



# Budget Watch

The Voice of Opportunity for Colorado

March 7, 2006

Vol. 4, No. 3

## Bell Policy Center

1801 Broadway  
Suite 280  
Denver, Colo. 80202

[www.thebell.org](http://www.thebell.org)

(303) 297-0456  
metro Denver

(866) 283-8051  
toll-free statewide

(303) 297-0460 fax

## Board of Directors

Mike Feeley  
Chair

Linda Shoemaker  
Vice-chair

Al Meiklejohn  
Wally Stealey

## Staff

Wade Buchanan  
President

Rich Jones  
Policy Director

Robin Baker  
Sr. Policy Analyst

Frank Waterous  
Sr. Policy Analyst

Adrian Miller  
Outreach Director

Laurie H. Zeller  
Political Director

Mollie Cross  
Development Director

Heather McGregor  
Communications Dir.

Elaine Rumler  
Business Manager

Rick Sullivan  
Office Assistant

Daniel Spivey  
Bell Fellow

**Budget Watch** is the Bell Policy Center's monthly e-newsletter dedicated to tracking policy and political developments related to Colorado's budget and spending process. To view or download a printer-friendly version, go to [www.thebell.org/tabor](http://www.thebell.org/tabor)

Letters to the editor are welcome, and may be published in a future edition (unless you indicate otherwise). Send them to Heather McGregor at [mcgregor@thebell.org](mailto:mcgregor@thebell.org).

Feel free to forward this newsletter to a friend. To subscribe or unsubscribe, contact Rick Sullivan at (303) 297-0456 in metro Denver, (866) 283-8051 toll-free in Colorado or via e-mail: [sullivan@thebell.org](mailto:sullivan@thebell.org).

Please consider supporting the Bell with a financial contribution today. Your gift will help us in our efforts to ensure that Colorado is a state of opportunity for all. Please visit our [donation page](#). Thank you for your support!

## In this issue:

- A user's guide to the state budget process
- Accountability Tour starts Saturday in Longmont
- Update on Rainy Day Fund bills
- JBC sets up textbook case for Ref C spending
- Guest Commentary: Adjust the state's spending limit

## A User's Guide to the State Budget Process

By Rich Jones  
[jones@thebell.org](mailto:jones@thebell.org)  
*Director of Policy and Research*

Everyone wants to know how the Legislature is going to spend the money freed up by the passage of Referendum C.

Fortunately, it is relatively easy to get background reports and listen to committee meetings, so any interested citizen can follow along and track what the Legislature is doing. You just need to know how the process works, what to look for and where.

This short guide describes how the budget process works and where citizens can find the detailed information needed to track the Legislature's spending decisions. But before we start, let's review the basics.

### Budget basics

**1.** In Colorado, the Legislature, working through its Joint Budget Committee

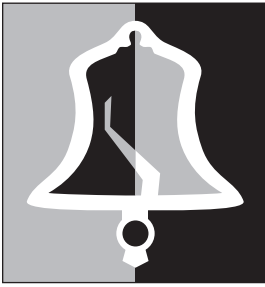
(JBC), develops the budget. The governor submits his request in November and requests for supplemental appropriations in January, but the JBC develops the budget, known as the Long Bill.

The JBC is made up of six members: three senators and three representatives.

This year, Rep. Tom Plant, D-Boulder, is the chair and Sen. Abel Tapia, D-Pueblo, is the vice chair. A list of the [JBC members](#) and contact information is available online.

**2.** The governor gets the final word on the budget, and can veto specific line item appropriations and footnotes in the bill. But he can't reduce or increase the appropriations set by the Legislature. Nor can he make changes that alter the meaning of what the Legislature passed, as is the case in some states.

**User's Guide:** *continued to page 2*



## Colorado's Budget Cycle

- July to October**  
Agencies submit budget requests to the OSPB
- November**  
Governor submits his budget request to the JBC
- November to January**  
JBC holds hearings on the agency budget requests
- January**  
Appropriations to current year budgets
- February to May**  
Legislature considers supplemental appropriations
- February to March**  
JBC decides how much to appropriate to each agency
- April to May**  
Legislature considers the Long Bill
- May to June**  
JBC staff produces the annual Appropriations Report

**User's Guide:** *continued from page 1*

3. The amount of money the Legislature can spend is based on an estimate of the amount of taxes and other revenue that will be available. The Legislative Council staff and the governor's Office of State Planning and Budget (OSPB) each produce quarterly revenue estimates. They're available online.

### Legislative Council forecast

### OSPB forecast

The Legislature passed **Senate Joint Resolution 06-004** in February, essentially agreeing to use the revenue estimate prepared by the Legislative Council when building the budget. Under this resolution, the Legislature has \$7,003.1 million in gross general fund revenue to spend in fiscal year 2006-07.

4. Although voters approved Referendum C, other statutory restrictions on the budget still apply.

For example, the Legislature cannot increase the general fund spending by more than 6 percent over what the state spent in the past year. This is also called the Arveschoug-Bird limit.

And once certain fiscal conditions are met, 10.35 percent of state sales tax revenues are automatically transferred to the Highway Users Tax Fund (Senate Bill 1 transfers) for transportation projects.

### **The never-ending budget process**

Budgeting is a continuous process that occurs throughout the year. The Legislature is currently working on two budgets.

Lawmakers are considering supplemental appropriations that revise the budget for the current fiscal year, which ends June 30, 2006.

At the same time, they are developing a budget for the next fiscal year of July 1, 2006 to June 30, 2007.

In a perfect world, our explanation

would start at the beginning and follow the process through to its conclusion.

But this is the real world and we are in the middle of the current budget cycle. That's no problem, because there is plenty of time left in the game, and now is the really interesting part of the process.

### **It's figure-setting time**

The JBC is currently going through what is called figure setting. The JBC staff has already briefed the six legislators on each state agency's budget requests and the JBC held hearings with the agencies to review those requests.

During this process, JBC members go through each agency's budget line by line and decide how much to spend on each item.

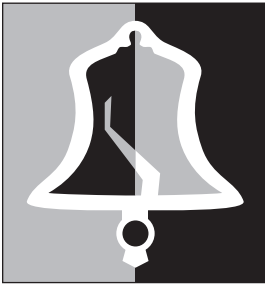
JBC legislators rely on staff reports that analyze each agency's budget, including how much the agency received the three previous fiscal years, how much the governor's OSPB recommends spending on each line, and the JBC staff's analysis and its spending recommendation.

These documents contain more detail about each agency's budget than you can shake a stick at. They're available online beginning the day of each agency's figure setting meeting. (*See sidebar, page 3.*)

During these meetings, JBC members will decide how much and where to spend the Ref C funds and other state revenues. The background documents and JBC discussions provide the rationale for spending decisions.

The JBC began figure-setting meetings in February with the Departments of Transportation, followed by the Department of Education on March 2.

The next figure setting meetings include Higher Education on March 7, Human Services on March 8 and 10 and Health Care Policy and Financing on March 10 and 13.



### How to get handy budget documents

The state government publishes reports, analyses and projections that help people understand what is going on with the budget.

#### Annual Appropriations Report

This 500-page report provides details on appropriations to every state agency for the current year and past three years. It also includes information on revenues and laws passed in the past two years that affect spending. It is available online or as a printed copy from the JBC.

#### Briefing documents

The JBC staff prepares a briefing document on each agency that describes the activities and spending for each agency. It also contains issues the staff recommends the committee discuss with the agency.

**Documents:** See page 4

The **JBC calendar** has a complete list of the figure setting meetings.

In addition to getting copies of the JBC's figure setting documents, the public can attend the committee deliberations in person or **listen to them** through the magic of the Internet.

If you have questions or want to suggest how funds should be spent, call or write members of the JBC. Other legislators play a fairly limited role at this point in this process, and the JBC does not take public testimony during its meetings.

#### **Party caucuses review the budget**

After the JBC completes figure setting, it compiles the results into the budget bill, called the Long Bill.

After it is introduced, the Long Bill is presented to each party's caucus.

That's when legislator can raise questions about the budget. Suggested changes supported by a majority of party members are drafted as amendments to be offered when the Long Bill is considered on the floor.

### **Coming in the April Budget Watch**

- A report on the JBC's figure setting meetings
- How the JBC will allocate Ref C funds
- The next steps in the budget process

At this point in the process, you can talk with your own senator or representative to raise questions about the budget or suggest a change.

The party caucuses meetings are open and you can attend to observe the proceedings.

#### **How the JBC will track Ref C money**

The JBC is currently deciding how the budget documents will show where Ref. C funds will be spent.

Members are considering two options: listing the spending under a general fund exempt column on the documents, or using footnotes to the regular general fund appropriations indicating the amount of Ref C funds allocated to each agency.

---

## **Referendum C Accountability Tour on track Budget Town Hall dates announced**

By Laurie Hirschfeld Zeller  
zeller@thebell.org  
*Senior Policy Advisor*

A bipartisan group of legislators and the Bell Policy Center are holding a series of town hall meetings around the state to discuss the allocation of tax revenues retained through the passage of Referendum C.

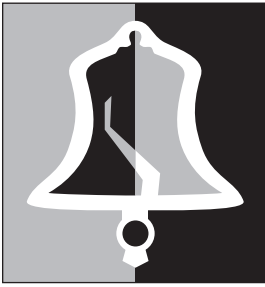
These meetings feature a briefing on constitutional and statutory limits on the budget process and encourage discussion on spending priorities.

The Accountability Tour is led by Senate President Joan Fitz-Gerald,

Sen. Steve Johnson, R-Fort Collins, Speaker of the House Andrew Romanoff and Rep. Tom Massey, R-Poncha Springs. They will attend as many of the meetings as their schedules permit.

The Bell Policy Center will provide content, outreach and logistics for the tour. The Bell's presentation, "The Colorado state budget and Referendum C," is an informative summary of the state budget process. You'll find it and a scheduled of these meetings online at [www.thebell.org](http://www.thebell.org) > Referendum C Roundup.

**Tour:** continued to page 4



**Documents:**  
From page 3

**Figure-setting documents**

These contain detailed information about agency operations, including JBC staff analysis of agency budget requests and recommendations for spending. These reports offer the rationale for spending decisions.

**Long Bill and narrative**

The JBC's recommended appropriations for each agency are contained in the Long Bill.

The accompanying narrative describes the line items for each agency and puts the appropriation in perspective.

[Printer-friendly PDF](#)  
[Online view](#)

**Fiscal and revenue estimates**

The quarterly economic and revenue estimates prepared by Legislative Counsel staff and the governor's Office of State Planning and Budget (OSPB) drive the budget process.

[Legislative Council OSPB](#)

*Tour: continued from page 3*

Each town hall meeting will be co-hosted by local legislators and by local elected officials, organizations and businesses. The meetings are in various stages of planning. Here is the current schedule. To keep up on changes, visit the Referendum C Roundup page on the Bell's web site.

**Scheduled meetings**

**Longmont**

**Saturday March 11, 10 a.m.**

**Longmont Public Library**, 409 4th Ave., Longmont

**Hosts:** Rep. Paul Weissmann, D-Louisville, Sen. Brandon Shaffer, D-Longmont, Rep. Jack Pommer, D-Boulder (invited), Adrian Miller, Bell Policy director of outreach

**Boulder**

**Wednesday March 15, 7 p.m.**

**Boulder Chamber of Commerce** conference room, 2440 Pearl St.

**Hosts:** Senate President Joan Fitzgerald, House Majority Leader Alice Madden, D-Boulder, Sen. Ron Tupa, D-Boulder, Sen. Brandon Shaffer, D-Longmont, Rep. Tom Plant, D-Boulder (chairman of the JBC), Wade Buchanan, Bell Policy Center president

**Colorado Springs**

**Friday March 17, 4 p.m.**

**University of Colorado at Colorado Springs**, University Center Room 302 – the theater, 1420 Austin Bluffs Parkway, Colorado Springs

**Honorary Chair:** Mayor Lionel Rivera, (unavailable on this date)

**Hosts:** Rep. Mike Merrifield, D-Manitou Springs, Rep. Tom Massey, R-Poncha Springs, Wade Buchanan, Bell Policy Center president  
**Sponsors:** Greater Colorado Springs Chamber of Commerce, Greater Colorado Springs Economic Development Corp.

**Aurora**

**Wednesday March 22, 7 p.m.**

**Community College of Aurora**, Student Center Rotunda, 16000 E. Centre Tech Parkway

**Hosts:** Sen. Suzanne Williams, D-Denver, Rep. Mary Hodge, D-Brighton, Rep. Michael Garcia, D-Aurora, Rep. Nancy Todd, D-Aurora, Sen. Bob Hagedorn, D-Aurora, Sem. Stephanie Takis, D-Aurora, Rep. Morgan Carroll, D-Aurora, Adrian Miller, Bell Policy director of outreach, and a representative of the Community College of Aurora Foundation

**Loveland**

**Saturday, March 25, 9 a.m.**

**American Eagle** community room, 3800 Clydesdale Parkway, Loveland

**Hosts:** Speaker of the House Andrew Romanoff, Sen. Steve Johnson, R-Fort Collins, Sen. Bob Bacon, D-Fort Collins, Rep. Bob McCluskey, R-Fort Collins, Rep. Angie Paccione, D-Fort Collins, Wade Buchanan, Bell Policy Center president

**Greeley / Evans**

**Saturday, March 25, 11 a.m.**

**Envision**, Centennial Room, 1050 37th St., Evans

**Hosts:** Speaker of the House Andrew Romanoff, Rep. Jim Riesberg, D-Greeley, Sen. Steve Johnson, R-Fort Collins

**Jefferson County**

**Tuesday March 28, 7 p.m.**

**Jefferson County Administration Building**, Hearing Room 1, 700

Jefferson County Parkway, Golden  
**Hosts:** Senate President Joan Fitzgerald, Speaker of the House Andrew Romanoff, Speaker Pro Tem Cheri Jahn, Rep. Betty Boyd, D-Lakewood, Adrian Miller, Bell Policy director of outreach

**Meetings being planned:**

Denver	Glenwood Springs
Pueblo	Durango
Grand Junction	Alamosa



## **Bell Policy releases Opportunity Notes on proposed state legislation**

Bell Policy Center released its ninth Opportunity Note March 2 to members of the state Senate on SB-046.

The Opportunity Note is modeled on the familiar Fiscal Note produced by the Colorado Legislative Council Staff.

The Note evaluates a particular bill's impact — positive or negative — on opportunity for Coloradans to live a healthy, educated and self-sufficient life. It also evaluates whether the legislation achieves its goal in a cost-effective manner.

All of Bell's Opportunity Notes are posted for easy online viewing and download on the [Policy Watch page](#) of the Bell's website: [www.thebell.org](http://www.thebell.org) > Policy Watch

# **Legislature to consider Rainy Day Fund proposals**

By Adrian Miller  
miller@thebell.org  
*Director of Outreach*

Although Referendum C has done much to ease the state's budget problems, we are still vulnerable to the effects of a future economic downturn. In order to prepare for that eventuality, legislators have introduced competing proposals to create a Rainy Day Fund.

All four bills are scheduled to be heard in the House Finance Committee at 1:30 p.m. on Wednesday, March 8, in House Committee Room 107 of the state Capitol.

The proposals, as introduced, are:

### **HB 1050: Budget Stabilization Fund**, Rep. Bernie Buescher, D-Grand Junction

Buescher intends to amend the introduced bill, which creates a Budget Stabilization Fund. Under the new amendment, the fund would be capitalized annually from three sources:

- A set appropriation of \$5 million from the general fund
- 10 percent of excess general fund reserves, with some adjustments
- A \$10 million appropriation from a tobacco litigation settlement cash fund

The tobacco appropriation would not conflict with tobacco settlement dollars currently earmarked for other purposes.

The earlier version of the bill considered tapping state severance tax revenues, but that option would be dropped.

### **HB 1114: Revenue Shortfall Relief Fund**, Rep. Kevin Lundberg, R-Berthoud, Sen. Greg Brophy, R-Wray

This bill's Revenue Shortfall Relief Fund would permit the General Assembly to appropriate the maximum

amount allowed annually under the Arveschoug-Bird 6 percent annual spending limit.

The bill currently does not designate a incoming source of money for the proposed fund.

### **HB 1163: Securitization and Investment Act**, Rep. Josh Penry, R-Grand Junction

This bill directs the state to sell its 40-year payout from the tobacco lawsuit settlement to get an immediate lump sum of cash. This is called securitization, and it means the state would get less money than it would in the long run.

The net proceeds of this proposed securitization, plus some of the state revenues retained under Ref. C that exceed state spending limits, would form a \$700 million Budget Stabilization Fund.

In addition, the securitization would fund one-time spending for:

- K-12 capital construction, \$50 million
- Higher education capital construction, \$25 million
- Strategic transportation projects, \$525 million

### **HB 1164: Budget Stabilization Fund**, Rep. Dale Hall, R-Greeley

The state would create a budget stabilization fund using the yearly inflow of tobacco settlement revenues .

However, annual tobacco settlement revenues earmarked by Amendment 35 for health care programs would remain intact.



### Hot links now included in Budget Watch

Read this printer-friendly e-newsletter on your computer while online, and the document and web page titles in blue will function as live hyperlinks to the actual reports online.

### Bell's online Legislative Status Report tracking 100+ bills

Check out the online Legislative Status Report, where Bell is following more than 100 bills related to opportunity, state budget and finance, Referendum C spending, immigration and the health of democracy.

Use links from the web site's home page, [www.thebell.org](http://www.thebell.org), or from [Policy Watch](#).

The Status Report information is the result of a team effort.

Rich Jones, Bell's director of policy and

**Bills:** See page 7

## JBC sets up textbook case for Ref C spending

By Gil Romero  
[gil@capitolsuccess.com](mailto:gil@capitolsuccess.com)

The Joint Budget Committee (JBC) on Feb. 23 firmly established its commitment to follow the will of the voters by beginning the process of restoring resources to vulnerable populations affected by budget cuts.

During FY 06-07 figure setting for the Department of Human Services budget section for Services for People with Developmental Disabilities, the JBC agreed to provide additional supplemental resources for persons with developmental disabilities in the current year.

The committee voted unanimously to restore resources for supported living services, early intervention, comprehensive services for adults, and support for children moving from foster care to adult services. In addition, a 1.6 percent base rate reduction was restored.

Restoration of these resources to children and adults with developmental disabilities will reduce waiting lists and provide services so families can continue to keep their loved ones at home and not in an institution.

Restoring past-year cuts to developmental disabilities totaled more than \$15.8 million of Referendum C money.

The JBC's action was a strong signal that budget cuts to vulnerable populations will be restored as quickly as possible. The JBC also added resources in the FY 06-07 budget for developmental disabilities.

These resources included a 3.25 percent cost of living increase and additional children and adult program resources.

**The JBC's action was a strong signal that budget cuts to vulnerable populations will be restored as quickly as possible.**

Most important, the waiting list for early intervention services for children up to 3 years old was eliminated.

The JBC acknowledged that this is just the beginning of the process, as they must convince their colleagues that these funding decisions align with Referendum C.

They noted that not all programs would be restored in the first year of Referendum C.

The JBC's goal is to prioritize those cuts that hurt individuals and families and restore those cuts first. Developmental disability funding is a good start on the road to recovery for our most vulnerable population.

*Gil Romero of Pueblo is a member of the Bell Policy Center board of directors and a former state representative. He is currently a principal with Capitol Success, a lobbying and policy strategy firm.*



**Bills:** From page 6

research, and Dan Spivey, Bell public policy fellow, gather information about bills related to opportunity — both good and bad. Dan writes up a brief summary for Heather McGregor, director of communications, who enters the information on the web page.

Bell volunteers Harry Hall and Way Shen check the status of all the bills three days a week, so the report can be updated every few days.

## Guest Commentary

# Ref C, education funding changes prompt adjusting state's spending limit

By Carol Hedges  
hedgesc@cclponline.org

In the glow of the Referendum C victory, some policy makers and voters believed the fiscal problems of the state were resolved.

Voter authorization to spend an additional estimated \$3.96 billion over the next five years on health care, K-12 and higher education seemed to loosen the noose strangling those services.

But the legislative session soon reminded everyone of the harsh reality of intertwined restrictions that make up Colorado fiscal policy.

Legislators are committed to spending Ref C money as voters intended, but now find themselves in a box.

The Arveschoug-Bird law, (*ARE-veh-scow*) which limits annual growth in general fund spending for programs to 6 percent, is thwarting the Legislature's ability to restore health care, higher education and K-12 services.

Current interpretations of Arveschoug-Bird and related fiscal laws hold that nearly 40 percent of the \$644 million Ref. C is expected to retain in FY 2005-06 be spent on transportation.

This money, based on current interpretations of laws, can be allocated to transportation infrastructure but not to education or health care services.

The Legislature's box can be opened, however, if the members are willing.

The Arveschoug-Bird law contains a provision that allows the Legislature to reconsider the 6 percent limit in light of changes in the way K-12 or higher education are financed.

There's no doubt that the way we finance education has changed significantly since 1991, when the Legislature adopted Arveschoug-Bird.

Voters passed Amendment 23, the Legislature established the College Opportunity Fund and state government has assumed more than half the burden for financing public schools.

If spending for education was allowed to grow to account for these changes, more of the Ref C money could be used to fund not only education services but health care services as well.

This action doesn't require a change in the law. But legislators are reluctant to use this opportunity to adjust the spending limit because of possible legal or political challenges.

Hopefully the urgent needs in health care, K-12 education and higher education, coupled with the expectations of voters who approved Ref. C, will push the Legislature to use the adjustment provisions of Arveschoug-Bird in planning the state's 2006-07 budget.

*Carol Hedges is a former policy analyst for the Bell Policy Center. She is a fiscal analyst at the Colorado Fiscal Policy Institute. Contact her at [hedgesc@cclponline.org](mailto:hedgesc@cclponline.org)*