

JOINT BUDGET COMMITTEE



MID-YEAR ADJUSTMENTS TO GENERAL FUND APPROPRIATIONS FOR FY 2019-20

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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OVERVIEW OF FY 2019-20 SUPPLEMENTAL REQUESTS

PROCESS FOR MAKING MID-YEAR BUDGET ADJUSTMENTS

In June and September 2019, the Joint Budget Committee (JBC) received and acted on interim requests for mid-year appropriation adjustments (called “supplemental requests”). On January 2 and January 15, 2020, the Governor, Judicial Branch agencies, and independent elected officials submitted additional supplemental requests. Over the last two weeks the JBC has acted on these supplemental requests.

On Monday, January 27, agencies will have an opportunity to ask the JBC to reconsider actions taken over the last two weeks by presenting “comeback” requests. Early next week, the JBC will also consider requests that were previously tabled, as well as recommendations from JBC Staff to correct or modify previous actions. Once the JBC has finalized decisions concerning mid-year adjustments, JBC staff will draft a supplemental bill for each affected department. Staff in the Office of Legislative Legal Services (OLLS) will draft bills to make any statutory changes that are necessary to implement approved mid-year adjustments. The JBC will review and vote on these OLLS bill drafts. All of the supplemental bills and the other bills that are needed to implement mid-year budget changes will be introduced in the House on Monday, February 3.

Please note that the JBC may consider additional mid-year adjustments in February and March (e.g., adjustments that may be necessary based on the Medicaid caseload and expenditure forecast that will be submitted in mid-February). Any additional approved mid-year adjustments can be included as separate sections within the 2020 Long Bill.

MID-YEAR ADJUSTMENTS APPROVED TO DATE

The existing FY 2019-20 operating budget includes General Fund appropriations totaling \$12.2 billion. The following table lists the mid-year appropriation changes that have been approved by the JBC to date for each department. The JBC has approved changes that would increase General Fund appropriations by \$73.7 million (0.6 percent).

GENERAL FUND OPERATING APPROPRIATIONS FOR FY 2019-20 AND MID-YEAR ADJUSTMENTS APPROVED AS OF JANUARY 22, 2020				
	APPROPRIATION AFTER 2019 SESSION	SUPPLEMENTAL CHANGES APPROVED TO DATE ^{1,2}	ADJUSTED APPROPRIATION	PERCENTAGE CHANGE
Agriculture	\$12,098,767	\$0	\$12,098,767	0.0%
Corrections ¹	885,094,026	9,805,775	894,899,801	1.1%
Education	4,405,170,565	9,012,607	4,414,183,172	0.2%
Governor	53,098,394	800,099	53,898,493	1.5%
Health Care Policy and Financing	3,151,370,264	42,819,813	3,194,190,077	1.4%
Higher Education	1,112,705,645	49,250	1,112,754,895	0.0%
Human Services ²	1,043,299,934	(3,127,806)	1,040,172,128	-0.3%
Judicial	616,134,492	1,548,311	617,682,803	0.3%
Labor and Employment	25,519,883	0	25,519,883	0.0%
Law	18,717,773	29,379	18,747,152	0.2%
Legislature	55,197,745	0	55,197,745	0.0%
Local Affairs	48,716,177	101,161	48,817,338	0.2%
Military and Veterans Affairs	11,615,507	240,748	11,856,255	2.1%
Natural Resources	43,464,597	73,636	43,538,233	0.2%
Personnel	15,633,396	1,499,330	17,132,726	9.6%
Public Health and Environment	59,177,207	2,156,357	61,333,564	3.6%

GENERAL FUND OPERATING APPROPRIATIONS FOR FY 2019-20 AND
MID-YEAR ADJUSTMENTS APPROVED AS OF JANUARY 22, 2020

	APPROPRIATION AFTER 2019 SESSION	SUPPLEMENTAL CHANGES APPROVED TO DATE ^{1,2}	ADJUSTED APPROPRIATION	PERCENTAGE CHANGE
Public Safety	166,108,148	8,701,925	174,810,073	5.2%
Regulatory Agencies	2,324,519	0	2,324,519	0.0%
Revenue	124,688,584	0	124,688,584	0.0%
State	8,418,590	0	8,418,590	0.0%
Transportation	0	0	0	n/a
Treasury	339,275,495	0	339,275,495	0.0%
TOTAL	\$12,197,829,708	\$73,710,585	\$12,271,540,293	0.6%

¹ The supplemental changes reflected for the Department of Corrections reflect the staff recommendations that will be presented January 24, 2020.

² The supplemental changes reflected for the Department of Human Services reflect the January 22, 2020, revised staff recommendation for the September 2019 interim supplemental concerning the federal Family First Prevention Services Act and the Colorado Trails System. The JBC has not yet taken action on this revised recommendation.

The JBC has also approved changes to appropriations for capital construction and capital IT projects. For the approved changes for capital construction projects, an additional \$10,739,718 will be appropriated from the Capital Construction Fund. JBC Staff has indicated that the existing Fund balance is sufficient to cover this increased appropriation. For the approved changes for capital IT projects, an additional \$7,466,648 will be appropriated from the IT Capital Account within the Capital Construction Fund. The JBC plans to consider sponsoring legislation to transfer this amount from the General Fund into the Account to cover these additional expenditures.

JBC ACTIONS TO DATE IN THE CONTEXT OF THE DECEMBER 2019 REVENUE FORECASTS

The General Assembly utilized the Legislative Council Staff (LCS) March 2019 revenue forecast as the basis for the FY 2019-20 budget. The Governor's budget request for FY 2020-21 was based on the OSPB September 2019 revenue forecast, and subsequent amendments to this request were based on the OSPB December 2019 forecast. By mid-March, the JBC will determine which revenue forecast to use as the basis for finalizing FY 2019-20 appropriations and proposing the FY 2020-21 budget.

The tables below are intended to provide a framework for the JBC as it finalizes decisions concerning mid-year adjustments, and as it begins taking action on budget requests for FY 2020-21. These tables utilize the most recent economic and revenue forecasts that were presented to the JBC on December 20, 2019. The first table is based on the Legislative Council Staff (LCS) forecast, and the second table is based on the Office of State Planning and Budgeting (OSPB) forecast. For both of these scenarios, staff used the same assumptions about appropriations and transfers from the General Fund. Specifically, staff included:

- Mid-year adjustments for FY 2019-20 that have been approved to date by the JBC (described above);
- Appropriations that have been requested for FY 2020-21 by the Governor, Judicial Branch agencies, and elected officials (including budget amendments that have been submitted to date);
- Placeholders identified in the Governor's request; and
- An increase in the statutory General Fund reserve from 7.25 percent to 7.50 percent starting in FY 2020-21, as proposed by the Governor.

Please note that the General Fund Obligations for FY 2021-22 in both scenarios are understated. Staff has only included continuation of operating appropriations that have been requested for FY 2020-21, and the Governor’s placeholders for FY 2020-21 related to legislation. Staff has not attempted, for purposes of this document, to estimate increases that will be required based on statutory requirements, to address population and inflationary increases, or to support infrastructure investments.

The third table identifies the differences between the two forecasts. A full General Fund overview for each forecast is included in *Appendix A*.

MAJOR DIFFERENCES BETWEEN THE TWO REVENUE FORECASTS

The most significant differences between the two revenue forecasts include the following:

- **The OSPB forecast of General Fund revenues is higher** than the LCS forecast for fiscal years 2019-20, 2020-21, and 2021-22.
- **The OSPB forecast of TABOR refunds is lower than LCS in FY 2019-20, but higher than LCS in FY 2020-21 and FY 2021-22.**
- **The OSPB forecast of transfers out and other diversions is higher than LCS in FY 2019-20, but lower than LCS in FY 2020-21 and FY 2021-22.** These differences are primarily related to projections of marijuana tax revenues and projections of sales tax revenues that will result from changes in the vendor fee due to H.B. 19-1245.

General Fund Overview					
Based on: JBC Action to Date on Supplemental Requests, and FY 2020-21 Budget Requests					
LCS December 2019 Forecast					
(\$ millions)					
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22*	
General Fund Available					
1	Beginning Reserve	\$1,366.0	\$1,266.6	\$967.3	\$808.5
2	Gross General Fund Revenue	12,564.0	12,942.7	13,475.1	14,031.0
3	Transfers In From Other Funds	38.0	70.6	38.6	19.5
4	Total General Fund Available	\$13,968.0	\$14,279.9	\$14,481.0	\$14,859.0
General Fund Obligations*					
5	Adjusted Appropriations (excluding rebates and expenditures)	\$11,230.5	\$12,088.3	\$12,576.3	\$12,490.8
6	Rebates and Expenditures	249.8	142.4	141.4	140.5
7	TABOR Refund Obligations	428.3	304.3	371.3	457.5
8	Transfers Out and Other Diversions	920.3	777.6	583.4	332.0
9	Reversions and Accounting Adjustments	(127.5)	n/a	n/a	n/a
10	Total General Fund Obligations	\$12,701.4	\$13,312.6	\$13,672.5	\$13,420.9
Fiscal Year-end General Fund Reserve					
11	Fiscal Year-end General Fund Reserve	\$1,266.6	\$967.3	\$808.5	\$1,438.1
12	Statutorily Required Reserve Percent (Governor's Proposed Increase Starting in FY 2020-21)	7.25%	7.25%	7.50%	7.50%
13	Reserve Amount	\$814.2	\$876.4	\$943.2	\$936.8
14	Year-end Reserve Above/(Below) Statutory Requirement	\$452.4	\$90.9	(\$134.8)	\$501.3

* General Fund Obligations for FY 2021-22 are understated. Staff has only included continuation of operating appropriations that have been requested for FY 2020-21, and the Governor’s placeholders for FY 2020-21 related to legislation. Staff has not attempted to estimate increases that will be required based on statutory requirements, to address population and inflationary increases, or to support infrastructure investments.

General Fund Overview					
Based on: JBC Action to Date on Supplemental Requests, and FY 2020-21 Budget Requests					
OSPB December 2019 Forecast					
(\$ millions)					
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22*	
General Fund Available					
15	Beginning Reserve	\$1,366.0	\$1,266.6	\$1,053.3	\$913.8
16	Gross General Fund Revenue	12,564.0	13,009.4	13,528.0	14,159.5
17	Transfers In From Other Funds	17.2	70.3	38.4	19.1
18	Total General Fund Available	\$13,947.2	\$14,346.3	\$14,619.6	\$15,092.4
General Fund Obligations*					
19	Adjusted Appropriations (excluding rebates and expenditures)	\$11,230.5	\$12,088.3	\$12,579.8	\$12,497.5
20	Rebates and Expenditures	266.1	142.9	144.1	145.3
21	TABOR Refund Obligations	428.3	279.9	408.6	615.1
22	Transfers Out and Other Diversions	887.9	781.9	573.3	311.1
23	Reversions and Accounting Adjustments	(132.4)	n/a	n/a	n/a
24	Total General Fund Obligations	\$12,680.5	\$13,293.0	\$13,705.8	\$13,569.0
25	Fiscal Year-end General Fund Reserve	\$1,266.8	\$1,053.3	\$913.8	\$1,523.4
26	Statutorily Required Reserve Percent (Governor's Proposed Increase Starting in FY 2020-21)	7.3%	7.3%	7.5%	7.5%
27	Reserve Amount	\$814.2	\$876.4	\$943.2	\$936.8
28	Year-end Reserve Above/(Below) Statutory Requirement	\$452.4	\$176.9	(\$29.4)	\$586.5

* General Fund Obligations for FY 2021-22 are understated. Staff has only included continuation of operating appropriations that have been requested for FY 2020-21, and the Governor's placeholders for FY 2020-21 related to legislation. Staff has not attempted to estimate increases that will be required based on statutory requirements, to address population and inflationary increases, or to support infrastructure investments.

General Fund Overview					
LCS is Higher/(Lower) Than OSPB					
(\$ millions)					
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	
General Fund Available					
29	Beginning Reserve	\$0.0	\$0.0	(\$86.0)	(\$105.3)
30	Gross General Fund Revenue	0.0	(66.7)	(52.9)	(128.4)
31	Transfers In From Other Funds	20.8	0.3	0.2	0.4
32	Total General Fund Available	\$20.8	(\$66.4)	(\$138.7)	(\$233.4)
General Fund Obligations					
33	Adjusted Appropriations (excluding rebates and expenditures)	\$0.0	\$0.0	(\$3.5)	(\$6.7)
34	Rebates and Expenditures	(16.3)	(0.4)	(2.7)	(4.8)
35	TABOR Refund Obligations	0.0	24.4	(37.3)	(157.6)
36	Transfers Out and Other Diversions	32.4	(4.4)	10.1	21.0
37	Reversions and Accounting Adjustments	4.9	n/a	n/a	n/a
38	Total General Fund Obligations	\$21.0	\$19.6	(\$33.3)	(\$148.2)
39	Fiscal Year-end General Fund Reserve	(\$0.2)	(\$86.0)	(\$105.3)	(\$85.2)

BUDGET REQUESTS AND AVAILABLE GENERAL FUND REVENUE

Under both forecasts, General Fund revenues are sufficient in FY 2019-20 to cover the mid-year adjustments approved by the JBC to date, as well as the Governor's proposed \$10.0 million transfer for State Parks.

Under the OSPB forecast, General Fund revenues are not sufficient in FY 2020-21 to cover requested appropriations, the Governor's placeholders, and the Governor's proposed increase

in the statutory reserve [see row 28, above]. This \$29.4 million shortfall is primarily due to differences between budget requests submitted by Judicial Branch agencies, the Attorney General, and the State Treasurer, and the corresponding assumptions that were used for purposes of the Governor's budget submission.

Under the LCS forecast, FY 2020-21 General Fund revenues fall \$134.8 million short of covering requested appropriations, the Governor's placeholders, and the Governor's proposed increase in the statutory reserve [see row 14, above].

Both OSPB and LCS will produce one more revenue forecast before the JBC needs to finalize FY 2019-20 appropriations and propose the FY 2020-21 budget. These forecasts are scheduled to be presented to the JBC on Tuesday, March 17.

General Fund Overview as of January 2020					
Based on: JBC Action to Date on Supplemental Requests, and FY 2020-21 Budget Requests					
LCS December 2019 Forecast					
(\$ millions)					
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	
General Fund Available					
1	Beginning Reserve	\$1,366.0	\$1,266.6	\$967.3	\$808.5
2	Gross General Fund Revenue	12,564.0	12,942.7	13,475.1	14,031.0
3	Transfers In - Current Law	38.0	70.6	18.6	19.5
4	Transfers In - Proposed transfer from the State Employee Reserve Fund	n/a	0.0	20.0	0.0
5	Total General Fund Available	\$13,968.0	\$14,279.9	\$14,481.0	\$14,859.0
General Fund Obligations					
6	Appropriations	11,432.8	12,197.8	12,692.7	12,692.7
7	LESS: Rebates and expenditures	(202.1)	(183.3)	(206.0)	(215.7)
8	Adjusted Appropriations	11,230.7	12,014.6	12,486.7	12,477.0
9	Supplemental requests approved by JBC to date, including amounts that require statutory changes (Operating)	(0.2)	73.7	n/a	n/a
Placeholders in Governor's November 1, 2019 request:					
10	Proposal to reverse payday shift for some agencies	n/a	n/a	75.8	0.0
11	Potential 2020 Legislation	n/a	n/a	13.9	13.9
12	Rebates and Expenditures	249.8	142.4	141.4	140.5
TABOR Refund Obligation [Article X, Section 20 (7)(d)]:					
13	Current year revenue above Referendum C Cap	428.3	304.3	367.3	453.4
14	Placeholder in Governor's November 1, 2019 Request for impact of budget requests that affect TABOR revenues	n/a	n/a	4.1	4.1
Transfers Out and Other Diversions:					
15	Transportation	495.0	300.0	50.0	50.0
16	Capital construction	180.5	225.8	20.0	20.0
17	Supplemental requests approved by JBC to date for IT Capital requests, which require a General Fund Transfer	0.0	7.5	n/a	n/a
Placeholders in Governor's November 1, 2019 request:					
18	Capital requests	n/a	0.0	175.7	n/a
19	Proposed transfer to Capital Construction Fund for State Parks (SB 20-003)	n/a	10.0	n/a	n/a
20	Proposed transfer to the Reinsurance Program Cash Fund (created by HB 19-1168)	n/a	n/a	60.0	n/a
21	Proposed transfers to the State Education Fund	n/a	n/a	24.0	n/a
22	Proposed transfer to Severance Tax Perpetual Base Fund for implementation of Colorado Water Plan	n/a	n/a	5.0	n/a
23	Other	244.8	234.3	248.7	262.0
24	Reversions and accounting adjustments	(127.5)	n/a	n/a	n/a
25	Total General Fund Obligations	\$12,701.4	\$13,312.6	\$13,672.5	\$13,420.9
Reserve					
26	Fiscal Year-end General Fund Reserve	\$1,266.6	\$967.3	\$808.5	\$1,438.1
27	Statutorily Required Reserve Percent (Governor's Proposed Increase Starting in FY 2020-21)	7.25%	7.25%	7.50%	7.50%
28	Reserve Amount	\$814.2	\$876.4	\$943.2	\$936.8
29	Year-end Reserve Above/(Below) Statutory Requirement	\$452.4	\$90.9	(\$134.8)	\$501.3

General Fund Overview as of January 2020					
Based on: JBC Action to Date on Supplemental Requests, and FY 2020-21 Budget Requests					
OSPB December 2019 Forecast					
(\$ millions)					
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	
General Fund Available					
1	Beginning Reserve	\$1,366.0	\$1,266.6	\$1,053.3	\$913.8
2	Gross General Fund Revenue	12,564.0	13,009.4	13,528.0	14,159.5
3	Transfers In - Current Law	17.2	70.3	18.4	19.1
4	Transfers In - Proposed transfer from the State Employee Reserve Fund	n/a	0.0	20.0	0.0
5	Total General Fund Available	\$13,947.2	\$14,346.3	\$14,619.6	\$15,092.4
General Fund Obligations					
6	Appropriations	11,432.8	12,197.8	12,692.7	12,692.7
7	LESS: Rebates and expenditures	(202.1)	(183.3)	(202.5)	(209.0)
8	Adjusted Appropriations	11,230.7	12,014.6	12,490.2	12,483.7
9	Supplemental requests approved by JBC to date, including amounts that require statutory changes (Operating)	(0.2)	73.7	n/a	n/a
Placeholders in Governor's November 1, 2019 request:					
10	Proposal to reverse paydate shift for some agencies	n/a	n/a	75.8	0.0
11	Potential 2020 Legislation	n/a	n/a	13.9	13.9
12	Rebates and Expenditures	266.1	142.9	144.1	145.3
TABOR Refund Obligation [Article X, Section 20 (7)(d)]:					
13	Current year revenue above Referendum C Cap	428.3	279.9	404.5	611.1
14	Placeholder in Governor's November 1, 2019 Request for impact of budget requests that affect TABOR revenues	n/a	n/a	4.1	4.1
Transfers Out and Other Diversions:					
15	Transportation	495.0	300.0	50.0	50.0
16	Capital construction	180.5	225.8	20.0	20.0
17	Supplemental requests approved by JBC to date for IT Capital requests, which require a General Fund Transfer	0.0	7.5	n/a	n/a
Placeholders in Governor's November 1, 2019 request:					
18	Capital requests	n/a	0.0	175.7	n/a
19	Proposed transfer to Capital Construction Fund for State Parks (SB 20-003)	n/a	10.0	n/a	n/a
20	Proposed transfer to the Reinsurance Program Cash Fund (created by HB 19-1168)	n/a	n/a	60.0	n/a
21	Proposed transfers to the State Education Fund	n/a	n/a	24.0	n/a
22	Proposed transfer to Severance Tax Perpetual Base Fund for implementation of Colorado Water Plan	n/a	n/a	5.0	n/a
23	Other	212.4	238.6	238.6	241.1
24	Reversions and accounting adjustments	(132.4)	n/a	n/a	n/a
25	Total General Fund Obligations	\$12,680.7	\$13,293.0	\$13,705.8	\$13,569.0
Reserve					
26	Fiscal Year-end General Fund Reserve	\$1,266.6	\$1,053.3	\$913.8	\$1,523.4
27	Statutorily Required Reserve Percent (Governor's Proposed Increase Starting in FY 2020-21)	7.25%	7.25%	7.50%	7.50%
28	Reserve Amount	\$814.2	\$876.4	\$943.2	\$936.8
29	Year-end Reserve Above/(Below) Statutory Requirement	\$452.4	\$176.9	(\$29.4)	\$586.5