sources in the Pediatric Specialty Hospital line item.

State Transfers or Diversions

The bill eliminates the CPPCG Fund and the Pediatric Specialty Hospital Fund and transfers any fund balance at the end of FY 2011-12 to the General Fund. These fund balance are expected to be minimal and are not estimated at this time. Under current law, any unexpended fund balance in the Pediatric Specialty Hospital Fund at the end of a fiscal year is transferred to Short-term Innovative Health Program Grant Fund. By ending the Pediatric Specialty Hospital Fund, the bill would prevent future transfers from this fund to the Short-term Innovative Health Program Grant Fund.

State Expenditures

The bill reduces total state expenditures in the Department of Health Care Policy and Financing (DHCPF) by \$4.2 million per year beginning in FY 2011-12, as summarized in Table 1. These saving result from eliminating the CPPCG program and the Pediatric Specialty Hospital Fund and using the \$3.4 million of funding from these programs to offset General Fund costs in the CBHP program. Specifically, the bill decreases General Fund appropriations to the CBHP program by \$3,449,967 and replaces this funding with \$446,100 in General Fund Exempt and \$3,003,867 from the CBHP Trust Fund.

Table 1. Expenditures under SB 11-216		
Cost Components	FY 2011-12	FY 2012-13
Central Administrative Costs	(\$24,363)	(\$24,363)
FTE	(0.2)	(0.2)
CPPCG Program*	(2,706,995)	(2,706,995)
Pediatric Specialty Hospital Fund	(1,485,944)	(1,485,944)
Children's Basic Health Plan Premiums**	0	0
TOTAL	(\$4,217,302)	(\$4,217,302)
General Fund	(3,449,967)	(3,449,967)
General Fund Exempt	446,100	446,100
Cash Funds		
Children's Basic Health Plan Trust Fund	3,003,867	3,003,867
CPPCG Fund	(2,731,358)	(2,731,358)
Pediatric Specialty Hospital Fund	(296,842)	(296,842)
Federal Funds	(742,972)	(742,972)

* Comprehensive Primary and Preventive Care Grant Program.
 ** No net change.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under SB 11-216*		
Cost Components	FY 2011-12	FY 2012-13
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,420	\$1,420
Supplemental Employee Retirement Payments	1,230	1,450
TOTAL	\$2,650	\$2,870

*More information is available at: <http://colorado.gov/fiscalnotes>

State Appropriations

The bill requires and includes the following adjustments in appropriations to the DHCPF in FY 2011-12:

- a **decrease of \$24,363** from the Comprehensive Primary and Preventive Care Grant Fund and a reduction in 0.2 FTE to the Executive Director's Office for general administration;
- a **decrease of \$2,706,995** from the Comprehensive Primary and Preventive Care Grant Fund to the CPPCG program;
- a **decrease of \$1,485,944** to the Pediatric Specialty Hospital, of which \$296,872 is from the Pediatric Specialty Hospital Fund, \$446,100 is reappropriated funds, and \$742,972 is federal funds;
- a **decrease of \$446,100** General Fund Exempt for transfer to the Pediatric Specialty Hospital Fund;
- a **decrease of \$3,449,967** General Fund to the Children's Basic Health Plan medical and dental costs; and
- an **increase of \$3,449,967** to the Children's Basic Health Plan medical and dental costs, of which \$3,003,867 is from the Children's Basic Health Plan Trust Fund and \$446,100 is General Fund Exempt.

Departments Contacted

Health Care Policy and Financing

Human Services

Joint Budget Committee