



The Path to Fiscal Sustainability

Governor John Hickenlooper's
FY 2011-12 Budget Balancing Plan

February 15, 2011

Office of State Planning and Budgeting
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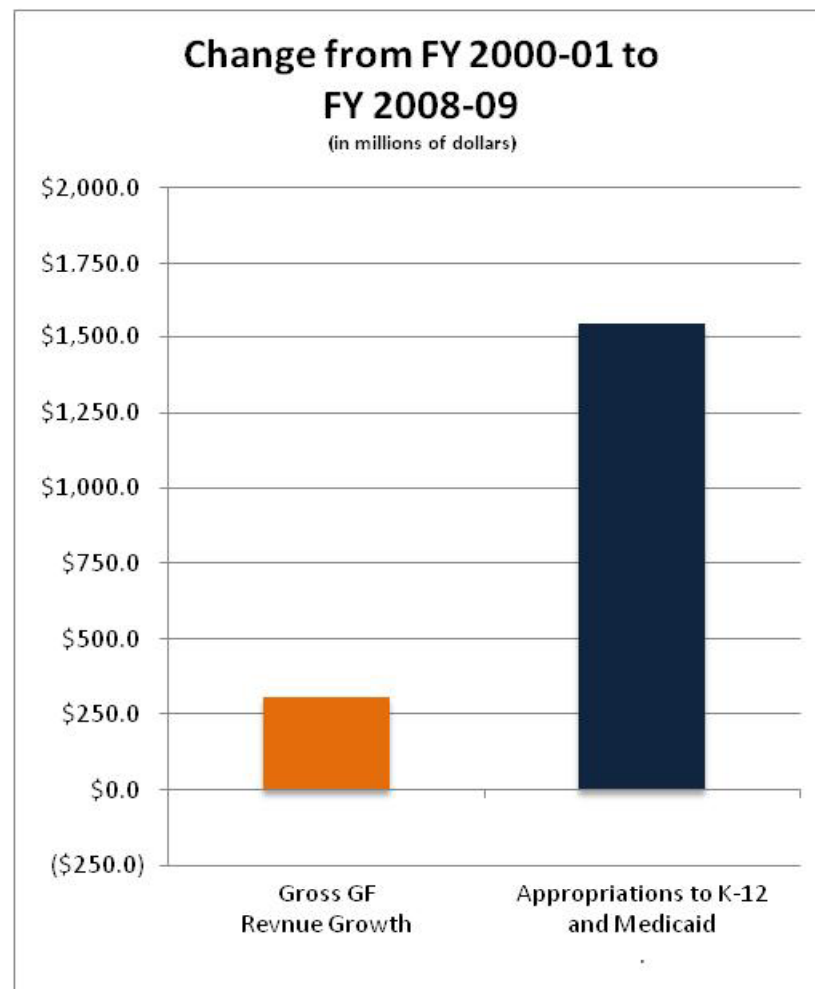
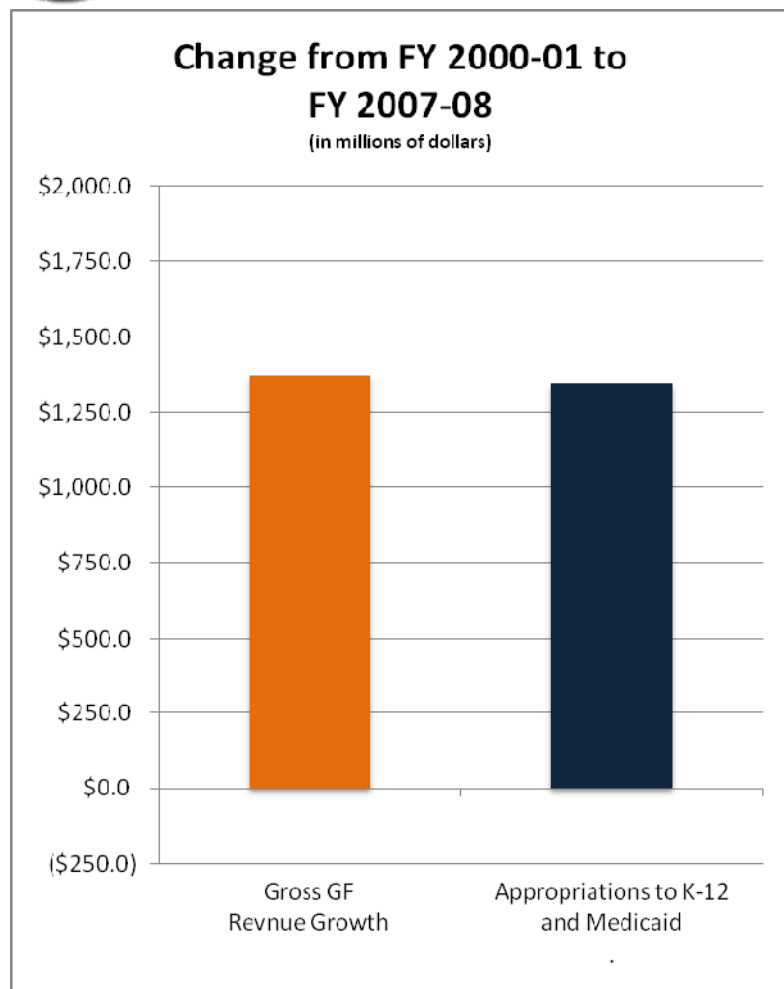


What happened?

- A historic recession has laid bare structural problems with the State's spending and tax policies.
- The Constitution has provisions that simultaneously limit tax revenue and increase spending. TABOR and Gallagher Amendment limit revenue and Amendment 23 mandates growth in K-12 education spending.
- A flat decade of employment in Colorado has translated directly into a flat decade of revenue to the State's General Fund (income and sales taxes).
- Other mandated or essential spending, for Medicaid and public safety issues have also contributed to the structural imbalance in spending and revenues.



General Fund Revenues vs K-12 and Medicaid, FY01 vs FY 08 and 09





Keeping the Budget Balanced

- Total FY 2011-12 General Fund budget request: \$7.2 billion
- Changes from November 1, 2010 budget request: \$570.0 million
 - \$395.0 million, General Fund cost reductions
 - \$117.0 million, K-12 local share reduction
 - \$42.3 million, revenue changes and transfers
 - \$15.7 million, reserve changes
- 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
- Major factors that resulted in the February 15, 2011 plan
 - Budget to a 4% reserve in FY 2011-12
 - Utilize to the most conservative forecast available
 - FY 2010-11 utilized the Office of State Planning and Budgeting forecast
 - FY 2011-12 utilized the Legislative Council forecast
 - Reduced local assessed values that result in reduced local tax collections for schools



Allocation of FY 2011-12 General Fund Budget

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%
<i><1> Includes: Departments of Health Care Policy and Financing, Human Services, and Public Health and Environment.</i>		



Closing the Structural Budget Gap

- Virtually flat General Fund revenues from FY 2001-02 through FY 2011-12
 - The average annual growth rate in revenues was 0.64% leading to just \$481 million of growth.
- Mandatory costs in K-12 education and health care grew rapidly during the decade.
 - General Fund spending for the two programs combined increased by over \$1.4 billion during the decade
- Growth in mandatory funding areas has put extraordinary pressure on other parts of the budget.
- Governor Hickenlooper will work with the Legislature to close this structural gap during FY 2011-12 and FY 2012-13.
- From FY 2007-08 through FY 2011-12, base general fund revenue decreased by \$654 million.
- From FY 2007-08 through FY 2011-12, General Fund expenditures decreased by \$268 million.



Defining the Budget Gap

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%

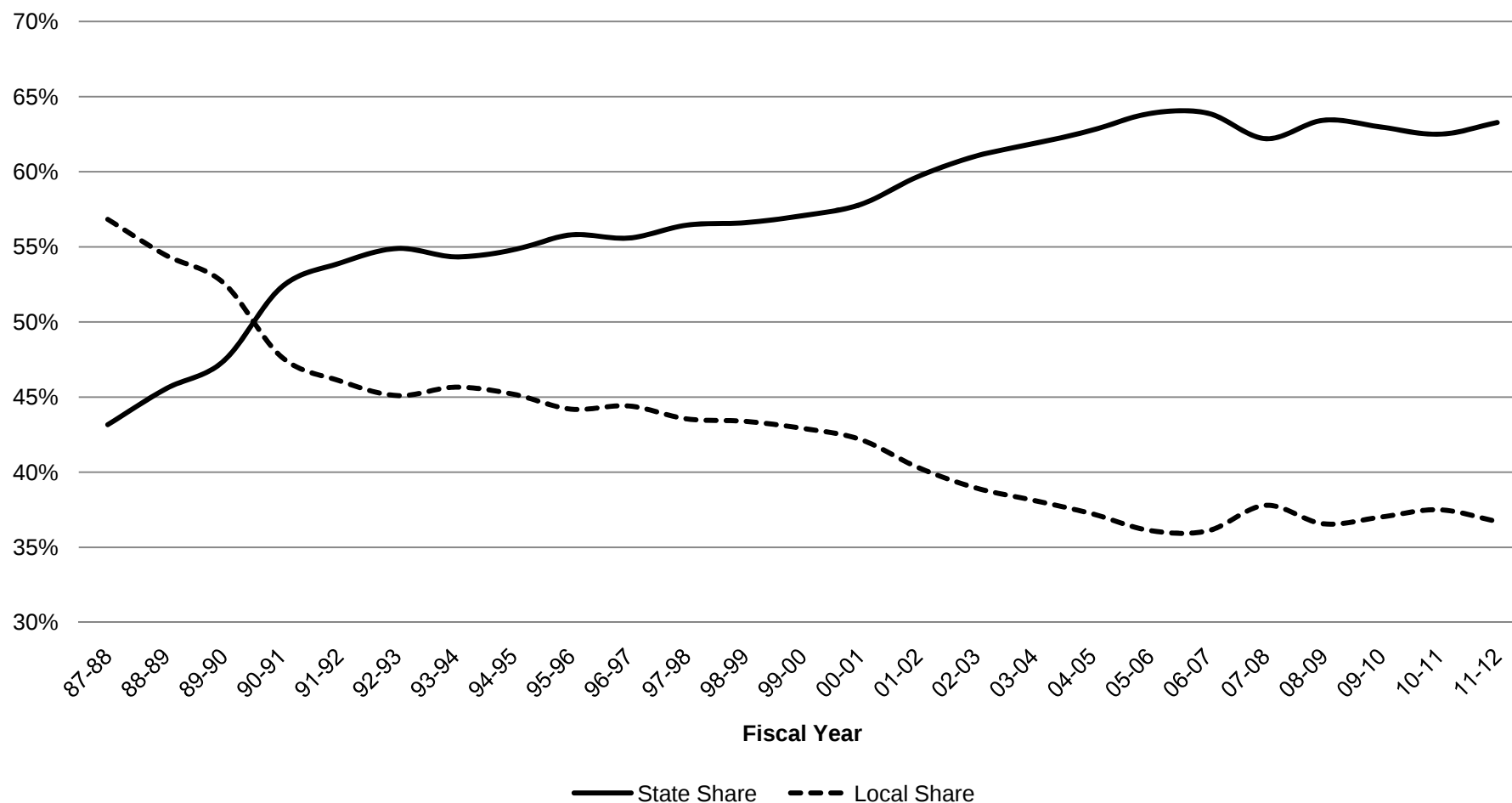


K-12 Budget Impacts

- Total impact to K-12 compared to November 1, 2010: -\$375 million
 - -\$ 257 million from General Fund reductions
 - -\$117 million from reduced local share that won't be backfilled by the state
- Net change from FY 2010-11 total program funding levels: -\$332 million
- K-12 shortfall compared to total cost in the school finance act: -\$836 million
 - This is also known as the "Budget Stabilization Factor"
- Change in total per student funding from FY 2010-11 levels: -\$497
 - FY 2010-11 per student funding: \$6,823
 - FY 2011-12 per student funding: \$6,326
- State share of K-12 total program in FY 2011-12: 63%
- Increase in K-12 total program, FY 2007-08 through FY 2011-12: 0.8%
 - Increase in enrollment, FY 2007-08 through FY 2011-12: 6%
 - Increase in inflation, FY 2007-08 through FY 2011-12: 5.4%

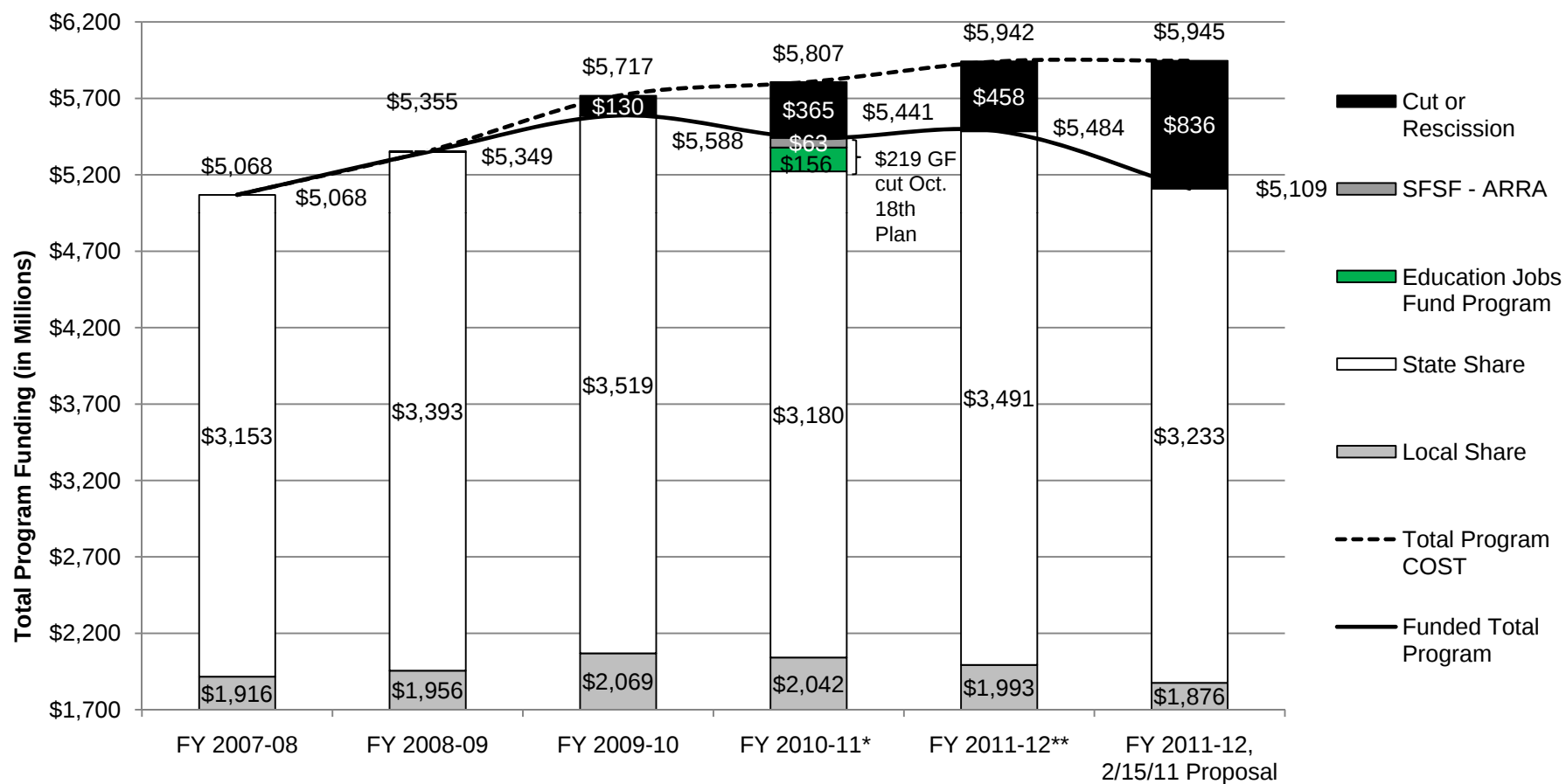


K -12 Shift from Local to State Funding





K-12 Funding History



* Reflects federal funds associated with October 22, 2010 FY 10-11 balancing plan.

** Incorporates Legislative change to divert revenues to SPSF (\$31.6 M) in FY 11-12.



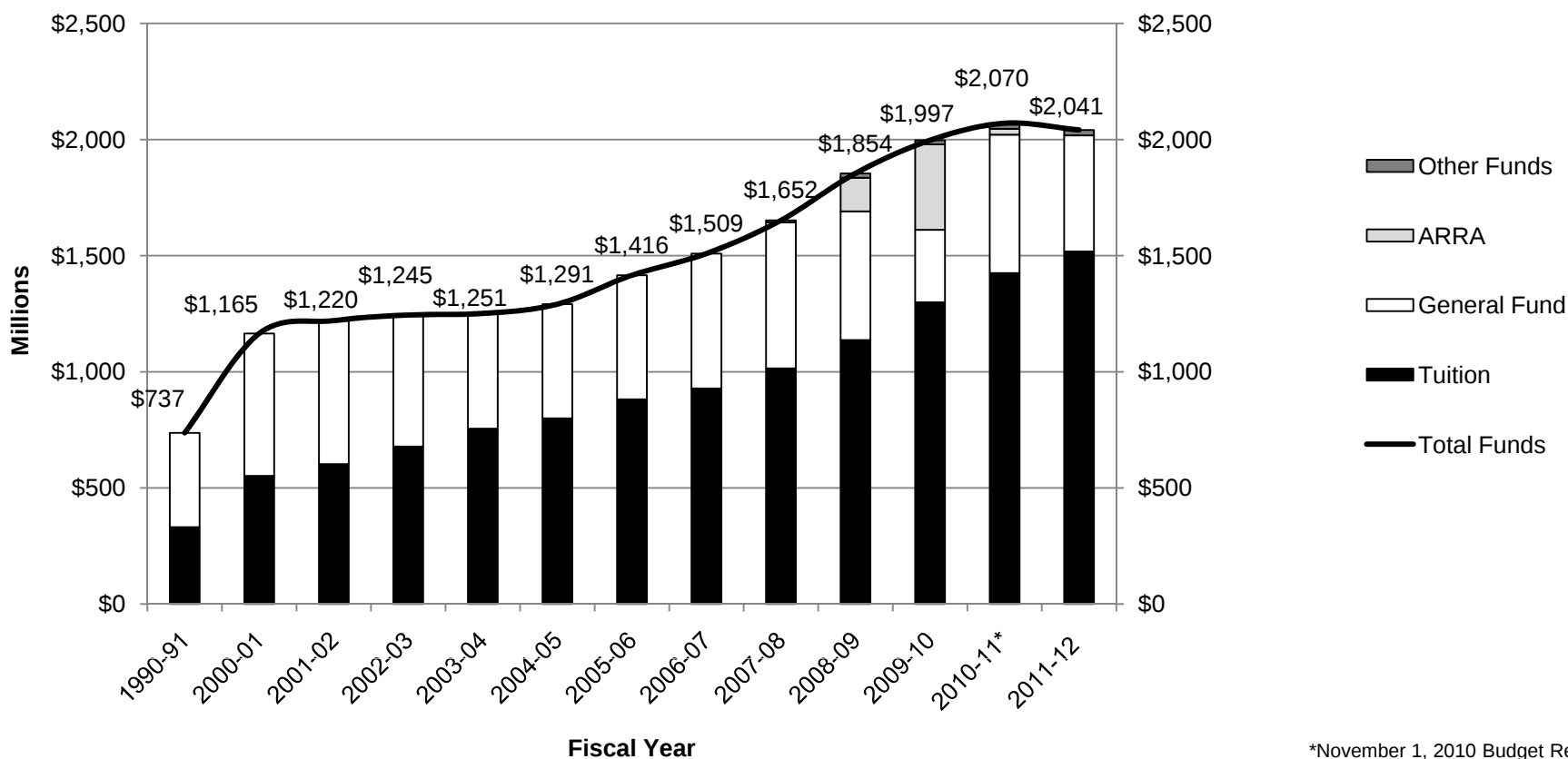
Higher Education Budget Impacts

- Total impact to higher education compared to November 1, 2010: -\$36 million
- Requested General Fund for institutions of higher education: \$519 million
- Net change from FY 2010-11 total funds funding levels (including tuition): -\$28 million
- Net change from FY 2010-11 General Fund (including ARRA): -\$125 million
 - ARRA funds available in FY 2011-12: \$0
- Change in General Fund plus ARRA per student funding from FY 2010-11 levels: -\$877
 - FY 2010-11 per student funding: \$3,975
 - FY 2011-12 per student funding: \$3,097
- Change in governing boards total funds, FY 2007-08 through FY 2011-12: 24%
- Change in governing boards General Fund, FY 2007-08 through FY 2011-12: -21%
 - Increase in enrollment, FY 2007-08 through FY 2011-12: 19%
 - Increase in inflation, FY 2007-08 through FY 2011-12: 5.4%



Governing Boards Total Funds

- Chart does not include Junior Colleges or Vocational Schools. Inclusion of those schools results in the Governor's General Fund request of \$519 million in FY 2011-12.

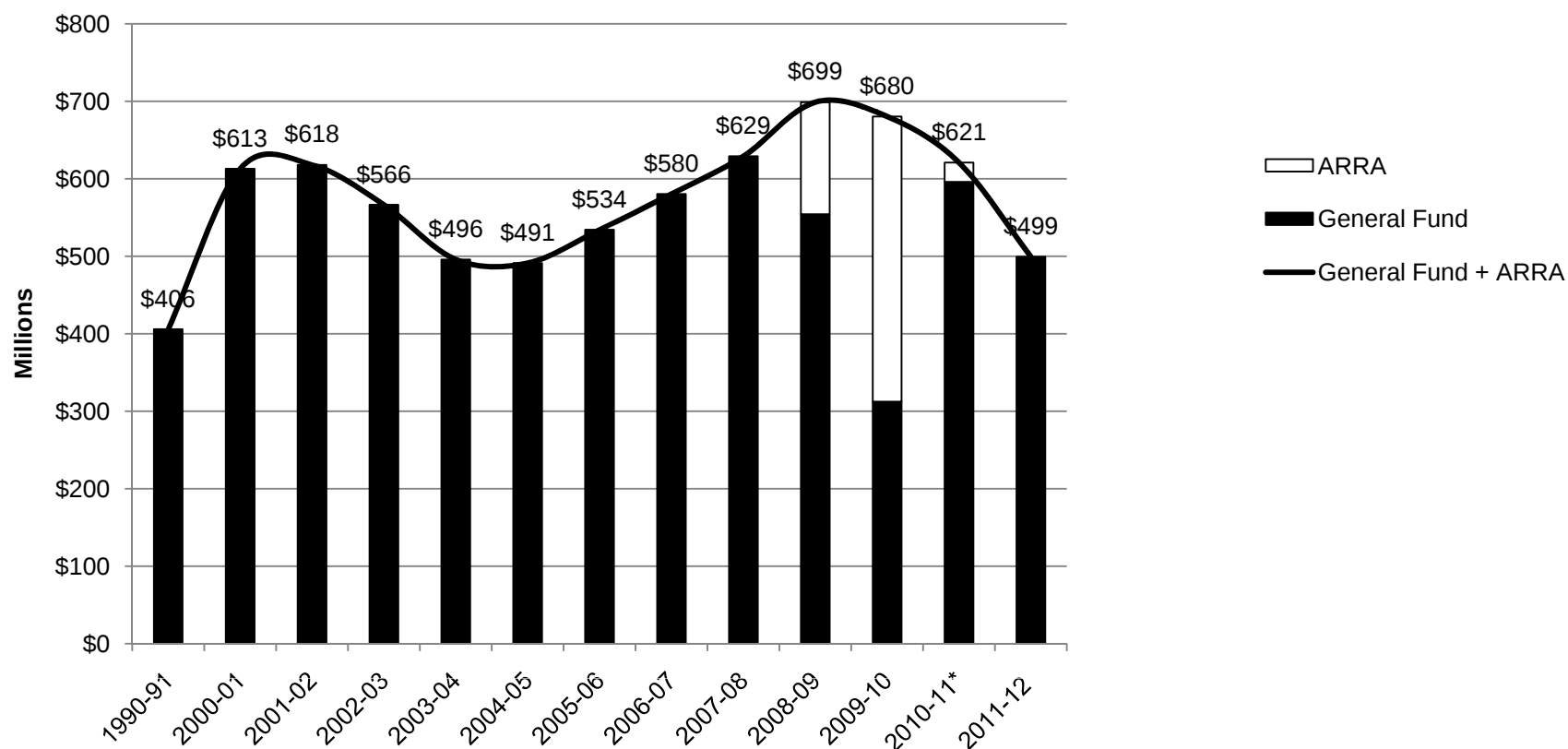


*November 1, 2010 Budget Request



Governing Boards General Fund

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*November 1, 2010 Budget Request



Medicaid Enrollment Growing

Increase of 121% Since FY 2000-01

