



Colorado Counties, Inc.

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TO: Governor Bill Ritter
Members of the Sixty-Seventh General Assembly

FROM: Colorado Counties, Inc., Tax and Finance Steering Committee

DATE: 30 November 2009

RE: 2009-10 and 2010-11 Budget Proposals

As the state's partners in so many endeavors, your county commissioners reviewed with great interest the developing story of the state's budget. As you are aware, numerous areas of the state budget have direct and indirect effects on your county partners. And while county budgets have not received the same level of media attention as the state's in recent weeks, county budgets are also strained and we expect them to be further strained in the coming years as the impact of the mortgage meltdown hits property taxes in the next assessment cycle.

So we are especially sensitive about proposals to take revenue otherwise dedicated to local purposes and divert them to state budget-balancing priorities or to reduce funding that we use to implement state policies. This effectively shifts the burden of the state's budget shortfall to Colorado's local governments. As stated in CCI's 2010 Policy Statement, we are strongly opposed to any diversions of revenue designated for local purposes by either the Governor or the General Assembly.

In particular we would like to express our concerns about the following proposals contained in the August and October budget balancing proposals for 2009-10, as well as the proposed 2010-11 budget announced earlier this month:

Elimination of the Contiguous Counties Gaming Impact Fund

This was proposed as part of the 2009-10 balancing plan. Although this is a grant fund, it implements the will of the voters to have gaming revenues used to address direct gaming impacts to local governments in the affected communities as expressed in article XVIII, section 9 of the Colorado Constitution. Using these revenues to supplement the state's general fund subverts the will of the voters and the state legislature with respect to these revenues. This also comes at a time when voters have allowed increased hours, limits, and games, causing even more impacts to local governments. As you have undoubtedly heard from other sources, these cuts will eviscerate the budget of the Town of Victor. They will also adversely affect local law enforcement in nine jurisdictions, county jail operations, the district attorney's offices in four judicial districts, first responder and EMS response capability in nine locales, as well as health care, hospice, senior services, CASA and Tessa programs throughout the gaming impact area. The impact of these cuts is felt in the very categories that the Governor's office has declared "off limits" in



recommending the cuts the state will implement. It should be noted that the impacts of gaming on these agencies has occurred and continues to occur, the real effect of the proposed cuts is to eliminate the reimbursement for these impacts. Taking the entire fund balance for state purposes allocates a disproportionately large impact to gaming communities that sustain this economic engine and contribute significant gaming tax revenue to the state General Fund.

Elimination of Local Grants from the Waste Tire Recycling Fund

Another portion of the 2009-10 balancing plan places a freeze on all of the anticipated waste tire grant funds. This is another grant fund containing fees that are dedicated to a particular purpose. As currently constituted, it provides funding to local governments that are dealing with large quantities of waste tires, to recyclers and end users who put waste tires to other uses, and to the Department of Higher Education for research into other uses of waste tires. However, it is only the grant program is slated for elimination. If this fund is not critical in the larger budget picture, the entire fund should be dedicated to budget balancing - including transfers to the Department of Public Health and Environment and the Commission on Higher Education - not just the grant portion used to mitigate the large quantities of waste tires arriving in Colorado.

Diversion of the Local Government Permanent Fund and Freezing of Severance Tax Grants

Changes in the distribution of severance and federal mineral lease revenues were part of the submission to balance the 2009-10 budget, as well as the proposed 2010-11 budget. One proposal for balancing the 2009-10 budget is to divert the entire balance of the local government permanent fund, which was established specifically to set aside a portion of federal bonus payments to protect counties and municipalities in the event of a downturn in mineral revenues, and use it instead to supplement the state general fund. As noted in the proposals above, the state's local partners bear a disproportionate burden of these cuts - no reduction in the portion of federal bonus payments allocated to the higher education maintenance and reserve fund is contemplated.

In addition, the entire balance of the severance tax grant fund is frozen and made the subject of diversion if needed for budget balancing purposes. It bears repeating that these funds are and have historically been devoted to addressing impacts of mineral extraction around the state. Allowing the severance revenues that are statutorily dedicated to addressing local impacts to be redirected to the state general fund for budget balancing, in addition to the severance tax revenues the state already retains, only serves the purpose of passing the state budget-balancing issues to the state's local partners. In discussion, several commissioners suggested that a hard cap on the amount that could be used for budget-balancing should be added to this proposal in order to preserve some ability to address local needs and impacts.

Medicaid Reductions

A variety of reductions and refinancing options are proposed in the Medicaid arena and include provider rate reductions, caps on nursing facility per diem rates, reduced payments for the PACE program for the elderly, and reduced rates paid to behavioral health organizations for mental health services. These reductions will have a particularly acute impact in Colorado's rural areas where the availability of medical care is already limited.

Elimination of the County Tax Base Relief Fund

Formerly referred to as “county contingency”, this is funding that assists counties with less property taxing power and higher caseloads to provide services as directed by the state. The 2010-11 budget proposal eliminates this appropriation entirely and comes on top of a 2% provider rate decrease that will affect county funding as well. This will cause a hardship for the counties that have to work the hardest to come up with their share of funding for Colorado’s safety net programs.

The commissioners recognize that there are other proposed changes that will have deleterious effects on counties, as well as proposals that will help alleviate the impact of some of the reductions. However, the areas outlined above represent areas in which the commissioners feel that they are being asked to sacrifice funding that is either intended to address local needs or that is used in order to carry out state policy.

We look forward to the opportunity to reach solutions to the budgetary difficulties that we are all going through and minimize the potential for budgetary problems to be passed from one level of government to another.