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Bill Ritter Jr.
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MEMORANDUM

TO: Governor Bill Ritter Jr.
Members of the General Assembly

FROM: Office of State Planning and Budgeting

DATE: March 20, 2009

SUBJECT: ***March 2009 Revenue Forecast***

This memorandum presents the March 2009 Office of State Planning and Budgeting (OSPB) revenue forecast. The memorandum includes a General Fund overview, General Fund and cash fund revenue forecasts, a discussion of the budget implications of this forecast, and summaries of both the national and Colorado economic forecasts.

MARCH 2009 OSPB FORECAST HIGHLIGHTS

- This OSPB forecast reflects that **General Fund revenue projections will not be able to support full 6 percent General Fund appropriations growth during the forecast period**. While economic conditions are still anticipated to improve by the end of 2009, projected TABOR revenues in FY 2009-10 are now not anticipated to exceed FY 2007-08 levels, thereby making FY 2007-08 the highest TABOR revenue year during Referendum C.

- Gross **General Fund revenues** are now anticipated to fall 5.4 percent below FY 2007-08 levels. This decline in revenues is attributable to significant refunds for both corporate and individual income tax collections, and continued suppressions in retail sales despite considerable relief in energy costs. FY 2008-09 General Fund revenues are projected to equal $7.3 billion. Beyond FY 2008-09, individual income taxes are forecast to remain suppressed due to projected negative job growth through much of 2009 and only a small improvement to corporate taxes. Colorado's economy is still anticipated to turn positive again near the end of 2009, though recovery is anticipated to be more gradual than previously forecast.

- **Cash fund revenues** are forecast to decrease 1.0 percent in FY 2008-09 (to $2.2 billion). This decrease materializes largely in transportation related revenues due to significant reductions in automobile sales (affecting licensing and registration fees) and due to fewer gallons of fuel being consumed as unemployment rises. Gambling revenues have also declined dramatically below prior year levels due to limited disposable income for Coloradoans. Beyond FY 2008-09, cash fund revenues are projected to remain volatile in part due to severance tax revenue fluctuations. Two additional factors that will now also affect revenues are the implementation of Amendment 50 impacting gambling revenues and the FASTER bill (SB 09-108) which will increases revenues for transportation improvements, both beginning in FY 2009-10.

- **Federal Stimulus** funding is incorporated into this forecast with regards to the additional Medicaid matching percentage, beginning in FY 2008-09 and continuing into FY 2010-11. These federal funds, equal to $652.7 million over three fiscal years, will reduce State General Fund expenditures associated with Medicaid expenditures.

MARCH 2009 OSPB FORECAST HIGHLIGHTS (CONTINUED)

- The $787 billion **American Recovery and Reinvestment Act (ARRA)** provides states with funding necessary to restore cuts in essential budget areas and will speed the economic recovery process. Aside from the specific impact from the enhanced federal match on Medicaid expenditures, this OSPB forecast integrates the effects of the ARRA at the national level which consequently influences projections for the Colorado economy. As such, no additional adjustments have been made to the Colorado forecast independent of these influences at the national economic level due to these relationships; however, one can assume that greater levels of unemployment and reduced employment growth would have occurred, had the federal stimulus legislation failed.
- Under the provisions of **Referendum C**, the State is now projected to retain $4.1 billion from FY 2005-06 through FY 2009-10; a decrease of roughly $621.9 million from the December 2008 OSPB forecast (post capital gains adjustment). **TABOR refunds are not anticipated during the forecast period** as FY 2007-08 TABOR revenues are now anticipated to be the highest revenue levels during the time-out period of Referendum C.
- The forecast indicates no General Fund revenues will be available for transportation or capital construction through **Senate Bill 97-1 or HB 02-1310** during any of the forecast years.

GENERAL FUND OVERVIEW AND BUDGET IMPLICATIONS

This section summarizes how the forecasts of General Fund revenue and cash funds revenue flow through the State spending structure. Also included is a brief discussion of the impacts of revenue changes from the previous forecast on the State budget, particularly as it relates to transportation and capital construction.

GENERAL FUND OVERVIEW

Table 1A presents the General Fund Overview for the March 2009 OSPB revenue forecast. The top portion of the table summarizes the amount of General Fund revenue available for spending, culminating with "Total Revenue" on line 8. Lines 3 and 4 display the split of General Fund Non-Exempt and General Fund Exempt revenue - line 4 is the amount of money that the State is allowed to retain above the TABOR Revenue Limit as a result of the passage of Referendum C. Line 5 shows the amount of money that will be diverted for transportation funding per Senate Bill 97-1. Under the provisions of Senate Bill 97-1, the State is required to transfer up to 10.355 percent of sales and use tax revenue to the Highway Users Tax Fund (HUTF) in years when the State has enough revenue to pay its total obligations (line 22), as well as maintain a statutory four percent reserve (line 25). Line 7 represents other transfers to and from the General Fund including funding to the Colorado State Veteran's Trust Fund, the Older Coloradans Cash Fund, and $29.4 million in anticipated cash fund transfers associated with the Joint Budget Committee's action on March 18, 2009 regarding excess Capital Construction Fund balance once frozen projects are deappropriated.

Lines 9 through 13 summarize the amount of allowable General Fund appropriations based on the six percent limit. Line 9 represents the maximum amount of General Fund appropriation growth allowable by TABOR, including a full 6.0 percent increase over the combined sum of lines 11 and 14 from the prior year. Line 10 reflects the impact to General Fund appropriation growth in the event that revenues cannot fully support the maximum 6.0 percent in any given fiscal year. Line 10a identifies legislation that has either already made it to the Governor for signature, or is in route, and that is assumed to be a budget balancing piece of legislation[1]. Line 10b represents the remaining revenue shortfall to be addressed.

As many of the Governor's January 27 budget balancing proposals are still being evaluated by the Joint Budget Committee and General Assembly, there are still a number of cost saving and General Fund appropriation reducing measures that can be used to address the remaining shortfalls in line 10b for FY 2008-09, FY 2009-10, and beyond.

Lines 14 through 21 summarize spending that is exempted from the six percent limit, but is included in the base for future growth (line 11), and other spending outside the six percent limit (line 15). It should be noted that the total on line 15 must be funded *prior* to funding General

[1] Legislation reported in line 10a includes: SB 09-183 through SB 09-203 (agencies' supplemental bills); SB 09-206 (Waiting List); SB 09-207 (Child Welfare Mental Health Pilot); SB 09-209 (Inmate Assistance Program); and SB 09-212 (Vendor Fees). This row does not include the reduction to General Fund expenditures associated with SB 09-227 (Suspend FPPA Contributions) or $9,456,093 in SB 09-203 as these impact are included in the Rebates and Expenditures row (line 17).

Fund appropriations under the six percent limit. Line 19 includes funds that have been appropriated, as well as annual continuation costs associated with capital construction projects, level I controlled maintenance and certificate of participation payment (COP) obligations.

Finally, this forecast assumes the infusion of federal stimulus funding for Medicaid over three fiscal years, beginning with FY 2008-09 (line 21). Based on the current forecast, Colorado is anticipated to receive an anticipated 8.78 percent in enhanced federal funding, increasing the State's federal match rate up from 50 percent to 58.78 percent for quarters 2 and 3 in FY 2008-09. Beginning in quarter 4, Colorado is anticipated to receive an additional 1.41 percent federal match, based on the unemployment rate thresholds included in the American Recovery and Reinvestment Act. All of these additional federal funds are anticipated to reduce General Fund expenditures and are therefore shown as negative values in this row on Table 1A.

The bottom portion of Table 1A presents the amount of revenue forecasted to flow into the year-end reserve. The amount of revenue in the statutorily required four percent reserve (line 25) moves in tandem with the appropriate fiscal year's appropriation. This amount is carried forward into the subsequent fiscal year as the beginning reserve (line 1). If available revenue exceeds that which is necessary to fund all obligations, reserves, and a maximum transfer to the Highway User Tax Fund (HUTF) under Senate Bill 97-1, the remaining revenue is recorded as excess reserve (line 26). Any excess reserve at the end of the fiscal year is then transferred in the following fiscal year, with two-thirds distributed for transportation (line 27) and one-third for capital construction (line 28).

For informational purposes only, line 29 shows the amount of money credited to the State Education Fund. Under the provisions of Amendment 23, the State credits an amount equal to one-third of one percent of State taxable income to the State Education Fund.

Table 1B reflects the changes to the General Fund Overview since the December 2008 OSPB forecast (post capital gains adjustment). Note that the SB 97-1 transfers, which reflect the allocation of General Fund revenues once the six percent appropriation limit and the four percent General Fund reserve requirement are satisfied, are shown as positive values for <u>increased</u> revenue diversions to transportation in this table.

Table 1A
General Fund Overview
(Dollar Amounts in Millions)

Line No.		FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
			March 2009 Estimate by Fiscal Year			
Revenue						
1	Beginning Reserve	$267.0	$283.5	$291.4	$302.3	$308.8
2	**Gross General Fund Revenue**	**$7,742.9**	**$7,328.5**	**$7,520.0**	**$7,883.8**	**$8,307.1**
3	*General Fund*	*$6,573.5*	*$6,964.5*	*$7,375.6*	*$7,883.8*	*$8,307.1*
4	*General Fund Exempt*	*$1,169.4*	*$364.0*	*$144.4*	*$0.0*	*$0.0*
5	**Senate Bill 97-1 Diversion**	**($238.1)**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
6	*Percent of Maximum*	*100%*	*0%*	*0%*	*0%*	*0%*
7	**Net Transfers to/(from) the General Fund /A**	**($5.0)**	**$18.5**	**($8.0)**	**($8.0)**	**($8.0)**
8	**TOTAL REVENUE**	**$7,766.9**	**$7,630.6**	**$7,803.4**	**$8,178.1**	**$8,607.9**
Expenditures						
9	*Allowable General Fund Appropriation Limit /B*	*$7,087.8*	*$7,546.9*	*$7,722.4*	*$8,010.8*	*$8,183.9*
10	*Total General Fund Appropriation Limit not Supported by Revenues*	*$0.0*	*($261.8)*	*($165.0)*	*($290.2)*	*($231.1)*
10a	*Adjustments in Legislation for Specific Special Bills and Supplementals /C*	*N/A*	*($74.0)*	*N/A*	*N/A*	*N/A*
10b	*Remaining Shortfall Based on Current Projections (if positive, added to row 11)*	*$0.0*	*($187.8)*	*($165.0)*	*($290.2)*	*($231.1)*
11	**General Fund Appropriations (Subject to 6% Limit)**	**$7,087.8**	***$7,285.1***	***$7,557.4***	***$7,720.6***	***$7,952.8***
12	*Appropriations Change (from prior year)*	*$412.3*	*$197.2*	*$272.3*	*$163.2*	*$232.1*
13	*Percent Change /D*	*6.2%*	*2.8%*	*3.7%*	*2.2%*	*3.0%*
14	**Exemptions to 6% Limit /D**	**$31.9**	**$0.2**	**$0.0**	**$0.0**	**$0.0**
15	**Spending Outside 6% Limit**	**$320.2**	**$252.3**	**$246.5**	**$300.1**	**$337.0**
16	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
17	*Rebates and Expenditures /E*	*$173.8*	*$142.1*	*$155.1*	*$159.8*	*$190.1*
18	*Homestead Exemption*	*$79.8*	*$85.2*	*$91.4*	*$97.6*	*$103.4*
19	*Transfers to Capital Construction /F*	*$93.7*	*$24.9*	*$0.0*	*$42.7*	*$43.5*
20	*Reversions and Accounting Adjustments*	*($27.1)*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
21	**Enhanced Medicaid Match (reduces GF expenditures)**	**N/A**	**($198.4)**	**($302.8)**	**($151.4)**	**N/A**
22	**TOTAL OBLIGATIONS**	**$7,439.9**	**$7,339.2**	**$7,501.1**	**$7,869.3**	**$8,289.8**
Reserves						
23	**Year-End Reserve**	**$327.0**	**$291.4**	**$302.3**	**$308.8**	**$318.1**
24	*Year-End Reserve as a % of Appropriations*	*4.6%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*
25	**Statutory Reserve: 4% of Appropriations**	**$283.5**	**$291.4**	**$302.3**	**$308.8**	**$318.1**
26	**Excess Monies Above (Below) Reserve**	**$43.4**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
27	*2/3 for Transportation /G*	*$29.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
28	*1/3 for Capital Construction /G*	*$14.5*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
29	Addendum: State Education Fund /H	$407.9	$390.2	$390.0	$411.7	$435.4

Note: Lines in Bold represent totals.

/A Includes General Fund transfers to the State Veterans Trust Fund and the Older Coloradans Cash Fund. In addition, this amount includes JBC action from March 18, 2009 on capital construction with regards to de-appropriated projects in FY 2008-09 and prior, and the use of the excess cash balance in the Capital Construction Fund. Based on OSPB forecasted values, the net transfer into the General Fund in FY 2008-09 is $29.4 million.

/B Reflects the previous year's exempt and non-exempt General Fund appropriations (rows 11 and 14) plus six percent.

/C Includes changes to FY 2008-09 appropriations since the 2008 legislation for the following bills: SB 09-183 through SB 09-203 (agency supplemental bills), SB 09-212 (Vendor Fees), SB 09-206 (Waiting List), SB 09-207 (Child Welfare Mental Health Pilot), SB 09-209 (Inmate Assistance Program).

/D $31.9 million in FY 2007-08 (including $25.7 million in Medicaid overexpenditures) and $0.2 million in FY 2008-09 are not subject to the six percent limit pursuant to Section 24-75-201.1(1)(a)(III)(B), C.R.S., but are included the base for calculation of the next year's appropriation's limit. As such, these exemptions allow for General Fund growth to exceed six percent of the prior year's non-exempt General Fund Appropriations amount shown on row 11.

/E Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, and Fire and Police Pensions Associations. SB 09-227 (Temporarily suspend FPPA Contributions) is included in ths forecast.

/F This includes continuation costs for FY 2009-10 capital requests, Level I Controlled Maintenance funding and certificate of participation payments appropriated from Capital Construction funds.

/G Per H.B. 02-1310, two-thirds of the amount in excess of a four percent reserve is transferred to the Highway Users Tax Fund and one-third is credited to the Capital Construction Fund in the following fiscal year.

/H Per Amendment 23, one-third of one percentage point of Colorado taxable income is credited to the State Education Fund.

Table 1B
General Fund Changes Since December 2008 Forecast
(Dollar Amounts in Millions)

Line No.		FY 2007-08	December 2008 to March 2009 Forecast Changes FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Revenue						
1	Beginning Reserve	$0.0	$0.0	($1.4)	$3.0	($0.2)
2	**Gross General Fund Revenue**	**$0.2**	**($282.5)**	**($266.6)**	**($483.1)**	**($816.7)**
3	*General Fund*	*$35.8*	*$78.1*	*($81.3)*	*($483.1)*	*($816.7)*
4	*General Fund Exempt / A*	*($35.7)*	*($360.6)*	*($185.3)*	*$0.0*	*$0.0*
5	**Senate Bill 97-1 Diversion**	**($0.0)**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
6	*Percent of Maximum*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
7	**Net Transfers to/(from) the General Fund / B**	**$0.8**	**$30.2**	**$2.8**	**$2.8**	**$2.8**
8	**TOTAL REVENUE**	**$0.9**	**($252.3)**	**($265.2)**	**($477.4)**	**($814.1)**
Expenditures						
9	*Allowable General Fund Appropriation Limit*	*$0.0*	*$0.0*	*($35.9)*	*$79.2*	*($4.9)*
10	*Total General Fund Appropriation Limit not Supported by Revenues*	*$0.0*	*($33.9)*	*$110.6*	*($83.8)*	*$26.2*
11	**General Fund Appropriations (Subject to 6% Limit) / C**	***$0.0***	***($33.9)***	***$74.7***	***($4.6)***	***$21.3***
12	*Appropriations Change (from prior year)*	*$0.0*	*($33.9)*	*$108.5*	*($79.3)*	*$25.9*
13	*Percent Change*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
14	**Exemptions to 6% Limit**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
15	**Spending Outside 6% Limit**	**($0.6)**	**($18.7)**	**($40.1)**	**($321.1)**	**($836.2)**
16	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*($298.6)*	*($842.0)*
17	*Rebates and Expenditures*	*($0.0)*	*($18.7)*	*($14.7)*	*($15.9)*	*$14.2*
18	*Homestead Exemption*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
19	*Transfers to Capital Construction*	*$0.0*	*$0.0*	*($25.3)*	*($6.7)*	*($8.4)*
20	*Reversions and Accounting Adjustments*	*($0.6)*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
21	**Enhanced Medicaid Match (reduces GF expenditures)**	**N/A**	**($198.4)**	**($302.8)**	**($151.4)**	**N/A**
22	**TOTAL OBLIGATIONS**	**($0.6)**	**($250.9)**	**($268.2)**	**($477.2)**	**($815.0)**
Reserves						
23	**Year-End Reserve**	**$1.5**	**($1.4)**	**$3.0**	**($0.2)**	**$0.8**
24	*Year-End Reserve as a % of Appropriations*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
25	**Statutory Reserve: 4% of Appropriations**	**$0.0**	**($1.4)**	**$3.0**	**($0.2)**	**$0.9**
26	**Excess Monies Above (Below) Reserve**	**$1.6**	**$0.0**	**$0.0**	**$0.0**	**($0.0)**
27	*2/3 for Transportation*	*$1.0*	*$0.0*	*$0.0*	*$0.0*	*($0.0)*
28	*1/3 for Capital Construction*	*$0.5*	*$0.0*	*$0.0*	*$0.0*	*($0.0)*
29	Addendum: State Education Fund	$0.0	($13.4)	($19.6)	($32.6)	($54.4)

Note: Lines in Bold represent totals.

/A Reported reductions in General Fund Exempt and increases in General Fund revenues are due to previous forecasts continuing to represent a Referendum C impact beyond FY 2009-10. This forecast assumes all General Fund collected after FY 2009-10 is applicable to the new limit once Referendum C expires.

/B SB 97-1 transfers are shown as positive values for increased revenue diversions to transportation; negative values indicate decreased revenue diversions to transportation.

/C General Fund appropriations subject to the 6 percent limit are reduced to reflect insufficient General Fund revenue growth during the forecast period.

BUDGET IMPLICATIONS OF THE FORECAST

The March 2009 FY 2008-09 forecast for General Fund revenue was reduced $282.5 million from OSPB's adjusted December forecast. This significant reduction is based on continued decline in the national, and now local, economy. Colorado's unemployment rate continues to rise, and at a more rapid pace than originally anticipated. In addition, furloughs in both the public and private sector and an overall reduced workforce have negatively influenced sales and income tax collections.

Since the prior forecast, reductions have been predominately concentrated in the areas of individual and corporate refunds for prior estimated tax payments – reflecting that initial estimated tax payments for tax year 2008 were calculated to be greater than ultimately owed. Projections for paycheck withholdings however, continue to be relatively in-line with forecast values. Therefore, based on updated revenue figures and changes in Colorado's economy, this forecast projects that General Fund appropriations can only increase by 2.8 percent in FY 2008-09. This growth assumes the inclusion of new legislation associated with reduced vendor fees (SB 09-212), enhanced federal Medicaid matching, anticipated postponement of State contributions to the Fire and Police Pension Association (SB 09-227), and a one-time cash fund balance transfer into the General Fund of $29.4 million based on actions taken by the Joint Budget Committee on March 18, 2009 with regards to the excess fund balance in the Capital Construction Fund once frozen capital projects are deappropriated. At this time, the forecast does not include any impact associated with SB 09-208, the cash fund budget balancing legislation that is currently being considered by the General Assembly.

Beyond FY 2008-09, this forecast assumes a more gradual recovery in the economy than previously anticipated. This is reflected in the anticipated higher unemployment rates extending into calendar year 2010, as well as only slight increases in wages and personal income for that same period. Therefore, it is anticipated that overall General Fund revenues will increase at percentages below the allowable 6.0 percent General Fund appropriation limit, and will continue to limit the State's ability to appropriate up to this benchmark.

As FY 2007-08 TABOR revenues are anticipated to be the highest level of revenues collected during Referendum C, and therefore becoming the benchmark from which to calculate future revenue limits, this forecast no longer assumes any TABOR refunds during the forecast period. However, as inflation projections are extremely low for the next few years, the variance between the new revenue limit and projected TABOR revenues diminishes quickly beyond FY 2009-10 as the economy recovers – which may lead to refunds within a year or two following the forecast period. Conversely, lower inflation does result in reduced funding obligations to K-12 education.

Highlights of Budget Implications:

- ***Appropriations*** – After the inclusion of 2009 legislative impacts from agencies' supplemental bills (SB 09-183 through SB 09-203) and special bills that have increases or decreases to appropriations already signed by the Governor (SB 09-206, SB 09-207, SB 09-209, and SB 09-212), a projected General Fund revenue shortfall of $187.8 million remains for FY 2008-09. This shortfall also takes into consideration additional revenue associated with the transfer of $29.4 million in cash fund balance from the Capital Construction Fund per Joint Budget Committee action on March 18, 2009, increased retention of State sales tax revenues due to SB 09-212 (Vendor Fees), and the offsetting General Fund impact of $198.4 million in enhanced federal matching for Medicaid.

- ***Transportation*** – The State transferred $267.1 million to fund transportation-related projects in FY 2007-08 ($29.0 million from HB 02-1310 and $238.1 million from full SB 97-1 transfers). This March 2009 OSPB forecast projects that there will not be excess General Fund revenue to fund either SB 97-001 or HB 02-1310 transfers throughout the forecast period. However, with the passage of the FASTER bill (SB 09-108), cash fund revenues for transportation are anticipated to increase significantly through greater registration and licensing fees, totaling more than $200 million in FY 2009-10 (roughly $155.6 million in TABOR revenues), to help fund the needed improvements to Colorado's infrastructure, thereby offsetting the lack of General Fund infusions in the near term.

- ***Capital Construction*** **–** Because there are no HB 02-1310 transfers projected in the near future, a General Fund transfer is needed to cover essential projects. This General Fund transfer results in a reduction of funds available for state programs that are financed under the 6% appropriations limit. For FY 2009-10, these essential capital construction projects include continuation projects from prior years, Level I Controlled Maintenance, and certificates of participation annual payments for Colorado State Penitentiary II and the Anschutz Medical Center. In addition, on March 18, 2009, the Joint Budget Committee added the Department of Military and Veterans Affairs' Ft. Lupton Armory project and two years of higher education capital construction payments for certificates of participation (formerly funded from Federal Mineral Lease revenue). The forecast applies a spending pattern to all transfers and appropriations into the Capital Construction Fund of 30% in year one, 60% in year two, and 10% in year three, except for FY 2008-09 projects, which were affected by a capital construction freeze. In addition, in order to reduce strain on General Fund transfers, OSPB's projection uses the balance from the Corrections Expansion Reserve Bills as the fund is infused to cover portions of certain Department of Corrections projects.

  OSPB has updated its interest projection since the December 2008 OSPB forecast, assuming a rate of return of 3.00% in the current year, which is below the year-to-date average of 3.20% through February 2009. OSPB applies this interest rate to the current balance in the fund, in addition to expected transfers, rather than assuming the entire balance is committed. The average monthly balance remaining in the fund at the end of FY 2007-08 (as reported by the State Treasurer's website) was also assumed to be accruing interest, and is greater than the available balance as reported in Legislative Council Staff documents.

  Also since the December forecast, the Governor proposed in his January 27, 2009 FY 2009-10 Budget Balancing Plan to reduce the number of projects proposed for FY 2009-10. The number of items above the funding request line set by the Governor was reduced to four. These four items include annual payments for certificates of participation for Colorado State Penitentiary II and the Anschutz Medical Center, the Colorado Integrated Tax Architecture, and Level I Controlled Maintenance. Requests for Suicide Risk Mitigation at the Colorado Mental Health Institutes and Veterans Domiciliary Care Center at Fitzsimons were withdrawn. As mentioned above, one project and obligations related to higher education certificates of participation were added by the Joint Budget Committee on March 18, 2009.

The last new issue affecting the General Fund transfers is the pending deappropriation of frozen capital construction funds. OSPB submitted a report to the Joint Budget Committee on February 27, 2009 confirming amounts recommended for deappropriation due to projects that were frozen during FY 2008-09. On March 18, 2009, the Joint Budget Committee voted to deappropriate $82,122,640 and revert $452,259 for those projects. These funds affect the necessary General Funds transfer and the recommended transfer to the Higher Education Maintenance and Reserve Fund.

- ***Referendum C*** – Under the provisions of Referendum C, the State will retain $4.1 billion between FY 2005-06 and FY 2009-10. This is $621.9 million below the previous estimate in the December 2008 forecast (post capital gains adjustment). However, as TABOR revenues are now projected to decline below FY 2007-08 collections for the remainder of the Referendum C period (ending June 30, 2010), which will result in a greater revenue limit beginning in FY 2010-11 than previously forecast by OSPB. This will eliminate the possibility of TABOR refund obligations during the forecast period.

REVENUE FORECASTS

TABOR REVENUE & REFERENDUM C

The Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limits the State's revenue growth to the sum of inflation plus population growth in the previous calendar year. Under the provisions of TABOR, revenue collected above the TABOR limit must be returned to taxpayers, unless voters decide the State can retain the revenue. In November 2005, voters approved Referendum C, which allows the State to retain all revenue through FY 2009-10, during a five-year TABOR "time out."

Table 2 summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue limit under Referendum C. Line 3 represents total TABOR revenue, which includes all General Fund revenue and revenue from non-exempt cash funds. Line 6 shows the allowable TABOR growth rate based on the most recent previous calendar year's growth in population and inflation. This is applied to either the previous year's revenue or limit, whichever is less, in order to compute the TABOR limit shown on line 7.

Under the provisions of Referendum C, the State is allowed to retain all revenue collected through FY 2009-10. Beginning in FY 2010-11, the amount of revenue that the State may retain is computed by multiplying the highest revenue total between FY 2005-06 and FY 2009-10 (line 9) by the allowable TABOR growth rate (line 6) for each subsequent year. Beginning in FY 2010-11, the State will be required to refund any revenue in excess of this limit. This forecast projects that there will be no refund situations during the forecast period (line 10). Line 8 shows the amount of additional General Fund revenue that the State can retain as a result of the passage of Referendum C. The total amount of revenue retained during the five-year period ending in FY 2009-10 is projected to total $4.1 billion.

GENERAL FUND

Individual projections for excise, income, and other General Fund revenue sources can be found in Table 3. Ultimately, gross General Fund revenue is expected to grow at a compound average annual rate of 1.6 percent between FY 2007-08 and FY 2011-12.

Sales Tax

Sales tax revenue remains below prior year collection levels by 5.7 percent through February 2009. Given accelerated unemployment rates in recent months, this forecast assumes that sales will slide slightly further from FY 2007-08 collections for the remaining months, resulting in an overall annual decline of 7.7 percent.

Beginning with FY 2009-10, the forecast anticipates that an economic recovery begins near the end of 2009, leading to moderate increases in sales at the latter part of the fiscal year. In addition, a shift in the overall mix of goods being purchased is also anticipated to change between FY 2008-09 and FY 2009-10 as income that was previously spent on fuel and groceries (which required much of individuals' personal income when prices where elevated due to rising fuel costs), is now anticipated to purchase additional taxable goods. Finally, the impact of SB 09-212 (Vendor Fee) is also anticipated to be fully annualized in FY 2009-10, resulting in the retention of roughly $38 million in sales tax revenue for the State.

Individual Income Tax

Individual income tax collections through February 2009 are roughly 2.1 percent below FY 2007-08 levels for the same period. As unemployment continues to rise and Colorado experiences negative job growth, the recent decline from FY 2007-08 levels is anticipated to worsen, resulting in an overall annual decline of 4.1 percent on a cash accounting basis. However, due to the State's accrual accounting process, which allocates revenue (and expenditures) into the year for which it is attributable, this decline is less severe, at only 1.6 percent. For FY 2009-10, individual income tax collections are still anticipated to remain below historical norms due to continued rates of higher unemployment and very little job growth.

Corporate Income Tax

Corporate income tax collections are down dramatically from prior year levels – 30.2 percent below FY 2007-08 collections through February 2009. While not anticipated to improve in the remaining months of this fiscal year, with annual FY 2008-09 revenues projected to remain 32.8 percent below prior year levels, a recovery is anticipated in FY 2009-10 and FY 2010-11 as the federal stimulus generates increased economic activity.

Capital Construction – General Fund Transfer

Since the previous forecast, there have been many adjustments made to the financial impact and number of capital construction projects requested to move forward. Because so many projects have been deappropriated, no General Fund transfer is required for FY 2009-10. In addition, as interest earnings continue to decline, this forecast assumes a much lower rate of return in the near term for all cash funds held in the fund. The table below details the total General Fund transfer need through the forecast period and the adjustments that have been made since prior forecast.

General Fund Transfer Assumptions	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Balance in the Capital Construction Fund at the End of FY 2008-09	$71,054,218	$52,461,857	$0	$0
HB 1310 Transfer from Two Years Prior	$83,091,000	$13,960,565	$0	$0
Projected Interest Earned in the Prior Year	$24,274,895	$12,136,273	$7,061,103	$4,203,443
Future Appropriations to the Corrections Expansion Reserve Fund and Balance	$0	($1,976,068)	($2,684,165)	($1,126,485)
Requested FY 2009-10 CCF and CERF Expenditures (see below)	($121,425,011)	($85,073,324)	($49,769,736)	($47,711,346)
Expenditures from the Corrections Expansion Reserve Fund	$24,914,345	$8,490,697	$2,684,165	$1,126,485
One-time Transfer of Remaining CCF Funds to General Fund	($29,447,590)	$0	$0	$0
Total General Fund Transfer Needed (if negative)	$52,461,857	$0	($42,708,633)	($43,507,903)
Comparison with Last Table to CDC - January 27, 2009				
January 27, 2009	N/A	$19,855,516	$44,204,101	$44,703,717
Difference	N/A	($19,855,516)	($86,912,734)	($88,211,620)
Projects Funded				
Original Appropriated Amount	($185,488,613)	$0	$0	$0
Amount Deappropriated per JBC action March 18, 2009	$64,063,602	$0	$0	$0
Corrections - CSP II COP Payment (partial CERF)	$0	($13,940,350)	($13,940,350)	($13,938,250)
Anschutz Medical Center COP Payment	$0	($5,142,063)	($5,143,213)	($5,144,713)
Revenue - Colorado Integrated Tax Architecture	$0	($7,444,907)	($10,686,173)	($8,628,383)
Level 1 Controlled Maintenance	$0	($24,235,321)	($20,000,000)	($20,000,000)
Corrections - CSP II Furnishings (CERF)	$0	($2,000,000)	$0	$0
Military and Veterans Affairs - Ft Lupton Armory	$0	($5,661,451)	$0	$0
Two Years of SB 08-233 FML COP Payments	$0	($26,649,232)	$0	$0
Total of Changes	($121,425,011)	($85,073,324)	($49,769,736)	($47,711,346)

Table 2
TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		FY 2007-08	March 2009 Estimate by Fiscal Year FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	TABOR Revenues:					
1	General Fund /A	$7,738.7	$7,327.7	$7,500.5	$7,864.2	$8,287.2
	Percent Change from Prior Year	*2.7%*	*-5.3%*	*2.4%*	*4.8%*	*5.4%*
2	Cash Funds /B	$2,259.8	$2,236.3	$2,368.2	$2,531.4	$2,808.7
	Percent Change from Prior Year	*7.1%*	*-1.0%*	*5.9%*	*6.9%*	*11.0%*
3	**Total TABOR Revenues**	$9,998.6	$9,564.0	$9,868.7	$10,395.6	$11,095.9
	Percent Change from Prior Year	*3.7%*	*-4.3%*	*3.2%*	*5.3%*	*6.7%*
	Revenue Limit Calculation:					
4	Previous calendar year population growth	*2.0%*	*2.0%*	*1.8%*	*1.7%*	*1.8%*
5	Previous calendar year inflation	*3.6%*	*2.2%*	*3.9%*	*0.0%*	*0.5%*
6	**Allowable TABOR Growth Rate**	*5.6%*	*4.2%*	*5.7%*	*1.7%*	*2.3%*
7	TABOR Limit	$8,829.1	$9,200.0	$9,724.4	$9,889.7	$10,117.1
8	General Fund Exempt Revenue Under Ref. C /C	$1,169.4	$364.0	$144.4	N/A	N/A
9	**Revenue Limit Under Ref. C /D**	**$9,998.6**	**$9,564.0**	**$9,868.7**	**$11,199.6**	**$11,457.2**
10	*Amount Above/(Below) Limit*	*$0.0*	*$0.0*	*$0.0*	*($804.0)*	*($361.3)*
11	TABOR Reserve Requirement	$300.0	$286.9	$296.1	$311.9	$332.9

/A The FY 2007-08 amount differs from the General Fund revenues reported in Table 3 (General Fund Revenues) as some double counting exists when cash funds are transferred to the General Fund, and due to other Period 13 adjustments.

/B FY 2007-08 Cash Funds does include revenues from two state colleges that lost their enterprise status in FY 2007-08 and thus were subject to TABOR. It is the expectation that these schools will again become enterprises in FY 2008-09 and beyond.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of monies collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.

/D The Revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" or the "Revenue Limit Under Ref. C," whichever is smaller. Beginning in FY 2010-11, the Revenue limit will be based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate."

Table 3
Colorado General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

				March 2009 Estimate by Fiscal Year							
Line No.	**Category**	**FY 2007-08**	**% Chg**	**FY 2008-09**	**% Chg**	**FY 2009-10**	**% Chg**	**FY 2010-11**	**% Chg**	**FY 2011-12**	**% Chg**
	Excise Taxes:										
1	Sales /A	$2,126.6	4.9%	$1,962.8	-7.7%	$2,107.3	7.4%	$2,179.2	3.4%	$2,266.5	4.0%
2	Use /A	$191.3	5.3%	$173.6	-9.2%	$184.3	6.2%	$208.3	13.0%	$233.2	12.0%
3	Cigarette	$45.2	-4.0%	$45.5	0.8%	$41.5	-8.8%	$38.3	-7.8%	$36.3	-5.1%
4	Tobacco Products	$12.4	-4.2%	$15.1	21.6%	$18.6	23.0%	$21.4	15.1%	$24.4	13.9%
5	Liquor	$35.7	5.0%	$34.7	-2.8%	$35.8	3.0%	$36.1	0.9%	$37.2	3.0%
6	**Total Excise**	**$2,411.1**	**4.7%**	**$2,231.7**	**-7.4%**	**$2,387.5**	**7.0%**	**$2,483.2**	**4.0%**	**$2,597.5**	**4.6%**
	Income Taxes:										
7	Net Individual Income	$4,973.7	2.1%	$4,894.9	-1.6%	$4,884.3	-0.2%	$5,088.8	4.2%	$5,374.8	5.6%
8	Net Corporate Income	$507.9	2.0%	$341.4	-32.8%	$348.3	2.0%	$445.7	27.9%	$488.7	9.7%
9	**Total Income**	**$5,481.6**	**2.1%**	**$5,236.2**	**-4.5%**	**$5,232.6**	**-0.1%**	**$5,534.5**	**5.8%**	**$5,863.5**	**5.9%**
10	*Less: State Education Fund Diversion*	*$407.9*	*3.2%*	*$390.2*	*-4.3%*	*$390.0*	*-0.1%*	*$411.7*	*5.6%*	*$435.4*	*5.8%*
11	**Total Income to General Fund**	**$5,073.7**	**2.0%**	**$4,846.0**	**-4.5%**	**$4,842.7**	**-0.1%**	**$5,122.8**	**5.8%**	**$5,428.1**	**6.0%**
	Other Revenues:										
12	Estate /B	$0.2	-76.7%	$0.0	-98.4%	$0.0	N/A	$0.0	N/A	$0.0	N/A
13	Insurance	$188.3	5.0%	$185.3	-1.6%	$202.2	9.1%	$206.2	2.0%	$210.9	2.3%
14	Interest Income	$17.9	-36.4%	$21.5	19.9%	$31.1	44.7%	$29.1	-6.2%	$27.4	-6.0%
15	Pari-Mutuel	$2.7	-8.7%	$0.7	-74.2%	$0.5	-28.6%	$0.5	0.0%	$0.5	0.0%
16	Court Receipts	$29.6	3.0%	$20.7	-30.2%	$14.5	-30.1%	$0.0	-100.0%	$0.0	N/A
17	Gaming /C	$0.0	-100.0%	$0.9	N/A	$19.5	2174.8%	$19.6	0.5%	$19.9	1.3%
18	Other Income	$19.3	21.5%	$21.7	12.4%	$22.1	1.5%	$22.4	1.5%	$22.7	1.5%
19	**Total Other**	**$258.1**	**-1.7%**	**$250.8**	**-2.8%**	**$289.8**	**15.6%**	**$277.9**	**-4.1%**	**$281.4**	**1.3%**
20	**GROSS GENERAL FUND**	**$7,742.9**	**2.7%**	**$7,328.5**	**-5.4%**	**$7,520.0**	**2.6%**	**$7,883.8**	**4.8%**	**$8,307.1**	**5.4%**
	Rebates & Expenditures:										
21	Cigarette Rebate	$12.7	-3.9%	$12.5	-1.8%	$11.5	-7.4%	$10.8	-6.1%	$10.3	-5.1%
22	Old-Age Pension Fund	$99.0	5.7%	$108.9	10.0%	$122.0	12.0%	$126.4	3.6%	$131.0	3.6%
23	Aged Property Tax & Heating Credit	$10.4	24.4%	$10.2	-2.0%	$10.4	1.4%	$10.5	1.4%	$10.6	1.4%
24	Interest Payments for School Loans	$11.9	12.3%	$5.5	-53.5%	$6.2	12.3%	$7.0	12.3%	$7.8	12.3%
25	Fire/Police Pensions /D	$38.8	0.2%	$4.0	-89.7%	$4.0	0.0%	$4.0	0.0%	$29.3	630.7%
26	Amendment 35 General Fund Expenditure	$1.0	N/A	$1.0	5.2%	$1.0	0.0%	$1.0	0.0%	$1.0	0.0%
27	**Total Rebates & Expenditures**	**$173.8**	**5.6%**	**$142.1**	**-18.2%**	**$155.1**	**9.1%**	**$159.8**	**3.0%**	**$190.1**	**19.0%**

/A Per H.B. 00-1259, beginning January 1, 2001, 10.355 percent of sales and use taxes will be diverted to the Highway Users Tax Fund when revenues are available to fund expenditures. The full amount of sales and use taxes are reported here and the amount transferred is deducted from available revenues in the General Fund Overview in Table 1. Sales tax figures for FY 2008-09 and beyond include the estimated fiscal impact of SB 09-212 (Vendor Fees).

/B The 2001 federal tax relief package phases out the federal estate tax as well as the State credit claimed by Colorado as its share of federal estate taxes. Thus, the State's estate tax collections have been almost entirely eliminated.

/C S.B. 07-246 transfers $7.0 million to the Clean Energy Fund in FY 2006-07; the remaining $6.5 million is retained in the General Fund. In FY 2007-08 and thereafter, all moneys from the Limited Gaming Fund that previously would have been transferred to the General Fund are now transferred to the Clean Energy Fund. However, per 12-47.1-701, C.R.S. (2008), in years when General Fund revenue is determined to be insufficient to support full General Fund appropriations, Limited Gaming revenues that would otherwise be transferred to the Colorado Travel and Tourism Promotion Fund, the New Jobs Incentive Fund, State Council on the Arts Fund, and Film Incentives Cash Fund are to instead be transferred to the General Fund. This forecast assumes these transfers to the General Fund will occur - with the exception of FY 2008-09 which includes the anticipated passage of SB 09-217 (Gaming Transfers), limiting the amount of excess revenues that are transferred.

/D This forecast assumes the passage of SB 09-227 (Temporary Suspension of FPPA Contributions) for fiscal years FY 2008-09, FY 2009-10, and FY 2010-11.

CASH FUNDS

Table 4 summarizes the forecast for eight major cash fund categories. Highlights from the March 2009 forecast are presented below. OSPB projects that there will be $2.2 billion in cash fund revenue in FY 2008-09, a 1.0 percent decrease from FY 2007-08.

Transportation

OSPB projects that total FY 2008-09 transportation-related cash fund revenues will be $864.5 million, a 6.1 percent decrease from FY 2007-08 revenues of $920.5 million. This is consistent with Federal Highway Administration data which indicates cumulative travel for 2008 decreased by 3.6 percent (or 107.9 billion miles). The national decline in vehicle miles traveled in 2008 represents a significant consumer response to several months of gasoline prices near $4 per gallon. While prices for fuel have declined below 2008 highs, this forecast assumes that the current 3.7 percent decline from FY 2007-08 revenue collection levels through February 2009 will be too large to overcome in the remaining four months of FY 2008-09 to result in positive growth for the year. Also impacting transportation revenues is a decline in vehicle registrations and licensing, which is consistent with reduced demand for new vehicles. Through February 2009, registration and licensing fees are down 6.5 and 6.9 percent, respectively. Neither of these revenue sources is anticipated to recover during the remainder of FY 2008-09.

On March 2, 2009, Governor Ritter signed into law Senate Bill 09-108, known as the FASTER transportation initiative. The intent of this legislation is to provide revenues for the improvement of Colorado’s deteriorated transportation infrastructure, particularly for road and bridge repair. The revenue source outlined in the legislation is fees, fines, and surcharges assessed at the time of vehicle registration, which is anticipated to total around $200 million in FY 2009-10 and around $250 million thereafter. Of these anticipated revenues, approximately $50 million in FY 2009-10 and $100 million in FY 2010-11 will be credited to the Bridge Special Fund and exempted from TABOR restrictions, while the remainder of revenues will be credited to the Highway Users Tax Fund (HUTF). Revenue collection per the provisions of this legislation is to begin in July 2009, and will thus bolster overall transportation revenues beginning in FY 2009-10.

Unemployment Insurance

OSPB projects that unemployment insurance tax revenue will equal $409.8 million in FY 2008-09, a 3.9 percent decrease over FY 2007-08 collections of $426.6 million. Claims filings and benefit payments at the end of 2008 and beginning of 2009 have occurred at an unprecedented rate. Although State program benefit payments are expected to exceed $1 billion over the course of the next two years, the fund is projected to remain solvent due to the implementation of the solvency surcharge, which is imposed on employers when the fund balance falls below 0.9 percent of total private wages. This surcharge is not anticipated to be removed in the near term.

Limited Gaming

Forecasted FY 2008-09 gaming tax revenues are below FY 2007-08 collections by 21.9 percent, which correlates with reduced personal income, attributable to increased unemployment and diminished or negative wage growth. As unfavorable economic conditions are anticipated to extend through much of calendar year 2009, this OSPB forecast does not anticipate a significant trend reversal in FY 2008-09 gaming tax revenues, but projects growth from FY 2008-09 levels by 38.9 percent in FY 2009-10. Much of the projected increase for limited gaming revenues in FY 2009-10 is attributable to the effects of Amendment 50.

Amendment 50, approved by Colorado voters in the last election, allows casinos in Central City, Black Hawk, and Cripple Creek to extend their hours of operation, offer the games of roulette and craps, and raise the ceiling on the maximum allowable bets from $5 to $100. Such allowances are anticipated to increase limited gaming revenues up to as much as $300 million over the first five years the changes are in effect. A portion of the increased revenues attributable to the enactment of Amendment 50 will be divided among Colorado’s community, junior, and district colleges and gaming communities.

Finally, per 12-47.1-1701, C.R.S. (2008), when General Fund revenues are too low to support full General Fund appropriations in a given fiscal year, Limited Gaming revenues that would otherwise be transferred to the Colorado Travel and Tourism Promotion Fund, the New Jobs Incentive Fund, State Council on the Arts Fund, and Film Incentives Cash Fund are instead to be transferred to the General Fund. This forecast assumes that these transfers will occur based on current law, with one exception. For FY 2008-09, the Legislature is considering SB 09-217, which would allow for transfer of only the remaining Limited Gaming revenues after $18.7 million is first transferred to Colorado Travel and Tourism Promotion Fund, the State Council on the Arts Cash Fund, the New Jobs Incentives Cash Fund, and the Film Incentives Cash Fund. Therefore, this forecast projects only a partial transfer of $0.9 million in FY 2008-09 to the General Fund.

Capital Construction - Interest

Capital construction interest is calculated on the existing fund balance within the Capital Construction Fund (CCF). Revenue into the CCF includes both General Fund appropriations through the Long Bill and special legislation, plus two-thirds of any HB 02-1310 revenues when excess General Fund revenue is collected.

Because appropriations for capital construction projects may be accessed for up to three years (instead of the one year allowed for operating budgets), OSPB does not assume that the balance will be zero due to appropriation obligations. Instead, OSPB assumes that, on average, expenditures out of the Capital Construction Fund will be spent at a rate of 30 percent in year one, 60 percent in year two, and 10 percent in year three for appropriated projects in FY 2009-10. However, due to the construction freeze currently in place as a result of the current economic environment, OSPB has assumed that FY 2008-09 appropriated projects that are still funded will expend out at a rate of 5 percent in year one, 65 percent in year two, and 30 percent in year three, establishing the potential for slightly more interest earnings in the near term. In addition, this forecast assumes Joint Budget Committee action on March 18, 2009 regarding a transfer of fund balance from the Capital Construction Fund once $82 million in frozen capital projects is deappropriated. Based on the Committee's actions, the proposed cash fund balance, projected by OSPB to equal $29.4 million, at the end of FY 2008-09 is intended to be transferred to the General Fund. The $29.4 million transfer assumes enough funding is set aside for the General Fund obligations approved by the Committee for FY 2009-10 associated with three capital projects[2] and Level I Controlled Maintenance, plus enough funding to cover two years of certificate of participation payments related to Higher Education that were initially to be funded with Federal Mineral Lease revenues.

Regulatory Cash Funds

OSPB projects that cash fund revenues related to professional licensing, registration and public utilities will be $60.2 million in FY 2008-09, a 5.9 percent increase over the FY 2007-08 revenues of $56.8 million. The Department of Regulatory Agencies, responsible primarily for consumer protection, has great autonomy in setting industry fees to fund administrative costs. While this revenue is dependent partially on Colorado's labor force (for business registrations and occupational licensing), the use of excess cash fund balance and increases and decreases in fee rates ultimately all influence revenue collection in a given year for the Department of Regulatory Agencies.

Severance Taxes and Federal Mineral Lease Revenues

Natural gas prices are the major influencing factor on Colorado severance tax and federal mineral lease receipts. While natural gas prices have declined more than expected, production remains strong in Colorado. Severance tax revenue is expected to drop significantly in FY 2009-10, but will recover strongly in future years, reflecting the continued variability we have come to expect from this revenue source. Application of the ad valorem tax credit will only reinforce this volatility further. Federal Mineral Lease receipts to the State are also projected to decline in FY 2009-10 from prior projections.

Revenue receipts from the state severance tax and federal mineral leases have risen significantly over FY 2007-08 due to special factors. Both sources benefitted from a spike in natural gas prices and the opening of the Rockies Express pipeline to export Colorado natural gas. Federal Mineral Lease receipts were also dramatically increased by a one-time $56 million bonus receipt in late 2008 from the Roan Plateau lease auction.

A sharp decline is therefore anticipated in FY 2009-10 as these special factors abate. Natural gas prices have already fallen dramatically as the pipeline has reached capacity, and the demand for Colorado minerals declined with the national economy.

[2] CSP II annual COP payment, Anschutz Medical Center annual COP payment, Department of Revenue CITA project, Level I Controlled Maintenance, and Department of Military and Veterans Affairs Ft Lupton Armory.

Short Term Projections

The significant decline in Colorado active drilling rig counts does not impact actual production in the near term. The high drilling activity in the last five years has created a large back-log of permits and wells that will continue to produce. In addition, while down, the rate of drilling continues at levels well above historical trends. New wells will sustain the states gas production capacity above the export capacity of the pipelines.

The price of Colorado natural gas depends on the ability to export the gas via pipeline to West Coast and Eastern urban markets. While the capacity is limited, the market for Colorado gas is expected to improve over the recent price collapse. Alternative gas supplies to the markets served by Colorado continue to be limited. Natural gas consumption across the nation will recover quickly due to use as a "low carbon" and convenient substitute for coal and oil.

The most recent Federal Mineral Lease projection shows that the current non-bonus spillover that is used to pay the current certificates of participation annual payments authorized through SB 08-233 will total $17.3 million in FY 2008-09 and an additional $400,000 in FY 2009-10. This will not be enough to fund the required annual payments for FY 2008-09 and FY 2009-10. Please see the table below.

Federal Mineral Lease (FML) Spillover for SB 08-233 Annual Payments in millions			
Fiscal Year	Spillover Projection	Annual Payments	Net
FY 2008-09	$17.3	$10	$7.3
FY 2009-10	$0.4	$16.6	($8.9)

On March 18, 2009, the Joint Budget Committee determined that due to this situation, the certificates of participation annual payments for FY 2008-09 and FY 2009-10 should come from General Fund available after $82 million is deappropriated from frozen capital construction projects. Therefore, OSPB has incorporated this assumption into the forecast. This will allow the revenue to build in the Federal Mineral Lease Revenues Fund so that it is available to make the annual payments in FY 2010-11 and beyond. This action will require legislation.

In addition, OSPB has revised the interest calculation on the Higher Education Maintenance and Reserve Fund. Previously, interest from this Fund was recommended by OSPB to offset Level I Controlled Maintenance for institutions of higher education. Since on March 18, 2009, the Joint Budget Committee decided to use General Fund available from the $82 million in frozen capital construction projects to cover the entire amount of Level I Controlled Maintenance for FY 2009-10, OSPB has now revised the balance and interest in the Higher Education Maintenance and Reserve Fund, leaving all interest in the fund at this time. There is no offset assumption included in this forecast from interest in the Higher Education Maintenance and Reserve Fund. The total Level I Controlled Maintenance request has been revised to require $24,135,321 to be funded from the Capital Construction Fund and through the savings from the deappropriated projects.

Long Term Perspective

Longer term, there is evidence that new production from vast shale deposits residing between Texas to New York could be substantial and compete with Colorado gas in these urban markets.

But the high costs of these new development areas, the expected national increase in natural gas consumption as a substitute for coal and oil, and the likely reduction in gas imports due to global demand, will keep Colorado gas prices on a rising trend in real dollar terms.

Federal Mineral Lease (FML) Payments				
Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	Percent Change
FY 2007-08	$15.1	$138.5	$153.6	N/A
FY 2008-09	$63.9	$165.1	$229.0	49.1%
FY 2009-10	$13.9	$135.4	$149.4	-34.8%
FY 2010-11	$13.7	$160.6	$174.3	16.7%
FY 2011-12	$10.8	$190.8	$201.7	15.7%

Please note that the FML revenue forecast above is presented for informational purposes only. FML revenues and other transfers from the federal government are not state-generated revenues and are therefore exempt from TABOR. As such, the amounts above are not reflected in the cash fund revenue forecast shown on the following page.

Table 4
Cash Fund Revenue Forecasts by Major Category
(Dollar Amounts in Millions)

Category	FY 2007-08	March 2009 Estimate by Fiscal Year FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2007-08 to FY 2011-12 CAAGR *
Transportation-Related /A	$920.5	$864.5	$1,066.6	$1,089.7	$1,125.4	
Change	4.5%	-6.1%	23.4%	2.2%	3.3%	5.2%
Unemployment Insurance /B	$426.6	$409.8	$411.0	$438.3	$488.2	
Change	0.3%	-3.9%	0.3%	6.7%	11.4%	3.4%
Limited Gaming Fund /C	$113.6	$88.8	$123.3	$141.9	$152.7	
Change	-3.6%	-21.9%	38.9%	15.1%	7.6%	7.7%
Capital Construction - Interest /D	$19.3	$12.1	$7.1	$4.2	$3.3	
Change	29.4%	-37.0%	-41.8%	-40.5%	-21.4%	-35.7%
Regulatory Agencies	$56.8	$60.2	$57.2	$57.5	$58.2	
Change	11.8%	5.9%	-5.0%	0.5%	1.3%	0.6%
Insurance-Related	$64.7	$53.8	$52.6	$50.8	$51.8	
Change	-2.1%	-16.9%	-2.3%	-3.4%	2.0%	-5.4%
Severance Tax /E	$170.1	$262.6	$148.4	$213.5	$360.3	
Change	17.2%	54.4%	-43.5%	43.9%	68.8%	20.7%
Other Miscellaneous Cash Funds /F	$488.2	$484.5	$502.2	$535.5	$568.8	
Change	19.4%	-0.8%	3.7%	6.6%	6.2%	3.9%
TOTAL CASH FUND REVENUE	**$2,259.8**	***$2,236.3***	***$2,368.2***	***$2,531.4***	***$2,808.7***	
Change	7.1%	-1.0%	5.9%	6.9%	11.0%	5.6%

* CAAGR: Compound Annual Average Growth Rate.

/A Revenues beginning in FY 2009-10 include the impact of SB 09-108 (FASTER). Based on the fiscal note associated with this bill, $155.6 million is TABOR eligible revenue and is included above.

/B Includes revenues from the solvency tax surcharge, which is in effect because the solvency ratio from June 30, 2006 through June 30, 2009, is less than 0.9%. The solvency surcharge is expected to remain in effect through the forecast period.

/C Revenues assume the impact of Amendment 50 beginning in FY 2009-10.

/D Interest assumptions used in this forecast are identical to those used in the calculations for Capital Construction in Table 1A. This projection also reflects JBC Action taken on March 18, 2009.

/E The forecast of severance taxes was discussed with Legislative Council Staff per SB 07-253 prior to release of this forecast.

/F Revenue in Other Miscellaneous Cash Funds includes interest and other earnings from numerous trust funds, fees, and revenue from higher education institutions. The creation and elimination of State enterprises is reflected in these totals.

COLORADO ECONOMIC FORECAST

Historically, the Colorado economy has fared better than many other states during nationwide recessionary periods. Such decreased volatility in Colorado is attributable largely to the rather diverse nature of the Colorado economy and is discernible through comparisons of indicators over the course of previous business cycles. Both the national economy and the broader global economy are in a state of disorder due to an unprecedented series of shocks to financial systems worldwide. The resultant difficulties posed by the current national recession, which continues to deepen since its announced beginning in December 2007, have surely and adversely impacted the Colorado economy. However, economic conditions in Colorado are still generally expected to be more favorable than conditions nationally in 2009 and 2010.

The following presents the OSPB forecast for Colorado economic and demographic indicators. It includes an overview of employment and unemployment, inflation, wages and income, population and migration, construction and retail trade.

EMPLOYMENT

At the end of calendar year 2007, 138,152,000 workers were employed nationally. However, by December 2008, nearly three million jobs had been lost, which reduced national employment by 2.2 percent to 135,178,000. Colorado labor market conditions correspond with those of the national labor market, though often on a lagged basis. Both the nation and Colorado experienced considerable job losses through 2008, which was driven partly by an expectations effect – job losses were highly publicized which contributed to declines in corporate and consumer confidence. This reduced confidence resulted in slower sales and significant corporate profitability losses, which led to reduced production and ultimately to further job losses – continuing the downward cycle.

While Colorado is experiencing the addition of jobs in some industries, the renewable energy economy being a prime example, the unemployment rate in Colorado is still expected to average 7.2 percent for calendar year 2009. This rise in joblessness corresponds with a decrease in demand for non-essential goods and services. And while the unemployment rate will decline to 6.3 percent for calendar year 2010, the next two years will still appear less than favorable by recent standards, though Colorado's anticipated job losses are not projected to be as severe as those anticipated in many other areas of the nation.

INFLATION

The Consumer Price Index (CPI) measures the average price of a specified market basket of goods and services purchased by consumers. Measured by the federal Bureau of Labor Statistics every six months for the Denver-Boulder-Greeley metropolitan area, the Consumer Price Index identifies price fluctuations for many components, including: food, housing, medical care, transportation, education, energy, entertainment, etc.

As stated in the December OSPB forecast, high fuel prices that extended through the second and third quarters of calendar year 2008 led to significant upward price pressures for clothing, food, transportation, and even heating and cooling costs in Colorado. While some of these costs have since retreated moderately, and others have plummeted to levels not seen for years, a few have remained at inflated levels – mainly to avoid price wars that have historically resulted in poor corporate outcomes.

In aggregate, the general mix of price increases and decreases is anticipated to remain relatively neutral as anticipated demand will remain low with rising unemployment and a weak economy. As such, this OSPB forecast assumes no inflationary change will be experienced during calendar year 2009 and only a slight rise of 0.5 percent in 2010.

WAGES AND INCOME

Personal income is expected to increase by 0.5 percent in calendar year 2009 and by an additional 1.2 percent in calendar year 2010 as the economy improves. These expectations are worse than those reported in the December 2008 OSPB forecast as market conditions have declined lower than initially anticipated.

Colorado wage and salary income is projected to decrease by 1.3 percent in 2009 and increase 0.4 percent in 2010. The 1.3 percent decline in wage and salary income in 2009 reflects a distressed labor market; as unemployment rises, the increasing unemployed labor pool pushes competition for jobs higher and salaries lower. Wages are also not anticipated to increase due to the absence of any inflationary increase for calendar year 2009.

POPULATION AND MIGRATION

Despite the positive aspects that Colorado has to offer, such as lower unemployment rates and a more diversified economy when compared to other areas around the country, Colorado is anticipated to see less net migration than it has in previous years for calendar year 2009. One such reason for this is the real estate market, as lending for new homes and falling housing prices have led to diminished opportunities for individuals to relocate if they must sell, or buy, a house. This, along with the lack of jobs no matter what area of the nation being considered, is anticipated to influence Colorado's net in-migration for 2009, resulting in the addition of only 35,000 individuals, well down from the 52,500 experienced during 2008. Overall, population growth is anticipated to rise by 1.5 percent for the current calendar year as well.

For calendar year 2010, net migration to Colorado is expected to be 50,000 and the state population is expected to increase by 1.8 percent.

CONSTRUCTION

For 2008, housing permits were down roughly 37.3 percent from the previous calendar year, and have seen declining rates of growth since 2005. However, this forecast assumes that the bottom of this declining trend has been reached, and calendar year 2009 will show a level number of permits issued from calendar year 2008. Beyond the current year, the forecast assumes a 28.9 percent increase in housing permits issued in calendar year 2010 as lending is anticipated to resume at much higher levels and as idle development projects begin to take off once again. While the 2010 projected rate of increase suggests significant recovery in this industry, it should be noted that the overall number of new permits are still much lower than has been seen in historical periods.

RETAIL TRADE

Retail trade is not expected to grow in 2009 as negative job growth and high unemployment are anticipated to continue to diminish consumer confidence and as real estate markets severely limit home equity loan options. However, by calendar year 2010, this forecast anticipates sales will increase by 4.4 percent to match some of the pent-up demand for new goods and as individuals begin to spend some of their savings (as savings practices have increased dramatically with this economic crisis).

RISKS TO THE FORECAST

The current recession has posed unprecedented challenges to policy-makers and corporate leaders alike. As difficulties from the financial crisis persist nationally, consumer confidence, credit availability, and labor market disturbances will likely persist in Colorado. A recovery of the Colorado economy will be closely correlated with improvements in the national economy, and improvement in the national economy is contingent upon a variety of volatile factors. Anticipating the effects of future monetary and fiscal policy actions is quite difficult. Additionally, the overall effect of the recently enacted American Recovery and Reinvestment Act of 2009 remains unknown, as does the lag between the legislation's implementation and consequent benefits.

Table 5
History and Forecast for Key Colorado Economic Variables
Calendar Year 2004-2012

Line No.		Actual				Forecast			
		2005	2006	2007	2008	2009	2010	2011	2012
	Current Income								
1	Personal Income (Billions) /A	$175.7	$188.2	$199.4	$208.4	$209.5	$212.0	$219.7	$229.4
2	Change	7.3%	7.1%	5.9%	4.5%	0.5%	1.2%	3.6%	4.4%
3	Wage and Salary Income (Billions) /A	$97.4	$104.1	$110.9	$115.5	$113.9	$114.5	$117.0	$121.5
4	Change	5.7%	6.9%	6.6%	4.1%	-1.3%	0.4%	2.3%	3.8%
5	Per-Capita Income ($/person)	$37,178	$39,039	$40,599	$41,641	$41,241	$40,982	$41,769	$42,860
6	Change	5.9%	5.0%	4.0%	2.6%	-1.0%	-0.6%	1.9%	2.6%
	Population & Employment								
7	Population (Thousands)	4,726.8	4,821.4	4,911.8	5,004.0	5,079.7	5,171.8	5,258.8	5,352.5
8	Change	1.3%	2.0%	1.9%	1.9%	1.5%	1.8%	1.7%	1.8%
9	Net Migration (Thousands)	27.1	54.3	49.4	52.5	35.0	50.0	43.7	50.0
10	Civilian Unemployment Rate	5.1%	4.4%	3.9%	4.9%	7.2%	6.3%	5.0%	4.8%
11	Total Nonagricultural Employment (Thousands)	2,226.0	2,279.1	2,331.6	2,349.5	2,308.2	2,322.1	2,347.6	2,387.5
12	Change	2.1%	2.4%	2.3%	0.8%	-1.8%	0.6%	1.1%	1.7%
	Construction Variables								
13	Total Housing Permits Issued (Thousands)	46.3	39.3	30.4	19.1	19.6	25.2	26.0	27.5
14	Change	-0.5%	-15.0%	-22.6%	-37.3%	2.4%	28.9%	3.2%	5.8%
15	Nonresidential Construction Value (Millions)	3,979.5	3,890.4	4,294.5	3,756.9	3,651.9	3,761.4	3,957.6	4,135.3
16	Change	26.1%	-2.2%	10.4%	-12.5%	-2.8%	3.0%	5.2%	4.5%
	Prices & Sales Variables								
17	Retail Trade Sales (Billions)	$65.5	$70.4	$75.4	$75.4	$75.4	$78.7	$83.2	$87.7
18	Change	5.1%	7.6%	7.0%	0.0%	0.0%	4.4%	5.7%	5.4%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	190.9	197.7	202.0	209.9	209.9	210.9	213.7	218.2
20	Change	2.1%	3.6%	2.2%	3.9%	0.0%	0.5%	1.3%	2.1%

/A Final 2008 Personal Income has not yet been released by the Bureau of Economic Analysis and is therefore still a projection.

NATIONAL ECONOMIC FORECAST

The United States remains in a severe economic recession, which according to the National Bureau of Economic Research began in December of 2007. A variety of contributing factors led to the current national recession, particularly an overexpansion of credit in the U.S. housing market. The attendant difficulties in the U.S. subprime mortgage market eventually spread to broader U.S. markets and have ultimately led to substantial losses for financial institutions and a severe tightening of credit worldwide, the effects of which remain pervasive. Current estimates of economic recovery remain varied with moderate projections suggesting that the economy, buttressed somewhat by the American Reinvestment and Recovery Act of 2009, will exhibit indications of recovery in 2010.

This OSPB forecast anticipates further job losses in the national economy through 2009 along with a decline in industrial output and housing starts. Signs of recovery are expected in 2010. However, while in 2010 indicators such as GDP, industrial production, and corporate profits are expected to show improvements from projected 2009 levels, the national unemployment rate, a lagging indicator, is expected to remain high.

The following presents changes to key national economic indicators, specifically to Gross Domestic Product, interest rates, inflation, and employment and unemployment.

GROSS DOMESTIC PRODUCT

Gross Domestic Product (GDP) is the market value of all final goods and services produced within a country in a given time period, and it is generally perceived as a reasonable indicator of economic well-being. GDP in the United States is reported quarterly by the U.S. Department of Commerce's Bureau of Economic Analysis. Recent real GDP figures indicate a severe deepening of the national recession occurred in the second half of 2008, decreasing by 0.5 percent from the second quarter to the third quarter, and then by 6.2 percent from the third quarter to the fourth quarter. The sharp fourth quarter contraction is attributable largely to continuing declines in personal consumption expenditures, residential fixed investment, and exports.

This OSPB forecast projects U.S. GDP to grow by 0.2 percent in 2009 and 4.4 percent in 2010.

- ***Consumer spending (roughly 67 percent of GDP):*** Real consumer expenditures in the fourth quarter of 2008 decreased 4.3 percent from the third quarter. Consumer expenditures on durable goods declined by 22.1 in the fourth quarter from the third quarter, which represents the largest decline in durable goods spending since the first quarter of 1987. Through January 2009, personal consumption expenditures increased 0.6 percent, due predominately to a 0.4 percent increase in personal income during the same period. Of the 0.4 percent increase in personal income, 0.2 percent was due to increases in government wages and cost-of-living adjustments to social security and other programs; the remaining increase was due to private sector wage increases, offset by falling investment income and increasing unemployment. Surprisingly, real disposable personal income also increased 1.5 percent in January 2009, outpacing overall personal income growth, largely due to reduced fuel costs.

- ***Business investment (roughly 14 percent of GDP):*** Real nonresidential fixed investment declined 21.1 percent in the fourth quarter of 2008, and investment in nonresidential structures declined 5.9 percent. Real residential fixed investment decreased 22.2 percent. Diminished real gross private domestic investment is consistent with a broad decrease in both consumer and corporate confidence and increased barriers to investment stemming from a widespread credit shortage.

- ***Government spending (roughly 19 percent of GDP):*** Real federal government consumption expenditures and gross investment increased 6.7 percent in the fourth quarter of 2008, which served to somewhat offset other areas of declining GDP components. Real state and local government consumption expenditures and gross investment decreased 1.4 percent in the same period. Also, on February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act, a $787 billion economic recovery initiative. The Act includes a variety of provisions (including $478 billion in increased spending measures and $300 billion in tax cuts) that are expected to preclude significant GDP declines, reduce deflationary pressures, and mitigate job losses over the course of the next two to three years.

INTEREST RATES

The federal funds rate is the interest rate at which banks lend to each other in order to maintain the minimum amount of reserves required by the Federal Reserve. The Federal Reserve will target a particular rate through buying and selling government securities on the open market. Through the process of raising or lowering the federal funds rate, the Federal Reserve indirectly affects interest rates offered by lenders in order to control the rate of inflation and promote full employment. In order to realize its strategic objectives, recent actions taken by the Federal Reserve have consisted in part of reducing the federal funds rate to historic lows: between 0.00 and 0.25 percent. This forecast anticipates that in 2010 the federal funds rate will be increased to 1.1 percent as conditions in the credit markets improve. This is still low when compared to average historical levels, but it is anticipated to remain at these levels as lending to banks and amongst financial institutions will continue to be challenging in the near future as asset values continue to deteriorate during this recessionary period.

INFLATION

The Bureau of Labor and Statistics reported that, after declining for the three months prior, the seasonally adjusted Consumer Price Index for all urban consumers (CPI-U) increased 0.3 percent in January 2009. Notable index changes include energy and food, which, in January, increased 1.7 percent and 0.1 percent respectively. The gasoline index, a component of the energy index, increased 6.0 percent in January. For this quarterly forecast, the consumer price index is expected to decrease 0.2 percent in 2009 and increase 1.9 percent in 2010; however, there is potential for much fluctuation in this economic variable given the Federal Reserve’s recent actions and overall fiscal policy.

Employment

The Bureau of Labor and Statistics February 2009 release of unemployment data indicated that the national unemployment rate increased to 8.1 percent in February 2009 and the number of unemployed persons had increased to 12.5 million. The number of long-term unemployed persons, which is a measure of those unemployed for a period of 27 weeks or more, increased to 2.9 million in February 2009. According to the Bureau of Labor and Statistics, the number of unemployed persons has increased by about 5.0 million and the unemployment rate has risen by about 3.3 percentage points since February 2008. This forecast projects a national non-agricultural unemployment rate of 9.0 percent in both 2009 and 2010.

Risks to the Forecast

The global economy continues to face significant economic challenges. The current recession has made plain the fact that the global economy has grown increasingly integrated over time. Despite unprecedented policy responses orchestrated by governments around the world, a great deal of uncertainty regarding future economic trends persists. Both the U.S. economy and the global economy remain acutely susceptible to shocks.

Major risks to the recovery process, and thus the viability of this forecast, include: a persistent contraction in the credit markets; a further weakening in global trade and appreciation of the U.S. dollar; unforeseen increases in energy markets; and unanticipated fiscal or monetary intervention. Further notable considerations include the potential for hyperinflationary pressures resulting from recent actions taken by the Federal Reserve and the extent to which states make use of revenues apportioned by the American Recovery and Reinvestment Act.

Table 6
History and Forecast for Key National Economic Variables
Calendar Year 2005-2012

Line No.		Actual				Forecast			
		2005	2006	2007	2008	2009	2010	2011	2012
	Inflation-Adjusted & Current Dollar Income Accounts								
1	Inflation-Adjusted Gross Domestic Product (Billions)	$10,989.5	$11,294.8	$11,523.9	$11,652.7	$11,450.5	$11,734.7	$12,195.0	$12,588.6
2	Change	2.9%	2.8%	2.0%	1.1%	-1.7%	2.5%	3.9%	3.2%
3	Gross Domestic Product (Billions)	$12,421.9	$13,178.4	$13,807.5	$14,264.6	$14,293.9	$14,917.8	$15,865.4	$16,762.3
4	Change	6.3%	6.1%	4.8%	3.3%	0.2%	4.4%	6.4%	5.7%
5	Personal Income (Billions)	$10,269.8	$10,993.9	$11,663.2	$12,106.9	$12,099.0	$12,145.8	$12,721.4	$13,477.1
6	Change	5.6%	7.1%	6.1%	3.8%	-0.1%	0.4%	4.7%	5.9%
7	Per-Capita Income ($/person)	$34,746.9	$36,847.8	$38,710.9	$39,818.8	$39,714.0	$39,694.5	$41,344.4	$43,400.7
8	Change	4.6%	6.0%	5.1%	2.9%	-0.3%	0.0%	4.2%	5.0%
	Population & Employment								
9	Population (Millions)	295.6	298.4	301.3	304.1	304.7	306.0	307.7	310.5
10	Change	0.9%	0.9%	1.0%	0.9%	0.2%	0.4%	0.6%	0.9%
11	Civilian Unemployment Rate	5.1%	4.6%	4.6%	5.8%	9.0%	9.0%	7.7%	7.0%
12	Total Nonagricultural Employment1 (Millions)	133.7	136.1	137.6	137.1	132.8	133.6	136.5	138.9
13	Change	5.6%	7.1%	6.1%	3.8%	-3.1%	0.6%	2.2%	1.7%
	Financial Markets								
14	30-Year T-Bond Rate	4.4%	4.9%	4.8%	4.3%	3.7%	4.5%	5.1%	5.7%
15	3 Month T-Bond Rate	3.2%	4.9%	4.5%	1.4%	0.3%	1.2%	2.8%	4.2%
16	Prime Rate	6.2%	8.0%	8.0%	5.1%	3.2%	4.1%	5.8%	7.6%
17	Federal Fund Rate	3.2%	5.0%	5.0%	1.9%	0.1%	1.1%	2.8%	4.6%
	Price Variables								
18	Consumer Price Index (1982-84=100)	195.3	201.6	207.3	215.3	214.8	218.9	223.8	229.3
19	Change	3.4%	3.2%	2.9%	3.8%	-0.2%	1.9%	2.2%	2.5%
20	Producer Price Index (1982=100)	155.7	160.4	166.6	177.2	173.0	177.2	181.5	185.9
21	Change	3.5%	3.0%	3.9%	6.3%	-2.3%	2.4%	2.4%	2.4%
	Other Key Indicators								
22	Industrial Production Index (1996=100)	107.2	109.6	111.4	109.4	100.2	104.5	112.0	117.7
23	Change	3.3%	2.2%	1.7%	-1.8%	-8.4%	4.3%	7.2%	5.1%
24	Corporate Profits After Tax (Billions)	$1,208.5	$1,401.0	$1,297.8	$1,129.2	$1,005.0	$1,049.3	$1,133.2	$1,208.0
25	Change	12.1%	15.9%	-7.4%	-13.0%	-11.0%	4.4%	8.0%	6.6%
26	Housing Starts (Millions)	2.068	1.800	1.355	0.906	0.540	0.730	1.011	1.299
27	Change	5.8%	-13.0%	-24.7%	-33.1%	-40.4%	35.2%	38.5%	28.5%

GOVERNOR'S REVENUE FORECAST ADVISORY COMMITTEE

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