APPENDIX

Office of State Planning and Budgeting

Todd Saliman, Director

November 1, 2010 Budget Request for FY 2011-12

Fact Sheets Not Included with Departmental FY 2011-12 Executive Budget Requests

FY 2011-12 budget balancing factsheets associated with specific departments are included within those departments' FY 2011-12 budget submissions. This appendix contains budget balancing fact sheets which are not associated with any particular department. These other fact sheets include the following:

- Proposal to Reduce the Statutory General Fund Reserve Requirement for FY 2011-12 to 2.03%.
- Continue Temporary Suspension of State Sales Tax on Cigarettes through FY 2013-14.
- Continue Temporary Suspension of Sales Tax Vendor Administrative Fee.
- Extend Suspension of State Contributions to Fire and Police Pension Funds through FY 2012-13.
- Transfer of Colorado High Cost Support Mechanism Revenue.
- Limited Gaming Revenue Transfers for FY 2011-12.

OFFICE OF THE GOVERNOR

Office of State Planning and Budgeting
Todd Saliman, Director

Policy Change Proposal
November 1, 2010

Proposal to Reduce the Statutory General Fund Reserve Requirement for FY 2011-12 to 2.03%

Proposal:

This legislative proposal requests a statutory 2.03 percent General Fund reserve requirement for FY 2011-12, to allow for an additional $147.3 million General Fund be available for critical State programs in that fiscal year. Subsequent to FY 2011-12, the statutory reserve would return to four percent levels or higher per S.B. 09-228.

Summary of Request:

- This proposal would result in a General Fund Reserve equal to approximately one-half of the statutory four percent requirement for FY 2011-12. Repayment of funds utilized below the four percent threshold would occur in FY 2012-13, once the reserve requirement was returned to the full four percent level.
- Similar actions to reduce the General Fund reserve have occurred over the past two decades. The table below outlines the statutory requirements by fiscal year since FY 1989-90. In addition to the noted percentages below, restrictions have been placed on the use of diverted General Fund reserve dollars – in FY 1990-91, the additional revenue was only allowed to be used to alleviate prison overcrowding – whereas other years allowed diverted revenues to be spent for any lawful purpose.

Fiscal Year	Reserve Percent	Fiscal Year	Reserve Percent
FY 1989-90	4.0%	FY 1999-00	4.0%
FY 1990-91	3.0%	FY 2000-01	4.0%
FY 1991-92	3.0%	FY 2001-02	0.0%
FY 1992-93	3.0% less $14 million	FY 2003-04	3.0% less $37 million
FY 1993-94	4.0%	FY 2004-05	4.0%
FY 1994-95	4.0%	FY 2005-06	4.0%
FY 1995-96	4.0%	FY 2006-07	4.0%
FY 1996-97	4.0%	FY 2007-08	4.0%
FY 1997-98	4.0%	FY 2008-09	2.0%
FY 1998-99	4.0%	FY 2009-10	2.0%

Assumptions and Tables to Show Calculations:

- The statutory General Fund reserve is calculated off of the General Fund appropriation subject to the spending limit as defined by §24-75-201.1 (1), C.R.S. (2010). Based on the Governor's November 1, 2010 Executive Budget Request for FY 2010-11, a 49.3 percent reduction in the reserve percentage equates to $147.3 million.

Current Statutory Authority or Needed Statutory Change:

This proposal would require a statutory change to §24-75-201.1 (1) (d) (III), C.R.S. (2010) to reflect a revision from the current statutory requirement of four percent.

GOVERNOR'S OFFICE

Office of State Planning and Budgeting
Todd Saliman, Director

FY 2011-12 Budget Balancing Proposal
November 1, 2010

Continue Temporary Suspension of State Sales Tax on Cigarettes through FY 2013-14

Proposal:

This proposal requests that the current temporary suspension of the cigarette sales tax exemption be extended through FY 2013-14. The anticipated net General Fund benefit to the State is projected to equal $31,038,416, $30,262,456, and $29,505,894 in FY 2011-12, FY 2012-13, and FY 2013-14, respectively.

Summary of Request:

- For FY 2009-10 and FY 2010-11, State fiscal pressures in Colorado led to the suspension of the cigarette state sales tax exemption authorized by HB 09-1342, thereby increasing State sales tax revenues for these years. Collections from the 2.9% state sales tax in these years are in addition to revenue received from the State's $0.84 per pack excise tax.
- This proposal would continue the current statutorily authorized State sales tax exemption through FY 2013-14. Based on projected cigarette consumption declining 2.50% per year and a constant pack price of $5.08 (including State and federal excise taxes), State sales tax revenues on cigarettes is anticipated to equal $31.0 million for FY 2011-12, $30.3 million for FY 2012-13, and $29.5 million for FY 2013-14.

Assumptions and Tables to Show Calculations:

Projected State Sales Taxes on Cigarettes	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**
Gross State Cigarette Taxes Collected (2009)	$191,018,000	$191,018,000	$191,018,000
State Excise Tax per Pack of Cigarettes	$0.84	$0.84	$0.84
Total Number of Packs Sold in Colorado (2009)	227,402,381	227,402,381	227,402,381
Reduction in Consumption (2.5% / year, compounded)	92.7%	90.4%	88.1%
Total Projected Number of Packs Sold (2012)	210,770,029	205,500,778	200,363,259
Retail Pack Price (Includes State / Federal Excise Taxes)	$5.08	$5.08	$5.08
Total Taxable Sales	$1,070,290,206	$1,043,532,951	$1,017,444,627
State Sales Tax Rate	2.90%	2.90%	2.90%
Total Projected State Sales Tax	**$31,038,416**	**$30,262,456**	**$29,505,894**

- Data above is from "The Tax Burden on Tobacco, Historical Compilation Volume 44, 2009" and can be found at: http://www.tobaccoissues.com/getobject.aspx?folder=root/tobaccoissues/PDF&name=tax_burden
- Gross State cigarette tax collections can be found on page 285; average price per pack can be found on page 175. Consumption assumptions were derived from the average national change in consumption from 1990 to 2009 as published on page 6, table 3.

Current Statutory Authority or Needed Statutory Change:

This proposal requires a statutory change to §39-26-706 (1)(a), C.R.S. to extend the current temporary suspension of an exemption for State sales taxes on cigarettes for an additional three years, through June 30, 2014.

GOVERNOR'S OFFICE

Office of State Planning and Budgeting
Todd Saliman, Director

FY 2011-12 Budget Balancing Proposal
November 1, 2010

Continue Temporary Suspension of Sales Tax Vendor Administrative Fee

Proposal:

Due to the fiscal shortfall anticipated in FY 2011-12 and beyond, this proposal requests that the current temporary suspension of the vendor administrative fee allowance be extended for three additional years, through FY 2013-14. The projected net General Fund increase to the State from this proposal is $71,579,236 in FY 2011-12, $74,141,303 in FY 2012-13, and $74,865,440 in FY 2013-14.

Summary of Request:

- Excluding recent changes to the vendor fee allowance statutory provision, vendors have historically been allowed to retain 3.33% of all State sales tax collections as an administrative fee, for collecting taxes on behalf of the State at the point of sale.
- During FY 2003-04 and FY 2004-05, as well as the last four months of FY 2008-09, the vendor administrative fee allowance was partially reduced, although not fully eliminated, because of fiscal weakness due to economic downturns. The vendor fee was reduced to 2.33% in FY 2003-04 and FY 2004-05, and was reduced to no greater than 1.35% during the four month period in FY 2008-09.
- For FY 2009-10 and FY 2010-11, as part of budget balancing, the State will retain the full amount of State sales tax collections as authorized by SB 09-212 and SB 09-275.
- This proposal would continue the current temporary suspension of vendors retaining a portion of State sales tax revenue for FY 2011-12, FY 2012-13, and FY 2013-14. Based on projected State sales tax revenues as published in the September 20, 2010 OSPB forecast, the projected net impact to State tax revenue collections equals $71.6 million in FY 2011-12, 74.1 million in FY 2012-13, and $74.9 million in FY 2013-14.

Assumptions and Tables to Show Calculations:

Projected Impact from Suspending Vendor Fee Allowance in FY 2011-12, FY 2012-13, and FY 2013-14

		FY 2011-12	FY 2012-13	FY 2013-14
A	Projected Sales Tax Revenue	$2,075,800,000	$2,150,100,000	$2,171,100,000
	Actual State Sales Tax Rate	2.90%	2.90%	2.90%
	Percentage of State Sales Tax Collections Allowed to be Retained by Vendors under Current Law	3.33%	3.33%	3.33%
	Effective State Sales Tax Rate: Net Benefit to the State After Vendor Fee Allowance (= 2.90%*(100%-3.33%))	2.80%	2.80%	2.80%
B	Projected Sales Tax Revenue Assuming Full Remittance of Sales Tax Collections (=A/2.80%*2.90%)	$2,147,379,236	$2,224,241,303	$2,245,965,440
C	**Net Impact on State Revenues (=B-A)**	**$71,579,236**	**$74,141,303**	**$74,865,440**

Source: OSPB September 20, 2010 Revenue Forecast, Table 3, Sales Tax Revenues

Current Statutory Authority or Needed Statutory Change:

This proposal would require a statutory change to §39-26-105 (1)(f)(I)(B), C.R.S. to extend the current suspension of any vendor administrative fee allowance through June 30, 2014.

DEPARTMENT OF THE TREASURY

Budget Reduction Proposal
November 1, 2010

Department of the Treasury
Cary Kennedy, Treasurer

Office of State Planning and Budgeting
Todd Saliman, Director

Extend Suspension of State Contributions to Fire and Police Pension Funds through FY 2012-13

Proposal:

Due to the General Fund shortfall estimated in FY 2011-12, this request seeks to continue the existing suspension on State's contributions to the Fire and Police Pension Association's, State Assisted "Old Hire" Pension Plans through FY 2012-13. If approved, the State would lower its General Fund obligations by $25,321,079 in each of the next two years.

Summary of Request:

- Legislation passed in 1978 established a contribution plan for the State, employers and employees to reduce local fire and police pension plans' unfunded liabilities over a 40-year period. In 1995, the State committed to fully fund its share of pension liabilities by the close of 2009; however, due to past and recent economic pressures, this 2009 target date was extended to 2015.
- State contributions to these "Old Hire" plans have been suspended on three separate occasions as a result of difficult economic times: once in 1987; again during 2003, 2004, and 2005 (per SB 03-263); and most recently for 2009, 2010, and 2011 (per SB 09-277).
- Under current law, the State is required to begin making equal payments of $25,321,079 on April 30, 2012, 2013, and 2014, with a final "balloon" payment of $83,853,854 due on April 30, 2015, to fulfill its current unfunded liability obligation.
- This proposal seeks to delay State contributions to the "Old Hire" plans for FY 2011-12 and FY 2012-13, resulting in reduced General Fund expenditures in the Treasury Office of $25,321,079 each year.
- Due to the additional year of delayed payment into these "Old Hire" plans, the State would incur additional interest costs on the actuarial unfunded liability. These additional interest costs, as well as the delayed annual payment of $25,321,079, could be assessed in the current April 30, 2015 final balloon payment, or an entirely revised annual payment structure could be adopted through legislative change. This proposal requests a revised payment structure, extending the current annual payment amount to 2021, thereby reducing the final balloon payment to more manageable levels in the future.

Assumptions and Tables to Show Calculations:

- Calculations in the table were provided by the Fire and Police Pension Association, assuming a discount rate of 8.0% and current statutory annual payment amounts per §31-30.5-304, C.R.S.
- Based on the calculations below, the State would extend the current payment schedule five additional years, allowing it to lower the final balloon payment in the final year from $83,853,854 to $29,936,102.

Contribution Payment Schedule: April 30, _____	Current Law Contribution Schedule	Net Present Value as of April 30, 2009	Proposed Contribution Schedule	Net Present Value as of April 30, 2009
2012	$25,321,079	$20,102,537	$0	$0
2013	$25,321,079	$18,613,460	$0	$0
2014	$25,321,079	$17,234,685	$25,321,079	$17,233,101
2015	$83,853,854	$52,847,009	$25,321,079	$15,956,575
2016	$0	$0	$25,321,079	$14,774,606
2017	$0	$0	$25,321,079	$13,680,191
2018	$0	$0	$25,321,079	$12,666,844
2019	$0	$0	$25,321,079	$11,728,559
2020	$1	$1	$25,321,079	$10,859,777
2021	$2	$1	$29,936,102	$11,888,038
Total Payments	$159,817,091	$108,797,691	$207,183,655	$108,787,691

Current Statutory Authority or Needed Statutory Change:

This proposal would require a statutory change to §31-30.5-307 (5) (a) and (b), C.R.S. to reflect the estimate of the State contribution through FY 2012-13. In addition, the ending date for reaching a fully funded status will also need to be extended.

DEPARTMENT OF REGULATORY AGENCIES

FY 2011-12 Budget Balancing Proposal
November 1, 2010

Barbara Kelley
Director, DORA

Todd Saliman
Director, OSPB

Transfer of Colorado High Cost Support Mechanism Revenue

Proposal:

The Colorado High Cost Support Mechanism (CHSM) was established by H.B. 95-1335 and is administered by the Colorado Public Utilities Commission. The purpose of the CHSM is to promote provision of basic telephone service in high cost areas of the state. As such, the Code of Colorado Regulations requires all telecommunications service providers that provide Colorado intrastate telecommunications services to pay into the CHSM. As part of budget balancing efforts during the 2009 legislative session, $15,000,000 was transferred from the CHSM to the General Fund. This proposal would involve a similar transfer of $20,000,000 from the CHSM to the General Fund to alleviate the FY 2011-12 budget shortfall.

Summary of Request:

- Each telecommunications service provider contributes a share to the CHSM based on each provider's proportion of revenue collected from the sale of intrastate telecommunications services. The CHSM is used to support qualifying local exchange carriers so that affordable service can be provided to consumers in high cost geographic regions of the state.
- Pursuant to the recommendation of the Joint Budget Committee, in June 2009, S.B. 09-272 and S.B. 09-279 implemented a transfer of $15,000,000 from the CHSM to the Colorado High Cost Administration Fund, and that amount was subsequently transferred to the General Fund.
- This proposal would result in transfers similar to those required per S.B. 09-272 and S.B. 09-279. Under this proposal, in FY 2011-12, $20,000,000 would be transferred from the Colorado High Cost Support Fund to the Colorado High Cost Administration Fund. From the Colorado High Cost Administration Fund, $20,000,000 would then be transferred to the General Fund for budget balancing purposes.

	Actual Transfer **FY 2009-10**	Proposed Transfer **FY 2011-12**
High Cost Support Mechanism Fund to the High Cost Administration Fund to the General Fund	$15,000,000	$20,000,000

Assumptions and Tables to Show Calculations:

High Cost Support Mechanism Cash Fund Projection	**FY 2011-12**
Estimated Beginning Fiscal Year Balance	$4,413,740
Plus Projected Revenue	$40,517,712
Proposed Transfer	-$20,000,000
Amount Remaining for Expenditure	$24,931,452
Projected Year End Balance	$0

Revenue and expenditure projections are based on YTD FY2010-11 revenues and expenditures.

Current Statutory Authority or Needed Statutory Change:

This proposal requires a statutory change to §40-15-208 C.R.S. to authorize the revenue transfers associated with this proposal. Additional statutory changes to the current High Cost Support Mechanism fund rate element or expenditure structure may be necessary in order to ensure that the fee remains at its current level following this transfer.

GOVERNOR'S OFFICE

FY 2011-12 Budget Balancing Proposal
November 1, 2010

Limited Gaming Revenue Transfers for FY 2011-12

Proposal:

Under current law, a portion of revenue collected through limited gaming shall be transferred to the Colorado Travel and Tourism, New Jobs Incentives, State Council on the Arts, Film Incentives, and Clean Energy cash funds at the end of FY 2011-12. For budget balancing purposes, this proposal requests a legislative change for FY 2011-12 gaming revenue distributions to ensure only partial transfers of statutorily defined allocations of gaming moneys to the above mentioned programs. The net projected transfer requested for the above mentioned Governor's Office programs is $12.8 million; any remaining limited gaming revenues that would have otherwise gone to Governor's Office programs is requested to be distributed to the General Fund (projected at $21.8 million).

Summary of Request:

- Per §12-47.1-701 (4), C.R.S., these Governor's Office programs shall receive allocations of gaming revenues equal to the amounts set in statute for FY 2005-06, adjusted annually by the compounded rate of change in consumer price index for Denver-Boulder-Greeley.
- This statutory requirement is only superseded when: a) actual collections for limited gaming revenues fall below the amount necessary to make full limited gaming transfer amounts; or b) when the statewide FY 2011-12 General Fund operating appropriation has been adopted in law and projected General Fund revenue for that fiscal year fall below the amount necessary to fully fund those appropriations (in which case the gaming revenues are transferred to the General Fund).
- Since actual statewide FY 2011-12 General Fund operating appropriations have not yet been determined, current law assumes year-end FY 2011-12 limited gaming transfers will occur to the respective Governor's Office programs.
- This proposal requests amounts equal to 50% of FY 2007-08 year-end limited gaming revenue transfers for Colorado Travel and Tourism Promotion, New Jobs Incentives, State Council on the Arts, and Film Incentives cash funds be maintained for FY 2011-12. Any limited gaming revenue remaining above the 50% threshold would be transferred to the General Fund.
- The percentage reduction in limited gaming revenues to Colorado Travel and Tourism Promotion, New Jobs Incentives, State Council on the Arts, and Film Incentives cash funds in FY 2010-11 will require these programs to operate on a reduced budget in FY 2012-13 (the year in which these revenues are spent). This delayed programmatic impact is due to the timing of limited gaming transfers, which does not occur until the end of the fiscal year in which revenues are received, and are therefore intended for appropriation in the subsequent fiscal year.
- In addition to the above proposed transfers, the full amount of limited gaming revenues that would otherwise be transferred to the Clean Energy Fund is also requested to be transferred to the General Fund at the end of FY 2011-12.

Assumptions and Tables to Show Calculations:

Distribution of Limited Gaming Revenues	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12
A. Total Limited Gaming Revenues	**$108.2**	**$98.9**	**$111.2**	**$115.3**	**$122.0**
Annual Percent Change			12.4%	3.6%	5.8%
A1. Gaming Revenues Not from Taxes		$4.0	$3.5	$2.5	$2.5
A2. Gaming Revenues Related to Taxes		$94.9	$107.8	$112.8	$119.5
B. Base Limited Gaming Revenues (max 3% growth)		**$94.9**	**$97.8**	**$100.7**	**$103.7**
Annual Percent Change			3.0%	3.0%	3.0%
B1. Amount Off the Top for Administration		($13.6)	($12.5)	($12.5)	($12.5)
B2. Additional Revenue not from Taxes (=A1)		$4.0	$3.5	$2.5	$2.5
B3. Amount for Distribution to Existing Recipients	**$100.6**	**$85.3**	**$88.8**	**$90.7**	**$93.7**
C. Extended Limited Gaming Revenues (=A-B-A1)		**N/A**	**$10.0**	**$12.1**	**$15.8**
Annual Percent Change			N/A	20.7%	30.7%
C1. Amount Off the Top for Administration			**($1.4)**	**($1.4)**	**($1.4)**
C2. Amount for Distribution			**$8.6**	**$10.7**	**$14.4**
C3. Amount to Existing Recipients			*$0.5*	*$0.6*	*$0.9*
C4. Amount to New Recipients			*$8.1*	*$10.1*	*$13.5*
D. Total Amount to Existing Recipients (=B3+C3)	**$100.6**	**$85.3**	**$88.8**	**$91.3**	**$94.6**
Amount to State Historical Society	*$28.2*	*$23.9*	*$24.9*	*$25.6*	*$26.5*
Amount to Counties	*$12.1*	*$10.2*	*$10.7*	*$11.0*	*$11.3*
Amount to Cities	*$10.1*	*$8.5*	*$8.9*	*$9.1*	*$9.5*
Amount to Distribute to Remaining Programs	*$50.3*	*$42.6*	*$44.4*	*$45.7*	*$47.3*
Amount to Local Government Impact Fund	*$6.5*	*$5.5*	*$3.8*	*$5.9*	*$6.1*
Colorado Tourism Promotion Fund	*$20.1*	*$15.6*	*$14.1*	*$0.0*	*$10.1*
New Jobs Incentives Fund	*$3.2*	*$1.4*	*$1.3*	*$0.0*	*$1.6*
State Council on the Arts Fund	*$1.6*	*$1.2*	*$1.1*	*$0.0*	*$0.8*
Film Incentives Fund	*$0.6*	*$0.2*	*$0.4*	*$0.0*	*$0.3*
Colorado Office of Economic Development	*$0.0*	*$0.3*	*$0.0*	*$0.0*	*$0.0*
Bioscience Discovery Evaluation Fund	*$0.0*	*$4.5*	*$5.5*	*$5.5*	*$5.5*
Innovative Higher Education Research Fund	*$0.0*	*$1.0*	*$2.0*	*$1.0*	*$1.0*
Colorado Department of Transportation	*$14.3*	*$10.1*	*$0.0*	*$0.0*	*$0.0*
Clean Energy Fund	*$4.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
Transfer to the General Fund	*$0.0*	*$2.8*	*$16.2*	*$33.2*	*$21.8*
E. Total Amount to New Recipients (=C4)	**N/A**	**N/A**	**$8.1**	**$10.1**	**$13.5**
Community Colleges, Mesa and Adams State (78%)			*$6.3*	*$7.8*	*$10.6*
Counties (12%)			*$1.0*	*$1.2*	*$1.6*
Cities (10%)			*$0.8*	*$1.0*	*$1.4*

FY 2011-12 projected distribution amounts in the table above for Travel and Tourism, New Jobs Incentives, State Council on the Arts, and Film Incentives has been calculated to equal 50% of the amounts shown in FY 2007-08. The Clean Energy distribution amount has been reduced to $0. Limited gaming projections are from the OSPB September 20, 2010 Revenue forecast.

Below is a table containing both current law and proposed legislative changes to gaming revenue distributions – the cumulative variance between distribution amounts equates to the amount shown in the row titled "Transfer to the General Fund".

FY 2011-12 Gaming Distributions	**Current Law Distributions**	**Proposed Distributions**
Colorado Tourism Promotion Fund	$21.4	$10.1
New Jobs Incentives Fund	$3.4	$1.6
State Council on the Arts Fund	$1.7	$0.8
Film Incentives Fund	$0.7	$0.3
Clean Energy Fund	$7.4	$0.0
Transfer to the General Fund	$0.0	$21.8
Total Limited Gaming Transfers	**$34.6**	**$34.6**

Current Statutory Authority or Needed Statutory Change:

This proposal would require statutory changes to §12-47.1-701 (4) and (5), C.R.S. to allow for partial limited gaming transfers for Travel and Tourism, New Jobs Incentives, State Council on the Arts, and Film Incentives cash funds equal to one-half of their FY 2007-08 transfers at the end of FY 2011-12. All other limited gaming revenue otherwise transferred to these cash funds, as well as transfers to the Clean Energy fund, shall instead be transferred to the General Fund as specified in current law.