



COLORADO FISCAL
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Hickenlooper's proposed budget cuts would cost thousands of jobs; solution can come from voters

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The Colorado Fiscal Policy Institute is a project of the Colorado Center on Law and Policy, a nonprofit, nonpartisan research and advocacy organization seeking justice and economic security for all Coloradans.

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The budget-balancing plan offered by Gov. John Hickenlooper last month relies heavily on cuts to public schools and will result in the loss of more than 3,600 jobs as services in education, mental health, prisons, health care and parks are scaled back. Most of the lost jobs will come out of classrooms and schools throughout the state as school districts cope with a nearly \$500 decline in spending per student.

Colorado lawmakers have no option but to balance the state budget, and that will mean painful service reductions affecting every resident of the state. Voters, though, have the authority to consider all options for maintaining and increasing investment in their communities – including increased revenue.

Didn't Ritter balance the budget?

The budget process began with the legislature and the governor having to close a \$1.1 billion shortfall for the 2011-12 budget. Then-Gov. Bill Ritter offered a plan in November that he said closed the shortfall.

Hickenlooper's plan takes a more conservative approach designed to reduce the likelihood the state will have to cut the budget in mid-year.

To do so, Hickenlooper has taken the unusual step of ignoring revenue estimates produce by his staff in the Office of State Planning and Budgeting (OSPB) and will instead adopt the more conservative forecast from the Legislative Council Staff for the 2011-12 fiscal year. (For the small number of amendments the governor offered for the 2010-11 budget, he is also using the more conservative estimate, which for that year is the OSPB estimate.) Using the Legislative Council Staff revenue forecast for 2011-12 means the governor had to identify another \$182.2 million in cuts.

In addition, Ritter included in his plan a smaller margin of error by reducing the amount of revenue the state would not budget – known as the reserve account. The larger the reserve account, the greater the number of cuts. The legislature and the governor have reduced the reserve account well below the statutorily required 4 percent level the past few years. Ritter planned to do that again for 2011-12, even though last June, at the end of the fiscal year, the state had to delay some medical provider payments because the smaller reserve created cash flow problems. To avoid a repeat of that problem Hickenlooper proposed keeping the reserve at 4 percent, which means he needed to identify an additional \$141.5 million in cuts.

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So what did Hickenlooper propose cutting?

The governor's plan reduces General Fund spending by \$395 million and eliminates another \$117 million in General Fund spending to school districts to offset local revenue school districts are losing because of declining property values. The cuts come in five categories: schools, universities, health care and human services, parks and state workers.

The governor's proposal would eliminate 263 state jobs, most from closing a state prison and shutting down programs in mental health facilities. An analysis by the Colorado Fiscal Policy Institute estimates the governor's proposed cuts to public schools would eliminate another 3,348 jobs. The total job loss as a result of the governor's proposed cuts would equal 3,611 educators and state employees in communities throughout the state.

Public schools

The most significant and dramatic cuts included in the governor's first budget-balancing plan are in the area of kindergarten through 12th-grade education. The governor proposed an astounding reduction in program funding for public schools of \$375 million, which includes not just a General Fund spending cut of \$257 million but also a \$117 million decline in reduced local funding for schools that has typically been backfilled by the state. By an measure, funding for K-12 would reach a troubling low:

- State spending per student would be \$497 lower next year than it is this school year.
- Per-pupil spending would be \$1,001 less than the level mandated by Amendment 23, the constitutional measure designed to protect funding for K-12.
- Adjusted for inflation, Colorado would in 2011-12 spend less per student than in the first year after voters approved Amendment 23, 2001-02.

Slashing education spending to that extent is almost certain to have a dramatic effect on classrooms. Using conservative estimates, Hickenlooper's cut would equal the elimination of at least 3,000 school positions throughout the state. A teacher in Colorado is paid an average compensation of \$56,000. Assuming 50 percent of school funding goes to paychecks for teachers and other school personnel, cutting \$375 million would mean the loss of 3,348 jobs in school districts throughout the state. Generally, districts spend much more — up to 70 percent — of their budgets on personnel. But given that school districts are likely to try to preserve jobs and cut programs that minimize job losses, the more conservative 50 percent estimate is likely closer to the mark.

Higher education

Hickenlooper proposed cutting funding for colleges and universities to a point that would drop the state support per in-state student to the lowest point since the last recession. Hickenlooper proposed reduced General Fund support for higher education by 6.7 percent or \$36 million in 2011-12. Add that reduction

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to the end of the federal Recovery Act aid, and Colorado's colleges and universities need to find a way in 2011-12 to educate more students with \$125 million less than those institutions will have in the current fiscal year. The governor's budget staff estimates that will equal a 22 percent decline in per-student funding for 2011-12, or \$877 less per student.

Health care

The governor offered smaller, yet still damaging, cuts to health care. Hickenlooper's plan would cut \$79.4 million from the Department of Health Care Policy and Financing during this year and next. The largest health care cut comes from Medicaid in 2011-12. The governor proposed cutting \$28.8 million in 2011-12, of which \$13.2 million would come from the General Fund. The most significant cut in Medicaid would be trimming provider rates by 0.5 percent to save \$12.3 million, which includes reducing General Fund spending by \$5.6 million. If that provider rate cut is approved by the legislature it would mean provider rates have been decreased 5.89 percent since the start of the recession. Rate reductions can discourage doctors and nurses from working with Medicaid patients because they get paid more to see patients with private insurance. Each provider rate reduction reduces access to quality health care for Medicaid patients — many of whom are children in low-income homes.

Human services

Many aspects of the Department of Human Services budget were spared in the governor's budget, although the overall reduction for 2011-12 was \$17.3 million. In addition to an \$11.1 million decrease in the Division of Youth Corrections, his plan offered two significant cuts to mental health services:

- Shut down a program at the Colorado Mental Health Institute at Pueblo called The Circle that treats the mentally ill who are also alcoholics or drug addicts. Twenty-eight jobs would be eliminated to save \$2.2 million (\$1.5 million in General Fund). The program accommodates 20 people at a time, treated 113 people in 2009-10 and currently has a waiting list of 35 people.
- Close a program a program that serves mentally ill children at the Colorado Mental Health Institute at Fort Logan. Shutting down the Therapeutic Residential Child Care Facility would eliminate 27 jobs and save \$1.7 million (\$0.8 million General Fund).

State employees

The governor proposed two measures that will hurt the pocketbooks of state employees. First, and most significant, he cuts take-home pay by another 2.5 percent by reducing the state's contribution to the state employee retirement plan and forcing workers to pay the difference. Combined with the 2 percent reduction called for by Governor Ritter in November 2010, state employees would, in effect, have a 4.5 percent pay cut in 2011-12. Hickenlooper's proposal would save the state \$15.7 million. The other move proposed by the governor would reduce the mileage reimbursement rate for state employees from \$0.45 to \$0.38 for passenger cars and sport utility vehicles. That is estimated to save \$1.1 million (\$0.4 million in General Fund).

The governor's proposal does not offer many spending increases. The most significant is \$15.7 million increase in spending for economic development in both 2010-11 and 2011-12.

Prisons

The largest portion of state employee positions that would be eliminated under the governor's plan would come from the Department of Corrections. The governor proposes an array of changes in services and a reorganization of inmates in an effort to consolidate prison services. The most significant change would be the closure of Fort Lyon Correctional Facility in Bent County. Closing Fort Lyon would eliminate 104 jobs and save the state \$3 million in 2011-12. The following year, another 45 positions would be eliminated at Fort Lyon with the savings rising to \$6.2 million. Other prison reductions include 22 drug and alcohol treatment positions, 37 prison education positions and 25 administrative positions.

State parks

The governor proposes eliminating 10 jobs that serve state parks through the Department of Natural Resources. The changes include:

- Repurposing four state parks at a savings of \$0.2 million. The parks at issue are Bonny Lake, Sweitzer Lake, Harvey Gap and Paonia. The governor's budget documents say repurposing could mean closing, transferring management, transferring ownership or placing the parks in caretaker status.
- Eliminating park discounts for senior citizens through the Aspen Leaf program for a savings of \$0.7 million. The Aspen Leaf program allows senior citizens to buy annual parks passes at half price and gives them a 50 percent discount on camping fees Sunday through Thursday.
- Leasing a portion of St. Vrain State Park to an oil and gas developer. The governor's budget indicates a developer has expressed interest in extracting oil and gas at a rate that could generate \$500,000 a year for a decade.

Spending increase

The governor's proposal does not offer many spending increases. The most significant is \$15.7 million increase in spending for economic development in both 2010-11 and 2011-12. To do that, the governor proposes to block the diversion of Limited Gaming Revenue to the General Fund and keep the money in four funds designed to promote tourism, arts and the film industry.

An alternative: Raise revenue

Hickenlooper and the General Assembly have a constitutional obligation to balance the budget in the face of a \$1 billion shortfall and have only limited authority to raise revenue. Even if there was a desire among lawmakers to raise revenue this year, they would not be able to do nearly enough to address the full budget shortfall, or more importantly, the structural imbalance in the state's revenue structure.

The only sustainable solution that could avoid even more service cuts and the loss of more jobs in future years must come from the voters, who have the authority to weigh in at the ballot box and decide what type of services they want in their communities.