

Amendment 51

Colorado Legislative Council Staff
FISCAL IMPACT STATEMENT

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BALLOT TITLE: STATE SALES TAX INCREASE FOR SERVICES FOR PEOPLE WITH DEVELOPMENTAL DISABILITIES

Fiscal Impact Summary*	FY 2008-2009	FY 2009-2010	FY 2010-2011
State Revenue			
General Fund		\$89,000,000	\$186,000,000
State Expenditures			
General Fund Appropriation to the Developmental Disabilities Long-term Services Cash Fund		\$89,000,000	\$186,000,000
General Fund	\$100,000	270,000	340,000
Cash Funds (reappropriated)			
Developmental Disabilities Long-term Services Cash Fund		27,000,000	55,400,000
Federal Funds - Title XIX Medicaid Funds		19,000,000	39,000,000
FTE Position Change	0.1 FTE	3.8 FTE	7.4 FTE
Local Government Impact: None			

* The numbers in the table are rounded.

Summary of Measure

Amendment 51 asks the voters to increase the state sales and use tax from 2.9 percent to 3.0 percent on July 1, 2009, and from 3.0 percent to 3.1 percent on July 1, 2010, to provide additional money to fund services for people with developmental disabilities (DD) and to help eliminate the waiting lists for such services.

The amendment prohibits the legislature from using the new money for state program administration for the services or to reduce the current level of state funding for services. However, in any year in which two-thirds of the legislature and the governor declare a state fiscal emergency, the money can be used for any purpose relating to services for people with DD, such as replacing the current level of spending on services and for state administration costs.

The revenue collected from the sales tax increase is exempt from TABOR and spending of the new revenue on services is exempt from the 6 percent General Fund spending limit. Finally, the initiative creates a reserve account to consist of any money not spent in any given year which can be used to fund services in future years.

Background

Services for people with DD are delivered through a state and local system. The Department of Human Services administers the overall system, with the exception of home- and community-based services provided to children with autism, which are administered by the Department of Health Care Policy and Financing. Twenty local nonprofit agencies throughout the state, called community centered boards (CCBs), determine a person's eligibility and arrange and provide services.

Currently, the state provides funding for services for about 11,800 people. In the current budget year, funding for services totals \$370.6 million, excluding administration costs. Funding includes state General Fund, Medicaid federal funds, local funds, and other sources, such as fees paid by the people receiving services. There are currently about 9,700 adults and children on waiting lists for services within the next two years. That number is expected to grow to over 12,000 people by 2012. However, if funding to eliminate the waiting lists becomes available, a number of people who are not currently on a waiting list may seek services as the wait time decreases.

State Revenue

State sales and use tax revenue is estimated to increase by about \$89 million in the 2010 budget year, when the tax rate is raised to 3.0 percent, and increase by about \$186 million in the 2011 budget year, when the rate is raised to 3.1 percent. All of the new revenue from the tax increase will end up in a newly created Developmental Disabilities Long-Term Services Cash Fund.

Impact on taxpayers. It is estimated that each household in Colorado will pay \$20 more on average in state sales taxes in the first year of the tax increase, and \$40 more on average in the second year when the tax increase is fully in place. All new taxes paid will depend upon the incomes of the household, the number of people in the household, and how much each household spends on items that are taxed by the state. For example, a household with \$25,000 in annual income is estimated to pay \$20 more when the tax increase is fully in place, while a household with an income of \$90,000 is estimated to pay \$60 more.

Since businesses also pay sales taxes, they will pay higher taxes for the products and equipment they buy. It is possible that the tax increases businesses pay will be passed on to consumers in the form of higher prices.

Developmental Disabilities Long-term Services Cash Fund Reserve Account. Not all of the revenue generated by the increase in the state sales tax is expected to be used in the first several years because it will take time for the service system to develop the capacity to serve new people. The unused money will remain in the Developmental Disabilities Long-term Services Cash Fund's reserve. **It is estimated that the reserve will receive about \$62 million in the 2010 budget year and another \$131 million in the 2011 budget year.**

State Expenditures

A number of factors will determine new state spending to implement Amendment 51. These include federal government approval of Medicaid waivers to allow the state to receive federal matching funds, the number of additional people who will receive services, and the types of services they receive. State spending will also depend on what activities are defined as state program administration, and the funding source(s) that will be used to support such costs. **In total, spending is expected to increase by \$100,000 in the 2009 budget year, \$46 million in the 2010 budget year and by \$95 million in the 2011 budget year. A portion of these costs will be funded with Medicaid federal funds.**

Estimated expenditures are based on an assumption that the current service system cannot immediately accommodate all who are on the waiting list; it will take time for the service system to develop the capacity to serve more people. For purposes of this fiscal note, it is assumed that 2,500 more people will receive services each year beginning with the 2010 budget year.

Department of Human Services — \$45 million in the 2010 budget year. The department will incur costs for more services and administrative costs associated with those services. **Costs for the 2011 budget year are estimated at \$92 million.**

Services for People with DD. Table 1 shows the number of additional people assumed to be receiving each type of DD service and the associated costs for budget years 2010 and 2011. The service categories listed in Table 1 include a multitude of services, some of which are: residential habilitation with 24-hour supervision; supported employment services; skills development; skilled nursing; dental and vision services; specialized medical equipment and supplies wheelchairs, and computers that aid in communication; speech/language therapy; personal assistance with bathing, hygiene, eating, dressing, and grooming; child care; housekeeping services; transportation; and home modification services such as adaptation of showers, toilets, ramps, and railings. **The costs for the DD services overseen by the Department of Human Services are estimated at \$42.6 million in budget year 2010 and \$89.1 million in budget year 2011.**

Local Service Systems. The department will provide the local service systems with funding for startup of new residential locations, contracting with additional service providers, and training. **These costs are estimated at \$2.1 million in budget year 2010 and \$2.2 million in budget year 2011.**

Program administration. New staff are needed to monitor and audit the services provided to ensure compliance with federal and state requirements, respond to complaints within the services system, provide technical assistance to providers, and authorize services. **The department will incur administrative costs of \$215,000 and 3.7 FTE in budget year 2010 and \$430,000 and 7.4 FTE in budget year 2011.**

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Department of Health Care Policy and Financing — \$1.4 million in budget year 2010 and \$3.0 million in budget year 2011. The department will incur additional costs to fund services for children with autism as shown in Table 1. No significant administrative costs are anticipated; amendments to federal Medicaid waivers can be prepared within existing resources as can contracts with current/new service providers.

Department of Revenue — \$100,000 in the 2009 and 2010 budget years. The department will incur costs of about \$100,000 General Fund and need staff in both the current budget year and the out year for computer programming changes to track the new sales tax revenue, and to mail notifications to businesses of the change in the tax rate. Computer programming costs will be about \$3,500 in each year to make changes to the department's revenue accounting system. The department will mail notifications of the sales tax increase at a cost of about \$96,000 each year.

Financing New Costs. Amendment 51 will be funded with new tax revenue deposited into the Developmental Disabilities Long-term Services Cash Fund, General Fund, and federal Medicaid funds.

Table 1: Number of Additional People Served and Associated Costs

DD Service	Additional People Served		Cost per Person		Total Cost*		State Share**	
	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10	FY 2010-11
Comprehensive Services	372	411	\$65,927	\$66,916	\$24,524,844	\$52,420,272	\$12,262,422	\$26,210,136
Supported Living Services	628	666	\$14,656	\$14,875	\$9,203,968	\$19,247,708	\$4,601,984	\$9,623,854
Children's Extensive Services	54	50	\$18,729	\$19,010	\$1,011,366	\$1,974,750	\$505,683	\$987,375
Family Support Services	1,365	1,248	\$5,661	\$5,746	\$7,727,265	\$15,013,447	\$7,727,265	\$15,013,447
Early Intervention Services	27	59	\$5,440	\$5,522	\$146,880	\$472,120	\$146,880	\$472,120
Autism Services***	54	66	\$25,000	\$25,000	\$1,350,000	\$3,006,805	\$675,000	\$1,503,403
Total	2,500	2,500	NA	NA	\$43,964,323	\$92,135,102	\$25,919,234	\$53,810,335

* The costs shown for FY 2010-11 are the total costs of funding services for 5,000 people in that year, which include the 2,500 additional people served in FY 2009-10 and another 2,500 people in FY 2010-11.

** Funded from Developmental Disabilities Long-term Services Cash Fund; the remainder of the total cost for most of the services is assumed to be funded with federal Medicaid money. Family support services and early intervention services funded by Amendment 51 are not eligible for matching federal Medicaid money.

*** \$25,000 is the statutory cap on the amount that the state can spend on autism services per child. The amount actually spent for each child may be lower.

Departments Contacted

Legislative Council Staff
Human Services

Health Care Policy and Financing
Revenue