

STATE OF COLORADO

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John W. Hickenlooper
Governor

November 1, 2011

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

Dear Senator Hodge:

We are pleased to submit the State budget request for FY 2012-13. As you will see, the budget reflects the ongoing work of closing the State's structural budget gap and funding the demands of numerous federal and State Constitutional requirements. The proposal also contains several proposals to protect the most vulnerable Coloradans, promote economic growth, continue needed reforms in education, and modernize State government.

We are requesting a total funds budget of \$20.09 billion, of which \$7.39 billion is from the General Fund. Relative to initial FY 2011-12 appropriations, these amounts represent growth rates of 1.7% (\$342.6 million) in total funds and 3.2% (\$227.1 million) in the General Fund.

The General Fund budget (financed by income and sales taxes) is the area of the budget most reflective of the overall economic condition of the state. Though there has been a partial recovery from the recent recession, the revenue picture remains unsettled and we expect only modest General Fund revenue growth in FY 2012-13. Indeed, projected FY 2012-13 General Fund revenue is \$387.4 million, or 5.0% below the pre-recession FY 2007-08 peak. Yet, from FY 2007-08 through FY 2012-13, demands for State services and benefits have increased substantially and reflect the pressures of a growing population and a weak economy. Over this period, we expect:

- Medicaid enrollment to increase by 281,000 (72%);
- Children's Health Plan+ caseload to increase by 11,000 (19%);
- K-12 student enrollment to increase by 52,000 (6.8%);
- Higher Education enrollment to increase 33,600 (20.5%); and
- Annual State Park visits to increase by 766,000 (6.5%).

The tables below display our request in total funds and from the General Fund.

Table 1
FY 2011-12 Appropriation and FY 2012-13 request, total funds, by major category

	FY 2011-12 Total Funds	FY 2012-13 Total Funds	FY 2012-13 Change	FY 2012-13 % Change
Health Care Policy and Financing	\$5,098,183,490	\$5,444,378,624	\$346,195,134	6.8%
K-12 Education	4,336,043,821	4,238,914,230	(97,129,591)	-2.2%
Higher Education	2,881,772,980	2,804,960,471	(76,812,509)	-2.7%
Human Services	2,061,386,598	2,079,838,027	18,451,429	0.9%
Transportation	1,108,119,876	1,119,547,027	11,427,151	1.0%
Corrections	720,391,305	745,101,258	24,709,953	3.4%
Other Departments	<u>3,392,538,372</u>	<u>3,465,389,308</u>	<u>72,850,936</u>	<u>2.1%</u>
Subtotal Department budgets	19,598,436,442	19,898,128,945	299,692,503	1.5%
Anticipated Budget Amendments	0	(1,025,955)	(1,025,955)	N/A
Statewide Adjustments	0	25,599,835	25,599,835	N/A
Other GF Obligations/Expenditures	<u>149,390,202</u>	<u>167,763,585</u>	<u>18,373,383</u>	<u>12.3%</u>
Total	19,747,826,644	20,090,466,410	342,639,766	1.7%

Table 2
FY 2011-12 Appropriation and FY 2012-13 request, General Fund, by major category

	FY 2011-12 Total GF	FY 2012-13 Total GF	FY 2012-13 Change	FY 2012-13 % Change
K-12 Education	\$2,833,701,556	\$2,834,894,598	\$1,193,042	0.0%
Health Care Policy and Financing	1,669,164,241	1,854,725,846	185,561,605	11.1%
Corrections	634,934,029	658,157,093	23,223,064	3.7%
Higher Education	623,962,700	563,691,605	(60,271,095)	-9.7%
Human Services	614,650,877	633,450,270	18,799,393	3.1%
Other Departments	<u>637,371,290</u>	<u>659,779,622</u>	<u>22,408,332</u>	<u>3.5%</u>
Subtotal Department budgets	7,013,784,693	7,204,699,034	190,914,341	2.7%
Anticipated Budget Amendments	0	(1,025,955)	(1,025,955)	N/A
Statewide Adjustments/Initiatives	0	18,818,572	18,818,572	N/A
Other GF Expenditures	<u>149,390,202</u>	<u>167,763,585</u>	<u>18,373,383</u>	<u>12.3%</u>
Total	7,163,174,895	7,390,255,236	227,080,341	3.2%

As you can see from the tables on the previous page, the largest areas of increase are in effectively mandatory areas of the budget. The new General Fund resources for the Department of Health Care Policy and Financing, which administers the Medicaid program, account for over 81.7 percent of the statewide General Fund increase. As you know, Medicaid is a federal/state program with strict rules regarding participation and eligibility. As the economy has weakened, more people are eligible for the program and we are obligated to finance those costs. Please note that while new rules associated with federal health care reform prevent our ability to restrict eligibility to save money, many of the expanded health coverage populations from recent years are not paid with General Fund dollars. Rather, those expansions are covered by the hospital provider fee established by House Bill 09-1293. Meanwhile, though we are experiencing a modest decline in the incarcerated population at the Department of Corrections, the expected caseload is higher than previously estimated and thus new funds are needed. The combined increases to HCPF and the DOC, account for 91.9 percent of the net General Fund increase in FY 2012-13.

With respect to the total funds budget, we note that absent the increase to HCPF, the overall FY 2012-13 State budget would decline from initial FY 2011-12 appropriations.

My administration is proud of the work we did with the General Assembly last session. We tackled many difficult decisions, and that effort benefits us today. Yet, the year ahead will bring many of the same challenges and opportunities. In addition to the caseload pressures mentioned above, we must also address the end of numerous temporary budget balancing measures from prior years including FY 2011-12. These include: use of Amendment 35 dollars and severance taxes; expiration of refinancings in the Temporary Assistance to Needy Families program and at the Division of Motor Vehicles; the return of the Senior Homestead Exemption; the return of the traditional State contribution to the Public Employees Retirement Association; and an unsustainable level of appropriation from the State Education Fund. In total, we identified \$679.0 million in these areas and others that could not be financed under currently available resources.

Though the overall budget is increasing, it reflects reductions both large and small across most State departments, including significant reductions to K-12 and higher education. The large increase in resources to the Medicaid program is after applying \$31.9 million in cost saving measures and increases in client co-pays and premiums.

While we are not proposing new revenue-generating measures for the FY 2012-13 budget, several law changes are necessary to finance this request within the State's existing resources. The major law changes required to finance this request include:

- ***Delaying the full reinstatement of the Senior Homestead Exemption.*** Though scheduled to return under current law, the \$98.6 million required for this initiative would require further substantial cuts to education and critical safety net programs. The proposal leaves in place the exemption for disabled veterans. We are proposing \$9.5 million to be allocated for lower-income senior property tax assistance.

- ***Retain cash fund financing in the Division of Motor Vehicles.*** This proposal would avoid \$22.7 million in General Fund spending at the DMV. We are proposing this to be a permanent change; permanent budget changes like this are essential for the structural gap in the General Fund to close.
- ***Continuation of existing nursing home provider rates.*** Under current law, these rates are scheduled to increase by 1.5 percent. This proposal saves \$4.5 million General Fund.
- ***Severance Taxes to the General Fund.*** We believe the continued use of severance taxes will be necessary in FY 2012-13. We propose transferring \$63.9 million to support the FY 2012-13 budget. However, this proposal leaves \$10.0 million available for local grants.

In the absence of these measures, we believe that Colorado's education, public safety, health care systems, and safety net programs would be unnecessarily and dramatically weakened. While it would be preferable not to request these changes, we must prioritize within existing resources and revenue estimates. Our budget proposal avoids reductions in health care provider rates, minimizes the dollar reductions for K-12 and higher education, and protects and expands services for some of our most vulnerable citizens, the "last and the least" among us.

We include a detailed analysis of our balancing calculations beginning on page 9 of this letter.

FY 2012-13 Major Policy Changes and Initiatives

Though this budget request reflects some difficult choices, we believe there are important policy changes and initiatives that merit your consideration and approval. Even in a period of recovery, we must protect the vulnerable, promote the economy, continue needed reforms in education, modernize State government, and improve long-term planning. (Please see the supplementary fact sheets attached to this letter for more detailed information.) In addition, we are proud to highlight our progress toward improving government performance and increasing taxpayer value.

Protect the Vulnerable. For FY 2012-13, the Department of Human Services is requesting \$4.9 million total funds (\$2.4 million net General Fund) to provide services to 173 additional people with developmental disabilities. This request includes people who are in emergency or high-risk situations and youth who are transferring out of the Child Welfare System.

While we are proposing to suspend the Senior Homestead Exemption, we believe that some assistance is necessary for lower-income seniors in Colorado. We believe the most administratively simple way to extend property tax assistance to those with lower incomes is to expand the existing Colorado Property Tax/Rent/Heat Rebate in 39-31-101, C.R.S. We have earmarked \$9.5 million for such purposes. If approved by the General Assembly, this would be a 128% increase to the program.

Economic Development. Though the economic recovery remains weak, Colorado's economic position is better than that of many other states. In recent weeks, new corporate headquarters relocations have demonstrated the value of targeted and modest State initiatives. We seek to add to our available tools with three initiatives. First, we believe it is important to add resources to the Economic Development Council. By allocating \$6.0 million, the EDC will be able to attract 2,300 new jobs at an average annual wage of \$53,500. The State taxes generated by this additional income will recover this expense in just over one year. Second, Colorado's economy depends on a robust energy sector and policies that support its continued vibrancy and growth. We have accounted for a \$3.1 million allocation from Limited Gaming funds for funding to the Governor's Energy Office. Third, also from Limited Gaming, we are proposing an innovative loan program, started with \$3.0 million, to promote film production and location within Colorado.

Education Reform. With the passage of Senate Bill 10-191, Colorado became a nationally recognized leader in education reform. Though budget reductions continue in K-12 education, our ability and commitment to improve our education system is paramount to Colorado's success. We propose \$7.7 million to begin implementation of Senate Bill 10-191; specifically, the request will fund three critical features of the educator effectiveness evaluation system called for in the legislation.

Modernizing Government. Colorado State government is improving the administration of its information technology and completing the consolidation of resources and management as envisioned in Senate Bill 08-155. However, some critical issues exist that require attention and resources if we are to perform at a level acceptable to taxpayers. We are requesting initiatives to modernize two specific areas. First, we are requesting \$8.6 million Total Funds and 8.5 FTE, of which \$3.0 million is General Fund to modernize the Colorado Financial Reporting System (COFRS), the State's accounting system. Earlier this year, the State Auditor found that the "likelihood of a partial or complete failure of COFRS is increasing" and noted it "is based on obsolete technology" that is not cost-effective to maintain. A failure of such a core function of government, keeping track of taxpayer dollars, would be indefensible. Second, large portions of the State's IT functions are spread around over 30 data servers. We are requesting \$1.9 million General Fund to consolidate these servers to two secure centers.

Long-term Budget Planning. In addition to the statutory changes required to balance the budget, we believe that long-term planning would be better served by reforming major spending triggers in the General Fund. For many years, the State has relied on year-to-year budgeting and spending decisions that are disconnected from the economy and available revenue. Before multi-year budgets can work, future spending and delayed obligations must be kept to a minimum, and they must reflect the realities of revenue availability. In addition, planning must accommodate the dominant restrictions and demands on the budget, such as Medicaid, Amendment 23, etc. To that end, it is time to take a fresh look at statutory schedules for new or increased spending. Specifically, the return of the Senior Homestead Exemption and the provisions of Senate Bill 09-228 should be amended in a way that harmonizes the intent of these laws, but also allows the

State to plan its future with appropriate certainty.

With respect to statutory spending schedules, we believe that spending for the Senior Homestead Exemption and Senate Bill 09-228 should be converted from time-specific triggers to those based on revenue levels. In March of 2009, the expectations for revenue by FY 2011-12 were roughly \$900 million higher than what we currently project. It is not reasonable to keep the identical plan from over two years ago when the more likely actual revenue level is so much lower. Time-specific spending triggers may have their place, however the magnitude of these laws is so great that we believe a higher level of revenue is needed before these should become State priorities again.

The Senior Homestead Exemption was adopted by the voters in 2000. It contained a provision allowing the General Assembly to adjust the amount of the exemption. In several years since that time, the exemption was eliminated. Most recently, in 2009 and in 2010 it was eliminated for fiscal years 2009-10, 2010-11, and 2011-12. Current law calls for this exemption to return in FY 2012-13.

Under current law, Senate Bill 09-228 triggers certain General Fund transfers to reserves, transportation, and capital construction when Colorado personal income growth (not tax revenue growth) reaches five percent. If this trigger were to occur for calendar year 2012, this would not be verified until spring of 2013. Yet, under this scenario, around \$235 million of new General Fund transfers would be required near the end of FY 2012-13. The State is not likely to have excess unbudgeted funds for such purposes and the statutory reserve is not available to assist with these new transfers; indeed, the reserve would be required to increase. We believe this is an unacceptable and inappropriate risk for the State's budget.

For both of these laws, we recommend reforms that would reinstate these spending plans when revenue returns to the FY 2007-08 level, adjusted for inflation and population since that time.

Improving Government Performance / Increasing Taxpayer Value. Our administration is committed to making better use of existing resources, increasing value to taxpayers, and reducing red tape. We are proud to note the following accomplishments and initiatives since taking office in January of this year.

Senior Management Hiring. Over 100 Senior Executive Service positions were competitively re-selected in State agencies. The SES program is one area of State government where we can engage high-level managers in a similar fashion to private enterprise. Most SES position descriptions were changed and our Executive Directors will evaluate their contract renewals annually.

Mergers and Consolidations. We have pursued a number of mergers and consolidations in State agencies. Notably, with the help of the General Assembly, the Lieutenant Governor now also serves as the Executive Director of the Department of Higher Education, we have completed a merger of the former Divisions of Parks and Recreation

and Wildlife into a single agency, and the Supportive Housing and Homeless Program has been merged into the Department of Local Affairs, creating a single State office for housing assistance. At the Department of Public Health and Environment, the Executive Director serves as the Chief Medical Officer. At the Department of Regulatory Agencies, one manager now oversees the Divisions of Banking and Securities. Most recently, the Office of Homeland Security was moved to the Department of Public Safety; we believe this move will greatly improve coordination of resources and accountability.

Change Management. To achieve our goal of making government more efficient, effective, and elegant, the Office of State Planning and Budgeting began leading the implementation of Lean management principles in several state departments in October 2011. Lean management refers to a set of tools and processes to streamline operations and eliminate waste, all with the goal of improving customer value. Using the last of the ARRA dollars allocated to the State, some existing resources, as well as donated funds, our goal is that this 18-month initiative will create a sustainable culture of constant process improvement. We will provide regular updates on our progress and accomplishments through the end of the project in March of 2013.

Health Care Accountability. While surging Medicaid obligations are driving our request for additional General Fund appropriations, the Department of Health Care Policy and Financing has realized successes on several fronts. With a focus on containing costs and improving health outcomes, HCPF has implemented initiatives including: oral health; behavioral health; nutrition and fitness; reducing tobacco use; reducing ER visits; and promoting the Nurse Advice Line. Illustrating the impact of the Nurse Advice Line, there was a 9% decrease in Medicaid ER visits in the second quarter of FY 2010-11 over the same quarter in the previous fiscal year. The Nurse Advice Line saw a 300% increase in calls in the 18 months leading up to and through May 2011.

Meanwhile, the Accountable Care Collaborative (ACC) Program was implemented in May 2011. This program is comprised of seven Regional Care Collaborative Organizations and will support the use of health care homes, sharing of client and best practice data with providers, and monetary incentives (“gainsharing”) for improved care-coordination and case management. Current ACC enrollment is approximately 55,000 clients, with significant expansions to come and expected savings of \$1.8 million in FY 2012-13 and \$4.1 million in FY 2013-14. Cost reductions and improved health outcomes are expected due to reductions in hospital admissions, lower emergency room usage, and reductions in duplicate services and tests.

Cost-containment is a top priority for our administration. Through recovery efforts, HCPF realized approximately \$65 million in FY 2010-11, and is also working on an initiative to reduce beneficiary fraud and error. Smart business decisions such as better management of prescription drugs and home health services will provide an additional \$29.7 million in savings annually.

As outlined in the veto message to Senate Bill 11-213, changes to the Medicaid and CHP+ programs have also been developed to increase total cost-sharing responsibility for families in a way that is minimally disruptive and administratively efficient. Medicaid co-payments will be increased to the maximum permitted level under federal law and CHP+ annual enrollment fees will be tripled for higher income families. Co-payments will be increased for most income groups, and clients with higher incomes will be required to pay relatively more. Higher co-payments will also be implemented for clients who use an ER when they do not have an emergency. The strategic changes in co-payments encourage the use of lower-cost services, such as primary care, and discourage inappropriate use of more expensive settings such as emergency rooms. The proposal is expected to save \$3.4 million in FY 2012-13 and \$6.0 million in FY 2013-14.

Colorado Economic Development Blueprint. With more than 13,000 people contributing either in person or in writing, the Office of Economic Development and International Trade has now published a second version of what we are calling the Colorado Blueprint. This document is the embodiment of a "bottom-up" economic development strategy that uses local priorities to connect to statewide strategies, policies, and initiatives. The Colorado Blueprint is comprised of six initiatives that provide a comprehensive approach to our economic development strategy, with dates and deliverable accomplishments for each.

Business Regulations / Eliminating Red Tape. The Department of Regulatory Agencies has been leading a Pits and Peeves Roundtables Initiative which involved six statewide forums. This was an opportunity for business organizations and associations, advocacy groups, local government representatives, non-profit organizations and members of academia to engage in frank and open dialogue with senior State government executives about the specifics of their experiences involving red tape. The participants, who represented over 100 organizations, were also asked to share ideas of how state government could address and resolve the issues of regulatory inefficiencies.

We have also developed a group of recommendations for immediate implementation, based on suggestions and ideas from the Roundtable participants, which address some of the systemic impediments giving rise to red tape. One such recommendation is the establishment of regulatory facilitation teams, aligned around the industry clusters indentified in connection with the Colorado Blueprint, to assist and support businesses in navigating their respective regulatory mazes. The scope and substance of red tape issues, suggested solutions, responsive actions and initiatives by State agencies, as well as the proposed recommendations are captured in a forthcoming report on the Pits and Peeves Roundtables Initiative, entitled "Cutting Red Tape in Colorado State Government."

A number of State agencies have already undertaken efforts to address many of the specific, individual issues identified in the Roundtable meetings, such as, for example, the re-engineering of the CDOT contracting process, resulting in the elimination of redundant steps, shorter timeframes, consistent customer service and tracking of key

performance indicators. Meanwhile, the Department of Human Services did a comprehensive review of more than 4,300 rules, 830 of which are recommended for repeal, and 2,000 rules will be revised.

FY 2012-13 General Fund Budget Balancing Plan

In keeping with the policy the General Assembly adopted for the current budget, our proposal uses the more conservative of the estimates available. The September 2011 General Fund revenue estimates provided by the Office of State Planning and Budgeting for FY 2012-13 are \$225 million (3.0%) lower than those estimated by the Colorado Legislative Council Staff.

The FY 2012-13 budget package addresses a \$679.0 million General Fund budget shortfall, which is comprised of new cost pressures and expiring prior-year actions. Appendix 1 details the expiring actions taken to balance the budget in prior fiscal years. These actions include an increase of \$73.2 million in revenue augmentation, \$586.3 million in expenditure decreases, and a reserve savings of \$19.5 million based on a recalibration of the reserve requirement due to the expenditure reductions.

<u>General Fund Budget Without Proposed Balancing Initiatives</u>				
	FY 11-12 Budget	FY 12-13 Budget	Change of FY 12-13 over FY 11-12	FY 12-13 % Change
GF Available	\$7,424,254,747	\$7,604,622,186	\$180,367,439	2.4%
GF Expenditures	<u>7,163,174,895</u>	<u>7,976,544,005</u>	<u>813,369,110</u>	<u>11.4%</u>
Ending GF	261,079,852	(371,921,819)	(633,001,671)	N/A
GF Reserve Requirement	279,291,066	307,092,824	27,801,757	10.0%
GF Above (Below) Reserve Requirement	(18,211,214)	(679,014,642)	(660,803,428)	N/A

As the table above indicates, available General Fund revenues are increasing by 2.4 percent. However, required General Fund expenditures and obligations are increasing by over 11.0 percent. This variance between available General Fund revenues and the required General Fund expenditures resulted in a projected General Fund shortfall of approximately \$679.0 million in FY 2012-13.

The following table shows our FY 2012-13 budget request with our proposed budget-balancing measures. These balancing measures increase the General Fund revenues (“available”) slightly, and significantly reduce General Fund expenditures.

<u>General Fund Budget Request</u>				
	FY 11-12 Budget	FY 12-13 Budget	Change of FY 12-13 over FY 11-12	FY 12-13 % Change
GF Available	\$7,424,254,747	\$7,677,828,186	\$253,573,439	3.4%
GF Expenditures	<u>7,163,174,895</u>	<u>7,390,255,236</u>	<u>227,080,341</u>	<u>3.2%</u>
Ending GF	261,079,852	287,572,950	26,493,098	N/A
GF Reserve Requirement	279,291,066	287,572,950	8,281,883	3.0%
GF Above (Below) Reserve Requirement	(18,211,214)	0	18,211,215	N/A

FY 2012-13 General Fund Overview

FY 2012-13 General Fund Revenues (\$7,677.8 million).

Our FY 2012-13 General Fund budget assumes a beginning fund balance of \$261.1 million, net General Fund revenues of \$7,355.5 million, and net transfers of -\$5.9 million affecting the General Fund as outlined in the OSPB September 2011 forecast. These total \$7,610.7 million. To this base forecasted sum, we have added \$73.2 million in budget-balancing revenue augmentation. This increase includes \$9.4 million associated with a one-time revenue increase from the sale of a state railroad by the Department of Transportation, transfers of \$33.9 million from the Perpetual Base Account of the Severance Tax Trust Fund, and \$30.0 million from the Local Government Severance Tax Cash Fund are added to augment General Fund.

In addition, General Fund revenues are reduced by \$6.1 million to fund two new initiatives in FY 2012-13. First, revenues are reduced by \$3.1 million associated with a transfer into the Gaming Fund for distribution to the Governor's Energy Office. These funds would be used to advance the use of clean and renewable energy to create jobs, enhance energy security, manage consumer costs, and protect the environment. Second, \$3.0 million is reduced from revenues for transfer into the Gaming Fund for distribution to Office of Film, Television and Media. These funds allow for increased incentives to attract additional film production activity and create jobs.

FY 2012-13 General Fund Expenditures (\$7,390.3 million).

Our FY 2012-13 General Fund expenditure request includes \$7,189.3 million subject to the limit in Section 24-75-201.1 (1) (d) (III), C.R.S. and \$200.9 million General Fund which is exempt from the limit. Together these two General Fund expenditure areas add to \$7,390.25 million.

Our FY 2012-13 General Fund expenditures are built off of a FY 2012-13 base budget totaling \$7,156.8 million. This base includes \$7,122.1 million General Fund subject to the limit

authorized in Section 24-75-201.1 (1) (d) (III), C.R.S. and \$34.7 million which is exempt from the General Fund limit. This base is inclusive of \$24.4 million General Fund for statewide costs ("common policy") increases such as employee benefits, workers' compensation, and computer costs.

To this \$7,156.8 million funding base, we have added a net \$47.9 million General Fund for November 1 funding requests, including \$49.4 million General Fund subject to the General Fund limit offset by a reduction of \$1.5 million exempt from the General Fund limit. These requests include both increases and decreases in the budget. In addition, the budget includes increases of \$18.8 million for three initiatives requested at a statewide level. Our budget-balancing assumptions also include -\$1.0 million net General Fund associated with potential January FY 2012-13 budget amendments.

The budget includes \$63.8 million General Fund Exempt for capital construction. This figure includes \$0.6 million for statutory Corrections Expansion Reserve Fund increases, \$3.0 million to fund the COFRS replacement, and \$1.9 million for Data Centers.

Finally, \$103.9 million of General Fund Exempt is assumed in the budget request for FY 2012-13 General Fund Rebates and Expenditures beyond the General Fund Exempt contained in department budgets. This sum includes \$102.3 million for the Old Age Pension Fund and \$1.6 million for School Loans.

FY 2012-13 General Fund Reserve Requirement (\$287.5 million).

The FY 2012-13 General Fund reserve is continued at 4.0 percent of General Fund expenditures subject to the statutory General Fund limit (\$7,189.3 million). The 4.0 percent reserve calculates to \$287.5 million. The difference between our budget's General Fund revenues available (\$7,677.8 million) and General Fund spending (\$7,390.3 million) is \$287.5 million. Without a 4.0 percent reserve, the budget will be even more vulnerable to volatility in revenue estimates and caseload changes. The maintenance of this reserve level is essential to protect critical programs from such future fluctuations. As noted previously, the 4.0 percent reserve only provides the state with effectively two weeks of reserve to absorb revenue fluctuations and to respond to unanticipated caseload and other unforeseen expenses.

FY 2012-13 State Budget Summary

General Fund Available	\$7,677.8 million
General Fund Expenditures	\$7,390.3 million
General Fund Reserve Requirement	\$ 287.5 million
Shortfall With Balancing Measures	\$ 0 million <1>

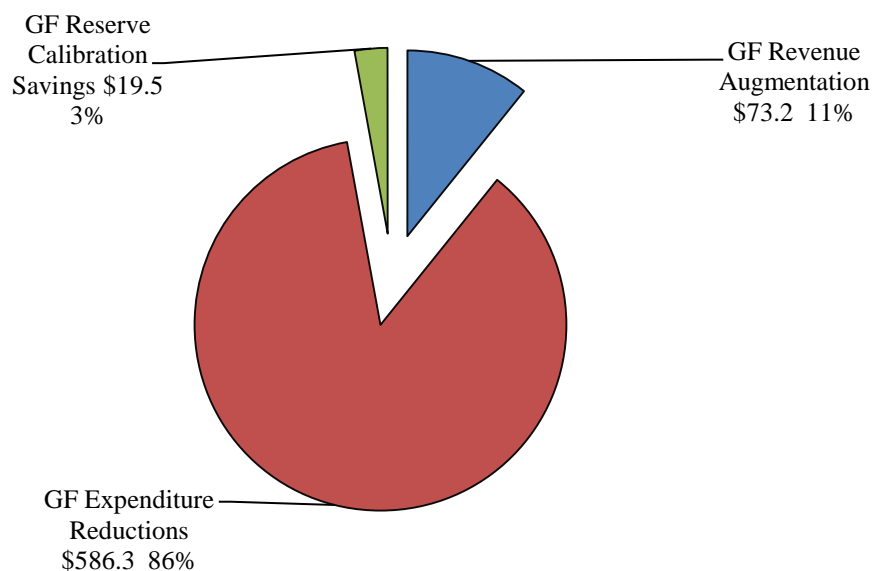
<1> General Fund available less expenditures and 4.0 percent General Fund reserve.

FY 2012-13 General Fund Budget

Actions to Ensure Fiscal Balance.

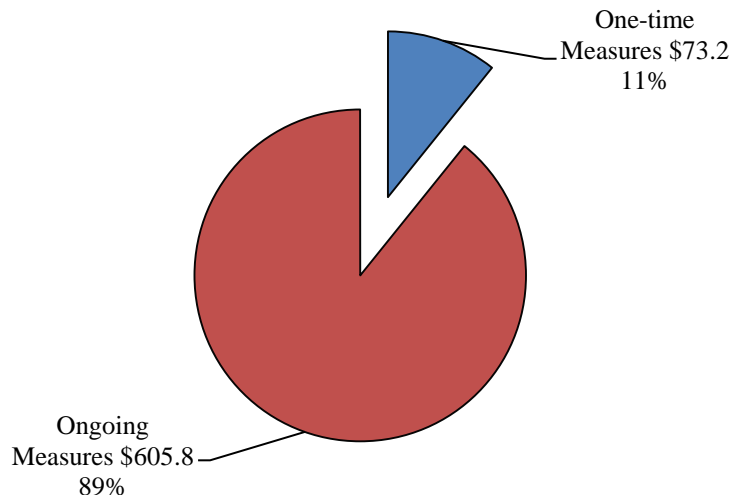
The FY 2012-13 budget package contains \$679.0 million in General Fund budget balancing actions. These actions include an increase of \$73.2 million in revenue augmentation, \$586.3 million in expenditure decreases, and a reserve savings of \$19.5 million based on a recalibration of the reserve requirement due to the expenditure reductions. The \$679 million in balancing actions reflect new cost pressures and the impact of expiring prior-year budget actions. Appendix 1 at the end of the document shows an accounting of the prior-year actions.

FY 12-13 General Fund Balancing Measures (In Millions)



Approximately 89.0 percent of the FY 2012-13 balancing plan is comprised of expenditure reductions and the associated reserve calibration. The remainder (approximately 11.0 percent) is from revenue augmentation. All of the expenditure reductions are ongoing in nature.

FY 12-13 General Fund Balancing Measures (In Millions)



General Fund Revenue Balancing Measures.

The FY 2012-13 budget package reflects \$73.2 million in General Fund revenue increases as follows.

Severance Tax Cash Fund. The request increases General Fund revenues by \$33.9 million from the Perpetual Base Account and \$30.0 million from the Local Government Severance Tax Cash Fund.

State Rail Bank Fund. The request increases General Fund revenues by \$9.4 million in one-time proceeds from the sale of the Towner line railroad by the Department of Transportation from the State Rail Bank Fund into the General Fund in FY 2012-13.

General Fund Expenditure Balancing Measures.

The FY 2012-13 budget package contains \$586.3 million in net General Fund expenditure reductions. Of this sum, \$488.0 million is General Fund subject to the limit in Section 24-75-201.1, C.R.S. and \$98.3 million is General fund exempt from the limit. The General Fund reductions include department initiatives and changes to rebates/obligations.

The following departmental initiatives make up our General Fund balancing plan for FY 2012-13:

\$350.4 million General Fund reduced from K-12 School Finance (“Total Program”) in the Department of Education. The plan provides for no General Fund increase for the K-12 Total Program in FY 2012-13 relative to the FY 2011-12 appropriation. This request

increases the Budget Stabilization Factor (“negative factor”) to \$1.1 billion in total. With this change, K-12 School Finance funding will decrease by \$89.0 million total funds compared to FY 2011-12; this is a projected drop of \$162.85 per pupil.

\$60.3 million General Fund reduced in the Department of Higher Education. These reductions include the following: \$29.1 million in general operating revenue to the Governing Boards (both from the College Opportunity Fund and Fee-for-Service); \$24.6 million in reductions to need-based financial aid; \$5.5 million reduced in work-study programs; \$0.3 million in reductions to lower eligible College Opportunity Fund (COF) hours from 145 to 140; \$0.5 million reduced in COF financial aid to private universities in Colorado; \$0.2 million in administrative reductions to CCHE; and \$45,000 reduced in the WICHE Optometry program whereupon an academic year is phased out each year until FY 2015-16.

\$31.9 million General Fund in the Department of Health Care Policy and Financing. This savings includes \$30.5 million of Medicaid budget reductions designed to contain health care costs, including rate adjustments, service restrictions, and financial efficiencies. The savings also includes \$1.4 million associated with new cost sharing measures for Medicaid and Child Health Plan Plus (CHP+). This cost sharing initiative is in response to the veto of SB11-213 (“Concerning Enrollee Cost-Sharing for Children Enrolled in the Children’s Basic Health Plan”). In the veto letter, we committed to develop a cost sharing measure. We believe this measure will be more effective in fostering responsibility in health care decisions.

\$22.7 million General Fund in the Department of Revenue associated with continuing the Division of Motor Vehicles (DMV) refinancing funded in FY 2011-12. This refinancing was statutorily scheduled to discontinue in FY 2012-13; the request instead continues the refinancing permanently.

\$18.0 million net General Fund statewide associated with Health, Life, and Dental. The increase in costs for Health, Life, and Dental will be borne by state employees.

\$1.6 million General Fund reduced in the Department of Revenue. This reduction is associated with refinancing General Fund with funds from Severance Tax Trust Fund collection and administration.

\$1.3 million in the Department of Agriculture associated with refinancing the General Fund in the Inspection and Consumer Services programs with funds from the Inspection and Consumer Services Cash Fund. This refinancing occurred in FY 2010-11 and FY 2011-12, and this FY 2012-13 request makes the refinancing permanent.

\$1.2 million in the Department of Human Services. This savings is comprised of \$0.8 million associated with refinancing General Fund in the Child Care Assistance Program with federal funds, and \$0.4 million associated with refinancing General Fund in the Child Support Enforcement program with the recovered child support collections.

\$0.4 million General Fund reduced in the Department of Public Health and Environment. This includes \$0.4 million in the Department of Public Health and Environment associated with an across-the-board reduction and \$55,000 associated with the elimination of a vacant position in the Health Care Program for Children with Special Needs.

\$0.1 million associated with reductions in other departments. These reductions include \$109,888 in the Department of Personnel and Administration associated with mail services and \$28,164 reduced in the Governor's Office associated with the elimination of a vacant position.

\$98.3 million in reductions are made to the General Fund Rebates/Obligations. These expenditures reductions are not subject to the statutory General Fund limit in Section 24-75-201.1, C.R.S. and include:

- \$96.8 million saved from continuing the suspension of the Senior Homestead Exemption in FY 2012-13.
- \$1.5 million General Fund from an adjustment to the Volunteer Fire Fighter Pension Plans in the Department of Local Affairs. This proposal eliminates support for actuarially sound volunteer firefighter pension plans that provide benefits of more than \$300 per eligible retiree per month.

General Fund Reductions - Reserve Calibration.

The budget reflects a recalibration to the General Fund 4.0 percent reserve level, reflecting the reserve savings associated with the \$488.0 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 equates to a \$19.5 million reduction in the reserve requirement attributable to the General Fund reductions.

New FY 2012-13 General Fund Spending Initiatives.

The FY 2012-13 budget contains \$18.8 million General Fund for new Governor's funding initiatives, requested at a statewide level. These initiatives include the following:

\$9.5 million to assist lower-income seniors with the impact of the proposal to delay reinstatement of the Senior Homestead Exemption. We believe the most administratively simple way to extend property tax assistance to those with lower incomes is to expand the existing Colorado Property Tax/Rent/Heat Rebate in 39-31-101, C.R.S. If approved by the General Assembly, this would be a 128% increase in the program.

\$7.7 million General Fund to fund teacher assessments. This initiative provides dollars for an educator effectiveness evaluation system as authorized by Senate Bill 10-191 to

promote high-quality teaching and leadership in Colorado's K-12 public schools. Specifically, the request will fund three critical features of the educator effectiveness evaluation system called for in the legislation.

\$1.6 million General Fund (\$8.4 million total funds) to reverse the payday shift for state employees who are paid on a bi-weekly basis. SB03-197 shifted the date for June paychecks for most state employees to July 1, beginning in 2003, resulting in a one-time savings for state departments in FY 2002-03.

In addition to the statewide initiatives, the following measure is requested for Economic Development in the Governor's Office budget:

\$6.0 million General Fund is requested for the Economic Development Commission located in the Governor's Office. Of this sum, \$5.75 million is to provide performance-based incentives to businesses looking to expand in or relocate to Colorado. The request anticipates adding 2,300 net new jobs at an average wage of \$53,500. The remaining \$250,000 requested is for Global Business Development to retain businesses in Colorado that are part of targeted cluster industries.

\$3.0 million from Limited Gaming Funds (that would otherwise go to the General Fund) is requested for the Office of Film, Television and Media in OEDIT. These funds will be used to fund incentives and start a gap loan financing program for new film productions from out of state. The proposal has the potential of creating up to 600 new jobs.

\$3.1 million from Limited Gaming Funds (that would otherwise go to the General Fund) is requested for funding for the Governor's Energy Office. The proposal would fund eight initiatives that address distinct market barriers in the energy sector. These barriers include planning for a balanced energy portfolio, diversification of fuel use, transmission issues, greening government, and improving energy policy coordination.

FY 2012-13 Full Time Equivalent Employees.

In addition to the total funds change noted above, we are requesting a net statewide increase of 27.8 FTE. This represents a 0.1 percent increase over the 52,174.3 FTE authorized in FY 2011-12. Of this sum, 23.0 FTE is associated with the regulation of Medical Marijuana in the Department of Public Health and Environment.

Closing Comments

Thank you for your consideration of today's request. We are looking forward to working with you and the entire General Assembly in the coming months. Our working relationship is strong and we thank the leadership of the General Assembly and the members of the Joint Budget Committee for their partnership and the productive exchanges we have had to date.

November 1, 2011

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Should you have any questions about this request or the budget in general, please contact our Budget Director, Henry Sobanet at 303-866-3317.

Sincerely,



John W. Hickenlooper
Governor

Cc: 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
Representative Mark Ferrandino, Joint Budget Committee Member
Senate President Brandon Shaffer
Speaker of the House Frank McNulty
Mr. John Ziegler, Joint Budget Committee Staff Director
Lt. Governor Joe Garcia
Ms. Roxane White, Chief of Staff, Governor John W. Hickenlooper
Mr. Alan Salazar, Chief Strategic Officer
Mr. Kevin Patterson, Deputy Chief of Staff and Chief Administrative Officer, Governor John W. Hickenlooper
Christine Scanlan, Director of Legislative Affairs and Strategic Initiatives and Senior Education Policy Advisor, Governor John W. Hickenlooper
R.D. Sewald, Director of Government and Community Affairs/Legislative Liaison, Governor John W. Hickenlooper
Mr. Henry Sobanet, Director, Governor's Office of State Planning and Budgeting
Mr. Erick Scheminske, Deputy Director, Governor's Office of State Planning and Budgeting

Appendix 1 – Expiring Actions Affecting the FY 2012-13 Budget

Prior Year General Fund Measures Ending in FY 2012-13	
<u>Discontinued Expenditure Measures</u>	
Restoration of Senior Property Tax Exemption	\$ 96.8
K-12 Discontinuation of One-time (SB11-230) Cash Funds	89.0
Restoration of One-time Medicaid Refinancing	75.3
Division of Motor Vehicles (DMV) Refinancing	20.5
Discontinuation of SB11-076 PERA Refinancing	20.0
Elimination of DHS Child Welfare GF Refinancing	<u>12.5</u>
Subtotal Expenditure Measures	314.1
<u>Discontinued Revenue Measures</u>	
End of One-time Cash Fund Transfers	
SB11-226 Perpetual Base Account	48.1
SB11-226 Local Government Severance Tax Fund	41.0
SB11-226 Local Government Mineral Impact Fund	30.0
SB11-226 Operational Account of the Severance Tax Trust Fund	4.0
SB11-226 Low-income Energy Assistance Fund	3.3
SB11-226 Tobacco Litigation Settlement Cash Fund	0.7
SB11-226 Debt Collection Fund	0.2
SB11-226 Child Welfare Action Committee Cash Fund	<u>0.2</u>
SB11-226 Total	127.4
SB09-270 Transfers to the GF (Tobacco Tax Revenue Interest)	2.1
Other legislation (SB09-270, HB10-1388, SBs 11-210, 219, 224, 225)	<u>1.2</u>
Subtotal One-time Cash Fund Transfers	130.7
Restoration of Sales Tax Exemptions	66.0
Reduction in Income Tax Measures	<u>48.4</u>
Subtotal Revenue Measures	\$ 245.1
Total Expenditure and Revenue Measures Ending in FY 2012-13	\$ 559.2
Total FY 2012-13 General Fund Shortfall	\$ 679.0
Percent of FY 2012-13 GF Shortfall Attributable to End of Temporary Measures	82.3%

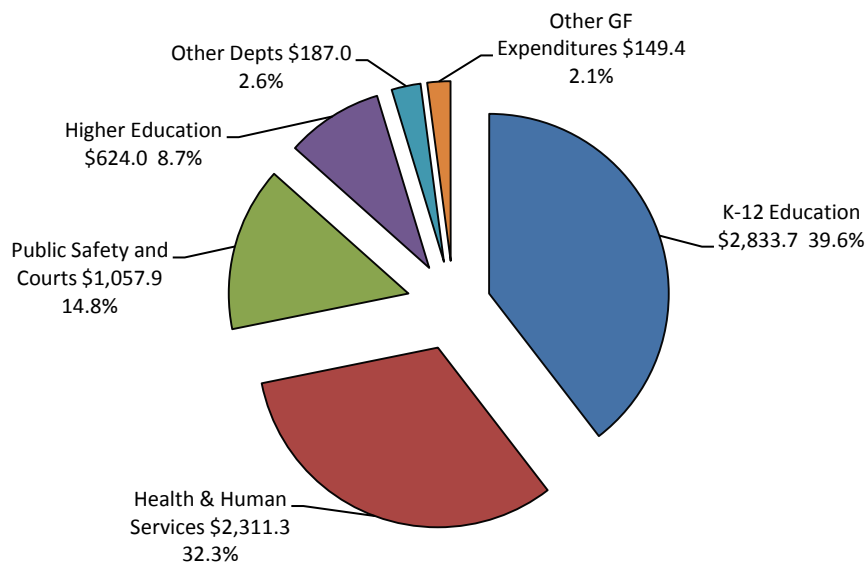
Appendix 2

Colorado's General Fund Budget Structure

Over 95 percent of the State General Fund budget is currently appropriated for the areas of K-12 education, higher education, health and human services, and public safety. K-12 Education alone represents almost 40 cents out of every state dollar expended. The Medicaid program, Indigent Care, and Human Services programs represent the second largest General Fund expenditure (32 percent). The rest of state government receives the remainder of the General Fund available.

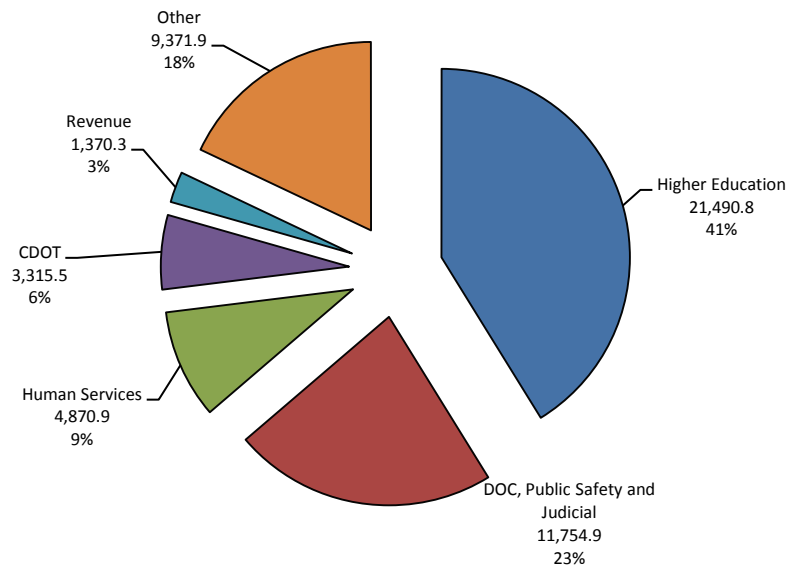
The following charts summarize FY 2011-12 General Fund expenditures and Full-Time-Equivalent employees by area.

FY 2011-12 General Fund Expenditures



Compared with the prior pie chart, where the bulk of the State's FTE employees work is not related to where the bulk of our General Fund dollars are spent. For example, while over 65% of the budget goes to K-12 Education and Medicaid, fewer than 900 employees administrate those budgets for the State. Most K-12 education employees are in 178 school districts around the State, and Medicaid services are delivered by the private and not-for-profit sector.

FY 2011-12 FTE Distribution



Governor Hickenlooper's FY 2012-13 Budget Request

	FY 2011-12 Approp.	FY 2012-13 Request	FY 2012-13 Change	% Change
Total Funds	\$ 19,747,826,644	\$ 20,090,466,410	\$ 342,639,766	1.7%
General Fund	7,163,174,895	7,390,255,236	227,080,341	3.2%
Cash Funds	6,081,265,404	6,018,573,508	(62,691,896)	-1.0%
Reappropriated Funds	1,463,259,432	1,466,783,003	3,523,571	0.2%
Federal Funds	5,040,126,913	5,214,854,663	174,727,750	3.5%
FTE	52,174.3	52,202.1	27.8	0.1%

Comparison of Total Funds

Department	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Change Over FY 2011-12	% Change
Agriculture	\$ 38,960,831	\$ 39,193,754	\$ 232,923	0.6%
Corrections	720,391,305	745,101,258	24,709,953	3.4%
Education	4,336,043,821	4,238,914,230	(97,129,591)	-2.2%
Governor	183,734,940	199,321,724	15,586,784	8.5%
Economic Development Programs		6,000,000	6,000,000	N/A
Health Care Policy & Financing	5,098,183,490	5,444,378,624	346,195,134	6.8%
Higher Education	2,881,772,980	2,804,960,471	(76,812,509)	-2.7%
Human Services	2,061,386,598	2,079,838,027	18,451,429	0.9%
Judicial	473,715,022	482,321,057	8,606,035	1.8%
Labor and Employment	158,052,540	160,404,319	2,351,779	1.5%
Law	54,346,573	55,778,808	1,432,235	2.6%
Legislature	35,973,235	36,965,753	992,518	2.8%
Local Affairs	363,437,279	362,311,555	(1,125,724)	-0.3%
Military and Veterans Affairs	221,209,331	221,999,251	789,920	0.4%
Natural Resources	242,541,965	226,968,041	(15,573,924)	-6.4%
Personnel and Administration	157,012,016	159,434,554	2,422,538	1.5%
Public Health and Environment	442,334,867	474,384,843	32,049,976	7.2%
Public Safety	264,519,938	274,840,252	10,320,314	3.9%
Regulatory Agencies	76,741,941	77,818,212	1,076,271	1.4%
Revenue	294,730,727	297,681,894	2,951,167	1.0%
State	18,802,548	18,901,155	98,607	0.5%
Transportation	1,108,119,876	1,119,547,027	11,427,151	1.0%
Treasury	366,424,619	371,064,136	4,639,517	1.3%
Operating Subtotal	\$ 19,598,436,442	\$ 19,898,128,945	\$ 299,692,503	1.5%
Potential Budget Amendments	\$ -	\$ (1,025,955)	\$ (1,025,955)	N/A
Other Expenditures				
Cigarette Rebates <1>	\$ (800,000)	\$ -	\$ 800,000	-100.0%
Old Age Pension Fund	100,000,000	102,300,000	2,300,000	2.3%
Property Tax, Heat, and Rent Credit <1>	(400,000)	0	400,000	-100.0%
Fire/Police Pensions <1>	(15,832)	105,247	121,079	-764.8%
Amendment 35 GF <1>	7,800	(92,200)	(100,000)	N/A
Interest on School Loans	1,400,000	1,600,000	200,000	14.3%
Homestead Exemption <1>	(100,000)	27,127	127,127	N/A
GF Transfers to Capital Construction	49,298,234	63,823,411	14,525,177	29.5%
Subtotal Other Expenditures	\$ 149,390,202	\$ 167,763,585	\$ 18,373,383	12.3%
Statewide Adjustments				
Statewide Adjustments - Biweekly Paydate	0	8,399,835	8,399,835	N/A
Governor's Initiative - Senior Property Tax Relief	0	9,500,000	9,500,000	N/A
Governor's Initiative - SB10-191 Educator Effectiveness	0	7,700,000	7,700,000	N/A
Subtotal Statewide Adjustments	\$ -	\$ 25,599,835	\$ 25,599,835	N/A
Total Funds	\$ 19,747,826,644	\$ 20,090,466,410	\$ 342,639,766	1.7%

<1> Represents forecasted adjustments to the base.

All General Fund

Department	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Change Over FY 2011-12	% Change
Agriculture	\$ 5,164,362	\$ 5,813,563	\$ 649,201	12.6%
Corrections	634,934,029	658,157,093	23,223,064	3.7%
Education	2,833,701,556	2,834,894,598	1,193,042	0.0%
Governor	11,175,194	12,442,153	1,266,959	11.3%
Economic Development Programs		6,000,000	6,000,000	N/A
Health Care Policy & Financing	1,669,164,241	1,854,725,846	185,561,605	11.1%
Higher Education	623,962,700	563,691,605	(60,271,095)	-9.7%
Human Services	614,650,877	633,450,270	18,799,393	3.1%
Judicial	340,243,578	347,951,949	7,708,371	2.3%
Labor and Employment	0	0	0	N/A
Law	9,393,105	10,248,316	855,211	9.1%
Legislature	34,684,832	35,675,709	990,877	2.9%
Local Affairs	10,383,966	9,036,183	(1,347,783)	-13.0%
Military and Veterans Affairs	5,421,658	5,703,579	281,921	5.2%
Natural Resources	23,422,123	23,428,606	6,483	0.0%
Personnel and Administration	5,079,400	5,614,919	535,519	10.5%
Public Health and Environment	27,478,228	27,284,383	(193,845)	-0.7%
Public Safety	82,676,491	84,599,953	1,923,462	2.3%
Regulatory Agencies	1,599,183	1,647,582	48,399	3.0%
Revenue	72,746,170	71,818,604	(927,566)	-1.3%
State	0	0	0	N/A
Transportation	0	0	0	N/A
Treasury	7,903,000	12,514,123	4,611,123	58.3%
Operating Subtotal	\$ 7,013,784,693	\$ 7,204,699,034	\$ 190,914,341	2.7%
Potential Budget Amendments	\$ -	\$ (1,025,955)	\$ (1,025,955)	N/A
Other GF Obligations				
Cigarette Rebates <1>	\$ (800,000)	\$ -	\$ 800,000	-100.0%
Old Age Pension Fund	100,000,000	102,300,000	2,300,000	2.3%
Property Tax, Heat, and Rent Credit <1>	(400,000)	0	400,000	-100.0%
Fire/Police Pensions <1>	(15,832)	105,247	121,079	
Amendment 35 GF <1>	7,800	(92,200)	(100,000)	-1282.1%
Interest on School Loans	1,400,000	1,600,000	200,000	14.3%
Homestead Exemption <1>	(100,000)	27,127	127,127	N/A
GF Transfers to Capital Construction	49,298,234	63,823,411	14,525,177	29.5%
Subtotal Other GF Obligations	\$ 149,390,202	\$ 167,763,585	\$ 18,373,383	12.3%
Statewide Adjustments				
Bi-weekly Paydate Change	0	1,618,572	1,618,572	N/A
Governor's Initiative - Senior Property Tax Relief	0	9,500,000	9,500,000	N/A
Governor's Initiative - SB10-191 Educator Effectiveness	0	7,700,000	7,700,000	N/A
Subtotal Statewide	\$ -	\$ 18,818,572	\$ 18,818,572	N/A
Total General Fund	\$ 7,163,174,895	\$ 7,390,255,236	\$ 227,080,341	3.2%

<1> Represents forecasted adjustments to the base.

General Fund Subject to the SB 09-228 Limit

Department	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Change Over FY 2011-12	% Change
Agriculture	\$ 5,164,362	\$ 5,813,563	\$ 649,201	12.6%
Corrections	634,934,029	658,157,093	23,223,064	3.7%
Education	2,833,701,556	2,834,894,598	1,193,042	0.0%
Governor	11,175,194	12,442,153	1,266,959	11.3%
Economic Development Programs		6,000,000	6,000,000	N/A
Health Care Policy & Financing	1,668,718,141	1,854,279,746	185,561,605	11.1%
Higher Education	623,962,700	563,691,605	(60,271,095)	-9.7%
Human Services	614,650,877	633,450,270	18,799,393	3.1%
Judicial	340,243,578	347,951,949	7,708,371	2.3%
Labor and Employment	0	0	0	N/A
Law	9,393,105	10,248,316	855,211	9.1%
Legislature	34,684,832	35,675,709	990,877	2.9%
Local Affairs	6,089,213	6,260,477	171,264	2.8%
Military and Veterans Affairs	5,421,658	5,703,579	281,921	5.2%
Natural Resources	23,422,123	23,428,606	6,483	0.0%
Personnel and Administration	5,079,400	5,614,919	535,519	10.5%
Public Health and Environment	27,032,128	26,838,283	(193,845)	-0.7%
Public Safety	82,676,491	84,599,953	1,923,462	2.3%
Regulatory Agencies	1,599,183	1,647,582	48,399	3.0%
Revenue	53,446,170	54,018,604	572,434	1.1%
State	0	0	0	N/A
Transportation	0	0	0	N/A
Treasury	881,921	814,123	(67,798)	-7.7%
Operating Subtotal	\$ 6,982,276,661	\$ 7,171,531,128	\$ 189,254,467	2.7%
Anticipated Budget Amendments	\$ -	\$ (1,025,955)	\$ (1,025,955)	N/A
Statewide Initiatives				
Bi-weekly Paydate Change	0	1,618,572	1,618,572	N/A
Governor's Initiative - Senior Property Tax Relief	0	9,500,000	9,500,000	N/A
Governor's Initiative - SB10-191 Educator Effectiveness	0	7,700,000	7,700,000	N/A
Subtotal Statewide Adjustments	\$ -	\$ 18,818,572	\$ 18,818,572	N/A
Subtotal General Fund (SB09-228 Limit)	\$ 6,982,276,661	\$ 7,189,323,745	\$ 207,047,084	3.0%

General Fund Exempt from the SB 09-228 Limit

Department	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Change Over FY 2011-12	% Change
Agriculture	\$ -	\$ -	\$ -	N/A
Corrections	0	0	0	N/A
Education	0	0	0	N/A
Governor	0	0	0	N/A
Health Care Policy & Financing	446,100	446,100	0	0.0%
Higher Education	0	0	0	N/A
Human Services	0	0	0	N/A
Judicial	0	0	0	N/A
Labor and Employment	0	0	0	N/A
Law	0	0	0	N/A
Legislature	0	0	0	N/A
Local Affairs	4,294,753	2,775,706	(1,519,047)	-35.4%
Military and Veterans Affairs	0	0	0	N/A
Natural Resources	0	0	0	N/A
Personnel and Administration	0	0	0	N/A
Public Health and Environment	446,100	446,100	0	0.0%
Public Safety	0	0	0	N/A
Regulatory Agencies	0	0	0	N/A
Revenue	19,300,000	17,800,000	(1,500,000)	-7.8%
State	0	0	0	N/A
Transportation	0	0	0	N/A
Treasury	7,021,079	11,700,000	4,678,921	66.6%
Operating Subtotal	\$ 31,508,032	\$ 33,167,906	\$ 1,659,874	5.3%
Other Expenditures				
Cigarette Rebates <1>	\$ (800,000)	\$ -	800,000	-100.0%
Old Age Pension Fund	100,000,000	102,300,000	2,300,000	2.3%
Property Tax, Heat, and Rent Credit <1>	(400,000)	0	400,000	-100.0%
Fire/Police Pensions <1>	(15,832)	105,247	121,079	N/A
Amendment 35 GF <1>	7,800	(92,200)	(100,000)	-1282.1%
Interest on School Loans	1,400,000	1,600,000	200,000	14.3%
Homestead Exemption <1>	(100,000)	27,127	127,127	N/A
GF Transfers to Capital Construction	49,298,234	63,823,411	14,525,177	29.5%
Subtotal Other Expenditures	\$ 149,390,202	\$ 167,763,585	\$ 18,373,383	12.3%
Total General Fund Exempt (GFE)	\$ 180,898,234	\$ 200,931,491	\$ 20,033,257	11.1%

<1> Represents forecasted adjustments to the base.

Cash Funds

Department	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Change Over FY 2011-12	% Change
Agriculture	\$ 28,776,513	\$ 28,513,468	\$ (263,045)	-0.9%
Corrections	40,620,364	41,975,035	1,354,671	3.3%
Education	853,103,045	754,119,098	(98,983,947)	-11.6%
Governor	23,643,160	29,819,469	6,176,309	26.1%
Health Care Policy & Financing	877,581,880	865,107,650	(12,474,230)	-1.4%
Higher Education	1,699,158,727	1,699,370,889	212,162	0.0%
Human Services	327,959,886	331,665,704	3,705,818	1.1%
Judicial	113,517,658	114,413,978	896,320	0.8%
Labor and Employment	60,765,642	61,911,076	1,145,434	1.9%
Law	10,391,750	10,565,254	173,504	1.7%
Legislature	184,587	186,228	1,641	0.9%
Local Affairs	228,629,982	228,701,124	71,142	0.0%
Military and Veterans Affairs	1,209,140	1,427,399	218,259	18.1%
Natural Resources	191,031,122	174,645,580	(16,385,542)	-8.6%
Personnel and Administration	8,936,695	10,645,478	1,708,783	19.1%
Public Health and Environment	121,579,430	148,875,490	27,296,060	22.5%
Public Safety	128,122,067	135,331,866	7,209,799	5.6%
Regulatory Agencies	69,708,823	70,646,859	938,036	1.3%
Revenue	219,932,569	223,614,852	3,682,283	1.7%
State	18,802,548	18,901,155	98,607	0.5%
Transportation	699,088,197	705,222,582	6,134,385	0.9%
Treasury	358,521,619	358,550,013	28,394	0.0%
Operating Total	\$ 6,081,265,404	\$ 6,014,210,247	\$ (67,055,157)	-1.1%
Statewide Adjustment - Biweekly Paydate	\$ -	\$ 4,363,261	\$ 4,363,261	N/A
Total Cash Funds	\$ 6,081,265,404	\$ 6,018,573,508	\$ (62,691,896)	-1.0%

Reappropriated Funds

Department	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Change Over FY 2011-12	% Change
Agriculture	\$ 1,042,342	\$ 997,107	\$ (45,235)	-4.3%
Corrections	44,118,225	44,250,443	132,218	0.3%
Education	23,319,283	23,399,186	79,903	0.3%
Governor	125,124,833	130,892,629	5,767,796	4.6%
Health Care Policy & Financing	10,375,474	7,385,014	(2,990,460)	-28.8%
Higher Education	539,636,738	522,781,010	(16,855,728)	-3.1%
Human Services	449,772,764	460,987,539	11,214,775	2.5%
Judicial	14,743,488	14,743,488	0	0.0%
Labor and Employment	752,426	656,026	(96,400)	-12.8%
Law	33,061,507	33,394,089	332,582	1.0%
Legislature	1,103,816	1,103,816	0	0.0%
Local Affairs	7,104,146	7,110,808	6,662	0.1%
Military and Veterans Affairs	803,509	803,509	0	0.0%
Natural Resources	8,480,565	8,580,987	100,422	1.2%
Personnel and Administration	142,995,921	143,174,157	178,236	0.1%
Public Health and Environment	26,207,571	30,299,270	4,091,699	15.6%
Public Safety	24,162,074	25,048,839	886,765	3.7%
Regulatory Agencies	4,239,807	4,297,289	57,482	1.4%
Revenue	1,328,287	1,424,050	95,763	7.2%
State	0	0	0	
Transportation	4,886,656	4,915,400	28,744	0.6%
Treasury	0	0	0	
Operating Total	\$ 1,463,259,432	\$ 1,466,244,656	\$ 2,985,224	0.2%
Statewide Adjustment - Biweekly Paydate	\$ -	\$ 538,347	\$ 538,347	N/A
Total Reappropriated Funds	\$ 1,463,259,432	\$ 1,466,783,003	\$ 3,523,571	0.2%

Federal Funds

Department	FY 2011-12 Appropriation	FY 2012-13 Request	FY 2012-13 Change Over FY 2011-12	% Change
Agriculture	\$ 3,977,614	\$ 3,869,616	\$ (107,998)	-2.7%
Corrections	718,687	718,687	0	0.0%
Education	625,919,937	626,501,348	581,411	0.1%
Governor	23,791,753	26,167,473	2,375,720	10.0%
Health Care Policy & Financing	2,541,061,895	2,717,160,114	176,098,219	6.9%
Higher Education	19,014,815	19,116,967	102,152	0.5%
Human Services	669,003,071	653,734,514	(15,268,557)	-2.3%
Judicial	5,210,298	5,211,642	1,344	0.0%
Labor and Employment	96,534,472	97,837,217	1,302,745	1.3%
Law	1,500,211	1,571,149	70,938	4.7%
Legislature	0	0	0	N/A
Local Affairs	117,319,185	117,463,440	144,255	0.1%
Military and Veterans Affairs	213,775,024	214,064,764	289,740	0.1%
Natural Resources	19,608,155	20,312,868	704,713	3.6%
Personnel and Administration	0	0	0	N/A
Public Health and Environment	267,069,638	267,925,700	856,062	0.3%
Public Safety	29,559,306	29,859,594	300,288	1.0%
Regulatory Agencies	1,194,128	1,226,482	32,354	2.7%
Revenue	723,701	824,388	100,687	13.9%
State	0	0	0	N/A
Transportation	404,145,023	409,409,045	5,264,022	1.3%
Treasury	0	0	0	N/A
Operating Total	\$ 5,040,126,913	\$ 5,212,975,008	\$ 172,848,095	3.4%
Statewide Adjustment - Biweekly Paydate	\$ -	\$ 1,879,655	\$ 1,879,655	N/A
Total Federal Funds	\$ 5,040,126,913	\$ 5,214,854,663	\$ 174,727,750	3.5%

FTE

Department	FY 2012-13			
	FY 2011-12 Appropriation	FY 2012-13 Request	Change Over FY 2011-12	% Change
Agriculture	284.1	279.4	(4.7)	-1.7%
Corrections	6,222.2	6,179.7	(42.5)	-0.7%
Education	541.6	547.8	6.2	1.1%
Governor	1,046.8	1,055.7	8.9	0.9%
Health Care Policy & Financing	313.0	315.3	2.3	0.7%
Higher Education	21,490.8	21,494.3	3.5	0.0%
Human Services	4,870.9	4,868.4	(2.5)	-0.1%
Judicial	4,178.7	4,178.7	0.0	0.0%
Labor and Employment	1,046.8	1,044.3	(2.5)	-0.2%
Law	419.0	417.7	(1.3)	-0.3%
Legislature	271.0	271.0	0.0	0.0%
Local Affairs	191.1	191.1	0.0	0.0%
Military and Veterans Affairs	1,384.9	1,384.9	0.0	0.0%
Natural Resources	1,465.6	1,470.6	5.0	0.3%
Personnel and Administration	394.3	395.4	1.1	0.3%
Public Health and Environment	1,260.9	1,290.4	29.5	2.3%
Public Safety	1,354.0	1,370.2	16.2	1.2%
Regulatory Agencies	593.4	592.1	(1.3)	-0.2%
Revenue	1,370.3	1,372.7	2.4	0.2%
State	127.9	127.9	0.0	N/A
Transportation	3,315.5	3,323.0	7.5	0.2%
Treasury	31.5	31.5	0.0	N/A
Total FTE	52,174.3	52,202.1	27.8	0.1%