

Highlights of the FY 2002-03 Budget Request

Recognizing the fiscal constraints of weaker revenue growth resulting from slowing national and Colorado economies and from the aftermath of the September 11th attacks, the FY 2002-03 executive budget request submitted by Governor Bill Owens to the Joint Budget Committee includes a 5.5 percent increase in the General Fund. This compares with average General Fund appropriations growth of about 6.3 percent per year during the previous five years. Overall, the proposed FY 2002-03 budget is nearly \$27 million lower than the maximum allowed under the six percent appropriations limit. In addition, we have identified approximately \$50 million in General Fund base reductions during FY 2001-02, for savings of \$77 million over the two years. While the budget request is lower than the maximum allowed by statute, I directed state departments to tighten their belts in a manner that minimized the impacts on direct services to Coloradans.

Graphs 1 and 2 display the share of the General Fund 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 and require the bulk of the new money as well.

K-12 Education

- K-12 education funding continues to be a high priority in my budget request. For the fourth 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. An additional one percent above inflation is also included as per Amendment 23 requirements. State spending on total program for K-12 will increase by \$194.3 million, or 8.7 percent. This is the highest increase in K-12 spending in more than a decade.
- The FY 2002-03 budget requests \$4.8 billion in total funds for K-12 education, an increase of \$377.6 million from the prior year. With this request, state and local funding for K-12 education will be \$1.2 billion, or 32.2 percent, higher than in FY 1998-99 when I took office. This increase will surpass inflation and enrollment growth by nearly 11 percentage points.
- Of the \$4.8 billion, \$2.4 billion is from the State's General Fund, with the remainder coming primarily from local property taxes.
- The budget also contains \$6 million for the "Closing the Learning Gap" initiative. This initiative will provide funding to close the education learning gap between the "haves and have-nots" in Colorado. The achievement gap between these two groups is a chasm that jeopardizes our goal to make sure no child is left behind.
- Also included in the budget is \$26.2 million for K-12 schools capital construction needs. This includes \$5.6 million specifically for charter school needs.

Health Care Policy and Financing

- Medicaid comprises 20.5 percent of the FY 2002-03 General Fund budget and will receive 24.8 percent of the available new money. Throughout 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 and FY 2002-03. The department is proposing base reductions totaling \$25.5 million in General Fund. Most of these General Fund reductions either increase federal match payments or provide payments to providers in a manner similar to reimbursements made by the private sector.
- 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 4.0 percent in FY 2002-03 and to account for about one-third of the rise in Medicaid costs. The bulk (about two thirds) of the increase in Medicaid costs is the result of medical inflation and more intense utilization of services.
- Over the last 18 months, I have worked to address problems in the **Children's Health Plan Plus (CHP+)**. 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. In the FY 2002-03 budget, the following is included:
 - ✓ The FY 2002-03 budget request contains a \$10.7 million increase in funding for caseload growth, increased medical costs, and the newly added dental benefit.
 - ✓ As of June 2001, enrollment in this important program was 35,864, up 42 percent from the previous year. We expect 12,500 additional children to be added by the end of FY 2002-03.
 - ✓ I am requesting that the state add pre-natal benefits to the CHP+ insurance program. Providing pre-natal care to low-income pregnant women will help reduce low birth weight and premature babies. Too many women who cannot afford pre-natal care go without and this risks the lives of both the baby and mother. We should not allow this to happen in the 21st century in Colorado. Thus, I am requesting that the State spend \$18 million to provide pre-natal care to low income Coloradans through the CHP+ program.

Human Services

- My budget request allocates 9.6 percent of General Fund expenditures for Human Services, or \$545.9 million. In terms of total funds, \$1,905.2 million will be devoted to Human Services needs in the FY 2002-03 budget. Overall, we are requesting a \$77.8 million increase in Human Services funding.

- The FY 2002-03 budget includes \$16.7 million in funding for increased quality of care and a higher number of placements for the developmentally disabled. This amounts to a 6.7 percent increase. Part of the money will fund an increase for providers to increase wages so they can attract and retain employees. This funding will also increase the number of placements, so that an additional 124 Coloradans will receive the residential treatment they need.
- The FY 2002-03 budget proposes an increase in mental health funding of 8.6 percent, totaling almost \$300 million. This funding will support an additional 86 staff members at the mental health institutes. Additionally, we are requesting \$1 million for mental health services to the indigent and \$700,000 for mental health services to fund early childhood mental health services.
- I am proposing a \$7.6 million funding increase for the protection of children, which includes such child welfare services as foster care and adoption assistance. In addition, I am requesting a \$12.9 million increase for child care initiatives that will both improve the quality of child care provided as well as increase the number of families receiving child care assistance.

Higher Education

- Higher Education is 13.9 percent of my requested budget. The proposed FY 2002-03 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 4.7 percent annual pace, versus inflation plus enrollment growth of 4.3 percent per year.

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. Due to tough-on-crime policies that include keeping criminals out of our neighborhoods and off the streets, crime in Colorado is at a 25-year low.
- The **Department of Corrections** comprises 8.9 percent of the State's General Fund appropriation and is requesting a similar amount of the new General Fund money available.
 - Colorado's prison population increased at an average rate of 7.9 percent per year during the last decade, but that growth subsided to a 5.2 percent increase in the most recently completed fiscal year.
 - In FY 2002-03, the State will have more than 17,800 inmates in the prison system. Over the next five years, the State is expected to add another 5,600 inmates.

- The FY 2002-03 budget requests a 6.1 percent increase in the Department's operating budget.
- 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 the additional funds necessary to keep trooper salaries competitive with local governments. The increase in salaries will help keep highly skilled, trained troopers in State service. The budget also includes additional funding for new officer safety equipment such as bulletproof vests and collapsible batons. These increases will help ensure that the State's troopers are properly equipped and compensated for their service to Colorado's citizens.

Natural Resources

- My top priority in the Department of Natural Resources is to increase our investment in the State park system. 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 29.5 new parks FTE in FY 2002-03 to protect its natural resources and to provide a high quality experience for park visitors. Since I have been Governor, the State has opened three new State parks and acquired land for two 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 \$72 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.

Other High Priority Initiatives

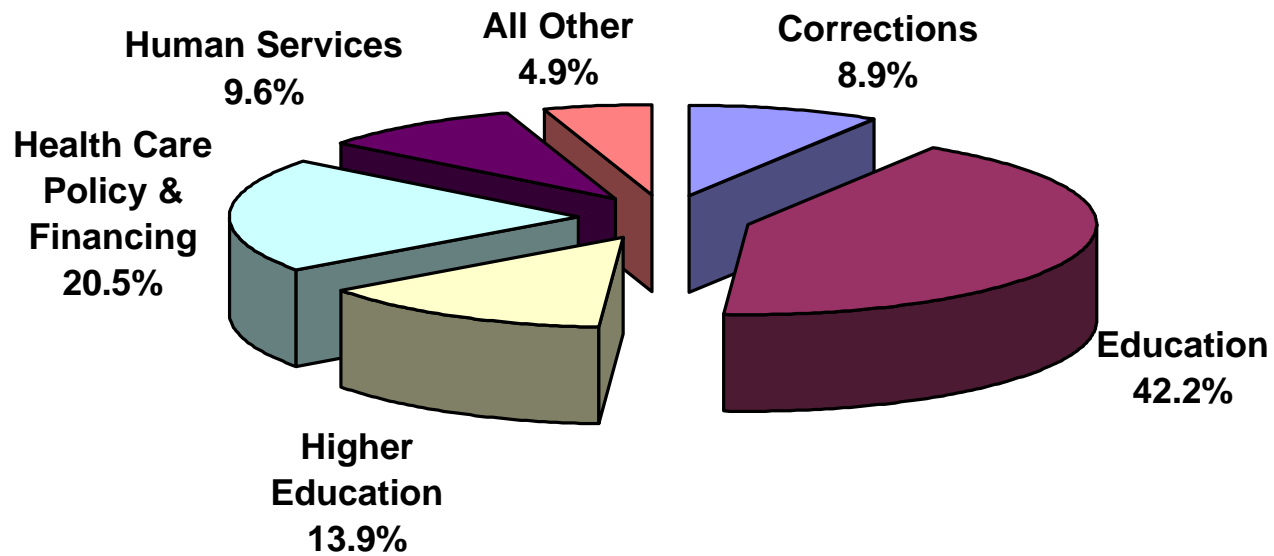
- I am requesting a \$500,000 increase in tourism promotion funding to help this vital industry in the aftermath of the September 11th attacks.
- To help recruit and retain soldiers, I am requesting that the state provide 100 percent tuition reimbursement for National Guard members.
- Included in the budget is an additional \$1 million for the Smart Growth Office to assist local governments in developing quality comprehensive plans.

Transportation and Capital Construction

- The capital construction budget is submitted separately from the operating budget submission. Given the weak revenue outlook, I am proposing a modest capital program for FY 2002-03. The projects I am proposing focus on:
 - maintaining existing state buildings;
 - finishing projects that are under construction; and
 - restoring only important safety projects that were cancelled in the recent special session

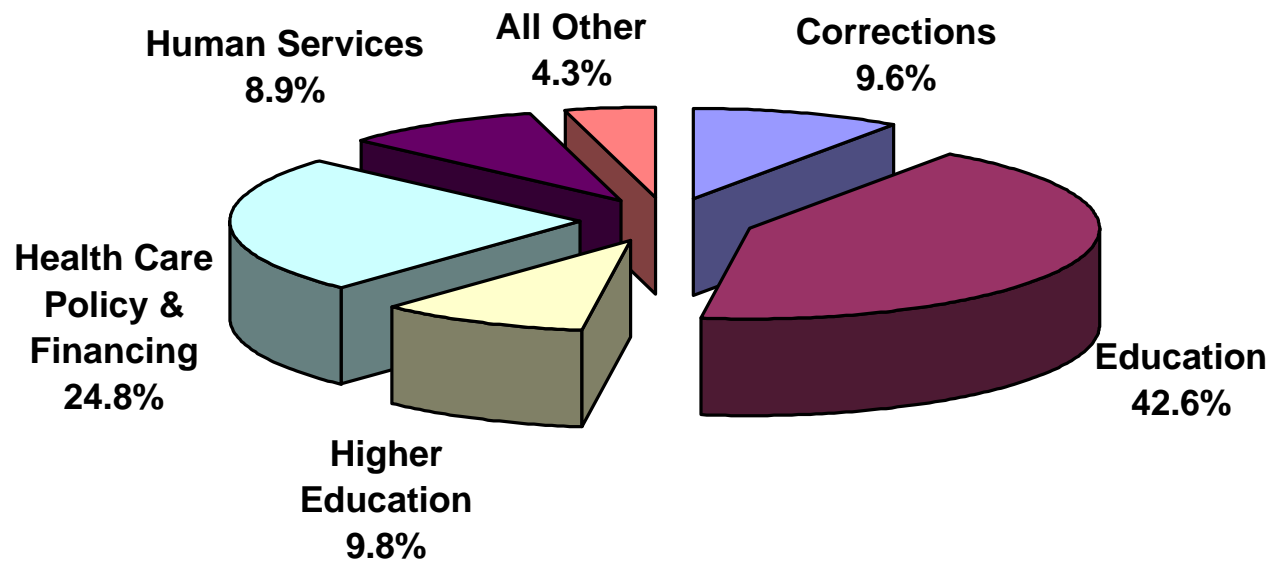
- I am proposing roughly \$125 million in General Funded projects. Based on the current revenue outlook and the recent budget cuts, this capital construction program can be funded along with a full Senate Bill 97-1 transfer of sales and use taxes to transportation in FY 2002-03. The Senate Bill 97-1 diversion is estimated to be \$222.3 million in FY 2002-03.

Graph 1
FY 2002-03 Major Department Share of Executive Budget (General Funds Only)



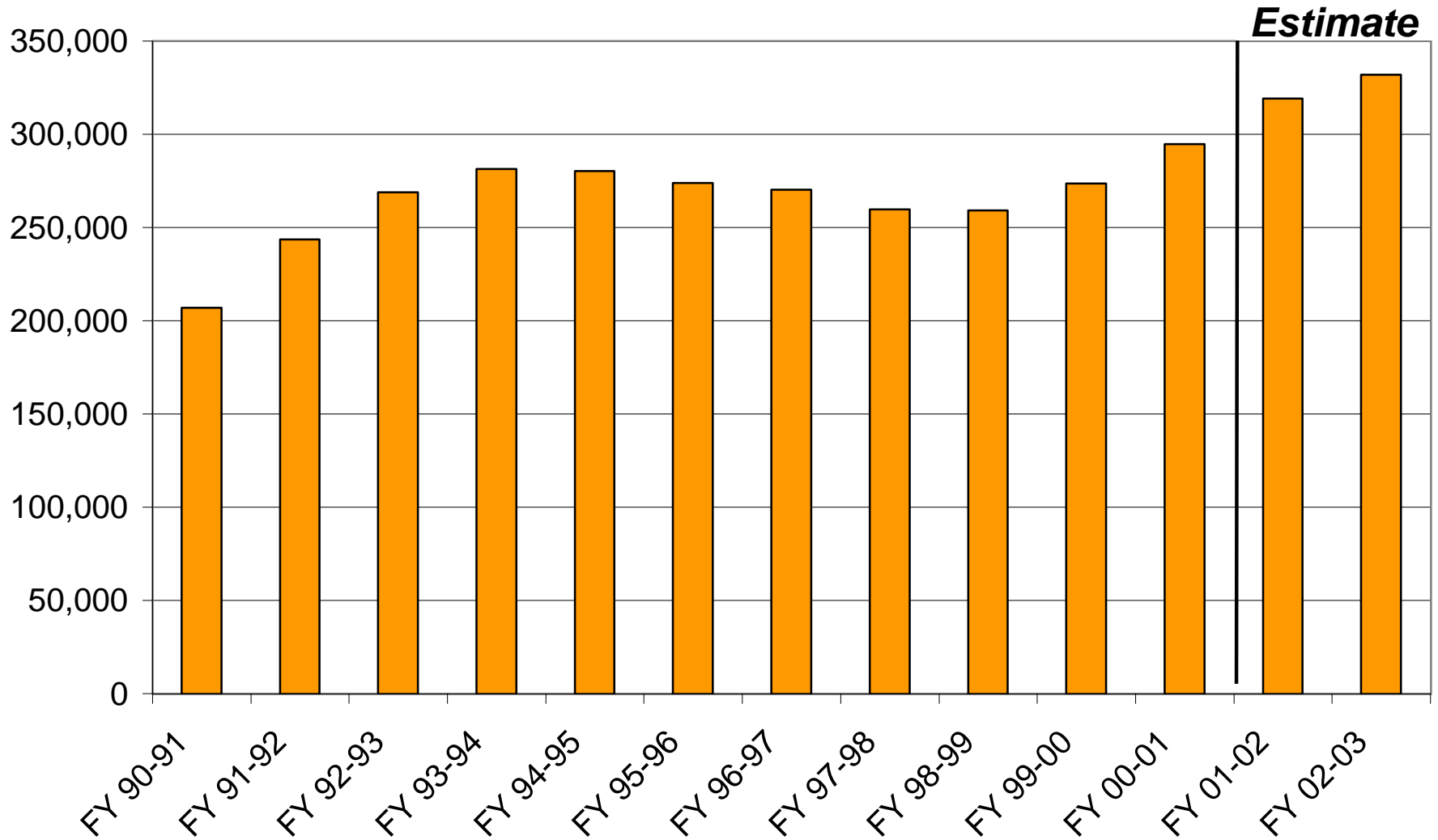
All Other: Agriculture 0.2%, Governor's Office 0.4%, Labor & Employment 0.0%, Local Affairs 0.3%, Military Affairs 0.1%, Natural Resources 0.5%, Personnel 0.3%, Public Health & Environment 0.6%, Public Safety 1.1%, Regulatory Agencies 0.0%, Revenue 1.4%, and Transportation 0.0%

Graph 2
FY 2002-03 Major Department Share of Available New General Fund (Executive Agencies Only)



All Other: Agriculture 0.3%, Governor's Office 0.2%, Labor & Employment 0.0%, Local Affairs 0.2%, Military Affairs 0.1%, Natural Resources 0.3%, Personnel 0.7%, Public Health & Environment 0.5%, Public Safety 1.1%, Regulatory Agencies 0.0%, Revenue 1.2%, and Transportation 0.0%

Graph 3: Medicaid Caseload



FY 2002-03 Executive Budget Request

Executive Department	General Fund Request (millions)	Percent Change	Total FTE	Percent Change
Agriculture	\$ 11.5	12.2%	294.7	0.0%
Corrections	507.1	6.0%	6,359.9	5.2%
Education	2,414.2	5.6%	417.8	0.0%
Governor's Office	21.2	3.6%	125.5	-0.8%
Health Care Policy and Financing	1,173.4	7.4%	188.3	4.6%
Higher Education	794.2	3.9%	18,280.8	0.0%
Human Services	545.8	5.2%	4,843.3	2.0%
Labor and Employment	-	NA	1,035.4	0.0%
Local Affairs	16.2	11.0%	180.5	0.4%
Military Affairs	4.5	9.9%	1,287.3	0.0%
Natural Resources	29.8	2.3%	1,553.3	2.4%
Personnel/GSS	16.4	7.2%	601.0	0.7%
Public Health & Environment	36.1	4.6%	1,091.5	0.0%
Public Safety	62.8	5.5%	1,245.5	0.5%
Regulatory Agencies	2.2	8.5%	540.7	1.3%
Revenue	79.8	3.2%	1,523.1	-1.3%
Transportation	-	NA	226.7	-0.4%
Total Executive	\$ 5,715.2	5.5%	39,795.2	1.2%