



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill #	HB0686	Title:	Implement provisions of HB2, Section B - HHS
Primary Sponsor:	Regier, Matt	Status:	As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$799,258	\$723,317	\$723,317	\$723,317
State Special Revenue	\$135,000	\$135,000	(\$569,178)	(\$865,000)
Revenue:				
General Fund	\$2,810,195	\$2,120,630	\$2,120,630	\$2,120,630
State Special Revenue	(\$2,310,195)	(\$1,620,630)	(\$2,324,808)	(\$2,620,630)
Net Impact-General Fund Balance:	<u>\$2,010,937</u>	<u>\$1,397,313</u>	<u>\$1,397,313</u>	<u>\$1,397,313</u>

Description of fiscal impact: HB 686 (1) requires the Department of Public Health and Human Services (DPHHS) to report to legislative committees prior to changing provider rates, Medicaid waivers, or Medicaid state plan; (2) provides contingent appropriation if the transfer of Boulder Campus from DPHHS to the Department of Justice (DOJ) occurs; and (3) eliminates the fiscal year end transfer from the marijuana state special revenue account to the pain management education and treatment special revenue account.

FISCAL ANALYSIS

Assumptions:

Department of Public Health and Human Services (DPHHS)

1. HB 686 eliminates the fiscal year end transfer of excess funds above \$250,000 from the marijuana state special revenue account to the pain management education and treatment special revenue account, beginning with transfers in FY 2022. Transfers made to this account were \$545,459 in FY 2020 and \$1,750,363 in FY 2021. For purposes of this fiscal note, it is assumed the transfer for excess balances related to FY 2021 and forward will be transferred to the general fund. This amount is estimated to decline annually as temporary increases

in marijuana provider taxes phase out beginning in October 2021. The impacts of this transfer being redirected to the general fund are estimated at \$2,310,195 in FY 2022 and \$1,620,630 in FY 2023 through FY 2025.

2. At the end of FY 2021, the Pain Management program is projected to have a cash balance of \$2.296 million. For this fiscal note, DPHHS expects to continue to spend \$1.0 million each year in the Pain Management program until funds are depleted. Expenditures from the Pain Management program would be \$1.0 million in FY 2022, \$1.0 million in FY 2023, \$0.296 million in FY 2024, and \$0 in FY 2025. This fiscal note shows a reduction in benefit expenditures from the Pain Management program in FY 2023 and FY 2024.

Department of Justice (DOJ)

3. This bill directly appropriates \$500,000 per fiscal year from general fund to Department of Justice.
4. An additional \$299,258 in general fund support will be necessary in FY 2022 and an additional \$233,317 will be needed on an ongoing basis to support operations.
5. The expenditures related to existing space total \$135,000 per year in state special revenue which will support this endeavor.
6. The Boulder campus under the Department of Public Health and Human Services (DPHHS) has 7 maintenance FTE. Under the bill, DOJ assumes the continuation of campus maintenance and intends to contract for these services.
7. Based on costs received from DPHHS, MHP estimates contracted personnel costs will be \$489,195 in FY 2022 and \$493,254 in FY 2023. Additional ongoing operating costs of \$365,063 will be necessary for maintenance supplies, utilities, debt service and taxes based on increased occupancy within the Boulder campus.
8. To account for full functionality and allow for redundancy of information technology systems, DOJ estimates approximately \$80,000 one-time-only expenses are needed to standup the facility.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses - DOJ	\$934,258	\$858,317	\$858,317	\$858,317
Benefits - DPHHS	\$0	\$0	(\$704,178)	(\$1,000,000)
TOTAL Expenditures	<u>\$934,258</u>	<u>\$858,317</u>	<u>\$154,139</u>	<u>(\$141,683)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$799,258	\$723,317	\$723,317	\$723,317
State Special Revenue (02)	\$135,000	\$135,000	(\$569,178)	(\$865,000)
TOTAL Funding of Exp.	<u>\$934,258</u>	<u>\$858,317</u>	<u>\$154,139</u>	<u>(\$141,683)</u>
<u>Revenues:</u>				
General Fund (01)	\$2,810,195	\$2,120,630	\$2,120,630	\$2,120,630
State Special Revenue (02)	(\$2,310,195)	(\$1,620,630)	(\$2,324,808)	(\$2,620,630)
TOTAL Revenues	<u>\$500,000</u>	<u>\$500,000</u>	<u>(\$204,178)</u>	<u>(\$500,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$2,010,937	\$1,397,313	\$1,397,313	\$1,397,313
State Special Revenue (02)	(\$2,445,195)	(\$1,755,630)	(\$1,755,630)	(\$1,755,630)

Technical Notes:

Department of Public Health and Human Services

1. Section 1 of the proposal requires DPHHS; prior to enacting changes to provider rates, Medicaid waivers, or the Medicaid state plan, to provide an explanation for the changes and a fiscal estimate report to (a) the children, families, health, and human services interim committee; and (b) the legislative finance committee. It is assumed that this reporting can be provided in written form and does not have to coincide with the committee’s interim schedule. If the reporting must coincide with the committees’ meeting schedules, then the timing would create situations in which the department would be unable to conform to federal authority requirements for Medicaid SPA and waiver amendments.
2. As of March 30, 2021, HB2 has removed all DPHHS funding for the Boulder Campus, beginning in FY 2022. If HB 686 is not passed, coordination language in HB 2 directs that DPHHS would receive \$1,188,629 for FY 2022 to fund Boulder Campus expenditures. If HB 686 is passed, DOJ would have to take over operations of the Boulder Campus as of July 1, 2021 since DPHHS would have no appropriation for FY 2022. There is no coordination language that addresses FY 2023, should HB 686 not pass.

Department of Justice (DOJ)

3. DPHHS currently has an annual operating cost of about \$805,000, \$275,000 in operating and \$530,000 in personal services. Those numbers reflect vacant buildings and lower utility costs. The annual operating cost will increase based on DOJ occupancy.

NOT SIGNED BY SPONSOR

_____	4/1/21	KA	3-31-21
<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>