STATE OF COLORADO

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Bill Ritter Jr.
Governor

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MEMORANDUM

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

FROM: Office of State Planning and Budgeting

DATE: September 21, 2009

SUBJECT: ***September 2009 Revenue Forecast***

This memorandum presents the September 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.

SEPTEMBER 2009 OSPB FORECAST HIGHLIGHTS

- Despite initial FY 2008-09 revenue projections estimating a shortfall between $249.0 million and $256.3 million, actual revenues earned through June 30, 2009 resulted in a shortfall of only $166.3 million, thereby reducing the SB 09-279 impact on the FY 2009-10 budget by $82.7 million. Coupled with the Governor's budget balancing proposals delivered to the Joint Budget Committee on August 25, this OSPB forecast reflects that **sufficient General Fund is available to support requested appropriations for FY 2009-10.**
- **For FY 2010-11, General Fund available for appropriation is anticipated to fall below FY 2009-10 levels** (by $15.0 million) as the State will receive only two quarters of enhanced federal financial participation for Medicaid expenditures and nearly full elimination of all cash fund transfers the General Fund. Despite the projected economic recovery, with greater strain placed on the State's General Fund from rising Medicaid caseload in the near term, the return of the statutory General Fund reserve to 4.0 percent in FY 2010-11 only amplifies these difficult budgetary times.
- **Gross General Fund revenues in FY 2009-10 are projected to increase 4.1 percent from prior year levels;** however, much of this increase can be attributable to legislative actions taken during the 2009 session (including the elimination of the vendor administrative fee and the cigarette tax credit) and accrual accounting entries to reflect revenues in the appropriate fiscal year. Without the above mentioned influences, projected revenues in FY 2009-10 are only anticipated to increase $48.2 million above FY 2008-09 revenues.

  For FY 2010-11, gross General Fund revenues are forecast to increase by 2.7 percent, exhibiting a slower recovery than previous projected, largely attributable to reduced projections for employment growth.

SEPTEMBER 2009 OSPB FORECAST HIGHLIGHTS (CONTINUED)

- **FY 2009-10 cash fund revenues are forecast to decrease 9.1 percent** (or $217.4 million) from the prior fiscal year, due largely to the net impact from three significant adjustments made to TABOR-related cash fund revenue: 1) the omission of unemployment related cash funds due to HB 09-1363 granting enterprise status for this program; 2) the inclusion of hospital provider fee revenues associated with HB 09-1293; and 3) the addition of greater transportation related cash funds pursuant to SB 09-108. Severance tax revenues also continue to decline rapidly in this year (declining $285.9 million, or 84.9 percent), predominately due to revised prices in natural gas and the impact of the ad valorem tax credit.
- Under the provisions of **Referendum C**, the State is now projected to retain $3.6 billion from FY 2005-06 through FY 2009-10. **TABOR refunds are not anticipated during the forecast period** as FY 2007-08 TABOR revenues are anticipated to be the highest revenue levels during the time-out period of Referendum C.
- Due to the passage of SB 09-228, there is no longer a statutory requirement to transfer a portion of excess General Fund to transportation or capital construction until FY 2012-13. However, as personal income is anticipated to increase by more than 5.0 percent in 2012, **General Fund transfers in FY 2012-13 are projected for the Highway Users Tax Fund and the Capital Construction Trust Fund**, equal to $160.1 million and $40.0 million, respectively.

  In addition, because personal income growth in Colorado is projected to equal 5.4 percent 2012, **FY 2012-13 is forecast to be the first year for a 0.5 percent increase to the State's General Fund reserve requirement**.

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

Table 1A presents the General Fund Overview for the September 2009 OSPB revenue forecast. The top portion of the table summarizes the amount of General Fund revenue available for spending, culminating with "Total General Fund Available for Expenditure" on line 7. 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 summarizes transfers both into and out of the General Fund. A complete summary of these statutory transfers (as well as 2009 legislative impacts on General Fund revenues) can be found in Table 1B.

Line 6 is a new entry for this forecast and represents a conservative adjustment to FY 2009-10 available revenues for budget planning purposes. Due to the significant amount of volatility inherent in individual income tax revenue forecasts, especially during periods of extreme economic conditions, the associated confidence intervals surrounding these revenue forecasts widen greatly. Coupled with the limited amount of actual revenue data for FY 2009-10 at the time of this forecast, the Governor's Office is not yet prepared to revise FY 2009-10 budget reduction proposals submitted to the Joint Budget Committee on August 25, despite the more positive General Fund revenue projection than was previously budgeted to. This volatility adjustment will be re-evaluated once additional data becomes available.

Lines 8 through 14 summarize the amount of allowable General Fund appropriations based on the limit specified in 24-75-201.1 (1)(a)(II), C.R.S. Prior to FY 2009-10, this limit was equal to the lesser of five percent of Colorado personal income or six percent growth over the prior year's total General Fund appropriation. Beginning in FY 2009-10, the limit is now equal to five percent of Colorado personal income. Lines 8 and 9 reflect the General Fund appropriation limit and the forecasted variance from the limit based on projected revenues. For FY 2009-10, line 10 reflects the current General Fund appropriation of $7,456.6 million, a refinance of $45.4 million General Fund within the Department of Corrections with ARRA federal funds in the approved 1331 Supplemental request to the Joint Budget Committee on June 22, and $604.3 million in budget reduction proposals submitted by the Governor's Office on August 25.

Lines 15 through 22 summarize spending that is exempted from or is outside of the General Fund appropriations limit as defined in 24-75-201.1 (1)(a)(II), C.R.S. It should be noted that the total on line 16 must be funded *prior* to funding General Fund appropriations under the limit. Line 20 includes funds that have been appropriated, as well as annual costs associated with capital construction projects, level I controlled maintenance and certificate of participation payment (COP) obligations. Beginning in FY 2012-13, based on current projections for Colorado's personal income growth to exceed 5.0 percent and pursuant to provisions in SB 09-228, it is anticipated that $40.0 million and $160.1 million will be transferred from the General Fund to the Capital Construction Fund and Highway Users Tax Fund, respectively (lines 20 and 21).

Lastly, line 23 reflects the actual amount of federal Medicaid funds received during FY 2008-09 for any budget line item that included the “M” headnote provision. As the State received a greater federal financial participation rate as part of the American Recovery and Reinvestment Act, these additional federal revenues reduced State General Fund expenditures (which is why this FY 2008-09 entry is reported as a negative expenditure). For FY 2009-10, these additional federal revenues are now reflected in line 10, as reductions to General Fund expenditures. Based on the actual unemployment rate for Colorado, the State is now eligible to receive the highest amount of federal financial participation possible under provisions in the American Recovery and Reinvestment Act for FY 2010-11. However, any enhanced federal financial participation associated with the American Recovery and Reinvestment Act is anticipated to expire by the end of the second quarter in FY 2010-11.

The final section of Table 1A forecasts the amount of General Fund remaining at the end of each fiscal year. The amount of revenue set aside for the General Fund reserve (line 27) must always equal the statutorily defined percentage of that year’s General Fund appropriations (line 12). For FY 2008-09 and FY 2009-10, this reserve percentage was reduced from 4.0 percent to 2.0 percent. The sum of the calculated reserve, plus any excess General Fund (line 28), is then carried forward into the subsequent fiscal year as the beginning General Fund balance (line 1). Beginning in FY 2012-13, the General Fund reserve is anticipated to increase by an additional 0.5 percent of appropriations due to the provisions of SB 09-228.

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 1A
General Fund Overview
(Dollar Amounts in Millions)

Line No.		FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
			September 2009 Estimate by Fiscal Year			
Revenue						
1	**Beginning Reserve**	**$283.5**	**$440.0**	**$136.1**	**$271.7**	**$287.3**
2	**Gross General Fund Revenue**	**$6,737.8**	**$7,016.0**	**$7,208.8**	**$7,550.9**	**$8,007.3**
3	*General Fund*	*$6,737.8*	*$7,016.0*	*$6,936.3*	*$6,846.0*	*$7,123.3*
4	*General Fund Exempt*	*$0.0*	*$0.0*	*$272.5*	*$704.9*	*$884.1*
5	**Net Transfers to/(from) the General Fund**	**$805.0**	**($131.2)**	**$2.8**	**($4.0)**	**($8.0)**
6	**Revenue Estimate Volatility Adjustment /A**	*$0.0*	*($233.1)*	*$0.0*	*$0.0*	*$0.0*
7	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$7,826.3**	**$7,091.7**	**$7,347.7**	**$7,818.6**	**$8,286.7**
Expenditures						
8	*Allowable General Fund Appropriation Limit /B*	*$7,546.9*	*$10,466.1*	*$10,372.5*	*$10,535.6*	*$10,972.8*
9	*Total Allowable General Fund Appropriation Limit not Supported by Revenues*	*($159.7)*	*($3,659.2)*	*($3,580.6)*	*($3,352.2)*	*($3,538.8)*
10	*Current Appropriation Subject to Limit /C*	*$7,387.1*	*$6,806.9*	*N/A*	*N/A*	*N/A*
11	*Current Appropriation (Above) Below Revenues*	*$0.0*	*$0.0*	*N/A*	*N/A*	*N/A*
12	**General Fund Appropriations That Can Be Supported by Revenues**	***$7,387.1***	***$6,806.9***	***$6,791.9***	***$7,183.4***	***$7,434.0***
13	*Dollar Change (from prior year)*	*$299.3*	*($580.2)*	*($15.0)*	*$391.5*	*$250.6*
14	*Percent Change (from prior year)*	*4.2%*	*-7.8%*	*-0.2%*	*5.8%*	*3.5%*
15	**Exemptions to Limit**	**$12.2**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
16	**Spending Outside Limit**	**$201.1**	**$148.6**	**$284.1**	**$347.9**	**$518.1**
17	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
18	*Rebates and Expenditures /D*	*$136.0*	*$145.5*	*$153.0*	*$187.7*	*$192.5*
19	*Homestead Exemption*	*$85.6*	*$1.1*	*$99.4*	*$105.1*	*$107.4*
20	*Transfers to Capital Construction /E*	*$24.9*	*$2.0*	*$31.7*	*$55.0*	*$58.1*
21	*Transfers to Highway Users Tax Fund /F*	*N/A*	*N/A*	*N/A*	*N/A*	*$160.1*
22	*Reversions and Accounting Adjustments*	*($45.4)*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
23	**Enhanced Medicaid Match (reduces GF expenditures)**	**($214.1)**	**N/A**	**N/A**	**N/A**	**N/A**
24	**TOTAL GENERAL FUND OBLIGATIONS**	**$7,386.3**	**$6,955.5**	**$7,076.0**	**$7,531.3**	**$7,952.1**
Reserves						
25	**Year-End Excess General Fund Balance**	**$440.0**	**$136.1**	**$271.7**	**$287.3**	**$334.5**
26	*Year-End Excess General Fund as a % of Appropriations*	*6.0%*	*2.0%*	*4.0%*	*4.0%*	*4.5%*
27	**General Fund Statutory Reserve /G**	**$148.2**	**$136.1**	**$271.7**	**$287.3**	**$334.5**
28	**Excess Monies Above (Below) Statutory Reserve**	**$291.7**	**$0.0**	**$0.0**	**$0.0**	**($0.0)**
29	*Addendum: State Education Fund (one-third of 1% of Colorado taxable income)*	*$339.9*	*$356.5*	*$365.5*	*$388.9*	*$415.7*

/A This amount has been reduced from current revenues projections as a conservative measure for budget planning purposes. At this time, with only one official data point for revenues in FY 2009-10, the Governor's Office is not yet prepared to revise FY 2009-10 budget reductions submitted to the Joint Budget Committee on August 25. As additional revenue data becomes available and as time elapses beyond this initial period of economic stabilization experienced in the first half of 2009, this volatility adjustment will be evaluated and revised.

/B FY 2008-09 reflects the previous year's exempt and non-exempt General Fund appropriations (rows 11 and 14) plus six percent. Per SB 09-228, this limit is revised to 5.0% of personal income beginning July 1, 2009.

/C Appropriations for FY 2008-09 and FY 2009-10 include the impact associated with the OSPB June 22 Emergency Supplemental titled "ARRA Funds to Avoid Reduction in Corrections" which identifies a reduction to General Fund appropriations (equal to $24.6 million in FY 2008-09 and $45.4 million in FY 2009-10) and an increase in federal funds by a like amount. Beginning in FY 2009-10, this line also includes any impact associated with greater federal financial participation from an enhanced Medicaid match (previously shown on line 23). For FY 2008-09, an adjustment was made to also include the June 22 Emergency Supplemental for Judicial, equal to $1.1 million.

/D Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, and Fire and Police Pensions Association (FPPA) contributions as outlined at the bottom of Table 3.

/E This includes costs for capital requests, Level I Controlled Maintenance and certificate of participation payments appropriated from the Capital Construction Fund. Beginning in FY 2012-13, pursuant to SB 09-228, as personal income growth in Colorado is forecast to exceed 5.0 percent, 0.5 percent of General Fund revenues in this fiscal year shall be transferred to the Capital Construction Trust Fund and will be available to partially fund this need.

/F Pursuant to SB 09-228, as personal income growth in Colorado is forecast to exceed 5.0 percent, 2.0 percent of General Fund revenues in this fiscal year shall be transferred to the Highway Users Tax Fund.

/G Per SB 09-219 and SB 09-277, the statutory General Fund reserve required per 24-75-201.1 was lowered to 2.0 percent for FY 2008-09 and FY 2009-10. For FY 2008-09, as the June 22 1331 for ARRA funds (see letternote "D" above) was not yet signed into law, the reserve requirement still includes the impact from the $24.6 million times 2.0 percent.

Table 1B
Summary of Legislative Impacts to General Fund Revenues
(Dollar Amounts in Millions)

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
HB 08-1108 Transfer Associated with the Older Coloradans Act	($8.0)	($8.0)	($8.0)	($8.0)	($8.0)
HB 08-1078 Cash Funds Payback to the State Veterans Trust Fund	($2.3)	$0.0	$0.0	$0.0	$0.0
SB 09-208 Transfers to the GF (Cash Fund Balances)	$221.6	$0.0	$0.0	$0.0	$0.0
SB 09-210 Transfers to the GF (Redirect Tobacco Settlement Monies for CPPC)	$1.2	$2.4	$0.0	$0.0	$0.0
SB 09-264 Transfers to the GF (FMAP for lines without the "M" Headnote)*	$0.1	$13.5	$6.7	$0.0	$0.0
SB 09-269 Transfer to the GF (Revise Disbursement of Tobacco Settlement)	$13.9	$65.0	$0.0	$0.0	$0.0
SB 09-270 Transfers to the GF (Interest on Tobacco Tax Revenues)	$6.3	$3.2	$4.0	$4.0	$0.0
SB 09-279 Transfers to the GF (Cash Fund Balances)	$114.1	$209.4	$0.0	$0.0	$0.0
SB 09-279 Contingency Transfer to Balance GF Budget in FY 2008-09	$458.1	($458.1)	$0.0	$0.0	$0.0
Requested 8/25/2009 - DPA Procurement Proposal	$0.0	$0.8	$0.0	$0.0	$0.0
Requested 8/25/2009 - Additional Transfers from Cash Funds	$0.0	$40.6	$0.0	$0.0	$0.0
Total Transfers	**$805.0**	**($131.2)**	**$2.8**	**($4.0)**	**($8.0)**
** An additional $9,844,669 in SB 09-264 transfers was also accounted for through reduced GF expenditures for FY 2008-09.*					
Sales / Use Tax Revenue Impact	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**
HB 09-1035 (Clean Technology)	N/A	N/A	N/A	($3.0)	$0.0
HB 09-1101 (Penalties on Sales Tax Filings)	$0.1	$1.2	$1.2	$1.2	$1.2
HB 09-1126 (Encourage Solar Thermal)	N/A	($0.3)	($0.3)	($0.3)	($0.3)
HB 09-1298 (Economic Development Trucking)	N/A	N/A	$0.0	$0.1	$0.3
HB 09-1331 (Incentives for Efficient Vehicles)	N/A	N/A	N/A	N/A	($5.4)
HB 09-1342 (Eliminate Cigarette Sale Tax Exempt)	N/A	$31.0	$32.0	N/A	N/A
SB 09-121 (Restaruant Employee Meal Tax Exempt)	N/A	($0.4)	($0.4)	($0.4)	($0.4)
SB 09-212 (Eliminate Part of Vendor Administrative Fee)	$12.4	$37.6	$39.6	$20.9	N/A
SB 09-275 (Eliminate Remaining Vendor Administrative Fee)	N/A	$30.6	$31.7	N/A	N/A
Total Sales / Use Tax Revenue Impact	**$12.5**	**$99.7**	**$103.9**	**$18.5**	**($4.6)**
Individual Income Tax Revenue Impact	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**
HB 09-1366 (Eliminate Capital Gains Exempt)	N/A	$7.1	$15.8	$17.6	$19.6
HB 09-1067 (Instream Flow Tax Credit)	N/A	N/A	($1.0)	($2.0)	($2.0)
HB 09-1331 (Incentives for Efficient Vehicles)	N/A	$1.8	$5.2	$1.9	$1.0
Total Individual Income Tax Revenue Impact	**$0.0**	**$8.9**	**$20.0**	**$17.5**	**$18.5**
Corporate Income Tax Revenue Impact	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**
HB 09-1001 (Job Creation Incentive)	N/A	($2.9)	($8.6)	($13.9)	($22.5)
HB 09-1219 (Interest on Overpayments)	N/A	$2.3	$2.3	$2.3	$2.3
HB 09-1298 (Economic Development Trucking)	N/A	N/A	$0.3	$0.7	$1.6
Total Corporate Income Tax Revenue Impact	**$0.0**	**($0.6)**	**($6.0)**	**($10.9)**	**($18.6)**
Other Legislative Impacts to Revenues	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**
SB 09-259 (Long Bill - Division of Insurance Fee Increase)	N/A	$2.5	$2.5	$2.5	$2.5
SB 09-174 (Pari-Mutuel Simulcast Racing)	N/A	$0.5	$0.6	$0.7	$0.8
Total Other Tax Revenue Impacts	**$0.0**	**$3.0**	**$3.1**	**$3.2**	**$3.3**

BUDGET IMPLICATIONS OF THE FORECAST

FY 2009-10

Based on greater than anticipated revenues in the last two months of FY 2008-09 as well as a higher level of enhanced federal financial participation for Medicaid expenditures in quarter four of FY 2008-09, actual revenues earned through June 30, 2009 resulted in a smaller budgetary shortfall that previously estimated in June. As the shortfall in FY 2008-09 was shifted into FY 2009-10 through the allowable one-day cash fund transfer pursuant to section 28 of SB 09-279, the previously estimated FY 2009-10 shortfall was reduced by $82.7 million, prior to making any revisions to the FY 2009-10 forecast for subsequent changes in the economy.

Despite this improved fiscal year-end close for FY 2008-09, pursuant to 24-75-201.5, C.R.S. (2009), the Governor submitted budget reductions for FY 2009-10 to the Joint Budget Committee on August 25, to address a budget shortfall of $318.0 million. The Governor's budget balancing plan is sufficient to restore the statutory General Fund reserve to the full two percent currently required.

24-75-201.5 (1)(a), C.R.S. (2009) – Except as provided in paragraphs (c) and (d) of this subsection (1), whenever the revenue estimate for the current fiscal year, prepared in accordance with section 24-75-201.3 (2), indicates that general fund expenditures for such fiscal year based on appropriations then in effect will result in the use of one-half or more of the reserve required by section 24-75-201.1 (1) (d), the governor shall formulate a plan for reducing such general fund expenditures so that said reserve, as of the close of the fiscal year, will be at least one-half of the amount required by said section 24-75-201.1 (1) (d). The governor shall promptly notify the general assembly of such plan. Such plan shall be promptly implemented by the governor, using the procedures set forth in section 24-2-102 (4) or 24-50-109.5 or any other lawful means.

FY 2010-11

Based on this updated OSPB forecast, FY 2010-11 appropriations will need to remain relatively flat from requested FY 2009-10 levels (lines 12 and 13 in Table 1A). While OSPB continues to project an improving economy beginning in the last half of calendar year 2009, the projected rate of improvement has been slowed substantially since the June forecast, reflective of the nationally anticipated jobless recovery.

From a budgeting perspective, this diminished anticipation for a quick rebound in tax revenues is made more difficult by the statutory requirement to restore the General Fund reserve to four percent, the return of the senior property tax credit, two fewer quarters of enhanced federal financial participation for Medicaid, and limited amounts of cash fund transfers to the General Fund. As Medicaid tends to experience positive caseload growth coinciding with and subsequent to periods of economic hardship, this area of significant General Fund need only further reduces the flexibility within Colorado's budget and will result in difficult cuts to other State programs.

Highlights of Budget Implications:

- ***Appropriations*** **–** For FY 2009-10, the current General Fund appropriation subject to limitation equates to $7,411.2 million[1]. However, after considering the Governor's $604.3 million in budget reduction proposals submitted to the Joint Budget Committee on August 25, the revised General Fund need has been reduced to $6,806.9 million. This revised General Fund request represents a decrease of 7.8 percent (line 14 in Table 1A) from the final FY 2008-09 appropriation subject to the 6.0 percent spending limit. However, it is important to note that the $604.3 million reduction submitted by the Governor's Office includes the impact of the enhanced federal financial participation for Medicaid – something previously not reflected in either FY 2008-09 or FY 2009-10 budgets specifically, but was rather assumed when balancing. Therefore, if the enhanced federal financial participation was treated similarly for both fiscal years above, the true annual percentage reduction in General Fund need would be 3.2 percent.

  For FY 2010-11, the Governor's Office will submit a balanced budget on November 2, 2009. Based on current General Fund revenue projections, appropriations subject to the spending limit outlined in 24-75-201.1 (1)(a)(II), C.R.S. (2009) will not be able to increase from the requested FY 2009-10 appropriation levels. Despite an improved economic outlook in 2010 and 2011, with the absence of any significant cash fund transfers to the General Fund, the restoration of the full 4.0 percent General Fund reserve, and reduced revenue from the enhanced federal financial participation for Medicaid, appropriations for FY 2010-11 will need to be reduced from FY 2009-10 levels by $15.0 million. Because constitutional, statutory and federal requirements will mandate new spending in some areas, significant budgetary changes will be required in many programs across the State for FY 2010-11.

- ***Transportation*** – As SB 09-278 prohibited any excess General Fund transfers in FY 2008-09 and FY 2009-10, and as SB 09-228 repealed language associated with such transfers, excess General Fund revenue for transportation no longer exists as previously calculated. However, also pursuant to SB 09-228, given current projections for personal income growth in Colorado to equal 5.4 percent in 2012, the Highway Users Tax Fund is anticipated to receive additional transfers from the General Fund equal to 2.0 percent of gross General Fund revenues (projected at $160.1 million) beginning FY 2012-13.

  Finally, with the passage of SB 09-108, cash fund revenues for transportation have also been bolstered in the near term, through greater surcharges applied to future vehicle registrations, to help fund the needed improvements to Colorado's infrastructure. Total revenues are anticipated to exceed $200 million in FY 2009-10 and exceed $250 million for FY 2010-11 and beyond from this additional revenue source.

- ***Capital Construction*** **–** Similar to transportation funding, the State will begin to dedicate funds specifically to the Capital Construction Fund in FY 2012-13 based on the

[1] Includes impact of requested reduction to General Fund appropriations in Corrections equal to $45.4 million in FY 2009-10, as outlined in the June 22 OSPB Emergency Supplemental request entitled "ARRA Funds to Avoid Reduction in Corrections".

requirements of SB 09-228 and the anticipated growth in personal income exceeding 5.0 percent for calendar year 2012. Capital needs that are not met through the implementation of SB 09-228 will require additional General Fund transfers.

Projected Impact of SB 09-228 (in $ millions)	FY 2012-13
Projected General Fund Revenues	**$8,007.3**
Amount to Transfer to the Highway Users Tax Fund	**$160.1**
Percent of Projected General Fund Revenues	*2.0%*
Amount to Transfer to the Capital Construction Fund	**$40.0**
Percent of Projected General Fund Revenues	*0.5%*

- ***Referendum C –*** Under the provisions of Referendum C, the State will retain $3.6 billion between FY 2005-06 and FY 2009-10. As TABOR revenues continue to be projected to decline below FY 2007-08 collections for the remainder of the Referendum C period (ending June 30, 2010), a revenue limit much greater than projected revenues in FY 2010-11 is anticipated, despite lower forecasts for inflation and population growth in the near term.

- ***K-12 Education –*** For the first half of calendar year 2009, the price for a normal basket of goods (as defined by the Denver-Boulder-Greeley consumer price index) declined by 0.6 percent. With the continued expectation of high unemployment, flat energy costs, and reduced demand for nonresidential rentable space, this forecast anticipates overall annual deflation of 1.6 percent for 2009. As changes in consumer prices for 2009 influence the statutorily defined minimum rate of growth in per pupil funding for FY 2010-11, if deflation of this magnitude does materialize, some statewide budgetary relief would be experienced. Because personal income in Colorado is projected to decline by 0.9 percent in 2009, the 5.0 percent General Fund maintenance of effort requirement for K-12 total program is also anticipated to be suspended for FY 2010-11.

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. Notable changes to TABOR revenues collected in FY 2009-10 include: the exclusion of cash funds related to the unemployment insurance program administered by the Department of Labor and Employment pursuant to HB 09-1363 and the extension of enterprise status for this program, the additional cash fund revenues received within transportation related revenues from SB 09-108, and also the inclusion of fees collected from hospital providers as authorized under HB 09-1293.

Line 6 shows the allowable TABOR growth rate based on the most recent previous calendar year's growth in population and inflation. These two growth rates are combined (line 6) and are then applied to the previous year's limit in order to compute the new TABOR limit (line 7). Note that the passage of HB 09-1363 mentioned above required that for FY 2009-10, the TABOR limit be adjusted to reflect the removal of unemployment insurance-related cash funds collected in FY 2008-09, prior to inflating the FY 2008-09 TABOR limit forward.

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 revenue limit between FY 2005-06 and FY 2009-10 (line 9) associated with the highest TABOR revenue year during that same period (line 3) by the allowable TABOR growth rates (line 6) for each subsequent year. Based on this September OSPB forecast, the highest TABOR revenue year is anticipated to be FY 2007-08. Therefore, the FY 2010-11 revenue limit was calculated assuming the FY 2007-08 limit inflated to FY 2008-09 by population plus inflation; was then adjusted downward for the removal of all unemployment insurance-related cash funds (due to the passage of SB 09-1363); and finally was again inflated by the remaining TABOR growth rates to FY 2010-11. At this time, the OSPB does not project that any refunds will be required during the forecast period (line 10).

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 4.4 percent between FY 2008-09 and FY 2012-13.

Sales and Use Taxes

Sales and use tax revenues for FY 2008-09 fell 9.2 percent from prior year collections. As prices for both taxable and non-taxable goods rose in 2008, driven largely from fuel prices exceeding four dollars a gallon, disposable income was already diminishing at the onset of the fiscal year. As unemployment rose quickly following the start of the new calendar year, consumer demand in 2009 only slackened further, resulting in retail trade for Colorado falling 15.5 percent for the period from January to May 2009 when compared to the same period one year earlier.

Since the close of FY 2008-09, consumer confidence has begun to push upward and job losses have stabilized. But the impact on retail trade in Colorado has been substantial. Despite the positive effects on state revenue from legislation passed in 2009 (including the elimination of the vendor administration fee in SB 09-275 and removal of the cigarette tax credit per HB 09-1342), due to the severe decline in actual costs for taxable goods, sales tax revenues are still anticipated to decline by 1.3 percent for FY 2009-10.

For FY 2010-11, sales and use taxes are anticipated to rebound to more normal patterns of growth as job growth and inflation again return to positive territory. Beyond FY 2010-11, these patterns will continue; however, with the expiration of impacts associated with SB 09-279 materializing in FY 2011-12, the annual growth in sales tax revenues does subside slightly in that year.

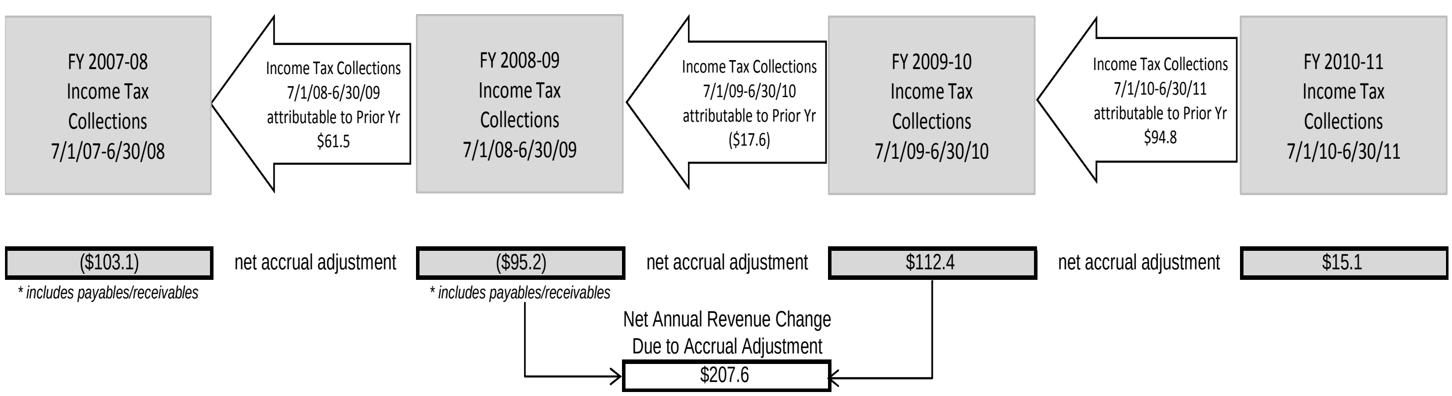
Individual and Corporate Income Taxes

As mentioned throughout this forecast, individual income tax collections are extremely volatile during periods of great economic uncertainty. Part of this increasing variability is a direct result of individual taxpayer behavior. Considering the average taxpayer receives a normal monthly paycheck and has some level of investments, this taxpayer can coordinate various methods of payment for his or her annual tax liability. There can be level monthly withholdings from his or her paycheck, quarterly estimated payments based on anticipated taxes due at calendar year end, and then there is the over or under payment true-up when the taxpayer ultimately files with the federal Internal Revenue Service (IRS) and Colorado Department of Revenue. As the State fiscal year overlaps annual tax years, there is an immediate disconnect between the timing of tax payments and the receipt of taxes by the State. This disconnect is only amplified when there are significant changes in the direction of the economy, as withholdings and estimated payments earlier in the tax year may have been in excess of what was required by the end of the tax year if an individual lost his or her job, and ultimately can create sizable refunds owed by the State once the individual filed his or her taxes on April 15 (a deadline that is also variable, especially during times of economic distress). For the current tax year, this phenomenon of high refunds will be largely eliminated – partially due to natural taxpayer actions reducing estimated tax payments downward to reflect a slower economy, and partially because of the natural influence of starting the tax year near the bottom of the economic recession, resulting in already reduced wage levels and lower withholdings.

Based on historical periods during and immediately following recessionary periods, one can see that many of the economic drivers with significant importance for projecting individual income tax collections do not always translate into great benchmark predictors for fiscal year income tax collections. For instance, personal income for 2009 is anticipated to decline by 0.9 percent before increasing by a modest 1.6 percent in 2010; yet individual income tax revenues are anticipated to rise by 6.0 percent for FY 2009-10. A portion of this sizable variance is due directly to the overlap of the State fiscal year with the calendar tax year, which is why the State must make accrual accounting adjustments (the variance between the negative $95.2 million accrual adjustments for FY 2008-09 versus the positive $112.4 million adjustment for FY 2009-10 equals $207.6 million) to reflect the appropriate amount of income tax in the appropriate State fiscal year. These changes in accrual accounting adjustments are not reflected in personal income projections.

The diagram below provides a visual depiction of the accrual adjustment pertaining to individual income tax collections, specifically focusing on FY 2009-10. Due to significant refunds attributable to FY 2008-09, refunds yet to be paid by the State (that are *attributable* to FY 2008-09) are anticipated to out-weigh the amount of additional tax collections income the State has yet to receive for FY 2008-09. As a result, an accrual adjustment of a negative $17.6 million is anticipated from FY 2009-10 to FY 2008-09. For FY 2009-10, the opposite is true, as overall taxable income is anticipated to increase – resulting in higher tax receipts than refunds – and a positive accrual adjustment of $94.8 million is anticipated from FY 2010-11 back to FY 2009-10.

Therefore, the net impact from accrual adjustments for FY 2009-10 income tax collections is $112.4 million ($94.8 million in additional revenue and $17.6 million in fewer refunds = $112.4 million). By comparing the net adjustment from accruals for FY 2009-10 ($112.4 million) to the net adjustments from FY 2008-09 (negative $95.2 million), a $207.6 million swing is visible between the two State fiscal years, solely due to accrual adjustments for individual income taxes.



Another example of variance between changes in key economic drivers and changes in individual income tax collections can be seen in the following chart for non-agricultural employment for Colorado. Despite the 2008 to 2009 annual 3.7 percent decline in employment included in this forecast, employment has actually stabilized since the beginning of 2009, making this severe retraction less relevant to projecting FY 2009-10 income tax collections.

New legislation can also influence the variance from one fiscal year to the next. For instance, FY 2009-10 income tax revenues are anticipated to reflect an additional $8.9 million from two bills: HB 09-1366 (revisions to capital gains exemptions in Colorado) and HB 09-1331 (tax incentives for efficient vehicles).

Because of the widening confidence intervals around forecasted income tax revenues during periods of significant recessionary periods, and the availability of only one actual revenue data point for FY 2009-10, this forecast includes a note of caution in assuming that recent budget reductions for FY 2009-10 can be revised. For FY 2010-11, individual income tax revenues are anticipated to rise by an additional 2.0 percent, limited to only moderate growth based on reduced accrual accounting adjustments in this fiscal year and sluggish job growth.

Corporate income tax collections for FY 2008-09 declined by 42.4 percent. Given this low base and the extent to which corporations have sizably reduced operating budgets in order to return to profitability in 2009, this September OSPB forecast estimates that FY 2009-10 corporate income taxes will increase by 22.3 percent, and continue to grow throughout the length of the forecast period.

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

Line No.		FY 2008-09	September 2009 Estimate by Fiscal Year FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
	TABOR Revenues:					
1	General Fund /A	$6,735.0	$7,016.0	$7,208.8	$7,550.9	$8,007.3
	Percent Change from Prior Year	*-13.0%*	*4.2%*	*2.7%*	*4.7%*	*6.0%*
2	Cash Funds /B	$2,395.1	$2,177.7	$2,382.8	$2,575.6	$2,703.5
	Percent Change from Prior Year	*6.0%*	*-9.1%*	*9.4%*	*8.1%*	*5.0%*
3	**Total TABOR Revenues**	$9,130.1	$9,193.7	$9,591.6	$10,126.5	$10,710.8
	Percent Change from Prior Year	*-8.7%*	*0.7%*	*4.3%*	*5.6%*	*5.8%*
	Revenue Limit Calculation:					
4	Previous calendar year population growth	*1.9%*	*2.0%*	*1.6%*	*1.8%*	*1.7%*
5	Previous calendar year inflation	*2.2%*	*3.9%*	*-1.6%*	*-0.6%*	*2.6%*
6	**Allowable TABOR Growth Rate**	*4.1%*	*5.9%*	*0.0%*	*1.1%*	*4.3%*
7	TABOR Limit	$9,191.1	$9,319.1	$9,319.1	$9,421.6	$9,826.7
8	General Fund Exempt Revenue Under Ref. C /C	$0.0	$0.0	$272.5	$704.9	$884.1
9	**Revenue Limit Under Ref. C /D**	**$9,191.1**	**$9,319.1**	**$10,608.3**	**$10,725.0**	**$11,186.2**
10	*Amount Above/(Below) Limit*	*($61.0)*	*($125.4)*	*($1,016.7)*	*($598.5)*	*($475.4)*
11	TABOR Reserve Requirement	$273.9	$275.8	$287.7	$303.8	$321.3

/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.

/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." This forecast anticipates that FY 2007-08 is the highest revenue year during the Referendum C period. For purposes of determining the FY 2010-11 revenue limit post Referendum C, the FY 2007-08 revenue limit increased to FY 2008-09 by the Allowable TABOR Growth Rate, then adjusted downward to reflect the impact of HB 09-1363, and the inflated for population plus inflation to FY 2010-11.

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

Line No.	Category	FY 2008-09	% Chg	FY 2009-10	% Chg	FY 2010-11	% Chg	FY 2011-12	% Chg	FY 2012-13	% Chg
				September 2009 Estimate by Fiscal Year							
	Excise Taxes:										
1	Sales /A	$1,931.1	-9.2%	$1,906.0	-1.3%	$1,987.4	4.3%	$2,012.0	1.2%	$2,103.5	4.5%
2	Use /A	$176.7	-7.6%	$160.0	-9.5%	$172.2	7.6%	$180.7	5.0%	$190.3	5.3%
3	Cigarette	$43.5	-3.8%	$40.7	-6.5%	$40.7	0.1%	$40.9	0.5%	$41.1	0.5%
4	Tobacco Products	$13.2	6.3%	$18.7	41.8%	$15.9	-14.9%	$16.4	3.0%	$16.9	3.3%
5	Liquor	$35.0	-1.9%	$35.4	1.0%	$35.8	1.3%	$36.2	1.0%	$36.6	1.0%
6	**Total Excise**	**$2,199.5**	**-8.8%**	**$2,160.7**	**-1.8%**	**$2,252.1**	**4.2%**	**$2,286.3**	**1.5%**	**$2,388.4**	**4.5%**
	Income Taxes:										
7	Net Individual Income	$4,333.3	-12.9%	$4,593.9	6.0%	$4,683.7	2.0%	$4,994.4	6.6%	$5,295.4	6.0%
8	Net Corporate Income	$292.5	-42.4%	$357.7	22.3%	$392.5	9.7%	$407.5	3.8%	$478.9	17.5%
9	**Total Income**	**$4,625.8**	**-15.6%**	**$4,951.6**	**7.0%**	**$5,076.2**	**2.5%**	**$5,401.9**	**6.4%**	**$5,774.4**	6.9%
10	*Less: State Education Fund Diversion*	*$339.9*	*-16.7%*	*$356.5*	*4.9%*	*$365.5*	*2.5%*	*$388.9*	*6.4%*	*$415.7*	*6.9%*
11	**Total Income to General Fund**	**$4,285.9**	**-15.5%**	**$4,595.1**	**7.2%**	**$4,710.8**	**2.5%**	**$5,013.0**	**6.4%**	**$5,358.6**	**6.9%**
	Other Revenues:										
12	Estate	$0.0	-100.0%	$0.0	N/A	$0.0	N/A	$0.0	N/A	$0.0	N/A
13	Insurance	$192.4	2.2%	$207.4	7.8%	$205.6	-0.9%	$211.8	3.0%	$217.9	2.9%
14	Interest Income	$9.2	-48.7%	$15.3	66.2%	$15.9	4.1%	$17.0	6.5%	$18.0	6.1%
15	Pari-Mutuel	$0.5	-81.6%	$0.9	82.3%	$1.0	9.1%	$1.1	9.8%	$1.2	10.4%
16	Court Receipts	$24.1	-18.6%	$17.1	-29.2%	$3.1	-82.0%	$0.0	N/A	$0.0	N/A
17	Gaming /B	$2.8	N/A	$0.0	-100.0%	$0.0	N/A	$0.0	N/A	$0.0	N/A
18	Other Income	$23.4	21.1%	$19.5	-16.6%	$20.4	4.4%	$21.8	6.9%	$23.2	6.2%
19	**Total Other**	**$252.4**	**-2.2%**	**$260.2**	**3.1%**	**$246.0**	**-5.5%**	**$251.7**	**2.3%**	**$260.3**	**3.4%**
20	**GROSS GENERAL FUND**	**$6,737.8**	**-13.0%**	**$7,016.0**	**4.1%**	**$7,208.8**	**2.7%**	**$7,550.9**	**4.7%**	**$8,007.3**	**6.0%**
	Rebates & Expenditures:										
21	Cigarette Rebate	$12.1	-4.6%	$11.5	-5.1%	$11.5	0.1%	$11.6	0.5%	$11.6	0.5%
22	Old-Age Pension Fund	$108.1	9.2%	$115.4	6.7%	$116.5	1.0%	$121.1	3.9%	$125.6	3.8%
23	Aged Property Tax & Heating Credit	$5.3	-49.5%	$8.4	59.3%	$8.5	1.4%	$8.6	1.4%	$8.7	1.4%
24	Interest Payments for School Loans	$5.5	-53.5%	$5.2	-5.9%	$11.5	120.2%	$16.1	40.6%	$16.1	0.0%
25	Fire/Police Pensions /C	$4.0	-89.6%	$4.1	2.6%	$4.1	-0.7%	$29.4	615.4%	$29.4	0.0%
26	Amendment 35 General Fund Expenditure	$1.0	-2.6%	$0.9	-5.1%	$0.9	0.1%	$0.9	0.3%	$0.9	0.3%
27	**Total Rebates & Expenditures**	**$136.0**	**-21.7%**	**$145.5**	**7.0%**	**$153.0**	**5.1%**	**$187.7**	**22.7%**	**$192.5**	**2.5%**

/A Sales tax figures for FY 2008-09 and beyond include the impact of SB 09-212, which reduced vendor allowances from 3.33% to 1.35% of all sales tax revenue. In addition, per SB 09-275 no vendor allowance is allowed in FY 2009-10 or FY 2010-11. HB 09-1342 also eliminated the eighty-four cent cigarette tax exemption for FY 2009-10 and FY 2009-10.

/B Per 12-47.1-701, C.R.S., 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, the Film Incentives Cash Fund, and the Clean Energy Fund are to instead be transferred to the General Fund if legislative action is not taken by the Joint Budget Committee. For FY 2008-09, $2.8 million was transfered to the General Fund rather than to the Clean Energy Fund.

/C Per SB 09-227 (Temporary Suspension of FPPA Contributions) and SB 09-203 (Treasury Supplemental), for fiscal years FY 2008-09, FY 2009-10, and FY 2010-11, State's contributions to the Old Hire Plan have been suspended. The remaining amount reflected in this row is for volunteer firefighter pensions appropriated in the Department of Local Affairs' budget.

CASH FUNDS

Table 4 summarizes the forecast for eight major cash fund categories. The following explains some of the variables influencing the September 2009 cash fund forecast. OSPB projects that there will be $2.2 billion in cash fund revenue in FY 2009-10, a 9.1 percent decrease from FY 2008-09.

Transportation

Transportation-related revenue, which includes revenue to the Highway Users Tax Fund, the State Highway Fund, and an assortment of less sizable cash funds, is forecast to increase 20.5 percent in FY 2009-10 from FY 2008-09. In FY 2008-09, transportation-related revenue decreased 4.9 percent due largely to a period of high fuel prices and higher unemployment which lead to a decrease in the number of vehicle miles travelled. Fuel tax revenues declined 6.5 percent in FY 2008-09 and are expected to slowly increase as the economy recovers.

Much of the increase in FY 2009-10 for transportation-related revenue is attributable to an estimated $147.9 million in additional vehicle registration and licensing fees expected from the FASTER transportation initiative (SB 09-108). The FASTER initiative is also expected to result in increased revenue for the State Bridge Enterprise, but this additional revenue is not reflected in the transportation-related forecast because it is not subject to TABOR.

Additional 2009 legislation, including SB 09-002 and HB 09-1318, will also contribute to increased transportation revenues in the forecast period. And finally, federal legislation, specifically “Cash for Clunkers,” the U.S. government’s effort to encourage trade-ins of older automobiles, is expected to increase vehicle registration revenue slightly in FY 2009-10. Vehicle registration revenue is expected to increase overall (despite any temporary influence from “Cash for Clunkers”) as the economy recovers and demand for durable goods, particularly vehicle demand, increases correspondingly.

Unemployment Insurance

Unemployment insurance revenue will no longer be projected in the OSPB quarterly forecast because HB 09-1363 designates the Unemployment Compensation Section in the Department of Labor and Employment as an enterprise. This designation means that revenue collected by the Section will not be subject to Colorado’s TABOR law (Article X, Section 20 of the state Constitution). Unemployment Insurance revenue was $391.2 million in FY 2008-09, down 8.3 percent from the prior fiscal year.

Limited Gaming

Limited gaming in Colorado changed in July 2009 with the passage of Amendment 50. Amendment 50 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. The increased revenue resulting from the provisions of Amendment 50 will be divided among Colorado’s community, junior, and district colleges and among the local gaming communities. Revenue resulting from Amendment 50 is exempt from TABOR.

To accommodate the provisions of Amendment 50, HB 09-1272 established the Extended Limited Gaming Fund. This bill clarifies that revenue from extended limited gaming is determined at the end of each fiscal year and is based on the total limited gaming revenue collected in the prior fiscal year, less an amount assumed to be *normal growth* (not to exceed 3.0 percent over prior year collections), less administrative costs. Current gaming revenue recipients will receive 6.0 percent of the amount of extended gaming revenue available for distribution in each fiscal year. The remaining majority of extended gaming revenue will be distributed to: Colorado public community, junior and local district colleges (78.0 percent); Central City, Black Hawk, and Cripple Creek (12.0 percent); and Gilpin and Teller counties (10.0 percent). Only the extended limited gaming revenue is exempt from TABOR.

Despite current wage reductions and projected higher unemployment rates, FY 2009-10 revenues from gaming are anticipated to increase 10.7 percent from reduced FY 2008-09 levels. However, it is important to recall that FY 2008-09 revenues already declined by 12.9 percent from prior annual collections, lowering the base from which to grow, and individual habits have started to change as the economy improves. After carving out the calculated impact from Amendment 50, FY 2009-10 TABOR revenues from gaming are anticipated to decrease by 1.2 percent.

Distribution of Limited Gaming Revenues	FY08-09	FY09-10	FY10-11	FY11-12	FY 12-13
A. Total Limited Gaming Revenues	**$98.9**	**$109.5**	**$116.7**	**$121.7**	**$126.9**
Annual Percent Change		10.7%	6.6%	4.3%	4.3%
A1. Gaming Revenues Not from Taxes	$4.0	$3.5	$3.5	$3.5	$3.5
A2. Gaming Revenues Related to Taxes	$94.9	$106.0	$113.2	$118.2	$123.4
B. Base Limited Gaming Revenues (max 3% growth)	**$94.9**	**$97.8**	**$100.7**	**$103.7**	**$106.8**
Annual Percent Change		3.0%	3.0%	3.0%	3.0%
B1. Amount Off the Top for Administration	($13.6)	($11.6)	($11.2)	($11.1)	($10.9)
B2. Additional Revenue not from Taxes (=A1)	$4.0	$3.5	$3.5	$3.5	$3.5
B3. Amount for Distribution to Existing Recipients	**$85.3**	**$89.6**	**$93.0**	**$96.1**	**$99.4**
C. Extended Limited Gaming Revenues (=A-B)	**N/A**	**$11.7**	**$16.0**	**$18.0**	**$20.1**
Annual Percent Change		N/A	36.5%	12.5%	11.6%
C1. Amount Off the Top for Administration		**($1.4)**	**($1.8)**	**($1.9)**	**($2.1)**
C2. Amount for Distribution		**$10.3**	**$14.2**	**$16.1**	**$18.0**
C3. Amount to Existing Recipients		*$0.6*	*$0.9*	*$1.0*	*$1.1*
C4. Amount to New Recipients		*$9.7*	*$13.3*	*$15.1*	*$16.9*
D. Total Amount to Existing Recipients (=B3+C3)	**$85.3**	**$90.3**	**$93.8**	**$97.1**	**$100.5**
Amount to State Historical Society	*$23.9*	*$25.3*	*$26.3*	*$27.2*	*$28.1*
Amount to Counties	*$10.2*	*$10.8*	*$11.3*	*$11.7*	*$12.1*
Amount to Cities	*$8.5*	*$9.0*	*$9.4*	*$9.7*	*$10.0*
Amount to Distribute to Remaining Programs	*$42.6*	*$45.1*	*$46.9*	*$48.5*	*$50.2*
D. Total Amount to New Recipients (=C4)	**N/A**	**$9.7**	**$13.3**	**$15.1**	**$16.9**
Amount to Community Colleges, Mesa State and Adams State (78%)		*$7.6*	*$10.4*	*$11.8*	*$13.2*
Amount to Counties (12%)		*$1.2*	*$1.6*	*$1.8*	*$2.0*
Amount to Cities (10%)		*$1.0*	*$1.3*	*$1.5*	*$1.7*

Capital Construction – Interest

Interest earned in the capital construction fund is anticipated to decline significantly in FY 2009-10 as revenues into the fund and fund balance are projected to decline rapidly. For FY 2009-10, revenues are projected to equal $2.2 million, a 77.6 percent decline from FY 2008-09 earnings. For more information regarding capital construction, please locate the attached appendix at the end of this forecast.

Regulatory Cash Funds

The Colorado Department of Regulatory Agencies is primarily cash funded by regulated entities. The department collects fees from professional licensing, registration, and public utilities which are set based on legislative appropriations specific to operating and regulatory oversight expenses. Cash fund revenue is expected to be $64.0 million in FY 2009-10, an 18.1 percent decline from FY 2008-09 revenues. However, revenue in FY 2008-09 was artificially higher by $15.0 million as SB 09-272 required the Public Utilities Commission to transfer funds from the High Cost Support Mechanism Reserves to the High Cost Administration Fund. This additional $15.0 million in funding is to be transferred to the General Fund in FY 2009-10 as part of the budget balancing package, accomplished through SB 09-279.

Insurance Related

Insurance-related cash fund revenue includes all insurance premiums collected for major medical insurance, subsequent injury, and worker's compensation. State revenues include the per-employee surcharge collected plus any interest earned on existing fund balances for these programs.

Given the recent fiscal condition for the State, the General Assembly passed SB 09-279 during the 2009 legislative session, transferring $26.5 million from the Major Medical Insurance Fund to the General Fund in FY 2009-10. This action, combined with lower revenues from per-employee surcharges due to a reduced Colorado labor force, has resulted in a projected revenue decline of 24.3 percent, to $39.0 million for FY 2009-10.

Beginning in FY 2010-11, revenue to the major medical insurance and subsequent injury funds is anticipated to be further reduced pursuant to SB 09-037. Per this legislation, annual revenues for these two programs cannot exceed the amount needed to cover annual operating expenditures from the funds in the following fiscal year, and can only be collected if and when the existing fund balances for these programs falls below a defined limit. The defined limit was set to equal the portion of the TABOR reserve currently defined to be supported by the Major Medical Insurance Fund). Prior to SB 09-037, revenue was deposited into the funds with the objective of achieving actuarial sufficiency to pay present and future claims for benefits. Based on the above influences, FY 2010-11 insurance related revenues are anticipated to decline another 53.6 percent, to $18.1 million.

Hospital Provider Fees

HB 09-1293 establishes the Health Care Affordability Act of 2009, which is intended to provide a payer source for some low-income and uninsured populations who would otherwise receive uncompensated care. Hospital provider fees, sanctioned by HB 09-1293, are intended to increase Medicaid reimbursements to hospitals paying the fee. Fees are paid by most hospitals in the State and will be a payment per day for inpatient hospital services and a percentage of charges for outpatient hospital services. The revenue collected from provider fees may be used as the State share of Medicaid expenditures to obtain a federal match. HB 09-1293 is projected to increase cash fund revenue by $336.5 million in FY 2009-10; and $389.5 million in FY 2010-11; and continue to grow for the remainder of the forecast period.

Severance Taxes and Federal Mineral Lease Revenues

The following projections demonstrate a consistent message from previously released forecasts, indicating a substantial reduction in natural gas prices from the unusual spike experienced in 2008. This sizable decrease in price results in FY 2009-10 forecast revenues to decline significantly from prior year levels, before years of modest price rebounds occur as the natural gas business cycle continues.

This September forecast indicates that the weakness in prices will extend longer into future years than previously anticipated. Long term forecasts of Colorado severance tax and federal mineral lease revenue are down significantly from those made in June, due primarily to:

- more dramatic declines in natural gas prices due to continued increases in national natural gas production in the face of declining demand, as national gas-in-storage figures are at an all time high with the economic recession curbing consumption.

- a major shift in the near term market position of Colorado natural gas exports which will result in a reduction in the expected price received for gas production over the next five years.

It is important to note that severance tax collections will show significant year-to-year volatility with even modest price cycles due to the large property tax credit. Therefore, with even modest business cycles in the price of natural gas, Colorado will experience wide swings in severance tax revenue, as it has in the past.

The table below outlines the revised Federal Mineral Lease (FML) payments by bonus and non-bonus revenues. As FML revenues directly affect available funding for certification of participation payments for higher education and capital construction, please refer to the attached appendix for further information about how these revised forecasts affect construction obligations.

Federal Mineral Lease (FML) Payments				
Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	Percent Change
FY 2008-09	$62.5	$164.8	$227.3	N/A
FY 2009-10	$7.5	$92.6	$100.1	(56.0%)
FY 2010-11	$5.5	$115.6	$121.1	21.0%
FY 2011-12	$5.0	$133.2	$138.2	14.1%
FY 2012-13	$6.9	$137.4	$144.3	5.0%

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 in Table 4.

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

Category	FY 2008-09	September 2009 Estimate by Fiscal Year				FY 2008-09 to FY 2012-13 CAAGR *
		FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	
Transportation-Related /A	$875.3	$1,054.5	$1,071.7	$1,097.4	$1,123.8	
Change	-4.9%	20.5%	1.6%	2.4%	2.4%	6.4%
Unemployment Insurance /B	$391.2	N/A	N/A	N/A	N/A	
Change	-8.3%	N/A	N/A	N/A	N/A	N/A
Limited Gaming Fund /C	$98.9	$97.8	$100.7	$103.7	$106.8	
Change	-12.9%	-1.2%	3.0%	3.0%	3.0%	1.9%
Capital Construction - Interest /D	$10.0	$2.2	$1.3	$1.3	$1.3	
Change	-48.0%	-77.6%	-42.7%	2.8%	1.7%	-39.4%
Regulatory Agencies	$78.1	$64.0	$64.6	$66.6	$68.7	
Change	37.6%	-18.1%	1.0%	3.0%	3.2%	-3.2%
Insurance-Related /E	$51.5	$39.0	$18.1	$18.9	$20.0	
Change	-20.5%	-24.3%	-53.6%	4.6%	5.4%	-21.1%
Severance Tax /F	$336.9	$51.0	$168.2	$192.8	$109.2	
Change	98.1%	-84.9%	230.0%	14.6%	-43.4%	-24.5%
Medicaid Hospital Provider Fees /G	N/A	$336.5	$389.5	$487.8	$629.3	
Change	N/A	N/A	15.8%	25.2%	29.0%	N/A
Other Miscellaneous Cash Funds /H	$553.2	$532.8	$568.8	$607.0	$644.3	
Change	13.3%	-3.7%	6.7%	6.7%	6.1%	3.9%
TOTAL CASH FUND REVENUE	***$2,395.1***	***$2,177.7***	***$2,382.8***	***$2,575.6***	***$2,703.5***	
Change	6.0%	-9.1%	9.4%	8.1%	5.0%	3.1%

* CAAGR: Compound Annual Average Growth Rate.

/A Revenues beginning in FY 2009-10 include the impact of SB 09-108 (FASTER).

/B Pursuant to HB 09-1363, on July 1, 2009 the unemployment compensation section in the Department of Labor and Employment will operate as an enterprise and all revenue collected by this program will be exempt from TABOR.

/C Revenues exclude any impact from Amendment 50 as these revenues are exempt from TABOR. Exempted revenues are projected based on the formula outlined per HB 091272.

/D Interest assumptions used in this forecast are identical to those used in the calculations for Capital Construction in Table 1A.

/E Pursuant to SB 09-037, beginning in FY 2010-11 the Workers' Compensation surcharge that is applicable for the major medical and subsequent injury cash fund will no longer be applied until the available balance in said fund falls below the unrestricted cash fund balance plus one year's worth of direct and indirect operating expenses for these programs.

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

/G Pursuant to HB 09-1293, beginning July 1, 2009, the Department of Health Care Policy and Financing is authorized to collect hospital provider fees for the purpose of obtaining federal financial participation.

/H Revenue in Other Miscellaneous Cash Funds includes interest and other earnings from numerous trust funds, fees, and revenue from higher education institutions.

COLORADO ECONOMIC FORECAST

The national downturn continues to influence the Colorado economy. The forecast for the Colorado economy, like the forecast for the national economy, suggests continued weakness through 2009 with a base forming towards the end of 2009 for most variables and a modest recovery in 2010. Among the weakest indicators for the near term are housing permits, labor market variables, and retail sales; improvement in these areas is expected to occur gradually. While expected to remain below 2008 levels in 2009, personal income and total housing permits issued are expected to increase in 2010. Improvement in most variables is expected in 2011.

Relative to the nation, Colorado, strengthened by its concentration of hi-tech companies, is anticipated to be among those states that lead the economic recovery and experience job growth before others. By comparison of several key variables, such as nonagricultural employment and personal income, Colorado has fared better than many other states during the current recession. In 2008, Colorado had the fourth-fastest growing GDP rate in the country and is anticipated to have among the strongest this year as well. Colorado added 5,400 payroll jobs in July 2009 from June 2009, the first month-over-month increase since August 2008. In late July 2009, CNBC rated Colorado the third top state in the nation for doing business in 2009.

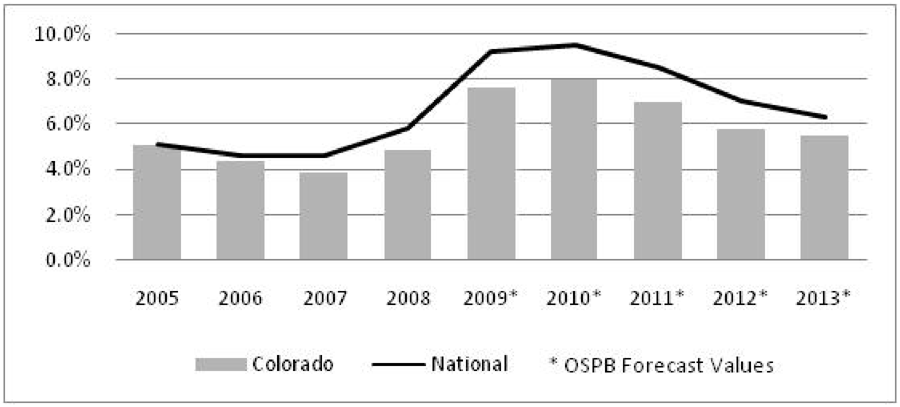
The following presents the OSPB forecast for Colorado economic and demographic indicators, including: employment and unemployment, inflation, wages and income, population and migration, construction, and retail trade.

EMPLOYMENT

In July 2009, the Colorado seasonally adjusted unemployment rate increased to 7.8 percent. Since March 2009, Colorado's unemployment rate has increased only 0.3 percent, which suggests potential stabilization in this variable. In July 2009, household employment was off 115,900 from last July's level of 2,597,200, but actual jobs shed since January 2009 equal only 10,600. According to the Colorado Department of Labor and Employment, nearly all of Colorado's labor market areas saw modest improvements in midsummer, and seasonally unadjusted jobless rates fell in 52 counties and remained unchanged in five.

Further nonagricultural employment declines and sluggish improvement in this variable will likely serve to impede the economic recovery both nationally and in Colorado. Consumer spending contributes significantly to the Gross Domestic Product (GDP) and is adversely affected by high unemployment levels. Diminished consumer confidence and perceptions of instability have compelled increased saving and diminished aggregate demand, as evidenced by curtailed retail sales. Additionally, because unemployment is a lagging indicator, it will take some time before Colorado returns to more traditional levels of unemployment. This OSPB forecast projects unemployment rates of 7.6 percent in 2009 and 8.0 percent in 2010. Total nonagricultural employment is projected to contract by 3.7 percent in 2009 and 0.6 percent in 2010.

Colorado and National Unemployment Rates



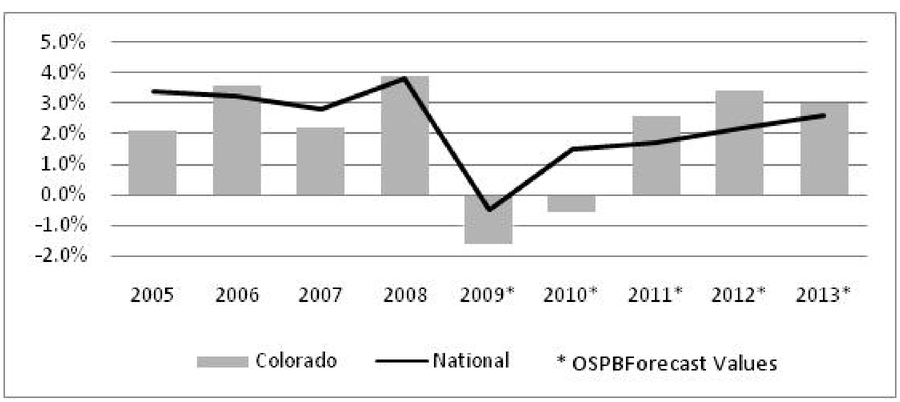
Source: U.S. Department of Labor, Bureau of Labor Statistics

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 CPI identifies price fluctuations for many components, including: food, housing, medical care, transportation, education, energy, entertainment, etc.

Expectations of a gradual economic recovery, coupled with expectations of persistent and significant slack in product and labor markets, minimize the likelihood of inflationary pressures through calendar year 2010. However, movement toward long-run rates is anticipated as the economy recovers. This OSPB forecast projects prices will decrease 1.6 percent in 2009 and 0.6 percent in 2010. Projected decline in Colorado's CPI relative to the national forecast is a reflection of continued job loss and reduced wages within the State for 2010, which has an immediate impact on demand for goods and services, and ultimately drives prices lower.

Consumer Price Index



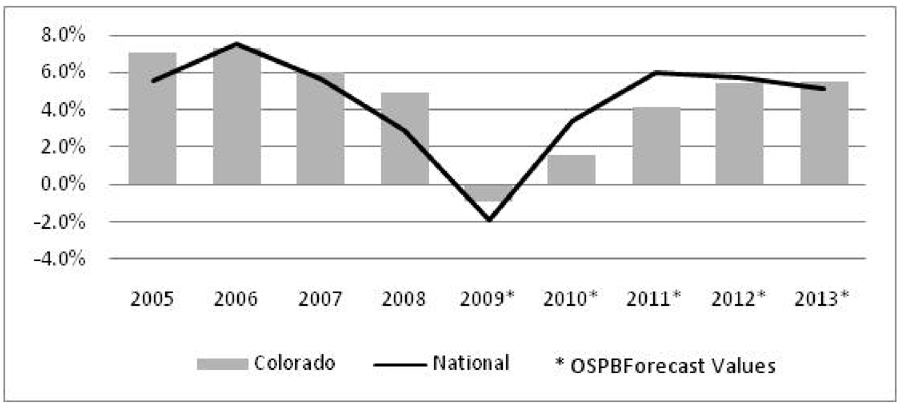
Source: U.S. Department of Labor, Bureau of Labor Statistics

WAGES AND INCOME

In 2008, Colorado personal income increased 4.9 percent above the prior year, while national personal income increased 2.9 percent. Colorado personal income is expected to decrease 0.9 percent in calendar year 2009 and increase 1.6 percent in 2010 as the economy recovers. Personal income is projected to decrease in 2009 due predominately to labor market difficulties and is expected to increase in 2010 as other variables continue to stabilize, particularly as nonagricultural employment increases.

Colorado wage and salary income is projected to decrease 2.4 percent in 2009 and 1.6 percent in 2010. Wage and salary income expectations are influenced by current labor market conditions and recently reduced prices for goods and services. Wage and salary income is expected to increase in 2011 as the labor market improves and prices increase on returned consumer demand.

Percentage Change in Personal Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis

POPULATION AND MIGRATION

In 2008, net in-migration to Colorado was approximately 50.0 thousand and total population growth was 2.0 percent. Colorado benefits from a broad economic base and unique tourist attractions, which make the state appealing to both businesses and people. Additionally, because Colorado is positioned as a state likely to lead the recovery, population growth is expected to increase as the state's economy recovers. This forecast projects the Colorado population to increase by 1.6 percent in 2009 and by 1.8 percent in 2010.

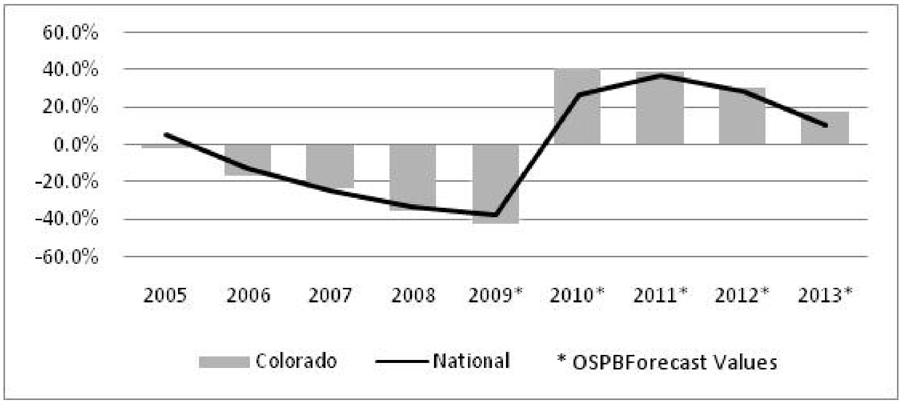
CONSTRUCTION

Housing starts in Colorado were down 35.5 percent in 2008. The housing sector continues to remain sluggish as the economy slowly changes course. This forecast projects housing starts to decrease 42.3 percent in 2009 and then increase 41.5 percent in 2010.

Colorado nonresidential construction value declined 12.5 percent in 2008. Nonresidential construction value is projected to decrease 31.1 percent in 2009 and 1.2 percent in 2010.

Improvement is expected in 2011 as corporations return to greater levels of profitability and expansion becomes a possibility once again.

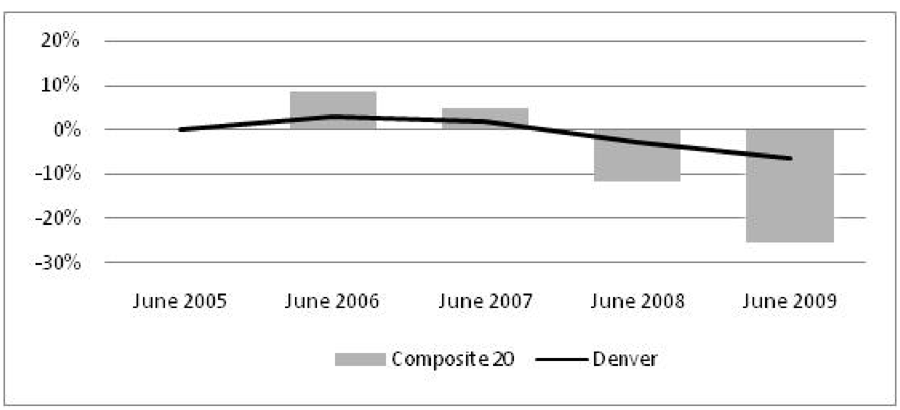
Percentage Change in Housing Starts



Source: U.S. Census Bureau

While housing markets generally remain distressed around the nation, the Denver housing market, which has not experienced the volatility seen in many other states, remains relatively stable and is positioned to fare well as the economy expands. The following graph, which is derived from Standard & Poor's/Case-Schiller housing data, depicts the housing market in the Denver metro area relative to twenty other large metropolitan areas across the nation. This graph identifies that while still negative, home values in the Denver metropolitan area have been more stable and were about 6.0 percent below 2005 values, versus the composite twenty average decline of about 25 percent.

U.S. Metropolitan Home Price Values

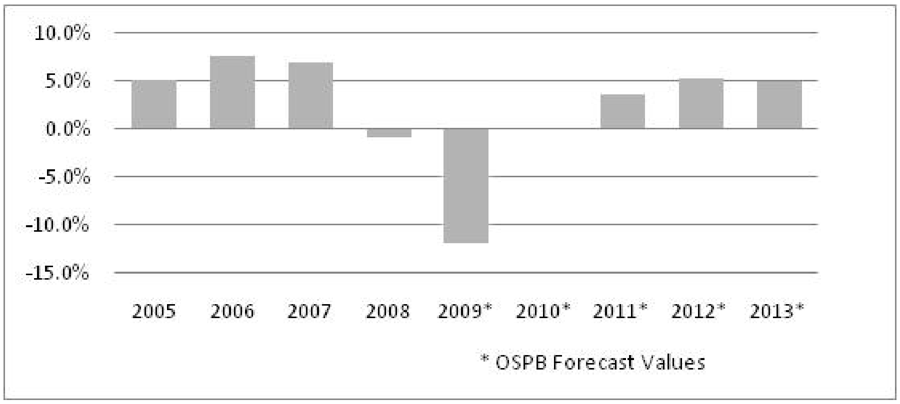


Source: S&P/Case-Shiller Home Price Indices
Note: Data is not seasonally adjusted

RETAIL TRADE

Retail sales remain weak both nationwide and in Colorado. As evidenced by diminished demand for both durable and non-durable goods, consumer activity has been highly responsive to the severity of the recession. High unemployment and increased consumer saving have interacted to reduce Colorado retail trade sales, which contracted 0.8 percent in 2008. Retail trade sales are forecast to decline further in 2009 by 11.8 percent before increasing slightly in 2010. This variable is projected to increase 3.7 percent in 2011 as the economy recovers broadly and labor market conditions align with the recovery.

Colorado Retail Trade Sales



Source: Colorado Department of Revenue

RISKS TO THE FORECAST

With only one quarter of actual 2009 personal income and wage and salary data release from the federal Bureau of Economic Analysis (BEA), projected declines in these indices are tentative, especially given the magnitude of changes being forecast. Additionally, for the first six months of 2009, the actual consumer price index declined 0.6 percent when compared to the first half of 2008. In order to reach a 2009 annual rate of deflation equal to 1.6 percent, prices will need to continue to decline by another 1.2 percent for the remaining six months of this year. Considering current depressed retail trade and energy and housing prices stabilizing, there could be upside risk for inflation estimates. Finally, as Colorado is anticipated by many economists to be one of the key states to lead the nation out of this economic recession (due to a more diversified economy with substantial investments in renewable energy and a more stable housing market), historical trends used in the Colorado economic model – which often depicted Colorado's recovery lagging national recoveries – may be delaying the State's economic outlook for this recessionary period.

Table 5
History and Forecast for Key Colorado Economic Variables
Calendar Year 2004-2013

Line No.		Actual				Forecast				
		2005	2006	2007	2008	2009	2010	2011	2012	2013
	Current Income									
1	Personal Income (Billions)	$175.4	$188.2	$199.5	$209.3	$207.4	$210.7	$219.5	$231.3	$244.0
2	Change	7.1%	7.3%	6.0%	4.9%	-0.9%	1.6%	4.1%	5.4%	5.5%
3	Wage and Salary Income (Billions)	$97.4	$104.1	$110.9	$115.7	$112.9	$111.1	$114.7	$121.3	$128.6
4	Change	5.8%	6.9%	6.5%	4.3%	-2.4%	-1.6%	3.3%	5.7%	6.0%
5	Per-Capita Income ($/person)	$37,611.0	$39,612.0	$41,192.0	$42,377.0	$41,338	$41,264	$42,253	$43,761	$45,306
6	Change	5.7%	5.3%	4.0%	2.9%	-2.5%	-0.2%	2.4%	3.6%	3.5%
	Population & Employment									
7	Population (Thousands)	4,662.7	4,751.5	4,842.8	4,939.5	5,018.3	5,106.5	5,193.9	5,286.3	5,385.5
8	Change	1.4%	1.9%	1.9%	2.0%	1.6%	1.8%	1.7%	1.8%	1.9%
9	Net Migration (Thousands)	30.1	49.1	50.5	50.0	38.5	46.1	44.1	48.8	55.2
10	Civilian Unemployment Rate	5.1%	4.4%	3.9%	4.9%	7.6%	8.0%	7.0%	5.8%	5.5%
11	Total Nonagricultural Employment (Thousands)	2,226.0	2,279.1	2,331.3	2,349.3	2,262.9	2,249.9	2,282.5	2,331.9	2,375.4
12	Change	2.1%	2.4%	2.3%	0.8%	-3.7%	-0.6%	1.5%	2.2%	1.9%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	45.9	38.3	29.5	19.0	11.0	15.5	21.7	28.4	33.6
14	Change	-1.3%	-16.4%	-23.2%	-35.5%	-42.3%	41.5%	39.8%	31.1%	18.1%
15	Nonresidential Construction Value (Millions)	3,979.5	3,890.4	4,294.5	3,756.9	2,588.6	2,556.3	2,727.9	2,990.6	3,193.4
16	Change	26.1%	-2.2%	10.4%	-12.5%	-31.1%	-1.2%	6.7%	9.6%	6.8%
	Prices & Sales Variables									
17	Retail Trade Sales (Billions)	$65.5	$70.4	$75.4	$74.8	$66.0	$66.0	$68.5	$72.1	$75.7
18	Change	5.1%	7.6%	7.0%	-0.8%	-11.8%	0.1%	3.7%	5.3%	5.0%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	190.9	197.7	202.0	209.9	206.6	205.4	210.7	217.9	224.4
20	Change	2.1%	3.6%	2.2%	3.9%	-1.6%	-0.6%	2.6%	3.4%	3.0%

NATIONAL ECONOMIC FORECAST

The current recession has been deemed the longest and most severe recession in the post World War II era. Because of the significant financial contraction since December 2007, nearly all industrial countries have experienced declines in production and increasing rates of unemployment and demands on public assistance. Within the United States specifically, current conditions reflect a weak retail market, diminished demand for commercial real estate space, stalled nonresidential construction activity, and rigid credit standards. But despite these negatives, there are signs of improvement in today's economy. National economic indicators suggest that the number of Americans filing first-time claims for jobless benefits has now slowed, that manufacturing output is improving, the housing market has stabilized, and many forecasts anticipate positive Gross Domestic Product (GDP) growth in the third quarter of 2009.

This OSPB forecast projects continued gradual improvement in the national economy through calendar year 2009, and further improvement in calendar year 2010 as federal policies continue to take effect, though tempered by a high level of national unemployment.

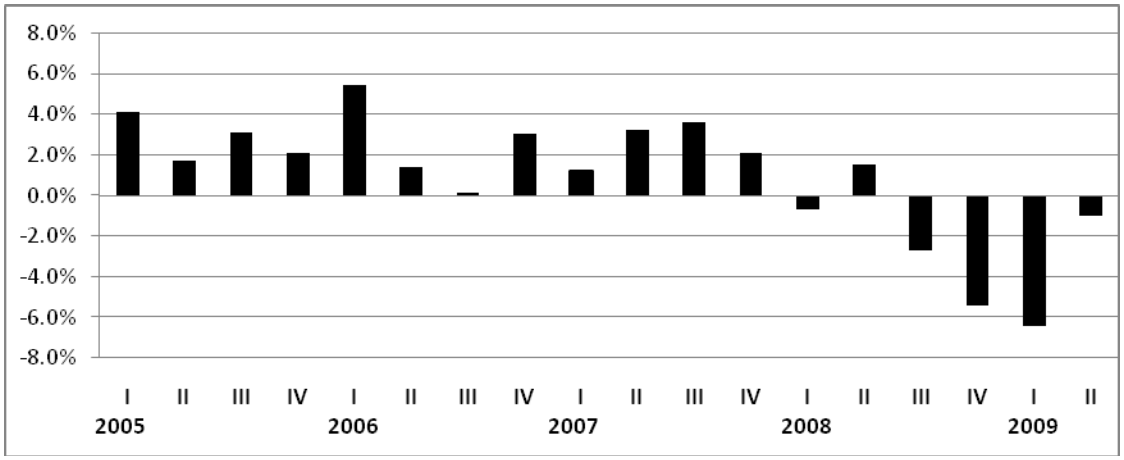
GROSS DOMESTIC PRODUCT

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. GDP is estimated as the sum of final-expenditure components: personal consumption expenditures (consumer spending), gross private domestic investment, net exports (exports of goods and services less imports of goods and services) and government consumption expenditures and gross investment (government spending).

According to the second estimate released by the U.S. Bureau of Economic Analysis (BEA), real GDP decreased by 1.0 percent from the first quarter to the second quarter in 2009. Real GDP declined 6.4 percent in the first quarter of 2009. The smaller decline in the second quarter is attributable to smaller declines in private inventory investment and residential investment, and an increase in federal, state, and local government spending.

This forecast projects GDP to decline by 2.6 percent in 2009 and to increase by 2.2 percent in 2010. GDP is projected to remain low in 2009 and 2010 due to continued job losses and diminished aggregate demand. GDP is not expected to increase above the 2008 level until 2011.

Change in Real U.S. GDP by Quarter



Source: U.S. Department of Commerce, Bureau of Economic Analysis
Note: Data is provided on a quarterly basis.

- ***Consumer spending (roughly 70 percent of GDP):*** Real personal consumption expenditures, a measure of goods and services consumed by individuals, declined 1.0 percent in the second quarter of 2009. Real personal consumption expenditures had increased 0.6 percent in the first quarter. Continued job losses are expected to slow the recovery of consumer spending, which is notable because increased consumer spending will contribute significantly to economic recovery. This forecast projects personal income, a relevant component of consumer spending, to decline 1.9 percent in 2009 and to increase 3.4 percent in 2010.

- ***Business investment (roughly 14 percent of GDP):*** Diminished consumer spending and credit market difficulties have contributed to declines in business investment. According to the U.S. Bureau of Economic Analysis (BEA), private businesses reduced inventories $159.2 billion in the second quarter, following decreases of $113.9 billion in the first and $37.4 billion in the fourth quarter of 2008. Real nonresidential fixed investment, investment in physical capital, decreased 39.2 percent in the first quarter, 10.9 percent in the second quarter. As consumer spending both domestically and internationally begins to increase it will contribute to increases in business investment.

- ***Government spending (roughly 16 percent of GDP):*** Following a first quarter decline of 4.3 percent, real federal government consumption expenditures and gross investment increased 11.0 percent in the second quarter. While first quarter national defense spending declined 5.1 percent, it increased 13.3 percent in the second. Non-defense spending, which declined 2.5 percent in the first quarter, increased 6.2 percent in the second. Real state and local government consumption expenditures and gross investment increased 3.6 percent in the second quarter following a 1.5 percent decrease in the first. Increased government sector spending reflects a national and state-level fiscal policy response to counter the downturn.

INTEREST RATES

Interest rates affect virtually each component of aggregate demand. 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 will indirectly affect interest rates offered by lenders in order to control the rate of inflation and promote full employment. In order to realize its strategic objectives, the Federal Reserve reduced the federal funds rate to between 0.00 and 0.25 percent in December 2008. This forecast anticipates that the federal funds rate will average 0.1 percent in 2009 and 0.9 percent in 2010. Interest rates for Treasury securities fell considerably in late 2008, which greatly reduced short-term and long-term rates. This forecast projects 30-year Treasury Constant Maturity rates to increase in 2010 through 2013 as the economy recovers.

INFLATION

The Consumer Price Index, reported by the U.S. Bureau of Labor and Statistics (BLS), is a measure of the average change in prices over time of goods and services purchased by households. The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.2 percent in July on a seasonally unadjusted basis. The CPI has decreased 2.1 percent over the course of the last 12 months. When seasonally adjusted, the CPI-U remained unchanged in July; the index had fallen 0.7 percent in June.

Recent CPI figures suggest that inflationary increases resulting from recent monetary policy actions are not likely in the near term. This forecast projects the Consumer Price Index to decline 0.4 percent in 2009 and then increase 1.5 percent in 2010. Heightened unemployment and diminished consumer demand are expected to persist through the current calendar year. The Consumer Price Index is anticipated to increase as consumer spending levels increase and the rate of job losses decreases, scenarios which could likely bring about inflationary pressures.

EMPLOYMENT

The most recent U.S. Bureau of Labor and Statistics (BLS) release of employment data indicated that nonfarm payroll employment fell by 247,000 in July. The national unemployment rate in July 2009 was 9.4 percent on a seasonally adjusted basis. The number of long-term unemployed persons, which is a measure of individuals who have been jobless for 27 weeks or more, increased by 584,000 in July. According to BLS Household Survey Data, the total number of unemployed persons was 14.5 million in July. Industries that have reported particularly acute employment declines include: construction, manufacturing, wholesale trade, and retail trade. A turnaround in this variable is expected to lag the national economic recovery. This forecast projects a national unemployment rate of 9.2 percent in 2009 and 9.5 percent in 2010. Total nonagricultural employment is expected to equal 132 million in 2009 and 132.2 million in 2010. Total nonagricultural employment was 137.6 million in 2007 and 137.0 million in 2008.

RISKS TO THE FORECAST

The potential for a jobless recovery remains high, and continued job losses in 2009 and 2010 contribute to volatility in a number of variables. Other factors that could significantly impact the recovery process include energy price volatility and further declines in real estate markets, especially in non-residential real estate. A surge in energy prices, while not anticipated in the near term, could offset economic gains. Should real estate markets contract further, the impact on financial institutions and credit availability would be difficult to anticipate. Another downside risk continues in the correct balance between inflation and the timeliness of federal monetary policy – if interest rates were to be increased too quickly, there is real potential for stalling a national recovery; but if not adjusted fast enough, the threat of hyperinflation remains.

Table 6
History and Forecast for Key National Economic Variables
Calendar Year 2005-2013

Line No.		Actual				Forecast				
		2005	2006	2007	2008	2009	2010	2011	2012	2013
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions)	$12,638.4	$12,976.2	$13,254.1	$13,312.2	$12,952.4	$13,204.9	$13,643.2	$14,059.4	$14,424.9
2	Change	3.1%	2.7%	2.1%	0.4%	-2.7%	1.9%	3.3%	3.1%	2.6%
3	Gross Domestic Product (Billions)	$12,638.4	$13,398.9	$14,077.6	$14,441.4	$14,241.7	$14,715.7	$15,567.5	$16,416.1	$17,253.3
4	Change	6.5%	6.0%	5.1%	2.6%	-1.4%	3.3%	5.8%	5.5%	5.1%
5	Personal Income (Billions)	$10,485.9	$11,268.1	$11,894.1	$12,238.8	$12,001.2	$12,403.6	$13,151.1	$13,905.3	$14,614.4
6	Change	5.5%	7.5%	5.6%	2.9%	-1.9%	3.4%	6.0%	5.7%	5.1%
7	Per-Capita Income ($/person)	$35,478.0	$37,766.4	$39,477.2	$40,251.3	$39,173.5	$40,269.6	$42,307.6	$44,260.1	$45,965.8
8	Change	4.6%	6.5%	4.5%	2.0%	-2.7%	2.8%	5.1%	4.6%	3.9%
	Population & Employment									
9	Population (Millions)	295.6	298.4	301.3	304.1	306.4	308.0	310.8	314.2	317.9
10	Change	0.9%	0.9%	1.0%	0.9%	0.8%	0.5%	0.9%	1.1%	1.2%
11	Civilian Unemployment Rate	5.1%	4.6%	4.6%	5.8%	9.2%	9.5%	8.5%	7.0%	6.3%
12	Total Nonagricultural Employment1 (Millions)	133.7	136.1	137.6	137.1	132.0	132.2	134.9	138.3	140.9
13	Change	1.7%	1.8%	1.1%	-0.4%	-3.7%	0.1%	2.0%	2.6%	1.9%
	Financial Markets									
14	30-Year T-Bond Rate	4.4%	4.9%	4.8%	4.3%	4.1%	4.8%	5.1%	5.6%	5.7%
15	3 Month T-Bond Rate	3.2%	4.9%	4.5%	1.4%	0.2%	1.0%	2.5%	4.0%	5.6%
16	Prime Rate	6.2%	8.0%	8.1%	5.1%	3.3%	3.9%	5.6%	7.4%	8.6%
17	Federal Fund Rate	3.2%	5.0%	5.0%	1.9%	0.2%	0.9%	2.6%	4.4%	5.6%
	Price Variables									
18	Consumer Price Index (1982-84=100)	195.3	201.6	207.3	215.3	214.3	217.4	221.2	226.0	231.8
19	Change	3.4%	3.2%	2.8%	3.8%	-0.5%	1.5%	1.7%	2.2%	2.6%
20	Producer Price Index (1982=100)	155.7	160.4	166.6	177.2	172.1	176.7	181.5	186.6	191.4
21	Change	4.9%	3.0%	3.9%	6.3%	-2.9%	2.7%	2.8%	2.8%	2.6%
	Other Key Indicators									
22	Industrial Production Index (1996=100)	107.2	109.7	111.3	108.8	97.0	98.4	103.7	110.2	114.5
23	Change	3.3%	2.3%	1.5%	-2.2%	-10.9%	1.5%	5.4%	6.3%	3.9%
24	Corporate Profits After Tax (Billions)	$1,227.8	$1,349.5	$1,322.8	$1,170.6	$954.3	$1,018.4	$1,077.4	$1,136.1	$1,194.1
25	Change	33.0%	9.9%	-2.0%	-11.5%	-18.5%	6.7%	5.8%	5.5%	5.1%
26	Housing Starts (Millions)	2,068.3	1,800.9	1,355.0	905.5	566.3	720.8	991.0	1,279.0	1,420.2
27	Change	5.8%	-12.9%	-24.8%	-33.2%	-37.5%	27.3%	37.5%	29.1%	11.0%

Note that the federal Bureau of Economic Analysis (BEA) made comprehensive revisions to GDP. These revisions occur about every five years to improve the accuracy of figures. The BEA revises figures by updating tables and classifications, using new sources of information, and tracking new types of transactions.

GOVERNOR'S REVENUE FORECAST ADVISORY COMMITTEE

The Governor's Office of State Planning and Budgeting would like to thank the following individuals that provided valuable feedback on key national and Colorado-specific economic indices included in this forecast. All of these individuals possess expertise in a number of economic and financial disciplines and were extremely generous of their time and knowledge.

- Elizabeth Garner – State Demographer, Colorado Department of Local Affairs
- Alexandra Hall – Labor Market Information Director, Colorado Department of Labor and Employment
- David McDermott, CPA – State Controller, Department of Personnel and Administration
- Ronald New – Vice President, Stifel Nicolaus
- Patricia Silverstein – President, Development Research Partners
- Richard Wobbekind – Associate Dean, Leeds School of Business; University of Colorado, Boulder

The Governor's Office of State Planning and Budgeting would also like to thank the following individuals who continue to help with the maintenance and modification of OSPB's Colorado economic and revenue models:

- John Cuddington, Ph.D., CFA, CFP
- Daniel Jerrett
- Robert McNown – Professor of Economics, CU Boulder

Appendix A - Projections Relating to Capital Construction

Capital Construction

The State Controller reported in September 2009 that there is $5.1 million available for appropriation in FY 2010-11 after the close of FY 2008-09 and the appropriations for FY 2009-10. Needless to say, despite the addition of projected interest, there are not sufficient funds in the balance of the fund to cover the costs of the most required projects in FY 2010-11. In FY 2010-11, there are three annual payments for certificates of participation (COP) required. In addition, OSPB has assumed that the Colorado Integrated Tax Architecture project would be funded into the future, as well as up to $20 million in Level I Controlled Maintenance projects. The total of General Fund required to fund these projects in FY 2010-11 is $44.5 million, with FYs 2011-12 and 12-13 rising to $56.3 million and $59.4 million, respectively. This is shown at Appendix A, Table 1.

The $5.1 million available for FY 2010-11 is higher than expected. The reason for this is that interest earnings originally estimated at $8.1 million came in $1.86 million higher, reversions were higher by $1.19 million, and there was a reversal of a loss on the Treasurer's pooled cash because of a gain this year. This made available $2.169 million that was previously not available for appropriation.

OSPB has attempted to minimize the General Fund transfer need by applying available fund balances from other sources that can be used for capital construction and controlled maintenance. In FY 2010-11, controlled maintenance is offset by funds in the State Land Board which can used to offset controlled maintenance costs in State Buildings. The available balances for this purposes are $405,892 from fund 707 and $7,028,107 from fund 853 for the Public Buildings Trust.

Of the three COP payments requests, three have offsets from other fund sources reducing the total need from General Fund. The Lease Purchase of Academic Facilities at Anschutz Medical Campus is offset by tobacco funds, the Lease Purchase of Colorado State Penitentiary II is offset by CERF funds, and the Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102 (Federal Mineral Lease or FML) is covered by the Higher Education FML Revenues Fund, until the Fund runs out of balance, which it is projected to do by FY 2011-12. Please see the Federal Mineral Lease Revenues Fund and Maintenance and Reserve Fund projections presented subsequently.

In an attempt to more closely equate to the interest calculation developed by the Capital Development Committee and used by the Joint Budget Committee, OSPB has revised its interest projection on the Capital Construction Fund. For this September 2009 forecast, OSPB used the current fund balance as reported by the Treasurer on September 11, 2009. OSPB then assumed that the fund balance is spent at a rate of 7.69% each month. This is based on two years of historical data showing that in both years, exactly 7.69% is spent each month. OSPB then applied an annualized interest rate on the Fund, respective to each year (2% for FY 09-10 and FY 10-11, 2.25% for FY 2011-12, and 2.5% for FY 2012-13) using the Treasurer's recommended annualized interest rates for projection purposes. The details are provided in attached tables.

Federal Mineral Lease

As one can see in the table provided in Appendix A, Table 6, the estimated spillover amounts for the Federal Mineral Lease Higher Education Revenues Fund are projected to be zero until FY 2012-13. This is a significant change from the last forecast. Because SB 09-280 allowed for a transfer of $26.6 million from the Capital Construction Fund to the Higher Education Federal Mineral Lease Revenues Fund in FY 2008-09 due to deappropriated projects from budget balancing, there is enough balance in the fund to cover the annual payments for FY 2010-11. However, starting in FY 2011-12, General Fund (or principal from the Higher Education FML Maintenance and Reserve Fund) is needed to supplemental the annual payment for Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102. At this time, the projection assumes the need for General Fund, until it is known if balance in the Education FML Maintenance and Reserve Fund is used for budget balancing purposes.

The General Fund burden is offset in FY 2011-12 because funds are available in the Treasurer's Expense Fund related to FML certificates of participation payments. The transfer from the Expense Fund will be directed by the Treasurer to the Trustee and does not require legislative action. Funds are available in the Treasurer's FML COP Expense Fund to offset General Fund need in the amount of $5 million. That funds contains $5,141,059 that is used for administrative costs (approximately $141,000 left for this purpose) and higher education capital construction as required by Bond Forms and IRS code. While a $5 million transfer has been assumed for FY 2009-10 (for use in FY 2011-12), it is likely that additional funds, perhaps approximately $2 million, may accrue and become available in the Expense Fund during FY 2010-11.

Due to bonus payments, spillover revenue is higher for the Higher Education FML Maintenance and Reserve Fund, for which the interest can be used to offset controlled maintenance costs for institutions of higher education. However, there is not enough interest projected on the fund to cause OSPB to recommend using the funds for such purposes at this time. If they still exist after economic recovery, these funds should be considered for controlled maintenance.

Capital Construction Forecast September 2009						
		FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Source
Row		CCF	CCF	CCF	CCF	
A	Uncommitted balance from prior year	N/A	$5,127,553	$0	$0	From FY09 Capital Construction Available Report posted September 15, 2009 report from the State Controller's Office. Already includes FY 2007-08 excess General Fund transfer
B	Current Balance in the Fund	$164,427,414				Colorado State Treasury Current Interest Calculation Aug 2009 published September 11, 2009
C	Interest Annual Percentage	2.00%	2.00%	2.25%	2.50%	Colorado State Treasurer State Controller recommendations for projection purposes. Monthly factor is Annual Interest Percentage multiplied by 30 and divided by 360.
D	Interest from Compounded Balance	$2,248,222	$1,287,917	$1,323,870	$1,346,776	7.69% is estimated based on monthly expenditure history from CCF for FYs 2007-08 and 2008-09, OSC Report of Revenues and Expenditures by Period Fund 2007-08 Fund 461 9/11/09
E	Statutory Appropriations to CCF for CERF	N/A	$3,219,762	$1,623,051	$488,144	FYs 10-11 and 11-12: FY 09-10 March 18, 2009 Figure Setting plus HB 07-1040 per 9/15/09 OSC Report. OSC Report for Uncommitted Balance (row A) includes $2,754,333 revenue into CCF for FY 09-10 and same amount out to CERF, so no adjustment made for FY 09-10. FY 12-13 from bill review.
F	Statutory Appropriations from CCF to CERF	N/A	($3,219,762)	($1,623,051)	($488,144)	
G	**Funds available**	**N/A**	**$6,415,471**	**$1,323,870**	**$1,346,776**	Rows A + D
H	Lease Purchase of Academic Facilities at Anschutz Medical Campus	($5,142,063)	($5,143,213)	($5,144,713)	($5,141,563)	SB 09-259 and pending FY 2010-11 Capital Request. FY 2010-11 funding recommendations will be formally submitted and confirmed in the November 1, 2009 Request. Numbers are preliminary and will be forwarded to the CDC shortly. Total annual payment is approximately $13.1 million.
I	Lease Purchase of Colorado State Penitentiary II	($8,175,782)	($10,273,715)	($12,317,799)	($13,452,106)	FY 2010-11 funding recommendations will be confirmed in the November 1, 2009 Request. FY 2009-10 CCF need for payment is reduced by $5,766,568 which is from CERF cash funds per SB 09-259. FY 10-11 uses the balance of $3,668,365. FYs 11-12 and 12-13 use CERF revenue projections (see below) to offset General Fund transfer need. Total annual payment is approximately $13.9 million.
J	Level I Controlled Maintenance	($24,235,321)	($12,566,001)	($20,000,000)	($20,000,000)	SB 09-259 and FY 2010-11 funding recommendations will be confirmed in the November 1, 2009 Request. Controlled maintenance is offset by funds in the State Land Board which can used to offset controlled maintenance costs in State Buildings. The available balances for this purposes are $405,892 from fund 707 and $7,028,107 from fund 853.
K	Colorado Integrated Tax Architecture	($7,444,907)	($10,177,308)	($8,628,383)	($4,184,250)	SB 09-259 and per September 1, 2009 Capital Request. FY 2010-11 funding recommendations will be confirmed in the November 1, 2009 Request
L	Ft Lupton Readiness Center	($5,661,451)	$0	$0	$0	SB 09-259
M	Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102	$0	$0	($10,239,730)	($16,652,575)	Formerly expected to be funded by FML Revenue into the Higher Education Revenues Fund, the Fund is projected to be insolvent by FY 2011-12, causing only $6,413,745 FML funds to offset General Fund need, and $0 offset in FY 2012-13. Total annual payment is approximately $16.7 million.
N	**Subtotal of Approved Projects**	**($50,659,524)**	**($38,160,237)**	**($56,330,625)**	**($59,430,494)**	Does not yet include final FY 2010-11 or new FY 2011-12 or FY 2012-13 requests
O	Funds Available after Approved Projects	N/A	($31,744,766)	($55,006,756)	($58,083,718)	
P	**General Fund Transfer Need**	**N/A**	**$31,744,766**	**$55,006,756**	**$58,083,718**	
Q	**End of Year Uncommitted Balance**	**$5,127,553**	**$0**	**$0**	**$0**	

FY 2010-11 the Lease Purchase annual payment of $13,942,350 for CSP II is reduced by $4,722,156 which shall be paid from CERF funds, the balance for FY 2010-11.
FY 2011-12 the Lease Purchase annual payment of $13,940,250 for CSP II is reduced by $1,623,051 which shall be paid from CERF funds appropriated for FY 2011-12.
FY 2012-13 the Lease Purchase annual payment of $13,941,000 for CSP II is reduced by $488,144 which shall be paid from CERF funds appropriated for FY 2012-13.

Interest Projection

		Balance	Interest	Expended per Month
		Treasury Factor:	0.001667	Expended per Month
09-10	Aug 09 Balance	$164,427,414	$274,046	
	Aug	$151,782,946	$252,972	7.69%
	Sep	$140,110,837	$233,518	7.69%
	Oct	$129,336,314	$215,561	7.69%
	Nov	$119,390,352	$198,984	7.69%
	Dec	$110,209,234	$183,682	7.69%
	Jan	$101,734,143	$169,557	7.69%
	Feb	$93,910,788	$156,518	7.69%
	Mar	$86,689,048	$144,482	7.69%
	Apr	$80,022,660	$133,371	7.69%
	May	$73,868,918	$123,115	7.69%
	Add GF Projected Revenue	**$31,700,000**		
	Jun	$97,450,668	$162,418	7.69%
		Treasury Factor:	**0.001667**	Expended per Month
10-11	Jul	$89,956,712	$149,928	7.69%
	Aug	$83,039,041	$138,398	7.69%
	Sep	$76,653,338	$127,756	7.69%
	Oct	$70,758,697	$117,931	7.69%
	Nov	$65,317,353	$108,862	7.69%
	Dec	$60,294,448	$100,491	7.69%
	Jan	$55,657,805	$92,763	7.69%
	Feb	$51,377,720	$85,630	7.69%
	Mar	$47,426,773	$79,045	7.69%
	Apr	$43,779,655	$72,966	7.69%
	May	$40,412,999	$67,355	7.69%
	Add GF Projected Revenue	**$55,000,000**		
	Jun	$88,075,739	$146,793	7.69%
		Treasury Factor:	**0.001875**	Expended per Month
11-12	Jul	$81,302,715	$152,443	7.69%
	Aug	$75,050,536	$140,720	7.69%
	Sep	$69,279,150	$129,898	7.69%
	Oct	$63,951,583	$119,909	7.69%
	Nov	$59,033,707	$110,688	7.69%
	Dec	$54,494,015	$102,176	7.69%
	Jan	$50,303,425	$94,319	7.69%
	Feb	$46,435,092	$87,066	7.69%
	Mar	$42,864,233	$80,370	7.69%
	Apr	$39,567,973	$74,190	7.69%
	May	$36,525,196	$68,485	7.69%
	Add GF Projected Revenue	**$58,000,000**		
	Jun	$87,256,209	$163,605	7.69%

CERF Balance Projection

$2,754,333	Revenue FY 2009-10
$6,514,629	Other Balance FY 2009-10*
($7,766,568)	Used FY 2009-10 CSPII COPs and CSP Furnishings
($729,554)	Adjustment for DRDC Commitments
($323,967)	State Controller's Office correction to the FY 2008-09 statutory transfers, unaudited. This excess amount was inadvertently transferred during the year and discovered at COFRS close.
$448,873	Balance FY 2009-10
$3,219,762	Revenue FY 2010-11
($3,668,635)	Used FY 2010-11
$0	Balance FY 2010-11
$1,623,051	Revenue FY 2011-12
($1,623,051)	Used FY 2011-12
$0	Balance FY 2011-12
$488,144	Revenue FY 2012-13
($488,144)	Used FY 2012-13
$0	Balance FY 2012-13

All CERF used to offset CSP II COP Payment

*OSPB March 2009 Forecast: Per DOC and OSC, Period 3 fund balance in FY 2008-09 in CERF was $6,514,629; Ft. Lyons requires $3,287,200, leaving $3,227,429 available for future projects. With JBC action on March 18, 2009, an additional $3,287,200 in deappropriated projects was realized.

		Treasury Factor:	0.002083	Expended per Month
12-13	Jul	$80,546,206	$167,805	7.69%
	Aug	$74,352,203	$154,900	7.69%
	Sep	$68,634,519	$142,989	7.69%
	Oct	$63,356,524	$131,993	7.69%
	Nov	$58,484,407	$121,843	7.69%
	Dec	$53,986,956	$112,473	7.69%
	Jan	$49,835,360	$103,824	7.69%
	Feb	$46,003,020	$95,840	7.69%
	Mar	$42,465,388	$88,470	7.69%
	Apr	$39,199,800	$81,666	7.69%
	May	$36,185,335	$75,386	7.69%
	Jun	$33,402,683	$69,589	7.69%
	Total Interest for FY 2009-10		$2,248,222	
	Total Interest for FY 2010-11		$1,287,917	
	Total Interest for FY 2011-12		$1,323,870	
	Total Interest for FY 2012-13		$1,346,776	

Revenue Appropriations to the CCF		FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	
Transfers to the CCF Required from Legislation						
C	HB 06-1011 (Internet Crimes Against Children)	$523,164	$523,164	$0	$0	5yr bill
C	HB 06-1145 (Meth Task Force)	$43,597	$43,597	$0	$0	5yr bill
C	SB 06-206 (Smuggling of Humans)	$523,164	$523,164	$0	$0	5yr bill
C	SB 06-207 (Trafficking in Humans)	$523,164	$523,164	$0	$0	5yr bill
C	SB 06S-004 (Extortion of Immigrants)	$0	$69,755	$0	$0	5yr bill
C	HB 07-1326 (Sex Offender Registration of Email Addresses)	$75,099	$0	$0	$0	5yr bill
C	SB 07-096 (Theft from At-Risk Individuals)	$150,198	$750,990	$750,990	$0	5yr bill
C	HB 07-1040 (Legal Process for Persons Not Legally Present in this Country)	$778,265	$535,597	$496,566	$0	revenue estimate
C	HB 08-1115 (Retaliation against a Judge)	$0	$112,649	$0	$112,649	5yr bill
C	HB 08-1194 (Increasing Penalties for Drunk Driving)	$12,517	$0	$0	$0	5yr bill
C	SB 08-239 (Penalty Leaving a Scene Involving Death)	$125,165	$137,682	$375,495	$375,495	5yr bill
Total 5-Yr or Other Bills Adding to CCF Balance		*$2,754,333*	*$3,219,762*	*$1,623,051*	*$488,144*	

prepared by Cindy Johnson, Colorado State Treasury 303-866-4948
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9/11/09
CURRENT INTEREST CALCULATION

FY 2010 **AUGUST 2009**
Factor 0.001987
ANNUALIZED RATE: 2.38%
NL=not listed on COFRS Average Daily Balance Report

T#	AGENCY NAME	ACCOUNT NAME	FUND	AGENCY	REPORTING CATEGORY & misc notes	AUGUST 2009 COFRS Average Balance	Interest Due	General Fund	Interest Due to Pay AUGUST 2009	**INTEREST PAID Agency**
1	CAPITAL CONSTRUCTION	Capital Construction	461	999		164,427,414.20	326,717.00	0.00	326,717.00	326,717.00
468	HIGHER EDUCATION	Federal Mineral Lease-Reserve Fund	23M	GAA		62,232.01	124.00	0.00	124.00	124.00
469	HIGHER EDUCATION	Federal Mineral Lease-Revenue Fund	23R	GAA		34,145,406.41	67,847.00	0.00	67,847.00	67,847.00

CAPITAL CONSTRUCTION FUND
ANALYSIS OF FUND BALANCE AVAILABLE FOR APPROPRIATION
AS OF JUNE 30, 2009
(Amounts in Thousands of $)

Fiscal Year 2008-09

Net Assets				
Beginning Fund Balance July 1, 2008			$389,701,736	
Fiscal Year 2008-09 Actual Revenues				
Cash Transfers from Other Funds:				
CRS 24-75-218 from the General Fund Surplus		$14,482,333		
HB04-1021	$11,069,467			
HB06-1011	$523,164			
HB06-1145	$26,158			
HB06-1326	$462,128			
HB07-1326	$150,198			
HB08-1115	$125,165			
HB08-1194	$125,165			
HB08-1352	$2,127,805			
SB06-206	$392,373			
SB06-207	$392,373			
SB06S-004	$69,755			
SB07-096	$325,429			
SB08-239	$125,165			
CRS 24-75-302(2)(u) from the General Fund		$15,914,345		
CRS 24-75-302(2.5)(d) from the Exempt Account within the General Fund		$9,000,000		
Total Cash Transfers from Other Funds			$39,396,678	
Correction of Rollforward Reserve Error by Department of Law			$19,181	
HB07-1040 Forfeited Personal Recognizance Bond Revenue			$5,425	
Interest Income Earned in Fiscal Year 2008-09			$9,956,357	
Total Resources Available for Fiscal Year 2008-09			$439,079,377	30.0
Appropriation of Net Assets		$0		
Prior Years' Appropriations Carried Forward Into Fiscal Year 2008-09			($226,859,983)	51.0
17-1-152. Appropriation to comply with section 2-2-703 - HB 04-1021.	($69,467)			
17-1-153. Appropriation to comply with section 2-2-703 - SB 06-207.	($392,373)			
17-1-155. Appropriation to comply with section 2-2-703 - HB 06-1011.	($523,164)			
17-1-156. Appropriation to comply with section 2-2-703 - HB 06-1045.	($26,158)			
17-1-157. Appropriation to comply with section 2-2-703 - HB 06-1326.	($462,128)			
17-1-158. Appropriation to comply with section 2-2-703 - SB 06-206.	($392,373)			
17-1-160. Appropriation to comply with section 2-2-703 - SB 06S-004.	($69,755)			
17-1-163. Appropriation to comply with section 2-2-703 - HB 07-1040.	($949,747)			
17-1-164. Appropriation to comply with section 2-2-703 - SB07- 096	($325,429)			
17-1-165. Appropriation to comply with section 2-2-703 - HB07-1326	($150,198)			
17-1-116 Appropriations to comply with section 2-2-703- HB08-1194	($125,165)			
17-1-116 Appropriations to comply with section 2-2-703- HB08-1115	($125,165)			
17-18-101 Appropriation to comply with section 2-2-703- HB08-1352	($2,127,805)			
17-1-116 Appropriation to comply with section 2-2-703- SB08-239	($125,165)			
Prior Year Appropriations to the Corrections Expansion Reserve CRS 17-1-146 through 17-1-165		($5,864,092)		
HB08-1375 - Fiscal Year 2008-09 Long Bill		($180,574,268)		
SB09-280 2009 Session Supplemental Reduction to the Fiscal Year 2008-09 Long Bill		$62,836,327		
SB09-280 2009 Session Supplemental Increase for Higher Education FML COPs in Fiscal Year 2008-09 L		($26,649,232)		
Total Fiscal Year 2008-09 Appropriations			($150,251,265)	
SB09-280 2009 Session Supplemental Reduction to the Fiscal Year 2006 to Fiscal Year 2008 Appropriations			$19,286,313	
HB07-1040 Unfunded Appropriation Related to Forfeited Personal Recognizance Bond Revenue Not Realized			$944,322	
Appropriation Reversions from Completed Projects			$1,190,530	
Reversions- Projects closing at the end of Fiscal Year 2008-09 (Identified mid year in Project Freeze)			$452,259	
Available Net Assets at the End of Fiscal Year 2008-09			$83,841,553	390.0

<u>Fiscal Year 2009-10</u>

Estimated Revenues					
Fiscal Year 2009-10 Estimated Revenues					
Cash Transfers-In from the General Fund:					
HB06-1011	523,164				
HB06-1145	43,597				
HB07-1326	75,099				
HB08-1194	12,517				
SB06-206	523,164				
SB06-207	523,164				
SB07-096	150,198				
SB08-239	125,165				
Transfers to Comply with CRS 2-2-703 reported in CRS 24-75-302(v)		$1,976,068			
HB07-1040 Forfeited Personal Recognizance Bond Revenue		$778,265		Not a real transfer, revenue estim	
Total Estimate Revenues			$2,754,333		345.0
Appropriations				OSPB check	
SB09-259 Fiscal Year 2009-10 Long Bill		($50,659,524)			$50,659,524
17-1-153. Appropriation to comply with section 2-2-703 - SB 06-207.	(523,164)				
17-1-155. Appropriation to comply with section 2-2-703 - HB 06-1011.	(523,164)				
17-1-156. Appropriation to comply with section 2-2-703 - HB 06-1145.	(43,597)				
17-1-158. Appropriation to comply with section 2-2-703 - SB 06-206.	(523,164)				
17-1-163. Appropriation to comply with section 2-2-703 - HB 07-1040.	(778,265)				
17-1-164. Appropriation to comply with section 2-2-703 - SB07- 096	(150,198)				
17-1-165. Appropriation to comply with section 2-2-703 - HB07-1326	(75,099)				
17-1-116 Appropriations to comply with section 2-2-703- HB08-1194	(12,517)				
17-1-116 Appropriation to comply with section 2-2-703- SB08-239	(125,165)			OSPB Check	
Appropriation to Comply with CRS 2-2-703 reported in CRS 24-75-302		($2,754,333)			$2,754,333
SB09-279 Augmentation of the General Fund		($28,054,476)			
Total Fiscal Year 2009-10 Appropriations			($81,468,333)		(360.0)
Amount Available for Appropriation in Fiscal Year 2010-11			$5,127,553		53,414,348.0

Analysis of Sources of Current Amount Available for Appropriation:			
Previous Amount Reported as Available for Appropriation		$206,000	
Adjustments to the FY05-06 Amount Available Report:			
Unsupported FY2007-08 use of Fund Balance		($88,580)	
		$0	0.0
Variance between Estimated Revenues and Actuals:			
Actual Interest in FY 2008-09 Less Than Estimated ($8.1 million per Long Bill)		$1,856,357	
FY2007-08 Reduction of the Unrealized Loss on Treasurer's Pooled Cash (Increased Beginning Unreserved Fund Balance)		$2,169,246	
Appropriation Reversions in FY08-09		$1,190,530	
Net Appropriation Variances:			
Appropriation of the Fund Balance			
Total Net Appropriation Variances		($206,000)	
Amount Available for Appropriation in Fiscal Year 2010-11	$0	**$5,127,553**	

STATE OF COLORADO
OFFICE OF THE STATE CONTROLLER
REPORTING AND ANALYSIS SECTION
REPORT OF REVENUES AND EXPENDITURES BY PERIOD FOR FY 2007-08 FUND 461
DATED 09/11/2009

Sum of AMOUNT		PERIOD													
FUND	NAME	01	02	03	04	05	06	07	08	09	10	11	12	13	Grand Total
461	EXPENDITURES	$12,332,746	$20,952,675	$30,948,908	$36,806,842	$23,591,837	$30,303,115	$27,136,040	$47,532,055	$29,449,106	$29,823,840	$32,496,143	$98,401,793	$27,488,265	$447,263,365
	REVENUES	($9,812,338)	($50,731,971)	($103,965,446)	($30,436,202)	($15,301,637)	($19,418,529)	($10,726,332)	($20,850,202)	($15,191,264)	($13,439,239)	($17,684,112)	($101,484,037)	($33,573,503)	($442,614,811)
461 Total		$2,520,408	($29,779,295)	($73,016,538)	$6,370,640	$8,290,199	$10,884,586	$16,409,708	$26,681,853	$14,257,842	$16,384,601	$14,812,031	($3,082,244)	($6,085,238)	$4,648,554

Percent of Total Expended	2.76%	4.68%	6.92%	8.23%	5.27%	6.78%	6.07%	10.63%	6.58%	6.67%	7.27%	22.00%	6.15%
Average	7.69%												
Average 1st 3	5.22%												
Average last	10.52%												

STATE OF COLORADO
OFFICE OF THE STATE CONTROLLER
REPORTING AND ANALYSIS SECTION
REPORT OF REVENUES AND EXPENDITURES BY PERIOD FOR FY 2008-09 FUND 461
DATED 09/11/2009

Sum of AMOUNT		PERIOD													
FUND	NAME	01	02	03	04	05	06	07	08	09	10	11	12	13	Grand Total
461	EXPENDITURES	$23,369,778	$26,466,434	$48,363,339	$33,415,731	$23,319,312	$47,533,343	$32,023,027	$29,595,109	$25,227,254	$36,270,030	$50,508,179	$55,045,101	$7,066,972	$438,203,608
	REVENUES	($33,412,101)	($2,146,136)	($26,970,216)	($15,948,049)	($10,482,115)	($20,722,059)	($15,503,834)	($9,375,057)	($12,370,957)	($23,874,908)	($11,098,496)	($26,016,319)	($23,590,757)	($231,511,003)
461 Total		($10,042,323)	$24,320,299	$21,393,123	$17,467,682	$12,837,197	$26,811,284	$16,519,193	$20,220,052	$12,856,297	$12,395,122	$39,409,683	$29,028,781	($16,523,785)	$206,692,604

Percent of Total Expended	5.33%	6.04%	11.04%	7.63%	5.32%	10.85%	7.31%	6.75%	5.76%	8.28%	11.53%	12.56%	1.61%
Average	7.69%												
Average 1st 3	7.34%												
Average last	8.49%												

Both Years	Percent of Total Expended	4.03%	5.36%	8.96%	7.93%	5.30%	8.79%	6.68%	8.71%	6.17%	7.46%	9.37%	17.33%	3.90%
	Average	**7.69%**												
	Average 1st 3	6.88%												
	Average last	8.49%												

Higher Education Federal Mineral Lease Revenues Fund Spillover Projection for SB 08-233 Annual Payments September 2009						
Fiscal Year	**Spillover Projection**	**Annual Payments**	**FY 2009-10 Transfer of Expense Funds to Revenues Fund for use in FY 2011-12***	**Net**	**Interest**	**Final Projected Balance**
September 2009 Balance				$34,145,406		$34,145,406
FY 2009-10	$0	$16,652,725	$5,000,000	$22,492,681	$449,854	$22,942,535
FY 2010-11	$0	$16,654,550	$0	$6,287,985	$125,760	$6,413,745
FY 2011-12	$0	$16,653,475	$0	($10,239,730)	$0	($10,239,730)
FY 2012-13	$1,347,093	$16,652,575	$0	($25,545,212)	$0	($25,545,212)

*This action is directed by the Treasurer to the Trustee and does not require legislative action. Funds are available in the Treasurer's FML COP Expense Fund in the amount of $5 million. That funds contains $5,141,059 that is used for administrative costs (approximately $141,000 left for this purpose) and higher education capital construction as required by Bond Forms and IRS code.

Higher Education Federal Mineral Lease Maintenance and Reserve Fund Projection for Higher Education Controlled Maintenance September 2009			
Fiscal Year	**Spillover Projection**	**Interest Available for Controlled Maintenance**	**Accruing Total**
FY 2009-10	$3,757,017	$75,140	
FY 2010-11	$2,761,510	$55,230	$130,371
FY 2011-12	$2,499,065	$56,229	$186,599
FY 2012-13	$3,456,432	$86,411	$273,010

Assumes no balance at the beginning of FY 2009-10 due to budget balancing actions in FY 2008-09

Due to volatility in the projection, and the low amount of funds projected for higher education controlled maintenance, OSPB recommends waiting to plan to spend the funds until actual balance is built at the end of FY 2010-11.

Statewide Capital Appropriations
FY 2009-10

Bill #	Department	Division or Institution	Project	Type	CCF	CF	FF	TF
SB 09-259	Corrections	Colorado State Penitentiary II	Lease Purchase of Colorado State Penitentiary II	CC	$8,175,782	$5,766,568	$0	$13,942,350
1331	Higher Ed	University of Colorado at Boulder	Health and Wellness Center	CC	$0	$37,720,827	$0	$37,720,827
1331	Higher Ed	University of Colorado at Boulder	Systems Biotechnology Building	CC	$0	$120,121,152	$15,000,000	$135,121,152
SB 09-259	Higher Ed	University of Colorado at Denver and Health Sciences Center	Lease Purchase of Academic Facilities at Fitzsimons	CC	$5,142,063	$8,000,000	$0	$13,142,063
SB 09-259	Higher Ed	Colorado Historical Society	Regional Museum Preservation Projects	CC	$0	$600,000	$762,878	$1,362,878
SB 09-259	Labor		251 East 12th Avenue, Roof Replacement	CC	$0	$0	$475,832	$475,832
SB 09-259	Military and Veterans Affairs	Fort Lupton Readiness Center	Construction	CC	$5,661,451	$0	$9,728,610	$15,390,061
SB 09-259	Revenue	Not Applicable	Colorado Integrated Tax Architecture Upgrade	CC	$7,444,907	$0	$0	$7,444,907
SB 09-259	Corrections	Colorado State Penitentiary II	High Custody Expansion	CC	$0	$2,000,000	$0	$2,000,000
SB 09-259	Agriculture	Colorado State Fair	Colorado State Fair, Repair/Replace Secondary Electrical Infrastructure	CM	$709,680	$0	$0	$709,680
SB 09-259	Corrections	Buena Vista Correctional Complex	Electrical System Improvements	CM	$572,167	$0	$0	$572,167
SB 09-259	Corrections	Colorado Territorial Correctional Facility and Arkansas Valley Correctional Facility	Assess Electrical System	CM	$310,594	$0	$0	$310,594
SB 09-259	Corrections	Colorado Territorial Correctional Facility and Buena Vista Correctional Facility	Replace Roofs	CM	$970,456	$0	$0	$970,456
SB 09-259	Corrections	Colorado Territorial Correctional Facility	Replace Handicapped-Accessible Ramp	CM	$281,734	$0	$0	$281,734
SB 09-259	Corrections	Fort Lyon Correctional Facility	Abate Asbestos	CM	$488,693	$0	$0	$488,693
SB 09-259	Corrections	Limon Correctional Facility and Arkansas Valley Correctional Facility	Replace Kitchen Drain Line	CM	$795,388	$0	$0	$795,388
SB 09-259	Higher Ed	Mesa State College	Tomlinson Library, Repair Roof	CM	$355,332	$0	$0	$355,332
SB 09-259	Higher Ed	Western State College	Repair / Replace Electrical Power Distribution	CM	$359,683	$0	$0	$359,683
SB 09-259	Higher Ed	Colorado State University at Fort Collins	Main Campus, Improve Sanitary Sewer	CM	$697,840	$0	$0	$697,840
SB 09-259	Higher Ed	Colorado State University at Fort Collins	Multiple Buildings, Replace Environmental Control Systems	CM	$377,134	$0	$0	$377,134
SB 09-259	Higher Ed	Colorado State University at Fort Collins	Replace Deteriorating Steam and Condensate North Line	CM	$1,430,327	$0	$0	$1,430,327
SB 09-259	Higher Ed	University of Colorado at Boulder	Henderson Building, Construct Enclosed Stair Towers	CM	$1,596,097	$0	$0	$1,596,097
SB 09-259	Higher Ed	University of Colorado at Boulder	Ramaley and Macky Buildings, Upgrade Fire Suppression	CM	$871,530	$0	$0	$871,530
SB 09-259	Higher Ed	Colorado School of Mines	Alderson Hall, Replace Roof	CM	$599,294	$0	$0	$599,294

Bill #	Department	Division or Institution	Project	Type	CCF	CF	FF	TF
SB 09-259	Higher Ed	University of Northern Colorao	Butler Hancock, Candelaria, and McKee Halls, Re-roof	CM	$760,136	$0	$0	$760,136
SB 09-259	Higher Ed	Arapahoe Community College	Replace Energy Management Control Systems	CM	$901,016	$0	$0	$901,016
SB 09-259	Higher Ed	Pikes Peak Community College	Aspen and Breckenridge Buildings, Replace HVAC Conrol Sysems and Rooftop Air Handling Units	CM	$1,197,841	$0	$0	$1,197,841
SB 09-259	Higher Ed	Pueblo Community College	Center for New Media Building, Install Fire Alarm and Upgrade HVAC and Electrical System	CM	$665,927	$0	$0	$665,927
SB 09-259	Higher Ed	Red Rocks Community College	West Building, Replace Roof	CM	$378,766	$0	$0	$378,766
SB 09-259	Higher Ed	Trinidad State Junior College	Banta Building, Replace Boilers, Windows, and Elevator and Upgrade Duct System	CM	$652,500	$0	$0	$652,500
SB 09-259	Higher Ed	Trinidad State Junior College	Replace Main Communications Line	CM	$77,500	$0	$0	$77,500
SB 09-259	Higher Ed	Auraria Higher Education Center	Art Building, Repair / Replace Indoor Air Quality, Window, and HVAC	CM	$1,078,986	$0	$0	$1,078,986
SB 09-259	Higher Ed	Colorado Historical Society	Osier Section House, Repair / Replace Foundation and Drainage	CM	$175,000	$0	$0	$175,000
SB 09-259	Higher Ed	Colorado Historical Society	Regional Museums, Upgrade Security	CM	$302,456	$0	$0	$302,456
SB 09-259	Human Services	Colorado Mental Health Institute at Fort Logan	Replace Emergency Generator and Auto Transfer Switches	CM	$1,432,241	$0	$0	$1,432,241
SB 09-259	Human Services	Colorado Mental Health Institute at Pueblo	Repair / Replace Campus Tunnel and Utility Infrastructure System	CM	$758,167	$0	$0	$758,167
SB 09-259	Human Services	Grand Junction Regional Center Group Homes	Replace HVAC Systems	CM	$875,497	$0	$0	$875,497
SB 09-259	Military and Veterans Affairs	Canon City Armory	Improve Fire Safety and Update Building Systems	CM	$849,000	$0	$0	$849,000
SB 09-259	Personnel	Not Applicable	Emergency Controlled Maintenance	CM	$2,000,000	$0	$0	$2,000,000
SB 09-259	Personnel	Not Applicable	Executive Residence, Install Fire Alarm and Sprinkler System	CM	$583,000	$0	$0	$583,000
SB 09-259	Personnel	Not Applicable	Legislative Services Building, Repair Main Electrical Vault	CM	$669,500	$0	$0	$669,500
SB 09-259	Personnel	Not Applicable	State Capitol Building, Repair / Replace Interior Door Hardware	CM	$277,750	$0	$0	$277,750
SB 09-259	Public Health	Not Applicable	Reconfigure Emergency Power System	CM	$184,089	$0	$0	$184,089
TOTALS					**$50,659,524**	**$174,208,547**	**$25,967,320**	**$250,835,391**