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MEMORANDUM

December 1, 2009

TO: Interested Persons

FROM: Elizabeth Hanson, Senior Research Assistant, 303-866-4146

SUBJECT: General Fund Budget Summary

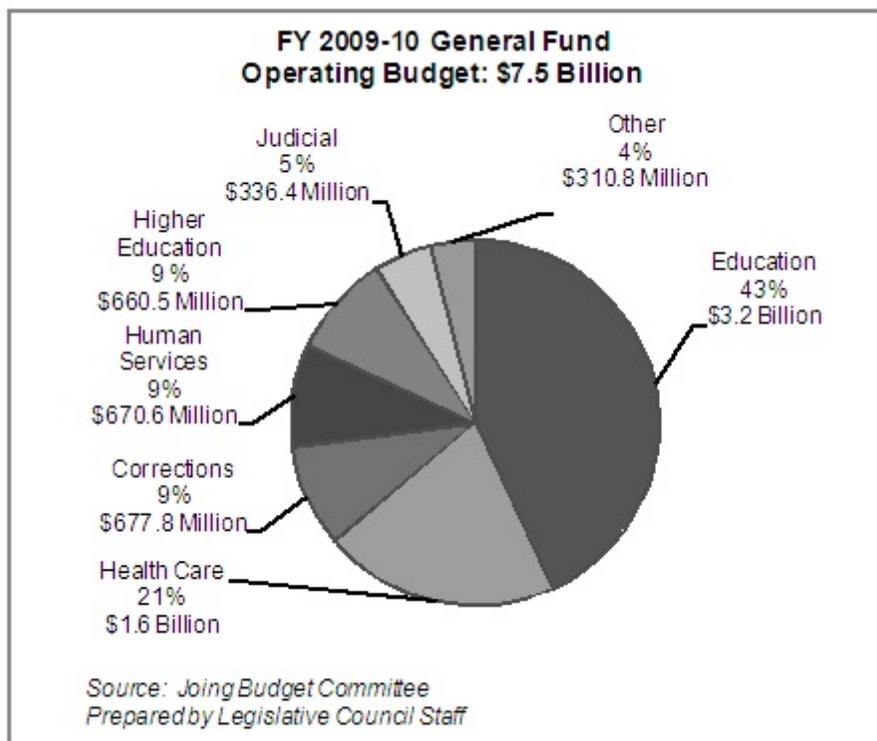
This memorandum provides summary information about the six major areas of General Fund appropriations and a description of each.

General Fund Budget Overview: The Big Six

General Fund operating appropriations totaled \$7.5 billion in FY 2009-10. As shown in Figure 1, six departments receive 96 percent of General Fund appropriations. They are:

- Education;
- Health Care Policy and Financing;
- Corrections;
- Human Services;
- Higher Education; and
- Judicial.

A brief summary of each of these departments and a brief description of the remaining 4 percent of General Fund appropriations are included.



Education

Education comprises the largest percentage of General Fund appropriations. Colorado's Constitution requires the General Assembly to "provide for the establishment and maintenance of a thorough and uniform system of free public schools throughout the state" for state residents aged 6 through 21.¹ To meet this requirement, the General Assembly has enacted a public school finance system under which all school districts operate.

Responsibility. The primary responsibility of the Colorado Department of Education is to administer the School Finance Act and distribute state and federal funds to school districts. The department also serves the Colorado State Board of Education by doing the following: accrediting public schools and school districts; developing and maintaining state model academic standards; administering assessments for students at various grade levels; and issuing annual accountability reports for every public school in the state.

Funding Sources. The sources of funding for kindergarten through twelfth grade education come from both local and state shares. The local sources of funding include property taxes and specific ownership taxes and account for 35 percent of education's funding. Property taxes are based on each district's mill levy and the assessed value of property in that district, while specific ownership taxes are based on the value of vehicles and are paid when individuals register their motor vehicles. The state's share of funding is approximately 65 percent and comes primarily from state sales and use and income tax revenue, which is deposited in the General Fund.

¹ Article IX, Section 2, of the Colorado Constitution

Budget Drivers. Enrollment is a primary budget driver. Several factors also affect the amount of state funding appropriated for school finance. Amendment 23 of the State Constitution requires a minimum increase each year based on inflation and enrollment growth. Likewise, there are other factors that may affect the amount of state funding, including fluctuations in property tax and specific ownership tax revenue.

Health Care Policy and Financing

The Department of Health Care Policy and Financing (HCPF) is the second-largest budget in state government. Its programs serve approximately 641,000 Colorado residents.

Responsibility. The HCPF administers the majority of Colorado's Medicaid program, the Indigent Care Program, the Children's Basic Health Plan, and several smaller programs that provide other medical services. The department is a single state agency for the receipt of federal Medicaid funds.

Funding Sources. The funding sources for these programs is a state and federal partnership in most cases. Funding for the Department in FY 2009-10 consists of 49.1 percent federal funds, 39.5 percent General Fund, 10.7 percent cash funds, and 0.6 percent reappropriated.² The total General Fund appropriation for the department in FY 2009-10 is approximately \$1.6 billion.

Budget Drivers. Caseload demands are a primary driver of the budget for the department. For example, as an entitlement program, all individuals eligible for Medicaid are entitled to receive health care services they need. Therefore, total costs for the department are driven by the number of eligible clients, the costs of providing those services, and the utilization of health care services. Medicaid caseloads, particularly those for needy families, have increased substantially over the last year as a result of the recession.

Corrections

The third-largest budget, the Department of Corrections, operates 22 state prisons in Colorado. The department also contracts for prison capacity with several county and private facilities.

Responsibility. The department is responsible for:

- managing the supervising penal, correctional, and reformatory institutions;
- operating a counseling and parole supervision program; and,
- developing and administering a correctional industries program to supply manufactured products to state institutions.

² "Reappropriated Funds" are moneys that, for cash-flow management purposes, have already been appropriated from the General Fund, a cash fund, or federal funds, to one department before being appropriated to another.

Funding Sources. The department receives 89 percent of its funding from the General Fund. It also receives 5.3 percent from cash funds, 5.6 percent from reappropriated funds, and 0.1 percent from federal funds.

Budget Drivers. Caseload demands from inmate and parole population growth is a driver of this budget. The department's budget is also driven by criminal sentencing laws and by prison capacity issues.

Human Services

The Department of Human Services has the fourth-largest General Fund budget in state government. Many of its services are managed by counties or other local entities under the supervision of the department, while others are provided by department staff in state-operated facilities. It has more than 5,000 employees and thousands of community-based service providers. The department also administers and supervises the state's non-medical public assistance and welfare activities.

Responsibility. The department oversees:

- the state's 64 county departments of social/human services;
- the state's public mental health system;
- the state's system of services for people with developmental disabilities;
- the state's juvenile corrections system; and,
- all state and veterans' nursing homes.

Funding Sources. As noted in Figure 1, the department is receiving \$670.6 million in General Fund appropriations, which represents 30.8 percent of its funding, in FY 2009-10. Funding also consists of 16.5 percent cash funds, 20.6 percent reappropriated funds, and 32.1 percent federal funds. The department shares costs with counties and the federal government.

Budget Drivers. The primary budget drivers for the department include inflationary costs and demands for services.

Higher Education

The Department of Higher Education is the fifth-largest area of General Fund appropriations. Its primary role is to provide education beyond K-12 for Colorado's residents through its 26 state campuses, two local district junior colleges, and 4 area vocational schools. The department serves approximately 210,000 students annually. It had the largest number of state employees in FY 2008-09, with 19,803 appropriated Full-Time Equivalents (FTEs).

The department's divisions include the Colorado Commission on Higher Education, the Historical Society, Private Occupational Schools, the Student Loan Program, and the Student Obligation Bond Authority.

Responsibility. The Colorado Department of Higher Education is responsible for overseeing post secondary educational opportunities in the state by:

- establishing evaluation measures or performance for schools;
- setting policies for and distributing financial aid; and
- distributing state aid to the institutions of higher education via the College Opportunity Fund Program and the Fee for Service Contracts program.

Funding Sources. The Department of Higher Education is primarily funded by the General Fund and by tuition (cash funds) paid by students. Federal funds and other cash funds such as fees also help fund the department, but are a much smaller source compared with the General Fund and tuition. Nonresident enrollment is funded entirely through tuition.

Budget Drivers. The principle factors affecting the amount of state funding for institutions of higher education include resident enrollment, inflation, and tuition.

Judicial Branch

One of the three branches of Colorado state government, the Judicial Branch comprises the sixth-largest amount of General Fund appropriations. The branch interprets and administers the law, resolves disputes, and supervises offenders on probation.

Responsibility. The Judicial branch administers the state court system, which is made up of:

- County courts
- District courts
- The Colorado Court of Appeals
- The Colorado Supreme Court.

The branch also supervises three independent agencies, including the Public Defender's Office, the Office of Alternate Defense Counsel, and the Office of the Child's Representative. Finally, the judicial branch administers the state probation system.

Funding Sources. The department receives 5 percent of General Fund appropriations, which comprises 74.6 percent of its budget. It also receives 22.7 percent from cash funds, 1.7 percent from reappropriated funds, and 1.0 percent from federal funds.

Budget Drivers. The primary budget driver for the Judicial Branch is caseload, both in court dockets and individuals on probation. Caseload is generally driven by increases in state population, changes in the state's economic climate (which generally affects both the crime rate and the number of clients requiring state-funded representation), and legislative changes, which may affect probation enforcement and regulations as well as other areas.

Other Areas of General Fund Appropriations

Approximately 4 percent of General Fund appropriations, or \$310.8 million, are for expenditures for general government purposes and other departments. The general government functions include the Governor's Office, the Legislature, and the Department of Personnel and Administration. These areas account for \$55.7 million, or 0.7% percent of total General Fund appropriations.

The remaining 3.4 percent, or \$255.1 million, is appropriated to the other departments shown in Figure 2.

Figure 2
Other Areas of General Fund Appropriations, FY 2009-10
(Amounts in Millions)

Department	Amount
Department of Public Safety	\$83.2
Department of Revenue	75.7
General Government*	55.7
Department of Natural Resources	29.7
Department of Public Health and Environment	28.3
Department of Local Affairs	11.9
Department of Law	10.0
Department of Agriculture	6.8
Department of Military and Veterans Affairs	5.9
Department of Treasury	1.9
Department of Regulatory Agencies	1.7
Total	\$310.8

Source: Joint Budget Committee

*This amount includes the Governor's Office, the Legislature, and the Department of Personnel and Administration.