

The bill specifies that money from the sale of the home, as authorized by SB09-056, will be deposited into this cash fund and can be used to pay costs associated with the sale of the home. The cash fund is exempt from the statutory limits on uncommitted reserves.

Background

The DHS, Division of State and Veterans Nursing Homes, oversees 5 state-owned facilities that provide skilled nursing care, primarily to honorably discharged veterans and their spouses or widows. In general, the homes are funded through patient, pension, Medicaid, and U.S. Veteran's Administration payments. Section 26-12-110, C.R.S., provides that the state nursing homes shall constitute an enterprise under TABOR, which limits the amount of state funding that can be used to support their operations. *This bill removes the Trinidad State Nursing Home from the enterprise.*

The home has annual costs of \$7.6 million and revenue of \$6.7 million from payments made by or on behalf of residents, resulting in an annual operating loss of \$0.9 million per year. This operating loss is subsidized by the veterans nursing homes in the enterprise. However, by subsidizing the Trinidad home with funds from the veterans nursing homes, which may include federal VA funds dedicated for use in veterans facilities, the department is jeopardizing the receipt of federal funding. Based on the current cost structure, revenue, and staffing requirements, the department does not expect Trinidad to become self-sufficient. *This bill separates funding for the Trinidad home from the veterans homes and prevents VA funds from being used to subsidize operations at Trinidad.*

SB09-056 gave the department the authority to sell the Trinidad home and was signed into law on April 22, 2009. The department has taken steps to sell the home, including issuing a request for proposals in January 2010 to find an interested buyer. The department accepted bids to purchase the home through March 2010. The department expects that the sale will be finalized by December 2010. *This bill does not affect the ability of the department to proceed with the sale of the home.*

State Revenue

The bill will decrease revenue to the Central Fund for State Nursing Homes by \$7.35 million in FY 2010-11 and increase revenue to the Trinidad State Nursing Home Cash Fund by the same amount. This revenue includes payments by or on behalf of residents in the nursing home and the proceeds from the sale of the Trinidad nursing home, which is expected to occur in FY 2010-11.

Resident payments. The bill shifts revenue generated at the home from the Central Fund for State Nursing Homes to the Trinidad State Nursing Home Cash Fund. In FY 2010-11, revenue to the Central Fund for State Nursing Homes will decrease by \$3,354,149 and revenue to the Trinidad State Nursing Home Cash Fund will increase by the same amount. Revenue at the Trinidad home comes from Medicaid, Medicare, and private pay sources. These estimates are for 6 months of revenue, based on the assumption that the state will divest the home by December 2010.

Sale of Trinidad nursing home. The sale of the Trinidad nursing home could result in up to \$4.0 million in revenue in FY 2010-11, based on the appraisal of the property. The bill will result in this revenue going to the Trinidad State Nursing Home Cash Fund, rather than the Central Fund for State Nursing Homes as under current law.

State Transfers and Diversions

If HB10-1281, which concerns telecommunications deregulation, results in savings to the General Fund, this bill will appropriate \$3.6 million of these savings to the Trinidad State Nursing Home Cash Fund. This bill will first transfer this money to the General Fund and then to the Central Fund for State Nursing Homes to reimburse these funds for prior subsidies to the home in Trinidad. ***At this time, no General Fund savings are anticipated under HB10-1281 to be available for this bill and the fiscal note assumes that these transfers will not occur.***

State Expenditures

Trinidad State Nursing Home. The bill does not affect the total costs associated with the home, which are estimated to be \$4.64 million in FY 2010-11. However, it will shift these costs to the Trinidad State Nursing Home Cash Fund and result in the need for a General Fund subsidy of \$431,269 to the home in FY 2010-11. These changes in funding for the Trinidad nursing home include:

- a decrease of \$4.6 million from the Central Fund for State Nursing Homes;
- an increase of \$4.2 million from the Trinidad State Nursing Home Cash Fund; and
- a new appropriation of \$431,269 from the General Fund.

These estimates are based on operating the home for 6 months in FY 2010-11 and the sale of the home occurring in December 2010. Based on these assumptions, the fiscal note includes the one-time expenses to transfer ownership of the home when the sale is finalized. Costs for FY 2010-11 are shown in Table 1 and discussed below.

Cost Components	FY 2011-12
Personal Services and Operating Expenses	\$3,785,418
Transfer of Ownership	850,000
TOTAL	\$4,635,418

Personal services and operating expenses. The home will have costs of \$3.79 million to operate for 6 months in FY 2010-11. Of this amount, \$3.35 million will be paid from the Trinidad State Nursing Home Cash Fund and \$431,269 will be General Fund. An appropriation of General Fund is required because revenue to the nursing home cash fund from resident payment sources are not sufficient to cover the home's operating expenses.

Transfer of ownership. The department will have one-time costs of \$850,000 to transfer ownership of the home if a sale is finalized in FY 2010-11. These costs include \$275,000 to pay employees for accrued leave time and \$575,000 to buy-out an energy lease contract that was entered into by the department. The department is also allowed to make payment to the State Board for Community Colleges and Occupational Education for any reversionary interest the board may have. However, the amount of such a payment has not been estimated at this time.

Veterans nursing homes. Separating the Trinidad nursing home from the enterprise fund will eliminate the subsidy to the home from the state veterans nursing homes. This will increase the amount of funds in the Central Fund for State Nursing Homes that are available for use by these homes by \$860,000 per year.

Fund balance. If the sale of the home occurs in FY 2010-11, there could be a fund balance of up to \$3.15 million in the Trinidad State Nursing Home Cash Fund, after it is transferred from state ownership. Revenue from the sale will first be used to pay the \$850,000 in expenses incurred from the transfer of ownership that are discussed above. Assuming a \$4.0 million sales price based on the prior appraisal of the property, up to \$3.15 million could remain in the cash fund after these costs are paid.

The remaining funds could be used for several purposes. As discussed above, the department could make a payment to the community college board for its reversionary interest in the home. In addition, the department could use remaining funds to reimburse the General Fund or the Central Fund for State Nursing Homes for prior subsidies to the home. However, this analysis cannot determine the amounts of such a payment or transfer, or the priority that will be given to the potential uses of these funds. The department, in conjunction with the Governor's office, may have some discretion to determine the use of these funds. ***However, given the various competing interests, future legislative or budget actions may be required to determine how these funds will be used.***

State Appropriations

The bill requires a General Fund appropriation of \$431,269 in FY 2010-11 to the Department of Human Services, Division of State and Veterans Nursing Homes for the Trinidad State Nursing Home.

In addition, the bill includes an appropriation of \$3,622,880 from the General Fund to the Trinidad State Nursing Home Cash Fund, conditional upon passage of HB10-1281 and sufficient General Fund savings being generated by that bill.

Departments Contacted

Human Services

Treasury