



# The State of the State Budget

A Presentation for the  
DU Strategic Issues Program

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(Revised September 2010)



# Role of the Office of State Planning and Budgeting

- On behalf of the Governor, develop and submit to the annual Executive Branch budget request to the Legislature.
- Develop and submit supplemental budget requests throughout the fiscal year.
- Prepare and implement budget balancing actions when reserve falls below required level.
- Prepare quarterly economic forecasts that span four fiscal years.
- Define and oversee the strategic planning process for all agencies.
- Identify new efficiencies and savings.
- Work with Legislature to implement budget request.



# Shifting and Stretching Dollars

- Since 2001, the state's budget has become increasingly strained.
- Implementation of repeated efficiency studies and audits has eliminated the major sources of waste, fraud and abuse.
- Transparency and accountability have greatly improved
- As of July 2010, there are 25,877 state employees under the Governor's purview. That is 361 fewer than October 2008, when the economic downturn began.
- Nondiscretionary programs are receiving an increasing portion of the budget.
- Today, 97% of the General Fund budget goes to just five service areas.
- In most areas, funding for services is not keeping up with even the minimal growth rate upon which TABOR was built.
- Amendment 23 worked. K-12 funding growth had been protected, but now that is at risk too.
- For years, state funding for higher education has not even provided increases for new students.
- Spending for prisons, courts and public safety has grown more than most areas.



# Efficiency and Audits

- When Governor Bill Owens was elected in 1998, he implemented the New Century Colorado Project to identify opportunities to improve Government efficiency and eliminate waste, fraud and abuse.
- When Governor Bill Ritter was elected in 2006, he created the Government Efficiency and Management (GEM) review also to identify opportunities to improve Government efficiency and eliminate waste, fraud and abuse. The estimated benefit to the state of this effort was \$205 million.
- Since 2000, the independent Office of the State Auditor has conducted hundreds of independent audits that have resulted in thousands of recommendations to achieve efficiencies, reduce waste and improve services. Historically, nearly all of the Auditor's recommendations are implemented by departments.
- Every year, the State Departments, the Governor's Office of State Planning and Budgeting and the Joint Budget Committee identify new ways to save money and operate more efficiently. These ideas are submitted to the Legislature through the Long Bill and are almost always approved.



# Transparency and Accountability

## ■ ***Online Budgets***

- The OSPB website is now a repository of every department's budget request.

## ■ ***Transparent Planning and Progress***

- The Governor implemented a more targeted strategic planning process for state departments. The plans are posted on the OSPB website. These plans now include measurable, outcome based performance objectives for the critical components of each department's mission. Pursuant to HB 10-1119, these plans will also be analyzed annually by the Legislature.

## ■ ***Quality Analysis and Reporting***

- Websites for OSPB, the JBC and Legislative Council provide countless reports and summaries of the state's budget and revenues.

## ■ ***State Taxpayer Accountability Report (STAR)***

- Treasurer Cary Kennedy takes the lead in preparing this annual report which summarizes the state's finances. This easy-to-read summary is available online.

## ■ ***Colorado Tax Tracks***

- This new interactive website from Treasurer Cary Kennedy provides detailed information on an individual or family basis about how state tax dollars are used.

## ■ ***Transparency Online Project (TOP)***

- This effort puts all of Colorado's revenues and expenditures online. This in-depth online resource puts nearly every state government expenditure just a mouse click away.



# Spending for Employees

## ■ Cost of State Employees

- In FY 2010-11 state employee salaries comprise 14% (\$1.0 billion) of the state's General Fund operating budget.
- If all state employee positions funded with General Fund had been eliminated in FY 2010-11 the state would have still had a budget shortfall.
- According to the Department of Personnel and Administration, state employee salaries are 3.9% below market median salaries (benchmarked against similar public and private employees within Colorado).

## ■ Cost of State Employee Benefits

- In FY 2010-11 state employee benefits comprise 1.6% (\$109 million) of the state's General Fund budget.
  - \$78 million is for Health, Life and Dental.
  - \$17 million is for the employer share of PERA.
  - \$13 million is from the employee share of PERA.
  - \$1.2 million is for Short Term Disability.
- According to the Department of Personnel and Administration, state employee benefits are funded at 90% of market for health insurance, 85% of market for dental insurance and 72% of market for life insurance



# Tough Choices

- 97% of the FY 2010-11 General Fund appropriation is devoted to just five areas of service:
  - **45.6%, K-12 Education** is the largest component of the General Fund budget and was off limits when balancing in FY 2009-10 due to a required 5% General Fund increase.
  - **17.7%, Health Care Policy and Financing** provides services that are mostly entitlement programs that have a counter-cyclical relationship with the economy. When the economy goes down, Medicaid enrollments go up.
  - **9.2%, Human Services** are provided to the state's most vulnerable and highest-risk populations such as those with developmental disabilities or mental illness, juvenile delinquents, and children who are the victims of abuse and neglect.
  - **15.2%, Corrections, Public Safety and Judicial** provides public safety services. Staffing levels that were reduced during the last recession have still not been restored. Judicial staffing was increased pursuant to HB 07-1054.
  - **9.3%, Higher Education** is one of the last remaining areas of the budget where there continues to be budgetary flexibility and where funding has been temporarily maintained with federal stimulus funds.



# Budget Flexibility

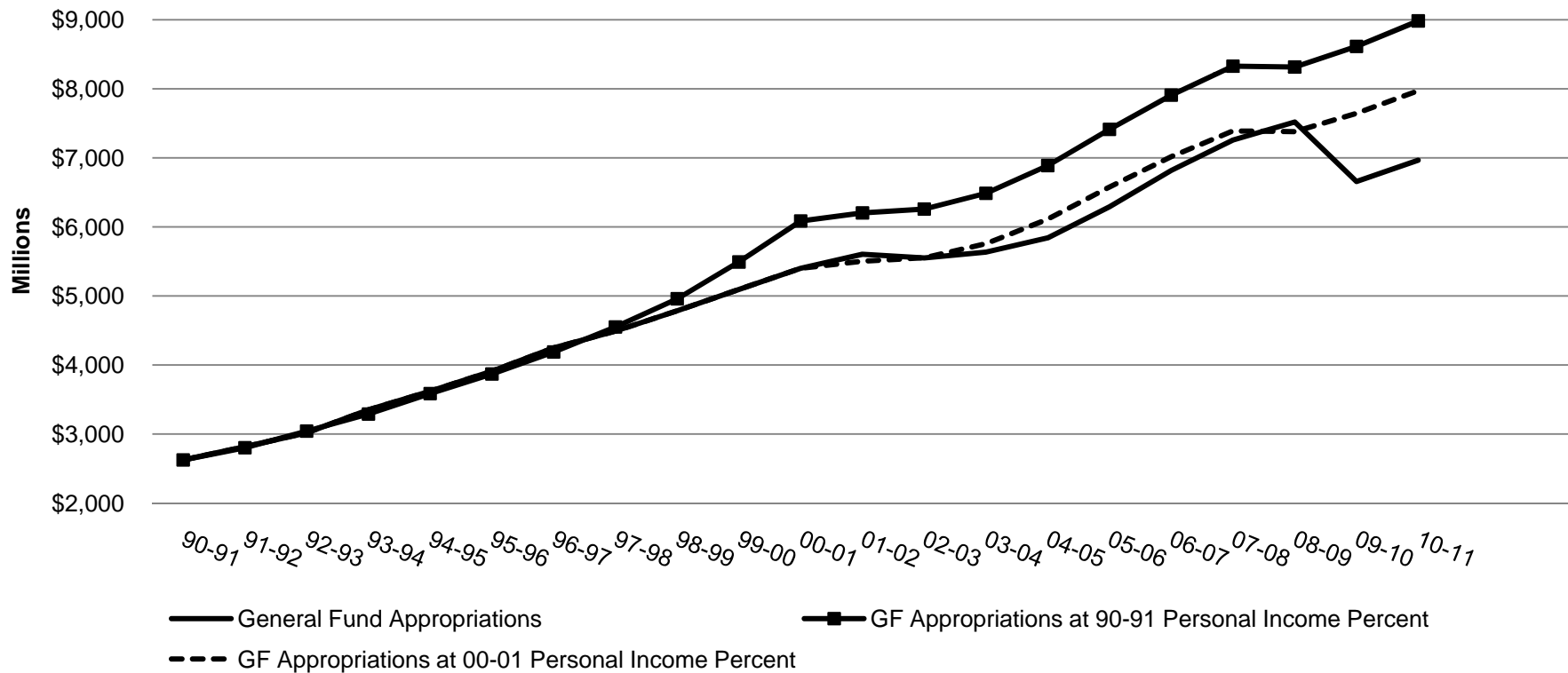
- During a budget presentation in August 2008, OSPB estimated the following regarding budget flexibility:
  - “Of the \$18.6 billion budget, about \$18.45 billion is obligated for ongoing programs.”
  - “That means that there is real flexibility with only 0.7% of the total state budget.”
- The above estimate would have translated into about \$150 million of budget flexibility.
- That August 2008 estimate was based on a revenue forecast that predicted revenue would support \$7.8 billion in General Fund spending in FY 2008-09.
- FY 2008-09 General Fund appropriations ended up at \$7.5 billion.
- FY 2009-10 General Fund appropriations ended up at about \$6.7 billion.





# Appropriations vs. Personal Income

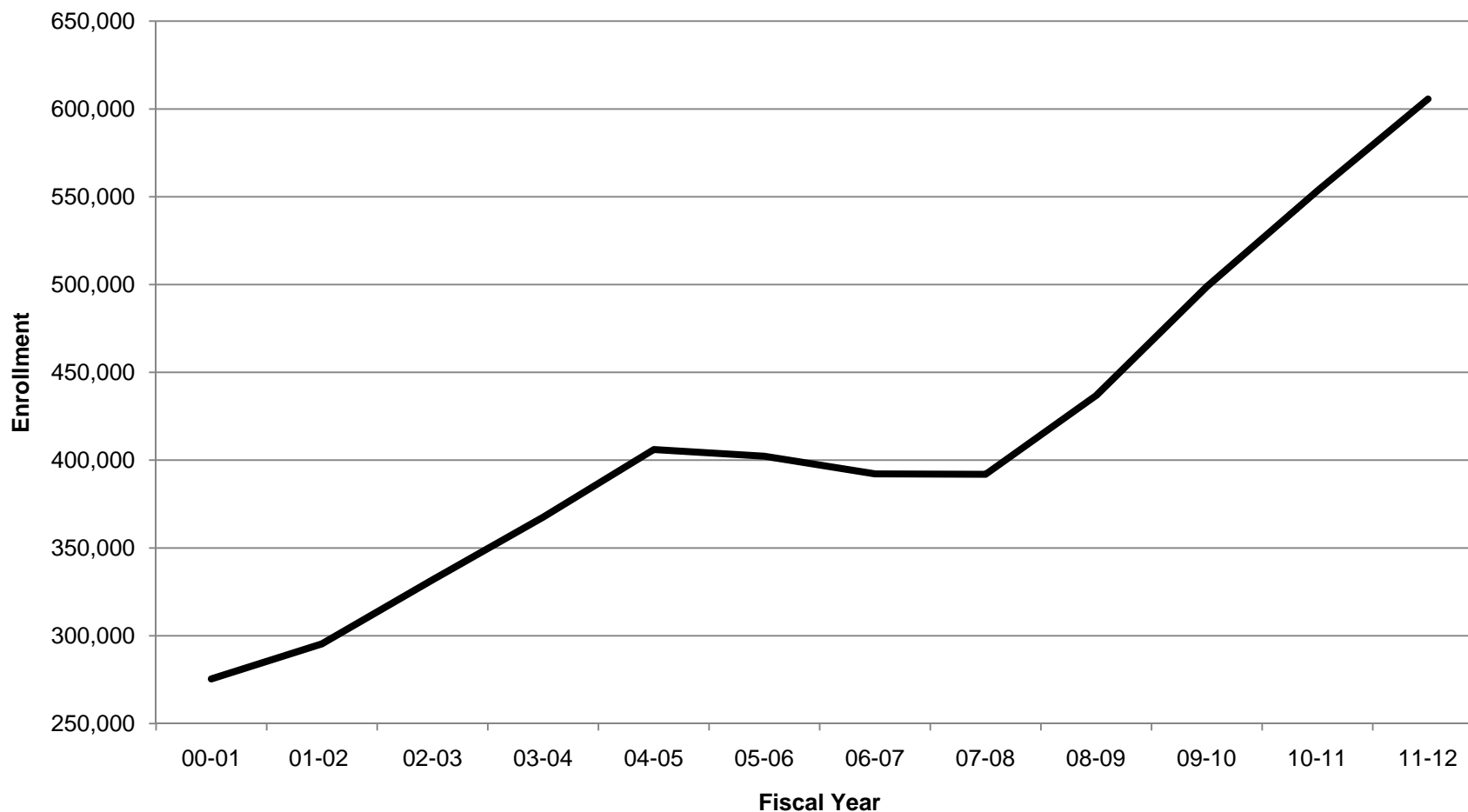
In FY 1991-92, 3.97% of Coloradans' personal income was spent on state services. In FY 2000-01 that percentage dropped to 3.51%. Today, it is about 3.10%.





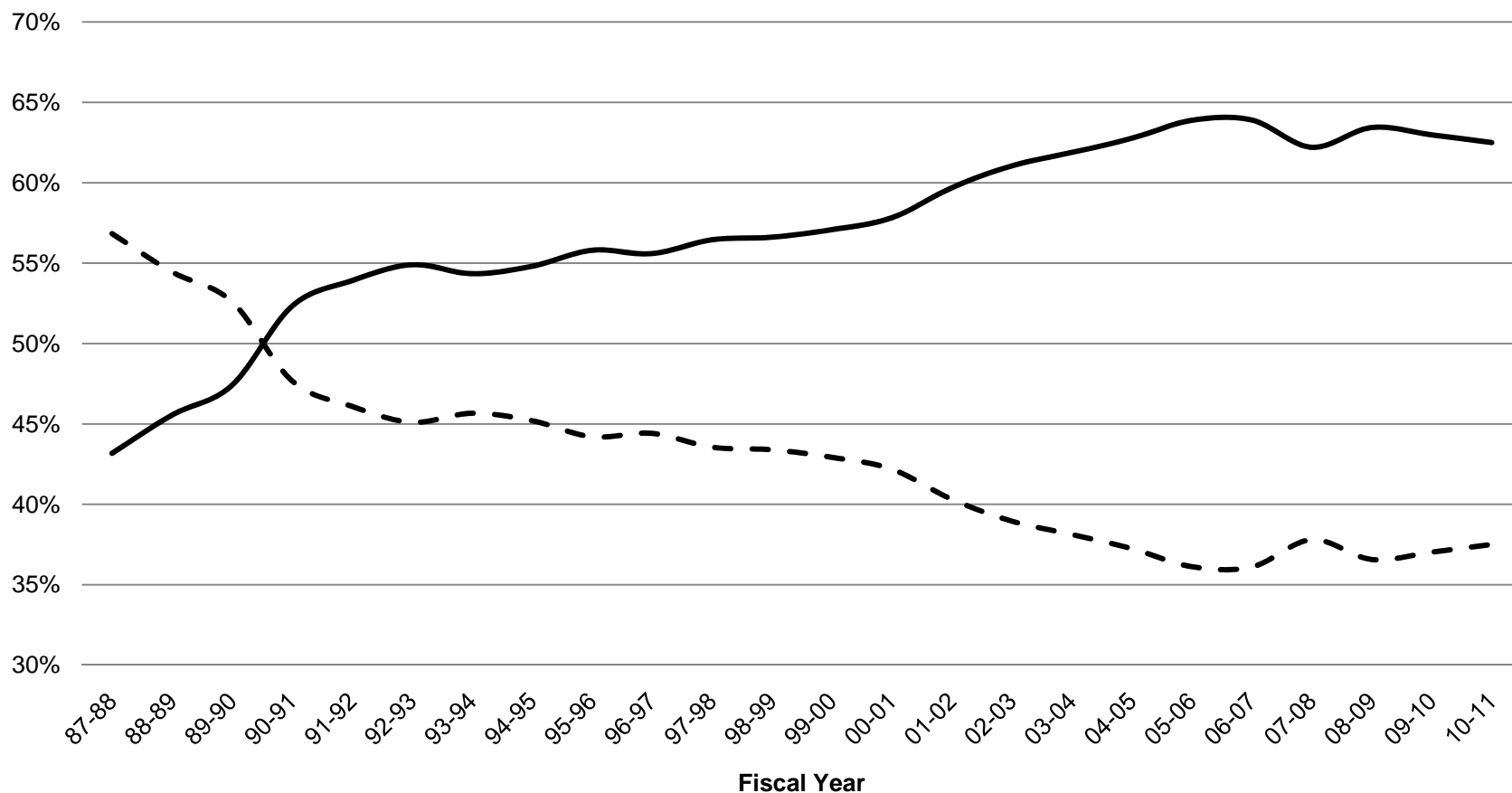
# Medicaid Enrollment Growing

Increase of 120% Over 11 Years





# State's K-12 Share Increasing

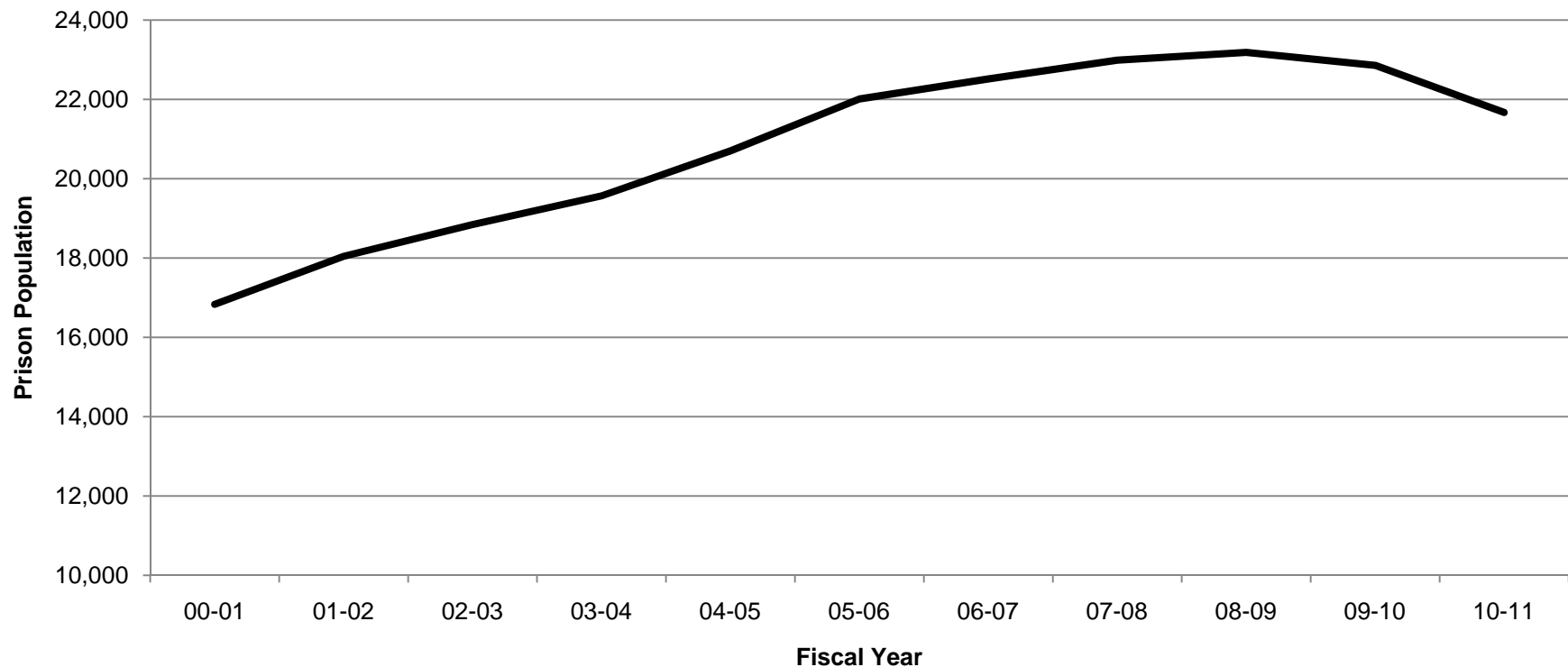


— State Share    - - - Local Share  
Governor's Office of State Planning and  
Budgeting



# Corrections Population Changes

In 2007 it was estimated the state would need over 5,000 additional prison beds over the next five years. After issuing over \$1 billion of COPs to build the beds, the state would have had to pay over \$90 million a year in COP payments and about \$300 million a year to operate the beds.





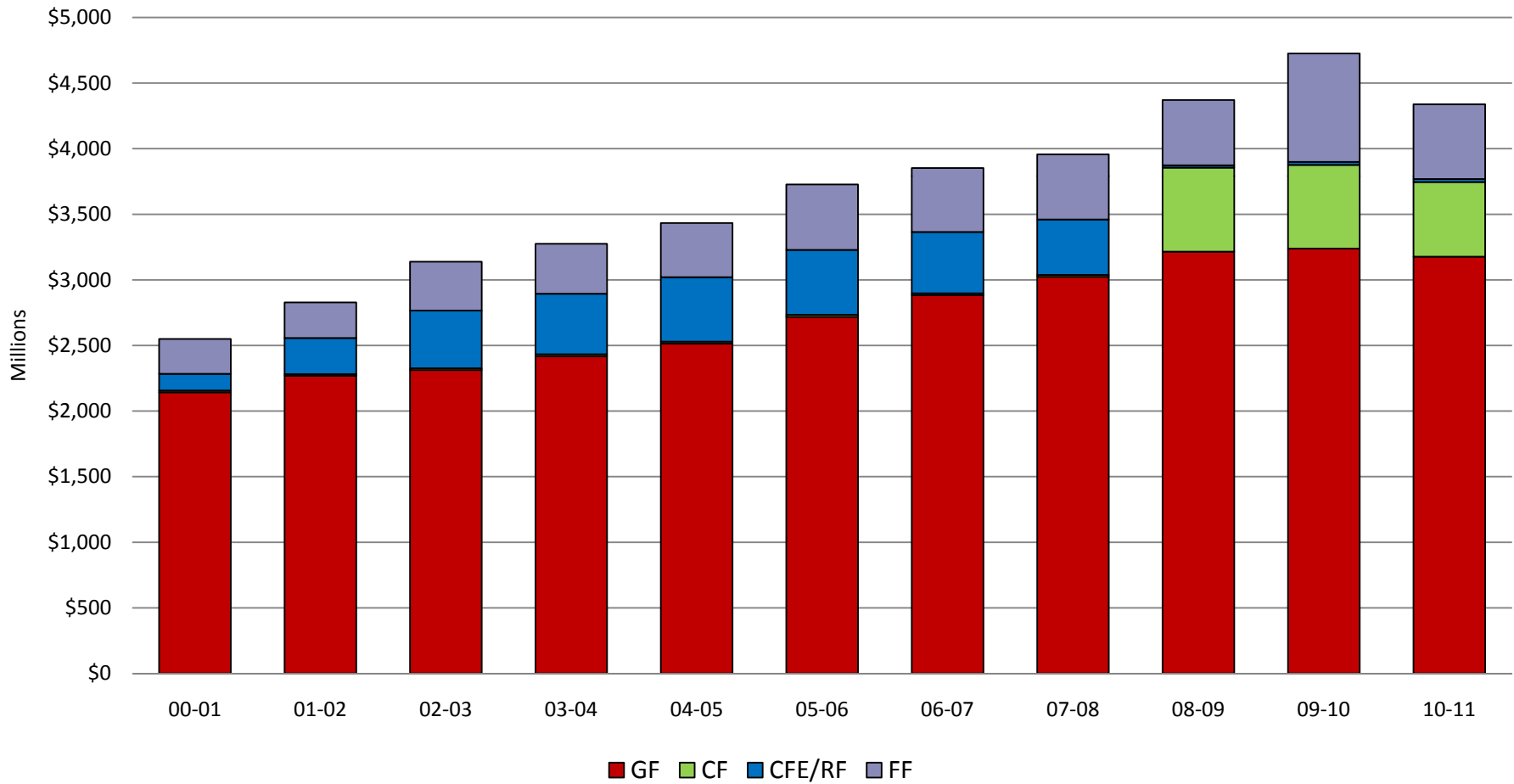
# Impact of Referendum C

- Referendum C provided critical relief to the state.
  - The state retained \$3.6 billion due to the passage of Referendum C during the five year timeout.
  - Budgets are currently being cut due to the recession, but the passage of Ref. C protected funding for critical services.
  - If Ref. C had not passed, today's program cuts would have been taken from a dramatically lower base and would have decimated programs like K-12 and higher education.
  - Forecasts indicate that the state will not reach its TABOR limit for several years.
  - Extending Referendum C will become critical in the future but would not solve funding shortfalls over the next few years.



# Education Department

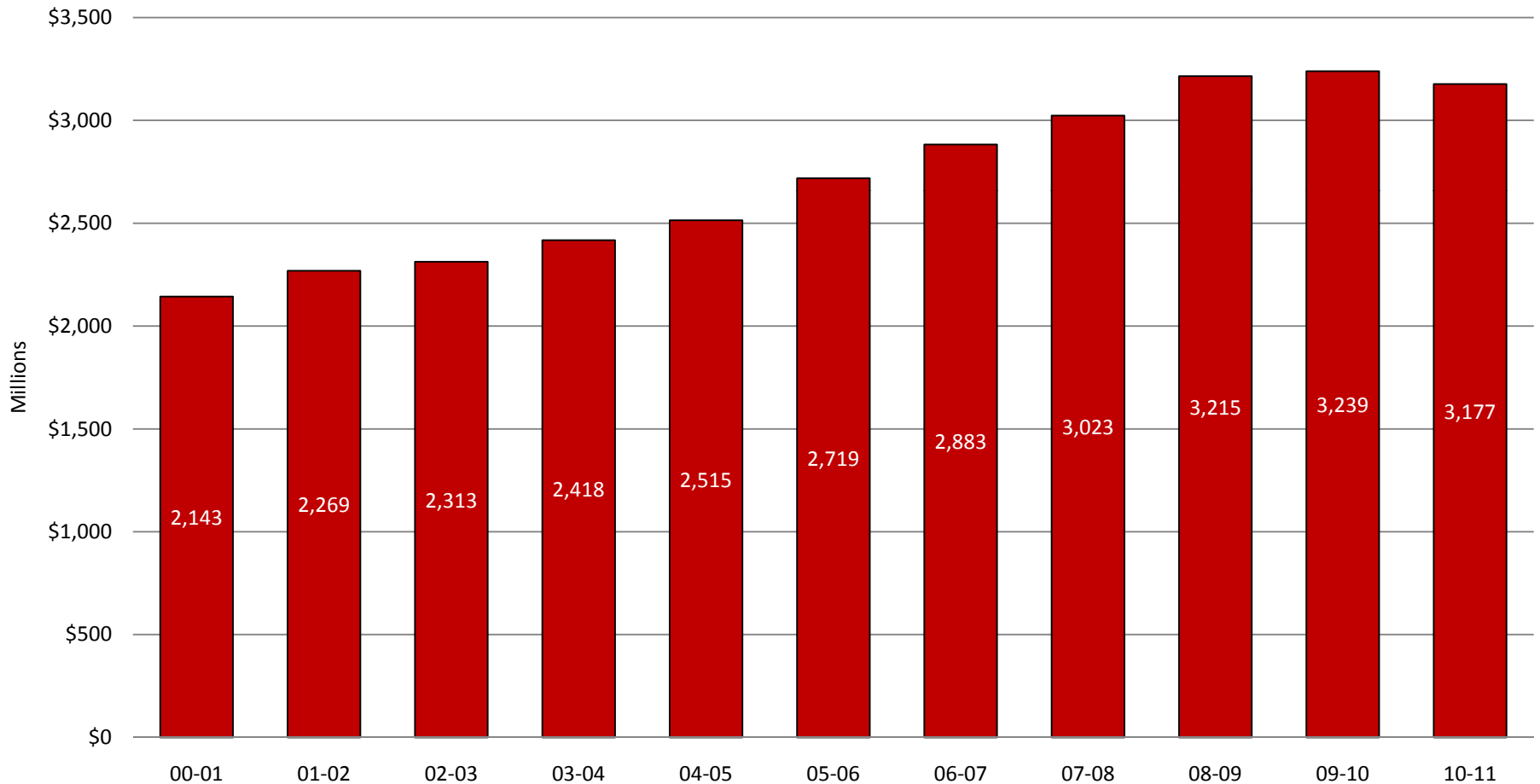
## All Funding Sources





# Education Department

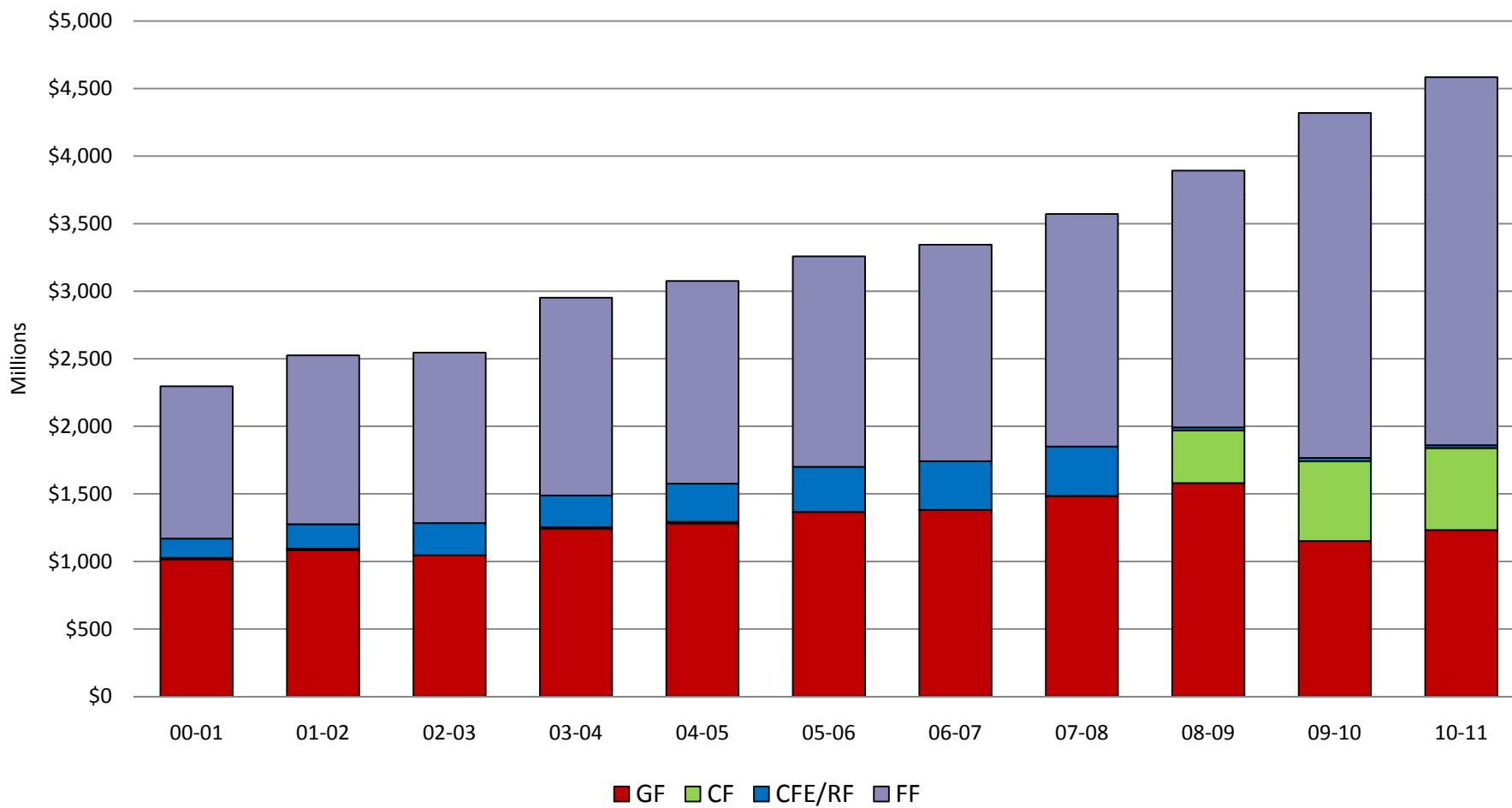
## General Fund





# Health Care Department

All Funding Sources

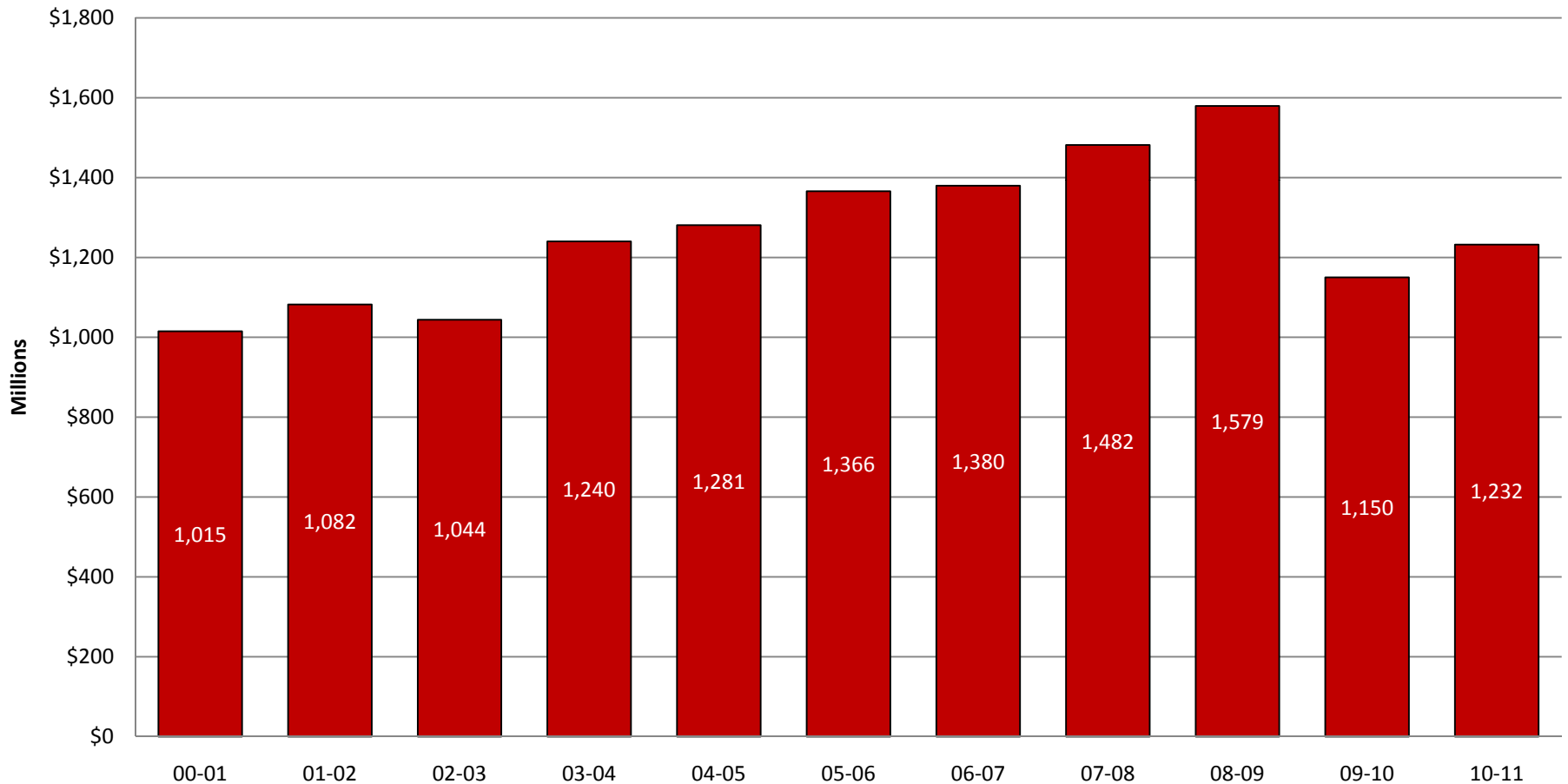






# Health Care Department

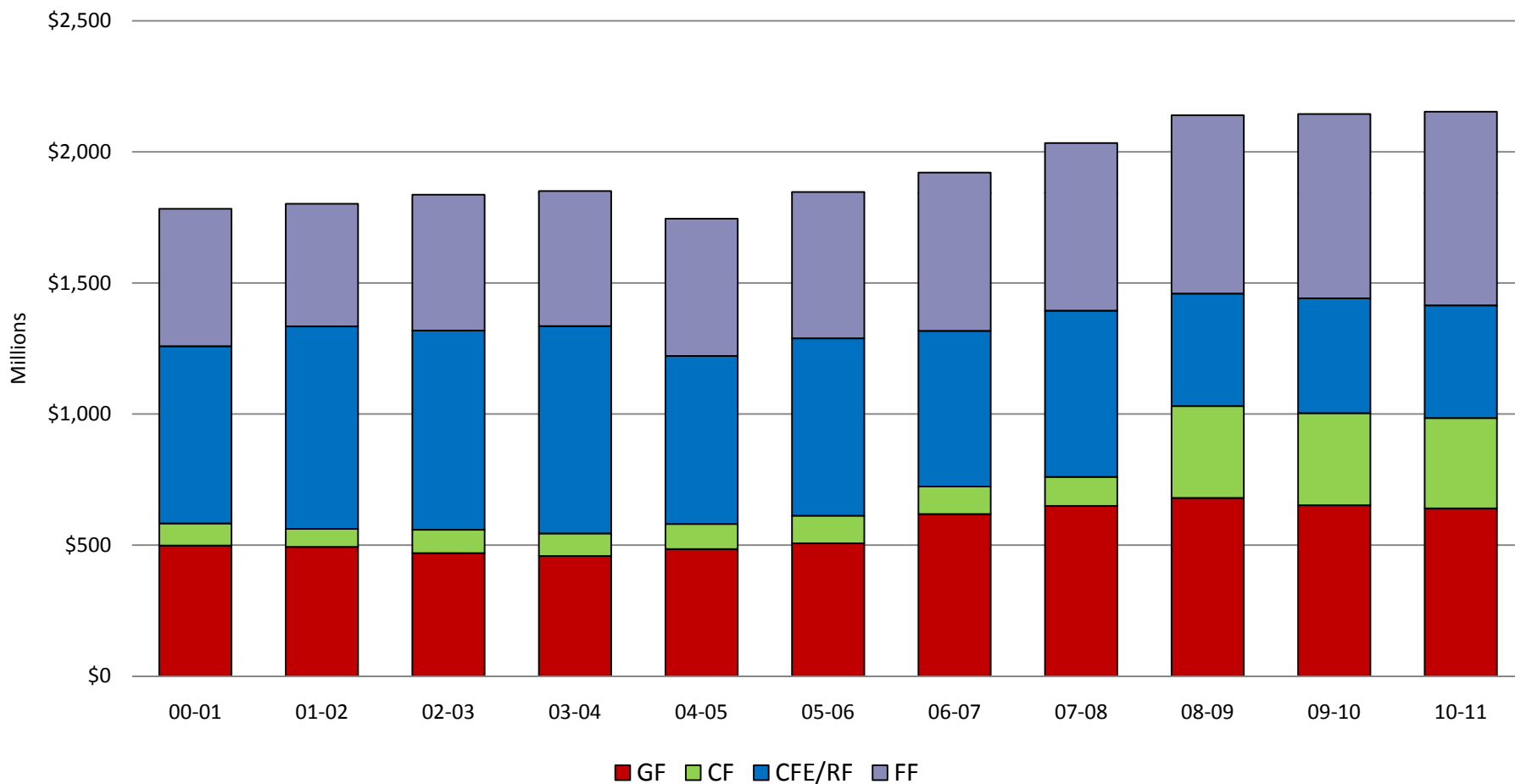
## General Fund





# Human Services Department

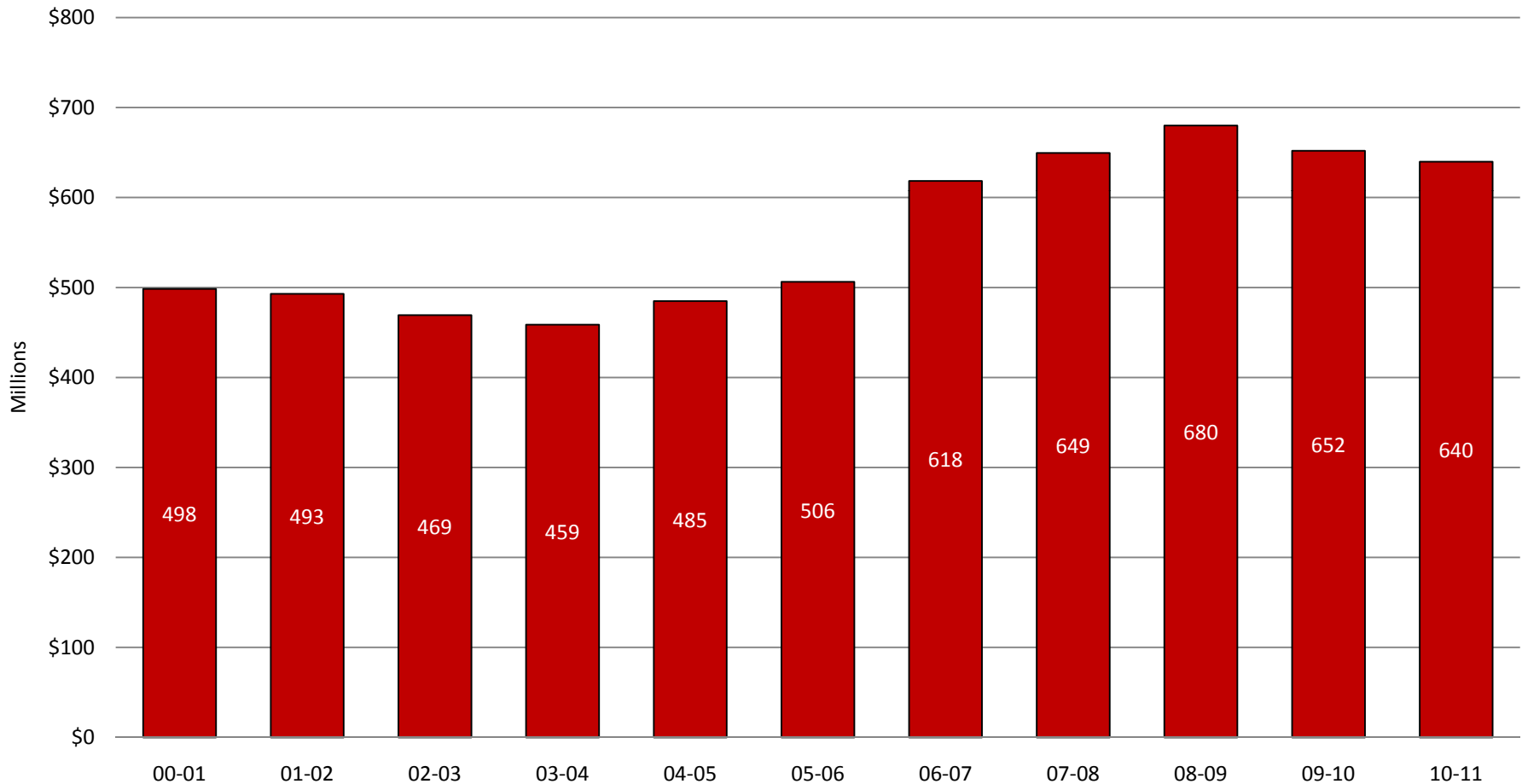
All Funding Sources





# Human Services Department

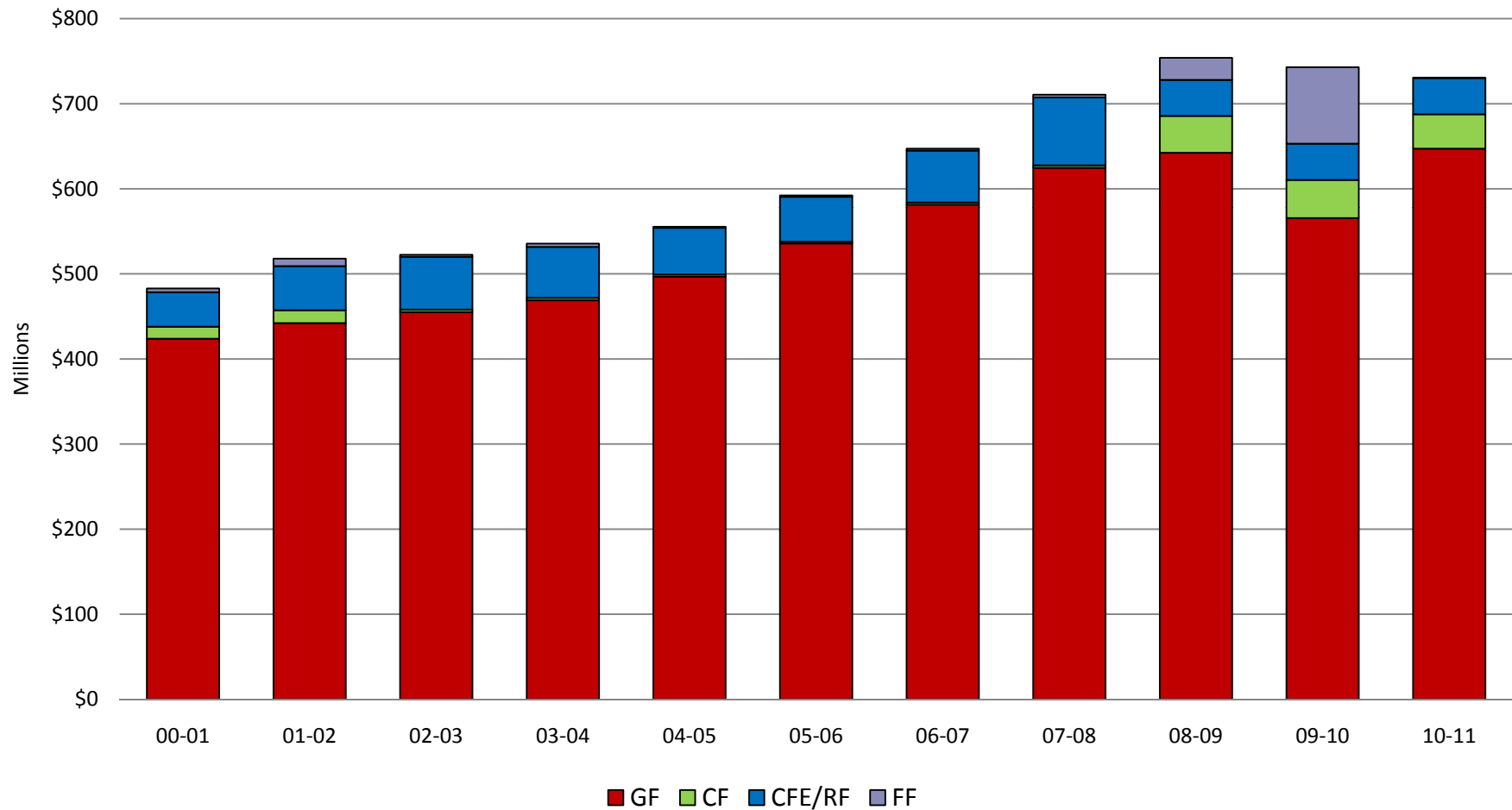
General Fund





# Corrections Department

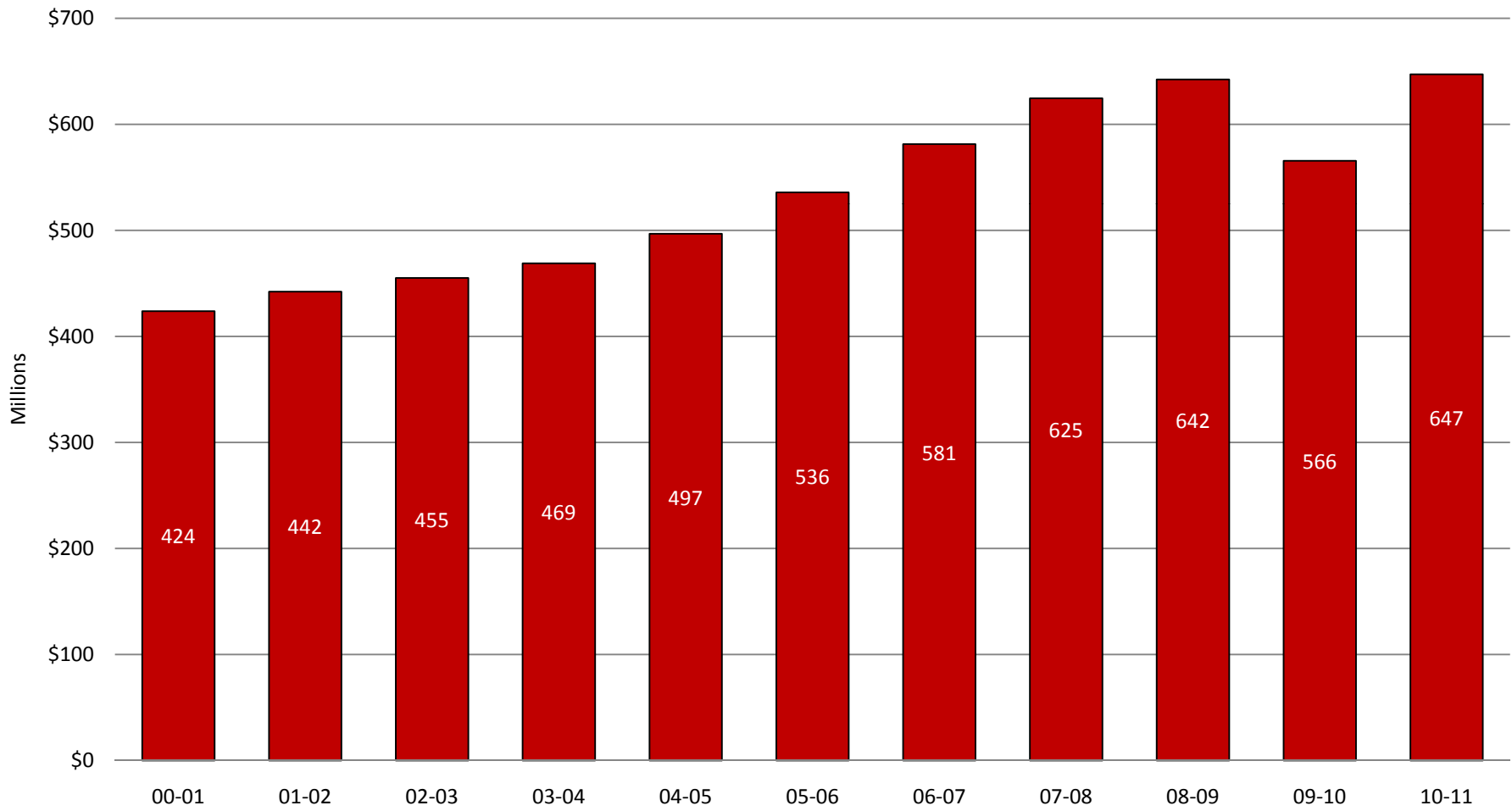
## All Funding Sources





# Corrections Department

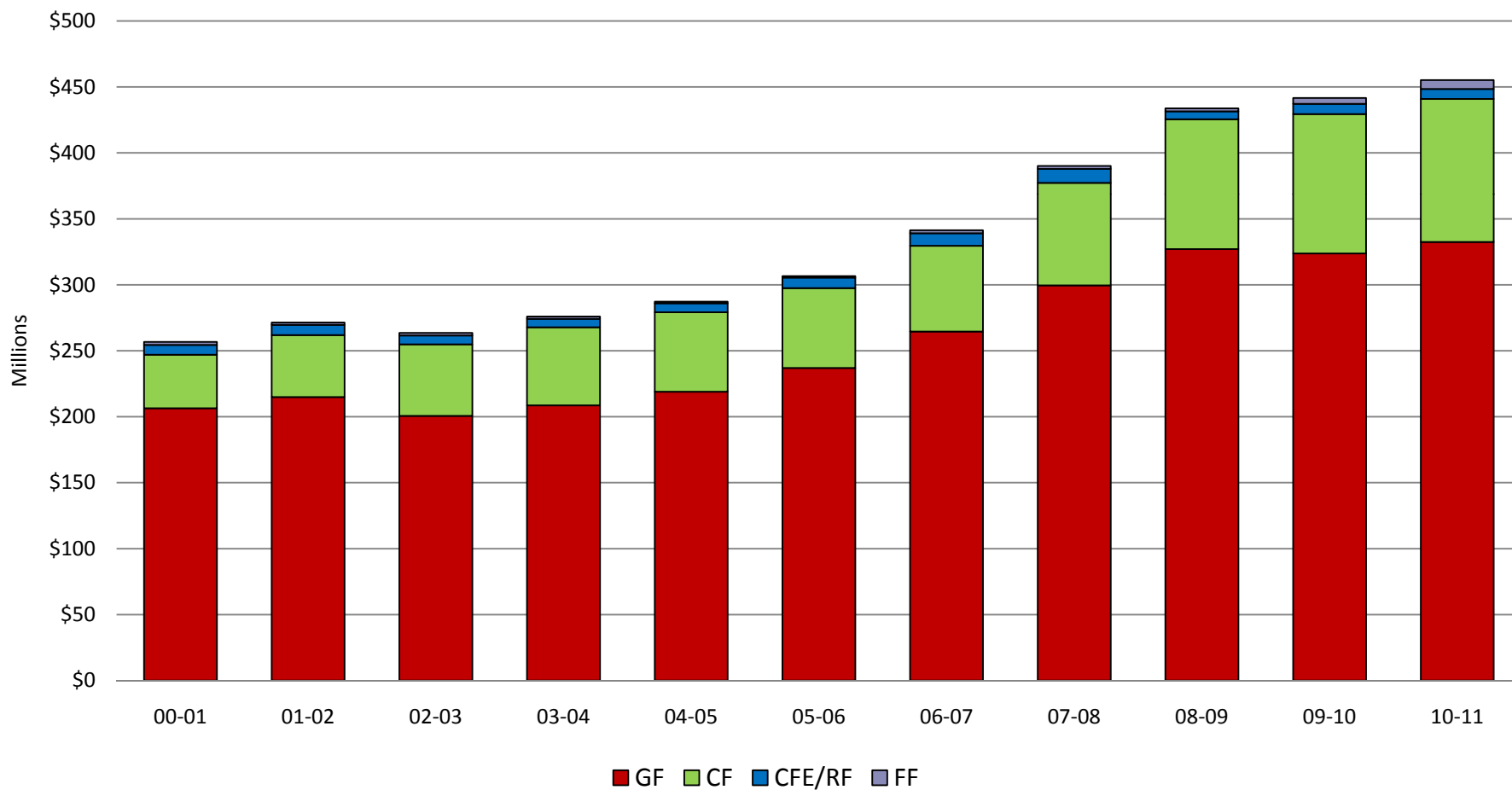
## General Fund





# Judicial Department

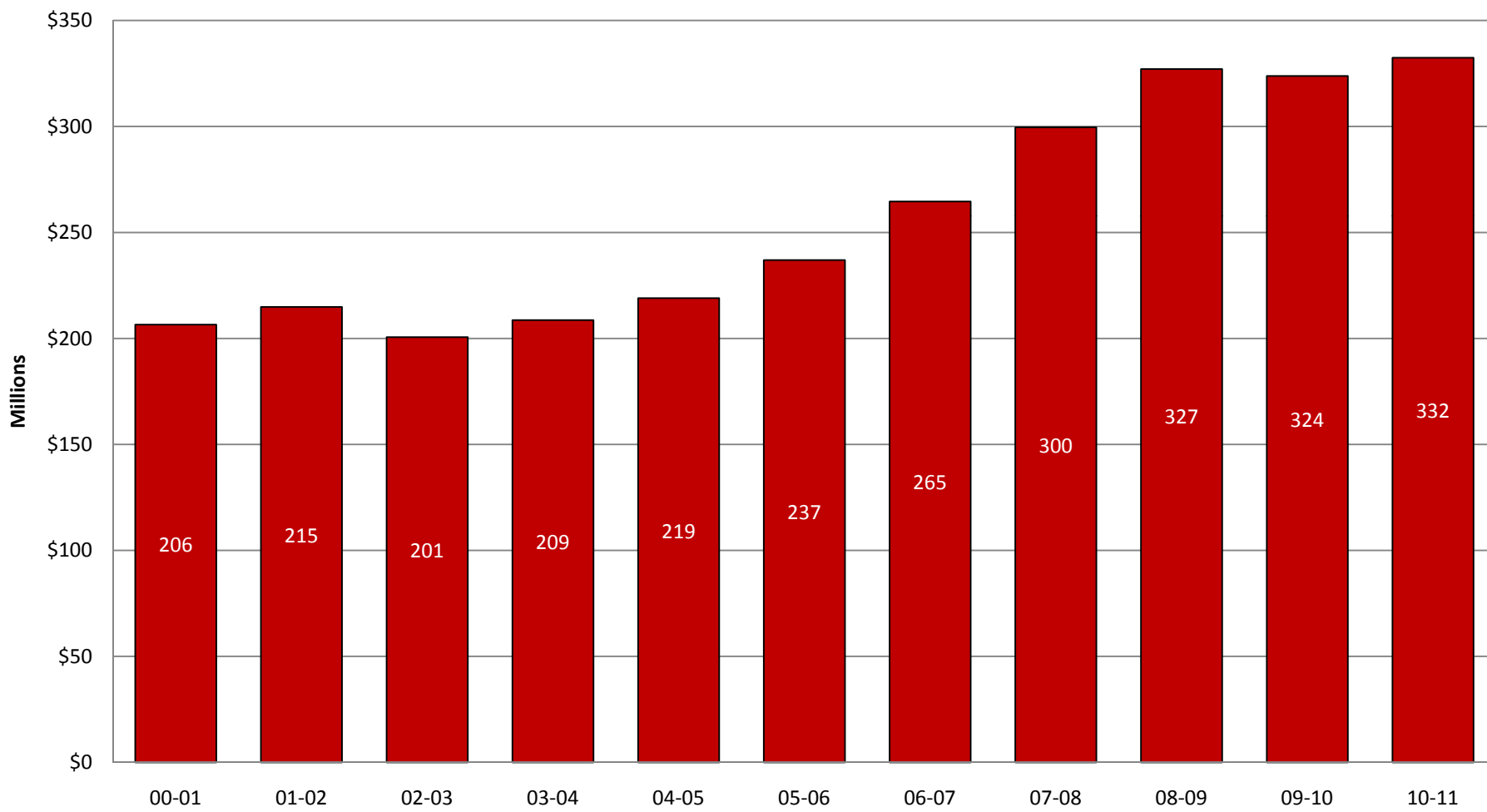
All Funding Sources





# Judicial Department

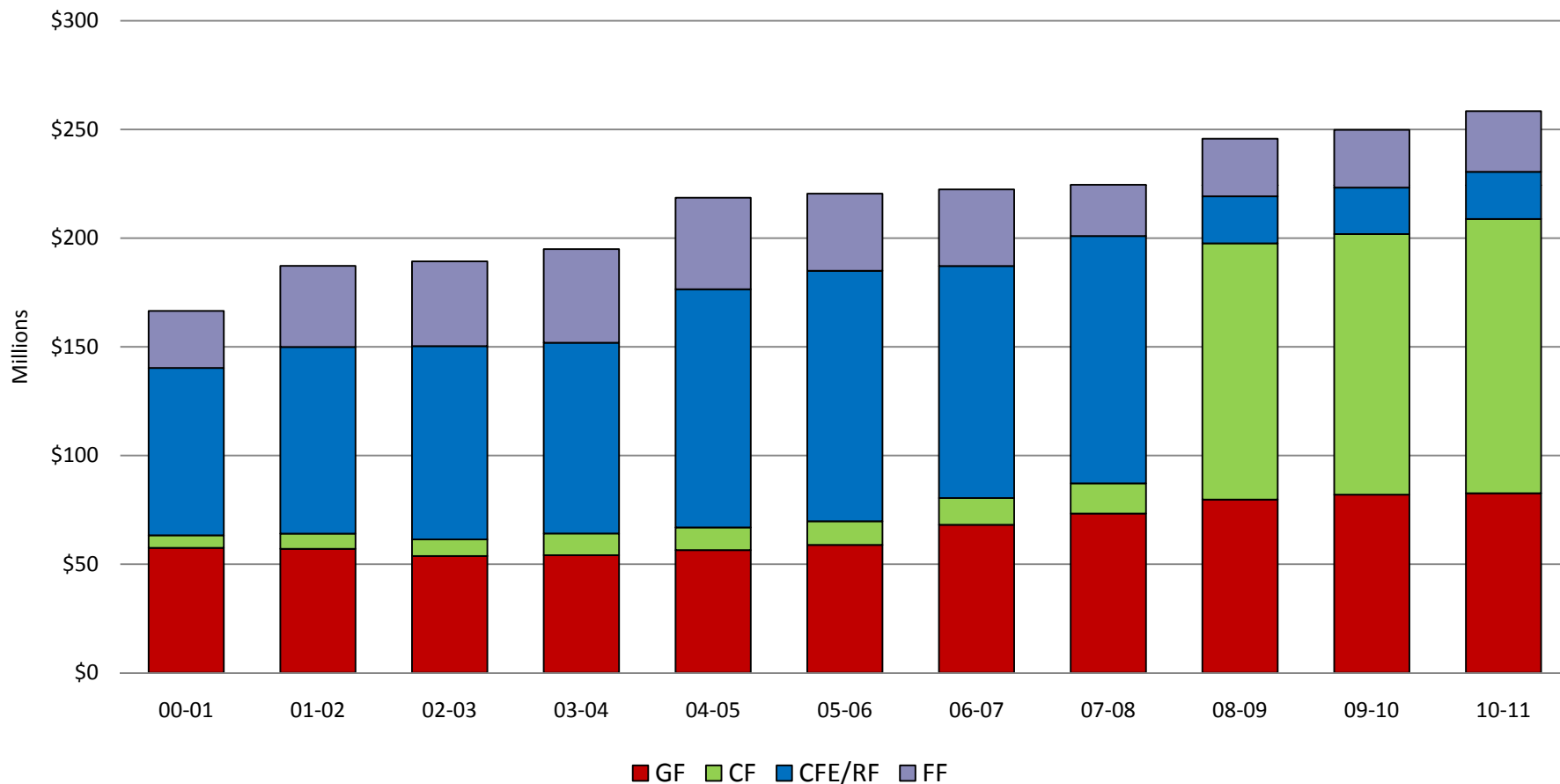
General Fund





# Public Safety Department

All Funding Sources

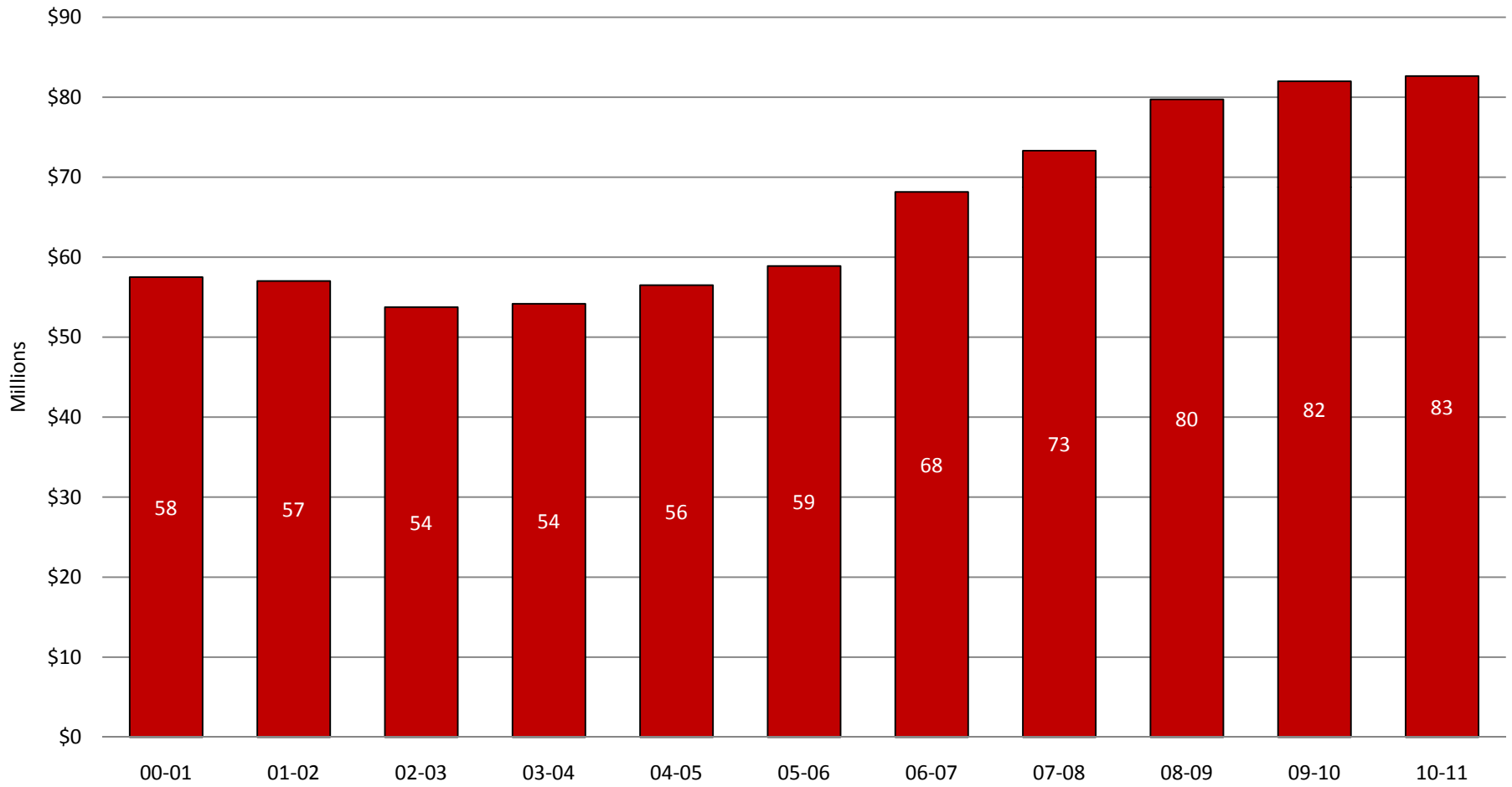






# Public Safety Department

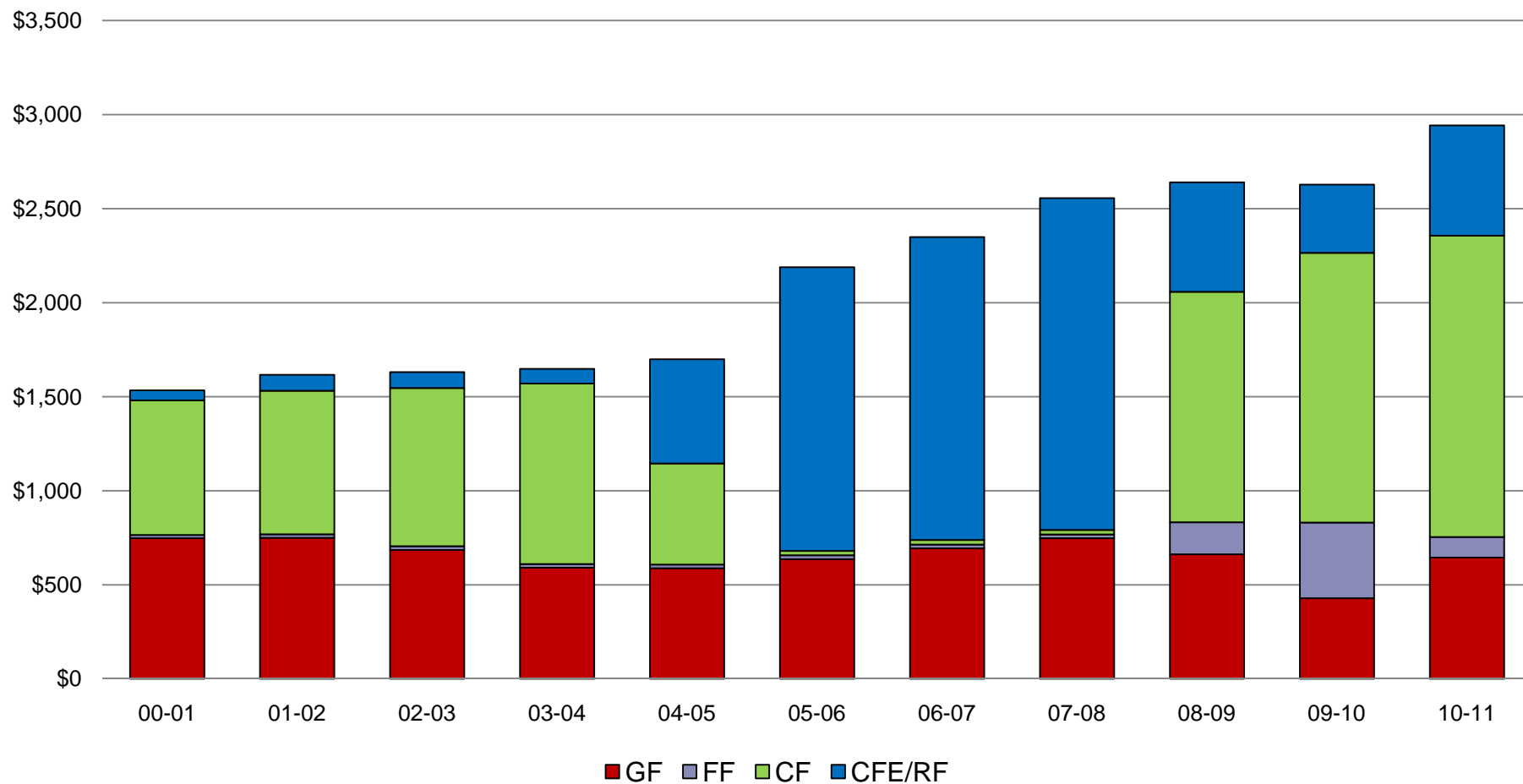
## General Fund





# Higher Education Department

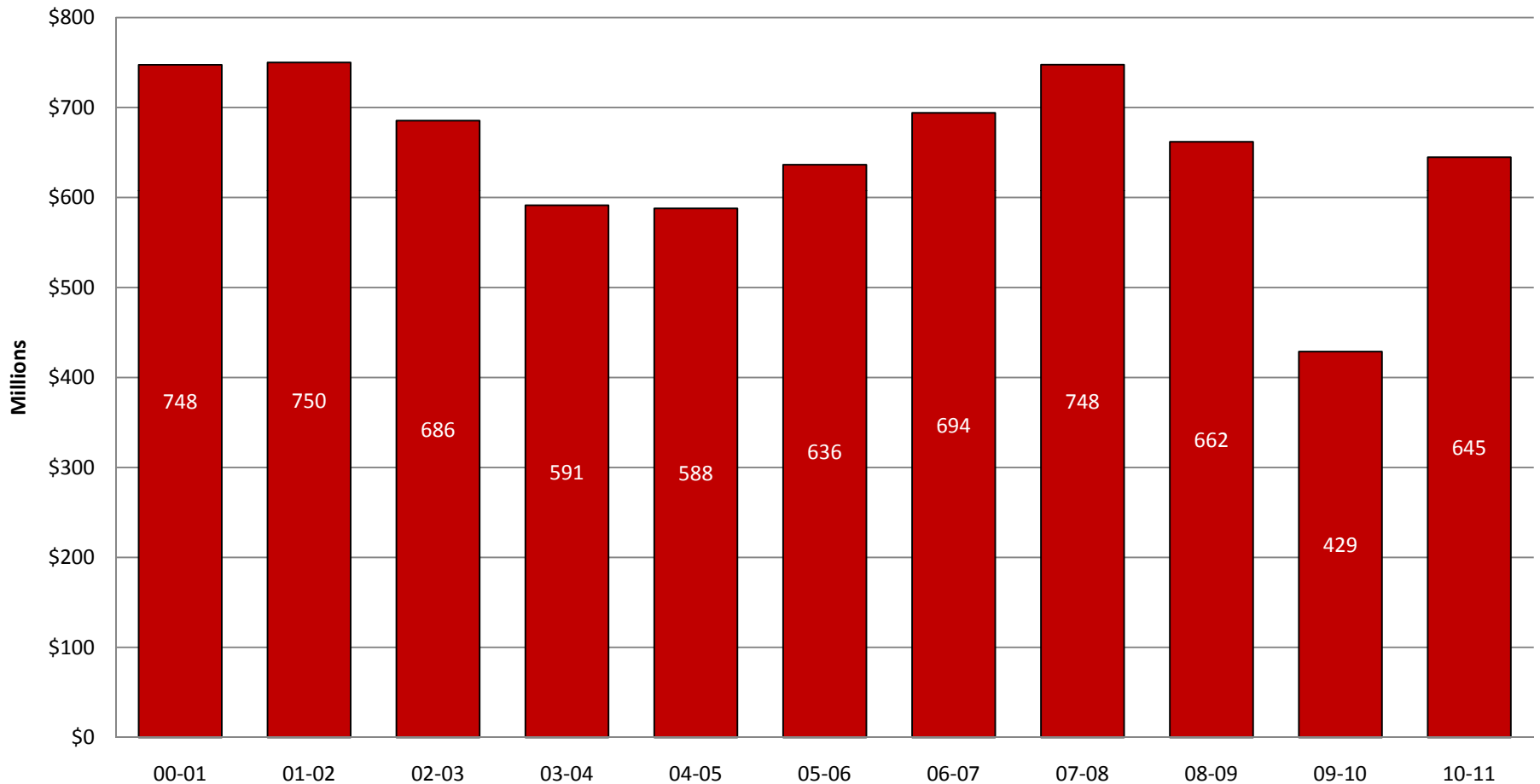
All Funding Sources





# Higher Education Department

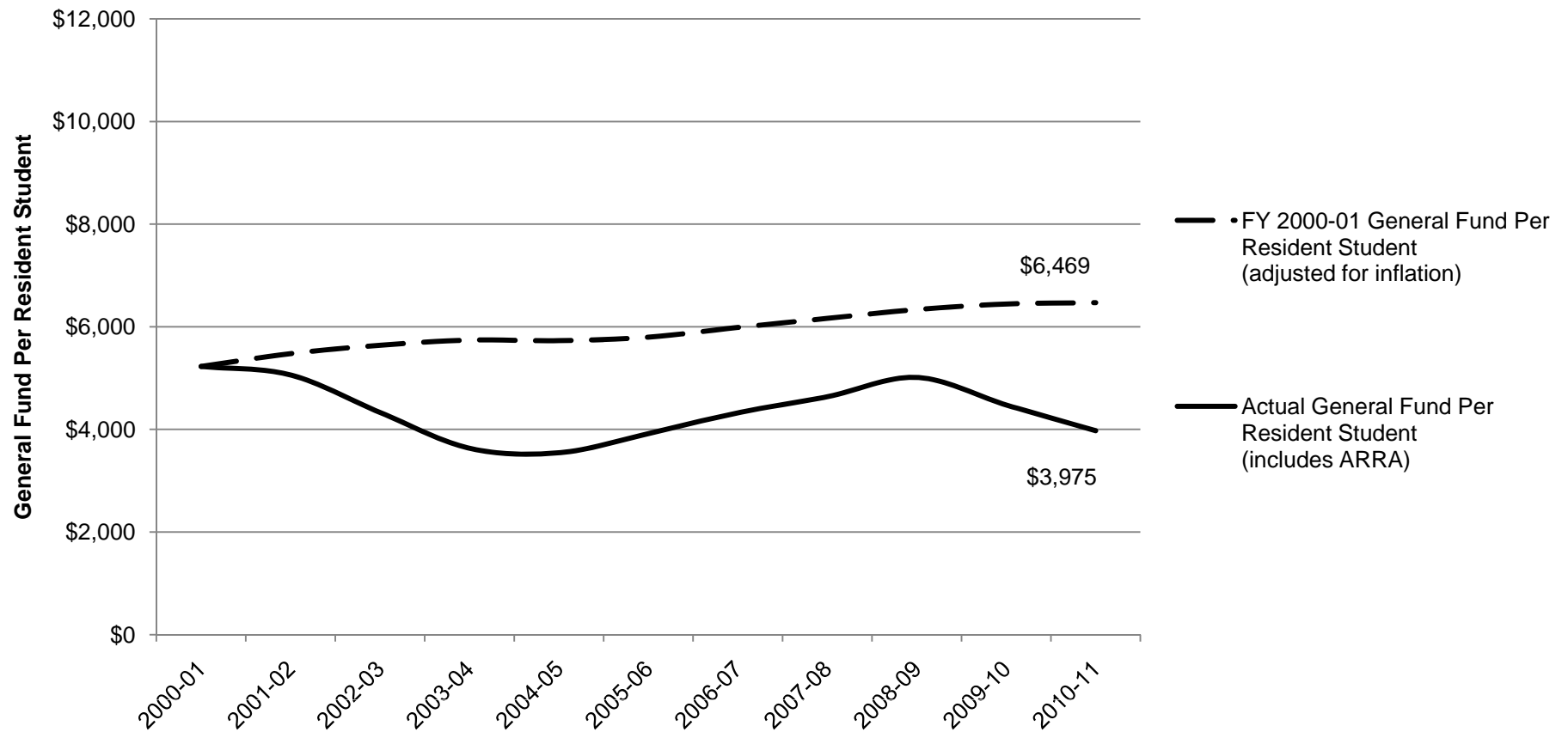
General Fund





# All Governing Boards

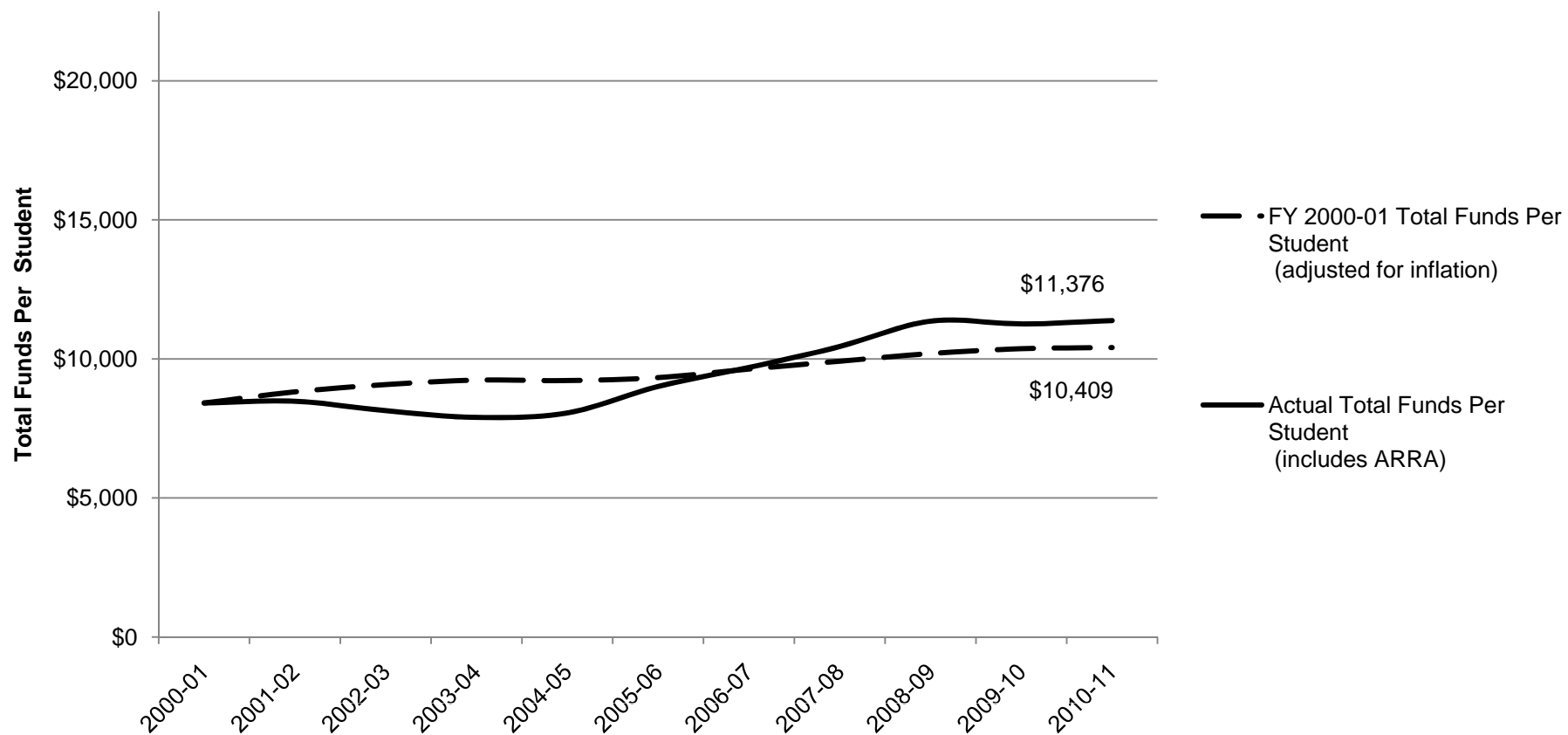
## General Fund





# All Governing Boards

Total Funds





# ARRA Funds for Budget Balancing

<b>Fiscal Year</b>	<b>FMAP</b>	<b>SFSF Education Stabilization Fund</b>	<b>SFSF Government Services Fund</b>	<b>Total</b>
2008-09	\$247,743,698	\$150,676,055	\$31,760,411	\$430,180,164
2009-10	\$418,933,984	\$382,008,243	\$96,757,419	\$897,699,646
2010-11	\$363,825,231	\$89,194,099	\$9,846,312	\$462,865,642
<b>Total</b>	<b>\$1,030,502,913</b>	<b>\$621,878,397</b>	<b>\$138,364,142</b>	<b>\$1,790,745,452</b>

OSPB estimates from the summer of 2010 and are not based on the November 1, 2010 budget request.



# Balancing the Budget

(updated 11/1/10)

- The Governor's FY 2011-12 budget totals \$20.6 billion, including:
  - \$7.6 billion General Fund
  - \$6.3 billion Cash Funds
  - \$5.1 billion Federal Funds
  - \$1.5 billion Reappropriated Funds
- With this FY 2011-12 balanced budget submission, shortfalls totaling over \$5.2 billion have been addressed over four fiscal years.
  - A shortfall of \$0.8 billion was addressed in FY 2008-09.
  - A shortfall of \$2.2 billion was addressed for FY 2009-10.
  - A shortfall of \$1.5 billion was addressed for FY 2010-11.
    - This includes the \$59.7 million balancing announced on August 23, 2010.
    - This includes the \$261.7 million balancing plan announced on October 22, 2010.
  - A shortfall of \$714.6 million is now being addressed through this plan.
    - The \$714.6 million shortfall does not include major avoided costs totaling \$379.4 million which were not funded in this FY 2011-12 balanced budget request.