



**February 9, 2021**

**To:** Denver City Council Finance and Governance Committee

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**Subject:** 2021 State Budget Preview

Governor Polis submitted his FY 2021-22 budget request to the Joint Budget Committee (JBC) and full Legislature on November 2, 2020. The full request includes \$35.4 billion total funds (increase of \$3 billion or 9%), and a General Fund request of \$13.6 billion (increase of \$2.25 billion or 20%). Additionally, due to the pandemic, the Governor is requesting a one-time stimulus package totaling \$1.3 billion.

Policy Matters tracks the state budget writing process from beginning to end and focuses on the work of the Legislature's Joint Budget Committee (JBC). The JBC is a six-member, year-round committee that writes the annual budget for the State and works to keep the state budget balanced throughout the year. Denver has two legislators on the JBC, one each from the House and Senate – Representative Leslie Herod (D-Denver) and Senator Chris Hansen (D-Denver). Senator Dominic Moreno (D-Commerce City) is the Chair; Representative Julie McCluskie (D-Summit) is the Vice-Chair; and the two Republican members are Senator Bob Rankin (R-Carbondale) and Representative Kim Ransom (R-Douglas). This group has hit the ground running and has already begun deliberations on the Governor's budget request and supplementals.

The Policy Matters team has met with the Don Mares and his team from the Denver Department of Human Services to discuss their priorities for the 2021 legislative session. They continue to prioritize two main programs within the State budget including Child Welfare and the Child Care Assistance Program. The following is a breakdown of the budget items we are actively tracking/lobbying for the City and County of Denver.

### **FY 2020-21 Supplementals**

At the beginning of each year, the Governor's Office submits supplementals to the Joint Budget Committee. Those supplementals are meant to true up the Medicaid forecast as well as K-12 enrollment. Additionally, a number of other issues pop up each year which require emergency funding, reversions or technical corrections to the budget. This year, we tracked and advocated on two issues for the City and County of Denver.

### *Provider Rate Cut to County Administration Line Item*

JBC staff brought forth a technical correction to correctly apply the 1% provider rate reduction (that the committee took last session) to the county administration line item in the Department of Human Services. The reduction was not correctly applied to county administration and JBC staff attempted to correct this issue during the supplemental process. Policy Matters was proactive in lobbying the committee to reject this cut which would've caused a claw back for the counties. Denver Human Services opposed this cut due to the fact that the money was already appropriated.

The Committee ultimately rejected the cut but made clear that this action will be treated as a one-time targeted increase that is not base building.

The cut would've amounted to \$776,499 total funds, including \$255,154 General Fund in FY 20-21.

### *Public Health Emergency End Resources*

The Joint Budget Committee approved a staff recommendation for funding for an eligibility overflow processing center. The funding would be used for the Department of Health Care Policy and Financing to handle some of the surge in redeterminations for benefits and assist counties with backlog support. JBC staff notes that the center is a "critical strategy to minimize the impact on counties of the expected surge in redeterminations, as well as a promising strategy to maintain timely processing of eligibility determinations for applicants and clients through the end of the public health emergency and beyond."

The funding is broken out as follows:

- \$55,457 for FY 2020-21
- \$2,017,959 for FY 2021-22

### **Provider Rate Restoration and Increase**

In addition to the supplemental process, the Committee also began figure setting for the FY 2021-22 budget year. Each year, the first item they vote on is provider rates due to the fact that this issue hits many line items throughout the budget.

Last month, the Committee approved a 2.5% community provider rate increase. The 2.5% is a reversal of the negative 1%, which occurred last year, plus a 1.5% increase for FY 2021-22. Policy Matters actively lobbied on this critical line item and was successful in getting this very large increase.

### **Child Welfare**

Under the Governor's request, the Division of Child Welfare includes investments in Family First implementation, with core funding remaining intact. Additionally, the request refinances but does NOT reduce child welfare block funding.

- \$1.8 million to implement the Family First Prevention and Services Act.
- As part of the Administrations initiative to reduce under-utilized resources, the request proposes to reduce the Child Welfare Public Awareness Campaign by \$500,000.
- Additionally, they also reduced the Child Welfare Funding model by \$150,000.
- The request does NOT include an increase/decrease in statewide provider rates (but the JBC voted to increase provider rates, anyway, as described above).
- Most importantly, the request includes a one-time, net zero refinance of \$10 million for Child Welfare Services (with Federal TANF Funds).

### **Child Care Assistance Program**

With regards to the Office of Early Childhood, the request includes one-time stimulus investments for sustainability grants for existing providers, grants to retrofit facility space for on-site childcare as well as startup funding for new childcare providers. There are also investments to improve workforce recruitment and retention as well as funding to incentivize increased wages.

For Denver, the most important piece of this budget is the request for \$133 million for the Child Care Assistance Program. This funding will maintain current services but will NOT increase slots for the counties to serve additional families.

### **Maintaining the TANF Reserves**

Denver Human Services remains committed to educating members on the importance of maintaining the State’s Temporary Assistance to Needy Families (TANF) reserves. The Colorado Department of Human Services is requesting \$3.9 million Federal TANF funds to support the CO Works Employment Opportunities with Wages Program. While this program has its merits, it is critical to weigh the impacts of spending down the TANF reserves even further than they were last year.

As noted above, TANF funds will also be used as a refinance tool - \$10 million for the child welfare block - to save General Fund.

### **Strategic Investments and Stimulus**

The Governor highlighted four crisis areas that have caused the administration to look more closely at structural issues in Colorado. With this in mind, they have recommended the following one-time proposals to create a “more safe and just Colorado”.

1. \$220 million for the creation of jobs for infrastructure and transportation projects;
2. \$160 million for broadband infrastructure;
3. \$140 million for workforce and to incentivize business growth;
4. \$78 million for wildfire relief, mitigation and prevention;

5. \$38 million to increase access to behavioral health;
6. \$200 million for the legislature prioritize other stimulus investments.

### **Looking Ahead**

As the budget progresses and Denver's budget priorities come up, Policy Matters will continue to email daily budget reports to keep Council informed. Please do not hesitate to contact us with questions regarding the State budget.