

STATE OF COLORADO

OFFICE OF THE GOVERNOR

January 15, 2019



Jared Polis
Governor

To the Joint Budget Committee, General Assembly, and the people of Colorado,

It is with great pleasure that I submit to you my first budget proposal as Colorado's 43rd Governor. This budget, one of the first official documents of my administration, lays a strong foundation for a bold vision for our state. This is the first of many steps our administration will take to establish economic security for children, families, and small businesses. Although we continue to be a national model for economic growth, bipartisanship, and opportunity — far too many Coloradans are still barely getting by or are falling behind.

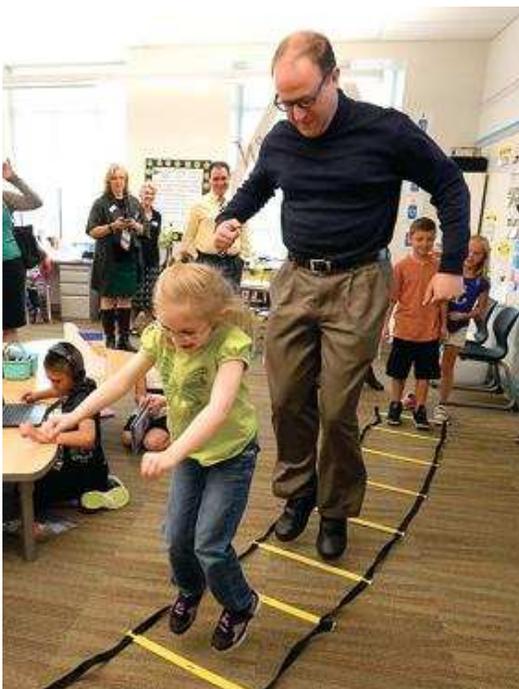
We must ensure that our state's success is working for everybody, whether you are a farmer whose livelihood is in danger due to drought, a young professional whose income isn't keeping up with housing costs, or a parent barely able to afford paying tuition to keep your child in full-day kindergarten.



Together, we're going to build an economy where Coloradans from all walks of life don't just get by, but thrive.

- Governor Polis

Education

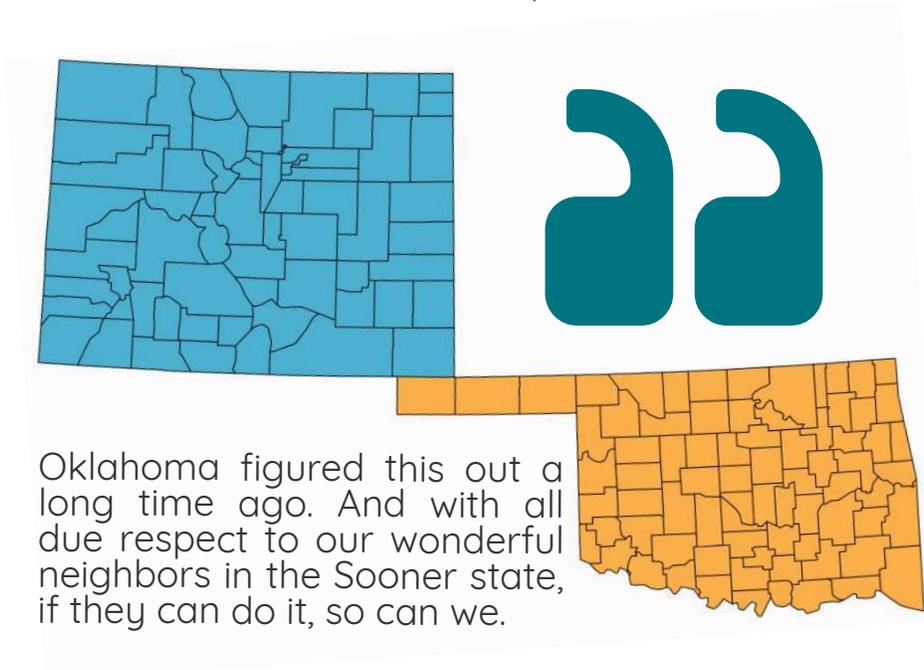


It's time for Colorado to build an education system that gives every single child — regardless of zip code, race, ethnicity, gender, sexual orientation, socioeconomic, or any other status - the tools to build a great life and succeed.

My top priority this year is to take the first step in building this system by providing access to free, full-day kindergarten to every child in Colorado. We have made progress over the years, through hard work and tough decisions by local school districts, but there are still 13,000 children without access to full-day kindergarten.

Education, cont'd

For those children who do have access, many are charged tuition – sometimes more than \$500 each month. As a result, our system of early education is uneven and costly and deprives some children of educational opportunity at a crucial time in their development.



- Governor Polis

Saving parents as much as

\$500+

IN MONTHLY TUITION FOR FULL-DAY KINDERGARTEN

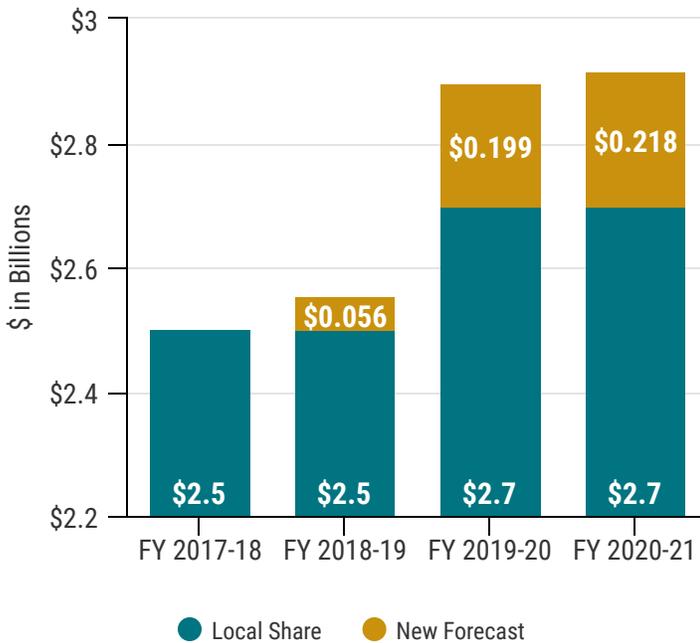


It is time for the state to step up and fund free, full-day kindergarten for all districts. This is the time to do so. Local funding for school districts has increased substantially because property values are increasing more than was forecast. The most recent economic forecast from Legislative Council indicated that the local share of K-12 education funding, derived from local property taxes, is projected to save the state hundreds of millions of dollars each year.

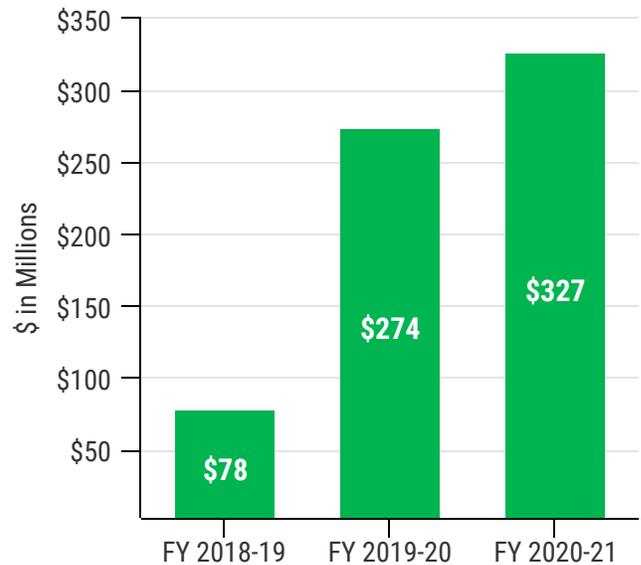
Education, cont'd

These resources, combined with lower forecasted growth in enrollment and inflation, have helped free up the funds for full-day kindergarten. The shift creates room in the current year's budget and in all the years of the budget forecast. See charts below.

Additional Local Revenue for School Districts

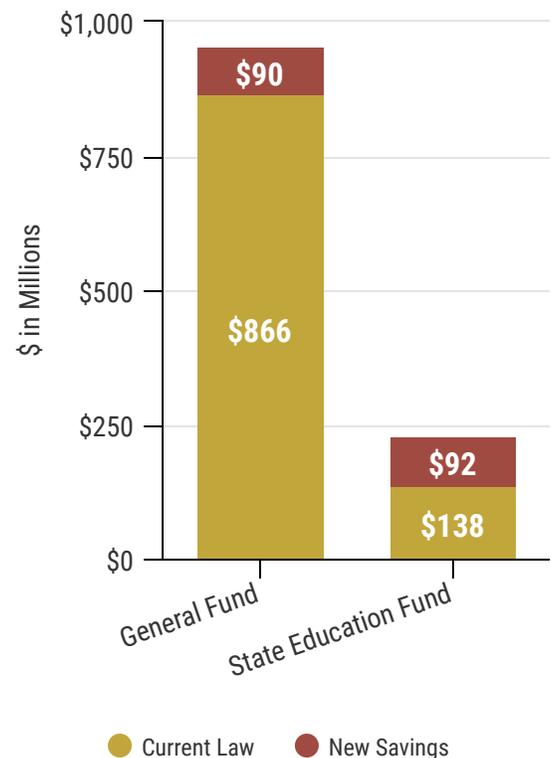


Freed Up State Resources from New Forecasts



We can leverage our state's improved economy to benefit our schools without sacrificing other budget priorities, including the \$77 million reduction in the Budget Stabilization Factor requested by the previous administration, and the prudent increase in the General Fund reserve to 8% (+\$90 million), bringing savings in the General Fund to nearly \$1 billion. In addition, my proposal doubles the budget's increase to rainy day savings by transferring \$92 million of unspent General Fund to the \$138 million in reserves in the State Education Fund. This will help protect our top priority, our children's future, in less robust economic times.

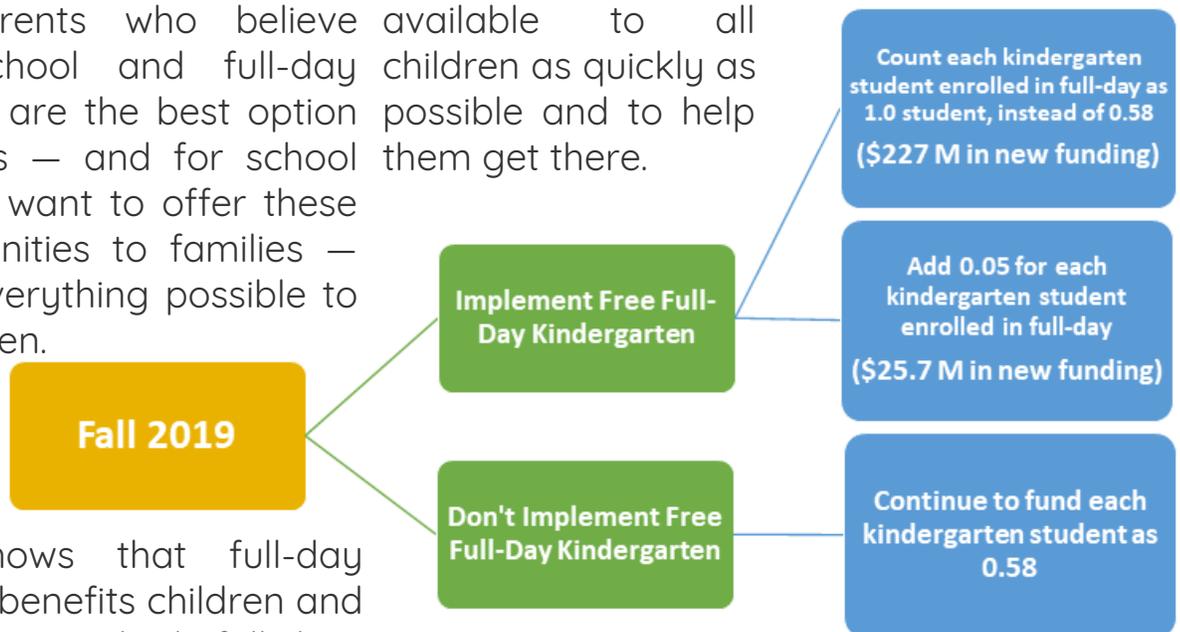
Adding to Reserves



Education, cont'd

My proposal includes \$227 million to empower every community in Colorado to provide free full-day kindergarten to every child, instead of the half-day kindergarten that the state currently funds. And I want to be clear: this is not a mandate, either for parents or for school districts. But for parents who believe public preschool and full-day kindergarten are the best option for their kids — and for school districts who want to offer these vital opportunities to families — we will do everything possible to make it happen.

The budget includes additional funding for implementation costs at \$25.7 million. This equates to an additional 5% bonus per student enrolled in full-day kindergarten to ensure curriculum, supplies, and classroom space can be made available for Fall of 2019. I have included implementation funding to encourage school districts to make free full-day kindergarten available to all children as quickly as possible and to help them get there.



Research shows that full-day kindergarten benefits children and their families. Not only do full-day

programs help improve young children's learning in both math and reading, they also can produce long-term educational gains for low-income and minority students, reduce the time parents/guardians spend transporting children between home, school, and child care, and give teachers more time to identify and address children's learning challenges.

The economic benefits of full-day kindergarten have the potential to save taxpayers money over the long term — both through increased parental participation in the labor market, and stronger academic outcomes for children. Full-day kindergarten has also been shown to instill self-confidence in young students and improve their ability to get along with others. Our education system should be one that focuses on the whole child, with support systems that build well-rounded, engaged citizens, not just good test-takers. My proposal will make significant progress in making this comprehensive approach to education a reality.

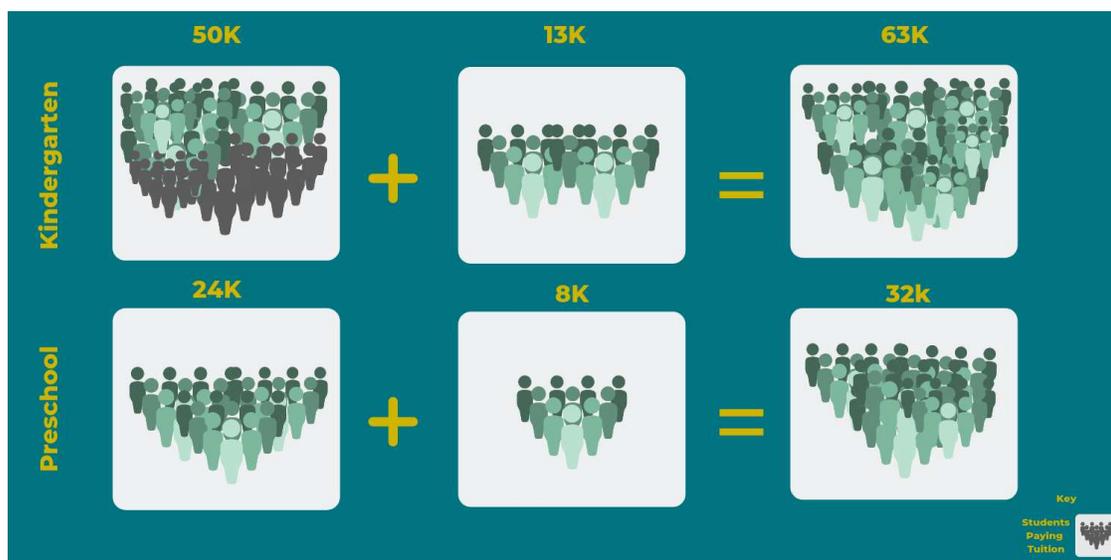
Education, cont'd

Because many schools are already providing full-day kindergarten programs within their existing budgets, our new investment will allow these districts to redirect those funds to new priorities, freeing up formerly dedicated resources to be invested elsewhere.

\$100 Million

MAY NOW BE REDIRECTED TO OTHER DISTRICT PRIORITIES, SUCH AS INCREASING TEACHER PAY AND REDUCING CLASS SIZES

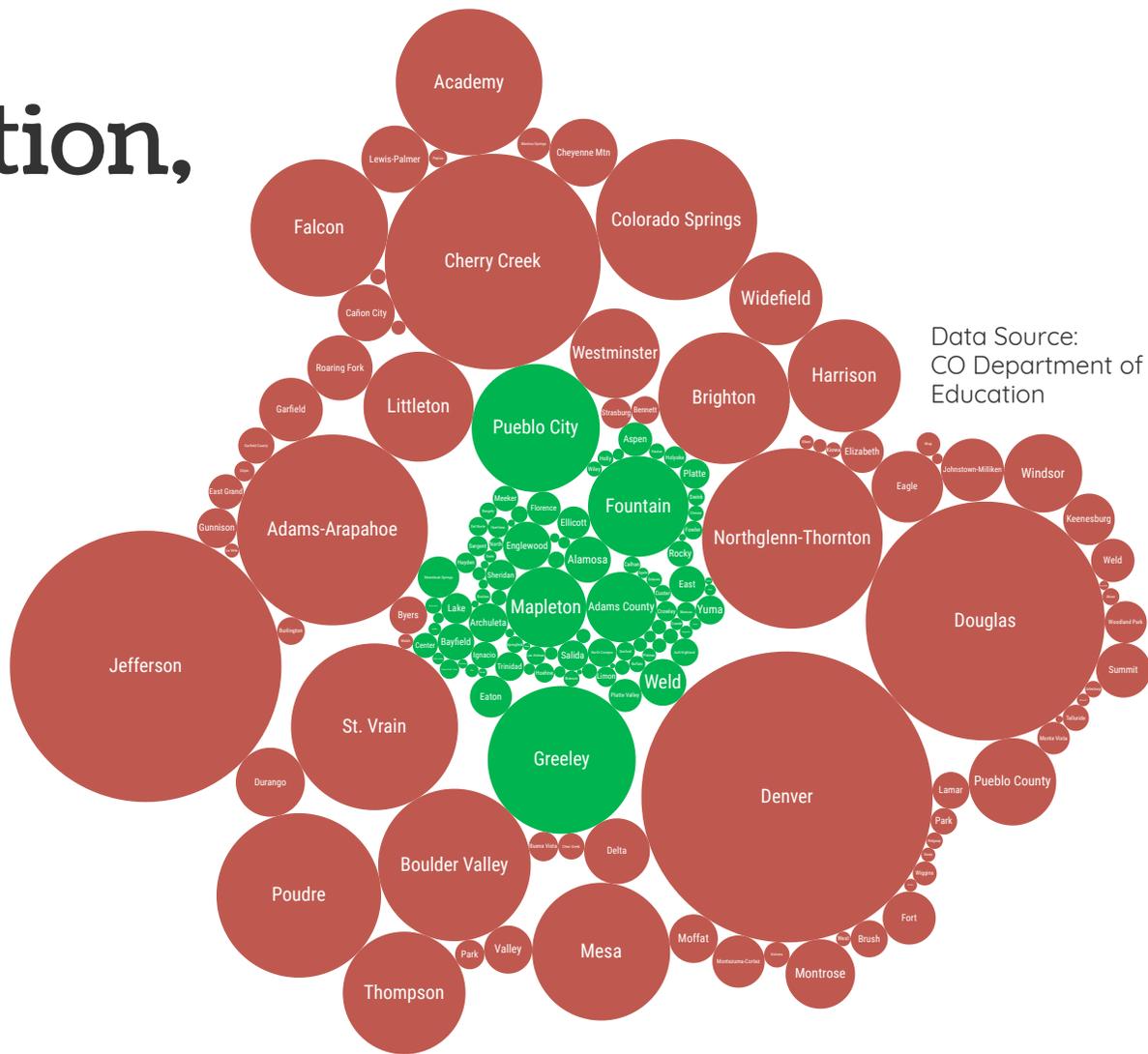
In addition to saving Colorado families the several hundred dollars per month in tuition they are commonly paying, this \$227 million investment frees up approximately \$100 million of their own funds that school districts are currently diverting to provide full-day kindergarten. This \$100 million in freed up resources can be used flexibly, including to increase teacher pay and reduce class size. Moreover, providing state funding for full-day kindergarten will make room to enroll an additional 5,136 at-risk children into preschool. Because the estimate of at-risk children currently on waitlists or otherwise eligible is more than 8,000, my proposal includes an additional \$13 million to fund preschool for the additional 3,066 children, eliminating this gap and providing high-quality preschool to more children. Preschool and full-day kindergarten help with earlier special needs identification and intervention. Early interventions reduce special education costs over time and ensure all learners achieve.



Our total investment allows an additional 13,000 children to access all day kindergarten, approximately 30,000 families to stop paying tuition for full-day kindergarten, and an additional 8,000 children to attend preschool. Combined, my proposal saves tens of thousands of families hundreds of hard-earned dollars each month.

Education, cont'd

The chart on the right shows all of Colorado's school districts, by the number of kindergartners they serve. The bubble is colored green if the district offers full-day kindergarten to at least 90% of their population, AND it is offered tuition-free.



Although continuing the buy-down of the Budget Stabilization Factor and funding early childhood education is a major investment in public education, we also carve out some room for targeted and impactful programmatic investments. Colorado's Education Leadership Council has done admirable work in a number of areas, including suggesting ways to build and strengthen community partnerships to address schoolwide mental and behavioral health. My budget continues the \$10 million proposed by Governor Hickenlooper to support proposals aligned with the Council's recommendations, including professional development for principals.

My budget also continues the \$6.5 million proposed for teachers' education costs, using these funds to support and expand the legislature's efforts to provide teacher loan forgiveness and incentives to teach in rural areas. These priorities will help address our educator shortage, which is having a devastating effect on public schools across the state. Loan forgiveness helps teachers increase their take-home pay so they can afford to live in the communities they serve.

Education, cont'd

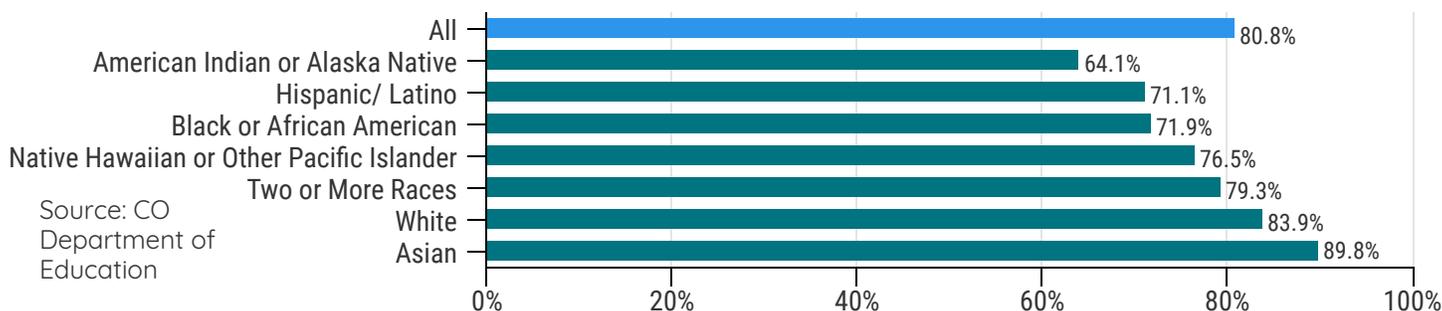
In addition, despite incremental progress in the past few years, Colorado's high school graduation rate lags well below our peers, and is particularly low for low-income and minority students. In support of this work, I am including \$2 million dedicated to data-driven programs that help freshmen in our high schools with the highest dropout rates stay on-track and develop the skills they need to graduate and go on to live healthy and productive lives.

10,421

Colorado
DROPOUTS
IN 2017

One of the best ways to make higher education more affordable is to make it easier for students to finish their degree programs as quickly as possible, particularly in our 15 community colleges across the state. My budget sets aside funding to provide community colleges with a program coordinator to increase dual and concurrent enrollment opportunities statewide, helping students get to the finish line quickly and reduce their total cost of attendance.

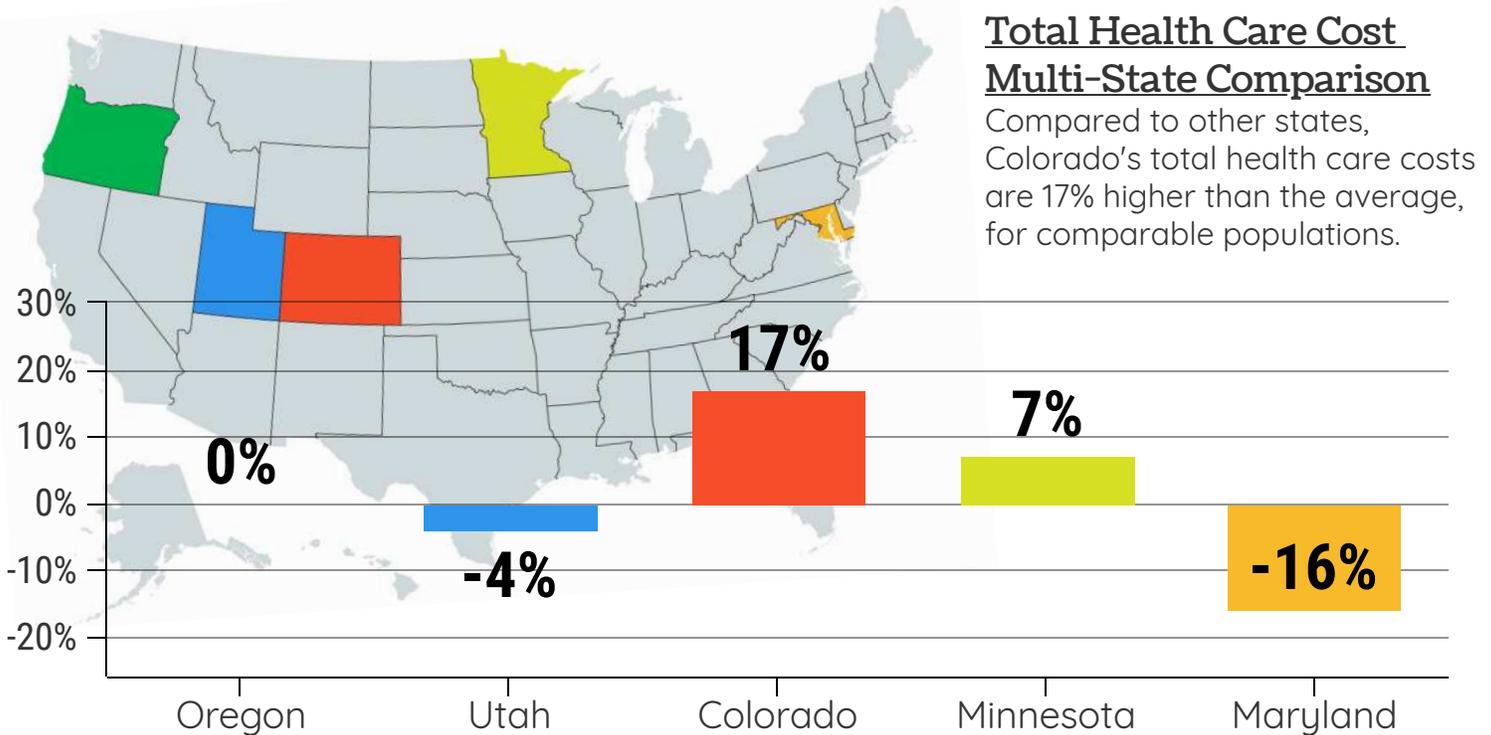
Colorado High School Graduation Rate by Race



My administration's budget continues Governor Hickenlooper's proposal to fund higher education at \$121 million to hold tuition flat. Holding tuition flat for one year is a step in the right direction, but we cannot simply throw more money at the problem and expect things to change. So let me be clear, this money is to relieve the pressure on our current students, it is not a substitute for a serious policy and stakeholder process to get a grip on the cost drivers of higher education that are leaving our students saddled with debt they cannot afford. A one-year tuition freeze is not a solution. Over 700,000 Coloradans are carrying over \$19 billion of student loan debt — this is simply unacceptable. Student loan debt is crushing Colorado middle class families and preventing Coloradans from earning enough for a good life. My administration will lead on this front. Much like the conversations we have initiated about unchecked health care costs, trends in ballooning student loan debt and tuition costs must be addressed if we want all Colorado families to thrive.

Health Care

Thanks to the leadership of Governor Hickenlooper and our legislature, our state has made significant progress over several years toward expanding access to affordable health care and reproductive health services, and cutting the uninsured rate to an unprecedented 6.5%. But despite the progress we've made, health care costs continue to rise and many families are being left behind.



Source: Network for Regional Healthcare Improvement



Headed by one of the fiercest patient advocates our state has ever known, Lieutenant Governor Primavera will lead our efforts, working closely with the legislature to increase price transparency, reduce costs for hospital stays, and make health insurance more affordable.

This begins with the immediate establishment of the first-ever Office of Saving People Money on Health Care, and this budget includes the modest resources in both FY 2018-19 and FY 2019-20 to give this office the power to make real change.

We aren't giving this office a fancy name to make it SOUND important. Instead we're giving it a simple name because it IS important.



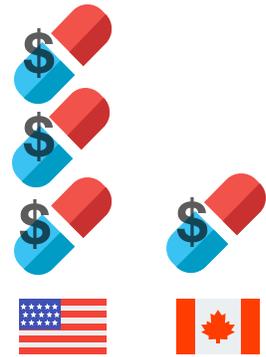
- Governor Polis

Health Care, cont'd

Our first step is to address prescription drug prices. Canada has the same drugs from the same manufacturing plants that we have here in the United States - but at a fraction of the cost. Together, with the General Assembly, we will design a program to allow our state to import prescription drugs from Canada. The budget sets aside \$1.3 million to get this program started and explore other innovative solutions.

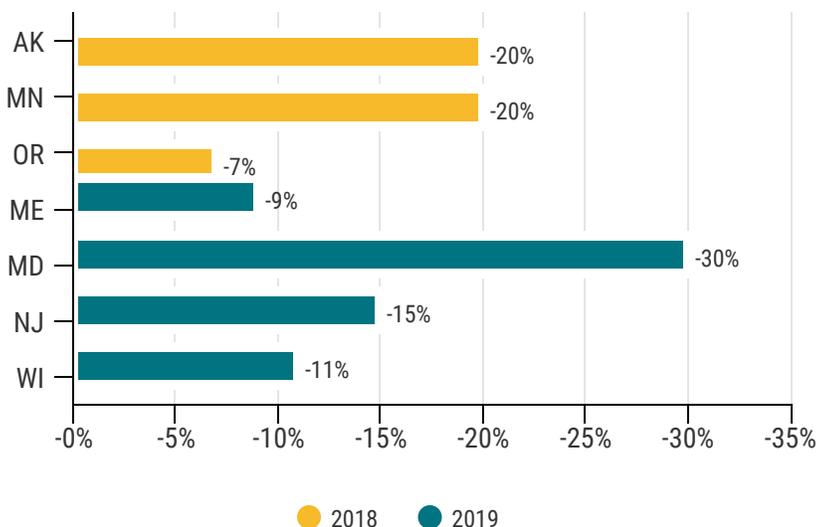


A 90-day prescription for Atorvastatin, more commonly known as Lipitor™ can cost \$150 or more in the United States. Just a few hundred miles North, the same exact drug can be filled for 1/3 the cost.



Another solution to reduce health care costs is to establish a reinsurance program. It has worked in other states, and can work for Colorado as well. The program, which essentially provides insurance for insurance companies, helps cover health care costs for patients with the most expensive ailments, reducing premiums in the individual market. Currently, there is a gap in the system for Coloradans who earn too much to qualify for premium subsidies through Advanced Premium Tax Credits, but still struggle to afford the high cost of premiums in the private market.

Projected Premium Reductions in States with Reinsurance Programs



Source: Centers for Medicare & Medicaid Services, Center for Consumer Information & Insurance Oversight

The reinsurance program would lower premiums for Coloradans hardest hit by skyrocketing prices and the federal dollars saved on tax credits will, in part, fund the reinsurance pool. Lower premiums will benefit everyone, further encouraging healthy individuals to enroll, while reducing the significant strain on hospitals and safety net providers serving the uninsured. Working closely with the General Assembly, we will work to establish a program by 2020 that lowers expenses for all Coloradans.

Health Care, cont'd

The Lieutenant Governor's Office of Saving People Money on Health Care will also work to develop an opportunity for any Coloradan to purchase an option to be insured through the state. A competitive state health insurance option will add more choice to the health care insurance market.



It's time to establish a paid family and medical leave program in Colorado - so that employees aren't having to choose between keeping their paycheck and caring for their child, a sick relative, an aging parent, or themselves. This budget takes the first step in realizing that vision, by including resources from the state to help cover paid parental leave for state employees, which will improve the morale and effectiveness of the state workforce. We look forward to working with the legislature to pass legislation that establishes a more comprehensive paid family medical leave program that will benefit all Colorado workers, including state employees, because we are all part of one Colorado.

We plan to continue working closely with the legislature to address ongoing health concerns — including the opioid epidemic, which took more than 550 Colorado lives last year. We must take bold action to address this and other behavioral health crises. Legislation last year invested \$174 million, including \$34 million General Fund, to add residential and inpatient substance use disorder treatment as a Medicaid benefit. Upon federal approval, this will expand treatment to approximately 17,000 Coloradans.



It's time for us to build a health care system where no person has to choose between losing their life savings and losing their life.

- Governor Polis

The Colorado Way of Life

Here in Colorado, we pride ourselves on our unbeatable quality of life and the breathtaking beauty of the state we proudly call home. Protecting this special way of life for ourselves and future generations is one of the most sacred responsibilities we share.

100%
**RENEWABLE
ENERGY BY 2040**

I am committed to preserving, protecting and providing for this quality of life throughout my service. We're going to confront climate change head-on, to ensure that we fully benefit from all of the opportunities associated with being a leader in the quickly growing clean energy economy. Our commitment to reaching 100% renewable energy by 2040 and advancing the electrification of other sectors will protect the health of our communities, save consumers money, and ensure that the good-paying green jobs of the future are created here in Colorado.

Water is perhaps the natural resource most closely intertwined with the Colorado way of life. My budget continues the \$30 million investment proposed by Governor Hickenlooper for insulating our state from the risk of drought. Now is the time to build on the momentum established by the previous administration and do our part by committing to a bipartisan, sustainable funding source for our state's first comprehensive Water Plan.



We must also expand access to capital for businesses in rural Colorado. We are currently doing this through the existing Greater Colorado Venture Fund (a rural venture capital fund). My budget also supports the creation of a Rural Economic Grant Program under consideration of the legislature. This \$2 million grant program would provide seed money to support early stage businesses in small rural communities.

While the outdoor recreation economy continues to expand opportunities in rural Colorado, we must double down on supporting our rich farming and ranching tradition.



- Governor Polis

Finally, as one component of our expanded efforts to put health and safety first when it comes to protecting our communities from oil and gas operations, my budget adds field inspectors and resources at the Colorado Oil and Gas Conservation Commission.

Opportunity for All

So many of the important issues Coloradans face today boil down to opportunity; the opportunity to grow and start a business, the opportunity to enjoy Colorado's special way of life and majestic outdoors, the opportunity to get a great education that leads to a successful future. For Colorado to be a place where these opportunities are available to all, and not just some, we need to make our economy work better for middle-class families.



State of the State Video Clip

One way we'll do this is by working with you to make our tax code more fair, so that we can reduce rates for Colorado families and small businesses. This will not have any budget implications and will be revenue neutral, and produce greater economic growth and prosperity over time. Our tax code gives too much power to special interests who can afford expensive lobbyists, while forcing ordinary families to pay more. We need a tax code that reflects today's realities rather than yesterday's distortions. Let people keep more of their hard-earned money rather than give it away to corporate interests. The legislature and the Auditor have gotten off to a good start by closely examining which deductions and credits are benefiting our economy, and which are being exploited by corporations at Colorado's expense. I want to work with you to close these loopholes and pass the savings on to families by lowering the income tax rate.

My tax reform proposal does not change how much money the state collects nor does it harm our investment in public priorities. It simply asks the largest, most profitable corporations to start paying their fair share so that individuals, families, and small businesses can pay less.



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- Governor Polis

Opportunity for All, cont'd

If we want our communities to thrive, it means providing opportunities for every single person within that community to thrive, regardless of their immigration status. That's why this budget also includes funding to expand a program established in 2013 to provide driver's licenses and identification cards to undocumented immigrants, expanding program locations, and adding needed access in the southwestern part of the state for the first time.



My team will continue to work with legislative partners and community stakeholders to effectively manage the increase in court-ordered referrals for competency restoration. Our budget delays a request from the prior administration to turn Ridge View Academy into a facility for competency restoration, withdrawing the request for FY 2018-19 and FY 2019-20. Two other capital construction requests in the Department of Human Services are continued, which together would add capacity for 86 new beds. We are committed to working with all partners in the judicial system, community, and Department of Human Services to expand the use of community-based competency restoration. This budget sets aside \$2.5 million to augment other funds for community-based restoration services. These resources must be coupled with a comprehensive, system-wide approach to reduce wait-times for restorative treatment programming, which includes legislative reforms.

Every Coloradan wants the opportunity to earn a good life, and we can break down the barriers that hold them back. As we address the inequities in our tax code and reduce the income tax rate, so too must we address the inequities in our criminal justice system. That means tackling discriminatory practices that make people of color, individuals living with mental health disorders, and Coloradans experiencing poverty more likely to face incarceration. We are committed to working collaboratively with legislators and stakeholders from all walks of life to aggressively pursue criminal justice reform. We seek holistic reform that will avoid unnecessary incarceration, safely reduce the critical capacity issues facing our prison system, provide opportunities to minimize the use of private prisons, and better prepare individuals for life beyond bars. Our budget for the Department of Corrections, to be submitted by January 31, 2019, will propose reforms to reduce costs and recidivism, while improving public safety.

Opportunity for All, cont'd

Finally, as we consider our State workforce and the critical work they do every day to better the lives of Coloradans, we must ensure that their compensation keeps pace with the growth in cost of living that impacts us all. For that reason, I am proposing that State employees receive a 3% across the board salary increase for FY 2019-20 instead of the 3% merit pay increase that was proposed on November 1, 2018. While it is important to reward performance, all employees need to receive a pay increase next year to address cost of living.

FY 2019-20 Budget Highlights

Education	
Free Full-day Kindergarten	CDE BA-02
Full-day Kindergarten Implementation	CDE BA-04
Additional Pre-school Access	CDE BA-03
Teacher Loan Forgiveness	Placeholder
High School Freshman Success Fund	Placeholder
Expand Dual and Concurrent Enrollment	Placeholder

Health Care	
Office of Saving People Money on Health Care	GOV BA-01
Prescription Drug Importation	Placeholder
Reinsurance Program	Placeholder
Competitive State-backed Health Insurance Study	Placeholder
Paid Parental Leave	DPA BA-02

Colorado Way of Life	
COGCC Inspectors and Staff	DNR BA-02
Rural Economic Grant Program	Placeholder

Opportunity for All	
Immigrant Driver's License Program (CO Road and Community Safety Act, SB13-251)	DOR BA-01

Conclusion

What makes Colorado unique isn't just the boldness of our ideas. It is the resilience and the spirit of our people, who make change happen, who bring these bold ideas to life. Our shared responsibility is to turn challenges into opportunities and ideas into action. Now is the time to unite in our common purpose and move Colorado forward. Together, we can take this historic opportunity to build a Colorado that works for ALL.

Let's move boldly forward.

Jared Polis
Governor

Copy:

Senator Dominick Moreno, Joint Budget Committee Chair
Representative Daneya Esgar, Joint Budget Committee Vice Chair
Representative Chris Hansen, Joint Budget Committee
Senator Dennis Hisey, Joint Budget Committee
Representative Bob Rankin, Joint Budget Committee
Representative Kim Ransom, Joint Budget Committee
Senator Rachel Zenzinger, Joint Budget Committee
Senate President Leroy Garcia
Speaker of the House of Representatives KC Becker
Mr. John Ziegler, Joint Budget Committee Staff Director

Attachments

1. Summary of January 15 Budget Changes
2. January 15 Supplemental and Budget Amendment Requests by Department
3. Fund Sources by Department
4. General Fund Overview
5. Description of Department Requests