

CFI Fact Sheet: The Hospital Provider Fee and TABOR

What is the Hospital Provider Fee?

Since July 2009, the state of Colorado has assessed the provider fee on hospitals. That revenue is used to draw a dollar-for-dollar match from the federal government that is used to pay for uninsured Coloradans by expanding eligibility for Medicaid and CHP+. The fee is also used to increase the amount that providers receive for treating patients enrolled in Medicaid or the Colorado Indigent Care Program. The Hospital Provider Fee revenue expanded health care coverage for more than 300,000 vulnerable Coloradans without using state tax revenue from the General Fund.

Taxes and Fees are Subject to TABOR's Revenue Limit.

TABOR, a 1992 provision in the Colorado Constitution, says that the state can only collect a certain amount of taxes and fees each year. This provision limits revenue growth to the rate of inflation plus population each year. If the state collects more in taxes and fees than the limit allows, that extra revenue gets returned to taxpayers in rebates. Both fees (like those paid to drill a well or get a barber's license) and taxes (income taxes and sales taxes) count toward the limit; however the tricky part is that rebates are paid out of the General Fund, the same source of revenue that is used to fund schools, prisons, higher education and other vital services.

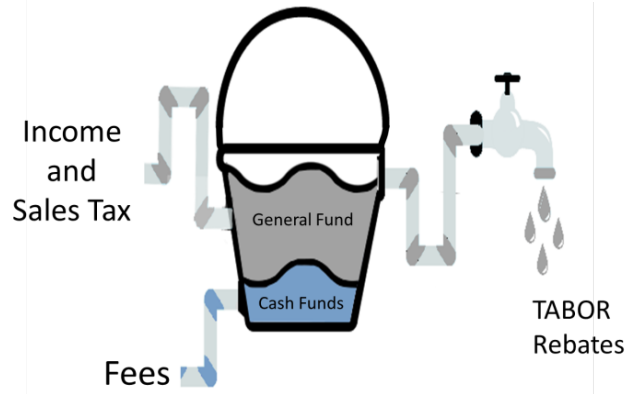
When Colorado is in a TABOR rebate situation, every additional dollar generated from fees means an extra dollar returned to taxpayers from the General Fund — and one dollar less for schools and other critical needs. This creates a dilemma for lawmakers as they try to raise fees to pay for needed services.

Enterprising Specific State Programs Gives Greater Budget Flexibility

TABOR allows the revenue from certain activities to not count toward the revenue limit. Under TABOR, an "enterprise" is a government-owned business that may issue its own bonds and whose revenue does not count toward a government's TABOR revenue limit. Most state universities, for example, are enterprises as is the Colorado Lottery. To qualify, an enterprise must receive less than 10 percent of its revenue in grants from state and local governments.

The Division of Wildlife is a good example. Before being enterprised under TABOR, hunting license revenue counted toward the state's revenue limit. That made it hard for the division to raise enough revenue for

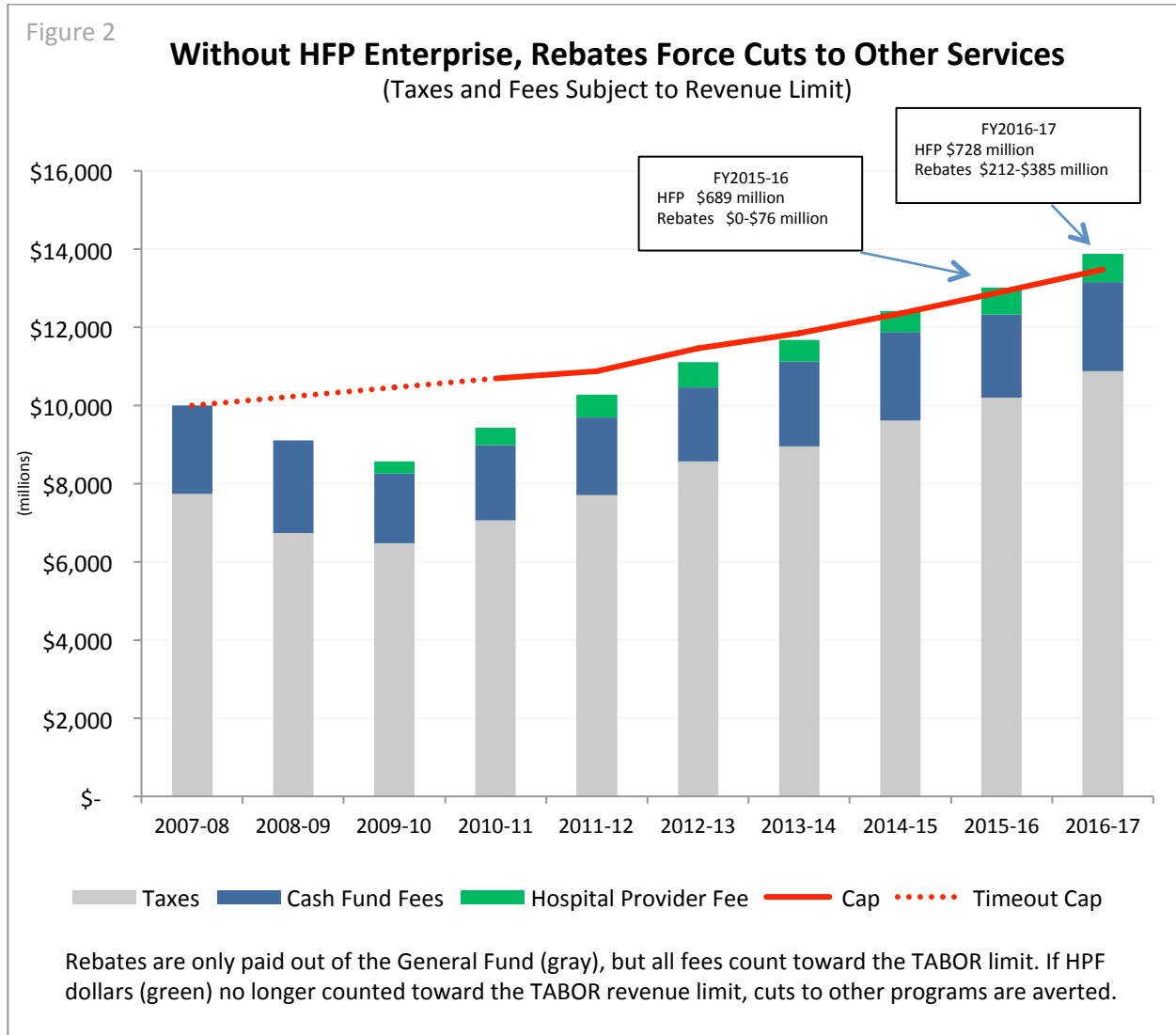
Figure 1: TABOR rebates are only paid from the General Fund, but cash funds from fees push the GF higher toward the limit.



conservation needs, like addressing chronic wasting disease, since every dollar in hunting fees meant an additional dollar that left the General Fund when the state was in a TABOR rebate situation. Now that DOW has enterprise status, it now has greater license fee flexibility without jeopardizing funding for schools and prisons.

Enterprising the Hospital Provider Fee Would Protect Education and Other Programs

Back in 2009 when the HPF was established, there was a lot of room between the amount of taxes and fees that Colorado collected and the revenue limit. As the HPF has grown, the state has reached the revenue limit faster than it would have just based on growth in the economy. See Figure 2.



Right now, the HPF comprises about one-fourth of all cash funds subject to the TABOR revenue limit.

Colorado will return an estimated \$153.6 million to taxpayers this year because the state collected more in taxes and fees than the revenue limit allows. If the HPF obtained enterprise status and its revenue did not count toward the state limit, Colorado would not have to take this amount of money from schools, prisons, transportation and other critical needs.