



STATE CONDITIONAL FISCAL IMPACT

Drafting Number: LLS 13-0320**Date:** January 14, 2013**Prime Sponsor(s):** Sen. Balmer**Bill Status:** Senate Education**Fiscal Analyst:** Kerry White (303-866-3469)

TITLE: CONCERNING A PROHIBITION ON REDUCING FUNDING TO PUBLIC SCHOOLS TO FINANCE THE OPTIONAL EXPANSION OF THE MEDICAID PROGRAM TO PERSONS NOT TRADITIONALLY ELIGIBLE FOR MEDICAID.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures	See State Expenditures section.	
FTE Position Change		
Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: None.		

Summary of Legislation

Beginning in FY 2014-15, this bill prohibits the state from spending state money to participate in the Medicaid expansion under the federal Affordable Care Act, if the effect is to reduce funding for Colorado public schools.

Background

In 2010, the federal government adopted the Patient Protection and Affordable Care Act (ACA), which sets forth a number of requirements that affect Medicaid. Among its many provisions and beginning in 2014, ACA increases the upper income limit or expands eligibility for Medicaid to 133 percent of the federal poverty level (FPL) or \$14,856 for an individual and \$30,657 for a family of four in 2013. For the first three years, the federal government will pay the cost of expanding eligibility. Starting in FY 2016-17, the federal government will reduce its share gradually until, in 2020, it covers 90 percent of expansion costs.

Colorado's Medicaid program has several eligibility groups, two of which already align with the upper income levels set in ACA (children and pregnant women). Expansions for other eligibility groups have occurred in recent years, notably with the adoption of House Bill 09-1293. This bill authorized the state to collect hospital provider fees (cash funds) to, in part, increase the income

eligibility limit for parents with dependent children from 60 to 100 percent of FPL and, to the extent money is available, provide coverage to adults without dependent children with incomes of up to 100 percent of FPL. Expanding Medicaid further under ACA is expected to primarily affect adults and disabled persons. Governor Hickenlooper recently announced plans to expand Medicaid in accordance with ACA and pledged to pay the state's future costs without the use of General Fund dollars, although this policy will be decided jointly by the Governor and the legislature.

The Colorado Constitution (Amendment 23) guarantees increases in funding for public elementary and secondary education. Base per-pupil funding under the School Finance Act and total state funding for categorical programs must increase by at least the rate of inflation. Currently, about 90 percent of the state's contribution to school finance funding is protected by Amendment 23.

State Expenditures

In the absence of legislation that specifies how Colorado will expand Medicaid under ACA and pay for any future costs, this analysis assumes that this bill could affect the allocation of state moneys in the future. Two scenarios are considered below.

First scenario. If Colorado expands Medicaid and legislation does not specify how costs will be paid in the future, two options exist: expansion costs would be paid with cash funds or the General Fund. If cash funds are insufficient, the state could decide to use General Fund money or repeal the expansion. If the state elects to appropriate General Fund money for an expansion of Medicaid under ACA, doing so will reduce the amount of General Fund money available for other purposes. However, because the General Assembly has discretion to appropriate resources among all state agencies, it is uncertain that any General Fund cost increases would result in a reduction in public school funding.

Second scenario. If Colorado expands Medicaid and legislation specifies that no General Fund money will be used for this purpose, the bill will not affect the allocation of General Fund money or public school funding.

Departments Contacted

Education

Governor's Office

Health Care Policy and Financing