FY 2022-23 BUDGET REQUEST

Governor Jared Polis

Presentation to the Joint Budget Committee

December 3, 2021

Saving People Money and Protecting the Colorado Way of Life

This budget doubles down on my commitment to saving Coloradans money, fighting pandemic induced inflation by putting money back in their paychecks, and protecting the Colorado way of life.

ELEMENTS OF BUDGET FY 2022-23

This budget includes four key elements that will bolster the economic recovery, invest in the future, and move Colorado forward.

1. Historic Investments in Education & Workforce
2. Putting Money Back in Coloradans Paychecks & Supporting Colorado Businesses
3. Healthy and Safe Communities
4. Fiscal Responsibility

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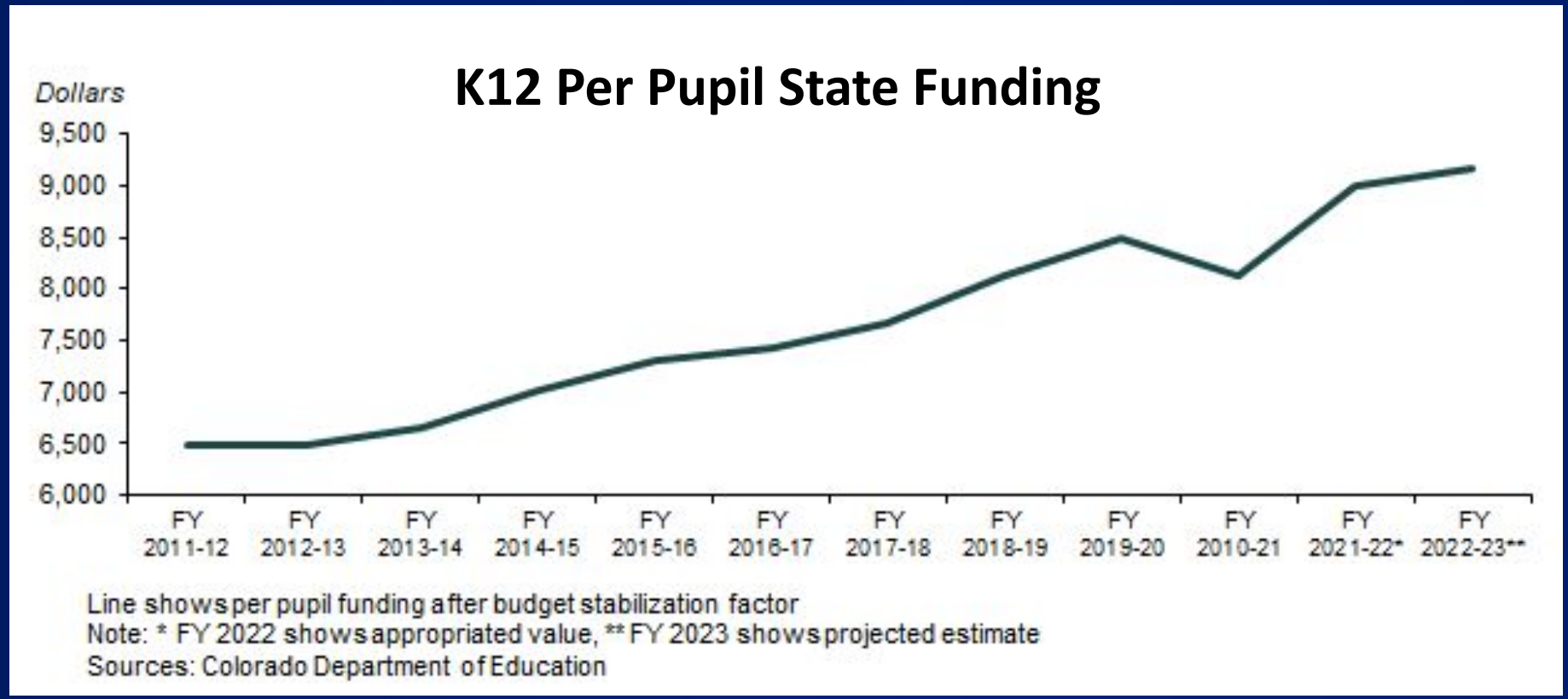
Historic Investments in Education & Workforce

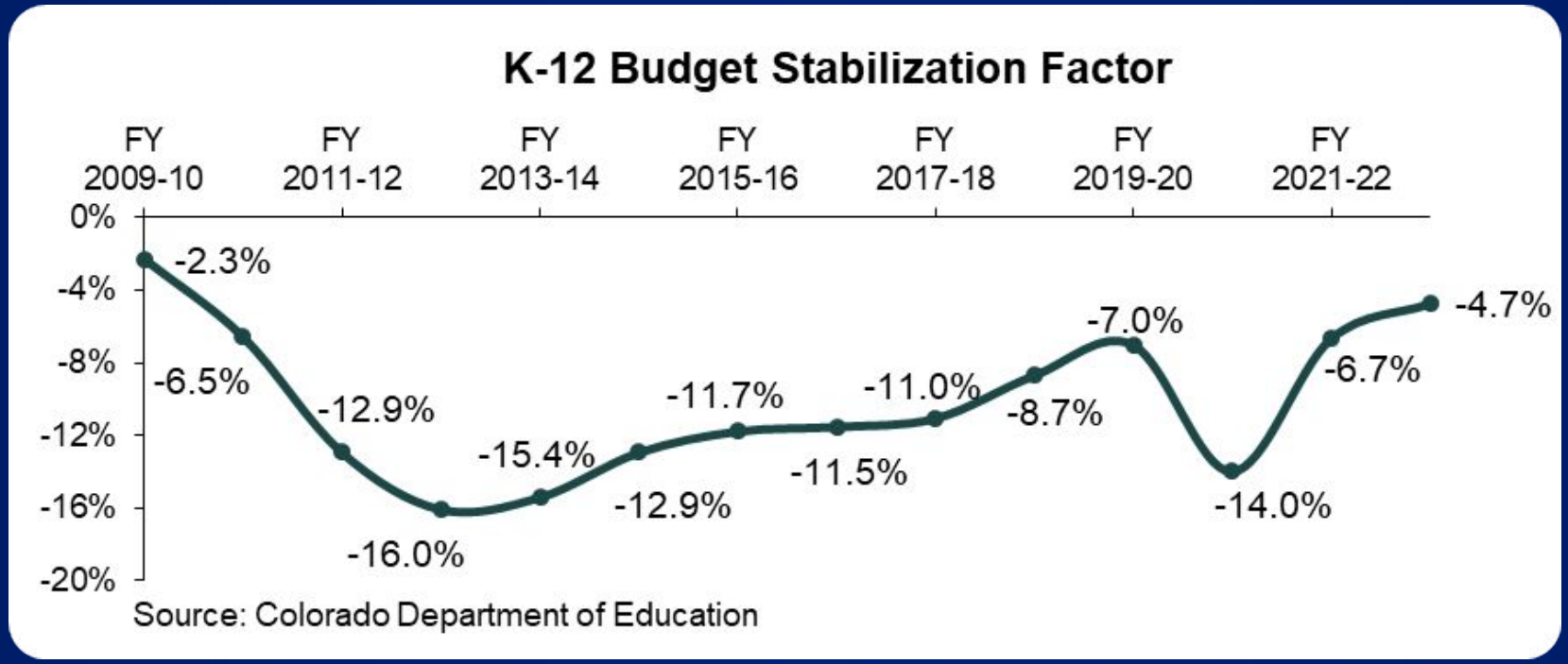
K12 EDUCATION AND EARLY CHILDHOOD

- K12 per pupil funding up $526 to **highest level ever**
- Free Universal Preschool implementation - New Department of Early Childhood



EDUCATION AND WORKFORCE

- Historic $450 million investment in K12: $150 million to achieve **lowest Budget Stabilization Factor of 4.7%** since its peak of 16% in FY 2012-13, and $300M in Prepays to protect that investment for the years ahead
- Operating support for Higher Ed Institutions parallel to per pupil and inflationary increase of 4.6% for K12, capital investments to keep costs down, and more financial aid
- $30 million to renovate state and higher ed buildings to provide **child care**, plus $21 million to help workers find good paying jobs



Putting Money Back in Coloradans Paychecks and Supporting Colorado Businesses

PUTTING MONEY BACK IN COLORADANS PAYCHECKS & SUPPORTING COLORADO BUSINESSES

This budget invests in our workers and our small businesses with unemployment and FAMLI insurance premium relief, putting more money in Coloradans' paychecks.

- $104 million in Fee Relief for Individuals and Businesses, including making it **Free to Start a Business**, FAMLI Paid Family and Medical Leave premium relief, and **Healthcare Professionals** fee relief
- $600 million for Relief from Pandemic-Related Unemployment Insurance charges to save employers money and protect worker wages
- $51 million to help businesses find workers and help workers find good-paying jobs through short-term credentials and apprenticeships

SAVING PEOPLE MONEY ON HEALTH AND BEHAVIORAL CARE

- $530 million over three years to protect and transform home and community based services → **$15/hour wages** to ensure Medicaid access to services
- $24 million for innovation to reward high quality care that is cost-effective (HCPF and DOI alternative payment models)
- $11 million for e-Health Innovations to enable critical data and technology for rural healthcare providers
  - Builds on important strides made last session to **Save People Money on Healthcare** through the passage of Colorado Health Insurance Option and the creation of a Prescription Drug Affordability Review Board
  - Adds to Transformational ARPA Investments in Behavioral Health, including new Behavioral Health Authority

Healthy and Safe Communities

INVESTING IN PUBLIC SAFETY AND FIGHTING CRIME

$113 million in public safety investments to reduce crime for **safe communities**

- Public safety workforce transformations including grants for innovative programs to reduce corrections costs, hospitalizations, and recidivism
- Diversion, co-responding, and recidivism reduction investments to prevent at-risk individuals from becoming involved, or further involved, in the criminal justice system
- Forensic and investigative resources
- Behavioral health workforce investments, especially in underserved communities
  - loan forgiveness to attract and retain behavioral health providers
  - providing scholarships
  - leveraging inventive payments in underserved communities

HOMELESSNESS RESPONSE AND SOLUTIONS

- Prioritizing $200 million to reduce homelessness: Competitive grants matched with local and private resources for community implementation efforts
  - Denver Support Recovery Campus
  - Ridge View Regional Recovery Campus
  - Data Collection and Outreach
  - Support for municipal efforts to reduce homelessness

INVESTING IN COLORADO MAIN STREETS

- Building on a $52 million investment made over the past year, I am requesting an additional investment of $40 million for designing and building safer streets.
- CDOT's Main Street Program improves economic activity, community, safety, and recreation across the state.
- New funds will establish better multimodal access including pedestrian and bike access along state highways in urban areas, and will aim to bolster transit service as quickly as possible.

AIR QUALITY

- $424 million in one-time investments to improve air quality in Colorado
  - Electrification of transit, especially school buses that put children's health at risk
  - Decarbonization of industry and aviation
  - Cannabis industry efficiency
- Must act now to address urgency with one-time funds to address air pollution
- This package builds on 48 bills from the 2021 legislative session and advances Bold Goal of 100% renewable energy by 2040 and HB-19-1261 goals

Air pollution and other environmental threats fall disproportionately on lower income communities and communities of color

HOUSING THAT'S AFFORDABLE

$400 million ARPA investment that can be **leveraged** two times or more

Key Priorities:

- $100 million for investments in strong communities, to provide infrastructure grants for local infill infrastructure needs to help support and catalyze affordable housing development
- $25M for financing energy improvements in affordable housing
- $25M for housing innovation incentives to support and grow businesses in prefabricated housing
- $25M for Colorado Housing and Finance Authority's Middle Income Access Program

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Fiscal Responsibility

Fiscal Responsibility

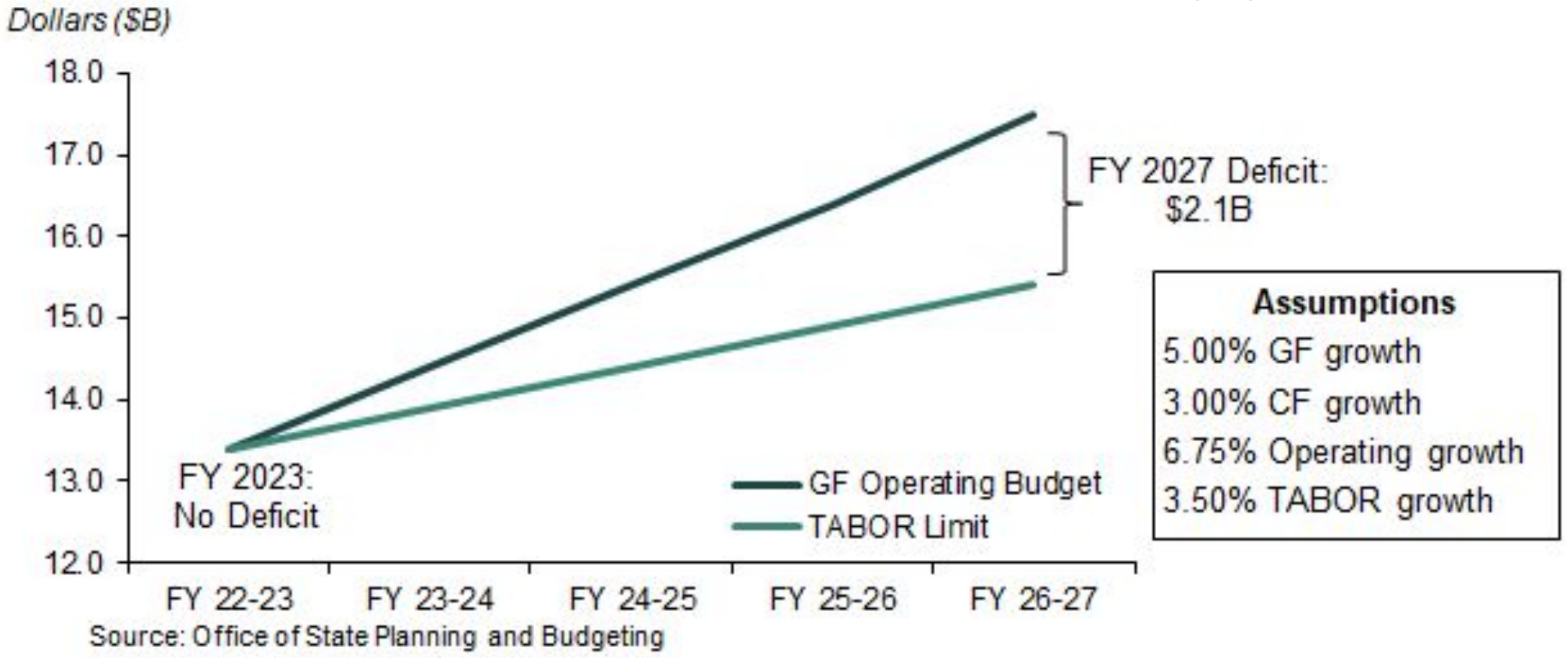
- Historic General Fund Reserve of **15%** (pre-pandemic only 7.25%)
- **$1.84** billion investment for budget integrity prepays
- Significant investment in capital maintenance to avoid future costly capital projects
- ARPA Priorities that **Leverage Funds** for Transformational Change in Housing Affordability, Behavioral Health and Others

ONE-TIME FUNDS SPLIT SAVINGS VS INVESTING

FY 2022-23 Overview of Key Budget Components		
Item	**Amount ($M)**	**Notes**
Fiscal Responsibility	**$4,834.0**	
Historic 15% General Fund Reserve	$1,997.0	
Modest General Fund Operating Growth	$1,000.0	8.14% Increase
One-Time Funds for Prepay Priorities	$1,837.0	
One-Time State Investments (Including Capital)	**$1,588.8**	
Historic Buy-Down of Budget Stabilization Factor	$150.0	+$300M Prepays
Fee Relief for Individuals and Businesses	$103.9	(Including FAMLI Relief)
Workforce Investments	$50.7	+$95M ARPA/Cash Fund
Unemployment Insurance Trust Fund Premium Relief	$500.0	+$100M ARPA
Public Safety Investment Package	$45.0	+$17.8M GF Operating +$1.3M HUTF Operating +$48.9 ARPA
Air Quality Investments	$424.3	
Capital Investment to Repair and Maintain Critical State Assets	$314.9	+$61.5M CF +$5.5M FF
ARPA Investments	**$845.0**	**$798M Remaining Balance**
Affordable Housing and Homeownership	$175.0	$225M Remaining Balance
Mental and Behavioral Health	$275.0	$176M Remaining Balance
Workforce Development and Education	$95.0	$0M Remaining Balance
Economic Recovery and Relief	$300.0	$397M Remaining Balance

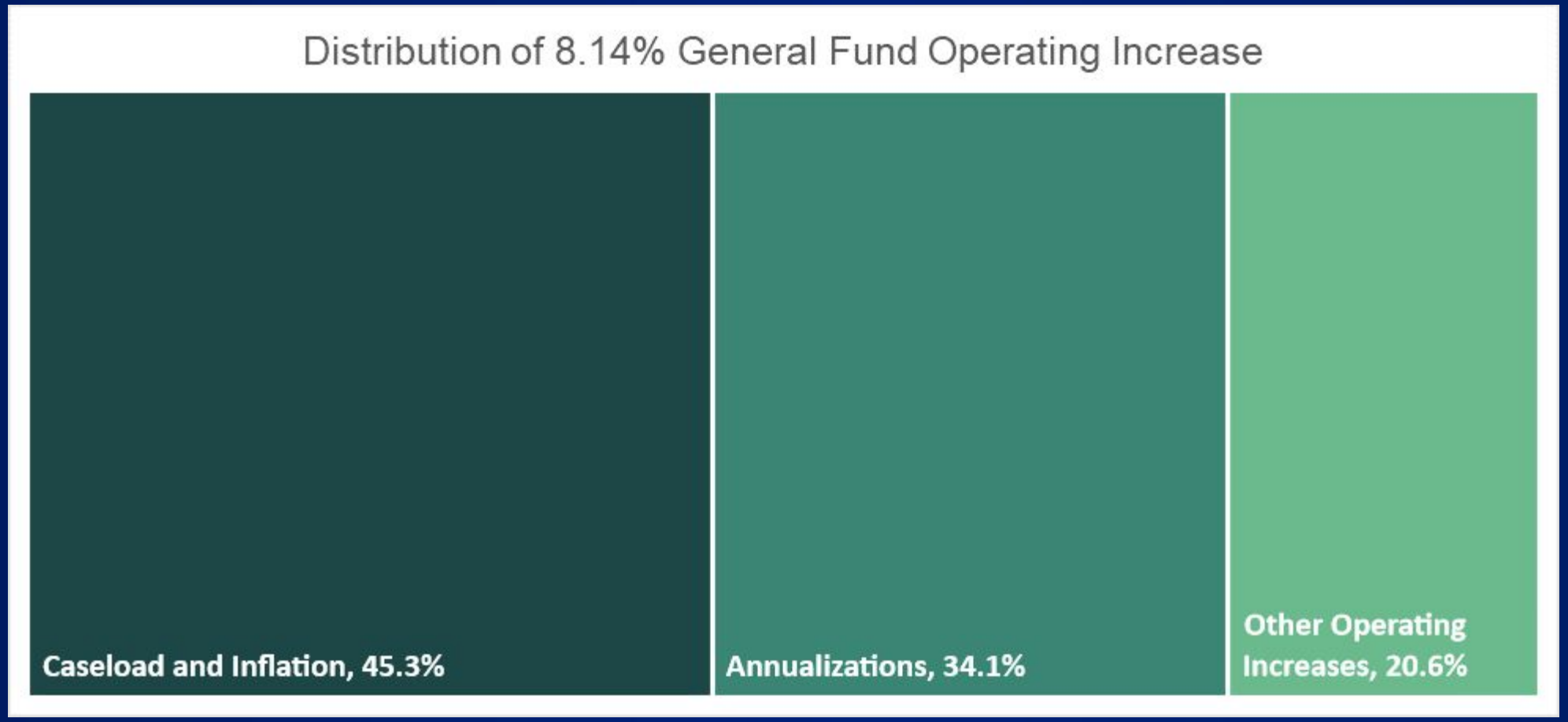
ONE-TIME FUNDS AVAILABLE BUT LONG-TERM PRESSURES REMAIN

General Fund Structural Deficit without Prepays



Source: Office of State Planning and Budgeting

Base Spending Pressures Drive 80% of Operating Increases



Budget Integrity Prepay Sources

Budget Integrity Prepays Package - $1,837M Total Funds					
Budget Integrity Prepays	**FY24**		**FY25**		**Totals**
State Education Fund: Protect Historic Buy-Down of Budget Stabilization Factor	150	ARPA	150	ARPA	300
COWINS 3-Yr Partnership Agreement Funding	34	ARPA	37	New GF	71
FAMLI: Prepay State's Employer Contribution for Family & Medical Leave (4 yr)	13	ARPA	45	ARPA	58
Universal Preschool: Protect Free Preschool from Nicotine Revenue Declines	165	ARPA	189	ARPA	354
Affordable Housing: Protect General Fund Transfers for Affordable Housing (3 yr)	47	ARPA	100	$60M ARPA $40M New GF	147
Transportation: Payments for CDOT COPs for Road Improvements (3 yr)	0		270	New GF	270
Air quality: Delay Regulatory Fee Increases During Recovery	27	ARPA	10	ARPA	37
PERA Prepay: Delay SB 21-228 to Ensure Pension Financing	190	Already designated	190	Already designated	380
Controlled Maintenance: Delay & Extend SB 21-224 to Ensure Asset Maintenance	110	ARPA	110	Already designated	220
Total	**736**		**1,101**		**1,837**
ARPA Budget Integrity Subtotal	546		454		1,000
New GF Subtotal	0		347		347
Already designated GF Subtotal	190		300		490

THANK YOU

More Federal Funds Information Attached

[Link to OSPB webpage for Emergency & Stimulus Funds]

American Rescue Plan Act (ARPA) Interim Committee Priorities

Federal Funds Interim Committee Package - ARPA			
Affordable Housing and Homeownership: $175M	DOLA	Investments in Strong Communities	$100M
	DOLA	Financing Energy Improvements in Affordable Housing	$25M
	OEDIT	Housing Innovation Incentive	$25M
	DOLA	Colorado Housing and Finance Authority Middle Income Access Program	$25M
Mental and Behavioral Health: $275M	CDHS/CDPHE/DPS	Grants to Local Communities	$175M
	HCPF	Care Integration and Payment Reform	$45M
	CDHS	Residential Facility for Children and Youth with Complex Needs	$35M
	HCPF/CDPHE	Key Workforce Investments to Build a Robust Pipeline for Our Behavioral Health System, Such as Retention/Recruitment Strategies	$20M
Workforce Development and Education: $95M	CDHE	Higher Education Dashboard	$3M
	CDHE	Regional Talent Collaborative Programs: connecting supply and demand sides of CO economy through more high-demand, high-wage credentials and pathways	$92M
Economic Recovery and Relief: $426M ($300M Governor's Priorities, $126M High Impact Agency Proposals)	**Governor Priorities**		$300M
	CDLE	Unemployment insurance trust fund relief to reduce employer premiums	$100M
	DOLA, CDHS	Homelessness Response and Solutions: Connecting people experiencing homelessness to services, treatment, temporary shelter and housing	$200M
	Other High Impact Agency Proposals by Category		$126M
	Economic Resilience		$17M
	OEDIT	Technical assistance for community development financial institutions and small business development centers	
	CDOT	Additional investment in the Revitalizing Main Streets Program	
	Rural Economy		$91M
	DNR/CDA	Groundwater recovery for rural and agricultural resilience	
	DNR	State Parks broadband, water, and sewer projects	
	CDA	Industrial hemp center of excellence	
	OEDIT	Outdoor recreation and tourism funding to modernize Colorado welcome centers	
	HCPF/OeHi	Rural health affordability, access, and system transformation	
	CDHE	Cumbres and Toltec railroad funding	
	CDHE	Funding for rural community colleges and technology for workforce development	
	Economic Relief		$18M
	OEDIT	Nonprofit grant assistance	
	CDHS	TANF subsidized training and employment	
	CDHS	Employment First program for SNAP recipients	

$25B American Rescue Plan Act Investments to Date

ARPA Stimulus Investments, by Department and Program				
Department	SLFRF ($M)	Direct to Agency Award (DAA) Funds ($M)	Pass-through Funds ($M)	Direct to Beneficiary Funds ($M)
CDA	0.0	0.0	0.0	225.0
CDE	8.5	0.0	0.0	1,167.2
CDHE	79.1	0.0	0.0	500.8
CDHS	100.3	783.2	0.0	11.2
CDLE	60.0	0.0	490.0	2,395.1
CDOT	380.0	18.8	0.0	359.4
CDPHE	27.0	289.1	0.0	150.1
DNR	0.0	0.0	0.0	0.0
DOL	0.0	0.0	0.0	0.0
DOLA	168.5	402.4	0.0	45.7
DOR	0.0	0.0	0.0	10,407.3
DPA	0.5	0.0	0.0	0.0
DPS	6.0	0.0	0.0	0.0
GOV	300.0	0.0	41.0	0.0
HCPF	0.3	330.5	0.7	0.0
JUD	5.3	0.0	0.0	0.0
LG	0.0	6.1	0.0	7.3
OEDIT	50.0	97.7	0.0	676.7
OIT	70.0	171.0	0.0	0.0
Non-Department	0.0	0.0	1.4	2,907.1
Unappropriated SLFRF	2,573.4	0.0	0.0	0.0
Total ($M)	3,828.8	2,098.7	533.1	18,852.8

Infrastructure Bill Creates About $550B in New Spending Nationally

Programs	National New Investments
Roads, Bridges, and other projects	$ 110B
Public Transit	$ 39B
Rail (Passenger and Freight)	$ 66B
Road Safety	$ 11B
Ports and Waterways	$ 16.6
Broadband Support	$ 65B
Airports & Aviation	$ 25B
Reconnect historically inequitable neighborhoods (Reconnecting Communities)	$ 1B
Infrastructure Resilience	$ 41.5B
Wild Fire Protection	$ 5.7B
Water Infrastructure	$55B
Addressing Legacy Pollution	$ 21B
Electric Vehicles Infrastructure	$ 7.5B
Electric Buses/Transit	$ 7.5B
Power Infrastructure, inc. grid authority	$ 65B
Western Water Infrastructure	$ 8.3B
TOTAL	**$ 545B**