

MEMORANDUM

TO: Joint Budget Committee

FROM: John Ziegler, JBC Staff

SUBJECT: Options for Reducing General Fund Appropriations and/or Increasing General Fund Revenues

DATE: January 26, 2010

Attached are two lists that contain options for reducing appropriations and/or increasing revenues. The lists are being provided to you as a starting point for any additional balancing that needs to be done for the FY 2009-10 budget. The two lists contain the following information:

- Options for Increasing Revenue to the General Fund in FY 2009-10
- Options for Reducing General Fund Appropriations in FY 2009-10

It is important to note that these items are not necessarily things that JBC staff would recommend doing in a normal year. They are options that are provided given the difficult budget position in which the State of Colorado finds itself. Some of the items were requested by the Governor and some were not. There is a key at the bottom of each section of the report to help you understand the origin of the action.

Options for Increasing Revenue to the General Fund in FY 2009-10

Department Division/Topic Cash Fund/Policy Option	General Fund Impact*	See Key			Comments
		Category	Over- laps	Bill	
Agriculture					
Eliminate General Fund Subsidy to Agricultural Products Inspection Program	50,000	Other	No	Yes	The Agricultural Products Inspection Program receives an annual General Fund subsidy of \$200,000.
Eliminate Indirect Cost Caps	133,933	Other	Yes	Yes	The indirect cost caps for the Brand Board, Alternative Livestock, Chemigation Program, and Agricultural Products Program are capped in statute and annually require a total General Fund backfill of approximately \$500,000.
Subtotal - Agriculture	183,933				
Labor & Employment					
Employment Support Fund	5,000,000	Flagged	No	Yes	The Governor requested a transfer of \$5.0 million from the Employment Support Fund for FY 2009-10. Staff did not recommend this transfer because of long-term solvency questions about the Employment Support Fund.
Subtotal - Labor	5,000,000				
Local Affairs					
Local Government Severance Tax Fund	42,727,796	Gov. Req.	Yes	Yes	The JBC approved a \$7.6 million transfer from this fund to the General Fund on January 19, 2010. In addition to this request, the Governor had frozen moneys in this fund for future transfer to the General Fund for budget balancing purposes in FY 2009-10. The Governor has proposed that these frozen moneys be in fact transferred to the General Fund for budget balancing purposes.
Processors and End Users of Waste Tires Cash Fund	300,000	Gov. Req.	No	Yes	The JBC moved to transfer \$500,000 of the proposed \$800,000 from this cash fund to the General Fund in FY 09-10, thus leaving approximately \$300,000 of moneys available for additional transfer.
Subtotal - Local Affairs	43,027,796				
Personnel and Administration					
Fleet Management	397,143	Flagged	No	Yes	The Department requested to use Alternative Fuels Rebate cash funds for a one-time refinance of fleet operating expenses. Staff recommends transferring the dollars to the General Fund, where they will have a greater General Fund impact. Staff recommended flagging the request until it is known whether the transfer is more beneficial for FY 2009-10 or FY 2010-11.
Division of Human Resources	3,354,593	Flagged	No	Yes	The Department requested to transfer the funds from the Employee Benefits Fund to the General Fund. The Committee flagged this request for later consideration.
Subtotal - Personnel and Administration	3,751,736				

Options for Increasing Revenue to the General Fund in FY 2009-10

Department Division/Topic Cash Fund/Policy Option	General Fund Impact*	See Key			Comments
		Category	Over- laps	Bill	
Natural Resources					
Operational Account of Severance Tax Trust Fund	11,000,000	Flagged	Yes	Yes	JBC flagged this option for later consideration based on need in FY 2009-10 vs. FY 2010-11 and possibly waiting for updated information in the March 2010 LCS Revenue Forecast. Transfer is facilitated by JBC-adopted reductions to Operational Account funding to the Department of Human Services energy assistance programs in FY 2009-10 and to the Governor's Energy Office in FY 2010-11 and FY 2011-12.
Colorado Water Conservation Board Construction Fund	25,000,000	Staff Rec.	No	Yes	JBC staff recommended an option for increasing General Fund revenue through a transfer from the CWCB Construction Fund in the amount of \$25,000,000 in FY 2009-10 and another possible transfer in the amount of \$19,000,000 in FY 2010-11. The Committee has not voted or motioned on this option. This option would require legislation.
Perpetual Base Account of the Severance Tax Trust Fund	3,900,000	Staff Rec.	No	Yes	JBC staff recommended an option for increasing General Fund revenue through a transfer from the Perpetual Base Account of the Severance Tax Trust Fund in the amount of \$3,900,000 in FY 2009-10 and another possible transfer in the amount of \$48,300,000 in FY 2010-11. The Committee has not voted or motioned on this option. This option would require legislation.
Subtotal - Natural Resources	39,900,000				
Public Health and Environment					
Water Quality Control Fund	1,000,000	Flagged	Yes	YES	Staff would not recommend refinancing the Division's General Fund in FY 2009-10 without a related bill to increase fees and cash fund more of the Division's operations in FY 2010-11 and beyond. However, if the General Assembly enacted legislation to increase fees to cash fund more (or all) of the Water Quality Control Division in FY 2010-11, refinancing the FY 2009-10 General Fund appropriation using the existing cash balance would be a viable option. Staff notes that during the last downturn the General Assembly enacted S.B. 03-276 to cash fund the Water Quality Control Division.
Subtotal - Public Health and Environment	1,000,000				
Regulatory Agencies					
Division of Registrations Cash Fund	300,000	Staff Rec.	No	Yes	The Division of Registrations Cash Fund has an excess balance which the Committee could transfer to the General Fund.
Subtotal - Regulatory Agencies	300,000				

Options for Increasing Revenue to the General Fund in FY 2009-10

Department Division/Topic Cash Fund/Policy Option	General Fund Impact*	See Key			Comments
		Category	Over- laps	Bill	
Statewide Eliminate General Fund Reserve	132,200,000	Other	No	Yes	Decrease the current statutory reserve of 2.0 percent of General Fund appropriations pursuant to 24-75-1 (1) (d) (XI), C.R.S. to 0.0 percent for FY 2009-10. This General Fund Reserve number is based on the December 18, 2009 JBC General Fund Overview.
Subtotal - Statewide	132,200,000				
GRAND TOTAL	225,363,465				

Flagged	20,751,736
Gov. Req.	43,027,796
Staff Rec.	29,200,000
Other	132,383,933

NOTE: Some subtotals and the grand total may include options that overlap with others. If there is an either/or choice between two options, the tradeoff is explained in the comments section.

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 Category:
Flagged = JBC flagged the item for possible later consideration
Gov. Req. = Governor's request was higher/(lower) than the JBC action
Staff Rec. = Staff recommendation was higher/(lower) than the JBC action
Other = Other ideas
 Overlaps = A "yes" in this column indicates that the option overlaps with another and the interaction is explained in the comments section.
 Bill = A "yes" in this column indicates that implementing the option would require legislation.
 * General Fund reflects "net" General Fund, i.e., Medicaid adjustments in Human Services that drive General Fund savings in Health Care Policy and Financing are listed in the Department of Human Services.

Options for Reducing General Fund Appropriations in FY 2009-10

Department <u>Division/Topic</u> Program/Policy Option	General Fund Impact*	See Key			Comments
		Category	Over- laps	Bill	
Corrections					
Increase Canteen Fund refinancing in the Education Subprogram		Other	No	No	The Canteen Fund contains a balance that could be used to further refinance the Education Subprogram. The Department has requested that \$2,500,000 General Fund be refinanced in FY 2009-10 with Canteen Fund cash funds. Staff would need to analyze the current fund balance as it relates to the Department's projected obligations for the next fiscal year.
Reduce provider rate to private prisons		Other	No	No	The current department-requested rate of \$52.69 is below the FY 2001-02 rate of \$54.66. Staff has not calculated an estimated savings for this option because any savings will be impacted by the Department's FY 2009-10 supplemental caseload adjustments, which are anticipated to be received in late January 2010.
Reduce provider rate to local jails		Other	No	No	The current department-requested rate of \$50.44 is below the FY 2001-02 rate of \$51.65. Staff has not calculated an estimated savings for this option because any savings will be impacted by the Department's caseload adjustments, which are anticipated to be received in late January 2010.
Reduce or eliminate community services programs		Other	No	No	The Department's budget includes a number of community services programs whose appropriation levels are not mandated by statute. These include parole supervision, community corrections supervision, and community re-entry programs. Reductions would likely cause greater caseload ratios for parole and community corrections staff and/or reduced services available for offenders in the community. These reductions could lead to increased costs in the Department if additional offenders fail in the community and are sent back to prison.
Subtotal - Corrections	0				
Health Care Policy and Financing					
One Week Payment Delay	(19,173,465)	Gov. Req.	No	Yes	Pushes an additional week of Medicaid payments into FY 2010-11. Staff will readdress this issue when presenting the final Medicaid supplemental at figure setting.
Subtotal - Health Care Policy and Financing	(19,173,465)				
Human Services					
<u>Child Welfare</u>					
Further refinance child welfare services with TANF	(3,500,000)	Other	No	No	Refinance additional General Fund with Temporary Assistance to Needy Families Block Grant. Increases "cliff effect" in out years, when will need to reduce TANF expenditures. Department has already requested and JBC approved temporary refinance of \$12.5 million. Up to additional \$7 million may be feasible (have shown half of this for discussion purposes).
<u>Child Care</u>					
Reduce funding for early childhood councils	(500,000)	Other	No	No	Currently \$1.0 million General Fund and \$1.0 million federal funds is appropriated for early childhood councils that coordinate efforts to improve child care quality. The cut shown represents 25 percent of this total (50 percent of the General Fund). An additional \$3.0 million in one-time ARRA child care quality funds is available in FY 2009-10 which could help offset the impact of a reduction. The Executive has not proposed cuts in this area.

Options for Reducing General Fund Appropriations in FY 2009-10

Department Division/Topic Program/Policy Option	General Fund Impact*	See Key			Comments
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<u>Developmental Disability Program Costs</u> Provider Rate Reduction	(819,718)	Staff Rec.	No	No	Staff recommended application of the provider rate reduction to all lines and fund sources that typically receive provider rate adjustments, not just the Medicaid lines requested by the Governor.
<u>Adult Assistance</u> Reduce State Funding for Senior Services	(500,000)	Other	No	No	The Executive has not proposed any reductions to state support for the Area Agencies on Aging (AAA). State funding for FY 2009-10 is \$9.0 million, including \$1.0 million General Fund and \$8.0 million Old Age Pension cash funds ("off the top" General Fund, set in statute). In addition, the AAAs will receive \$14.1 million in federal funding via the state. Thus, the reduction shown would represent a cut of 2.2% total funding for the year (concentrated in the latter half of the year).
Subtotal - Human Services	(5,319,718)				
Natural Resources Cash Funding of Ground Water Management Program	(500,000)	Staff Rec.	No	Yes	Similar to S.B. 09-216 (deemed lost), this proposal would increase well permit application fees, substitute water supply plan fees, dam design review fees, and various other fees related to the Ground Water Management Program in the Water Resources Division. The Ground Water Management Program is estimated to cost \$5.0 million, only about 15.0 percent of program funding is estimated to come from fees. For FY 2010-11, this proposal could raise anywhere between \$2.5 million and \$4.25 million in additional revenue and reduce General Fund need accordingly.
Subtotal - Natural Resources	(500,000)				
Public Health and Environment Prevention Services Division, Dental Programs	(415,020)	Flagged	No	No	CDPHE proposed eliminating \$415,020 of GF appropriations that support two dental programs: 1) the Dental Assistance Program for Seniors, which benefits OAP recipients, and 2) a grant to the Foundation of Dentistry for the Handicapped, which primarily provides dental services to nursing home residents. Because the Foundation of Dentistry for the Handicapped program is much more cost effective, staff recommended eliminating the OAP program and reducing the appropriation to the Foundation of Dentistry for the Handicapped to \$83,000, which would permit it to continue operating. If the staff recommendation is accepted, the GF impact would be (\$346,551). [The projected savings numbers were revised to reflect new information provided by CDPHE after the JBC Staff supplemental presentation.]
Water Quality Control Division	(1,000,000)	Flagged	Yes	Yes	The Committee could refinance approximately \$1.0 million in General Fund expenditures with cash funds from the Water Quality Control Fund if the General Assembly enacts legislation to cash fund the Water Quality Control Division in FY 2010-11 through increased fees. The refinance in FY 2009-10 would deplete the cash fund balance and staff would not recommend the FY 2009-10 action without legislation to raise fees in FY 2010-11.
Subtotal - Public Health and Environment	(1,415,020)				

Options for Reducing General Fund Appropriations in FY 2009-10

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Public Safety Eliminate GF Support for CBI InstaCheck	(557,071)	Gov. Req.	No	Yes	The Department proposes to replace General Fund support for the CBI Instant Criminal Background Check (InstaCheck) program with cash funds through the assessment of a \$10.50 fee on each firearms transaction. The Department estimates this proposal would save \$1.6 million General Fund in FY 2010-11. This proposal requires statutory change through a bill.
Subtotal - Public Safety	(557,071)				
Regulatory Agencies Satellite Offices in Pueblo and Grand Junction	(7,113)	Other	No	No	Close the two satellite offices in Grand Junction and Pueblo. Offices are funded by GF and FF, and each has 1.5 FTE. The cost of the Pueblo office is \$109,148 and the cost of the Grand Junction office is \$103,100. The Pueblo office was opened August 2007 and the Grand Junction was opened August 2008.
Subtotal - Regulatory Agencies	(7,113)				
GRAND TOTAL	(26,972,387)				

Flagged	(1,415,020)
Gov. Req.	(19,730,536)
Staff Rec.	(1,319,718)
Other	(4,507,113)

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