

STATE OF COLORADO

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John W. Hickenlooper
Governor

February 15, 2011

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

Dear Senator Hodge:

Today we submit the difficult, painful, but ultimately necessary changes to the FY 2010-11 and FY 2011-12 Executive budget requests. What we are proposing today is familiar to many Colorado families and businesses. A dramatic economic downturn has diminished State revenues. As any family or business knows, the checkbook must be balanced and we can only spend the money we have. The same is true for the State of Colorado as we begin on the hard road to fiscal balance.

Our balanced budget package reduces expenses across state government including reductions to K-12 education, higher education, Medicaid, and human services. We also propose closing a state prison, a drug treatment and a residential health care program, repurposing four State parks, reducing local grants, and restoring a four percent budget reserve. These tough choices are simply unavoidable given the available State revenue. The FY 2011-12 budget package reduces \$425.0 million total funds and 263.4 FTE. It contains \$453.0 million in General Fund balancing measures, including \$42.3 million of revenue measures, \$395.0 million net General Fund cost reductions, and the associated \$15.7 million General Fund reserve calibration from the cuts. In addition to these reductions, there is a \$117 million loss of local school property tax revenue that we cannot afford to backfill. As we approach FY 2011-12, the one-time sources of federal funds and other cash sources that supported the General Fund are not available. Meanwhile, though we have evidence of a budding economic recovery, our revenue prospects remain uncertain.

As I noted in the State of the State address, we view our task in three parts: to balance the annual budget, to utilize the resources we have more effectively and to find efficiencies and do better planning, and to harmonize our tax and spending requirements. This plan addresses the first of these objectives and we believe this plan is a critical first step to restoring structural balance to the State's General Fund. Unfortunately, even as we look ahead to FY 2012-13, it is likely that additional budget reductions beyond those in this plan will be necessary to close the gap. Mandatory spending cannot be sustained with the resources we have and the actions in this proposal are necessary to restore a sustainable level of spending for future years.

The combination of a historic recession combined with decades of conflicting tax and spending rules in our Constitution have created a structural gap in the General Fund budget. While the recession happened between 2008 and 2009, the spending and tax issues have been building up for years. Specifically, over the last 25-plus years, the State has gone from paying less than half of the cost of local school district budgets (with local property taxes paying the majority), to now shouldering over 63 percent of the burden. This is partly due to the interaction of the Gallagher Amendment and the Taxpayers Bill of Rights (TABOR) and partly due to the requirements of Amendment 23, all of which are in our Constitution. Meanwhile, revenue to the General Fund (mostly income and sales taxes) for FY 2009-10 was basically flat with FY 2000-01. And from FY 2007-08 to FY 2009-10, revenue fell 16.6 percent.

While the budget contains many difficult choices, it maintains funding for the most vulnerable people in our State in programs such as Medicaid, Child Welfare, Developmental Disabilities, and Mental Health. To the extent possible, this budget minimized the budget reductions to higher education, healthcare, and human services programs.

Understanding our Budget Constraints

Table 1 below shows where we spend our General Fund revenue. As you can see, 41 percent of the budget is currently allocated to K-12 education. Amendment 23 protects most, but not all of this funding. The next biggest program is the Medicaid program, administered by the Department of Health Care Policy and Financing; it comprises 22 percent of the budget. This program is a federal entitlement and the State must serve those eligible for the program. As the economy has weakened, the number of people served by this program (the indigent, elderly, disabled, and poor children) has surged. By FY 2011-12, over 600,000 Coloradans will be served by the Medicaid program; much of this recent growth has been in categories that serve poor children. In FY 2000-01, the number was just 275,000. Approximately nine percent of the budget is for the Department of Corrections; these costs represent the incarceration of inmates. Thus, a core function of government is to protect public safety and this expense, along with our Judicial Branch (less than five percent of spending), are essential to our quality of life. The Department of Human Services serves the most vulnerable people in our state, including persons with disabilities, mental illness, or children in the Child Welfare system.

Table 1: General Fund Spending		
Area	FY 2011-12 Request	Percent of Total
Dept. General Fund Spending		
K-12 Education	\$ 2,968,992,428	41.0%
Health & Human Services ^{<1>}	2,274,369,024	31.4%
Corrections, Public Safety, Judicial	1,073,688,673	14.8%
Higher Education	624,561,740	8.6%
All Other Dept. Spending	148,699,149	2.1%
Subtotal Dept. Budgets	7,090,311,014	97.9%
GF Expenditures/Obligations	155,673,846	2.1%
Total General Fund Expenditures	\$ 7,245,984,860	100.0%

^{<1>} Includes: Departments of Health Care Policy and Financing, Human Services, and Public Health and Environment.

Because of the Constitutional, federal, public safety, and safety net demands on spending in the categories above, the ability of the State to maintain its General Fund support for Higher Education is eroding. Unfortunately, this area of spending is unprotected and also student tuition and fees have increased to make up for reductions in General Fund support.

Understanding our Structural Budget Gap

Using the lower forecast assumption for FY 2011-12, General Fund revenue will have been basically flat from FY 2000-01 to FY 2011-12, growing only \$481 million, or at a compound annual average rate of 0.64 percent. Despite nearly level revenue over this period, the State's operating budget grew in key areas. Medicaid caseload (mostly for low-income children) more than doubled and State General Fund K-12 expenditures increased by over 38 percent (\$0.8 billion) over this same time period. Together, these two areas increased by \$1.4 billion in the last decade. This required enrollment and caseload growth has meant less money available for other state priorities. Additionally, the hundreds of millions of federal stimulus dollars that the State relied on the last few years for budget balancing are expiring.

We must address this structural imbalance in the General Fund budget.

In the table below, the gap between expenditure growth and revenue growth is evident. From FY 2007-08 to FY 2011-12, Base General Fund revenue decreased by \$653.8 million (8.4 percent). However, during this same time, General Fund expenditures will have decreased by only \$267.8 million (3.6 percent). During these years, this gap between revenues and expenditures was handled by eliminating or severely cutting back on General Fund support for transportation, capital construction, controlled maintenance, and property tax relief for seniors. In addition to the proposal we are making today, the State has also made expenditure reductions in many operating programs. Separately, taxes in the General Fund were augmented by transfers of cash fund balances, federal stimulus funds, eliminating several sales tax credits and exemptions, and drawing down the reserve. Few of these revenue measures helped the structural imbalance in the General Fund.

Table 2: General Fund Comparison	FY 2007-08	FY 2011-12
<i>Gross General Fund Revenues</i>	7,742,899,000	7,341,414,148
4 Year Change		(401,484,852)
% Change		-5.2%
<i>Base General Fund Revenues <1></i>	7,742,899,000	7,089,100,000
4 Year Change		(653,799,000)
% Change		-8.4%
<i>All General Fund Expenditures</i>	7,513,748,694	7,245,984,860
4 Year Change		(267,763,834)
% Change		-3.6%

<1> Base revenues reflect adjusted LCS General Fund revenues without Executive proposals for revenue-increasing policy measures. Excludes beginning fund balance (prior year ending reserve).

Understanding Employment of State Workers

The elimination of jobs is difficult and was avoided to the extent possible. Nonetheless, impacts to State employees were unavoidable in this budget reduction plan. In addition to a total of the across-the-board personal services or operating cuts, we are proposing an additional 2.0 percent employee contribution increase for the Public Employees Retirement Association and a commensurate decrease in the State's contribution. We believe this approach is more equitable and efficient than pursuing additional furlough days.

We must all understand that in the General Fund, 870 State employees administer the two biggest departments: Education and Health Care Policy and Financing. In the Department of Education, employees administer the distribution of money to local school districts, who then employ the people who work in the K-12 system. Similarly in HCPF, the State employees pay private and not-for-profit providers of health care services. Thus, roughly 63 percent of the State's General Fund is administrated by a small fraction of the employees supported by the General Fund. Many of the remaining employees are in critical public safety or safety net positions. It is for this reason that mass layoffs are not a practical solution to our shortfall.

We are mindful that these budget challenges are great.

Our focus is and will continue to be the out-year impact of each budget action as we move to a long-term planning and multi-year approach to State budgeting. Fiscal Year 2012-13 will also require work to realign expenditures with available revenue. Today's FY 2010-11 and FY 2011-12 budget packages nevertheless include some one-time budget measures which are necessary to balance at this late point in the year.

A Necessary 4.0 Percent Reserve

Fluctuations in revenue are inevitable and there is a limit to the State's ability to predict the future consistently with precision. For these reasons, we have calculated our FY 2011-12 budget based on restoring the traditional 4.0 percent General Fund reserve rather than the 2.0 percent reserve previously proposed. This decision drove the need for an additional \$141.5 million in spending and revenue changes. While an even higher reserve is ultimately desirable, the return to a 4.0 percent reserve is a meaningful and crucial first step. Without a 4.0 percent reserve, the budget would be more vulnerable to volatility in revenue estimates and caseload changes and the higher reserve is essential to protect critical programs from such future fluctuations. Moreover, a lower reserve would leave FY 2012-13 with less available General Fund with which to address that year's sizeable structural gap. For perspective, even the 4.0 percent reserve only provides the state with effectively two weeks of reserve to absorb revenue fluctuation and to respond to unanticipated cost changes in mandatory areas such as Medicaid, Corrections and Education.

More Conservative Forecasts Used

Both the FY 2010-11 and FY 2011-12 balancing proposals reflect the more conservative revenue forecast available for each year. This budget package assumes the revenue estimates provided in the Office of State Planning and Budgeting (OSPB) December 2010 revenue forecast for FY 2010-11 and assumes the Legislative Council Staff (LCS) forecast for FY 2011-12.

Using the FY 2011-12 LCS forecast drove the need for \$181.2 million more General Fund reductions than would have been needed using the higher OSPB December 2010 revenue forecast.

Investing in Economic Development

This package contains a cumulative \$30.7 million of policy based revenue measures in FY 2010-11 and FY 2011-12 which lower the amount of General Fund immediately available. However, we believe these measures will ultimately benefit the State's economy. Most notably, \$18.7 million (total over both years) is associated with tourism promotion and other programs that will develop Colorado's economic strength and job growth. By continuing to make known Colorado's natural advantages, we ensure the best possible prospects of a sustained economic recovery.

A Balanced Budget

The FY 2010-11 budget package contains \$2.4 million in budget balancing actions. This includes \$20.9 million in net expenditure decreases, a decrease of \$18.9 million of revenue adjustments and a small reserve calibration of \$0.4 million based on the expenditure changes that are subject to reserve requirements.

The FY 2011-12 budget package contains \$453.0 million in net General Fund budget balancing actions. These actions include \$395.0 million in net General Fund expenditure decreases, \$42.3 million in General Fund revenue adjustments and \$15.7 million in General Fund reserve calibration based on the General Fund expenditure changes that are subject to reserve requirements.

- Nearly 90 percent of the FY 2011-12 balancing plan is expenditure reductions.
- Nearly 80 percent of the FY 2011-12 balancing plan represents on-going measures.

The balanced budget overview for FY 2010-11 and FY 2011-12, shown on the next page in Table 3, is discussed in the pages that follow.

Table 3: General Fund Balancing Plan	FY 10-11 Current GF (OSPB Forecast)	FY 11-12 GF Request (LCS Forecast)
Beginning Balance	137,421,000	187,631,938
Revenue (includes OSPB initiatives)	<u>6,961,859,739</u>	<u>7,341,414,148</u>
Total Revenue and Beg. Balance	7,099,280,739	7,529,046,086
Expenditures	6,911,648,801	7,245,984,860
Ending Reserve	187,631,938	283,061,226
<i>4.0% Reserve Requirement</i>	271,049,932	283,032,046
<i>Reserve % Level</i>	2.8%	4.0%
<i>Surplus (shortfall) relative to a 2% reserve</i>	52,107,472	

FY 2010-11 General Fund Budget

The FY 2010-11 beginning fund balance of \$137.4 million reflects the final FY 2009-10 post-closing audit adjustments. The FY 2010-11 revenue of \$7,099.3 million reflects the revenue in the OSPB December 2010 revenue forecast, and it also includes other revenue changes in our budget plan detailed below.

General Fund expenditures reflect FY 2010-11 appropriations amended by budget packages submitted in August, October, November, January, and this February plan. Expenditures also include General Fund rebates and expenditures, and the capital budget. Of the \$6,911.6 million expenditures, \$6,776.2 million is subject to the reserve requirement set forth in Section 24-75-201.1, C.R.S. and \$135.4 million is exempt from the reserve requirement.

The difference between the total available dollars of \$7,099.3 million and the expenditures of \$6,911.6 million is the ending fund balance of \$187.6 million. This balance equates to a 2.8 percent reserve level, with \$52.1 million of excess General Fund to carry-forward to help balance the shortfall in FY 2011-12.

FY 2010-11 General Fund Expenditure Changes

The FY 2010-11 budget package contains \$20.9 million in net General Fund expenditure reductions, including the following:

- **Department of Corrections (\$8.7 million net General Fund increase).** These budget changes reflect a General Fund increase of \$12.0 million associated with External Capacity caseload, prisoner medical increases, and parole and community caseload. The Corrections budget also reflects a savings of \$3.3 million associated with refinancing the General Fund for Canteen Operation with cash funds on a one-time basis in FY 2010-11.

- **Department of Health Care Policy and Financing (\$22.1 million net General Fund decrease).** These changes reflect net General Fund budget decreases of \$4.5 million which include caseload and financing increases. It contains a one-time savings of \$16.7 million General Fund associated with a special federal ("CHIPRA") Medicaid bonus payment, and a \$0.8 million savings associated with refinement of the fee-for-service and managed care payment delay requests. It also includes a small \$0.1 million change associated with a Department of Human Services request.
- **Department of Human Services (\$7.6 million General Fund decrease).** This reflects a decrease associated with reductions in the Division of Youth Corrections caseload for Purchase of Contract Placements.

General Fund Revenue Changes

The FY 2010-11 budget package reflects \$18.9 million in net General Fund revenue reductions, including the following:

- **Reinstatement of Funding for Tourism/Other Areas (\$15.7 million decrease to General Fund revenue).** This request revises the prior request for these programs to ensure the following limited gaming transfers in each of the next two fiscal years regardless of current appropriation levels and projected tax collection estimates. The funds for these areas were preserved in order to help grow jobs in Colorado and to grow revenue for the State.
- **Higher Education Maintenance and Reserve Fund (\$3.2 million General Fund revenue decrease).** A refinement of the cash fund transfer estimate, this action updates the amount of the FY 2010-11 transfer based on the OSPB December 2010 revenue forecast.
- **Local Government Permanent Fund Cash Fund (\$3.2 million General Fund revenue decrease).** A refinement of the cash fund transfer estimate, this action updates the amount of the FY 2010-11 transfer based on the OSPB December 2010 revenue forecast.
- **Medical Marijuana Program Cash Fund (\$1.6 million General Fund revenue decrease).** A refinement of the cash fund transfer, this action is based on updated program information from the Department of Public Health and Environment.
- **Short-term Innovative Program Health Care Grants (\$3.2 million General Fund revenue increase).** This action updates the revenue estimate in the OSPB December 2010 forecast for the amount to be transferred to the General Fund, pursuant to H.B. 10-1323.
- **Colorado Integrated Tax Architecture (\$1.5 million General Fund revenue increase).** The Department of Revenue proposes to eliminate the Colorado Integrated Tax Architecture (CITA) capital construction project's contingency funding. Through FY 2010-11, the project has been appropriated \$1,564,519 for project contingency. For budget balancing purposes, the Office of State Planning and Budgeting is proposing to transfer these funds from the capital construction fund to the General Fund.

- **Supplier Database Cash Fund (\$75,483 General Fund revenue increase).** This sum is transferred to the General Fund in FY 2010-11.

Reserve Calibration from Cuts

The budget reflects a small calibration to the General Fund reserve, reflecting the reserve savings associated with the change in the General Fund expenditures subject to the General Fund limit in Section 24-75-201.5, C.R.S. Based on the \$18.1 million General Fund net reduction, this equates to a \$0.4 million reduction in the reserve requirement.

FY 2011-12 General Fund Budget

As shown in Table 3, the FY 2011-12 available General Fund of \$7,529.0 million includes the beginning fund balance of \$187.6 million from our FY 2010-11 budget plan, plus General Fund revenue in the Legislative Council Staff December 2010 revenue forecast with proposed executive policy measures that augment available revenue.

General Fund expenditures include the November 1 FY 2011-12 budget as previously amended in January, plus this February budget plan, rebates and expenditures, and the capital budget. Of the \$7,246.0 million of General Fund expenditures, \$7,075.8 million is subject to the General Fund reserve requirement set forth in Section 24-75-201.1, C.R.S. and \$170.2 million is General Fund that is exempt from the limit.

The difference between the total General Fund available of \$7,529.0 million and the General Fund expenditures of \$7,246.0 million is the ending fund balance of \$283.0 million. This balance equates to a 4.0 percent reserve.

Expenditure Changes

The FY 2011-12 budget package contains \$395.0 million in net General Fund expenditure reductions. This includes department initiatives, statewide department initiatives, and a change to Rebates/Obligations.

The following departmental initiatives do not yet include the statewide reductions which are included in Attachments 1 and 2. Thus, comparisons of these descriptions with the Attachments will differ slightly. The differences are explained by the statewide adjustments (described below).

- **Department of Corrections (\$5.0 million net General Fund decrease).** This reflects a General Fund increase of \$5.1 million associated with External Capacity caseload, and parole and community caseload. It reflects an increase of \$0.2 million associated with reconfiguration of several correctional facilities to accommodate more prisoners. It also reflects a reduction of \$3.0 million associated with reductions in the Education Subprogram, \$3.0 million associated with decommission of the Ft. Lyon Correctional Facility, \$2.0 million associated with Operations and Therapeutic Communities, \$1.3

million associated with elimination of the Parole Wrap-around Program, \$0.6 million associated with administrative reductions, and \$0.4 million associated with the DRDC Transition beds.

- **K-12 Education (\$259.0 million net General Fund decrease).** The K-12 budget reduction includes a budget stabilization factor of \$257.9 million for School Finance. (Note that there is \$117.1 million of local property tax valuations that also decrease which results in a total K-12 impact of \$375 million in this budget package.) This change results a reduction of \$332 million compared to the total K-12 funding level in FY 2010-11. With this cut, the state will now be \$836 million short of funding K-12 at the total cost defined by the School Finance Act.

Also this includes a reduction of \$1.0 million is associated with a reduction of the Counselor Corps, \$75,000 association with elimination of the School Leadership Academy (H.B. 08-1386), and \$20,459 associated with the Reading Assistance Grant Program (H.B. 06-1004).

- **Department of Health Care Policy and Financing (\$57.3 million net General Fund decrease).** Reflects a net increase of \$1.8 million for Medical Services Premiums and Mental Health Caseload and a net increase of \$0.3 million associated with technical refinements to the fee-for-service and managed care payment delay requests. These net increases are offset by the following reductions: \$28.1 million associated with the cash fund insolvency request; \$13.2 million associated with a variety of program reductions in Medical Services Premiums (Medicaid); \$12.0 million associated with a refinancing of programs with Amendment 35 dollars from the Department of Public Health and Environment; \$5.9 million associated with two Indigent Care Program reductions (including the Comprehensive Primary and Preventive Care Grants Program and the Supplemental Old Age Pension Health and Medical Care Fund – both of these sources are used to offset General Fund in Medical Services Premiums); and \$0.2 million associated with a Department of Human Services Medicaid-related impact in the Division of Youth Corrections.
- **Higher Education (\$36.0 million General Fund decrease).** Higher education is reduced by \$36.0 million General Fund in FY 2011-12.
- **Human Services (\$17.3 million General Fund decrease).** This area reflects a decrease of \$11.1 million associated with Division of Youth Corrections caseload, \$4.0 million for refinancing of the Child Welfare program with TANF funds, \$1.5 million from the closure of the Circle Program at the Mental Health Institute at Pueblo, and \$0.7 million resulting from closure of the 20-bed Therapeutic Residential Child Care Facility at the Mental Health Institute at Fort Logan.

The \$395.0 million in General Fund reductions includes the following statewide reductions which add to the departmental reductions:

- **Statewide reduction of 1.0 percent personal services and operating (\$2.7 million General Fund decrease).** This reduction is taken at a statewide level at this time and is not incorporated into individual budget requests. This request affects all departments except the Departments of Revenue and Corrections; budget savings in those departments

were taken in other areas.

- **Statewide reduction in state employee personal mileage reimbursement (\$0.4 million General Fund decrease).** This reduction is taken at a statewide level at this time and is not incorporated into individual budget requests.
- **Statewide reduction in personal services to pay greater share of PERA costs (\$15.7 million General Fund decrease).** This request increases the 2.5 percent PERA "swap" from 2.5 percent to 4.5 percent. This reduction is taken at a statewide level at this time and is not incorporated into individual budget requests.

Finally, the following reduction is made to the General Fund Rebates/Obligations expenditures:

- **Interest on School Loans (\$1.6 million General Fund decrease).** This proposal would eliminate the General Fund obligation for interest payments on the State's loans to school districts and would instead require that participating school districts bear responsibility for interest payments on intra-year loans obtained from the Treasury, per the Education Loan Program. This proposal would reduce General Fund expenditures by \$1.6 million in FY 2011-12.

Revenue Changes

The FY 2011-12 budget package reflects \$42.3 million in net General Fund revenue increases, including the following:

- **Medical Marijuana Program Cash Fund (\$1.9 million General Fund revenue decrease).** An adjustment to the cash fund transfer previously submitted, this action is based on updated program information from the Department of Public Health and Environment.
- **Gaming Revenue Distributions (\$5.0 million General Fund revenue decrease).** This request adjusts the previously submitted request to increase the amount of General Fund for tourism promotion and other programs.
- **Health Care Policy and Financing Fund Insolvency (\$23.8 million General Fund revenue decrease).** This request amends the General Fund transfer request submitted on November 1. This revenue decrease accompanies other expenditure adjustments to the Cash Fund insolvency request.
- **Perpetual Base Account of the Severance Tax Trust Fund (\$33.1 million General Fund revenue increase).** This request transfers \$33.1 million from the Perpetual Base Account to the General Fund.
- **Local Government Severance Tax Fund (\$14.0 million General Fund revenue increase).** This request transfers \$14.0 million from the Local Government Severance Tax Fund to the General Fund.

- **Local Government Mineral Impact Fund (\$15.0 million General Fund revenue increase).** This request transfers \$15.0 million from the Local Government Mineral Impact Fund to the General Fund.
- **Operational Account of the Severance Tax Trust Fund (\$3.3 million General Fund revenue increase).** This request transfers \$3.3 million from the Operational Account of the Severance Tax Trust Fund to the General Fund.
- **Read to Achieve Tobacco Funds (\$3.2 million revenue increase).** This request transfers \$3.2 million from tobacco funds used for the Read to Achieve Program into the General Fund.
- **First Time Drunk Driver Offender Account in the Highway Users Tax Fund (\$2.6 million General Fund revenue increase).** This request transfers \$2.6 million from this Account to the General Fund.
- **Master Settlement Agreement Tobacco Funds (\$1.9 million General Fund revenue increase).** This request transfers \$1.9 million from Tobacco Funds that flow to programs in the Department of Public Health and Environment to the General Fund.

Adjustment to the General Fund Reserve from Cuts

The budget reflects a calibration to the General Fund 4.0 percent reserve level, reflecting the reserve savings associated with the \$393.4 million change in the General Fund expenditures which are subject to the General Fund limit in Section 24-75-201.5, C.R.S. This reduction is equates to a \$15.7 million reduction in the reserve requirement attributable to the General Fund reductions.

Total Funds Budget Request

For FY 2010-11, the request contains reductions of \$4.2 million total funds (including General Fund, cash funds, reappropriated funds, and federal funds) and increases of 4.3 FTE (FTE are all in the Department of Corrections). This request includes \$98,210 reappropriated cash funds for the Start Smart Nutrition Program. It also provides the funding for meals for eligible school children with no General Fund impact. For FY 2011-12, the budget for departments contains expenditure reductions of \$425 million net total funds and decreases of 263.4 FTE.

Closing Comments

Thank you for your consideration of today's request. While these reductions are painful, we believe they are necessary to place the state on a stronger fiscal and economic course as we address the structural gap between General Fund revenue and expenditures.

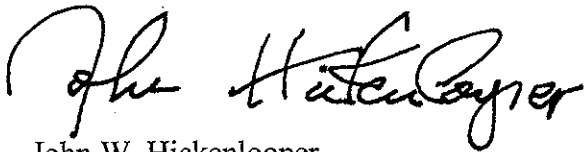
We would like to thank the leadership of the General Assembly and the members of the Joint Budget Committee for their partnership in this process and the thoughtful and productive meetings we have had to date. We look forward to working with you on behalf of the people of Colorado.

February 15, 2011

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After March 20, 2011, OSPB will have a new revenue forecast to which we will respond as necessary. Should you have any questions about this request or the budget in general, please do not hesitate to contact our Budget Director, Henry Sobanet at 303/866-3317.

Sincerely,



John W. Hickenlooper
Governor

Cc:

Lieutenant Governor Joseph A. Garcia
Attorney General John Suthers
State Treasurer Walker Stapleton
Secretary of State Scott Gessler
Representative Cheri Gerou, Joint Budget Committee Vice-chairman
Senator Pat Steadman, Joint Budget Committee Member
Senator Kent Lambert, Joint Budget Committee Member
Representative Jon Becker, Joint Budget Committee Member
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Mr. Alan Salazar, Chief of Strategic Operations, Governor John W. Hickenlooper
Mr. Henry Sobanet, Director, Office of State Planning and Budgeting
Mr. Todd Saliman, Senior Advisor, Governor John W. Hickenlooper
Ms. Christine Scanlan, Director of Legislative Affairs and Strategic Initiatives
Mr. R.D. Sewald, Deputy Director of Legislative Affairs
Mr. Erick Scheminske, Deputy Director, Office of State Planning and Budgeting
Mr. William Macdonald, Advisor to Governor John W. Hickenlooper

Department General Fund	FY 2007-08 Approp.	FY 2011-12 Request	FY 2011-12 Request Change to FY 2007-08	FY 2011-12 % Change to FY 2007-08
Executive Department				
Agriculture	\$ 7,325,509	\$ 5,089,526	\$ (2,235,983)	-30.5%
Corrections	624,606,171	641,391,490	16,785,319	2.7%
Education	3,023,327,981	2,968,606,522	(54,721,459)	-1.8%
Governor's Office	17,294,433	10,244,100	(7,050,333)	-40.8%
Health Care Policy and Financing	1,481,718,670	1,618,334,590	136,615,920	9.2%
Higher Education	747,717,300	624,561,740	(123,155,560)	-16.5%
Human Services	649,483,006	624,759,796	(24,723,210)	-3.8%
Labor and Employment	0	0	0	N/A
Local Affairs	10,989,371	10,617,094	(372,277)	-3.4%
Military Affairs	5,530,793	5,404,785	(126,008)	-2.3%
Natural Resources	30,258,368	23,010,987	(7,247,381)	-24.0%
Personnel and Administration	11,439,122	4,431,113	(7,008,009)	-61.3%
Public Health & Environment	23,932,469	27,282,941	3,350,472	14.0%
Public Safety	73,311,297	82,992,470	9,681,173	13.2%
Regulatory Agencies	1,416,831	1,495,234	78,403	5.5%
Revenue	95,291,960	58,127,541	(37,164,419)	-39.0%
Transportation	0	0	0	N/A
Total Executive	6,803,643,281	6,706,349,929	(97,293,352)	-1.4%
Non-Executive Depts. <1>				
Judicial	299,604,040	337,635,697	38,031,657	12.7%
Law	8,675,523	10,098,506	1,422,983	16.4%
Legislature	32,740,151	33,937,846	1,197,695	3.7%
State	0	0	0	N/A
Treasury	114,153,460	2,665,323	(111,488,137)	-97.7%
Total Non-Executive	455,173,174	384,337,372	(70,835,802)	-15.6%
Other				
Other: Controlled Maint. Trust Fund	489,318	0	(489,318)	-100.0%
Other: Capital Construction	6,642,921	0	(6,642,921)	-100.0%
Statewide Adj: Mileage	0	(376,287)	(376,287)	N/A
Total Approp. Dept General Fund	7,265,948,694	7,090,311,014	(175,637,680)	-2.4%
Other: Obligations/Capital	247,800,000	155,673,846	(92,126,154)	-37.2%
Total General Fund	\$ 7,513,748,694	\$ 7,245,984,860	\$ (267,763,834)	-3.6%
Gross GF Revenues	7,742,899,000	7,341,414,148	(401,484,852)	-5.2%
Base GF Revenues	7,742,899,000	7,089,100,000	(653,799,000)	-8.4%

<1> FY 2011-12 represents the OSPB assumption for these departments and may not reflect these departments' actual request.

FY 2011-12 General Fund Budget Changes

General Fund Area	November 1, 2010 <1>	February 15, 2011	Dollar Change to Prior Executive Request	% Change
Departments				
Agriculture	\$ 5,182,985	\$ 5,089,526	\$ (93,459)	-1.8%
Corrections	652,711,899	641,391,490	(11,320,409)	-1.7%
Education	3,227,967,988	2,968,606,522	(259,361,466)	-8.0%
Governor's Office	10,366,330	10,244,100	(122,230)	-1.2%
Health Care Policy and Financing	1,676,373,931	1,618,334,590	(58,039,341)	-3.5%
Higher Education	660,561,740	624,561,740	(36,000,000)	-5.4%
Human Services	645,120,023	624,759,796	(20,360,227)	-3.2%
Judicial	342,448,838	337,635,697	(4,813,141)	-1.4%
Labor and Employment	0	0	0	N/A
Law	10,261,725	10,098,506	(163,219)	-1.6%
Legislature	34,528,198	33,937,846	(590,352)	-1.7%
Local Affairs	10,697,368	10,617,094	(80,274)	-0.8%
Military Affairs	5,477,668	5,404,785	(72,883)	-1.3%
Natural Resources	23,537,558	23,010,987	(526,571)	-2.2%
Personnel and Administration	4,623,049	4,431,113	(191,936)	-4.2%
Public Health & Environment	27,532,728	27,282,941	(249,787)	-0.9%
Public Safety	83,553,769	82,992,470	(561,299)	-0.7%
Regulatory Agencies	1,524,288	1,495,234	(29,054)	-1.9%
Revenue	58,578,120	58,127,541	(450,579)	-0.8%
State	0	0	0	N/A
Transportation	0	0	0	N/A
Treasury	2,676,593	2,665,323	(11,270)	-0.4%
TOTAL FY 2011-12 Department Request	\$ 7,483,724,798	\$ 7,090,687,301	\$ (393,037,497)	-5.3%
Other				
Statewide Employee Car Mileage Reduction		\$ (376,287)	\$ (376,287)	N/A
Obligations: Rebates and Expenditures				
Old Age Pension Fund	102,500,000	102,500,000	0	N/A
Interest on School Loans	5,600,000	3,995,754	(1,604,246)	N/A
Subtotal Obligations: Rebates and Expenditures	\$ 108,100,000	\$ 106,495,754	\$ (1,604,246)	-1.5%
Capital Budget	\$ 49,178,092	\$ 49,178,092	\$ -	N/A
Total General Fund (all)	\$ 7,641,002,890	\$ 7,245,984,860	\$ (395,018,030)	-5.2%

<1> As amended in January budget amendments.