



COLORADO FISCAL POLICY INSTITUTE

Justice and Economic Security for all Coloradans

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REFERENDUM C: A SMALL STEP, BUT NOT A PANACEA

While Referendum C allowed the legislature to spend \$801 million more than it would have had the referendum not passed, the number gives a false impression of largess. Passage of Referendum C made it possible to avoid further reductions in state services but resulted in very little new investment. In fact, medical services through Medicaid received \$26 million less than in FY2006, K-12 education received about the same as it would have without Ref C and Higher Education spending grew by \$52 million or about 10%.

These results are undeniable: Referendum C was an important step in the right direction but it falls short of solving the underlying financial problems plaguing Colorado's public sector.

Further Program Cuts Avoided. Most of the Ref C money was used to avoid additional cuts in services. Had Ref C not passed¹, the state general fund budget, which must grow annually about 6% to maintain a constant service level², would have been slashed by \$492.7 million.

Referendum C meant that the FY 2007 budget grew sufficiently to maintain the FY 2006 level of services. The actual dollar amount may have increased but the amount of services, in most cases, remained at the FY 2006 level.

Investing in Ref C Priorities—K-12, Higher Ed, Health Care, Pensions, Transportation. Certain areas of the budget were prioritized in Ref C. Some of those received additional resources in FY 2007.

¹ TABOR would have limited annual growth in revenue to the rate of change in the inflation as measured by the Consumer Price Index plus the rate of change in population. For FY 2006-07, allowable revenue growth would have been 3.5%.

² Historically the cost of providing a constant level of state services increases from one year to the next at a rate of approximately 6%. A portion of the increased cost comes from more people being eligible for certain services—like more people reaching a certain age or more people earning income that qualifies them for a benefit. Another portion of the increased cost comes from increases in the cost of services the state purchases. Health care is the best example of a service that is increasing faster than the CPI.

The Referendum C accountability report shows an accounting of how the Ref C/General Fund Exempt money was allocated.

**Referendum C General Fund Exempt Appropriations by Programs
in the 2006 Long Bill
(millions of dollars)**

Department	Long Bill Line Item/Bill Number	FY 05-06	FY 06-07
Education	State Share of Districts' Total Program Funding	261.4	256.1
HCPF	Medical Services Premiums Totals	261.3	256.1
Higher Education	College Opportunity Fund Programs Stipends	253.4	253.4
Local Affairs	Volunteer Firefighters Retirement Plans	3.7	3.8
Treasury	Fire and Police Pension Association-Old Hires	25.3	34.8
Transportation	HB 06-1386 Capital Transfer Bill	10.0	10.0
	TOTAL GENERAL FUND EXEMPT	815.1	801.2

Reading this chart it is reasonable to assume that the total General Fund appropriation for each of these programs would have increased in each year by the amounts listed in the last two columns. However, when the total general fund dollars are compared, the actual increases are much smaller. For K-12 education, the increase was no greater than required by Amendment 23. In healthcare, because of caseload changes and other factors, total general fund for Medicaid Medical Services Premiums actually fell from FY 2006 to FY 2007.

Total General Fund Appropriations by Programs in the 2006 Long Bill (millions of dollars)

Department	Long Bill Line Item/Bill Number	FY 04-05	FY 05-06	FY 06-07	diff from FY 05 to FY 06	diff from FY 06 to FY 07
Education	State Share of Districts' Total Program Funding	2,462,284,547	2,532,130,186	2,646,281,274	69,845,639	114,151,088
HCPF	Medical Services Premiums Totals	957,792,812	1,022,090,346	995,595,976	64,297,534	-26,494,370
Higher Education	College Opportunity Fund Programs Stipends	498,818,342	525,746,342	578,102,044	26,928,000	52,355,702
Local Affairs	Volunteer Firefighters Retirement Plans	9,615	99,491	99,491	89,876	0
Treasury	Fire and Police Pension Association-Old Hires	25,321,079	25,321,079	34,774,141	0	9,453,062
Transportation	HB 06-1386 Capital Transfer Bill	0	10	10	10	0
	TOTAL CHANGE in total general fund increases for these programs				161,161,059	149,465,482

Total General Fund appropriations for these Referendum C priority programs didn't increase by an amount equal to their General Fund Exempt appropriation. For FY 07, the total increase for the Referendum C priority funding areas was \$149 million. That means that the General Fund Exempt appropriation freed up General Fund dollars to be used elsewhere. So what happened to that General Fund money that was supplanted by the Ref C General Fund Exempt dollars? It went to highway spending.

Buying More Roads As mentioned above, \$492.7 million of the Referendum C money was used to avoid cuts and \$149.5 million was used for increased spending for the Ref C specified

areas, the left over was \$159 million. That is the amount that was allocated to SB1 for transportation funding in FY 2007.

In short for FY 07, of the \$801 million in Ref C money, \$492.7 was used to avoid further cuts, \$149.5 was used to expand services in K-12 education, higher education, health care fire and police pensions and transportation and another \$159 was transferred to the HUTF for highway funding.

What areas benefited by not being cut? As discussed early, for many programs in the budget, in order for services to remain level, the budget needed to increase. While this report does not attempt to explain the impact of Referendum C on all programs, the Fiscal Year 2006-07 Appropriations Report sheds light on where that money ended up from a broad state agency perspective. Seventeen of the 20 state agencies that receive a General Fund appropriation had an increase in FY 2006-07 over the FY 2005-06 appropriation. For Education, Health Care Policy and Finance, and Higher Education the increase is largely explained by the General Fund Exempt appropriation.

Other agencies received substantial increases in appropriations that were largely used to avoid cuts in current services that would've been necessary due to inflation or increases in eligible population or to restore cuts taken during the recession. In addition, the areas receiving substantial increases were areas particularly hard hit by cuts during the recessionary years.

Change in Total General Fund Appropriations FY 2005-06 to FY 2006-07 (millions of dollars)		
Agency	Increase in Total General Fund	
Corrections	\$49,158	
Human Services	\$98,540	
Judicial	\$25,635	
Natural Resources	\$5,691	
Public Health & Environment	\$2,246	
Public Safety	\$7,998	
Revenue	\$12,152	
Treasury	\$74,098	

Select Itemized Increases Beyond Ref C Priority Areas

Corrections—General fund increases are to be used for growth in inmate populations, personnel costs, opening of new female and male inmate beds, additional parole and community corrections officers, increases in provider rates, additional mental health treatment staff.³

Human Services—General fund increases to make up for loss of federal funds for residential treatment centers, for cost of living increases for community providers, for services for people with developmental disabilities, for vocational rehabilitation services and for mental health services.⁴

³ State of Colorado, Joint Budget Committee, Fiscal Year 2006-07 Appropriations Report, p. 38.

⁴ State of Colorado, Joint Budget Committee, Fiscal Year 2006-07 Appropriations Report, p. 173.

Judicial—General Fund increases to raise court appointed counsel rates, new judgeships, personnel costs, new court staff, additional probation officers and staff.⁵

Natural Resources—increased staff for Division of Water Resources.⁶

Public Health and Environment—General fund increases for restoration on per capita funding for local health departments, school based health centers and water quality services.⁷

Public Safety—General fund increases for additional residential community corrections placements, State Patrol human smuggling/trafficking unit, community provider rate increases and restoration of juvenile diversion program cut from the budget in 2002.⁸

Revenue—Increase in General fund for Old Age Heat and Fuel Assistance grants and Old age Property Tax assistance as well as to maintain staffing for Driver and Vehicle services.⁹

Treasury—General fund increases for Senior property tax exemption and police and fire pension liability.¹⁰

CONCLUSION

Referendum C provided invaluable resources to protect state services from further cuts. It did not, however, solve the fiscal problems facing Colorado. Colorado continues to rank in the bottom ten of all states in funding for K-12 education, higher education and Medicaid. While Ref C moves Colorado in the right direction by avoiding further deterioration in public services, it should be viewed as just the first step on the path to real fiscal reform.

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⁵ State of Colorado, Joint Budget Committee, Fiscal Year 2006-07 Appropriations Report, p. 230.

⁶ State of Colorado, Joint Budget Committee, Fiscal Year 2006-07 Appropriations Report, p. 312.

⁷ State of Colorado, Joint Budget Committee, Fiscal Year 2006-07 Appropriations Report, p. 358.

⁸ State of Colorado, Joint Budget Committee, Fiscal Year 2006-07 Appropriations Report, p. 384.

⁹ State of Colorado, Joint Budget Committee, Fiscal Year 2006-07 Appropriations Report, p. 422.

¹⁰ State of Colorado, Joint Budget Committee, Fiscal Year 2006-07 Appropriations Report, p. 463.