

STATE OF COLORADO

OFFICE OF STATE PLANNING AND BUDGETING

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Denver, Colorado 80203
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John W. Hickenlooper
Governor

Henry Sobanet
Director

January 25, 2013

The Honorable Pat Steadman
Chair, Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

Dear Senator Steadman:

On December 21, 2012 we wrote to the Joint Budget Committee that the Governor would submit amendments to the budget request for FY 2013-14. These amendments were to be based on the December 2012 revenue and economic projection that indicated \$142 million was available for additional allocation in FY 2013-14. Subsequent to that projection, changes in tax law at the federal level (*the American Taxpayer Relief Act of 2012*) resulted in reductions to our forecast for income tax revenue for fiscal years 2012-13 and 2013-14. Over that two-year period, the impact to the December 2012 forecast for the General Fund is a downward revision of \$145 million. Even with these changes, additional funds remained available for allocation.

In the General Fund operating budget, the Governor recommends the following items:

- An increase to the November 1, 2012 request for K-12 education, Total Program in the amount of \$12.8 million; if this request is adopted, the average per pupil funding in FY 2013-14 will increase to \$6,707.67, or \$228.25 over FY 2012-13 levels;
- At this time, the Department of Human Services is developing a comprehensive proposal to improve various aspects of Colorado's child welfare system. While final estimates will be available shortly, we have left room for up to \$22.0 million in FY 2013-14 for the plan;
- A new \$10.3 million allocation to the Department of Natural Resources for a grant program that would match local dollars for improving forest health and wildfire prevention in wildland-urban interface areas;
- As noted in the November 1, 2012 budget transmittal letter, we anticipated the need to request additional resources for the Office of Information Technology. We are requesting two initiatives in the Office. The first would allocate \$1,394,368 for improvements to the main data network operated by OIT. The second calls for \$300,000

for OSPB to contract for an in-depth analysis of the billing and financial allocation methodologies employed by the Office;

- As a means to understand better the impact of oil and gas exploration and development on air quality, the Governor recommends \$492,776 General Fund for the Department of Public Health and Environment to conduct a targeted survey of the impacts of specific oil and gas extraction operations on environmental air quality (there is also a \$567,000 capital component to this request, explained below).

Separately from the General Fund, the Governor recommends \$1.3 million in cash fund spending authority for CDPHE to enter into a collaborative partnership with Colorado State University to begin collecting data for a broader study of the impacts of oil and gas operations on air quality in the northern Front Range.

In the capital construction budget, the Governor recommends the following items:

- In the Office of Information and Technology, an appropriation in the amount of \$3,726,190 as the first installment of a new annual financing model for maintenance and necessary upgrades to the statewide Digital Trunked Radio system;
- In response to a recommendation by the Office of the State Auditor, \$2,000,000 to finalize a facilities master plan for the Capitol Complex;
- As noted above, \$567,000 to purchase equipment associated with the air quality survey in the Department of Public Health and Environment; and
- Approximately \$2.0 million to amend the Department of Personnel and Administration's request for scanning equipment to improve the efficiency of Colorado's Tax Revenue Pipeline. In January 2013, DPA received specific bids in response to a published request for information for this new scanning equipment. Those responses have indicated that the initial estimates for the cost of the scanner may have been low, and that the State's existing network infrastructure will be insufficient to accommodate the increases in data traffic caused by the operational changes in the Tax Pipeline. DPA and OIT are jointly reviewing the bids, and will submit a more detailed request to the CDC in the coming days.

In total, these items and other technical adjustments will necessitate an increase in the proposed transfer from the General Fund to the Capital Construction Fund of \$6,071,923 from the November request of \$102.8 million.

Regarding the capital construction budget, please note that the November 1, 2012 proposal assumed a sufficient level of Federal Mineral Lease revenue to partially offset the required COP payment for certain Higher Education facilities. We continue to monitor this highly volatile revenue source, and will work with CDC and JBC staff to recommend a final General Fund transfer amount after our March 2013 forecast of FML revenues.

The tables which follow summarize the current budget request, including, but not limited to today's request.

Table 1: Governor's Budget Request by General Fund Category

FY 2013-14 Governor's Budget: General Fund				
	FY 2012-13 Request	FY 2013-14 Request	FY 2013-14 Change Over FY 2012-13	% Change
K-12 Education	\$3,015,440,512	\$3,029,717,443	\$14,276,931	0.5%
Health Care Policy & Financing	1,864,223,672	2,033,500,538	169,276,866	9.1%
Corrections	654,695,631	659,534,398	4,838,767	0.7%
Human Services	639,540,134	673,651,442	34,111,308	5.3%
Higher Education	619,261,908	656,729,783	37,467,875	6.1%
Other Departments	772,031,461	856,118,929	84,087,467	10.9%
Subtotal Departments	7,565,193,318	7,909,252,533	344,059,214	4.5%
Controlled Maintenance Trust Fund	13,000,000	23,097,266	10,097,266	77.7%
Other General Fund Changes	(6,288,700)	29,312,476	35,601,176	N/A
Rebates/Expenditures	177,403,545	215,072,369	37,668,824	21.2%
Total	7,749,308,163	8,176,734,644	427,426,480	5.5%

Table 2: Governor's Budget Request by Total Funds

FY 2013-14 Governor's Budget: Total Funds				
	FY 2012-13 Request	FY 2013-14 Request	FY 2013-14 Change Over FY 2012-13	% Change
Health Care Policy & Financing	\$5,632,525,118	\$6,078,958,212	\$446,433,094	7.9%
K-12 Education	4,435,408,452	4,660,972,598	225,564,146	5.1%
Higher Education	3,034,241,795	3,102,280,175	68,038,380	2.2%
Human Services	2,077,202,955	2,129,317,377	52,114,422	2.5%
Transportation	1,119,940,481	1,267,760,876	147,820,395	13.2%
Corrections	740,871,242	746,722,057	5,850,815	0.8%
Judicial	508,477,126	535,764,777	27,287,651	5.4%
Other Departments	3,138,232,824	3,224,384,525	86,151,701	2.7%
Subtotal Departments	20,686,899,993	21,746,160,596	1,059,260,604	5.1%
Controlled Maintenance Trust Fund	13,000,000	23,097,266	10,097,266	77.7%
Other Changes	(6,288,700)	29,312,476	35,601,176	N/A
Rebates/Expenditures	177,403,545	215,072,369	37,668,824	21.2%
Total	20,871,014,838	22,013,642,707	1,142,627,870	5.5%

General Fund Overview

As this overview indicates, our FY 2012-13 budget plan fully funds the 5.0 percent reserve proposal of \$372.0 million while also providing for a \$728.4 million General Fund transfer to the

State Education Fund. Our FY 2013-14 budget maintains this 5.0 percent reserve. Table 3, below, reflects the total General Fund request for FY 2012-13 and FY 2013-14.

Table 3: General Fund Request Overview

	FY 2012-13 Budget	FY 2013-14 Budget	Change of FY 2013-14 over FY 2012-13	FY 2013-14 % Change
General Fund Available	\$8,849,727,173	\$8,565,913,997	(\$283,813,176)	-3.2%
General Fund Expenditures	<u>7,749,308,163</u>	<u>8,176,734,644</u>	<u>427,426,480</u>	<u>5.5%</u>
Ending General Fund	1,100,419,010	389,179,353	(711,239,656)	N/A
General Fund Reserve	372,026,333	389,179,353	17,153,020	4.6%
GF Above Reserve Level	728,392,676	0	(728,392,676)	N/A
<i>GF Transfer to the State Education Fund</i>	<i>(728,392,676)</i>	<i>0</i>	<i>N/A</i>	<i>N/A</i>

FY 2012-13 State Budget Summary

General Fund Available \$ 8,849.7 million
 General Fund Expenditures \$ 7,749.3 million
 General Fund Ending Reserve \$ 1,100.4 million

General Fund Ending Reserve \$ 1,100.4 million
 General Fund 5.0% Reserve Calculation \$ 372.0 million
 Moneys Beyond Reserve Calculation \$ 728.4 million ^{<1>}
 Transfer to the State Education Fund \$ 728.4 million

<1> General Fund available less expenditures and 5.0 percent General Fund reserve.

FY 2013-14 State Budget Summary

General Fund Available \$ 8,565.9 million
 General Fund Expenditures \$ 8,176.7 million
 General Fund Ending Reserve \$ 389.2 million
 General Fund 5.0 Reserve Calculation \$ 389.2 million

In FY 2012-13, the total available General Fund is \$8,849.7 million. This sum is net of the adjustments made attributable to the American Taxpayer Relief Act of 2012 legislation, which reduced a portion of Colorado's revenues. Requested expenditures total \$7,749.3 million General Fund, leaving an ending balance of \$1,100.4 million. Of this ending balance, \$372.0 million is associated with the 5.0 percent reserve calculation, leaving \$728.4 million General Fund available for transfer to the State Education Fund.

In FY 2013-14, the total General Fund available is \$8,565.9 million. This sum is also net of adjustments made attributable to the fiscal cliff legislation. Requested expenditures total \$8,176.7 million General Fund, leaving an ending reserve of \$389.2 million, equal to 5.0 percent of General Fund appropriations subject to reserve requirements.

Closing Comments

Thank you for your consideration of our budget. As always, if you have questions about this request or the budget in general, please do not hesitate to contact me.

Sincerely,



Henry Sobanet
Director, Governor's Office of State Planning and Budgeting

Cc: Senator Mary Hodge, Joint Budget Committee Member
Senator Kent Lambert, Joint Budget Committee Member
Representative Claire Levy, Joint Budget Committee Vice-chairman
Representative Cheri Gerou, Joint Budget Committee Member
Representative Crisanta Duran, Joint Budget Committee Member
Senate President John Morse
Speaker of the House Mark Ferrandino
Mr. John Ziegler, Joint Budget Committee Staff Director
Ms. Roxane White, Chief of Staff, Governor John W. Hickenlooper
Mr. Alan Salazar, Chief Strategy Officer / Directory of Policy and Research,
Governor John W. Hickenlooper
Mr. Kevin Patterson, Deputy Chief of Staff and Chief Administrative Officer,
Governor John W. Hickenlooper
Mr. Jamie Van Leeuwen, Deputy Chief of Staff, Governor John W. Hickenlooper
Ms. Christine Scanlan, Director of Legislative Affairs and Strategic Initiatives and
Senior Education Policy Adviser, Governor John W. Hickenlooper
Mr. Erick Scheminske, Deputy Director, Governor's Office of State Planning and
Budgeting

FY 2012-13: All General Fund

Department	Total FY 2012-13					
	FY 2012-13 Appropriation	"1331" Early Supplemental Request	FY 2012-13 Jan. 2 Supplemental Request	FY 2012-13 Jan. 3- 24 Supplemental Request	Including Supplemental Requests	% Change to FY 2012-13 Appropriation
Agriculture	\$ 6,860,032	\$ 3,889	\$ -	\$ (31,594)	\$ 6,832,327	-0.4%
Corrections	651,332,037	1,613,477	(3,915,560)	5,665,677	654,695,631	0.5%
Education	3,015,437,087	4,265	0	(840)	3,015,440,512	0.0%
Governor's Office:					0	
Gov. Lt. Gov. OSPB	7,145,455	15,703	(1,552,936)	0	5,608,222	-21.5%
OEDIT/OIT	11,174,626	N/A	0	0	11,174,626	0.0%
Health Care Policy & Financing	1,857,115,475	117,217	7,139,024	(148,044)	1,864,223,672	0.4%
Higher Education	619,261,908	0	0	0	619,261,908	0.0%
Human Services	642,011,487	248,802	2,994,515	(5,714,670)	639,540,134	-0.4%
Judicial	352,087,442	97,043	0	(83,853)	352,100,632	0.0%
Labor and Employment	0	0	0	0	0	N/A
Law	9,896,185	40,207	0	(512)	9,935,880	0.4%
Legislature	35,960,016	3,228	0	0	35,963,244	0.0%
Local Affairs	11,098,481	4,595	(24,830)	17,798	11,096,044	0.0%
Military and Veterans Affairs	6,681,430	11,177	30,440	(5,016)	6,718,031	0.5%
Natural Resources	23,740,163	28,120	0	(20,027)	23,748,256	0.0%
Personnel and Administration	6,596,233	6,920	0	0	6,603,153	0.1%
Public Health and Environment	30,725,111	0	417,565	0	31,142,676	1.4%
Public Safety	84,624,139	354,385	1,306,023	390,807	86,675,354	2.4%
Regulatory Agencies	1,714,111	1,707	0	0	1,715,818	0.1%
Revenue	73,668,142	(274,621)	0	(9,185)	73,384,336	-0.4%
State	0	0	0	0	0	N/A
Transportation	0	0	0	0	0	N/A
Treasury	109,332,502	360	0	0	109,332,862	0.0%
Operating Subtotal	\$ 7,556,462,062	\$ 2,276,474	\$ 6,394,241	\$ 60,541	\$ 7,565,193,318	0.1%
Controlled Maintenance Trust Fund	\$ 13,000,000	\$ -	\$ 0	\$ 0	\$ 13,000,000	
GF Set-Asides for Supplementals	\$ -	\$ -	\$ (336,700)	\$ (5,952,000)	\$ (6,288,700)	N/A
Other GF Obligations						
Cigarette Rebates <1>	(100,000)	0	700,000	0	600,000	N/A
Old Age Pension Fund	112,400,000	0	1,200,000	0	113,600,000	1.1%
Property Tax, Heat, and Rent Credit <1>	(200,000)	0	(100,000)	0	(300,000)	50.0%
Fire/Police Pensions <1>	175,247	0	(200,000)	0	(24,753)	-114.1%
Amendment 35 GF <1>	(83,200)	0	0	0	(83,200)	0.0%
Interest on School Loans	1,200,000	0	(600,000)	0	600,000	-50.0%
Homestead Exemption <1>	(900,000)	0	2,500,000	0	1,600,000	N/A
GF Transfers for Capital Construction	60,991,314	0	400,764	19,420	61,411,498	0.7%
Subtotal Other GF Obligations	\$ 173,483,361	\$ -	\$ 3,900,764	\$ 19,420	\$ 177,403,545	2.3%
Total General Fund	\$ 7,742,945,423	\$ 2,276,474	\$ 9,958,305	\$ (5,872,039)	\$ 7,749,308,163	0.1%

<1> Represents forecasted adjustments to the base.

FY 2013-14: All General Fund

Department	FY 2013-14 Request (November 1)	January 2 FY 2013-14 Budget Amendments	January 3-24th FY 13-		% Change to FY 2013-14 Request
			14 Budget Amendments	Total FY 2013-14 with Budget Amendments	
Agriculture	\$ 7,238,712	0	3,489	\$ 7,242,201	0.0%
Corrections	655,570,996	(172,470)	4,135,872	659,534,398	0.6%
Education	3,016,915,356	0	12,802,087	3,029,717,443	0.4%
Governor's Office:				0	
Gov, Lt. Gov, OSPB	7,769,428	0	300,000	8,069,428	3.9%
OEDIT/OIT	18,411,419	1,075,700	1,394,368	20,881,487	13.4%
Governor's Common Policies Changes	(2,325,045)	0	0	(2,325,045)	0.0%
Health Care Policy & Financing	2,031,840,027	1,798,991	(138,480)	2,033,500,538	0.1%
Higher Education	656,729,783	0	0	656,729,783	0.0%
Human Services	680,113,157	1,544,142	(8,005,857)	673,651,442	-1.0%
Judicial	376,792,697	0	(21,485)	376,771,212	0.0%
Labor and Employment	0	0	0	0	N/A
Law	10,347,517	0	(1,838)	10,345,679	0.0%
Legislature	37,948,320	0	0	37,948,320	0.0%
Local Affairs	18,780,295	552,970	17,798	19,351,063	3.0%
Military and Veterans Affairs	6,503,671	0	(1,224)	6,502,447	0.0%
Natural Resources	24,089,080	0	10,317,085	34,406,165	42.8%
Personnel and Administration	5,682,518	0	0	5,682,518	0.0%
Public Health and Environment	31,354,622	417,565	492,776	32,264,963	2.9%
Public Safety	87,200,253	51,121	5,181	87,256,555	0.1%
Regulatory Agencies	1,777,317	0	0	1,777,317	0.0%
Revenue	77,201,572	0	46,723	77,248,295	0.1%
State	0	0	0	0	N/A
Transportation	0	0	0	0	N/A
Treasury	132,696,325	0	0	132,696,325	0.0%
Operating Subtotal	\$ 7,882,638,019	\$ 5,268,019	\$ 21,346,495	\$ 7,909,252,533	0.3%
Controlled Maintenance Trust Fund	\$ 23,097,266	\$ -	\$ -	\$ 23,097,266	N/A
Set-aside for January/February Budget Amendments	\$ -	\$ 3,880,000	\$ (3,880,000)	\$ -	N/A
Other GF Obligations					
Cigarette Rebates <1>	0	500,000	0	500,000	N/A
Old Age Pension Fund	105,000,000	0	0	105,000,000	0.0%
Property Tax, Heat, and Rent Credit <1>	0	(100,000)	0	(100,000)	N/A
Fire/Police Pensions <1>	175,247	(300,000)	0	(124,753)	N/A
Amendment 35 GF <1>	(83,200)	0	0	(83,200)	0.0%
Interest on School Loans	1,200,000	0	0	1,200,000	0.0%
Homestead Exemption <1>	0	(200,000)	0	(200,000)	N/A
GF Transfers for Capital Construction	102,808,399	0	6,071,923	108,880,322	5.9%
Subtotal Other GF Obligations	\$ 209,100,446	\$ (100,000)	\$ 6,071,923	\$ 215,072,369	0.0%
Statewide Adjustments					
Other Adjustments	15,712,476	(3,475,700)	17,075,700	29,312,476	86.6%
Subtotal Statewide	\$ 15,712,476	\$ (3,475,700)	\$ 17,075,700	\$ 29,312,476	86.6%
Total General Fund	\$ 8,130,548,207	\$ 5,572,319	\$ 40,614,118	\$ 8,176,734,644	0.6%

<1> Represents forecasted adjustments to the base.