

STATE OF COLORADO

OFFICE OF STATE PLANNING AND BUDGETING

111 State Capitol Building
Denver, Colorado 80203
(303) 866-3317



Bill Ritter, Jr.
Governor
Todd Saliman
Director

The Honorable Senator Tapia
Chairman, Joint Budget Committee
Joint Budget Committee
Colorado General Assembly
200 E. 14th Avenue, Third Floor
Legislative Services Building
Denver, CO 80203

Dear Senator Tapia:

We are pleased to present Governor Ritter's State budget request for FY 2008-09.

The Governor's budget is balanced to a 6.0 percent growth rate in General Fund for FY 2008-09 over FY 2007-08, pursuant to Section 24-75-201.1, C.R.S. (2007) This growth is \$425.6 million over the adjusted FY 2007-08 6.0 percent General Fund base of \$7,093.6 million. The FY 2007-08 General Fund appropriation base is increased by \$3.5 million General Fund associated with the FY 2006-07 Medicaid General Fund over-expenditure and it is also increased by \$6.1 million associated with FY 2007-08 exemptions to the 6.0 percent General Fund spending limit that are added to the General Fund base.

The Governor's budget includes a \$2.0 million General Fund set-aside for 2008 Session legislation, which we request to be appropriated in the Controlled Maintenance Trust Fund. The Governor's FY 2008-09 budget also sets aside \$3.1 million General Fund for executive agency legislation that has been approved by the Governor's Office.

The total FY 2008-09 State budget is \$18 billion total funds and 49,917.0 FTE. This represents an increase of \$927.8 million total funds (5.4 percent) and 442.0 FTE (0.9 percent) over the FY 2007-08 appropriation of \$17.1 billion and 49,475.0 FTE. The FY 2007-08 appropriated FTE growth was 1,492.1 FTE.

Over 90 percent of the total General Fund increase is spent on the largest five departments (Education, Health Care Policy and Financing, Higher Education, Corrections, and Human Services). About 20 percent of the new General Fund spending under the 6.0 percent limit is available for increases which are not mandated by State or federal law. About 80 percent of the General Fund increase is needed to fund these statutory and federal requirements such as K-12 Amendment 23, Corrections caseload, and Medicaid increases. Despite the small portion of non-mandatory spending, the Governor's budget nonetheless targets \$59.5 million for investments in higher education, an 8.0 percent increase in that budget.

It is important to note that the FY 2008-09 budget would be approximately \$750.0 million General Fund lower had the voters not approved Referendum C.

Highlights of the Governor's Budget Request for FY 2008-09

Education

K-12 School Finance. The budget contains increases of \$154.3 million General Fund for the Department of Education. The State Share of Total Program Funding is \$175.5 million (including \$149.7 million General Fund) which funds a 5.3 percent General Fund maintenance of effort. Increases of \$8.0 million are added for Categorical Programs, pursuant to the Colorado Constitution. The State will spend \$20 million on school construction. The State will meet the requirement of spending \$190 million on school construction by FY 2010-11. Finally, the budget includes \$1.8 million General Fund to close the achievement gap in elementary and secondary education and \$1.0 million General Fund to partially reinstate funding for public Library Grant Programs.

Higher Education Increases. The budget contains increases for Higher Education of \$59.5 million General Fund, an increase of 8.0 percent over the FY 2007-08 appropriation. This budget includes increases of \$9.8 million General Fund in additional financial aid, a 10.3 percent increase over the FY 2007-08 Financial Aid appropriation. Anticipated enrollment is based on student enrollment increases of 1,726 or 1.4 percent. The budget includes \$0.4 million General Fund for Local District Junior Colleges and \$0.7 million General Fund for Area Vocational Schools.

Health Care

Children's Basic Health Plan (CHP+). The total funding increase to CHP+ is \$50.1 million to provide health care to an additional 14,158 children and 200 pregnant women in FY 2008-09. The budget contains \$34.0 million (\$2.4 million General Fund) for base increases to CBHP caseload and service costs. The budget will fund 62,481 children (an increase of 10.9 percent) and 1,497 pregnant women (an increase of 15.4 percent). In addition, the budget adds \$16.1 million total funds (\$516,215 General Fund) to provide health care for an additional 8,000 eligible but not enrolled children. This is based on an increase of \$1.4 million total funds added for outreach to more than double the current outreach budget as part of the commitment to providing health care to a greater percentage of eligible children.

Medicaid Increases. The total funding increase to the Medical Services Premiums and Mental Health services in the Medicaid program is \$135.0 million (\$70.5 million General Fund) to provide health care to more than 387,000 low-income or disabled clients at an average cost of \$5,914 per person. The budget contains \$122.8 million (\$64.4 million General Fund) for base increases to Medicaid caseload and utilization of medical and mental health services. The Medicaid program is budgeted to serve over 383,000 people which is projected to be an increase of 0.9 percent from FY 2007-08. Because a condition of CHP+ eligibility is a completed Medicaid application and additional dollars are being invested in CHP+ outreach, it is expected that an additional 4,000 children will be added to the Medicaid caseload at a total cost of \$7.8 million total funds (\$3.9 million General Fund). Additionally, an increase of \$4.4 million total funds (\$2.2 million General Fund) is requested to increase Medicaid managed care rates to 100 percent of fee-for-service.

Immunizations for Children. The budget adds \$0.7 million General Fund and 11.0 FTE for the Department of Public Health and Environment to expand the Colorado Immunization

Information System. The expansion of the current System will provide support to enroll additional providers and to integrate additional vaccination records.

Human Services

Developmental Disabilities. The Governor's FY 2008-09 budget includes \$10.6 million total funds (\$4.9 million net General Fund) for the Department of Human Services for increases in Regional Center staffing, conversion of the Wheat Ridge Regional Center to an Institutional Care Facility for the Mentally Retarded (the federal definition known as "ICF-MR"), and for increases for community developmental disability resources.

Specifically, the Governor's budget adds \$2.3 million total funds (including \$1.2 million net General Fund) for the Wheat Ridge Regional Center for increased staffing and conversion of the Regional Center to an Institutional Care Facility for the Mentally Retarded to ensure the health, well-being, and safety of Wheat Ridge residents. The budget also adds \$8.3 million total funds (including \$3.7 million net General Fund) for 179 additional community resources which represents a 75 percent increase in resource allocation over the increase provided in FY 2007-08. (In FY 2007-08, 106 resources were added).

Mental Health. The budget adds \$5.4 million General Fund for mental health initiatives in the Department of Human Services. These initiatives include the following: \$3.0 million General Fund for community mental health services to serve around 960 indigent people, more than double the General Fund increase added in FY 2007-08, \$1.4 million General Fund and 11.6 FTE to open the new Forensics Institute in Pueblo, and \$1.0 million General Fund for nurse compression pay at the mental health institutes to help with nurse retention and recruitment.

Child Welfare. The budget includes an increase of \$0.5 million total funds (including \$0.4 million General Fund), and 5.5 FTE to monitor county foster care programs, a five-fold increase in staffing for this critical area. The budget also provides an increase of \$11.3 million total funds (including \$6.4 million General Fund/net General Fund) for Child Welfare caseload increases.

Corrections

Crime Reduction and Recidivism Package. The budget includes an increase of \$5.9 million General Fund for the Governor's FY 2008-09 Recidivism Reduction Package. This package includes 12 different initiatives in three departments (Corrections, Public Safety, and Human Services). The package contains a savings to the Department of Corrections of \$4.9 million in the first year. The five-year projected savings from this Package is over \$58 million General Fund in total savings/cost avoidance in DOC (with investments of \$40.8 million over this five-year time period). This long-term savings does not include the \$9.7 million in life-time savings from the S.B. 91-94 increases which are requested. The Governor's FY 2008-09 Recidivism Reduction Package is fully described in a separate letter accompanying that package.

Corrections Budget. The Department of Corrections budget is growing at 6.0 percent General Fund. This is the lowest rate of growth in many years. The prison population is expected to grow by 4.9 percent in FY 2008-09.

Services for Veterans

Colorado Veterans Trust Fund. The Governor's budget restores all of the Colorado State Veterans Trust Fund dollars that were removed during the state's economic downturn. In FY 2006-07, the Trust funded grant programs for services such as transportation to medical appointments, renovation of homeless shelter and State Veterans Nursing Home, purchase of vehicles, supportive services for homeless programs, and employment outreach.

County Veteran Service Officer Payments. The Governor's budget increases state funding for County Veteran Service Officer Payments by \$124,354 in FY 2008-09, more than doubling the state support for this program.

Environment and Natural Resources

Natural Resources. The budget adds \$0.8 million cash funds and 9.0 FTE for FY 2008-09 for oil and gas oversight. The new staff includes Environmental Protection Specialists who will be distributed between Denver and Rifle and includes 4.0 Environmental Inspectors in the northwest, southwest, and eastern plains areas of the State.

Solar Incentives. The Colorado Solar Incentive Program will provide rebates to encourage the use of solar energy technology. The \$2.0 million of state funds will be matched with rebates from local utilities. This incentive will be available to the 45 percent of Colorado citizens who do not currently have rebates available.

General Government

State Employee-based Increases. The Governor's budget request contains increases of \$25.7 million total funds (including \$15.1 million net General Fund) for employee related "common statewide" increases such as Health, Life, and Dental, salary survey, performance-based pay, and other areas for state employees. The total cost of all these programs is \$226.7 million total funds (including \$141.2 million net General Fund). The budget provides for market-based salary increases which average 3.26 percent and adds funding equivalent to 1.4 percent for achievement pay.

Providers. The Governor's budget request provides an increase of \$18.0 million General Fund for providers.

Revenue Audits. The Department of Revenue budget contains an increase of \$180,000 General Fund to fund out-of state travel for audits. This initiative is anticipated to bring in an additional \$38.8 million in General Fund revenue over five years.

Green Vehicles. The request provides for 955 replacement vehicles, including 448 E-85 ethanol compatible and 91 hybrid vehicles in support of the Governor's greening of government initiative. The \$1.7 million first year cost associated with these 955 replacement vehicles is offset by the normal attrition of existing leases that will expire over the current and request year, resulting in a net reduction to the State of \$0.5 million.

Workforce Development. The budget adds \$4.6 million cash funds to restore 74.5 positions and service levels in workforce development centers across the state.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Saliman". The signature is fluid and cursive, with the first name "Todd" and last name "Saliman" clearly distinguishable.

Todd Saliman
Director

Cc: Members of the Joint Budget Committee
John Ziegler, Joint Budget Committee Staff Director
Jim Carpenter, Chief of Staff to Governor Ritter

Department	Total Funds		Change	% Change
	FY 2007-08 Total Funds	FY 2008-09 Total Funds		
Agriculture	\$36,574,593	\$38,202,701	\$1,628,108	4.5%
Corrections	\$704,158,356	\$743,815,793	\$39,657,437	5.6%
Education	\$4,068,616,142	\$4,258,418,724	\$189,802,582	4.7%
Governor and Energy Office	\$67,428,768	\$65,759,819	(\$1,668,949)	-2.5%
Health Care Policy & Financing	\$3,476,189,586	\$3,689,785,301	\$213,595,715	6.1%
Higher Education	\$2,525,223,681	\$2,630,906,871	\$105,683,190	4.2%
Human Services	\$2,011,590,679	\$2,081,407,498	\$69,816,819	3.5%
Judicial	\$387,840,279	\$425,692,628	\$37,852,349	9.8%
Labor and Employment	\$158,205,173	\$160,267,798	\$2,062,625	N/A
Law	\$46,269,779	\$48,117,712	\$1,847,933	4.0%
Legislature	\$33,737,572	\$35,694,400	\$1,956,828	5.8%
Local Affairs	\$228,687,846	\$224,918,025	(\$3,769,821)	-1.6%
Military and Veterans Affairs	\$172,694,697	\$203,769,641	\$31,074,944	18.0%
Natural Resources	\$209,655,134	\$207,405,587	(\$2,249,547)	-1.1%
Personnel and Administration	\$176,680,095	\$185,467,505	\$8,787,410	5.0%
Public Health and Environment	\$460,092,608	\$419,690,234	(\$40,402,374)	-8.8%
Public Safety	\$224,180,588	\$239,322,236	\$15,141,648	6.8%
Regulatory Agencies	\$72,918,590	\$75,945,189	\$3,026,599	4.2%
Revenue	\$563,010,175	\$573,550,062	\$10,539,887	1.9%
State	\$21,651,858	\$21,651,858	\$0	N/A
Transportation	\$1,062,135,447	\$1,299,343,852	\$237,208,405	N/A
Treasury	\$397,872,507	\$398,977,650	\$1,105,143	0.3%
Operating Total	\$17,105,414,153	\$18,028,111,084	\$922,696,931	5.4%
Executive Legislation		\$3,102,977	\$3,102,977	
Legislative Set-aside		\$2,000,000	\$2,000,000	
Exec Legislation and Leg. Set-aside		\$5,102,977	\$5,102,977	
Total November 1 Request w/GF for Legislation		\$18,033,214,061	\$927,799,908	5.4%

Table 1 - Total Funds Comparison

General Fund Subject to the 6% Limit				
Department	FY 2007-08 GF	FY 2008-09 GF	Change	% Change
Agriculture	\$7,413,544	\$7,562,318	\$148,774	2.0%
Corrections	\$636,471,480	\$674,523,127	\$38,051,647	6.0%
Education	\$3,059,213,254	\$3,218,524,359	\$159,311,105	5.2%
Governor and Energy Office	\$11,803,944	\$14,759,623	\$2,955,679	25.0%
Health Care Policy & Financing	\$1,423,788,884	\$1,525,972,730	\$102,183,846	7.2%
Higher Education	\$746,248,858	\$805,776,915	\$59,528,057	8.0%
Human Services	\$641,824,175	\$670,961,673	\$29,137,498	4.5%
Judicial	\$296,885,201	\$316,237,681	\$19,352,480	6.5%
Labor and Employment	\$0	\$0	\$0	N/A
Law	\$8,744,803	\$9,602,709	\$857,906	9.8%
Legislature	\$32,613,798	\$34,570,626	\$1,956,828	6.0%
Local Affairs	\$6,913,817	\$7,445,908	\$532,091	7.7%
Military and Veterans Affairs	\$5,521,333	\$6,106,947	\$585,614	10.6%
Natural Resources	\$30,336,286	\$32,180,632	\$1,844,346	6.1%
Personnel and Administration	\$10,776,579	\$11,598,842	\$822,263	7.6%
Public Health and Environment	\$23,401,282	\$25,782,756	\$2,381,474	10.2%
Public Safety	\$72,830,763	\$80,136,539	\$7,305,776	10.0%
Regulatory Agencies	\$1,416,593	\$1,419,841	\$3,248	0.2%
Revenue	\$66,800,024	\$70,089,847	\$3,289,823	4.9%
State	\$0	\$0	\$0	N/A
Transportation	\$0	\$0	\$0	N/A
Treasury	\$848,970	\$899,908	\$50,938	6.0%
Operating Subtotal	\$7,083,853,588	\$7,514,152,981	\$430,299,393	6.1%
<i>Legislative Adjustments:</i>				
2007 Session Controlled Maintenance Trust Fund	\$162,328	\$0	(\$162,328)	
Subtotal Executive Legislation	\$0	\$3,102,977	\$3,102,977	
Legislative Set-aside	\$0	\$2,000,000	\$2,000,000	
2008 Executive Legislation & Legislative Set-aside		\$5,102,977	\$5,102,977	
Adjustment for Legislative Overexpenditure	(\$30,782)	\$0	\$30,782	
Total Adjustments for 2008 Legislation	\$131,546	\$5,102,977	\$5,133,759	
Total Appropriation	\$7,083,985,134	\$7,519,255,958	\$435,270,824	6.1%
<i>Further Adjustments:</i>				
Amount to bring to 6% Limit	\$0	\$0	\$0	
FY 2006-07 Medicaid Overexpenditure	\$3,513,853	Included Above	(\$3,513,853)	
Subtotal pre-adjusted base	\$7,087,498,987	\$7,519,255,959	\$431,756,971	6.1%
<i>Further Adjustments:</i>				
FY 2007-08 6% Limit Exemptions	\$6,138,710	Included Above	(\$6,138,710)	
Total GF	\$7,093,637,697	\$7,519,255,959	\$425,618,261	6.0%

Table 2 - Comparison of GF 6% Spending

Department	Cash Funds			
	FY 2007-08 CF	FY 2008-09 CF	Change	% Change
Agriculture	\$19,344,598	\$20,006,600	\$662,002	3.4%
Corrections	\$2,974,432	\$3,004,328	\$29,896	1.0%
Education	\$15,076,979	\$15,205,517	\$128,538	0.9%
Governor and Energy Office	\$8,776,099	\$8,776,016	(\$83)	0.0%
Health Care Policy & Financing	\$2,966,076	\$4,694,158	\$1,728,082	58.3%
Higher Education	\$22,479,472	\$22,737,651	\$258,179	1.1%
Human Services	\$111,121,110	\$114,677,843	\$3,556,733	3.2%
Judicial	\$77,352,572	\$95,751,285	\$18,398,713	23.8%
Labor and Employment	\$35,974,775	\$44,257,670	\$8,282,895	N/A
Law	\$6,888,797	\$6,955,796	\$66,999	1.0%
Legislature	\$90,000	\$90,000	\$0	0.0%
Local Affairs	\$29,961,711	\$29,850,404	(\$111,307)	-0.4%
Military and Veterans Affairs	\$119,124	\$129,011	\$9,887	8.3%
Natural Resources	\$49,392,482	\$50,977,255	\$1,584,773	3.2%
Personnel and Administration	\$12,272,608	\$12,873,396	\$600,788	4.9%
Public Health and Environment	\$39,752,221	\$42,324,996	\$2,572,775	6.5%
Public Safety	\$13,890,793	\$14,481,306	\$590,513	4.3%
Regulatory Agencies	\$61,899,105	\$64,567,855	\$2,668,750	4.3%
Revenue	\$53,752,413	\$55,347,471	\$1,595,058	3.0%
State	\$17,690,163	\$17,690,163	\$0	N/A
Transportation	\$84,007,659	\$74,369,954	(\$9,637,705)	N/A
Treasury	\$2,608,187	\$2,764,678	\$156,491	6.0%
Department Total	\$668,391,376	\$701,533,353	\$33,141,977	5.0%

Table 3 - Comparison of Cash Funds Changes

Department	Cash Funds Exempt			
	FY 2007-08 CFE	FY 2008-09 CFE	Change	% Change
Agriculture	\$5,906,296	\$6,642,697	\$736,401	12.5%
Corrections	\$62,569,247	\$64,144,833	\$1,575,586	2.5%
Education	\$492,437,514	\$526,981,250	\$34,543,736	7.0%
Governor and Energy Office	\$33,818,275	\$29,137,565	(\$4,680,710)	-13.8%
Health Care Policy & Financing	\$381,570,811	\$369,491,780	(\$12,079,031)	-3.2%
Higher Education	\$1,736,017,115	\$1,781,835,261	\$45,818,146	2.6%
Human Services	\$649,345,924	\$677,184,395	\$27,838,471	4.3%
Judicial	\$10,374,725	\$11,412,198	\$1,037,473	10.0%
Labor and Employment	\$20,407,127	\$19,175,076	(\$1,232,051)	N/A
Law	\$29,540,471	\$30,427,157	\$886,686	3.0%
Legislature	\$1,033,774	\$1,033,774	\$0	0.0%
Local Affairs	\$107,436,143	\$107,307,315	(\$128,828)	-0.1%
Military and Veterans Affairs	\$1,580,665	\$1,486,576	(\$94,089)	-6.0%
Natural Resources	\$113,019,941	\$107,104,582	(\$5,915,359)	-5.2%
Personnel and Administration	\$153,509,908	\$160,874,267	\$7,364,359	4.8%
Public Health and Environment	\$185,489,027	\$141,499,838	(\$43,989,189)	-23.7%
Public Safety	\$113,966,549	\$118,258,422	\$4,291,873	3.8%
Regulatory Agencies	\$8,446,994	\$8,674,805	\$227,811	2.7%
Revenue	\$413,411,524	\$422,510,731	\$9,099,207	2.2%
State	\$3,851,101	\$3,851,101	\$0	N/A
Transportation	\$536,710,649	\$779,440,740	\$242,730,091	45.2%
Treasury	\$281,038,178	\$283,335,892	\$2,297,714	0.8%
Operating Total	\$5,341,481,958	\$5,651,810,256	\$310,328,298	5.8%

Table 4 - Comparison of Cash Funds Exempt Changes

Department	Federal Funds			
	FY 2007-08 FF	FY 2008-09 FF	Change	% Change
Agriculture	\$3,910,155	\$3,991,086	\$80,931	2.1%
Corrections	\$2,143,197	\$2,143,505	\$308	0.0%
Education	\$496,888,395	\$497,707,598	\$819,203	0.2%
Governor and Energy Office	\$13,030,450	\$13,086,615	\$56,165	0.4%
Health Care Policy & Financing	\$1,667,277,250	\$1,789,140,033	\$121,862,783	7.3%
Higher Education	\$20,478,236	\$20,557,044	\$78,808	0.4%
Human Services	\$609,170,642	\$618,583,586	\$9,412,944	1.5%
Judicial	\$2,291,464	\$2,291,464	\$0	0.0%
Labor and Employment	\$101,823,271	\$96,835,052	(\$4,988,219)	-4.9%
Law	\$1,095,708	\$1,132,050	\$36,342	3.3%
Legislature	\$0	\$0	\$0	N/A
Local Affairs	\$80,264,037	\$76,202,260	(\$4,061,777)	-5.1%
Military and Veterans Affairs	\$165,473,575	\$196,047,107	\$30,573,532	18.5%
Natural Resources	\$16,906,425	\$17,143,118	\$236,693	1.4%
Personnel and Administration	\$121,000	\$121,000	\$0	0.0%
Public Health and Environment	\$210,937,078	\$209,569,644	(\$1,367,434)	-0.6%
Public Safety	\$23,492,483	\$26,445,969	\$2,953,486	12.6%
Regulatory Agencies	\$1,155,898	\$1,282,688	\$126,790	11.0%
Revenue	\$1,546,214	\$1,502,013	(\$44,201)	-2.9%
State	\$110,594	\$110,594	\$0	0.0%
Transportation	\$441,417,139	\$445,533,158	\$4,116,019	0.9%
Treasury	\$0	\$0	\$0	N/A
Operating Total	\$3,859,533,211	\$4,019,425,584	\$159,892,373	4.1%

Table 5 - Comparison of Federal Funds Changes

Department	FTE		Increase	% Increase
	FY 2007-08 FTE	FY 2008-09 FTE		
Agriculture	284.0	290.5	6.5	2.3%
Corrections	6,339.9	6,428.2	88.3	1.4%
Education	477.4	500.0	22.6	4.7%
Governor and Energy Office	145.0	124.9	(20.1)	-13.9%
Health Care Policy & Financing	245.3	266.8	21.5	8.8%
Higher Education	19,277.9	19,277.9	0.0	0.0%
Human Services	5,437.1	5,547.1	110.0	2.0%
Judicial	3,853.7	3,961.3	107.6	2.8%
Labor and Employment	1,097.0	1,085.1	(11.9)	-1.1%
Law	383.5	383.5	0.0	0.0%
Legislature	277.1	277.1	0.0	0.0%
Local Affairs	184.0	184.3	0.3	0.2%
Military and Veterans Affairs	1,383.8	1,387.8	4.0	0.3%
Natural Resources	1,515.4	1,534.1	18.7	1.2%
Personnel and Administration	567.2	572.7	5.5	1.0%
Public Health and Environment	1,187.9	1,212.9	25.0	2.1%
Public Safety	1,312.6	1,326.8	14.2	1.1%
Regulatory Agencies	558.5	565.1	6.6	1.2%
Revenue	1,479.7	1,487.4	7.7	0.5%
State	126.0	126.0	0.0	N/A
Transportation	3,316.0	3,351.5	35.5	1.1%
Treasury	26.0	26.0	0.0	0.0%
Operating Total	49,475.0	49,917.0	442.0	0.9%

Table 6 - Comparison of FTE Changes