

*Looking Ahead: Economic Issues  
at CDPHE as a Result  
of the Current Economy*

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# Budget Balancing Process

- June 22 forecast indicated additional reductions were needed.
- June 22 directive to agencies to curtail travel and operational spending.
- June 25 directive to submit 10% reduction proposals by July 20.
- July 7 communicated specific cut proposal goals to agencies.
- July 20 cut proposals due to OSPB.
- August 18 presentation of balancing plan to the JBC.
- August 24 supplementals and fact sheets to be delivered to JBC.
- September 1 implementation of most reductions.

# Employment Growth

- Economic indicators have declined.
  - Forecasts indicate job losses of between 52,000 and 85,000 in 2009.
    - Governor's balancing plan based on forecast that includes 85,000 loss.
    - Moody's state job growth rankings place Colorado 29<sup>th</sup> in 2009 and 8<sup>th</sup> in 2010.
  - Personal income is projected to decrease by 0.3% in 2009 as opposed to the previous 10 year average increase of 5.9%.
  - Retail trade is projected to decline by 7.8% in 2009.
  - The Case-Shiller index shows Denver metro prices declining by 9% while the Composite 20 index declined by an average of 23%.

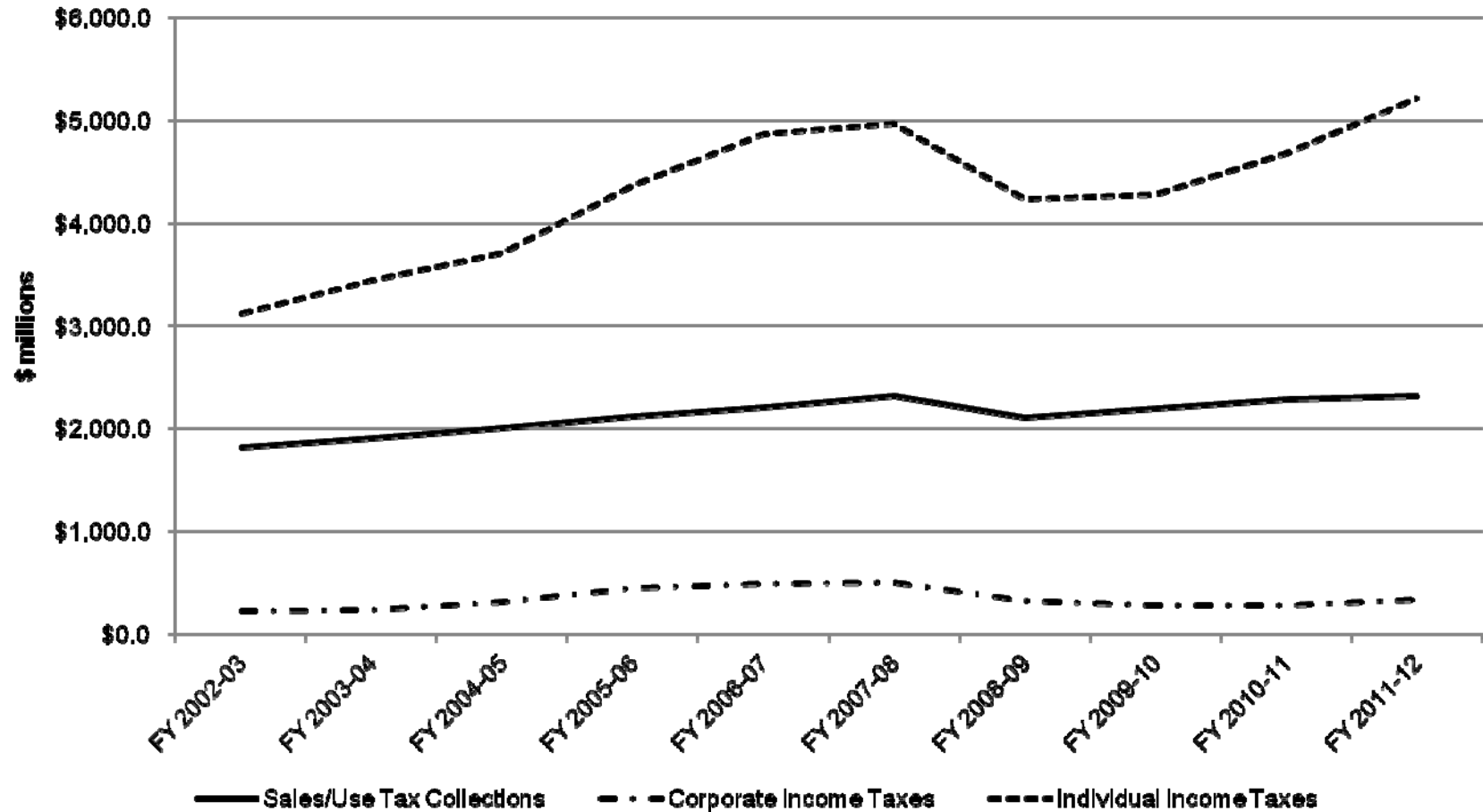
# Job Growth History

Source: Legislative Council Staff Economic Forecasts

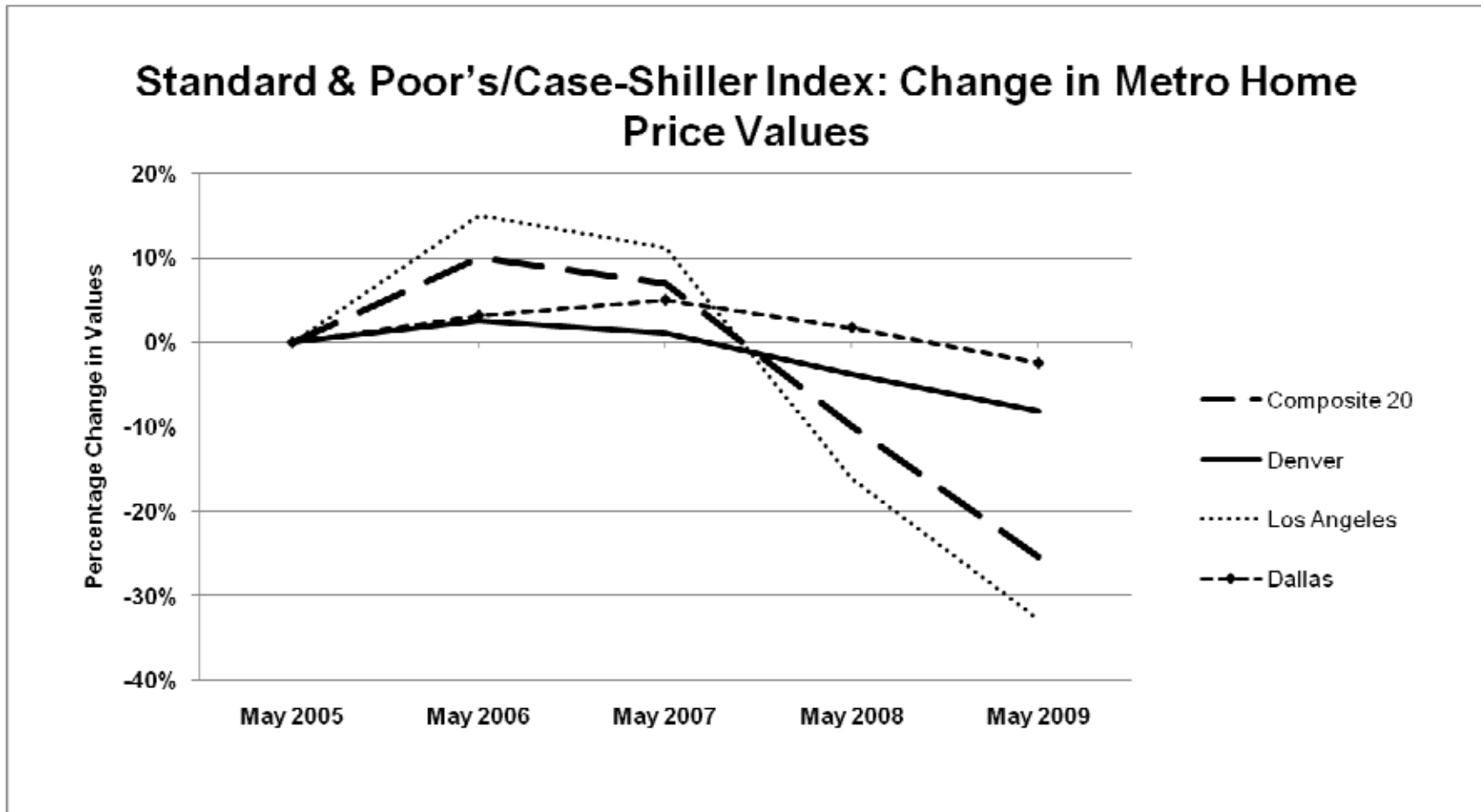
<b>Total Non-Agricultural Employment</b>			
<b>Calendar Year</b>	<b>Job Growth/(Loss)</b>	<b>Calendar Year</b>	<b>Job Growth/(Loss)</b>
2002	(42,700)	2007	52,200
2003	(31,400)	2008	18,000
2004	26,800	2009	(84,600)
2005	46,400	2010	(8,600)
2006	53,100	2011	22,600

# General Fund Components History

Source: Legislative Council Staff Economic Forecasts

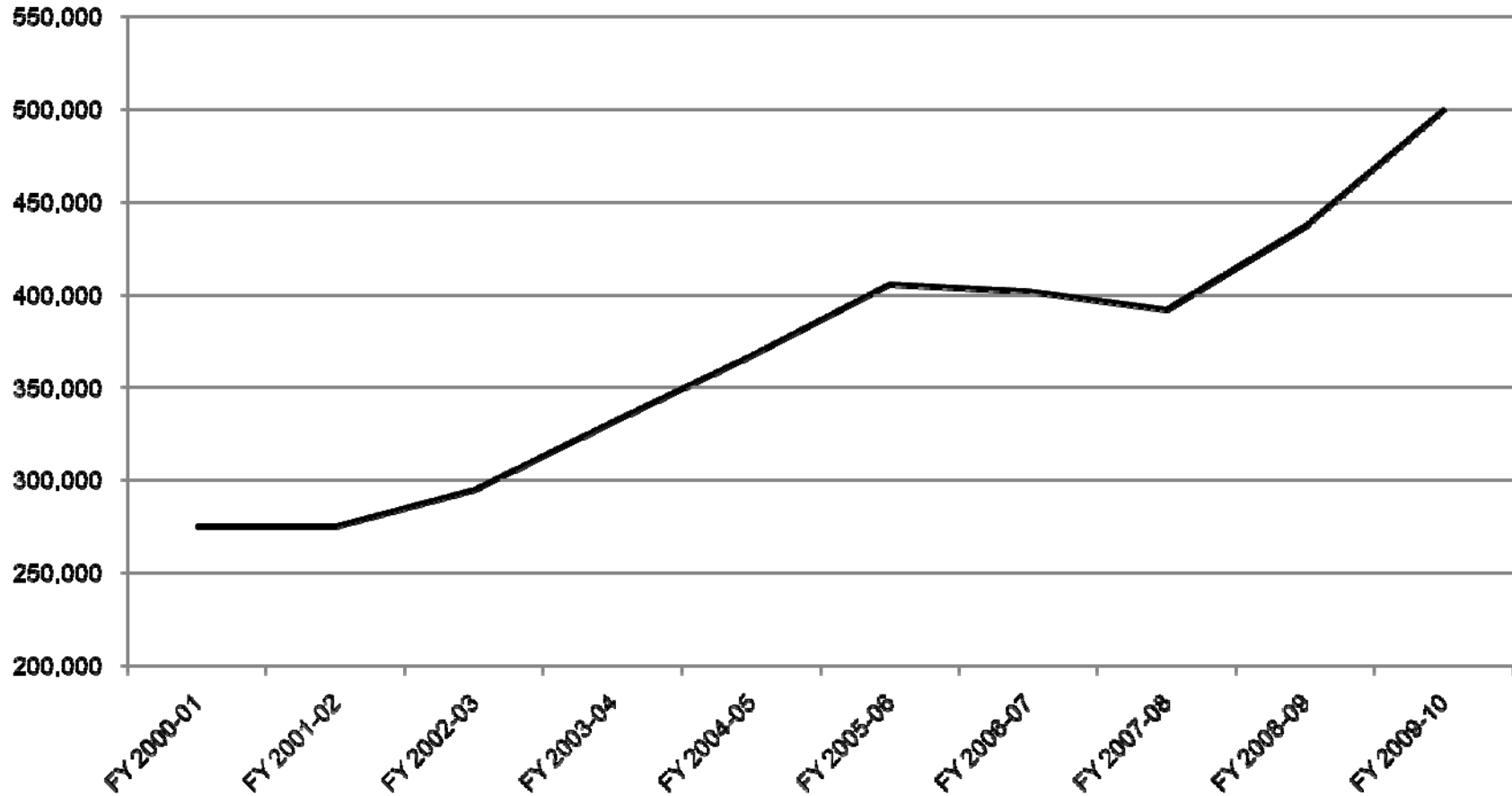


# Case-Shiller Housing Index



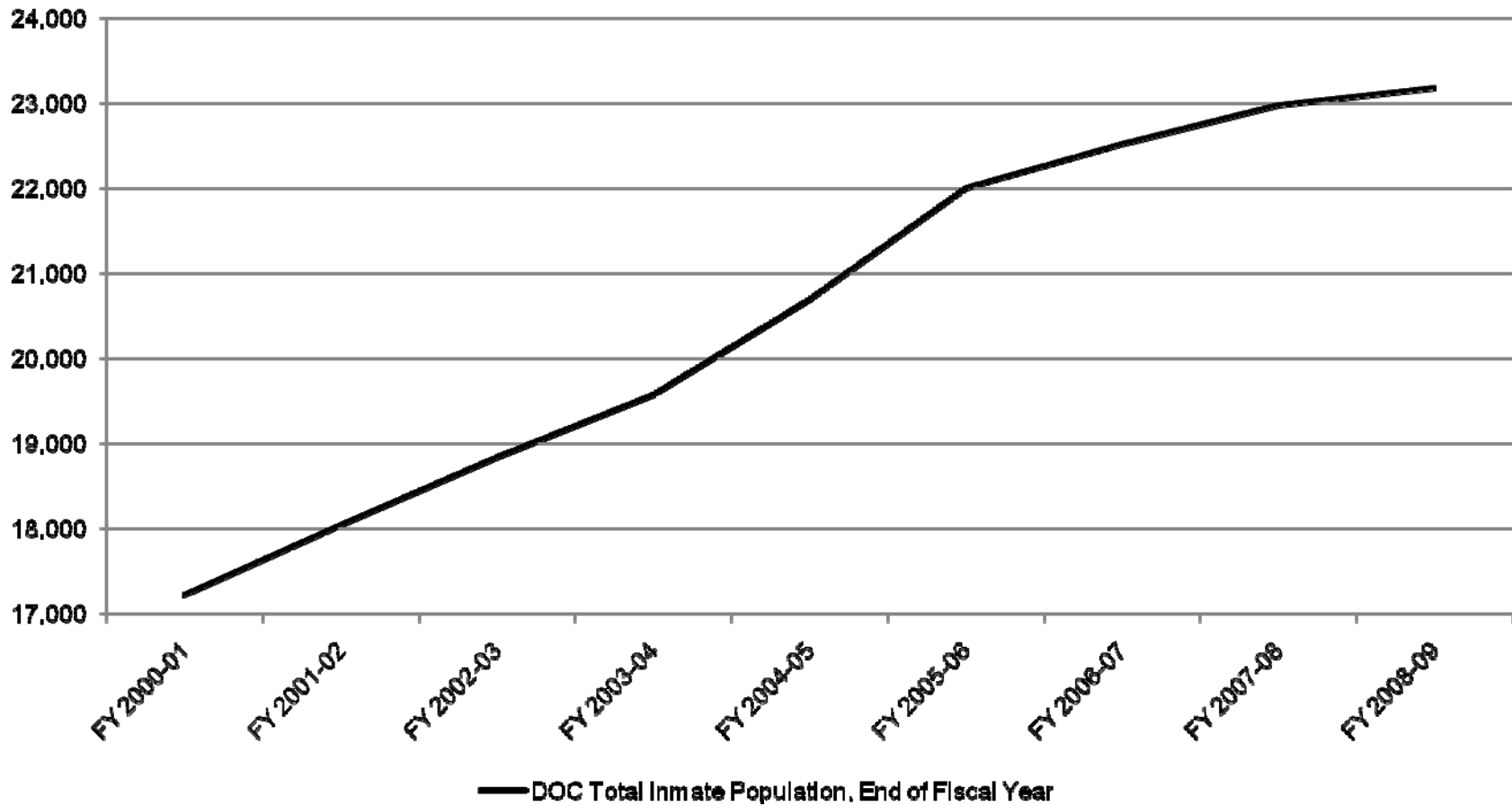
# Medicaid Caseload Growth

Source: Department of Health Care Policy and Financing



# Inmate Population Growth

Sources: Colorado Division of Criminal Justice Correctional Population Forecasts, December 2008 and Colorado Department of Corrections Annual Statistical Reports and Monthly Population Reports



# Need for Additional Budget Action

- During the 2009 session the shortfall of \$1.454 billion was addressed.
- In June, estimates indicated a transfer pursuant to SB 09-279 was needed to cover a FY 2008-09 year end shortfall of approximately \$250 million.
- This initial estimate resulted in a shortfall of approximately \$400 million in FY 2009-10.
- Preliminary year end close out information from the State Controller indicates the actual shortfall was \$186 million.
- This \$186 million shortfall was moved into FY 09-10 pursuant to SB 09-279.
- During the legislative session it was decided to devote approximately \$45 million of additional flexible ARRA funds to offset General Fund in the Department of Corrections on a one-time basis. This action was implemented via a year end supplemental in June.
- We are left with a \$318 million shortfall in FY 2009-10.

# FY 2009-10 Balancing Plan

- State law requires that reductions be implemented to maintain a reserve of at least 1% of General Fund appropriations.
- The Governor's plan maintains the reserve at 2% of General Fund appropriations (where it was set during the Legislative session).
  - A 2% reserve instead of a 1% reserve provides a larger buffer.
- The August plan balances the \$318 million shortfall.
- Proposals to reduce department General Fund budgets based on the Governor's 10% directive totaled about \$400 million.
- This balancing plan will result in the elimination of 266.6 FTE.

# Components of the Plan

- The balancing plan totals \$320 million.
  - \$261.2 million General Fund program reductions.
  - \$39.8 million Cash Fund program reductions.
  - \$6.1 million revenue from change in OAP cost of living adjustment.
  - \$12.9 million reserve changes and procurement bonus.
- Several areas are not part of the balancing plan.
  - K-12 total program could not be reduced in FY 2009-10. The Constitution requires General Fund for K-12 to increase by at least 5%.
  - The Departments of Transportation and Labor and Employment receive no General Fund.
- OSPB assumed the General Fund budgets of the Attorney General, Treasurer and Judiciary are reduced by 3%.

# Total General Fund Reductions

Department	FY 09-10 General Fund Appropriation	Approximate FY 09-10 Total General Fund Reductions	Approximate FY 09-10 Percentage General Fund Reductions	Approximate FY 09-10 FTE Reductions (Annualized)
Agriculture	\$ 6,860,955	\$ (694,765)	-10.1%	0.0
Corrections	\$ 677,839,527	\$ (25,809,462)	-3.8%	(29.3)
Education	\$ 3,239,416,000	\$ (33,022)	0.0%	0.0
Governor and Energy Office	\$ 14,283,355	\$ (1,105,650)	-7.7%	(9.0)
Health Care Policy & Financing	\$ 1,587,903,164	\$ (457,136,848)*	-28.8%**	(0.5)
Higher Education	\$ 660,575,732	\$ (80,935,058)	-12.3%	0.0
Human Services	\$ 670,638,807	\$ (19,913,782)	-3.0%	(186.2)
Judicial	\$ 336,357,516	\$ (10,090,725)	-3.0%	0.0
Labor and Employment	\$ -	\$ -		0.0
Law	\$ 10,008,042	\$ (300,241)	-3.0%	0.0
Legislature	\$ 35,162,475	\$ (1,054,874)	-3.0%	0.0
Local Affairs	\$ 11,889,613	\$ (778,013)	-6.5%	0.0
Military and Veterans Affairs	\$ 5,862,332	\$ (422,754)	-7.2%	0.0
Natural Resources	\$ 29,680,331	\$ (2,729,440)	-9.2%	(6.3)
Personnel and Administration	\$ 6,291,404	\$ (271,294)	-4.3%	(8.0)
Public Health and Environment	\$ 28,232,074	\$ (1,520,308)	-5.4%	0.0
Public Safety	\$ 83,212,852	\$ (2,159,794)	-2.6%	(6.6)
Regulatory Agencies	\$ 1,666,729	\$ (189,549)	-11.4%	(1.0)
Revenue	\$ 75,719,920	\$ (1,803,535)	-2.4%	(19.7)
State	\$ -	\$ -		0.0
Transportation	\$ -	\$ -		0.0
Treasury	\$ 1,933,721	\$ (28,900)	-1.5%	0.0
<b>Total All General Fund</b>	<b>\$ 7,483,534,549</b>	<b>\$ (606,978,014)*</b>	<b>-8.1%***</b>	<b>(266.6)</b>

\* Of this total, \$345.8 million is attributable to inclusion of FMAP in the appropriation base and does not represent an actual cut.

\*\* With the FMAP change taken into consideration, the percentage reduction in the HCPF General Fund appropriation is -7.0%.

\*\*\* With the FMAP change taken into consideration, the percentage reduction in the total General Fund is -3.5%

# Total Cash Fund Reductions

<b>Office of Information and Technology</b>		
Telecommunications Revolving Fund	\$643,200	Renegotiation of audio conferencing contracts
Communications Trust Fund	\$230,520	End equipment replacement early
<b>Labor and Employment</b>		
Employment Support Fund	\$5,000,000	Fund balance, will not immediately impact programs
<b>Local Affairs</b>		
Severance Grants	\$5,000,000	Reduce by \$5 million and put \$25 million on hold until 1/31/09
Local Government Permanent Fund	\$14,305,697	Established with Roan bonus in SB 08-218
Waste Tire Recycling Fund	\$3,600,000	Eliminates grants for FY 09-10
Contiguous Counties Gaming Fund	\$5,100,000	Eliminates grants for FY 09-10
<b>Personnel and Administration</b>		
Capital Construction Fund	\$335,000	Controlled maintenance savings from new Judicial Complex
Employee Benefits Plan	\$3,354,593	Payment from Kaiser Permanente for State Health Plan
<b>Transportation</b>		
Law Enforcement Assistance Fund	\$2,198,639	Refinance ADAD Detox treatment
<b>Total Cash Fund Transfer</b>	<b>\$39,767,649</b>	

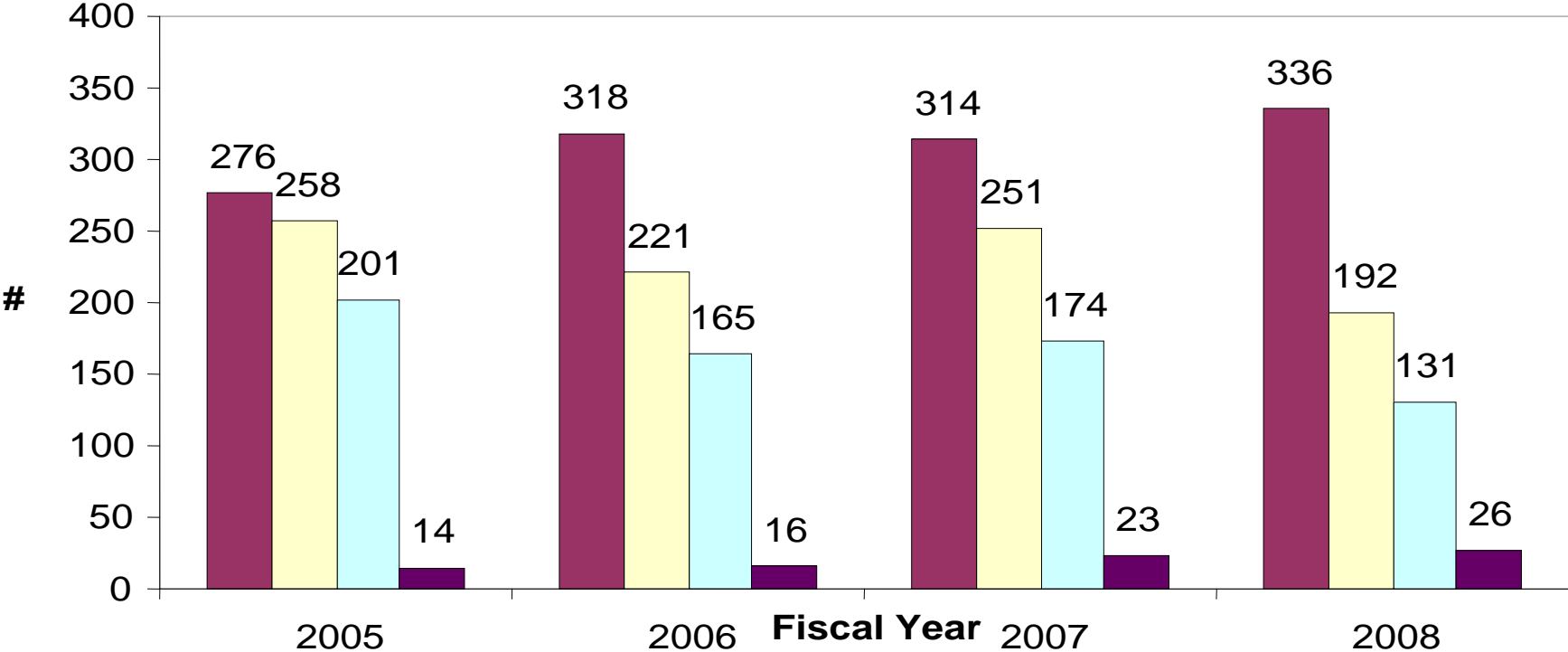
The following pages summarize the  
General Fund reductions for each  
department.

General Fund, total funds and FTE reductions are approximate and may change  
in final submission to JBC on August 24.

# Public Health and Environment

- The Department of Public Health and Environment's FY 2009-10 General Fund budget is being reduced by \$1.5 million. This includes the following:
  - **Tony Gramscas Youth Services Grant Program** - \$1,000,000 General Fund reduction which represents all state funding for this Program. The program will still continue to receive approximately \$4 million from the Tobacco Master Settlement Agreement for service grants.
  - **Dental Care Act Funding.** \$520,000 General Fund reduction associated with the elimination of this program which offers financial reimbursement to dental providers who serve eligible seniors that qualify under the Old Age Pension Program.
  - **Amendment 35 Funds** - \$15,000,000 Medicaid General Fund refinance with cash funds from the following sources (shown as General Fund savings in HCPF):
    - \$7 million from the Tobacco Education Program Fund
    - \$7 million from the Prevention, Early Detection and Treatment Fund
    - \$1 million from the Health Disparities Grant Program Fund

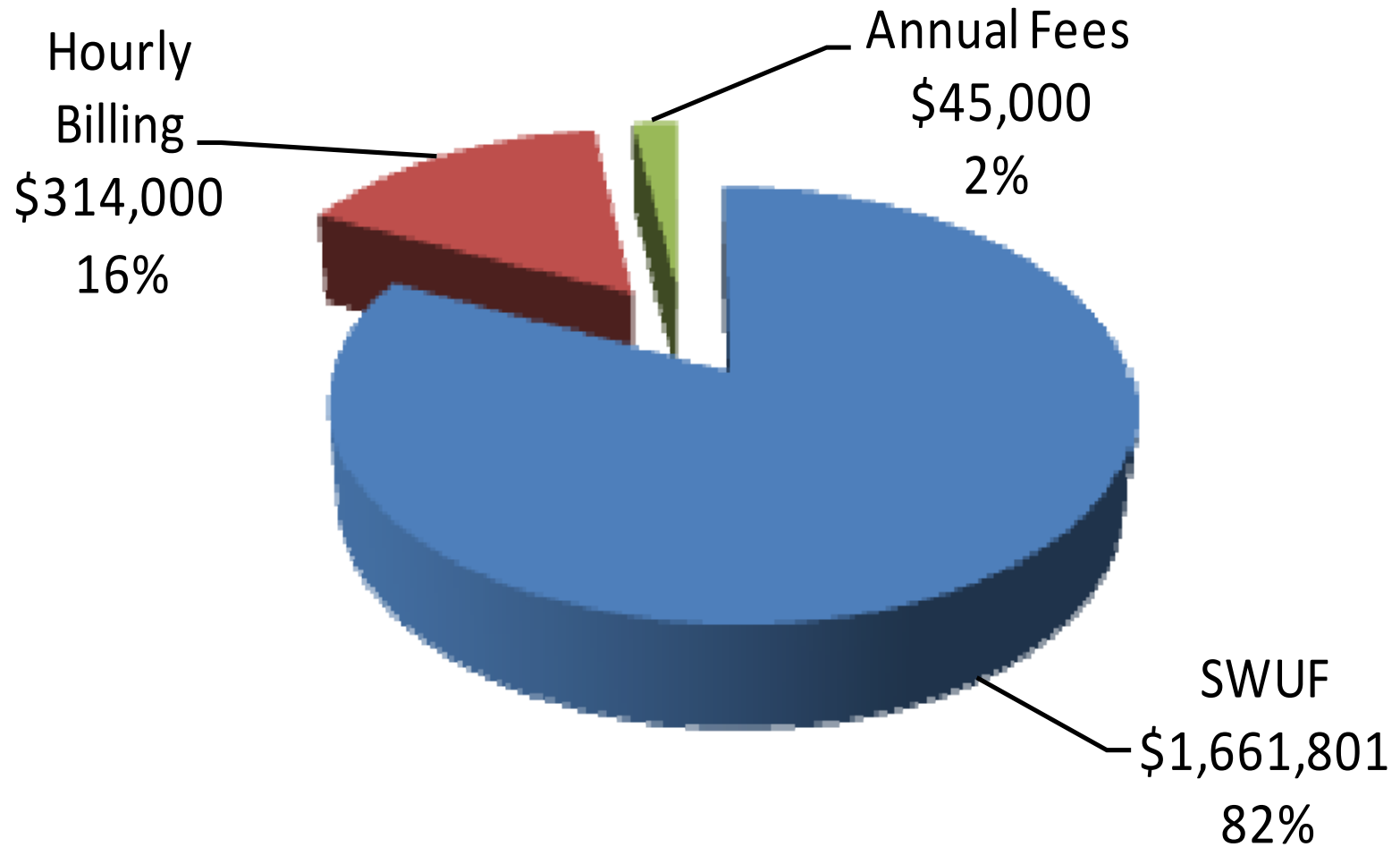
# Combined Metrics Figure 4



Note; Projects include all documents received and managed by staff from facilities, except very short response items

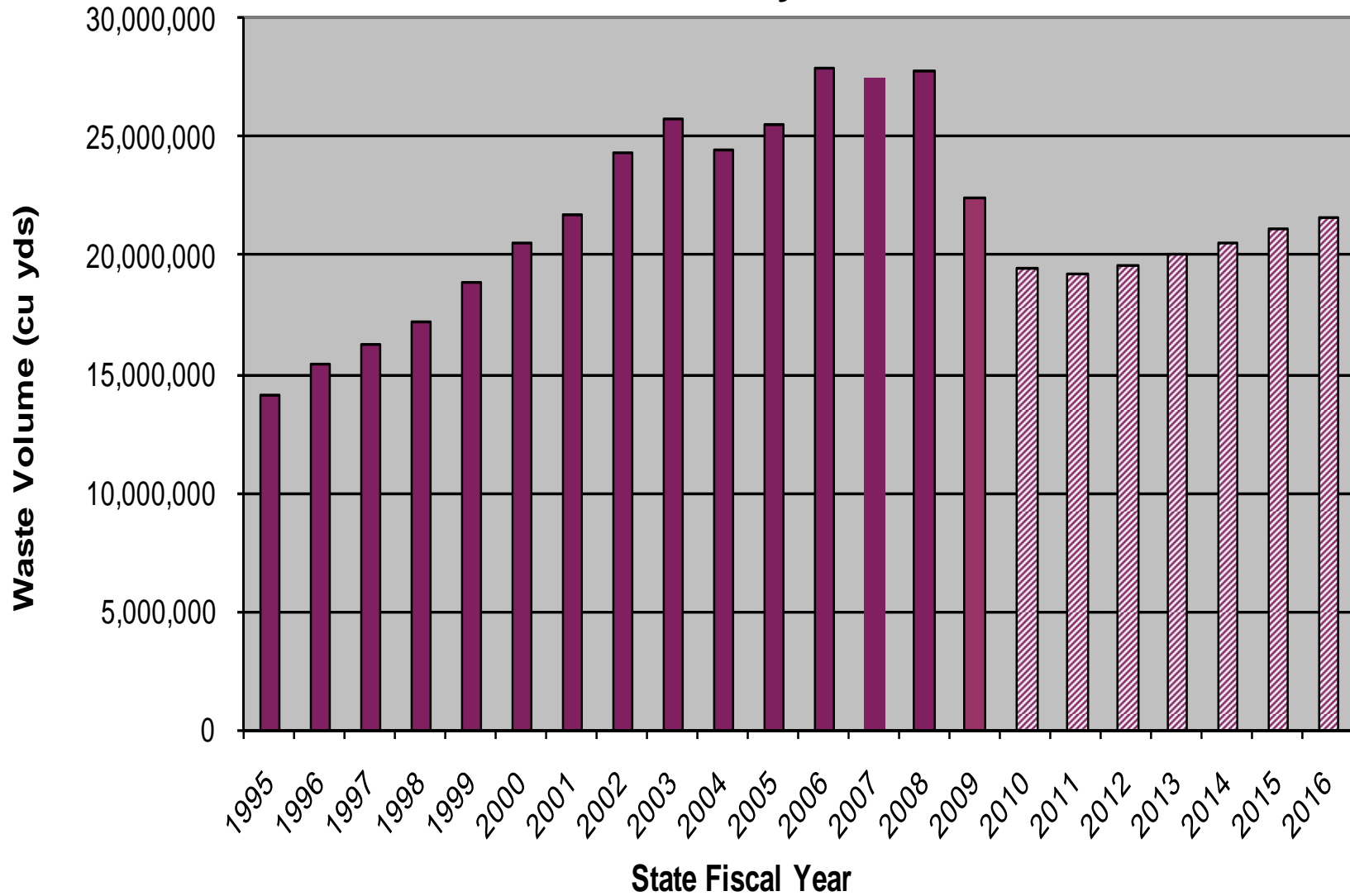
- # Projects Started
- # Projects Completed
- Inspections/Yr
- Enf Actions

# 2009 SW Revenues

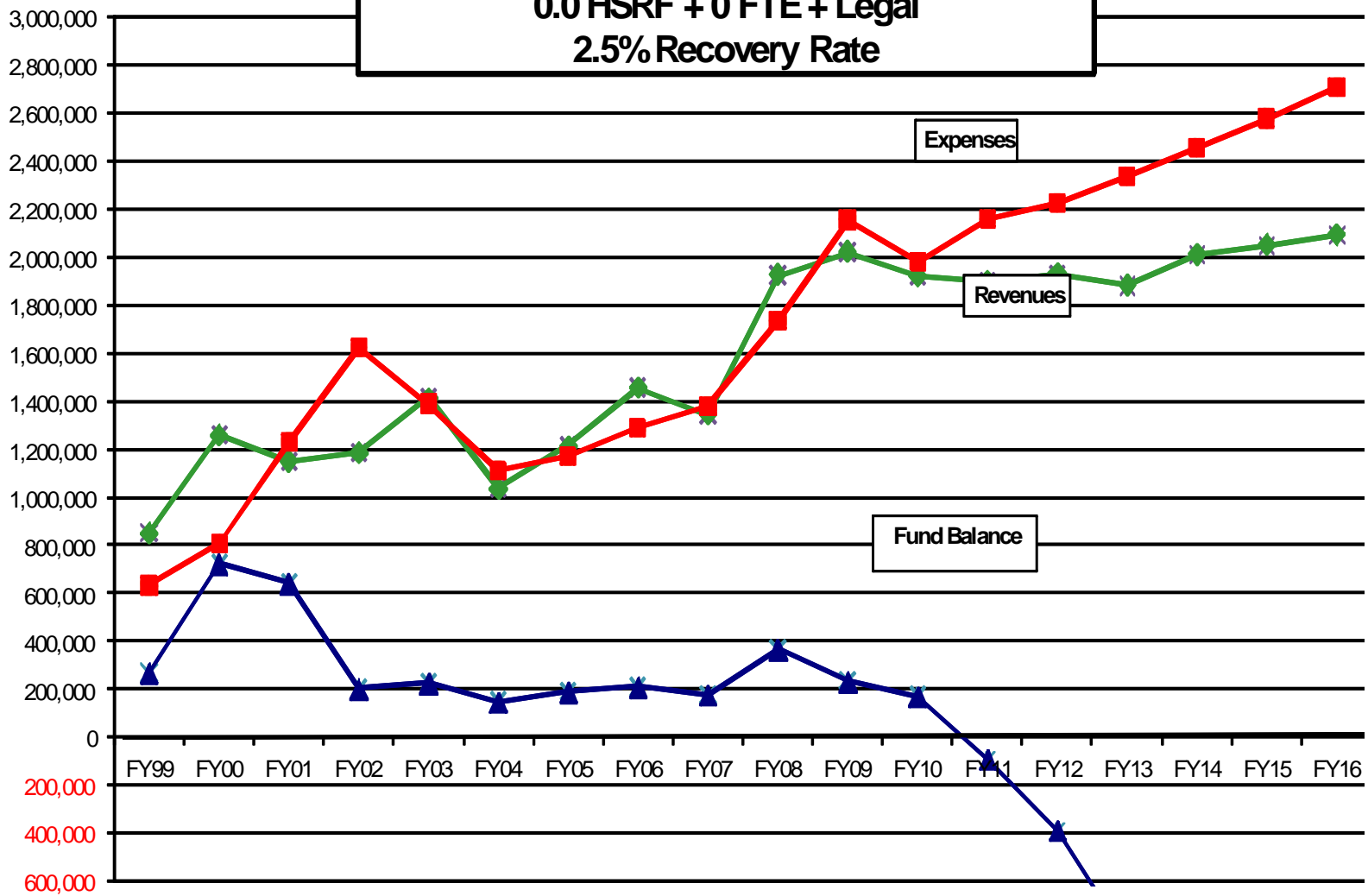


# Colorado Solid Waste Disposal Volumes

## 2.5% Recovery Rate

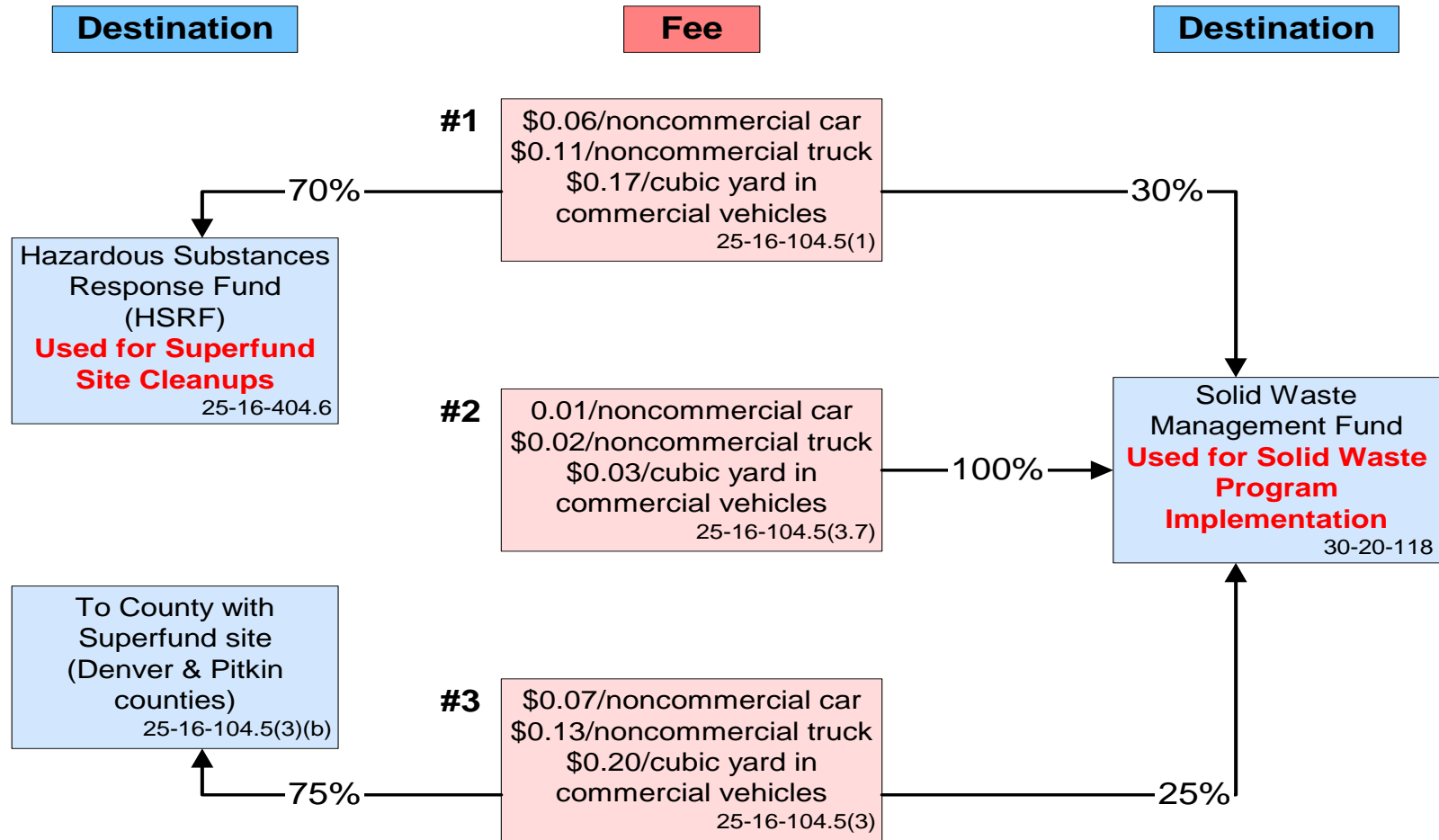


**Solid Waste Program - Budget Projection**  
**Fee Extended + 0.0 SW Increase + No Layoffs +**  
**0.0 HSRF + 0 FTE + Legal**  
**2.5% Recovery Rate**



State Fiscal Year

# FY2010 Solid Waste User Fee Distribution



# Other Economic Impacts

- Furloughs
  - 4 in 2009
  - More in 2010?
- PERA
  - Change in Rules Predicted
  - Greater Employee Turnover?
  - Loss of Experienced Employees