STATE OF COLORADO

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Bill Ritter Jr.
Governor

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Director

MEMORANDUM

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

FROM: Office of State Planning and Budgeting

DATE: December 18, 2009

SUBJECT: ***December 2009 Revenue Forecast***

This memorandum presents the December 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.

DECEMBER 2009 OSPB FORECAST HIGHLIGHTS

- With the inclusion of Governor Ritter's August 25 and December 1 budget balancing proposals, this OSPB forecast reflects that **sufficient General Fund is available to support requested spending authority for FY 2009-10.**

  For FY 2010-11, General Fund available for appropriation is anticipated to increase above FY 2009-10 levels while maintaining the 2.0 percent General Fund reserve requirement as requested by the Governor on November 6.

- **Gross General Fund revenues in FY 2009-10 are projected to decrease 0.7 percent** (or $49.7 million) from prior year levels. This reduction in total State revenues is largely the result of declining individual income tax collections which are projected to contract by 1.9 percent. These reductions are being buffered slightly by a projected 0.5 percent increase in sales tax collections; however, much of that increase can be attributed to legislative actions taken during the 2009 session, including the elimination of the vendor administrative fee and the cigarette tax credit.

- **FY 2009-10 cash fund revenues are forecast to decrease 8.9 percent** (or $212.9 million) from the prior fiscal year. Three significant adjustments were made to TABOR-related cash fund revenue based on 2009 legislation: 1) omission of unemployment related cash funds due to HB 09-1363; 2) addition of hospital provider fee revenues associated with HB 09-1293; and 3) addition of vehicle registration fees pursuant to SB 09-108. Severance tax revenues are also forecast to decline rapidly in this year (by 80.9 percent), due to revised prices in natural gas and the delayed impact of the ad valorem tax credit.

- Under the provisions of Referendum C, the State is 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 projected to be the highest revenue levels during the time-out period of Referendum C.

DECEMBER 2009 OSPB FORECAST HIGHLIGHTS (CONTINUED)

- 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 $161.6 million and $40.4 million, respectively.

  In addition, because personal income growth in Colorado is projected to equal 5.4 percent 2012, the State is anticipated to **increase the General Fund reserve requirement from 4.0 percent to 4.5 percent in FY 2012-13.**

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 as they relate to the Governor's budget balancing proposals submitted on August 25 and December 1, 2009.

GENERAL FUND OVERVIEW – TABLE 1

Table 1 presents the General Fund Overview for the December 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 6. 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. These two lines include all impacts associated with previously approved legislation as well as proposed legislative changes to revenues, as outlined in the tables following Table 1. Line 5 summarizes transfers both into and out of the General Fund.

Lines 7 through 15 summarize the amount of allowable General Fund appropriations based on the limit specified in 24-75-201.1 (1)(a)(II), C.R.S. (2009). 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 7 and 8 reflect the General Fund appropriation limit and the forecasted variance from the limit based on projected revenues. For FY 2009-10, line 9 reflects the current General Fund appropriation of $7,456.6 million, less an approved 1331 Supplemental request that was submitted to the Joint Budget Committee on June 22, 2009 which refinanced $45.4 million General Fund within the Department of Corrections with ARRA federal funds.

Lines 10 and 11 are new to this table and represent current budget balancing proposals from the Governor for both FY 2009-10 and FY 2010-11. Based on the Governor's recent budget balancing proposals submitted on August 25 and December 1 for FY 2009-10, requested General Fund expenditures under the limit equal $6,622.6 million; similar requested expenditures for FY 2010-11 equal $6,951.8 million. Based on this updated OSPB forecast, requested expenditure levels are below projected available revenues (line 13).

Lines 16 through 24 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. (2009). It should be noted that the total on line 17 must be funded *prior* to funding General Fund appropriations under the limit. Line 21 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 $40.4 million and $161.6 million will be transferred from the General

Fund to the Capital Construction Fund and Highway Users Tax Fund, respectively (lines 21 and 22).

Lastly, line 24 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 lines 10 and 11, as reductions to General Fund expenditures. Based on its actual unemployment rate, Colorado is eligible to receive the highest amount of federal financial participation possible under provisions in the American Recovery and Reinvestment Act for FY 2009-10.

The final section of Table 1 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 28) must always equal the statutorily defined percentage of that year's General Fund appropriations (line 13). For FY 2008-09 and FY 2009-10, this reserve percentage was reduced from 4.0 percent to 2.0 percent, and a similar 2.0 percent reserve is requested by the Governor for FY 2010-11. All excess General Fund (line 26) is 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 30 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 1
General Fund Overview
(Dollar Amounts in Millions)

Line No.		FY 2008-09	December 2009 Estimate by Fiscal Year FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Revenue						
1	**Beginning Reserve**	**$283.5**	**$440.0**	**$135.1**	**$142.0**	**$294.2**
2	**Gross General Fund Revenue**	**$6,737.8**	**$6,688.1**	**$7,238.6**	**$7,720.1**	**$8,079.6**
3	*General Fund*	*$6,737.8*	*$6,688.1*	*$7,084.4*	*$7,140.0*	*$7,385.1*
4	*General Fund Exempt*	*$0.0*	*$0.0*	*$154.2*	*$580.1*	*$694.5*
5	**Net Transfers to/(from) the General Fund**	**$805.0**	**($88.0)**	**$13.7**	**($4.0)**	**($8.0)**
6	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$7,826.3**	**$7,040.1**	**$7,387.5**	**$7,858.1**	**$8,365.8**
Expenditures						
7	*Allowable General Fund Appropriation Limit /A*	*$7,546.9*	*$10,616.0*	*$10,345.0*	*$10,410.0*	*$10,795.0*
8	*Total Allowable General Fund Appropriation Limit not Supported by Revenues*	*($159.7)*	*($3,860.1)*	*($3,247.5)*	*($3,054.3)*	*($3,250.8)*
9	*Current Appropriation Subject to Limit /B*	*$7,387.1*	*$7,411.2*	*N/A*	*N/A*	*N/A*
10	*Executive Budget Balancing Impact on Expenditures Under the Limit*	*N/A*	*($788.6)*	*N/A*	*N/A*	*N/A*
11	**Executive Request for Expenditures Under the Limit**	**N/A**	**$6,622.6**	**$6,951.8**	**N/A**	**N/A**
12	*Current Request that is (Above) Below Projected Revenues*	*$0.0*	*$133.3*	*$145.7*	*N/A*	*N/A*
13	**General Fund Appropriations That Can Be Supported by Revenues**	**$7,387.1**	**$6,755.9**	**$7,097.5**	**$7,355.7**	**$7,544.2**
14	*Dollar Change (from prior year)*	*$299.3*	*($631.2)*	*$341.6*	*$258.1*	*$188.5*
15	*Percent Change (from prior year)*	*4.2%*	*-8.5%*	*5.1%*	*3.6%*	*2.6%*
16	**Exemptions to Limit**	**$12.2**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
17	**Spending Outside Limit**	**$201.1**	**$149.0**	**$148.0**	**$208.3**	**$482.2**
18	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
19	*Rebates and Expenditures /C*	*$136.0*	*$145.6*	*$137.7*	*$157.7*	*$163.5*
20	*Homestead Exemption*	*$85.6*	*$1.4*	*$1.6*	*$1.8*	*$110.4*
21	*Transfers to Capital Construction /D*	*$24.9*	*$2.0*	*$8.7*	*$48.7*	*$46.6*
22	*Transfers to Highway Users Tax Fund /E*	*N/A*	*N/A*	*N/A*	*N/A*	*$161.6*
23	*Reversions and Accounting Adjustments*	*($45.4)*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
24	**Enhanced Medicaid Match (reduces GF expenditures)**	**($214.1)**	**N/A**	**N/A**	**N/A**	**N/A**
25	**TOTAL GENERAL FUND OBLIGATIONS**	**$7,386.3**	**$6,905.0**	**$7,245.5**	**$7,563.9**	**$8,026.3**
Reserves						
26	**Year-End Excess General Fund Balance**	**$440.0**	**$135.1**	**$142.0**	**$294.2**	**$339.5**
27	*Year-End Excess General Fund as a % of Appropriations*	*6.0%*	*2.0%*	*2.0%*	*4.0%*	*4.5%*
28	**General Fund Statutory Reserve /F**	**$148.2**	**$135.1**	**$142.0**	**$294.2**	**$339.5**
29	**Excess Monies Above (Below) Statutory Reserve**	**$291.7**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
30	*Addendum: State Education Fund (one-third of 1% of Colorado taxable income)*	*$339.9*	*$329.2*	*$354.3*	*$386.1*	*$407.5*

/A FY 2008-09 reflects the previous year's exempt and non-exempt General Fund appropriations (rows 13 and 16) plus six percent. Per SB 09-228, this limit is revised to 5.0% of personal income beginning July 1, 2009.

/B 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". For FY 2008-09, as similar adjustment was made to include the June 22 Emergency Supplemental for Judicial. Beginning in FY 2009-10, this line also includes the impact associated with greater federal financial participation from an enhanced Medicaid match (previously shown on line 24).

/C 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.

/D 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.

/E 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.

/F 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. Finally, the Governor's FY 2010-11 Budget Request includes continuation of a 2% reserve requirement for FY 2010-11.

Recent and Newly Proposed Legislation - Sales / Use Tax 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 Exemption)	N/A	$31.0	$32.0	N/A	N/A
SB 09-121 (Restaurant Employee Meal Tax Exemption)	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
Requested 11/06/2009 - Suspend Exemption for Direct Mail Advertising	N/A	N/A	$1.5	$1.5	$1.5
Requested 11/06/2009 - Suspend Exemption for Industrial/Manufacturing Energy Use	N/A	N/A	$48.0	$48.0	$0.0
Requested 11/06/2009 - Eliminate Exemption for Non-Essential Food Containers	N/A	N/A	$2.1	$2.1	$2.1
Requested 11/06/2009 - Eliminate Exemption for Candy and Soft Drinks	N/A	N/A	$17.9	$17.9	$17.9
Requested 11/06/2009 - Suspend Agricultural Compounds / Bull Semen Exemptions	N/A	N/A	$1.5	$1.5	$1.5
Requested 11/06/2009 - Suspend Exemption for Pesticides	N/A	N/A	$2.9	$2.9	$2.9
Requested 11/06/2009 - Enforce Sales Tax Collections for Online Purchases	N/A	N/A	$5.0	$5.0	$5.0
Requested 11/06/2009 - Eliminate Software Exemption	N/A	N/A	$15.0	$15.0	$15.0
Total Sales / Use Tax Revenue Impact	**$12.5**	**$99.7**	**$197.7**	**$112.3**	**$41.3**

Recent and Newly Proposed Legislation - Individual Income Tax 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 Fuel Efficient Vehicles)	N/A	$1.8	$5.2	$1.9	$1.0
Requested 11/06/2009 - Revise Alternative Fuel Vehicle Credits	N/A	N/A	$1.3	$2.5	$2.5
Requested 11/06/2009 - Limit Gross Conservation Easement Credits	N/A	N/A	$13.0	$26.0	$26.0
Requested 11/06/2009 - Elimination of Alternative Minimum Tax and Tax Credit	N/A	N/A	$2.5	$5.0	$5.0
Total Individual Income Tax Revenue Impact	**$0.0**	**$8.9**	**$36.8**	**$51.0**	**$52.0**

Recent and Newly Proposed Legislation - Corporate Income Tax 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
Requested 11/06/2009 - Limit Enterprise Zone Investment Tax Credit to $250,000	N/A	N/A	$4.5	$8.9	$8.9
Requested 11/06/2009 - Limit Net Operating Loss to $250,000	N/A	N/A	$16.8	$33.5	$33.5
Total Corporate Income Tax Revenue Impact	**$0.0**	**($0.6)**	**$15.2**	**$31.5**	**$23.8**

Recent and Newly Proposed Legislation - 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**

Summary of Transfers In/(Out) of General Fund	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	$2.4	$1.2	$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
Requested 11/06/2009 - Additional Transfers from Cash Funds	$0.0	$37.5	$0.0	$0.0	$0.0
Requested 12/01/2009 - Additional Transfers from CCF and CERF	$0.0	$16.8	$0.0	$0.0	$0.0
Requested 12/01/2009 - Additional Transfers from FML Revenues Fund	$0.0	$0.0	$7.0	$0.0	$0.0
Requested 11/06/2009 - Additional Transfers from DOR and DPS Programs	$0.0	$0.0	$9.5	$0.0	$0.0
Total Transfers	**$805.0**	**($88.0)**	**$13.7**	**($4.0)**	**($8.0)**
** An additional $9,844,669 in SB 09-264 transfers was also accounted for through reduced General Fund expenditures for FY 2008-09.*					

Budget Implications of the Forecast

Appropriations

FY 2009-10

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 an estimated budget shortfall of $318.0 million. Based on continued decline in estimated revenues published September 21, the Governor submitted an additional budget balancing package of $271.4 million on December 1. Both balancing packages included a combination of revenue enhancements and reductions to expenditures under and outside the General Fund spending limitation outlined in 24-75-201.1 (1)(a)(II), C.R.S. (2009).

Based on this December OSPB forecast, August 25 and December 1 proposals submitted by the Governor have resulted in sufficient expenditure reductions to maintain a balanced FY 2009-10 budget. Current revenue projections indicate that revenue collections may be $133.3 million over what the Governor has requested (line 12 on Table 1). However, due to the sizable amount of State revenue received in last few months of the fiscal year (surrounding the annual April 15 tax filing deadline), the Governor continues to be cautious regarding General Fund spending. Expenditures under the limit are currently requested at $6,622.6 million, a decrease of $788.6 million from the current FY 2009-10 appropriation of $7,411.2 million[1], and a decrease of 7.6 percent from FY 2008-09 appropriations of $7,173.0 million (after adjusting for the $214.1 million in enhanced federal financial participation for Medicaid in that year).

FY 2010-11

Based on updated OSPB revenue projections, FY 2010-11 expenditures under the limit as defined in 24-75-201.1 (1)(a)(II), C.R.S. (2009) could be appropriated as high as $7,097.5 million (line 13 on Table 1). This represents an increase of $341.6 million (5.1 percent) over the estimated maximum of $6,755.9 million for similar expenditures in FY 2009-10, and $145.7 million over the Governor's November FY 2010-11 Budget Request. Just as is the case with FY 2009-10, the Governor will proceed cautiously when requesting spending authority for the upcoming fiscal year.

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. Pursuant to SB 09-228, given current projections for personal income growth in Colorado for 2012 equal to 5.2 percent, the Highway Users Tax Fund is forecast to receive additional transfers from the General Fund equal to 2.0 percent of gross General Fund revenues (projected at $161.6 million) beginning FY 2012-13.

[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".

Finally, with the passage of SB 09-108, cash fund revenues for transportation have also been bolstered in the near term, through surcharges applied to future vehicle registrations, to help fund the needed improvements to Colorado's infrastructure.

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 requirements of SB 09-228. Capital needs that are not met through the implementation of SB 09-228 will require additional General Fund transfers, as is anticipated for FY 2012-13 (line 21 on Table 1).

Projected Impact of SB 09-228 (in $ millions)	FY 2012-13
Projected General Fund Revenues	**$8,079.6**
Amount to Transfer to the Highway Users Tax Fund	**$161.6**
Percent of Projected General Fund Revenues	*2.0%*
Amount to Transfer to the Capital Construction Fund*	**$40.4**
Percent of Projected General Fund Revenues	*0.5%*

**Transfers pursuant to SB 09-228 do not equate to the total amount required in FY 2012-13 as construction obligations are projected to exceed this minimum level transfer requirement.*

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, relatively flat energy costs, and reduced demand for nonresidential rentable space, this forecast anticipates overall annual deflation of 1.2 percent for 2009. This is an important point as changes in consumer prices for 2009 influence the statutorily defined minimum rate of growth in per pupil funding for FY 2010-11. Additionally, because personal income in Colorado is projected to decline by 2.6 percent in 2009 (after a substantial restatement of historical data by the federal Bureau of Economic Analysis), the 5.0 percent General Fund maintenance of effort requirement for K-12 total program will be suspended for FY 2010-11.

Referendum C

Under the provisions of Referendum C, the State is projected to retain $3.6 billion between FY 2005-06 and FY 2009-10. As TABOR revenues are forecast to remain well 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.

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. Significant 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 the inclusion of fees collected from hospital providers, as authorized under HB 09-1293. Other existing General Fund revenue sources are anticipated to see an increase if certain tax exemptions and credits are suspended or eliminated as requested in the Governor's recent budget balancing proposals.

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

Sales and Use Taxes

Following substantial losses in sales and use tax revenue collections for FY 2008-09 (down 9.1% from the prior year), FY 2009-10 excise tax collections remain sluggish, reflective of reduced consumer demand from high unemployment and reduced wages – factors that also negatively influenced prices. And while consumer confidence has increased to 49.5 points in November 2009, up from its recent low of 25.3 back in February, the amount, type and cost of purchases made in FY 2009-10 are not anticipated to generate revenues equal to receipts received in FY 2008-09, until considering 2009 legislative changes.

Prior to the associated impacts from HB 09-1342 (Cigarette Sales Tax Exemption) and SB 09-212 and SB 09-275 (Vendor Fee Allowance), FY 2009-10 excise taxes are projected to decline by 4.2 percent from already reduced collection levels in FY 2008-09. However, with the inclusion of the above legislative changes, this OSPB forecast anticipates that combined sales and use tax revenue for FY 2009-10 will remain relatively flat from FY 2008-09 collections, declining 0.6 percent.

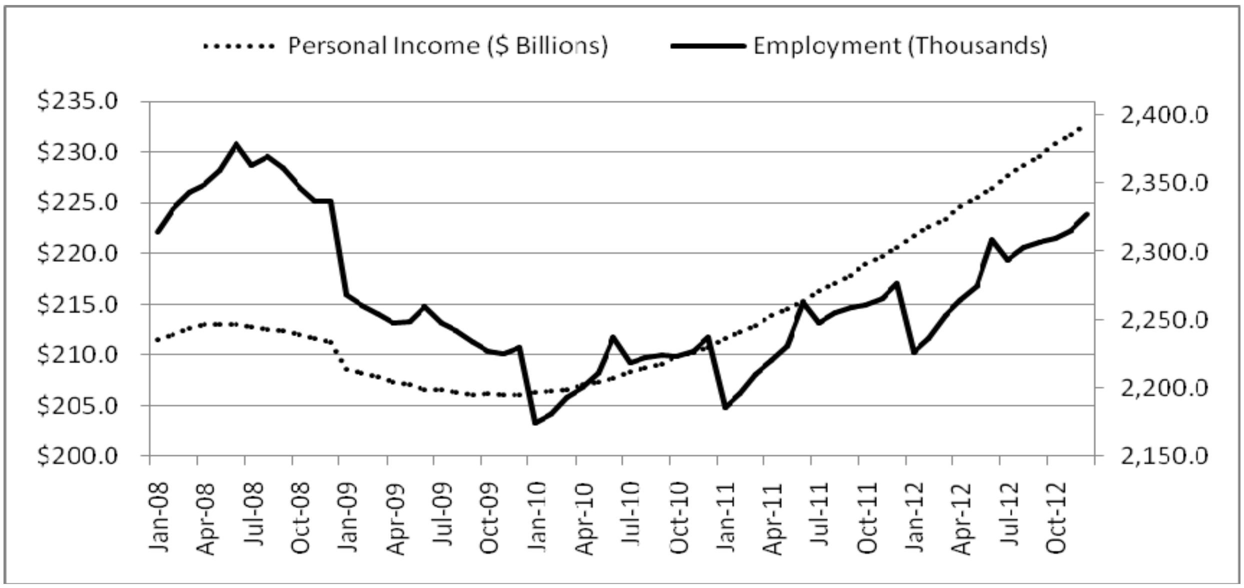
In early to mid 2010, with the return of job growth (albeit at a slow pace) and as wages and other sources of personal income begin to rise and enable greater consumer spending, Colorado is anticipated to experience increased demand for goods and services. Coupled with recent high rates of savings and the increased need for replacement items, sales tax revenues are anticipated to improve by roughly 5.8 percent in FY 2010-11. These receipts will be further increased if new legislative proposals submitted by the Governor are adopted, including suspension of the energy use tax exemption for manufacturing and industrial use, and the elimination of tax exemptions for candy, soft drinks and software. With the inclusion of these proposed budget balancing measures, sales and use tax collections are anticipated to rise 10.8 percent from FY 2009-10.

Beyond FY 2010-11, as certain suspensions of tax exemptions and credits expire, and as the economy continues its recovery process, overall sales and use tax collections are anticipated to increase at a more conservative rate of 3.0 percent to 4.0 percent per year.

Individual and Corporate Income Taxes

Nearly two-thirds of all State tax receipts result from individual income tax collections; and as such, job growth and personal income are the two most significant economic drivers for Colorado State revenues. Just as the combination of a reduced workforce and income drove FY 2008-09 individual income tax revenues to decline 12.9 percent, these factors again are anticipated to negatively influence collections in FY 2009-10.

Based on this updated OSPB projection, revenues in FY 2009-10 are anticipated to decline 5.7 percent prior to any adjustment for accrual accounting purposes. However, because of the shift in both national and Colorado economies – moving away from rapid rates of economic decline to near-term gradual economic improvement – sizable variances in accrual accounting entries continue to be forecast (as larger collections attributable to FY 2009-10 are anticipated after June 30, 2010; more than were anticipated after June 30, 2009 for FY 2008-09). Because of these accrual adjustments, the State is anticipated to realize an additional $164.0 million over prior year accrual adjustments, thereby lessening the decline of FY 2009-10 individual income tax revenues to 1.9 below FY 2008-09 receipts. The table below displays the two key economic indices that influence individual income tax collections in Colorado, and relative fluctuations from January 2008 to projected December 2012.



** Personal Income for Colorado is reported quarterly by the Bureau of Economic Analysis. Therefore, the graph above depicts monthly estimates for this quarterly series.*

For FY 2010-11 and beyond, Colorado is projected to exhibit growth in individual income more comparable to historical, long-term average experience (roughly 7.0 percent), prior to any significant changes in tax exemptions and credits or annual accounting adjustments. Even after consideration of recently proposed budget balancing measures that affect individual income tax receipts – such as changes to alternative fuel vehicle tax credits, a partial suspension of the gross conservation easement tax credit, and elimination of the alternative minimum tax (AMT) calculation and ATM tax credit – individual income tax collections are forecast to remain relatively in-line with the historical long-term rate of growth, as these increases offset declining accrual adjustments.

Unlike the one-year delayed improvement in sales and individual income tax collections, FY 2009-10 is projected to include a 9.8 percent increase in corporate income tax revenues. While increasing, this upward change is still very slight when considering that corporate income tax collections fell 42.4 percent during FY 2008-09 and are still below FY 2005-06 levels. As with individual income taxes, corporate income tax collections are being positively influenced by accrual accounting adjustments in the current fiscal year, increasing revenues by $42.8 million in

FY 2009-10 when compared to similar figures for FY 2008-09. For FY 2010-11, corporate income tax collections are projected to increase sizably due to the influences associated with the Governor's budget balancing proposals that included temporary limiting enterprise zone investment tax credits and net operating losses to $250,000 per year.

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

Line No.		FY 2008-09	December 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	$6,673.8	$7,217.3	$7,720.1	$8,079.6
	Percent Change from Prior Year	*-13.0%*	*-0.9%*	*8.1%*	*7.0%*	*4.7%*
2	Cash Funds	$2,395.1	$2,182.2	$2,387.9	$2,613.4	$2,768.3
	Percent Change from Prior Year	*6.0%*	*-8.9%*	*9.4%*	*9.4%*	*5.9%*
3	**Total TABOR Revenues**	$9,130.1	$8,856.0	$9,605.2	$10,333.6	$10,847.9
	Percent Change from Prior Year	*-8.7%*	*-3.0%*	*8.5%*	*7.6%*	*5.0%*
	Revenue Limit Calculation:					
4	Previous calendar year population growth	*3.3%*	*1.8%*	*1.4%*	*1.7%*	*1.6%*
5	Previous calendar year inflation	*2.2%*	*3.9%*	*-1.2%*	*1.5%*	*2.5%*
6	**Allowable TABOR Growth Rate**	*5.5%*	*5.7%*	*0.2%*	*3.2%*	*4.1%*
7	TABOR Limit	$9,314.7	$9,432.2	$9,451.0	$9,753.4	$10,153.3
8	General Fund Exempt Revenue Under Ref. C /B	$0.0	$0.0	$154.2	$580.1	$694.5
9	**Revenue Limit Under Ref. C /C**	**$9,314.7**	**$9,432.2**	**$10,757.7**	**$11,101.9**	**$11,557.1**
10	*Amount Above/(Below) Limit*	*($184.6)*	*($576.1)*	*($1,152.5)*	*($768.4)*	*($709.2)*
11	TABOR Reserve Requirement	$273.9	$265.7	$288.2	$310.0	$325.4

/A FY 2008-09 through FY 2010-11 amounts differ 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 (for instance, limited gaming revenues), and due to other Period 13 adjustments.

/B 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.

/C 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	December 2009 Estimate by Fiscal Year FY 2009-10	% Chg	FY 2010-11	% Chg	FY 2011-12	% Chg	FY 2012-13	% Chg
	Excise Taxes:										
1	Sales /A	$1,931.1	-9.2%	$1,940.5	0.5%	$2,150.2	10.8%	$2,229.3	3.7%	$2,294.6	2.9%
2	Use /A	$176.7	-7.6%	$155.3	-12.1%	$172.6	11.1%	$180.7	4.7%	$190.3	5.3%
3	Cigarette	$43.5	-3.8%	$41.1	-5.6%	$40.9	-0.4%	$41.1	0.5%	$41.3	0.5%
4	Tobacco Products	$13.2	6.3%	$17.7	34.4%	$15.2	-14.1%	$15.7	3.3%	$16.2	3.2%
5	Liquor	$35.0	-1.9%	$36.0	2.8%	$36.2	0.6%	$36.7	1.3%	$37.2	1.3%
6	**Total Excise**	**$2,199.5**	**-8.8%**	**$2,190.6**	**-0.4%**	**$2,415.1**	**10.2%**	**$2,503.5**	**3.7%**	**$2,579.6**	**3.0%**
	Income Taxes:										
7	Net Individual Income /A	$4,333.3	-12.9%	$4,251.8	-1.9%	$4,520.3	6.3%	$4,896.2	8.3%	$5,155.4	5.3%
8	Net Corporate Income /A	$292.5	-42.4%	$321.3	9.8%	$401.1	24.8%	$466.8	16.4%	$504.9	8.2%
9	**Total Income**	**$4,625.8**	**-15.6%**	**$4,573.1**	**-1.1%**	**$4,921.4**	**7.6%**	**$5,363.1**	**9.0%**	**$5,660.3**	5.5%
10	*Less: State Education Fund Diversion*	*$339.9*	*-16.7%*	*$329.2*	*-3.1%*	*$354.3*	*7.6%*	*$386.1*	*9.0%*	*$407.5*	*5.5%*
11	**Total Income to General Fund**	**$4,285.9**	**-15.5%**	**$4,243.9**	**-1.0%**	**$4,567.1**	**7.6%**	**$4,977.0**	**9.0%**	**$5,252.8**	**5.5%**
	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%	$194.2	1.0%	$195.6	0.7%	$200.1	2.3%	$205.1	2.5%
14	Interest Income	$9.2	-48.7%	$9.1	-1.1%	$15.8	73.3%	$17.0	8.1%	$18.1	6.3%
15	Pari-Mutuel	$0.5	-81.6%	$0.7	49.1%	$1.0	33.4%	$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	$14.2	406.6%	$21.3	49.4%	$0.0	N/A	$0.0	N/A
18	Other Income	$23.4	21.1%	$18.2	-22.3%	$19.7	8.4%	$21.4	8.7%	$22.8	6.2%
19	**Total Other**	**$252.4**	**-2.2%**	**$253.6**	**0.5%**	**$256.4**	**1.1%**	**$239.7**	**-6.5%**	**$247.2**	**3.1%**
20	**GROSS GENERAL FUND**	**$6,737.8**	**-13.0%**	**$6,688.1**	**-0.7%**	**$7,238.6**	**8.2%**	**$7,720.1**	**6.7%**	**$8,079.6**	**4.7%**
	Rebates & Expenditures:										
21	Cigarette Rebate	$12.1	-4.6%	$11.6	-4.3%	$11.6	-0.4%	$11.6	0.5%	$11.7	0.5%
22	Old-Age Pension Fund	$108.1	9.2%	$115.4	6.7%	$101.1	-12.4%	$91.0	-10.0%	$96.6	6.1%
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	0.1%	$29.5	611.0%	$29.5	0.0%
26	Amendment 35 General Fund Expenditure	$1.0	-2.6%	$0.9	-4.6%	$0.9	-0.3%	$0.9	0.3%	$0.9	0.3%
27	**Total Rebates & Expenditures**	**$136.0**	**-21.7%**	**$145.6**	**7.0%**	**$137.7**	**-5.5%**	**$157.7**	**14.6%**	**$163.5**	**3.6%**

/A Projected tax receipts for these revenue sources incorporate recently enacted and newly proposed budget balancing initiatives. For detail regarding the estimated fiscal impact of these legislative actions, please refer to the summary tables on pages 6 and 7 of this forecast document.

/B Limited Gaming revenues that would otherwise be transferred to the Clean Energy Fund are to instead requested to be transferred to the General Fund for FY 2009-10 and FY 2010-11. Similarly, for FY 2010-11, a portion of limited gaming revenues that would otherwise be transferred to the Colorado Travel and Tourism Promotion Fund, the New Jobs Incentive Fund, State Council on the Arts Fund, and the Film Incentives Cash Fund are also requested to be divered to the General 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 seven major cash fund categories. The following explains some of the main considerations that influence expectations in the December 2009 cash fund forecast. OSPB projects that there will be $2.2 billion in cash fund revenue in FY 2009-10, an 8.9 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 17.8 percent in FY 2009-10. 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.

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 State legislation, including SB 09-002 and HB 09-1318, has also contributed to increased transportation revenues in the forecast period, as did the recent "Cash for Clunkers" federal initiative, which augmented vehicle registration revenue slightly in early FY 2009-10. Vehicle registration revenue is expected to increase overall as the economy recovers and demand for durable goods, particularly vehicle demand, increases correspondingly.

Limited Gaming

Commercial casino gambling is an industry that has grown significantly in recent decades. In Colorado, this is especially true given the voter-approved passage of Amendment 50, which became effective July 2009. 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 is to be divided among Colorado's community, junior, and district colleges and among the local gaming communities, and 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.

Consumer spending has been fairly resilient over the course of the recession. In FY 2009-10, total revenues from gaming are anticipated to increase approximately 9.4 percent above the prior year level.

Distribution of Limited Gaming Revenues	FY08-09	FY09-10	FY10-11	FY11-12	FY 12-13
A. Total Limited Gaming Revenues	**$98.9**	**$108.2**	**$114.7**	**$119.3**	**$124.9**
Annual Percent Change		9.4%	6.0%	4.0%	4.7%
A1. Gaming Revenues Not from Taxes	$4.0	$3.5	$3.5	$3.5	$3.5
A2. Gaming Revenues Related to Taxes	$94.9	$104.7	$111.2	$115.8	$121.4
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)	($11.7)	($11.4)	($11.3)	($11.1)
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**	**$89.5**	**$92.8**	**$95.9**	**$99.2**
C. Extended Limited Gaming Revenues (=A-B)	**N/A**	**$10.4**	**$14.0**	**$15.6**	**$18.0**
Annual Percent Change		N/A	34.3%	11.2%	15.8%
C1. Amount Off the Top for Administration		**($1.3)**	**($1.6)**	**($1.7)**	**($1.9)**
C2. Amount for Distribution		**$9.2**	**$12.4**	**$13.9**	**$16.2**
C3. Amount to Existing Recipients		*$0.6*	*$0.7*	*$0.8*	*$1.0*
C4. Amount to New Recipients		*$8.6*	*$11.7*	*$13.0*	*$15.2*
D. Total Amount to Existing Recipients (=B3+C3)	**$85.3**	**$90.1**	**$93.5**	**$96.7**	**$100.2**
Amount to State Historical Society	*$23.9*	*$25.2*	*$26.2*	*$27.1*	*$28.0*
Amount to Counties	*$10.2*	*$10.8*	*$11.2*	*$11.6*	*$12.0*
Amount to Cities	*$8.5*	*$9.0*	*$9.4*	*$9.7*	*$10.0*
Amount to Distribute to Remaining Programs	*$42.6*	*$45.0*	*$46.8*	*$48.4*	*$50.1*
Amount to Local Government Impact Fund	*$5.5*	*$5.9*	*$6.1*	*$6.3*	*$6.5*
Colorado Tourism Promotion Fund	*$15.6*	*$15.4*	*$10.2*	*$10.4*	*$10.7*
New Jobs Incentives Fund	*$1.4*	*$1.4*	*$1.6*	*$1.6*	*$1.7*
State Council on the Arts Fund	*$1.2*	*$1.2*	*$0.8*	*$0.8*	*$0.8*
Film Incentives Fund	*$0.2*	*$0.5*	*$0.3*	*$0.3*	*$0.3*
Colorado Office of Economic Development	*$0.3*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
Bioscience Discovery Evaluation Fund	*$4.5*	*$5.5*	*$5.5*	*$5.5*	*$0.0*
Innovative Higher Education Research Fund	*$1.0*	*$1.0*	*$1.0*	*$1.0*	*$1.0*
Colorado Department of Transportation	*$10.1*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
Clean Energy Fund	*$0.0*	*$0.0*	*$0.0*	*$22.4*	*$29.0*
Transfer to the General Fund	*$2.8*	*$14.2*	*$21.3*	*$0.0*	*$0.0*
E. Total Amount to New Recipients (=C4)	**N/A**	**$8.6**	**$11.7**	**$13.0**	**$15.2**
Amount to Community Colleges, Mesa State and Adams State (78%)		*$6.7*	*$9.1*	*$10.2*	*$11.8*
Amount to Counties (12%)		*$1.0*	*$1.4*	*$1.6*	*$1.8*
Amount to Cities (10%)		*$0.9*	*$1.2*	*$1.3*	*$1.5*

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 $1.8 million, an 81.9 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 $63.2 million in FY 2009-10, a 19.1 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. Recent legislative changes have notably altered revenue patterns for this category.

During the 2009 legislative session, the General Assembly passed SB 09-279, which resulted in the transfer of $26.5 million from the Major Medical Insurance Fund to the General Fund in FY 2009-10. This effect, coupled with lower revenues from per-employee surcharges due to heightened State unemployment, has resulted in a projected revenue estimate of $39.0 million in FY 2009-10, a decline of 24.3 percent.

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 fall 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 53.2 percent, to $18.2 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 equivalent to a per-day payment 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 $339.4 million in FY 2009-10, $392.4 million in FY 2010-11, and increasing for the remainder of the forecast period.

Severance Taxes and Federal Mineral Lease Revenues

Severance tax and federal mineral leasing (FML) revenue are highly volatile. Severance tax revenue is influenced largely by natural gas prices and a significant property tax credit available to producers. FML revenue is influenced by production of coal, natural gas, carbon dioxide, and oil production on federal lands within the State. Natural gas prices generally exhibit significant volatility due to supply and demand factors, which can change dramatically in both the short- and long-term due to factors such as pipeline capacity changes, the discovery of new fields, and national storage capacity.

Similar to last quarter, this December forecast indicates that weakness in energy prices will continue through FY 2009-10. Colorado severance tax and federal mineral lease revenue collections are anticipated to remain below FY 2008-09 levels, due largely to high existing levels of natural gas storage and consumption decline attributable to the economic downturn; but are also being influenced by these commodities' price sensitivity and large property tax credits.

When federal lands are leased for mineral extraction, the federal government and the State of Colorado realize a share of the revenue from the leases. 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	$5.9	$106.5	$112.4	-50.6%
FY 2010-11	$6.3	$125.8	$132.1	17.6%
FY 2011-12	$8.0	$160.1	$168.1	27.2%
FY 2012-13	$7.7	$153.9	$161.6	-3.9%

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	December 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	$1,031.3	$1,067.5	$1,085.8	$1,099.0	
Change	-4.9%	17.8%	3.5%	1.7%	1.2%	5.9%
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	$1.8	$0.9	$1.0	$1.1	
Change	-48.0%	-81.9%	-52.5%	20.1%	2.6%	-42.9%
Regulatory Agencies	$78.1	$63.2	$64.5	$66.1	$67.7	
Change	37.6%	-19.1%	2.0%	2.5%	2.5%	-3.5%
Insurance-Related /E	$51.5	$39.0	$18.2	$19.1	$20.0	
Change	-20.5%	-24.3%	-53.2%	4.6%	5.1%	-21.0%
Severance Tax /F	$336.9	$64.4	$169.6	$233.9	$190.3	
Change	98.1%	-80.9%	163.5%	37.9%	-18.7%	-13.3%
Medicaid Hospital Provider Fees /G	N/A	$339.4	$392.4	$490.7	$632.2	
Change	N/A	N/A	15.6%	25.1%	28.8%	N/A
Other Miscellaneous Cash Funds /H	$553.2	$545.4	$574.0	$613.1	$651.2	
Change	13.3%	-1.4%	5.3%	6.8%	6.2%	4.2%
TOTAL CASH FUND REVENUE	***$2,395.1***	***$2,182.2***	***$2,387.9***	***$2,613.4***	***$2,768.3***	
Change	6.0%	-8.9%	9.4%	9.4%	5.9%	3.7%

* 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 09-1272.

/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

/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

Both the national and Colorado economies continue to struggle from recessionary pressures, but there are some indications that conditions are beginning to improve in Colorado. Local conditions around the State remain mixed as some areas have been hit harder than others; however, Colorado continues to fare better than a number of other states in such areas as nonagricultural employment, housing, and personal income. In 2008, Colorado had the fourth-fastest growing GDP rate in the country, and a number of economists project that Colorado will rank among those states that lead the recovery. In late July 2009, CNBC rated Colorado the third top state in the nation for doing business in 2009. Even with these optimistic outside predictions, mixed results are expected in 2010 as some economic indices will improve while others are likely to lag the recovery, before more robust improvement is anticipated in 2011.

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

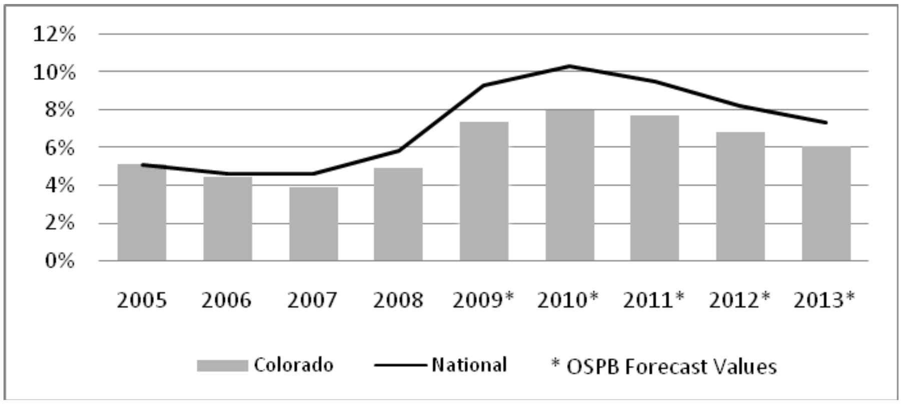
In October 2009, Colorado's seasonally adjusted unemployment rate decreased to 6.9 percent. To be sure, many Coloradoans continue to face significant difficulties due to labor market conditions, and the reduced unemployment rate for Colorado is partially due to individuals giving up their job searches in the near term. However, while employment difficulties in Colorado persist, the state continues to fare better relative to others. According to the Colorado Department of Labor and Employment, in October 2009 the number of working Coloradoans fell 9,600 over the month to 2,474,300 out of a civilian labor force of 2,658,600. The number of residents unsuccessfully seeking work declined to 184,300, a reduction of 3,200 from the prior month. In October 2008, total employment was 2,595,500 and the civilian labor force was 2,739,800.

The September 2009 OSPB forecast suggested that further nonagricultural employment declines and sluggish improvement in this variable would likely result in a slow economic recovery both nationally and in Colorado, which is a scenario that still seems likely. However, an important point is that Colorado's labor market doesn't have the same amount of slack as many other states possess, which could benefit the state as the recovery continues.

This OSPB forecast projects unemployment rates of 7.4 percent for 2009 and 8.0 percent in 2010. Total nonagricultural employment is projected to contract by 4.4 percent in 2009 and 1.5 percent in 2010. Note that the 2009 estimates reflect the anticipated impact from the Bureau of Labor Statistics restatement estimate for employment which occurs every year. While the exact impact to Colorado is not yet known, the national revision is anticipated to equate to 824,000 jobs[2]. This manual adjustment was incorporated into the OSPB forecast and therefore does not create a likely match to current monthly employment data published by the Bureau of Labor Statistics for Colorado at this time.

[2] www.bls.gov/ces/cesprelbmk.htm

Colorado and National Unemployment Rates



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

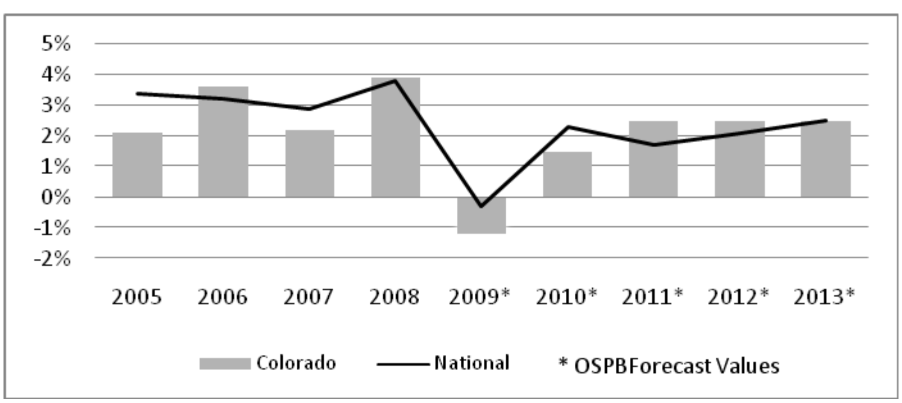
INFLATION

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.

As is the case with expectations of inflation nationally, the presence of upward price pressures in Colorado is not anticipated in 2009. Recent data suggest that the national CPI will decrease slightly (0.3 percent), but both consumer and producer prices remain well below 2007 and 2008 levels. Expectations of persistent labor market difficulties, diminished consumer confidence, and a generally weakened economy are expected to moderate inflationary pressures beyond the current year.

This OSPB forecast projects that the Denver-Boulder-Greeley Consumer Price Index will decline 1.2 percent in 2009 and increase 1.5 percent in 2010.

Consumer Price Index



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

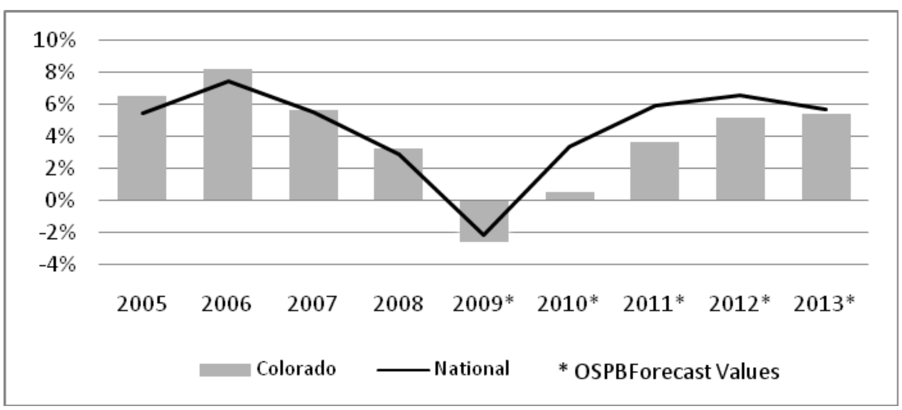
WAGES AND INCOME

Colorado personal income increased 3.3 percent in 2008 (after restated historical figures were incorporated from the Bureau of Economic Analysis, published October 16, 2009), and national personal income increased 2.9 percent. Personal income is comprised of wage and salary income, Social Security and unemployment insurance payments, dividends, interest, and income for Colorado's small businesses. Because of these various components, it is important to note that personal income rarely exhibits year-to-year contractions, which is unlike wages and salaries, which can experience greater volatility due to the influences of economic conditions.

Colorado personal income is expected to decrease 2.6 percent in calendar year 2009 and increase 0.6 percent in 2010. The decline in personal income for 2009 is attributable primarily to labor market and banking sector difficulties. Colorado wage and salary income is projected to decrease 3.4 percent in 2009 and 0.2 percent in 2010. Wage and salary income, like personal income, is also affected significantly by labor market difficulties.

Wage and salary income is expected to increase in 2011 as the labor market improves and aggregate demand increases. The typical progression in a recovery is (1) first an increase in productivity, (2) followed by an increase in hours worked, and finally (3) the hiring of additional workers. The national economy is presently situated somewhere between the first and second stages, as is Colorado. An uptick in wage and salary income is expected to precede significant job creation as firms increase overtime pay and hours worked by existing workers before adding new workers.

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 52.6 thousand people and total population growth was approximately1.8 percent. This forecast projects the Colorado population to increase by 1.4 percent in 2009 and by 1.7 percent in 2010. One factor that does influence population migration patterns is the geographic dispersion of newly created jobs. Therefore, if

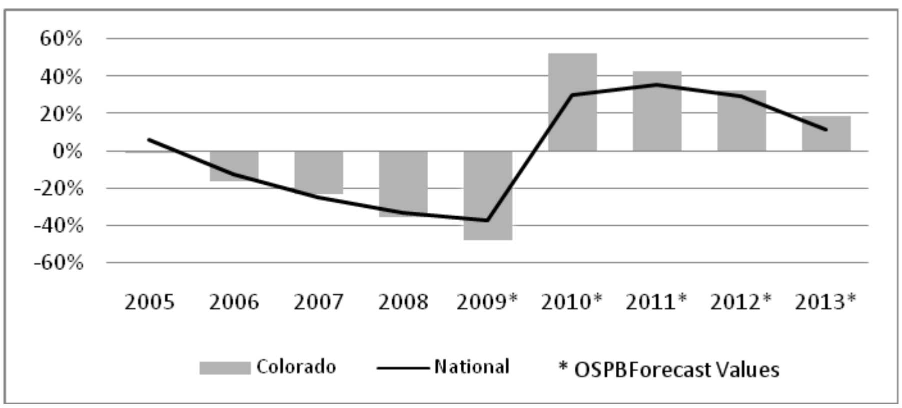
Colorado is a state that does lead the recovery, population growth in Colorado could deviate from historical trends as the economy recovers.

CONSTRUCTION

The construction industry has contracted significantly over the course of the recession. In 2008, Colorado nonresidential construction value declined 12.5 percent. Nonresidential construction value is projected to decrease 18.4 percent in 2009 and increase 4.2 percent in 2010 off a depressed base. Federal stimulus spending is expected to continue to positively influence construction demand generally. Improvement in nonresidential construction value is expected in 2011 as companies begin to improve existing structures and expand infrastructure; however, this is not expected in the near term because current inventory levels are below traditional levels, which suggests an excess of inventory storage capacity, and vacant retail space throughout the state and nation.

Housing starts in Colorado were down 35.5 percent in 2008, and are anticipated to continue this downward trend for 2009 (down an additional 47.9 percent) before increasing in 2010 (rising from a significantly reduced base by 52.5 percent). This forecast may be conservative given recent bolstering from the first-time-homebuyer credit offered by the federal government.

<u>Change in Housing Starts</u>

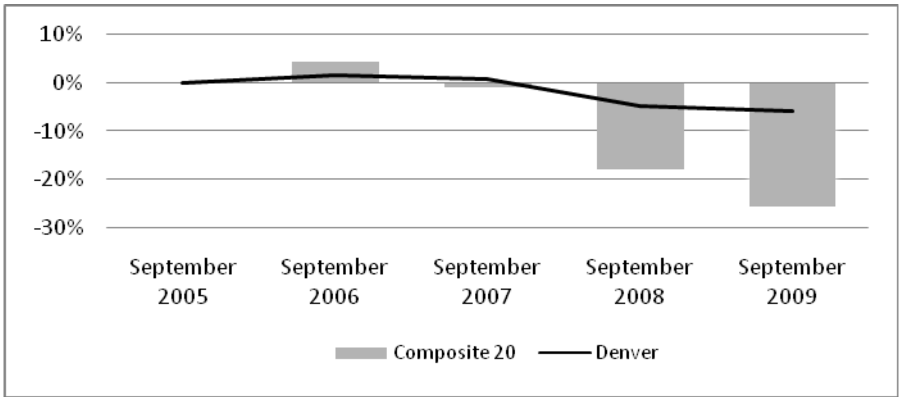


Source: U.S. Census Bureau

METROPOLITAN HOME PRICE VALUES

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. The graph suggests that although they have declined, home values in the Denver metropolitan area have been more stable than those of the metropolitan composite twenty; in September 2009, compared to the same month in 2005, Denver home price values were down approximately 6.0 percent while the composite twenty average declined about 26.0 percent

Change in Metropolitan Home Price Values

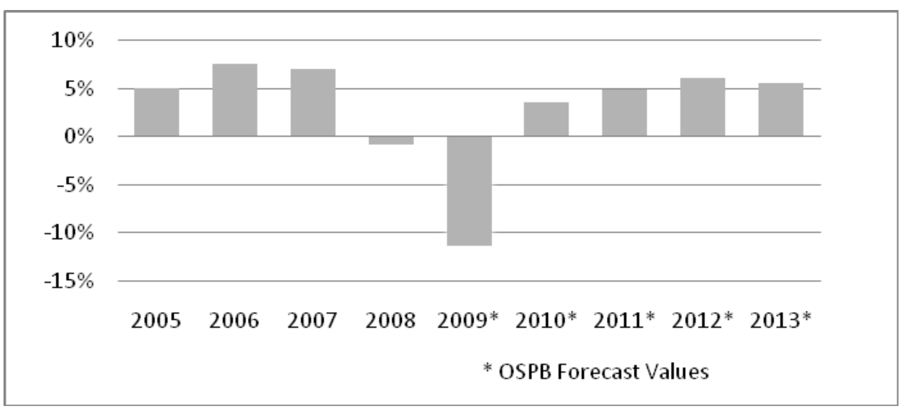


Source: S&P/Case-Shiller Home Price Indices
Note: Data is not seasonally adjusted

RETAIL TRADE

The current recession has certainly affected consumer behavior. High unemployment levels, increased savings, and diminished consumer confidence have negatively affected retail trade sales in Colorado. Retail trade sales declined 0.8 percent in 2008. This variable is projected to decline 11.3 percent in 2009 and increase 3.6 percent in 2010. The significant decline in 2009 reflects deterioration in the labor market in 2009 over 2008. Retail trade sales are expected to increase in 2010 as personal income and consumer confidence increase, and as consumers replace aging items despite higher levels of unemployment. Overall consumer spending appears to have stabilized since 2008.

Change in Colorado Retail Trade Sales



Source: Colorado Department of Revenue

RISKS TO THE FORECAST

The recent recession has been unlike any other in recent history, and there remains a great deal of uncertainty about both the direction of general economic trends and the rate at which they are expected to change. One of the most significant variables is the high level of unemployment, and questions remain over when exactly this variable will improve. This is especially significant because high unemployment levels impact a host of other variables, such as consumer spending. Another risk to the Colorado economic forecast is that the national economy could experience another adverse shock, which would likely impact the Colorado economy as well.

As described in the September OSPB forecast, Colorado is anticipated by many economists to be one of the key states that lead the national recovery because of its diversified economy, substantial investments in renewable energy and a relatively stable housing market. Historical data and trends used in the OSPB Colorado economic model reflect patterns of recovery in which Colorado's recovery lags that of the nation, and this could potentially influence the forecast such that Colorado's unique position as a leader in this recovery might not be sufficiently accounted for in these projections.

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) /A	$179.7	$194.4	$205.5	$212.3	$206.9	$208.2	$215.9	$227.2	$239.5
2	Change	6.6%	8.2%	5.7%	3.3%	-2.6%	0.6%	3.7%	5.2%	5.4%
3	Wage and Salary Income (Billions)	$98.9	$105.8	$112.6	$116.6	$112.7	$112.5	$116.5	$122.8	$129.7
4	Change	5.6%	7.0%	6.4%	3.6%	-3.4%	-0.2%	3.6%	5.4%	5.6%
5	Per-Capita Income ($/person)	$38,539.0	$40,912.0	$42,444.0	$42,985.0	$40,808	$40,362	$41,194	$42,673	$44,060
6	Change	5.2%	6.2%	3.7%	1.3%	-5.1%	-1.1%	2.1%	3.6%	3.3%
	Population & Employment									
7	Population (Thousands)	4,667.0	4,816.9	4,908.2	4,998.4	5,070.0	5,158.4	5,241.0	5,324.2	5,435.7
8	Change	1.5%	3.2%	1.9%	1.8%	1.4%	1.7%	1.6%	1.6%	2.1%
9	Net Migration (Thousands)	27.9	55.3	51.2	52.6	30.3	45.6	38.7	39.3	55.1
10	Civilian Unemployment Rate	5.1%	4.4%	3.9%	4.9%	7.4%	8.0%	7.7%	6.8%	6.1%
11	Total Nonagricultural Employment (Thousands)	2,226.0	2,279.1	2,331.3	2,349.3	2,245.5	2,212.6	2,239.3	2,285.0	2,331.4
12	Change	2.1%	2.4%	2.3%	0.8%	-4.4%	-1.5%	1.2%	2.0%	2.0%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	45.9	38.3	29.5	19.0	9.9	15.1	21.6	28.7	34.1
14	Change	-1.3%	-16.4%	-23.2%	-35.5%	-47.9%	52.5%	43.0%	32.9%	18.8%
15	Nonresidential Construction Value (Millions) /B	3,316.2	3,242.0	3,578.8	3,130.7	2,553.8	2,660.0	2,879.2	3,157.6	3,365.8
16	Change	26.1%	-2.2%	10.4%	-12.5%	-18.4%	4.2%	8.2%	9.7%	6.6%
	Prices & Sales Variables									
17	Retail Trade (Billions) /C	$65.5	$70.4	$75.4	$74.8	$66.3	$68.7	$72.1	$76.5	$80.8
18	Change	5.1%	7.6%	7.0%	-0.8%	-11.3%	3.6%	4.9%	6.1%	5.6%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	190.9	197.7	202.0	209.9	207.3	210.4	215.7	221.0	226.5
20	Change	2.1%	3.6%	2.2%	3.9%	-1.2%	1.5%	2.5%	2.5%	2.5%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proporietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial (excluding hotels) and manufacturing facilities, educational institutions (excluding dormitories), medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/C Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods / books / music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants).

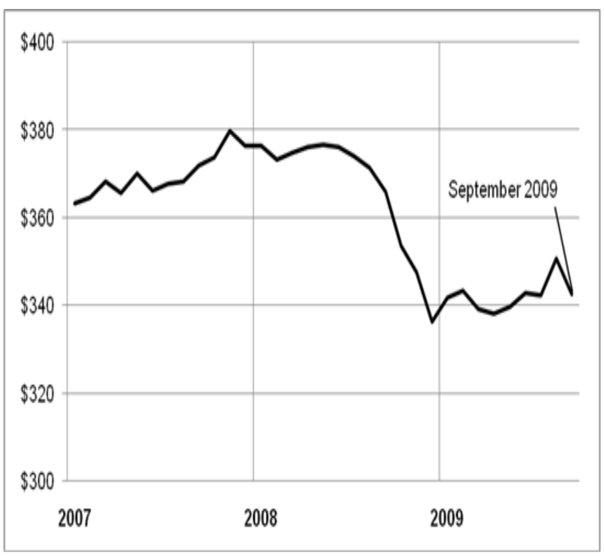
NATIONAL ECONOMIC FORECAST

The national economy is characterized by uncertainty, but numerous indicators suggest either stabilization or moderate improvement in a variety of sectors, albeit from depressed levels. For example, residential real estate and manufacturing sectors have continued to exhibit some signs of improvement. Although recent trends in retail sales and consumer confidence have lacked regularity, signs of stabilization are apparent.

The commercial real estate sector ranks among the weakest of sectors and the banking sector continues to struggle with the pervasive effects of the current recession. Labor market conditions remain generally weak but mixed geographically. Upward wage or price pressures have been suppressed largely by labor market conditions and diminished aggregate demand, two variables that are affiliated.

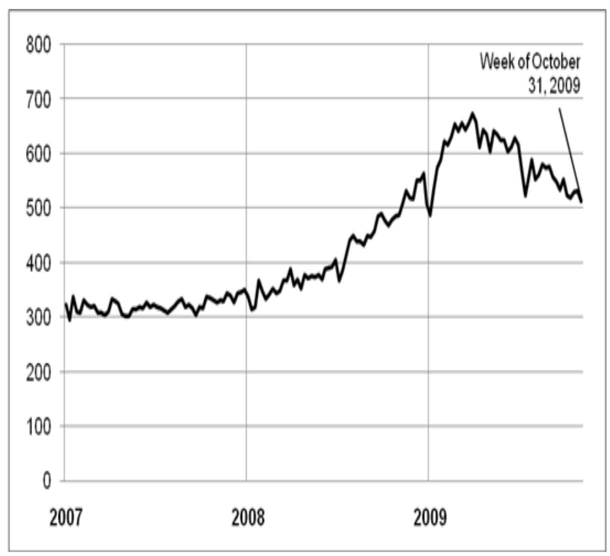
This OSPB forecast projects continued gradual improvement in the national economy in calendar year 2010 and 2011 as stimulative federal policies continue to take effect and international markets continue to improve. However, the acceleration in economic output will be subdued, particularly by high levels of unemployment and banking sector difficulties. High unemployment and concerns over job security will constrain consumer confidence and influence consumer spending patterns, and banks will continue to struggle with bad loans.

National Retail Sales



Source: U.S. Census Bureau.
Note: Data in billions, seasonally adjusted.

National Initial Unemployment Insurance Claims



Source: U.S. Department of Labor.
Note: Data in thousands, seasonally adjusted.

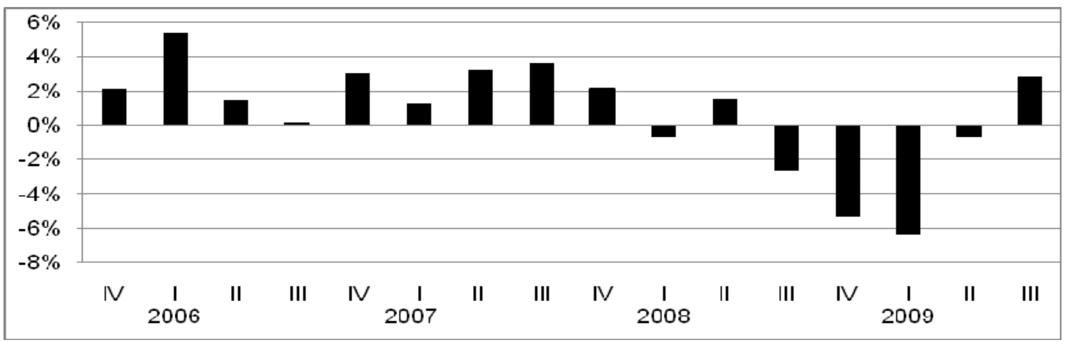
GROSS DOMESTIC PRODUCT

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 increased 2.8 percent in the third quarter of 2009. The first estimate of real GDP in the third quarter of 2009 was 3.5 percent, but this number has been revised to reflect more complete source data than was available in the advance estimate. The third quarter increase is attributable largely to increases in personal consumption expenditures, private inventory investment exports, and residential fixed investment. Second quarter 2009 real GDP decreased by 0.7 percent.

This forecast projects real GDP in 2009 to fall 2.4 percent below the 2008 level, due to high unemployment, diminished consumer confidence, and reduced consumer spending in 2009. Real GDP is expected to increase 2.4 percent in 2010 as global economic conditions improve.

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, seasonally adjusted, and based on chained 2005 dollars.

- ***Consumer spending (roughly 70 percent of GDP):*** Consumer spending has proven to be somewhat resilient through the recession, attributable in part to tax rebates and extended unemployment benefits. In October 2009, personal income increased 0.2 percent, disposable personal income increased 0.4, and personal consumption expenditures increased 0.7 percent. It is anticipated that labor market difficulties will continue to constrain consumer spending and undermine consumer confidence in 2010. This forecast projects personal income to decline 2.1 percent in 2009, but increase 3.4 percent in 2010.

- ***Business investment (roughly 14 percent of GDP)***: According to the U.S. Bureau of Economic Analysis, private businesses decreased inventories $133.4 billion in the third quarter of 2009 and had decreased inventories $160.2 billion in the second quarter. Diminished consumer spending and credit market difficulties have contributed to declines in business investment. Housing starts are projected to decline 37.3 percent in 2009 and increase 29.7 percent in 2010. Existing home sales have increased over the course of 2009. Corporate profits after tax are projected to decline 10.3 percent in 2009 and increase 10.9 percent in 2010 as the economy recovers.

- ***Government spending (roughly 16 percent of GDP):*** Real federal government consumption expenditures and gross investment increased 8.3 percent in the third quarter of 2009; it had declined 11.4 percent in the second quarter. According to the BEA, national defense increased 8.9 percent and nondefense increased 6.9 percent. Real state and local government consumption expenditures and gross investment decreased 0.1 percent following a 3.9 percent increase in the second quarter.

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 0.2 percent in 2009 and 0.5 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. Interest rates will likely draw further attention as the recovery continues and the Federal Reserve, in order to thwart inflationary pressures, is compelled to raise rates and begin withdrawing excess cash from the financial system.

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) increased 0.3 percent in October on a seasonally unadjusted basis. The CPI has decreased 0.2 percent over the course of the last 12 months, which is not on a seasonally adjusted basis. The food index increased only slightly in October 2009, 0.1 percent, the index for shelter was unchanged, and the indexes for apparel and recreation decreased. The energy index increased 1.5 percent due to underlying increases in the indexes for gasoline, fuel oil, natural gas, and electricity.

This forecast projects the Consumer Price Index to decline 0.3 percent in 2009 and then increase 2.3 percent in 2010. The Consumer Price Index is anticipated to increase as consumer spending levels slowly increase and the rate of job losses decreases. Although this variable is projected to increase in 2010, significant upward price pressure is not anticipated in 2010, due largely to expectations of high unemployment.

EMPLOYMENT

The most recent U.S. Bureau of Labor and Statistics (BLS) release of employment data indicated that nonfarm payroll employment was nearly unchanged in November—down 11,000 from October – suggesting some stabilization in job losses nationally. According to BLS, in the three months preceding November, nonfarm payroll job losses averaged 135,000 a month. The unemployment rate fell to 10.0 percent in November. In December 2007, when the recession began, the unemployment rate was 4.9 percent.

This forecast projects a national unemployment rate of 9.3 percent in 2009 and 10.3 percent in 2010. Total nonagricultural employment is expected to be 131.9 million in 2009 and 131.3 million in 2010. Total nonagricultural employment was 137.6 million in 2007 and 137.0 million in 2008. Job creation typically lags in the course of economic recoveries, a scenario that is expected in the current recovery. Diminished consumer confidence, banking sector problems, high debt levels, and expectations of minimal improvement in the construction sector contribute to expectations of a "jobless recovery." An increase in wage and salary income is expected to precede job creation as employers maximize the productivity of current workers before finally hiring additional workers.

RISKS TO THE FORECAST

The current recession has been undoubtedly marked by unique circumstances. A jobless recovery is widely expected, but the extent to which this will ultimately impact aggregate demand, and thus a host of relevant economic variables, remains unknown. The national economy remains susceptible to a host of potential shocks, such as fuel price increases, further unforeseen complications resulting from the subprime lending crisis, significant inflationary pressures due to central bank policies, or downward pressures should interest rates be raised too much too quickly, to name only some potential scenarios.

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) /A	$12,638.4	$12,976.2	$13,254.1	$13,312.2	$12,995.6	$13,303.3	$13,733.1	$14,254.8	$14,687.5
2	Change	3.1%	2.7%	2.1%	0.4%	-2.4%	2.4%	3.2%	3.8%	3.0%
3	Gross Domestic Product (Billions)	$12,638.4	$13,398.9	$14,077.6	$14,441.4	$14,279.3	$14,844.4	$15,665.7	$16,667.5	$17,593.0
4	Change	6.5%	6.0%	5.1%	2.6%	-1.1%	4.0%	5.5%	6.4%	5.6%
5	Personal Income (Billions) /A, B	$10,485.9	$11,268.1	$11,894.1	$12,238.8	$11,976.3	$12,385.8	$13,133.3	$13,994.7	$14,798.4
6	Change	5.5%	7.5%	5.6%	2.9%	-2.1%	3.4%	6.0%	6.6%	5.7%
7	Per-Capita Income ($/person)	$35,478.0	$37,766.4	$39,477.2	$40,251.3	$39,058.3	$40,223.6	$42,267.3	$44,581.2	$46,622.4
8	Change	4.6%	6.5%	4.5%	2.0%	-3.0%	3.0%	5.1%	5.5%	4.6%
	Population & Employment									
9	Population (Millions)	295.6	298.4	301.3	304.1	306.6	307.9	310.7	313.9	317.4
10	Change	0.9%	0.9%	1.0%	0.9%	0.8%	0.4%	0.9%	1.0%	1.1%
11	Civilian Unemployment Rate	5.1%	4.6%	4.6%	5.8%	9.3%	10.3%	9.5%	8.2%	7.3%
12	Total Nonagricultural Employment (Millions)	133.7	136.1	137.6	137.0	131.9	131.3	133.7	137.0	139.8
13	Change	1.7%	1.8%	1.1%	-0.4%	-3.7%	-0.5%	1.8%	2.4%	2.1%
	Financial Markets									
14	30-Year T-Bond Rate	4.4%	4.9%	4.8%	4.3%	4.0%	4.5%	4.9%	5.4%	5.6%
15	3 Month T-Bond Rate	3.2%	4.7%	4.4%	1.4%	0.2%	0.5%	2.0%	3.5%	5.5%
16	Prime Rate	6.2%	8.0%	8.1%	5.1%	3.3%	3.5%	5.1%	6.9%	8.5%
17	Federal Fund Rate	3.2%	5.0%	5.0%	1.9%	0.2%	0.5%	2.1%	3.9%	5.5%
	Price Variables									
18	Consumer Price Index (1982-84=100)	195.3	201.6	207.3	215.2	214.5	219.4	223.2	228.0	233.7
19	Change	3.4%	3.2%	2.9%	3.8%	-0.3%	2.3%	1.7%	2.1%	2.5%
20	Producer Price Index (1982=100)	155.7	160.4	166.6	177.2	172.5	177.8	182.7	187.8	192.6
21	Change	4.9%	3.0%	3.9%	6.3%	-2.6%	3.1%	2.8%	2.8%	2.5%
	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)	$1,043.7	$1,135.0	$1,090.2	$1,068.2	$957.7	$1,062.0	$1,139.9	$1,213.0	$1,280.3
25	Change	10.9%	8.7%	-3.9%	-2.0%	-10.3%	10.9%	7.3%	6.4%	5.5%
26	Housing Starts (Millions)	2,068.3	1,800.9	1,355.0	905.5	568.2	737.2	997.5	1,286.0	1,427.0
27	Change	5.8%	-12.9%	-24.8%	-33.2%	-37.3%	29.7%	35.3%	28.9%	11.0%

/A Note that the federal Bureau of Economic Analysis (BEA) made comprehensive revisions to GDP and Personal Income. 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.

/B Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proporietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

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
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- Patricia Silverstein - President, Development Research Partners
- Richard Wobbekind - Associate Dean, Leeds School of Business; University of Colorado, Boulder

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- John Cuddington – W.J. Coulter Professor of Mineral Economics and Professor of Economics and Business, Colorado School of Mines; President, JTC Economics+Finance LLC
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- Robert McNown - Professor of Economics, CU- Boulder ; JTC Economics+Finance LLC

Updated OSPB Capital Construction Fund and Corresponding General Fund Transfer - December 18, 2009

Projections Relating to Capital Construction

Capital Construction

The Governor submitted his FY 2010-11 prioritized list for Capital Construction Funds to the Capital Development Committee on November 2, 2009. This list included funding for the following projects:

OSPB Priority	Department	Request Title	FY 2010-11 Request
			CCF
1	Corrections	Colorado State Penitentiary II – Certificates of Participation Payment	$138,703
2	Higher Education	Anschutz Medical Campus Certificates of Participation	$5,143,213
3	Higher Education	Federal Mineral Lease Certificates of Participation Annual Payments	$0
4	Personnel and Administration	Level I Controlled Maintenance	$2,695,589
5	Revenue	Colorado Integrated Tax Architecture	$10,177,308

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. Per the State Treasurer, the available balances for this purpose 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 fund balance, the Lease Purchase of Colorado State Penitentiary II is offset by Corrections Expansion Reserve Fund (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.

The three series of COPs are all being refinanced: FML Higher Education, Anschutz Medical Campus, and the Colorado State Penitentiary II (CSP II). The first two have recently been priced during the first week of December and those updated prices have been included in this forecast. OSPB has not yet submitted a budget action for the savings experienced in FY 2009-10 due to refinancing Anschutz Medical Campus. The refinancing of CSP II is underway, but pricing will not be updated from the November 2009 capital forecast until February. All refinancing savings in FY 2010-11 reduce the General Fund transfer need to the Capital Construction Fund (CCF). FY 2009-10 savings only occur if original appropriations are reduced or eliminated. Tobacco cash funds offsets estimated at $8 million a year [maximum pursuant to C.R.S. 23-20-136, (3.5) (a)] reduce the need for General Fund. Please see the attached new pricings at Tables CC-D and CC-E.

The savings from the refinancings related to capital construction that are not reflected in the General Fund transfer are illustrated below:

	FY 2009-10	**FY 2010-11**
CCF Transfer to General Fund due to savings from the CSP II Refinancing	$8,175,782	$0
CERF Transfer to General Fund due to savings from the CSP II Refinancing	$1,824,218	$0
State Land Board Transfer to the Capital Construction Fund	$0	$7,433,999
Fitzsimmons Trust Fund	$6,000,000	$0
FML Revenues Fund due to savings from the FML Higher Education Refinancing	$750,000	$7,000,000

For the interest calculation, OSPB used the current fund balance as reported on November 10, 2009 letter by the State Controller. 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.

The source documents of CERF Appropriations, September 2009 State Controller Report for "Report of Revenues and Expenditures By Period for FY 2007-08 Fund 461," and the FY 2009-10 Project Appropriations have not changed since November therefore are not included in this forecast. These sources remain consistent. The Corrections Expansion Reserve Fund (CERF) projection is also unchanged.

Federal Mineral Lease

As one can see in the attached FML projection, the estimated spillover amounts for the Federal Mineral Lease Higher Education Revenues Fund have increased since the September forecast, significantly in terms of the annual payments for the SB 08-233 COPs, especially when combined with refinancing of the COPs that is occurring through the Treasurer's Office. The Governor announced on October 28, 2009 that the FML COPs would be refinanced, reducing the annual payments for the first three years.

Table CC - B provides a detailed projection. Due to: 1) the FY 2009-10 transfer of Expense Funds to the Revenues Fund, 2) the COP refinancing, and 3) OSPB's increase in FML spillover projection in FYs 11-12 and 12-13, no General Fund is expected for any fiscal year's payments in this forecast, a change from the November projection.

Since SB 08-233 requires that the annual payments for the FML COPs come from the Higher Education FML Revenues Fund, and any unused funds must remain in the fund, legislation is needed to transfer the amounts saved from the refinancing. In FY 2009-10, the payment is reduced, and $750,000 can be transferred into the General Fund. A similar General Fund transfers would occur for FY 2010-11 of $7.0 million.

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 fund 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, 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 (Table CC - C). 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.

Table CC - A General Fund Transfer Forecast for Capital Construction December 2009						
		FY 2009-10	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**Source**
A	Uncommitted balance from prior year	N/A	$5,137,000	$0	$0	From November 10, 2009 letter from the State Controller and Analysis of Fund Balance Available Report
B	Current Balance in the Fund	$134,571,682				Colorado State Treasury Current Interest Calculation Nov 2009 published December 12, 2009
C	Interest Annual Percentage	2.00%	2.00%	2.25%	2.50%	Colorado State Treasurer State Controller recommendations for projection purposes as of 12/7/09. Monthly factor is Annual Interest Percentage multiplied by 30 and divided by 360.
D	Interest from Compounded Balance	$1,813,320	$860,968	$1,034,105	$1,061,387	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**	**$5,997,968**	**$1,034,105**	**$1,061,387**	Rows A + D
H	Lease Purchase of Academic Facilities at Anschutz Medical Campus	($945,082)	($1,694,676)	($5,144,350)	($6,646,800)	See Table CC - E; prices are as of December 9, 2009. These certificates of participation have been refinanced but this was not known in prior forecasts. OSPB has not yet submitted a budget action for the savings experienced in FY 2009-10. The savings in FY 2010-11 reduces the General Fund transfer need to the Capital Construction Fund. Tobacco cash funds offset estimated at $8 million a year [maximum pursuant to C.R.S. 23-20-136, (3.5) (a)] reduce the need for General Fund.
I	Lease Purchase of Colorado State Penitentiary II	$0	($138,703)	($15,996,699)	($17,130,606)	The refinancing of the COPs for CSP II announced by the Governor on October 28, 2009 has been estimated, but it has not been priced like the other two series. Under refinancing, the FY 2009-10 payment is expected to be eliminated, allowing a transfer of $10 million to the General Fund: $8,175,782 from the CCF and $1,824,218 from the CERF. The FY 2010-11 payment is reduced to $7,749,688, of which all but $138,703 can be funded from CERF cash funds, reducing the General Fund transfer from prior forecasts by at least $5 million. The need for a General Fund transfer FY 2011-12, when used in concert with the CERF balance, is $15,996,699 for CCF needed to make the payment of $17,619,750. These estimates have not changed since the November 2 capital forecast. Annual payments amounts will be revised again based on final pricing in February 2010.
J	Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102 (FML)	$0	$0	$0	$0	See Table CC - D; prices for refinancing announced by the Governor on October 28, 2009 are as of December 3, 2009. The Governor's 12/1/09 budget balancing plan includes $750,000 in FY 2009-10 and $7 million in FY 2010-11 transferred from the Revenues Fund to the General Fund via legislation. Due to: 1) the FY 2009-10 transfer of Expense Funds to the Revenues Fund, 2) the COP refinancing, and 3) OSPB's increase in FML spillover projection in FYs 11-12 and 12-13, no General Fund is expected for any fiscal year's payments in this forecast, a change from the November projection.

		FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Source
K	Level I Controlled Maintenance	($18,235,321)	($2,695,589)	($20,000,000)	($20,000,000)	The Level I controlled maintenance FY 2010-11 funding recommendation is $10,129,588, or covering through ranking 6 by the State Architect; less than half what is needed to fund the Office of the State Architect's December 3, 2009 Level I controlled maintenance list. 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 [$10,129,588 - $405,892 - $7,028,107 = $2,695,589]. Source of FY 09-10 is SB 09-259.
L	Colorado Integrated Tax	($7,444,907)	($10,177,308)	($8,628,383)	($4,184,250)	SB 09-259 and per September 1, 2009 Capital Request.
M	Ft Lupton Readiness Center	($5,661,451)	$0	$0	$0	SB 09-259
N	**Subtotal of Approved Projects**	**($32,286,761)**	**($14,706,276)**	**($49,769,432)**	**($47,961,656)**	Does not include any new FY 2011-12 or FY 2012-13 requests
O	Funds Available after Approved Projects	N/A	($8,708,308)	($48,735,327)	($46,900,269)	
P	**General Fund Transfer Need**	**$1,976,068**	**$8,708,308**	**$48,735,327**	**$46,900,269**	
Q	CCF Transfer to General Fund	$8,175,782	$0	$0	$0	FY 2009-10 from refinance of CSP II COPs; in FY 2010-11 it is not a transfer to the GF, but rather reduces the GF transfer need in this forecast (above).
R	CERF Transfer to General Fund	$1,824,218	$0	$0	$0	FY 2009-10 from refinance of CSP II COPs
	State Land Board Transfer to the Capital Construction Fund	$0	$7,433,999	$0	$0	FY 2010-11 Funds under the State Land Board 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 [$10,129,588 - $405,892 - $7,028,107 = $2,695,589].
S	Fitzsimmons Trust Fund	$6,000,000	$0	$0	$0	Request to transfer $5,142,063 in Capital Construction Funds and $857,937 cash funds from the Fitzsimmons Trust Fund to the General Fund. Both transfers to the General Fund will require a bill.
T	FML Revenues Fund	$750,000	$7,000,000	$0	$0	From refinance of FML COPs; see FML Projection
U	**Total Increase in General Fund Revenue from Capital Projection**	**$16,750,000**	**$14,433,999**	**$0**	**$0**	
V	**End of Year Uncommitted Balance**	**$5,137,000**	**$0**	**$0**	**$0**	From November 10, 2009 letter from the State Controller and Analysis of Fund Balance Available Report

Interest Projection			
Total Interest for FY 2009-10		$1,813,320	
Total Interest for FY 2010-11		$860,968	
Total Interest for FY 2011-12		$1,034,105	
Total Interest for FY 2012-13		$1,061,387	

	Interest Projection	Treasury Factor:	0.001667	Expended per Month
09-10	Aug 09 Balance	$134,571,682	$224,286	
	Aug	$124,223,119	$207,039	7.69%
	Sep	$114,670,362	$191,117	7.69%
	Oct	$105,852,211	$176,420	7.69%
	Nov	$97,712,176	$162,854	7.69%
	Dec	$90,198,109	$150,330	7.69%
	Jan	$83,261,875	$138,770	7.69%
	Feb	$76,859,037	$128,098	7.69%
	Mar	$70,948,577	$118,248	7.69%
	Apr	$65,492,631	$109,154	7.69%
	May	$60,456,248	$100,760	7.69%
	Add GF Projected Revenue	**$8,600,000**		
	Jun	$63,745,822	$106,243	7.69%
		Treasury Factor:	**0.001667**	Expended per Month
10-11	Jul	$58,843,769	$98,073	7.69%
	Aug	$54,318,683	$90,531	7.69%
	Sep	$50,141,576	$83,569	7.69%
	Oct	$46,285,689	$77,143	7.69%
	Nov	$42,726,319	$71,211	7.69%
	Dec	$39,440,665	$65,734	7.69%
	Jan	$36,407,678	$60,679	7.69%
	Feb	$33,607,928	$56,013	7.69%
	Mar	$31,023,478	$51,706	7.69%
	Apr	$28,637,773	$47,730	7.69%
	May	$26,435,528	$44,059	7.69%
	Add GF Projected Revenue	**$48,000,000**		
	Jun	$68,711,436	$114,519	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
$5,766,568	Deappropriated from COP annual payment due to refinancing
($1,824,218)	Used for Transfer to General Fund
($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.
$4,391,223	Balance FY 2009-10
$3,219,762	Revenue FY 2010-11
($7,610,985)	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:	**0.001875**	Expended per Month
11-12	Jul	$63,427,526	$118,927	7.69%
	Aug	$58,549,950	$109,781	7.69%
	Sep	$54,047,459	$101,339	7.69%
	Oct	$49,891,209	$93,546	7.69%
	Nov	$46,054,575	$86,352	7.69%
	Dec	$42,512,978	$79,712	7.69%
	Jan	$39,243,730	$73,582	7.69%
	Feb	$36,225,887	$67,924	7.69%
	Mar	$33,440,117	$62,700	7.69%
	Apr	$30,868,572	$57,879	7.69%
	May	$28,494,778	$53,428	7.69%
	Add GF Projected Revenue	**$46,000,000**		
	Jun	$68,766,130	$128,936	7.69%
		Treasury Factc	**0.002083**	Expended per Month
12-13	Jul	$63,478,015	$132,246	7.69%
	Aug	$58,596,555	$122,076	7.69%
	Sep	$54,090,480	$112,689	7.69%
	Oct	$49,930,922	$104,023	7.69%
	Nov	$46,091,234	$96,023	7.69%
	Dec	$42,546,818	$88,639	7.69%
	Jan	$39,274,968	$81,823	7.69%
	Feb	$36,254,723	$75,531	7.69%
	Mar	$33,466,735	$69,722	7.69%
	Apr	$30,893,143	$64,361	7.69%
	May	$28,517,460	$59,411	7.69%
	Jun	$26,324,468	$54,843	7.69%

Table CC - B Higher Education Federal Mineral Lease Revenues Fund Spillover Projection for SB 08-233 Annual Payments							
Fiscal Year	**Spillover Projection**	**Annual Payments***	**FY 2009-10 Transfer of Expense Funds to Revenues Fund for use in FY 2011-12****	**Transfer from FML Revenues Fund to General Fund*****	**Net**	**Interest**	**Final Projected Balance if Other Funds Not Used**
November 2009 Balance per State Controller Dec 11, 2009					$22,753,731		$22,753,731
FY 2009-10	$0	$4,164,974	$5,000,000	$750,000	$22,838,757	$456,775	$23,295,532
FY 2010-11	$0	$8,877,550	$0	$7,000,000	$7,417,982	$148,360	$7,566,342
FY 2011-12	$14,336,835	$12,446,300	$0	$0	$9,456,877	$0	$9,456,877
FY 2012-13	$10,706,721	$18,585,375	$0	$0	$1,578,223	$0	$1,578,223

*Annual payments reflect actual pricings as of December 3, 2009. FY 2009-10 is reduced for the payment amount of $11,655,391 [$15,820,365 - $11,655,391 = $4,164,974] already made on October 28 for November 1, 2009.
**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 fund 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.
***Balance is adjusted for the Governor's Budget Balancing Plan to refinance the FML COPs. The proposal produces savings of $750,000 in FY 2009-10 and $7 million in FY 2010-11 and transfers those amounts to the General Fund.

Table CC - C Higher Education Federal Mineral Lease Maintenance and Reserve Fund Projection for Higher Education Controlled Maintenance			
Fiscal Year	**Spillover Projection**	**Interest Available for Controlled Maintenance**	**Accruing Total**
FY 2009-10	$2,928,702	$58,574	
FY 2010-11	$3,145,924	$62,918	$121,493
FY 2011-12	$4,002,437	$90,055	$211,547
FY 2012-13	$3,846,772	$96,169	$307,717

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 FY 2011-12, when the actual balance is built at the end of FY 2010-11.

Table CC - D
Colorado Higher Education Capital Construction Lease Purchase Financing Program
Certificates of Participation, Series 2009

Year	Fiscal Year	[A] Original Total Base Rentals	[B] Savings	[C] = [A] - [B] Total Base Rentals	[D] Non-State Base Rentals [Paid by Institutions]	[E] = [C] - [D] New State Annual Payments	Average for SB 233 Calculation
1	FY 2008-09	$11,410,038	$0	$11,410,038	$1,413,531	**$9,996,507**	
2	FY 2009-10	$18,830,200	$832,360	$17,997,840	$2,177,475	**$15,820,365**	
3	FY 2010-11	$18,829,275	$7,777,000	$11,052,275	$2,174,725	**$8,877,550**	
4	FY 2011-12	$18,823,450	$4,207,175	$14,616,275	$2,169,975	**$12,446,300**	
5	FY 2012-13	$18,830,425	($1,932,800)	$20,763,225	$2,177,850	**$18,585,375**	
6	FY 2013-14	$18,824,300	($1,936,900)	$20,761,200	$2,173,225	**$18,587,975**	
7	FY 2014-15	$18,832,156	($1,936,375)	$20,768,531	$2,180,975	**$18,587,556**	
8	FY 2015-16	$18,832,400	($1,934,200)	$20,766,600	$2,178,788	**$18,587,813**	
9	FY 2016-17	$18,827,763	($1,936,275)	$20,764,038	$2,174,100	**$18,589,938**	
10	FY 2017-18	$18,824,013	($1,937,625)	$20,761,638	$2,173,850	**$18,587,788**	$15,866,717
11	FY 2018-19	$18,736,950	($1,935,300)	$20,672,250	$2,172,225	**$18,500,025**	
12	FY 2019-20	$18,741,975	($1,934,675)	$20,676,650	$2,178,525	**$18,498,125**	
13	FY 2020-21	$18,742,038	($1,934,175)	$20,676,213	$2,177,381	**$18,498,831**	
14	FY 2021-22	$18,737,150	($1,933,550)	$20,670,700	$2,174,025	**$18,496,675**	
15	FY 2022-23	$18,736,038	($1,937,425)	$20,673,463	$2,171,600	**$18,501,863**	
16	FY 2023-24	$18,741,469	($1,935,550)	$20,677,019	$2,179,581	**$18,497,438**	
17	FY 2024-25	$18,741,488	($1,934,363)	$20,675,850	$2,175,463	**$18,500,388**	
18	FY 2025-26	$18,736,988	($1,936,925)	$20,673,913	$2,173,988	**$18,499,925**	
19	FY 2026-27	$18,742,988	($1,936,300)	$20,679,288	$2,176,738	**$18,502,550**	
20	FY 2027-28	$18,741,600	$16,896,600	$1,845,000	$2,178,300	$0	$16,649,582
		$368,262,701	$680,697	$367,582,004	$42,752,319	$325,162,985	$32,516,298

Table CC - E
State of Colorado Refunding UCDHSC Fitzsimons Academic Projects
Certificates of Participation, Series 2009

Year	Fiscal Year	[A] Original Total Base Rentals	[B] Savings	[C] = [A] - [B] Total Base Rentals	[D] = Less Cash Funds from Tobacco Master Settlement	[E] = [C] - [D] General Fund Transfer Need
1	FY 2009-10	$13,142,063	$4,196,981	$8,945,082	$8,000,000	$945,082
2	FY 2010-11	$13,143,213	$3,448,537	$9,694,676	$8,000,000	$1,694,676
3	FY 2011-12	$13,144,713	$363	$13,144,350	$8,000,000	$5,144,350
4	FY 2012-13	$13,141,563	($1,505,238)	$14,646,800	$8,000,000	$6,646,800
5	FY 2013-14	$13,143,650	($1,504,288)	$14,647,938	$8,000,000	$6,647,938
6	FY 2014-15	$13,142,888	($1,506,013)	$14,648,900	$8,000,000	$6,648,900
7	FY 2015-16	$13,143,038	($1,505,063)	$14,648,100	$8,000,000	$6,648,100
8	FY 2016-17	$13,145,388	($1,500,688)	$14,646,075	$8,000,000	$6,646,075
9	FY 2017-18	$13,141,838	($1,507,875)	$14,649,713	$8,000,000	$6,649,713
10	FY 2018-19	$13,143,213	($1,504,913)	$14,648,125	$8,000,000	$6,648,125
11	FY 2019-20	$13,141,963	($1,505,413)	$14,647,375	$8,000,000	$6,647,375
12	FY 2020-21	$13,142,213	($1,506,788)	$14,649,000	$8,000,000	$6,649,000
13	FY 2021-22	$13,142,963	($1,503,913)	$14,646,875	$8,000,000	$6,646,875
14	FY 2022-23	$13,143,213	($1,506,538)	$14,649,750	$8,000,000	$6,649,750
15	FY 2023-24	$13,141,963	($1,338,663)	$14,480,625	$8,000,000	$6,480,625
16	FY 2024-25	$13,145,806	$526,838	$12,618,969	$8,000,000	$4,618,969
17	FY 2025-26	$13,142,356	$10,298,419	$2,843,938	$2,843,938	$0
18	FY 2026-27	$13,143,594	$0	$13,143,594	$8,000,000	$5,143,594
19	FY 2027-28	$13,142,375	$0	$13,142,375	$8,000,000	$5,142,375
20	FY 2028-29	$13,146,375	$0	$13,146,375	$8,000,000	$5,146,375
21	FY 2029-30	$13,146,250	$0	$13,146,250	$8,000,000	$5,146,250
22	FY 2030-31	$13,145,625	$0	$13,145,625	$8,000,000	$5,145,625
		$289,156,257	$575,749	$288,580,508	$170,843,938	$117,736,570

Table CC - F FY 2010-11 Level I Controlled Maintenance Recommendation					
Number	**Rank**	**Agency Name**	**Project Title, Phasing**	**Funding Recommendation**	**Cumulative Total**
1	1	Office of the State Architect	Emergency Fund	$2,000,000	$2,000,000
2	3	Western State College	Life Safety Projects, Ph 1 of 1	$65,000	$2,065,000
3	3	Department of Corrections	Perimeter Security Improvements, AVCF and FCF, Ph 2 of 4	$618,968	$2,683,968
4	3	Office of Information Technology	Replace Microwave Site Towers - A, Ph 1 of 2	$800,614	$3,484,582
5	4	University of Colorado - Colorado Springs	Upgrade Fire Sprinkler System, University Hall, Ph 1 of 1	$497,152	$3,981,734
6	4	Capitol Complex Facilities	Replace Fire Alarm System, 1570 Grant, Ph 1 of 1	$303,544	$4,285,278
7	4	Cumbres & Toltec Scenic Railroad Commission	Chama Depot, Electric and HVAC Upgrade, Ph 1 of 1	$100,600	$4,385,878
8	4	Department of Human Services	Upgrade Electronic Security Systems, Ph 1 of 4	$439,864	$4,825,742
9	4	Capitol Complex Facilities	State Office Building, Replace Main Transformer, Ph 1 of 1	$215,099	$5,040,841
10	4	Department of Corrections	Door Controls Replacement and Perimeter Security Improvements, LCF, Ph 1 of 2	$635,083	$5,675,924
11	4	Pueblo Community College	Refurbish/Repair Waste Water Lagoon System and Replace Main Water Feed , SCCC West Campus, Ph 1 of 1	$599,390	$6,275,314
12	4	Colorado School for the Deaf and Blind	Electrical Distribution Upgrades, Ph 3 of 3	$621,672	$6,896,986
13	5	University of Colorado - Boulder	Fire Safety Upgrades, Ph 2 of 2	$518,063	$7,415,049
14	5	Department of Human Services	Replace Fire Alarm Systems, CMHIFL, Ph 1 of 2	$762,647	$8,177,696
15	5	Fort Lewis College	Reconstruction of Eighth Avenue, Ph 2 of 3	$567,035	$8,744,731
16	6	Front Range Community College	Replace High Voltage Electrical System, Westminster Campus, Ph 1 of 2	$309,761	$9,054,492
17	6	Department of Corrections	Critical Improvements, Cellhouse 1, CTCF, Ph 1 of 2	$458,116	$9,512,608
18	6	Colorado Historical Society	Healy House Structural Reinforcement, Ph 1 of 2	$206,250	$9,718,858
19	6	Colorado School of Mines	Replace Failed Corroded Piping, Ph 3 of 3	$410,730	$10,129,588
OSPB Recommended Funding for FY 2010-11: Above this Line				**$10,129,588**	
20	8	Department of Human Services	Fire Protection Upgrades, CMHIFL Hospital Buildings, Ph 1 of 3	$736,909	$10,866,497
21	8	Pueblo Community College	Install/Repair Fire Alarm Notification, Egress Signage and Lighting, and Fire Rated Components, SCCC West Campus, Ph 1 of 1	$464,948	$11,331,445
22	8	Department of Revenue	Replace Main Exit Doors, Ph 1 of 1	$325,318	$11,656,763
23	8	Capitol Complex Facilities	Replace Emergency Generator, Centennial, Ph 1 of 1	$751,750	$12,408,513
24	8	State Fair - Pueblo	Secondary Electrical Infrastructure Repair/Replacement, Ph 2 of 4	$709,680	$13,118,193
25	8	Department of Military and Veterans Affairs	Building Systems Revitalization, Ph 2 of 2	$609,700	$13,727,893
26	8	Colorado Historical Society	El Pueblo History Museum HVAC, Ph 1 of 1	$179,722	$13,907,615
27	8	Auraria Higher Education Center	Campus Catwalk, Access Ladder Repairs and Roof Replacement, Ph 1 of 1	$351,486	$14,259,101
28	8	Colorado Community College System at Lowry	HVAC Upgrades, Building 758, Ph 1 of 2	$222,750	$14,481,851
29	8	University of Colorado - Boulder	Storm/Sanitary Sewer Cross Connection, Ph 3 of 3	$607,492	$15,089,343
30	8	Mesa State College	Campus Perimeter Sidewalk Safety Improvements, Ph 1 of 1	$481,758	$15,571,101
31	9	Department of Corrections	Roof Replacement, CTCF and BVCC, Ph 4 of 4	$898,282	$16,469,383
32	10	Mesa State College	East Loop Tie, Ph 1 of 1	$96,016	$16,565,399
33	10	University of Colorado - Boulder	Upgrade Building Transformers/Electrical Services, Ph 2 of 3	$494,085	$17,059,484
34	10	University of Colorado - Denver	Building 500 Chilled Water Upgrade, Network Reliability Improvements, Ph 1 of 1	$370,975	$17,430,459
35	10	Department of Human Services	Replace Water Service, WRRC, Ph 1 of 1	$978,194	$18,408,653
36	10	Colorado Northwestern Community College	Yeager Roof Replacement, Rangely Campus, Ph 1 of 1	$149,990	$18,558,643
37	10	Arapahoe Community College	New Roof Installation Main and Annex Buildings, Ph 1 of 2	$500,571	$19,059,214

Number	Rank	Agency Name	Project Title, Phasing	Funding Recommendation	Cumulative Total
38	10	Colorado State University	Replace Failed Roofing, VTH and Horse Barn, Main Campus, Ph 1 of 2	$988,410	$20,047,624
39	10	Department of Corrections	Asbestos Abatement, FLCF, Ph 3 of 3	$646,393	$20,694,017
		LEVEL 1 Total as Scored by the Office of the State Architect		$20,694,017	
		Not recommended for funding			

Table CC- G

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FY 2010 **NOVEMBER 2009**
Factor 0.001950
ANNUALIZED RATE: 2.34%

CURRENT INTEREST CALCULATION

NL=not listed on COFRS Average Daily Balance Report

T#	AGENCY NAME	ACCOUNT NAME	FUND	AGENCY	NOVEMBER 2009 COFRS Average Balance	General Fund	Interest Due to Pay NOVEMBER 2009	**INTEREST PAID Agency**
1	CAPITAL CONSTRUCTION	Capital Construction	461	999	134,571,681.72	0.00	262,415.00	262,415.00
468	HIGHER EDUCATION	Federal Mineral Lease-Reserve Fund	23M	GAA	779,533.10	0.00	1,520.00	1,520.00
469	HIGHER EDUCATION	Federal Mineral Lease-Revenue Fund	23R	GAA	22,692,056.08	0.00	44,250.00	44,250.00