



225 E. 16th Avenue, Suite 260
DENVER, COLORADO 80203
TELEPHONE (303) 860-1616
FAX (303) 860-0175
www.axiomstrategiesinc.com

The gavel went down on May 6, 2009 at about 7:00 p.m. in each chamber of the General Assembly, signaling the end of what was a year filled with plummeting state revenues, botched forecasts, and an unprecedented money grab by the Joint Budget Committee as they struggled to balance the state budget.

This year at the Colorado state capitol, we didn't need an election or term limits to turn over the legislature. This session was marked by the announcement of an early departure for Senate President Peter Groff (taking a job in the Obama Education Cabinet), Senator Jennifer Veiga (moving to Australia), Representative Anne McGihon (went to work in the private sector), and Representative Gwyn Green (going to spend more time with her grandkids). Two other legislators could take early leave of their elected positions: Senator Jim Isgar has applied for a regional agricultural job in the Obama administration, and Representative Karen Middleton has applied for a regional director's job within the Education Department.

The budget dominated all issues at the Colorado State Capitol this year. Legislators began the 2009 session with the December 2008 forecast, which anticipated a \$1 billion shortfall in Fiscal Years 2008-09 and 2009-10, and the Joint Budget Committee (JBC) began cutting. Bills with any fiscal impact came to an abrupt halt as leadership announced that no bills funding new programs would survive the process. Legislation surviving the Appropriations Committees was funded for the most part by gifts, grants and donations. The Governor submitted his budget balancing plan for FY 2008-09, and the JBC kept cutting. Then the March 20 forecast was released, showing the FY 2008-09 budget down another \$289.5 million, with an additional decrease of \$98 million anticipated for FY 2009-10, and the cuts continued. The Senate pushed for a budget-balancing plan that would raid Pinnacle Assurance, the state's largest workers' compensation insurer, but that plan was brought to an abrupt halt. Legislators searched for additional cuts, and were ultimately spared from implementing severe Medicaid provider rate cuts by an unexpected influx of federal funds.

The extra funding came from new information on Colorado's unemployment figures, which were higher than anticipated. The new figures bumped Colorado into the Third Tier of FMAP relief under the American Recovery and Reinvestment Act, increasing Colorado's FMAP percentage from 60.19 percent, which was used in budget calculations, to 61.59 percent. That change brought in approximately \$45 million additional Federal Funds, which JBC members used to

bring provider rates up, allocate funds for higher than anticipated caseload, and set aside some funds for budget adjustments following the June 20 forecast. At this point, unless the next economic forecast is drastically worse than what the budget is currently balanced to, a special session to make additional budget cuts seems unlikely.

Highlights of 2009 Policy Issues:

- **Transportation:** The Governor signed FASTER – Funding Advancements for Surface Transportation and Economic Recovery. The legislation is expected to generate \$250 million annually for Colorado’s bridges and roads, a large portion of which will come from increased vehicle registration fees, which will increase \$41 over a three-year period.
- **Health Care:** Legislation passed authorizing a hospital provider fee in order to receive federal matching funds to cover more than 100,000 uninsured Coloradans in Medicaid and CHP+ and increase hospital reimbursement rates for Medicaid and the Colorado Indigent Care Program. The fee will generate \$600 million in state funds, which will be met by a federal match for a total \$1.2 billion additional annual revenue. The funds will be distributed back to Colorado hospitals based on the amount of Medicaid care they provide. Colorado hospitals annually incur more than \$375 million in uncompensated care to Medicaid patients, as they receive less than 55 percent of total costs for treating Medicaid patients. More than 40 states have implemented this type of strategy for health programs, including more than 20 states that already have hospital provider fees.
- **Education:** The legislature passed a contentious version of the School Finance Act that brought up concerns over the use of the State Education Fund. An interim committee will study Colorado’s school finance system over the summer and make recommendations in the 2010 session.