

LEGISLATIVE UPDATE

4.20.20



➤ Where Things Stand

Though the pace of developing news at the Capitol has slowed in recent weeks, new information continues to trickle in. The primary focus of discussion this week has been the federal COVID-19 stimulus relief package, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27. Title V of that act allocates \$150 billion in funding to provide relief to states, tribal governments, territories, and local governments. The amount each state receives is based on its proportion of the nation's population. Of each state's share, up to 45% may be allocated to any local government, such as a county, municipality, town, or township with a population that exceeds 500,000. In Colorado, there are five counties that reach this threshold. Staff of the Joint Budget Committee (JBC) provided an analysis of the federal stimulus package. They stated that, "estimates from the National Conference of State Legislatures and Legislative Council Staff indicate that Colorado will receive \$2.24 billion in direct aid from Title V of the CARES Act... Legislative Council Staff anticipates that at least \$1.68 billion of this will be allocated to the state government, with the balance provided directly to local governments."

The funds must be used to address unanticipated expenses due to COVID-19 and may not make up for revenue losses incurred by the state. JBC staff also clarified that, "current federal guidance is that the funding provided through the CARES Act is intended to supplement, not supplant, current state funding for the affected programs." This means that, while the additional funds may be helpful to address new or increased costs to the state, they will not make it any easier to pay for new programs. Thus, the General Assembly will still have the difficult task of prioritizing pending legislation based on what the state can afford.

For Mental Health Colorado, that means working with bill sponsors and departmental staff to eliminate the fiscal impacts associated with our bills. This is proving to be a difficult challenge, but we are continuing these conversations while placing an emphasis on the increased need for behavioral health services as a consequence of the pandemic.

➤ Budget

Most of the exact figures Colorado can expect to receive from the stimulus package are still undetermined. However, several groups have provided estimates for some of the categories of funding. Those estimates include:

- \$121 million in aid to local school districts;

- \$166.8 million in aid to higher education;
- \$41.4 million for childcare through the Child Care and Development Block Grant;
- \$11 million for seniors through Older American Act programs and services for the elderly; and
- \$10.8 million for energy assistance through the Low-income Energy Assistance Program in the Office of Self Sufficiency

In addition, The Families First Coronavirus Response Act, signed into law on March 18, temporarily increases the federal match rate for Medicaid by 6%. The increase in the federal match rate is effective retroactively to January 1, 2020 and continues for each calendar quarter in which a federal emergency is declared. It is reasonable to assume Colorado will receive the enhanced match for the remainder of FY 2019-20, but the outlook for FY 2020-21 is less clear. This enhanced rate does not apply to the Affordable Care Act expanded enrollment population. This population of single adults purchasing Medicaid health care on the individual market will continue to be funded through the regular federal match and the Hospital Provider Fee.

According to JBC staff, “the enhanced match reduces Colorado's projected General Fund obligation for Medicaid by approximately \$87.8 million per quarter. For FY 2019-20 it will save the General Fund \$175.6 million. The potential savings for FY 2020-21 ranges from \$0 to \$351.2 million, depending on how long a federal emergency declaration remains in effect.”

The CARES Act also provides \$3 billion to the nation’s governors to allocate at their discretion for “emergency support grants to local educational agencies that the State Educational Agency deems have been most significantly impacted by coronavirus.” In addition to grants to K-12, the funds would support grants to higher education institutions. Each governor has one year to award their share of the funds, after which the remaining money is reallocated by the Secretary of Education “to the remaining states.” The Congressional Research Service estimates that Colorado will receive \$43.9 million. It’s still unclear how this funding would be distributed.

➤ What Comes Next

The JBC schedule still has them meeting from Monday, May 4 to Monday, May 11 “as necessary to finalize the FY 2020-21 long bill and budget package bills.” Additionally, still on the agenda is an updated revenue forecast set to be presented on Tuesday, May 12. Long bill finalizing will continue after that, with the anticipated introduction date of May 18. There is still some consternation among a few legislators about returning to the Capitol that soon. When Legislative Council Executive Committee met two weeks ago, the Speaker and House Majority Leader made it clear that they viewed May 18 as an aspirational timeframe, and that the specific date could change if the public health situation warranted pushing it back. As mentioned in previous legislative updates, the General Assembly must pass the 20-21 budget no later than June 30, and that process usually takes approximately three weeks. So, while they may be able to extend their break by a week or two, the likelihood of the current break extending past June 1 seems low.

➤ Possible Scenarios

While the long bill has a specific deadline requiring some legislative action, there are roughly 300 other bills that were frozen on the calendar as of March 14. Presumably, the General Assembly will take up those bills once they've completed their work on the budget and the school finance bill. One scenario currently discussed is that the legislature will take up only those bills that have a direct link to the pandemic or have a financial or economic benefit to the state. All other bills will not be moving forward.

If there are still health and safety concerns, and the governor's state of emergency remains in place, they do have the option of taking a second break and returning later in the summer or fall to address the outstanding bills. This would interfere with campaigning and fundraising in a major election year, making it a less appealing option to many. There is also speculation that many of the remaining bills will be postponed indefinitely or could simply die on the calendar without further consideration. In a normal session, the legislature generally ensures all pending legislation reaches a final resolution (either pass or fail). But with a plummeting state budget and a global pandemic, this session is anything but normal!

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