

STATE OF COLORADO

EXECUTIVE CHAMBERS

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Bill Owens
Governor

November 1, 2000

Representative Steve Tool, Chairman
Joint Budget Committee
200 E. 14th Ave., 3rd Floor
Denver, CO 80203

Dear Steve:

It is with great pleasure that I submit to you today the State budget. As you know, finding money for the State's needs is never an easy task. This year, however, has been fraught with more uncertainties than many years. Two amendments on the November 7th ballot could dramatically change the amount of money available for transportation and capital projects, as well as for K-12 funding. If either or both initiatives passed, I would need to resubmit the State budget to you.

The departmental budgets you receive today will devote funds toward many high priority needs. The budget highlights are summarized in the attachment, but let me share with you some of the priorities I have in the budget:

- Full-funding of K-12 education for enrollment growth and inflation for the third straight year, plus an additional \$29 million to assist poor schools with building repairs, to provide literacy training for elementary school students, and transportation assistance to help low-income children attend a different public school.
- Student loan forgiveness for new teachers who agree to work for three years in schools that have difficulty recruiting teachers.
- Full funding in higher education for inflation and enrollment increases.
- Increased funding for the care of the developmentally disabled.
- Increased funding to improve the foster care system by hiring more personnel to monitor foster care homes to protect the safety and welfare of children.
- Increased funding for State Patrol troopers to help recruit and retain highly skilled state troopers.
- Increased funding for more judges to relieve the burden on citizens of overburdened courts.
- Increased funding to ramp up inspection of nursing homes to ensure that elderly Coloradans receive the proper care and treatment they need in their final years.

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- As part of the Year of State Parks, my budget includes a large increase in personnel to take care of our State parks, to ensure they are clean, safe and welcoming to all citizens.

I look forward to working with the committee during the upcoming budget cycle and appreciate all the support I have received from your committee and the General Assembly in the last budget cycle.

Sincerely,

Bill Owens
Governor

Attachments

cc: Joint Budget Committee members

Highlights of the FY 2001-02 Budget Request

The budget submitted to the Joint Budget Committee includes a 5.9 percent increase in the General Fund and a 4.8 percent increase in all funds for State government. This compares with average General Fund growth of 6.6 percent per year during the previous five years and average growth in total funds of 5.8 percent per year during the previous five-year period. Graphs 1 and 2 display the share of the total appropriation and the share of new money for each department. K-12 Education, Health Care Policy and Financing, Higher Education, and Human Services comprise the lion's share of the budget. These same agencies, along with Corrections, require the bulk of the new money as well.

K-12 Education

- The highest priority in my budget is K-12 education funding. For the third consecutive year, my budget will fully fund kindergarten through 12th grade education for inflation, something that had not been accomplished in the decade prior to my administration. Included in my K-12 budget is an additional \$189 million to fully cover inflation (3.6 percent) and increases in enrollment (1.4 percent).
- The FY 2001-02 budget requests \$4.3 billion in total funds for K-12 education, an increase of \$218.6 million from the prior year. Since I took office, annual funding for K-12 education is \$590 million, or 18 percent, higher than in FY 1998-99.
- Of the \$4.3 billion, \$2.3 billion is from the State's General Fund, with the remainder coming primarily from local property taxes.
- The budget also contains \$2.5 million to provide transportation assistance for low income students in low performing public schools so those students will have a choice of being able to commute to an alternative public school.
- Also included in the budget is \$10 million for K-12 schools capital construction needs and \$18.6 million for Read-to-Achieve grants. Almost one-third of Colorado's eight-year-olds cannot read at grade level. This is a tragedy that Read-to-Achieve is designed to address. My goal is that every child in Colorado will be able to read at or above grade level by the time they enter fourth grade.

Health Care Policy and Financing

- Medicaid comprises 18.8 percent of the FY 2001-02 General Fund budget and will receive 17.1 percent of the available new money. Throughout the decade of the 1990s, Medicaid has consumed an increasing share of the State's budget, making the budget environment challenging at best, and forcing cuts in other statewide programs. The amount of General Fund money devoted to Medicaid has tripled since 1990. As a result of rising costs, the department made significant efforts to curb growth in FY 2001-02. The department proposed

base reductions totaling \$17 million in General Fund (\$34 million in total funds). Most of these reductions provide more consistent payments to providers who perform the same services for clients.

- Both increased caseload and rising medical costs contribute to the rise in Medicaid. After decreasing from FY 1994-95 through FY 1998-99, Medicaid caseloads are now increasing (Graph 3). The Medicaid caseload is expected to grow 3.6 percent in FY 2001-02 and to account for 40 percent of the rise in Medicaid costs. The bulk (58 percent) of the increase in Medicaid costs is the result of medical inflation and more intense utilization of services.
- Over the last three months, I have worked to address problems in the Children's Basic Health Plan. Together with your help, we have lowered and eliminated the premiums for this program so that we can provide access to health care for low income families. The FY 2001-02 budget request contains increased funding for the Children's Basic Health Plan (CBHP):
 - \$4.5 million of new funding for increased medical costs of new and existing subscribers;
 - \$5.8 million of new funding to provide a CBHP dental benefit; and
 - in addition, the request seeks to reduce CBHP administration by \$1.6 million dollars. This reduction will put CBHP administration under the federal government's ten percent administrative cap for receiving federal matching funds.

Higher Education

- Higher Education is 13.7 percent of my requested budget. The proposed FY 2001-02 increase for higher education is equal to enrollment plus inflation and some new initiatives.
- Over the last five years, General Fund support for the higher education operating budget grew at a 5.2 percent annual pace, versus inflation plus enrollment growth of 4.3 percent per year. In total, higher education received \$112 million more in General Fund dollars above inflation plus enrollment during the five-year period.
- The State has invested a significant amount of funds in higher education facilities. Over the five-year period from FY 1995-96 through FY 2000-01, the State has invested \$779 million in capital funding for higher education. Higher education institutions requested an additional \$432 million in continuation and new capital funding for FY 2001-02 through FY 2005-06. The Colorado Commission on Higher Education has not yet approved or prioritized these projects, however.
- To encourage more young adults to become K-12 public school teachers, my budget includes \$500,000 to forgive student loans for new teachers. The program forgives student loans up to \$8,000 in return for three years of service in a school that is having difficulty recruiting teachers – be they a rural school or a low-performing inner-city school. The Colorado Student Obligation Bond Authority will partner with us to provide further relief for these teachers with student loan debt.

Human Services

- My budget request allocates 9.2 percent of General Fund expenditures for Human Services, or \$521 million. In terms of total funds, \$1,772 million will be devoted to Human Services needs in the FY 2001-02 budget.
- The FY 2001-02 budget includes \$16.2 million in funding for increased quality of care and a higher number of slots for the developmentally disabled. Part of the money will fund a 5.3 percent rate increase for many providers. The increase will allow providers to pay adequate wages so that they can attract and retain quality employees. The overall increase in funding for the developmentally disabled is 6.8 percent in General Fund dollars. This funding is in addition to the administration's successful efforts that increased new residential placements for adults with developmental disabilities by 176 in FY 2000-01. This year's increase was more than double the average increase received in previous years.
- The Administration is requesting funds to support 115 additional families in the Family Supported Service Program. This funding helps prevent placing a disabled family member outside of the home by providing assistance. For example, such assistance might be home or vehicle modifications, special equipment, providing meals, and other homemaker services.
- The requested budget also includes four new FTE for monitoring of 24-hour child care facilities – primarily foster care facilities. The responsibilities of these individuals will include monitoring of child placement agencies that oversee foster care homes. This nearly doubles the FTE that will be devoted to this effort.
- The FY 2001-02 budget funds child welfare services at a far higher rate than in the past, requesting \$8.6 million in new funds. The FY 2001-02 budget request funds a 3.1 percent increase in child welfare caseloads. This is 50 percent higher than the average growth in the 0- to 17-year-old population group, which is historically the basis for funding. The Administration believes that this population of needy children is growing at a faster pace than the average population growth of children aged 0 to 17 and thus requests funds to address this growing need.
- The FY 2001-02 budget requests funds to increase staffing by 50.8 positions at the Mental Health Institutes to provide higher quality treatment for these patients.
- The horrendous loss of lives at Columbine also necessitates increased funding for the mental health needs of victims who survived the tragedy. The FY 2001-02 budget includes \$350,654 to provide mental health services for Columbine victims. When combined with the moneys allocated last year, a total of \$800,000 of State funds have been allocated for this purpose.

Corrections and Public Safety Issues

- I am committed to improving public safety in Colorado so that all citizens can more safely walk the streets of Colorado. Toward that end, I am increasing the amount of funds devoted to housing prisoners so that the State can continue to enjoy decreasing crime rates. I am requesting funds to increase the number of judges in the State's Judicial system. Finally, I

am also requesting increased funds for the State Patrol to help Colorado's law enforcement agency attract and retain high quality troopers.

- The **Department of Corrections** comprises 8.6 percent of the State's General Fund appropriation and will require 20.8 percent of the new General Fund money available. Rapid growth in the prison population accounts for this growth (Graph 4).
 - Colorado's prison population has increased at an average rate of 7.9 percent per year during the last decade.
 - In FY 2001-02, the State will have more than 18,000 inmates in the prison system. Over the next five years, the State is expected to add another 6,100 inmates.
 - The State added 8,500 prison beds during the 1990s and will add another 2,482 beds over the next five years. In FY 2001-02, two new facilities are expected to open: Trinidad with 500 beds and Fort Lyon with 500 beds. In addition, we have included \$59 million in Capital Construction Funds for an additional 250 beds at San Carlos, 384 additional high security prison beds at Arkansas Valley Correctional Facility, 100 beds at Denver Regional Diagnostic Center, and acquisition of Fort Lyon. We believe that we will need to devote \$121 million over the next five years to build a total of 1,152 high security beds.
- I have set aside \$2.2 million in my budget to add 24 new district court judges over the next five years. This was a recommendation from the Civil Justice Reform Task Force. In the past 20 years, court filings in Colorado increased 82 percent, but new district court judgeships grew only 12 percent. This erosion has significantly impacted the State's ability to dispense justice in a timely manner. Therefore, I believe it is important to increase the number of judges and have dedicated a portion of the budget for this purpose.
- The State has experienced high turnover in the State Patrol in recent years because local law enforcement agencies recruited trained troopers away from the State. In the current budget, we have allocated an additional \$2.5 million for trooper salaries. The increase in salaries will help keep highly skilled, trained troopers in State service.
- The budget also includes an extra \$4.7 million for the Division of Youth Corrections' programs to appropriately serve and treat youth offenders.

Commitment to Public Health Issues

- My budget requests 11.1 FTE to increase and improve nursing home inspections. I believe that we need to ramp up inspection of nursing homes to ensure that elderly Coloradans receive the proper care and treatment they need in their final years.
- The budget funds \$0.5 million to create a unified emergency and trauma system for Colorado, that is particularly important to rural Colorado.
- The budget funds an immunization tracking system for Medicaid children in order to improve immunization rates. Currently, only 75.8 percent of Colorado's two-year-olds are

immunized, and Colorado ranks 42nd in the nation in immunization rates of two-year-olds. This money will help improve the health of young children in Colorado, particularly for children in poverty who are at greatest risk of not being immunized.

Natural Resources

- My top priority in the Department of Natural Resources is to increase our investment in the State park system. As part of the Year of State Parks, my budget includes a large increase in personnel to take care of our State parks, to ensure they are clean, safe and welcoming to all citizens. I am requesting that the State add 47 new parks FTE in FY 2001-02 to protect the State's natural resources and provide a high quality experience for park visitors. We also plan to open a new State park in FY 2001-02 – Brush Creek State Park in Eagle County. Since I have been Governor, the State has opened two new State parks and acquired land for four additional new State parks, representing my commitment to maintaining open space for all Coloradans. In addition, the budget proposes a significant investment in disease-free trout stocking so that the State's fishing experience improves for the outdoor enthusiast.

Investment in Advanced Technology

- The budget includes \$78 million in advanced technology investments so that the State can more successfully compete in the twenty-first century.
- The request funds the multi-use network and beanpole grants so that all areas of the State, including rural and mountainous areas, can access high speed Internet capability. This will enable rural areas of the State to provide access to state-of-the-art education programs for their students and to compete in the global business environment regardless of location.

TABLE 1
Governor Owens' FY 2001-02 Colorado State Budget Request

	FY 2000-01 Dollars		FY 2001-02 Dollars		Percent Increase from FY 2000-01	
	GF	Total - All Funds	GF	Total - All Funds	GF	Total - All Funds
Executive Department						
Agriculture	10,086,136	29,968,492	10,597,207	30,971,347	5.1%	3.3%
Corrections	420,594,003	477,846,284	487,097,343	549,746,619	15.8%	15.0%
K-12 Education *	2,156,185,711	2,532,234,887	2,281,256,172	2,664,757,325	5.8%	5.2%
Governor's Office	19,988,967	36,740,839	20,451,531	36,751,131	2.3%	0.0%
Health Care Policy and Financing	1,007,936,905	2,234,279,409	1,062,797,254	2,363,569,772	5.4%	5.8%
Higher Education	747,284,791	1,533,781,435	775,315,495	1,611,198,534	3.8%	5.0%
Human Services	499,411,590	1,724,684,166	520,789,965	1,771,694,751	4.3%	2.7%
Labor and Employment	-	122,440,583	-	132,436,447	N/A	8.2%
Local Affairs	12,505,812	135,519,625	12,927,349	139,237,976	3.4%	2.7%
Military Affairs	4,090,451	117,130,976	4,185,522	116,917,205	2.3%	-0.2%
Natural Resources	29,045,910	159,726,337	28,523,917	161,386,166	-1.8%	1.0%
Personnel/GSS	15,277,464	143,234,061	15,871,642	149,480,944	3.9%	4.4%
Public Health and Environment	33,509,576	253,922,091	34,506,694	264,455,160	3.0%	4.1%
Public Safety	57,153,997	164,482,321	59,285,716	185,201,871	3.7%	12.6%
Regulatory Agencies	1,980,043	59,790,310	2,004,483	66,160,799	1.2%	10.7%
Revenue	72,549,816	475,640,652	74,998,974	482,612,855	3.4%	1.5%
Transportation **	1,280	996,090,728	-	996,029,258	N/A	0.0%
Other Appropriations	1,062,788	1,062,788	-	-	N/A	N/A
Total Executive	5,088,665,240	11,198,575,984	5,390,609,264	11,722,608,161	5.9%	4.7%
Non-Executive Department ***						
Judicial	206,112,037	255,869,753	218,728,759	271,471,938	6.1%	6.1%
Law	9,601,459	32,223,654	10,177,547	34,157,073	6.0%	6.0%
Legislature	28,978,643	30,568,643	30,717,362	32,402,762	6.0%	6.0%
State	-	10,625,720	-	11,263,263	N/A	6.0%
Treasury	2,388,266	276,077,067	2,531,562	292,641,691	6.0%	6.0%
Total Non-Executive	247,080,405	605,364,837	262,155,229	641,936,727	6.1%	6.0%
TOTAL REQUEST	5,335,745,645	11,803,940,821	5,652,764,493	12,364,544,888	5.9%	4.8%

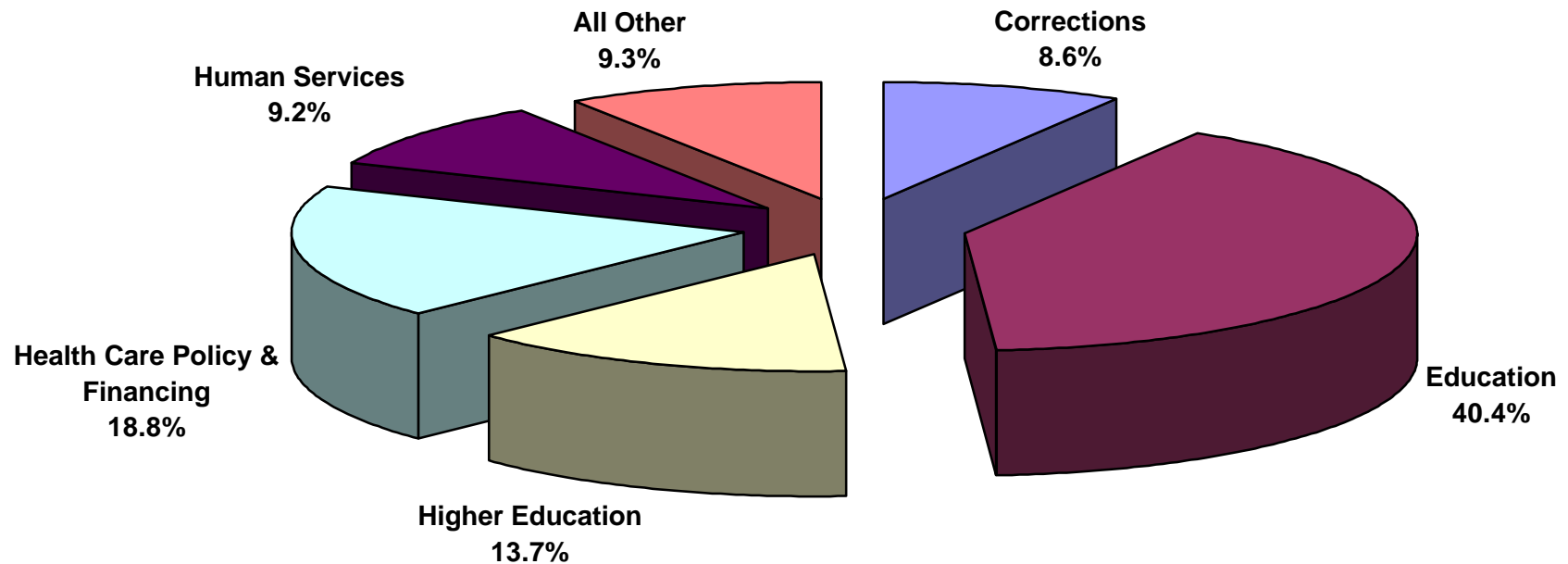
* Including local property taxes, the Governor's budget devotes \$4.3 billion to K-12 education.

** Does not include transportation bond proceeds for FY 2000-01.

*** Assumes 6 percent growth in all fund sources.

Graph 1

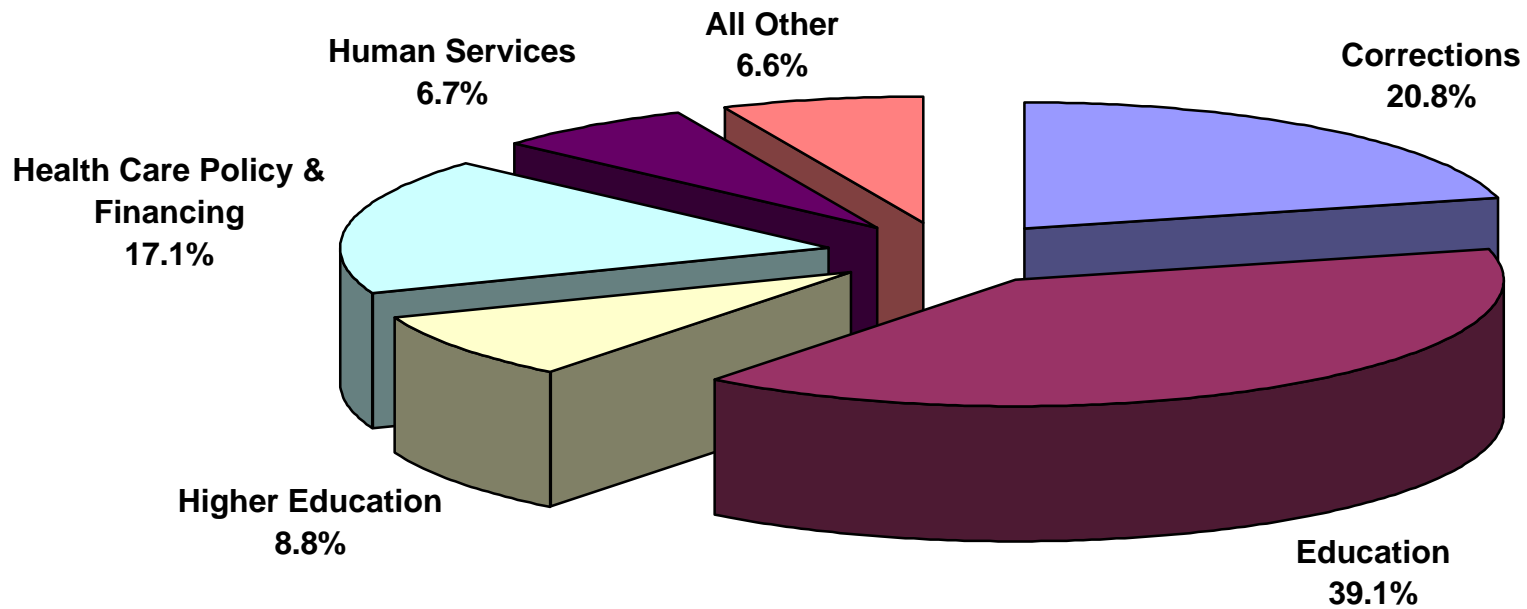
FY 2001-02 Major Department Share of Total General Fund Budget



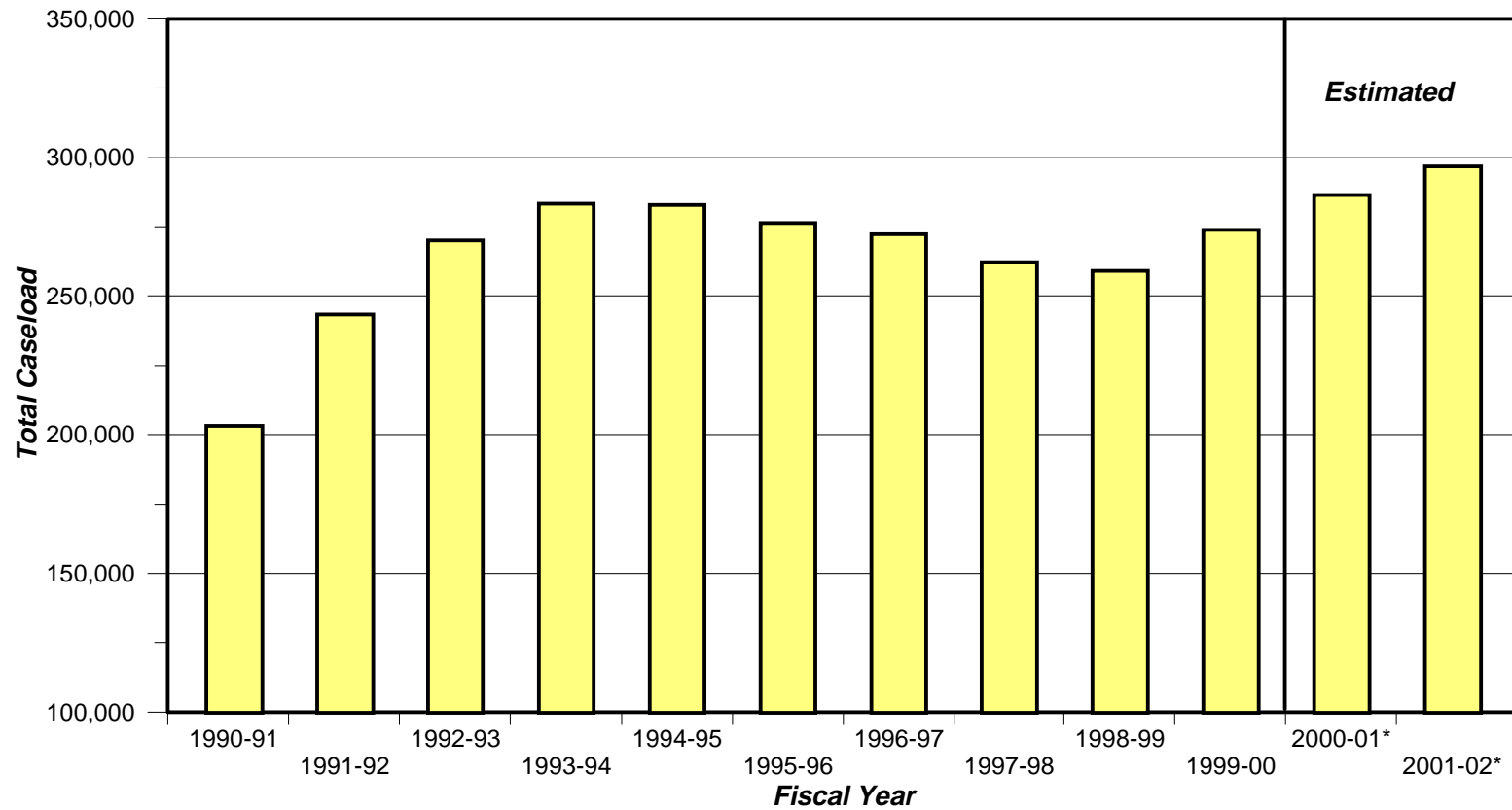
All Other: Agriculture 0.2%, Governor's Office 0.4%, Labor & Employment 0.0%, Local Affairs 0.2%, Military Affairs 0.1%, Natural Resources 0.5%, Personnel 0.3%, Public Health & Environment 0.6%, Public Safety 1.1%, Regulatory Agencies 0.0%, Revenue 1.3%, Transportation 0.0%, and Non-Executive 4.6%.

Graph 2

FY 2001-02 Major Department Share of Available New General Fund

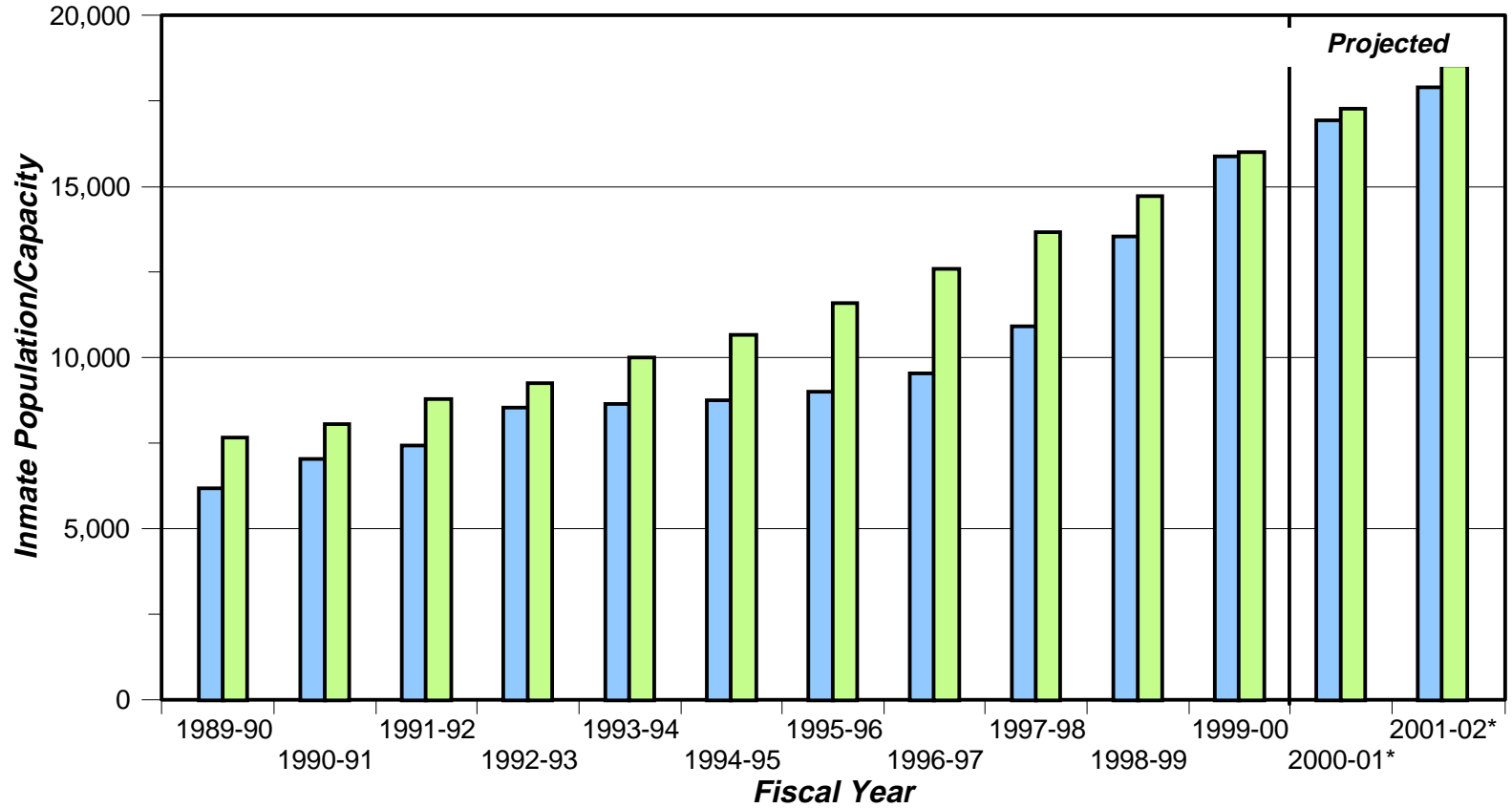


Graph 3 Medicaid Caseload



* Estimated.

Graph 4 DOC Inmate Population



* Projected at 106 inmates per month.

** Includes Department of Corrections and Private Prisons.



State Operational Capacity**



Inmate Population