With this FY 2010-11 budget balancing plan, shortfalls totaling over $4.5 billion have been addressed over the past three 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 $1.2 billion was addressed for FY 2010-11.
- An additional shortfall of about $59.7 million in FY 2010-11 was addressed through a balancing announced on August 23, 2010.
- An additional shortfall of about $261.7 million in FY 2010-11 is now being addressed through this balancing plan.

- The plan being submitted totals $296.5 million, which will result in the General Fund statutory reserve being maintained at 2.51%. The $34.8 million in excess of the required 2.0% statutory reserve will roll forward into FY 2011-12 thus addressing $34.8 million of the anticipated shortfall in that fiscal year.
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 federal stimulus funds have mitigated major reductions for our state’s colleges and universities.
Components of Balancing Plan

- **K-12 Education** – Reduction of $219.5 million General Fund for K-12 Total Program. This reduction will be offset with an increase of $63.2 million of federal American Recovery and Reinvestment Act (ARRA). Additionally, the recently passed federal Education Jobs Fund Program made $156.3 million available to Colorado school districts. While the state cannot direct school districts on how to use the Education Jobs funds, districts could use the funds to address or avoid staffing shortfalls due to the General Fund reduction. After accounting for the ARRA funds and the Education Jobs funds, the net impact to school districts would be a reduction of $292,666.

- **Higher Education** – Increase of $63.2 million General Fund offset with a $63.2 million reduction of federal ARRA. After these actions, the net impact to the higher education appropriation will be zero.

The combined net impact of the K-12 and Higher Education actions will be a General Fund reduction of $156.3 million. See chart on following page regarding the flow of dollars in this action.
Flow of K-12 and Higher Ed Funds Included in this Balancing Plan

- General Fund
  - $156.3M General Fund
    - $63.2M General Fund
    - $219.5M General Fund

- Higher Education
  - $63.2M ARRA

- School Districts
  - $156.3M Ed Jobs

- Federal Education Jobs Fund

* HR 1586 provided $10 billion from the Education Jobs Fund to help states avoid teacher layoffs. This action provides Colorado with an additional $156 million for local education authorities via the primary education funding formula for primary and secondary education. The state is required to pass the funds directly to the local educational agencies and governors are not permitted to direct how a LEA uses the funds. The local educational agencies have sole discretion for the use of the funds, as long as they comply with the federal requirements for Ed Jobs.
Components of Balancing Plan

- **Local Government Severance Tax Fund** – The August balancing plan included a transfer of $5.0 million to the General Fund in addition to a restriction of $30.0 million. This plan transfers the $30.0 million that had been restricted and increases it by $25.0 million resulting in a transfer of $55.0 million over and above the $5.0 million transferred in August. Grants to communities impacted by energy development are distributed from this fund. During the current year, about $16 million in grants have already been distributed and will not be recalled. After this transfer, current revenue estimates indicate no additional grant funds will be available in the current fiscal year. Should future severance tax forecasts change it may be necessary to change this recommendation.

- **The Perpetual Base Account of the Severance Tax Trust Fund** – Transfer of $10.0 million to the General Fund for budget balancing in FY 2010-11. The transfer will decrease the amount of funding available for loans to water users in FY 2010-11. It will leave the Colorado Water Conservation Board with a balance of $21.0 million with which to make loans and grants in FY 2010-11. The Colorado Water Conservation Board is still considering options regarding loan issuances in FY 2010-11 and 2011-12, but no loans will be canceled as a result of this transfer.

- **Delay Medicaid Fee-for-Service Payments** – Reduce $55.1 million General Fund associated with continuing the existing two-week delay for payments processed through the Department of Health Care Policy and Financing’s claims processing system, the Medicaid Management Information System (MMIS), and extending the delay by one additional week in FY 2010-11 for a total delay of three weeks.
Components of Balancing Plan

- **Delay Medicaid Managed Care Payments** – Reduce $15.2 million General Fund associated with delaying payments to Medicaid managed care providers for one month at the end of FY 2010-11.

- **Colorado Travel and Tourism Promotion** – Transfer $2.5 million from the Travel and Tourism Promotion Fund to the General Fund in FY 2010-11. This sum is the amount of existing fund balance for which the Office of Economic Development and International Trade does not have current or prior roll-forward spending authority. The transfer will not impact the anticipated funding level for travel and tourism of $14,416,049 in the current fiscal year.

- **Higher Education Federal Mineral Lease Maintenance and Reserve Fund** – Reduce the FY 2010-11 transfer amount to the General Fund submitted on August 23, 2010. OSPB had requested a transfer of $9.4 million to the General Fund for budget balancing, but the September 2010 forecast required a reduction of $1.0 million for a transfer of $8.4 in FY 2010-11. This fund was established, in part, to reduce the impact of budget cuts on higher education.

- **Local Government Permanent Fund** – Reduce the FY 2010-11 transfer amount to the General Fund submitted on August 23, 2010. OSPB had requested a transfer of $11.4 million to the General Fund for budget balancing, but the September 2010 forecast required a reduction of $1.0 million for a transfer of $10.4 million in FY 2010-11. This fund was established to reduce the impact of slowing severance revenues in energy impacted communities.
## ARRA Funds for Budget Balancing

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FMAP</th>
<th>SFSF Education Stabilization Fund</th>
<th>SFSF Government Services Fund</th>
<th>Total</th>
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<tr>
<td>2008-09</td>
<td>$215,721,373</td>
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<td>2009-10</td>
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<td>2010-11</td>
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<td>Total</td>
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<td>$621,878,397</td>
<td>$138,364,142</td>
<td>$1,662,492,809</td>
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</tbody>
</table>

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

Governor’s Office of State Planning and Budgeting
Impact of Recent Federal Assistance to States

- As is noted on page 8, Colorado is estimating that $355.1 million will be received in FY 2010-11 from the enhanced federal Medicaid match rate. Of this amount, $144.5 million was by Congress in August. This Congressional action was reflected in our August 23, 2010 budget balancing plan.

- As noted on page 4, Colorado is estimating that school districts will receive $156.3 million in FY 2010-11 from the Federal Education Jobs Fund Program approved in August 2010. The Governor determined that this funding would be distributed to school districts according to the same methodology as the Colorado School Finance formula.

- Combined, these two recent actions brought $300.8 million of recent fiscal relief to the state of Colorado and school districts. If these actions had not been taken, the state and school districts would have had to address $300.8 million more in budget shortfalls than have already been addressed. **What options would have been considered** if this funding had not been approved by Congress?
  - Elimination of approximately 5,000 teaching positions in local school districts.
  - An additional reduction of $89.0 million from local colleges and universities.
  - Closure of more state prisons.
  - Closure of Motor Vehicle Offices.
  - Reductions to safety net services for the elderly, children and disabled.