

STATE OF COLORADO

OFFICE OF STATE PLANNING AND BUDGETING

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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: June 21, 2010

SUBJECT: *June 2010 Revenue Forecast*

This memorandum presents the June 2010 Office of State Planning and Budgeting (OSPB) economic and revenue forecast. The memorandum includes a General Fund overview, General Fund and cash fund revenue forecasts, a discussion of the budget implications, and summaries of both national and Colorado economies.

JUNE 2010 OSPB FORECAST HIGHLIGHTS

- Based on this OSPB forecast, there is **insufficient General Fund to support current year (FY 2009-10) and next year (FY 2010-11) appropriations** while still maintaining 2.0 percent and 4.0 percent General Fund Reserve levels, respectively. Pursuant to authority provided under 25.5-4-401 (c), C.R.S., after adjusting for action taken by the Governor and State Controller to suspend the final two weeks of Medicaid payments in FY 2009-10, the projected current year shortfall equals \$74.5 million. The FY 2010-11 General Fund Reserve is also projected to fall below 4.0 percent for that year, by \$214.5 million.
- **Gross General Fund revenues in FY 2009-10 are projected to decrease 5.2 percent** (or \$349.7 million) from the previous fiscal year's collections. Despite slight improvement in economic conditions, lower tax collections at the start of the fiscal year, a lag in individuals' ability to pay taxes owed to the State, and sizable State payables have decreased overall available revenue in the current year. **FY 2010-11 projected revenues are forecast to increase 10.9 percent** over FY 2009-10 collections, though due in part to the impact of legislative actions and the absence of large income tax deferrals or payables in that fiscal year.
- **FY 2009-10 cash fund revenues are forecast to decrease 11.2 percent** (or \$265.3 million) from the prior fiscal year, the primary cause being sharp reductions in severance tax revenues as a result of natural gas price fluctuations. Cash fund revenues are projected to return to positive growth for nearly all revenue sources in **FY 2010-11, increasing by 11.8 percent (or \$248.5 million)**.
- 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.

GENERAL FUND OVERVIEW AND BUDGET IMPLICATIONS

This section summarizes how forecasted General Fund and cash fund revenues flow through the State spending structure. Table 1 reflects current appropriated levels for FY 2009-10 and FY 2010-11 based on actions passed during the 2009 and 2010 legislative sessions.

GENERAL FUND OVERVIEW – TABLE 1

Table 1 presents the General Fund Overview for the June 2010 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 outlined in the tables on page 4 of this document. Line 5 summarizes transfers both into and out of the General Fund (as summarized on page 3 of this document).

Lines 7 through 11 summarize the amount of allowable General Fund appropriations based on the limit specified in 24-75-201.1 (1)(a)(II), C.R.S. Prior to FY 2009-10, this limit was equal to the lesser of five percent of Colorado personal income or six percent growth over the prior year’s total General Fund appropriation. Beginning in FY 2009-10, the limit is now equal to five percent of Colorado personal income. Lines 7 and 8 reflect the General Fund appropriation limit and the forecasted variance from the limit based on appropriated or projected revenues. Line 9 represents current General Fund appropriations for expenditures under the limit specified in 24-75-201.1 (1)(a)(II), C.R.S., adjusted to reflect requested 1331 Emergency Supplementals as submitted by OSPB on June 21, 2010. Finally, line 9 also includes the impact of suspending Medicaid Management Information System (MMIS) payments to providers in FY 2009-10, projected to equal \$38.0 million.

Lines 12 through 20 summarize spending that is exempted from or is outside of the General Fund appropriations limit as defined in 24-75-201.1 (1)(a)(II), C.R.S. It should be noted that the total on line 13 must be funded prior to funding General Fund appropriations under the limit. Line 17 includes projects 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.

Line 20 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 (and are why this FY 2008-09 entry is reported as a negative expenditure). For FY 2009-10, additional federal revenues for “M” headnote line items are reflected in line 9 as reductions to General Fund expenditures. For FY 2009-10 and beyond, the only impact recorded in line 20 is related to SB 09-264 which refinance General Fund with federal funds for non- “M” headnote lines.

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 24) must equal the statutorily defined percentage of that year's General Fund appropriations (line 9), prior to any 1331 Emergency Supplemental adjustments or MMIS delay. For FY 2008-09 and FY 2009-10, this reserve percentage was reduced from 4.0 percent to 2.0 percent. For FY 2010-11, the reserve requirement was restored to 4.0 percent. All excess General Fund (line 22) is carried forward into the subsequent fiscal year as the beginning General Fund Reserve.

As indicated by the negative values in line 25, revenues are not projected to be sufficient to support current appropriation levels in FY 2009-10 or FY 2010-11. Due to the limited number of days remaining in the current fiscal year, the projected FY 2009-10 shortfall of \$74.5 million is shown as a reduction to year-end excess General Fund, thereby lowering the beginning General Fund balance for FY 2010-11. Thus, the FY 2010-11 projected shortfall of \$214.5 million incorporates the impact of the current year deficit on next year's spending.

For informational purposes only, line 28 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.

The following tables summarize transfers and revenue impacts from legislation included in the General Fund Overview (Table 1) and General Fund Revenue Summary (Table 3). Not all legislative impacts will equal fiscal note estimates for 2009 legislation as Colorado's economic environment has changed since such fiscal estimates were calculated.

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)*	\$9.9	\$0.0	\$0.0	\$0.0	\$0.0
SB 09-269 Transfer to the GF (Revise Disbursement of Tobacco Settlement)	\$12.4	\$65.0	\$0.0	\$0.0	\$0.0
SB 09-270 Transfers to the GF (Interest on Tobacco Tax Revenues)	\$6.3	\$3.9	\$2.6	\$2.6	\$0.0
SB 09-279 Transfers to the GF (Cash Fund Balances)	\$114.1	\$207.7	\$0.0	\$0.0	\$0.0
HB 09-1105 (Colorado Innovation Investment)	\$0.0	\$0.4	\$0.4	\$0.0	\$0.0
HB 09-1223 (Tobacco Litigation Settlement Funds)	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0
HB 10-1323 (Tobacco Litigation Funds for Health Care Programs)	\$0.0	\$0.4	\$4.0	\$0.0	\$0.0
HB 10-1325 (Interest on Natural Resources Damage Recovery Fund)	\$0.0	\$0.2	\$0.2	\$0.2	\$0.2
HB 10-1327 Transfers to the GF (Cash Fund Balances)	\$0.0	\$84.8	\$0.0	\$0.0	\$0.0
HB 10-1339 Transfers to the GF (Limited Gaming) - included in General Fund Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
HB 10-1383 CollegeInvest Transfer to the GF (Conditional)	\$0.0	\$29.8	\$0.0	\$0.0	\$0.0
HB 10-1388 Transfers to the GF (Cash Fund Balances)	\$0.0	\$0.0	\$26.6	\$0.0	\$0.0
HB 10-1389 Transfers to the GF (Capital Construction Moneys)	\$0.0	\$20.9	\$10.4	\$0.0	\$0.0
DPA Procurement Signing Bonus	\$0.0	\$0.8	\$0.8	\$0.0	\$0.0
Total Transfers without SB 09-279 Contingency Funds	\$355.3	\$408.4	\$36.9	(\$5.2)	(\$7.8)
SB 09-279 Contingency Transfer to Balance GF Budget in FY 2008-09	\$458.1	(\$458.1)	\$0.0	\$0.0	\$0.0
Total Transfers with SB 09-279 Contingency Funds	\$813.3	(\$49.7)	\$36.9	(\$5.2)	(\$7.8)

* An additional \$9,844,669 was also accounted for through reduced GF expenditures for FY 2008-09. Impacts for FY 2009-10 and beyond will ultimately be recorded as refinanced GF expenditures with federal fund revenues and are recorded on line 20 for FY 2009-10 and beyond.

June 2010 Revenue Forecast

Sales / Use Tax Revenue Impact	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
HB 09-1331 (Incentives for Efficient Vehicles)	\$0.0	\$0.0	\$0.0	\$0.0	(\$2.7)
HB 09-1342 (Eliminate Cigarette Sale Tax Exempt)	\$0.0	\$27.9	\$28.8	\$0.0	\$0.0
SB 09-212 (Eliminate Part of Vendor Administrative Fee)	\$12.4	\$33.8	\$35.6	\$0.0	\$0.0
SB 09-275 (Eliminate Remaining Vendor Administrative Fee)	\$0.0	\$27.5	\$28.5	\$0.0	\$0.0
HB 10-1189 - Suspend Exemption for Direct Mail Advertising	\$0.0	\$0.2	\$0.8	\$0.8	\$0.8
HB 10-1190 - Suspend Exemption for Industrial / Manufacturing Energy Use	\$0.0	\$7.2	\$37.6	\$40.2	\$0.0
HB 10-1191 - Eliminate Exemption for Candy and Soft Drinks	\$0.0	\$1.4	\$18.0	\$18.0	\$18.0
HB 10-1192 - Eliminate Software Exemption	\$0.0	\$4.6	\$23.7	\$24.1	\$24.1
HB 10-1193 - Enforce Sales Tax Collections for Online Purchases	\$0.0	\$0.0	\$3.9	\$4.9	\$4.9
HB 10-1194 - Eliminate Exemption for Non-Essential Food Containers	\$0.0	\$0.4	\$2.0	\$2.0	\$2.0
HB 10-1195 - Suspend Agricultural Compounds, Bull Semen and Pesticides Exemptions	\$0.0	\$0.9	\$4.6	\$4.6	\$4.6
HB 10-1285 - Fines for Commercial Vehicles	\$0.0	\$0.0	(\$0.3)	(\$0.8)	(\$0.8)
Total Sales / Use Tax Revenue Impact	\$12.4	\$103.9	\$183.3	\$93.8	\$50.9
Individual Income Tax Revenue Impact	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
HB 09-1366 (Eliminate Capital Gains Exempt)	\$0.0	\$3.6	\$7.9	\$8.8	\$9.8
HB 09-1067 (Instream Flow Tax Credit)	\$0.0	\$0.0	(\$1.0)	(\$2.0)	(\$2.0)
HB 09-1331 (Incentives for Efficient Vehicles)	\$0.0	\$0.9	\$2.6	\$1.0	\$0.0
HB 10-1055 - Third Party Collection Fees	\$0.0	\$0.0	\$1.5	\$3.0	\$3.0
HB 10-1196 - Revise Alternative Fuel Vehicle Credits	\$0.0	\$0.0	\$2.7	\$2.7	\$0.0
HB 10-1197 - Limit Gross Conservation Easement Credits	\$0.0	\$0.0	\$18.5	\$37.0	\$37.0
SB 10-001 - PERA Unfunded Liability	\$0.0	(\$0.5)	(\$1.1)	(\$0.7)	(\$0.7)
SB 10-146 - PERA Contribution Change	\$0.0	\$0.0	(\$1.1)	\$0.0	\$0.0
HB 10-1376 - Department of Revenue Treasury Offset Program	\$0.0	\$0.0	\$4.2	\$4.0	\$3.1
HB 10-1376 - Department of Revenue Delinquency Billings	\$0.0	\$0.0	\$4.2	\$4.2	\$4.2
HB 10-1376 - Department of Revenue Conservation Easement Backlog	\$0.0	\$0.0	\$4.1	\$4.1	\$4.1
Department of Revenue Tax Compliance Initiatives	\$0.0	\$3.4	\$15.4	\$4.9	\$4.9
Total Individual Income Tax Revenue Impact	\$0.0	\$7.3	\$57.9	\$67.0	\$63.4
Corporate Income Tax Revenue Impact	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
HB 09-1001 (Job Creation Incentive)	\$0.0	(\$1.5)	(\$4.3)	(\$7.0)	(\$11.2)
HB 09-1219 (Interest on Overpayments)	\$0.0	\$0.6	\$0.6	\$0.6	\$0.6
HB 10-1199 - Limit Net Operating Loss to \$250,000	\$0.0	\$0.0	\$8.2	\$16.5	\$16.5
HB 10-1200 - Limit Enterprise Zone Investment Tax Credit to \$250,000	\$0.0	\$0.0	\$4.0	\$8.0	\$8.0
Total Corporate Income Tax Revenue Impact	\$0.0	(\$0.9)	\$8.5	\$18.1	\$13.8
Other Legislative Impacts to Revenues	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
SB 09-174 (Pari-mutuel Simulcast Racing)	\$0.0	\$0.2	\$0.3	\$0.3	\$0.4
Total Other Tax Revenue Impacts	\$0.0	\$0.2	\$0.3	\$0.3	\$0.4

Table 1
General Fund Overview
(Dollar Amounts in Millions)

Line No.		FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Revenue						
1	Beginning Reserve	\$283.5	\$443.8	\$58.2	\$63.1	\$287.8
2	Gross General Fund Revenue	\$6,742.7	\$6,393.0	\$7,092.7	\$7,639.7	\$8,037.1
3	General Fund	\$6,742.7	\$6,393.0	\$7,092.7	\$7,253.8	\$7,466.5
4	General Fund Exempt	\$0.0	\$0.0	\$0.0	\$385.9	\$570.5
5	Net Transfers to/(from) the General Fund	\$813.3	(\$49.7)	\$36.9	(\$5.2)	(\$7.8)
6	TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE	\$7,839.5	\$6,787.1	\$7,187.8	\$7,697.5	\$8,317.0
Expenditures						
7	Allowable General Fund Appropriation Limit /A	\$7,546.9	\$10,616.0	\$10,385.0	\$10,740.0	\$11,200.0
8	Total Allowable General Fund Appropriation Limit not Supported by Revenues	(\$159.7)	(\$4,020.8)	(\$3,391.2)	(\$3,545.5)	(\$3,525.9)
9	Appropriated Expenditures Under the Limit /B	\$7,387.1	\$6,595.2	\$6,993.8	\$7,194.5	\$7,674.1
10	Dollar Change (from prior year)	\$299.3	(\$791.9)	\$398.6	\$200.7	\$479.7
11	Percent Change (from prior year)	4.2%	-10.7%	6.0%	2.9%	6.7%
12	Exemptions to Limit	\$12.2	\$0.0	\$0.0	\$0.0	\$0.0
13	Spending Outside Limit	\$210.6	\$133.7	\$130.9	\$215.3	\$335.9
14	TABOR Refund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
15	Rebates and Expenditures /C	\$136.0	\$135.4	\$128.3	\$162.9	\$168.2
16	Homestead Exemption	\$85.6	\$1.3	\$1.7	\$2.0	\$106.9
17	Transfers to Capital Construction /D	\$24.9	\$4.8	\$8.6	\$50.4	\$60.8
18	Transfers to Highway Users Tax Fund	N/A	N/A	N/A	N/A	\$0.0
19	Reversions and Accounting Adjustments	(\$36.0)	\$0.0	\$0.0	\$0.0	\$0.0
20	Enhanced Medicaid Match (reduces GF expenditures)	(\$214.1)	(\$7.8)	(\$7.8)	N/A	N/A
21	TOTAL GENERAL FUND OBLIGATIONS	\$7,395.8	\$6,728.9	\$7,124.7	\$7,409.8	\$8,010.0
Reserves						
22	Year-End Excess General Fund Balance	\$443.8	\$58.2	\$63.1	\$287.8	\$307.0
23	Year-End Excess General Fund as a % of Appropriations	6.0%	0.9%	0.9%	4.0%	4.0%
24	General Fund Statutory Reserve /E	\$148.2	\$132.6	\$277.6	\$287.8	\$307.0
25	Excess Monies Above (Below) Statutory Reserve	\$295.6	(\$74.5)	(\$214.5)	\$0.0	\$0.0
26	Addendum: State Education Fund (one-third of 1% of Colorado taxable income)	\$339.9	\$313.4	\$349.9	\$385.0	\$408.5

/A FY 2008-09 reflects the previous year's exempt and non-exempt appropriations (rows 9 and 12) plus six percent. Per SB 09-228, this limit is revised to 5.0% of personal income beginning July 1, 2009.

/B Pursuant to authority provided by 25.5-4-401(c), C.R.S. (2009) and as directed in a June 7, 2010 letter to Health Care Policy and Financing from the Director of OSPB and the State Controller, FY 2009-10 includes an reduction of \$38.0 million in delayed Medicaid payments to providers. FY 2010-11 therefore includes an additional \$38.0 million, resulting in a greater General Fund obligation than currently appropriated. FY 2009-10 also includes the impact from an OSPB June 21, 2010 Emergency 1331 for Health Care Policy and Financing, equal to \$1.6 million, for anticipated CHP overexpenditures.

/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 Includes costs for capital requests, Level I Controlled Maintenance and certificate of participation (COP) payments appropriated from and projected for the Capital Construction Fund - see the attached capital construction forecast for additional details. FY 2009-10 includes an OSPB June 21, 2010 Emergency 1331 for \$2.9 million related to a Department of Correction's COP payment.

/E Per SB 09-219 and SB 09-277, the statutory General Fund reserve required per 24-75-201.1, C.R.S. (2009) 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 in the Department of Corrections was not yet signed into law, the reserve requirement still includes the impact from the \$24.6 million times 2.0 percent.

BUDGET IMPLICATIONS OF THE FORECAST

Appropriations

FY 2009-10

Largely reflective of the Governor's budget balancing proposals submitted to the Joint Budget Committee throughout the prior and current fiscal years, actions taken during the 2009 and 2010 legislative sessions have resulted in FY 2009-10 General Fund appropriations subject to limitation under 24-75-201.1, C.R.S. equal to \$6,595.2 million¹. This is a 10.7 percent reduction to General Fund appropriations from FY 2008-09 levels; however, when adjusting for the enhanced federal participation for Medicaid in FY 2008-09, a truly comparative reduction of 8.1 percent was experienced.

Based on this June OSPB forecast, revenues are not anticipated to support current FY 2009-10 General Fund appropriations while maintaining a full 2.0 percent General Fund Reserve. Even after adjusting for the June 7, 2010 letter from the Director of OSPB and the State Controller directing the Department of Health Care Policy and Financing to suspend the final two weeks of Medicaid payments for FY 2009-10, a projected FY 2009-10 shortfall to equal \$74.5 million (line 25, Table 1)² is anticipated.

FY 2010-11

Based on the 2010 legislative session, FY 2010-11 General Fund appropriations subject to limitation under 24-75-201.1, C.R.S. equal \$6,993.8 million³. This is an increase of 6.0 percent over FY 2009-10 appropriated levels, after adjusting for the MMIS Medicaid provider payment delay. Based on this June OSPB revenue forecast and due to the projected FY 2009-10 shortfall previously described, preliminary General Fund revenue estimates indicate a FY 2010-11 shortfall of \$214.5 million (line 25, Table 1) below a full 4.0 percent General Fund Reserve.

FY 2011-12

The Executive Branch began its fiscal planning process for FY 2011-12 early in the 2010 calendar year. Part of this process has been the continuous consideration of available revenue for that fiscal year, as well as any and all one-time budget balancing actions that expire during or prior to FY 2011-12. Due to the increased demand for General Fund following periods of economic contractions (most notably seen in Medicaid and Corrections), the expiration of recent budget balancing actions has been carefully watched, so as to allow for some management in the disparity between available fiscal resources and financial obligations for the upcoming budget year.

While this June OSPB forecast projects that expenditures under the limit defined in 24-75-201.1, C.R.S. may increase by as much as \$200.7 million (2.9 percent) over appropriated FY 2010-11 levels (adjusted for the Medicaid payment delay in FY 2009-10), consideration must be given to

¹ The amount above and on line 9 of Table 1 has been adjusted to reflect: 1) the directive to Health Care Policy and Financing to suspend the final two weeks of Medicaid provider payments (estimated at \$38.0 million) at the end of FY 2009-10, and 2) an anticipated Children's Basic Health Plan overexpenditure of \$1.6 million.

² Authority for this delay in Medicaid provider payments is provided in 25.5-4-401 (c), C.R.S.

³ Medicaid payments suspended at the end of FY 2009-10 have increased future General Fund obligations reflected above and in line 9 of Table 1 for FY 2010-11, equal to \$38.0 million.

the loss of enhanced federal financial participation in Medicaid and to increasing the General Fund Reserve back to 4.0 percent.

Transportation and Capital Construction

Based on changes enacted with SB 09-278 and SB 09-228, General Fund revenue for transportation and capital construction are no longer automatically diverted out of year-end excess General Fund. Beginning with FY 2009-10, *statutory* General Fund transfers may return to these infrastructure projects only once the State begins to experience year-over-year personal income growth of at least 5.0 percent. Based on this June OSPB forecast, personal income growth in Colorado is not projected to equal or exceed 5.0 percent until calendar year 2013, with possible transfer requirements therefore not anticipated during the current forecast period.

Despite changes to General Fund revenues dedicated for transportation and capital construction, obligations to ensure safe travel and buildings in Colorado remain. As such, the State passed SB 09-108 during the 2009 legislative session, to increase cash fund revenues for transportation, and when coupled with federal American Recovery and Reinvestment Act funding, provides Colorado with financial resources for such purposes. Similarly, this OSPB forecast requests funding for future capital construction needs, as summarized in the appendix at the end of this document.

K-12 Education

Due to declining tax revenues, the State's share of school districts' total program funding has not kept pace with threshold increases outlined in Amendment 23. While State support for K-12 increased \$126.0 million from FY 2008-09, final appropriations for FY 2009-10 were \$196.4 million below estimated formulaic growth benchmarks for pupil count and inflation plus 1.0 percent. Similarly, further reductions were applied to State support for K-12 in FY 2010-11, equal to \$119.1 million.

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 throughout the forecast period 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 an extension of enterprise status for this program, additional 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 forecast to increase based on recent suspensions or eliminations of tax exemptions and credits signed into law (HB 10-1189 through HB 10-1200).

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 June 2010 OSPB forecast, the highest projected TABOR revenue year continues to be FY 2007-08. Therefore, the FY 2010-11 revenue limit was calculated assuming the FY 2007-08 limit adjusted forward to FY 2008-09 by population plus inflation; was then reduced by the amount of 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. Based on this June OSPB forecast, gross General Fund revenue is projected to increase at a compound average annual rate of 4.5 percent between FY 2008-09 and FY 2012-13.

Sales and Use Taxes

This OSPB June forecast for FY 2009-10 excise tax revenue collections has remained relatively unchanged since previously published. Although consumer confidence is beginning to rebound and savings rates have come down markedly over the past three months, the slow recovery in employment statewide continues to constrain the consumer from sustained spending on both durable and non-durable goods. As many of these factors were previously anticipated, out-year excise tax revenue projections have not noticeably changed.

It is important to note that there are numerous legislative impacts worked into the current excise tax forecast. Prior to legislative impacts, excise taxes are forecast to decline by 8.6 percent in FY 2009-10. However, the impact of legislative changes equal to \$103.9 million offset much of this contraction, resulting in a FY 2009-10 forecasted decline in excise taxes of 4.4 percent, before adjusting for accrual accounting.

Improvements in excise tax collections hinge on a stronger consumer. As Colorado begins to add back jobs in 2010 and 2011, and as personal income improves, Colorado should begin to realize better sales and use tax revenues. Adding to these positive economic changes, \$183.3 million in 2009 and 2010 legislative changes are projected to assist in increasing total excise tax revenue by 10.2 percent in FY 2010-11. Without such legislative changes or any impact from accrual accounting changes, FY 2010-11 excise taxes are projected to increase at a more modest 5.5 percent.

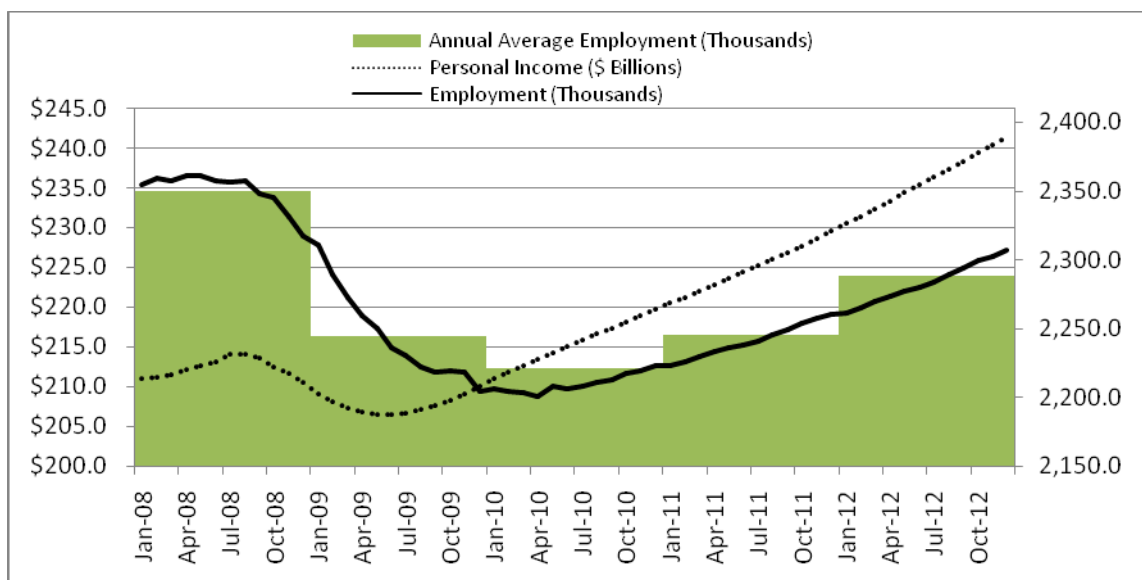
Beyond 2010-11, as certain suspensions of tax exemptions and credits expire, and as the national and Colorado economies recover, excise tax collections are expected to increase at more historical rates between 3.0 and 5.0 percent.

Individual and Corporate Income Taxes

Major economic drivers of individual income tax are personal income and employment. Significant job loss and decreases in personal income were partly responsible for a 12.9 percent decrease in individual income tax collections in FY 2008-09. This June 2010 OSPB forecast continues to show a decline in tax receipts for FY 2009-10 of 6.7 percent. This statistic includes a favorable accrual accounting adjustment for FY 2009-10 which brought the projected individual income tax contraction upward from its otherwise estimated decline of 8.7 percent.

The continued tough employment situation in Colorado will keep wage growth limited and thus, constrain personal income tax receipts indefinitely. The following graph displays these two key economic indices from January 2008 through December 2012.

June 2010 Revenue Forecast



For FY 2010-11 and beyond, this June 2010 forecast has Colorado individual income tax receipts returning to long-term annual average growth rates of 7.0 percent. These forecast results include various tax exemptions and credits; however, with some impacts phasing out towards the end of the forecast horizon.

The recent strength in U.S. corporate profits has helped drive near-term Colorado corporate tax revenue higher. This is due to Colorado's corporate income tax structure being based on an apportionment of global or national-level corporate profits (relative to sales in Colorado). However, despite these recent improvements, based on recent tax conferee review, much of the tax liability owed to Colorado will not be collected within the next twelve months that is attributable to the current fiscal year. Therefore, FY 2009-10 corporate profits recognizable by GAAP are forecast to increase only 5.6 percent from FY 2008-09 collection levels. Colorado corporate revenue receipts are projected to return to positive and more historical growth rates towards the end of the forecast horizon.

Deferred Income and Accrual Adjustments Included in Tax Collection Figures Above

OSPB forecasts always include accrual adjustments for tax collections received after the end of the fiscal year, but which are estimated to be attributable to the fiscal year. Such estimates are based on partial or full months, or full years, of projected tax collections depending on the type of tax. In addition to these regular cash flow accrual adjustments, the Department of Revenue also communicates known accounts payable and receivables anticipated in the short term (within the next twelve months) based on returns it knows to be in-process as each fiscal year-end approaches. Unlike past years when known accounts payable and receivables have often been less significant, current year impacts from these adjustments are projected to decrease FY 2009-10 revenue by \$47.4 million.

Additionally, due to the current economic environment now just only starting to improve, further consideration has been given to deferred income tax collections as many taxpayers are struggling to pay what they owe. Unlike periods of economic growth where year-over-year changes in

deferred income typically decreases or remains relatively stable, the Department of Revenue anticipates that this year's deferred income tax collections will roughly double. Due to the anticipated delay exceeding 12 months, GAAP will not allow for these revenues to be considered in the General Fund for FY 2009-10. This issue is only further magnified by the fact that CITA, while billing more than legacy systems, does not speed up the actual collections process. Current projections are that deferral adjustments will reduce revenue in FY 2009-10 by \$74.7 million.

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

Line No.		FY 2008-09	June 2010 Estimate by Fiscal Year			
			FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
	TABOR Revenues:					
1	General Fund /A <i>Percent Change from Prior Year</i>	\$6,729.0 -13.0%	\$6,376.8 -5.2%	\$7,059.2 10.7%	\$7,639.7 8.2%	\$8,037.1 5.2%
2	Cash Funds <i>Percent Change from Prior Year</i>	\$2,373.3 5.0%	\$2,108.0 -11.2%	\$2,356.5 11.8%	\$2,561.0 8.7%	\$2,711.4 5.9%
3	Total TABOR Revenues <i>Percent Change from Prior Year</i>	\$9,102.4 -9.0%	\$8,484.8 -6.8%	\$9,415.8 11.0%	\$10,200.7 8.3%	\$10,748.4 5.4%
	Revenue Limit Calculation:					
4	Previous calendar year population growth	3.0%	1.9%	1.8%	1.7%	1.6%
5	Previous calendar year inflation	2.2%	3.9%	-0.7%	1.5%	2.1%
6	Allowable TABOR Growth Rate	5.1%	5.8%	1.1%	3.2%	3.7%
7	TABOR Limit	\$9,279.4	\$9,407.0	\$9,510.4	\$9,814.8	\$10,177.9
8	General Fund Exempt Revenue Under Ref. C /B	\$0.0	\$0.0	\$0.0	\$385.9	\$570.5
9	Revenue Limit Under Ref. C /C	\$9,279.4	\$9,407.0	\$10,825.1	\$11,171.5	\$11,584.8
10	<i>Amount Above/(Below) Limit</i>	<i>(\$177.1)</i>	<i>(\$922.2)</i>	<i>(\$1,409.3)</i>	<i>(\$970.8)</i>	<i>(\$836.4)</i>
11	TABOR Reserve Requirement	\$273.1	\$254.5	\$282.5	\$306.0	\$322.5

- /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 then 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	June 2010 Estimate by Fiscal Year									
		FY 2008-09	% Chg	FY 2009-10	% Chg	FY 2010-11	% Chg	FY 2011-12	% Chg	FY 2012-13	% Chg
	Excise Taxes:										
1	Sales	\$1,931.1	-9.2%	\$1,848.1	-4.3%	\$2,068.0	11.9%	\$2,160.7	4.5%	\$2,230.0	3.2%
2	Use	\$176.7	-7.6%	\$156.1	-11.7%	\$149.6	-4.2%	\$165.2	10.4%	\$179.0	8.4%
3	Cigarette	\$43.5	-3.9%	\$40.8	-6.1%	\$41.2	1.0%	\$41.6	1.0%	\$42.1	1.2%
4	Tobacco Products	\$13.2	5.9%	\$15.5	17.8%	\$14.1	-9.1%	\$14.4	2.3%	\$14.9	3.5%
5	Liquor	\$35.0	-2.0%	\$35.4	1.2%	\$36.2	2.3%	\$36.8	1.9%	\$37.4	1.4%
6	Total Excise	\$2,199.4	-8.8%	\$2,095.9	-4.7%	\$2,309.0	10.2%	\$2,418.7	4.8%	\$2,503.3	3.5%
	Income Taxes:										
7	Net Individual Income	\$4,333.3	-12.9%	\$4,044.7	-6.7%	\$4,426.9	9.5%	\$4,841.5	9.4%	\$5,143.4	6.2%
8	Net Corporate Income	\$292.5	-42.4%	\$308.8	5.6%	\$432.6	40.1%	\$506.3	17.0%	\$530.3	4.7%
9	Total Income	\$4,625.8	-15.6%	\$4,353.5	-5.9%	\$4,859.5	11.6%	\$5,347.8	10.0%	\$5,673.7	6.1%
10	Less: State Education Fund Diversion	\$339.9	-16.7%	\$313.4	-7.8%	\$349.9	11.6%	\$385.0	10.0%	\$408.5	6.1%
11	Total Income to General Fund	\$4,285.9	-15.5%	\$4,040.1	-5.7%	\$4,509.6	11.6%	\$4,962.8	10.0%	\$5,265.2	6.1%
	Other Revenues:										
12	Estate	\$0.0	-87.4%	\$0.0	N/A	\$0.0	N/A	\$0.0	N/A	\$0.0	N/A
13	Insurance	\$192.4	2.2%	\$186.0	-3.4%	\$192.2	3.3%	\$198.6	3.3%	\$205.2	3.3%
14	Interest Income	\$9.4	-47.8%	\$11.5	22.7%	\$16.8	46.1%	\$30.3	80.2%	\$32.1	6.1%
15	Pari-Mutuel	\$0.5	-83.1%	\$0.7	44.4%	\$0.7	6.3%	\$0.8	6.9%	\$0.8	7.5%
16	Court Receipts	\$24.1	-18.6%	\$18.6	-22.9%	\$4.6	-75.4%	\$0.0	N/A	\$0.0	N/A
17	Gaming	\$2.8	N/A	\$16.2	476.3%	\$33.5	106.8%	\$0.0	N/A	\$0.0	N/A
18	Other Income	\$28.3	46.2%	\$24.2	-14.4%	\$26.3	8.9%	\$28.6	8.4%	\$30.4	6.4%
19	Total Other	\$257.4	-0.2%	\$257.1	-0.1%	\$274.1	6.6%	\$258.1	-5.8%	\$268.5	4.0%
20	GROSS GENERAL FUND	\$6,742.7	-12.9%	\$6,393.0	-5.2%	\$7,092.7	10.9%	\$7,639.7	7.7%	\$8,037.1	5.2%
	Rebates & Expenditures:										
21	Cigarette Rebate	\$12.1	-4.6%	\$11.5	-4.8%	\$11.6	1.0%	\$11.8	1.0%	\$11.9	1.2%
22	Old-Age Pension Fund	\$108.1	9.2%	\$108.5	0.4%	\$99.3	-8.5%	\$104.1	4.9%	\$109.1	4.8%
23	Aged Property Tax & Heating Credit	\$5.3	-49.5%	\$8.0	52.0%	\$8.1	1.4%	\$8.2	1.4%	\$8.3	1.4%
24	Interest Payments for School Loans	\$5.5	-53.5%	\$2.1	-61.7%	\$4.2	100.2%	\$8.3	94.5%	\$8.3	0.0%
25	Fire/Police Pensions	\$4.0	-89.6%	\$4.2	5.1%	\$4.1	-2.3%	\$29.6	614.6%	\$29.6	0.0%
26	Amendment 35 General Fund Expenditure	\$1.0	-2.6%	\$0.9	-4.9%	\$0.9	0.7%	\$0.9	0.6%	\$0.9	0.8%
27	Total Rebates & Expenditures	\$136.0	-21.7%	\$135.4	-0.5%	\$128.3	-5.2%	\$162.9	26.9%	\$168.2	3.2%

Revenue and expenditure figures above reflect actions from the 2009 and 2010 legislative sessions. Please refer to the tables reported on pages 3 and 4 of this document for a summary of these actions.

CASH FUNDS

Table 4 summarizes the forecast for seven major cash fund categories and total cash fund revenue collections. The following explains some of the main considerations that influence expectations in the June 2010 cash fund forecast. OSPB projects that \$2.1 billion in cash fund revenue will be collected in FY 2009-10, an 11.2 percent decrease from FY 2008-09. The decrease is due largely to declines in severance tax revenue collections from an all-time high in FY 2008-09.

Transportation

Transportation-related revenue, which includes revenue to the Highway Users Tax Fund, the State Highway Fund, and other miscellaneous cash funds, is forecast to increase 14.0 percent in FY 2009-10 to \$1.0 billion. In FY 2008-09, transportation-related revenue increased just 0.2 percent due largely to a decline in motor vehicle sales and a period of high fuel prices which contributed to a decrease in the number of vehicle miles traveled.

FY 2009-10 transportation-related revenue is expected to increase above FY 2008-09 collections primarily due to the FASTER transportation initiative (SB 09-108), a program that will provide an estimated \$141.2 million in needed transportation revenue for Colorado's transportation infrastructure. FASTER revenue is derived from additional vehicle registration and licensing fees. 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. Legislation passed by the 2010 General Assembly, such as HB 10-1285, HB 10-1019 and SB 10-198, is also expected to impact transportation-related cash fund revenue, and is included in this forecast.

Limited Gaming

FY 2009-10 total revenues from gaming are projected to increase approximately 13.6 percent over FY 2008-09; however, much of the increase is a result from provisions of Amendment 50, and is exempt from TABOR.

To accommodate the provisions of Amendment 50, HB 09-1272 established the Extended Limited Gaming Fund. This legislation 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. Previous gaming revenue recipients will receive 6.0 percent of the amount of the new extended gaming revenue available for distribution 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).

The following table outlines anticipated collection and distribution patterns of gaming revenues. HB 10-1339 specifies that in FY 2009-10, transfers of gaming revenue that would otherwise be

directed to the General Fund be instead transferred to various cash funds including the Colorado Travel and Tourism Promotion Fund; the State Council on the Arts Cash Fund; the New Jobs Incentives Cash Fund; the Colorado Office of Film, Television and Media Operational Account Cash Fund; and the Innovative Higher Education Research Fund. The bill requires \$14.2 million be transferred to the General Fund rather than to the above mentioned programs, plus an additional \$2.0 million be diverted from the Local Government Impact Fund.

Based on this June 2010 OSBP forecast, projected revenues will not fully support General Fund appropriations for FY 2010-11 and will therefore trigger limited gaming revenues that would otherwise be distributed to travel and tourism promotion, the State Council on the Arts, new job incentives, film incentives, and the Clean Energy Fund to instead flow to the General Fund.

Distribution of Limited Gaming Revenues	FY08-09	FY09-10	FY10-11	FY11-12	FY 12-13
A. Total Limited Gaming Revenues	\$98.9	\$112.4	\$116.9	\$125.3	\$129.9
Annual Percent Change		13.6%	4.0%	7.2%	3.7%
A1. Gaming Revenues Not from Taxes	\$4.0	\$2.5	\$2.5	\$2.5	\$2.5
A2. Gaming Revenues Related to Taxes	\$94.9	\$109.9	\$114.4	\$122.8	\$127.4
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)	(\$12.2)	(\$12.1)	(\$11.7)	(\$11.7)
B2. Additional Revenue not from Taxes (=A1)	\$4.0	\$2.5	\$2.5	\$2.5	\$2.5
B3. Amount for Distribution to Existing Recipients	\$85.3	\$88.0	\$91.1	\$94.5	\$97.6
C. Extended Limited Gaming Revenues (=A-B-A1)	N/A	\$12.2	\$13.7	\$19.1	\$20.6
Annual Percent Change		N/A	12.5%	39.4%	7.7%
C1. Amount Off the Top for Administration		(\$0.8)	(\$0.9)	(\$1.3)	(\$1.3)
C2. Amount for Distribution		\$11.4	\$12.8	\$17.8	\$19.3
C3. Amount to Existing Recipients		\$0.7	\$0.8	\$1.1	\$1.2
C4. Amount to New Recipients		\$10.7	\$12.0	\$16.7	\$18.1
D. Total Amount to Existing Recipients (=B3+C3)	\$85.3	\$88.7	\$91.9	\$95.6	\$98.8
Amount to State Historical Society	\$23.9	\$24.8	\$25.7	\$26.8	\$27.7
Amount to Counties	\$10.2	\$10.6	\$11.0	\$11.5	\$11.9
Amount to Cities	\$8.5	\$8.9	\$9.2	\$9.6	\$9.9
Amount to Distribute to Remaining Programs	\$42.6	\$44.4	\$45.9	\$47.8	\$49.4
Amount to Local Government Impact Fund	\$5.5	\$3.8	\$6.0	\$6.2	\$6.4
Colorado Tourism Promotion Fund	\$15.6	\$14.1	\$0.0	\$21.6	\$22.2
New Jobs Incentives Fund	\$1.4	\$1.3	\$0.0	\$3.4	\$3.5
State Council on the Arts Fund	\$1.2	\$1.1	\$0.0	\$1.7	\$1.8
Film Incentives Fund	\$0.2	\$0.4	\$0.0	\$0.7	\$0.7
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	\$2.0	\$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	\$7.7	\$13.8
Transfer to the General Fund	\$2.8	\$16.2	\$33.5	\$0.0	\$0.0
E. Total Amount to New Recipients (=C4)	N/A	\$10.7	\$12.0	\$16.7	\$18.1
Community Colleges, Mesa and Adams State (78%)		\$8.3	\$9.4	\$13.0	\$14.1
Counties (12%)		\$1.3	\$1.4	\$2.0	\$2.2
Cities (10%)		\$1.1	\$1.2	\$1.7	\$1.8

Capital Construction – Interest

For information regarding capital construction, please locate the attached appendix at the end of this forecast for detailed calculations and narrative summary.

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 equal \$64.9 million in FY 2009-10, a 16.9 percent decrease from FY 2008-09 revenues. However, revenue in FY 2008-09 was 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. The additional \$15.0 million was then transferred to the General Fund as part of the FY 2009-10 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. 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 projected 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 52.5 percent, to \$18.5 million.

Hospital Provider Fees

HB 09-1293 established 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 \$340.9 million in FY 2009-10 and \$394.1 million in FY 2010-11.

Severance Taxes and Federal Mineral Lease Revenues

Energy prices, specifically natural gas prices, are the greatest source of volatility in forecasting severance tax revenue receipts. A host of factors can dramatically influence natural gas supply and demand, and thus cause significant and immediate changes to natural gas prices. Since the March 2010 forecast, natural gas prices have increased at a rate slightly greater than what had been anticipated. This OSPB forecast assumes that energy prices will remain below FY 2008-09 levels through FY 2009-10, but will continue to increase gradually from current levels.

Severance tax revenue and federal mineral leasing (FML) revenue projections continue to fluctuate considerably. Severance tax revenue is influenced largely by natural gas prices and a significant property tax credit available to producers. Similarly, FML revenue collections are influenced by production of coal, natural gas, carbon dioxide, and oil production on federal lands within the State, but are also unique in that they are also subject to the outcomes from a bidding process used to award mining rights at these locations. Severance tax revenue collections are expected to total \$62.2 million in FY 2009-10 and \$175.3 million in FY 2010-11. FY 2009-10 estimates have been revised downward since the March 2010 forecast to account for more conservative expectations of year-end accrual accounting adjustments affecting this revenue category.

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. Total FML revenues are projected to increase as the economy recovery recovers and production on federal lands increases. 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	5.4	114.8	120.2	-47%
FY 2010-11	17.5	125.0	142.5	19%
FY 2011-12	19.9	142.5	162.4	14%
FY 2012-13	20.4	145.6	166.0	2%

Please note that 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	June 2010 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	\$922.1	\$1,051.0	\$1,112.9	\$1,133.4	\$1,148.4	
Change	0.2%	14.0%	5.9%	1.8%	1.3%	5.6%
Unemployment Insurance /B	\$388.2	N/A	N/A	N/A	N/A	
Change	-9.0%	N/A	N/A	N/A	N/A	N/A
Limited Gaming Fund /C	\$98.9	\$100.3	\$103.2	\$106.2	\$109.3	
Change	-12.9%	1.3%	2.9%	2.9%	2.9%	2.5%
Capital Construction - Interest	\$10.0	\$2.5	\$1.2	\$1.2	\$1.3	
Change	-48.0%	-75.0%	-53.7%	4.9%	9.8%	-39.6%
Regulatory Agencies	\$78.1	\$64.9	\$66.4	\$68.0	\$69.7	
Change	37.6%	-16.9%	2.2%	2.5%	2.4%	-2.8%
Insurance-Related /D	\$51.5	\$39.0	\$18.5	\$19.4	\$20.4	
Change	-20.5%	-24.3%	-52.5%	4.7%	5.0%	-20.7%
Severance Tax /E	\$336.9	\$62.2	\$175.3	\$232.2	\$202.6	
Change	98.1%	-81.5%	181.8%	32.4%	-12.7%	-11.9%
Medicaid Hospital Provider Fees /F	N/A	\$340.9	\$394.1	\$492.8	\$634.9	
Change	N/A	N/A	15.6%	25.1%	28.8%	N/A
Other Miscellaneous Cash Funds	\$487.7	\$447.2	\$485.0	\$507.7	\$524.8	
Change	-0.1%	-8.3%	8.5%	4.7%	3.4%	1.8%
TOTAL CASH FUND REVENUE	\$2,373.3	\$2,108.0	\$2,356.5	\$2,561.0	\$2,711.4	
Change	5.0%	-11.2%	11.8%	8.7%	5.9%	3.4%

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

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

/F 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.

COLORADO ECONOMIC FORECAST

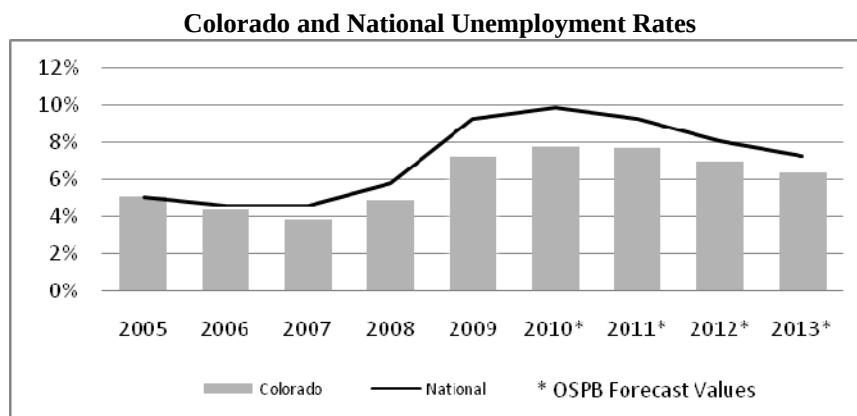
As recessionary pressures ease in Colorado, State tax collections are now beginning to show signs of improvement, coinciding with improving employment conditions and greater consumer confidence. While late to enter the recession, Colorado appears to be moving out of these troubled economic times along with the rest of the nation as a whole, though in some regards, at a slower pace.

The following summary presents the OSPB forecast of the Colorado economic and demographic indices including: employment, wages and income, retail trade, non-residential and residential construction activity, inflation, and population.

EMPLOYMENT

Employment in Colorado continues to show weakness. Seasonally-adjusted nonagricultural employment has continued to decrease through April of 2010. Although Colorado lost nearly 90,000 jobs in 2009, it still ranked in the top ten of all states for job creation. A leveling off of job losses is expected in the second half of 2010, and slow growth is expected moving forward. Colorado nonagricultural employment decreased by 4.5 percent in 2009 and is expected to contract at an annual rate of 1.0 percent in 2010. Growth of 1.6 percent is expected on average from 2010 through 2013.

The unemployment rate in Colorado is forecast at 7.8 percent for 2010. That is up from 7.3 percent for 2009; however this 2010 projection is nearly two percentage points below the forecasted national rate. The return of discouraged workers to the labor force will keep the unemployment rate above 6.0 percent through the forecast horizon.



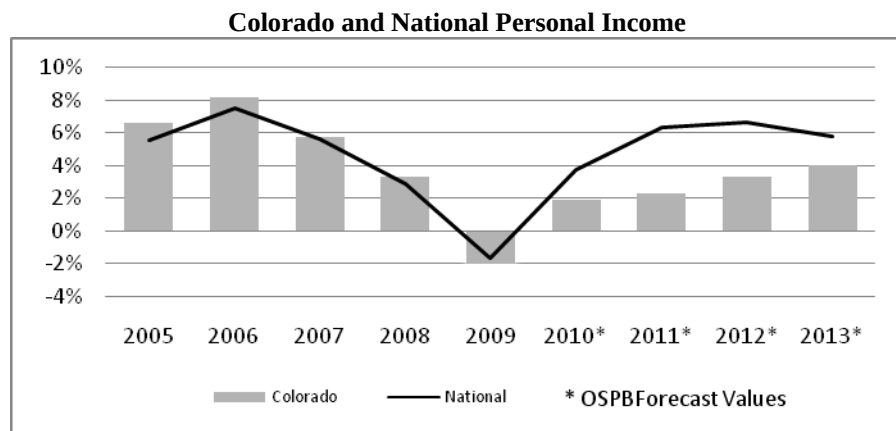
Source: U.S. Department of Labor, Bureau of Labor Statistic

WAGES AND INCOME

The fourth quarter of 2009 was the second consecutive increase in Colorado personal income since early 2008. Personal income consists of private and government wage and salary income, proprietors' income, government transfer receipts, and interest and dividend income earned on assets. Personal income is closely linked to employment growth in Colorado. As the

employment situation improves and Colorado begins to experience consistent job growth, personal income should benefit.

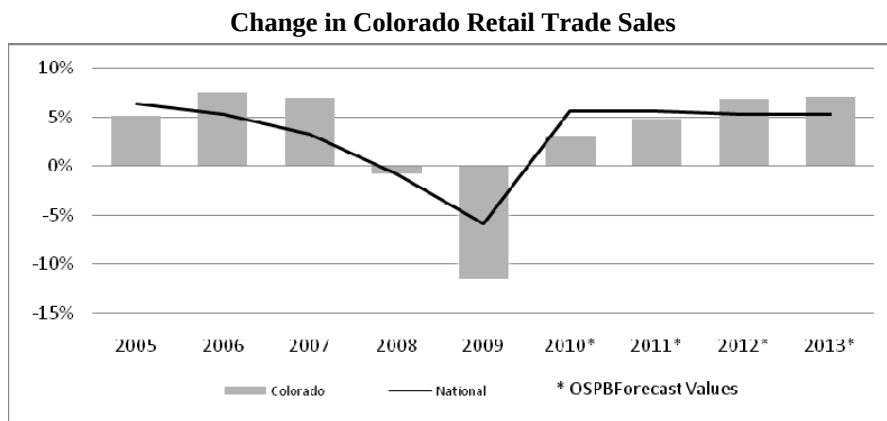
Colorado personal income is forecast to increase by 3.4 percent in 2010. Annual average growth for personal income of 4.6 percent is forecast from 2010 through 2013.



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

RETAIL TRADE

Weak labor market conditions, reductions in personal income, and an overall decrease in consumer confidence played a large part in the precipitous drop seen in retail trade activity at the state level. Retail trade decreased 10.5 percent in 2009. However, year-over-year increases in retail activity are observable as consumer spending has shown strength early in 2010. As labor market conditions improve and personal income increases, retail purchases are anticipated to benefit. Projected retail trade growth of 6.9 percent is forecast for 2010.



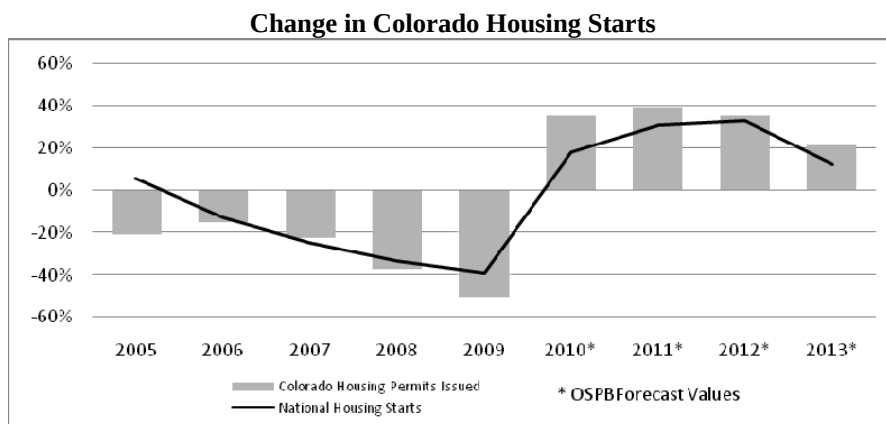
Source: Colorado Department of Revenue

CONSTRUCTION

Colorado nonresidential construction activity was hit hard by the recession. Colorado experienced back to back contractions in nonresidential construction of 12.5 percent and 22.4 percent during 2008 and 2009. Calendar year 2010 is forecast to decrease another 18.0 percent.

Historically low interest rates bode well for new capital construction projects, but the difficulty in obtaining financing could be the constraint moving forward as banks continue to resist increasing lending in all facets of the financial markets.

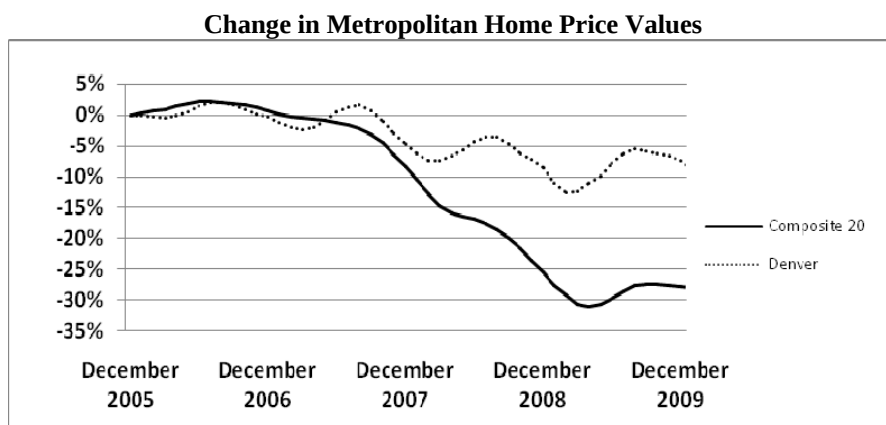
Residential housing permits in Colorado ended down 50.8 percent in 2009. The OSPB forecast for 2010 is an increase of 44.8 percent in permits. This is up from the March forecast of a 37.0 percent increase, as the rush by home buyers to take advantage of the federal first-time homebuyer credit program helped support stronger growth forecasts for 2010.



Source: U.S. Census Bureau

METROPOLITAN HOME PRICE VALUES

Colorado home prices have fared better than the nation as a whole throughout the recession. Year-over-year percentage gains in Denver home prices were realized in both January and February of 2010. The year-over-year gain in March resulted in Denver being ranked five out of the twenty cities in the S&P/Case-Shiller index for housing price gains. Month-to-month changes still show declining prices, albeit at a decreasing rate.



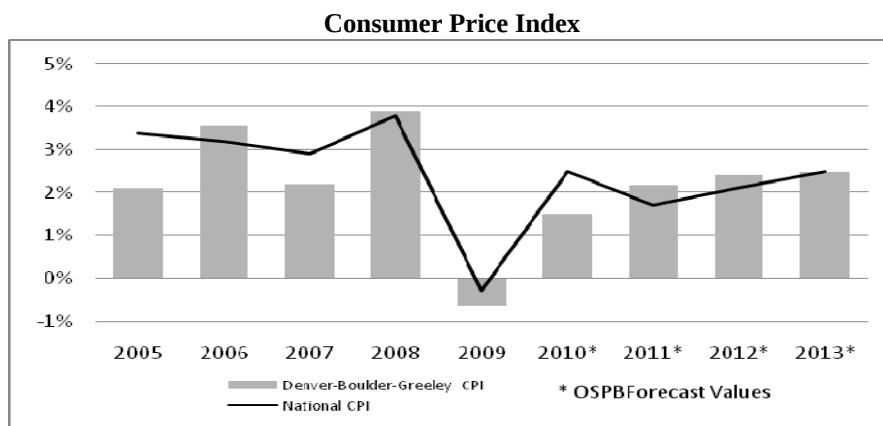
Source: S&P/Case-Shiller Home Price Indices (not seasonally adjusted)

INFLATION

The U.S. consumer price index (CPI) is a measure of the average change in prices over time. The index represents spending behavior for urban consumers and wage earners who represent roughly 87 percent of the total U.S. population. The index is a basket of “representative” goods and services such as food, housing, medical care, transportation and education among others. The percentage change in the CPI, period to period, is the inflation rate. The Denver-Boulder-Greeley CPI is measured by the Bureau of Labor Statistics at a bi-annual frequency.

As is the case at the national level, inflation expectations in Colorado are quite moderate in the near term. Calendar year 2009 realized an annual deflation rate of 0.7 percent in Colorado. Sluggish employment growth and weak personal consumption should hold inflation below historical averages in 2010.

This OSPB forecast projects 1.5 percent annual inflation in Colorado during 2010.



POPULATION AND MIGRATION

Population in Colorado is forecast to grow by 1.7 percent in 2010. The population growth rate has remained relatively steady over the past five years and is forecast to remain near 1.7 percent through 2013.

The 2010 forecast shows migration of 44,800. Colorado has received much attention throughout the recession for being a job creation leader and this could help drive the migration forecast.

RISKS TO THE FORECAST

Although most economists believe the national recession ended in late 2009, job growth in Colorado will remain the major concern and is linked closely to personal income growth. The return of the consumer will only be established when people’s confidence in a sustained recovery and their employment prospects improve. Federal aid such as cash-for-clunkers and the home-

buyer tax credit program have ended leaving the second half of 2010 as a telling indicator of what path the recovery will take.

Table 5
History and Forecast for Key Colorado Economic Variables
Calendar Year 2006-2013

Line No.		Actual				Forecast			
		2006	2007	2008	2009	2010	2011	2012	2013
	Current Income								
1	Personal Income (Billions) /A	\$194.4	\$205.5	\$212.3	\$207.7	\$214.8	\$224.0	\$234.2	\$246.1
2	Change	8.2%	5.7%	3.3%	-2.2%	3.4%	4.3%	4.6%	5.1%
3	Wage and Salary Income (Billions)	\$105.8	\$112.6	\$116.6	\$112.6	\$114.8	\$119.1	\$125.3	\$131.8
4	Change	7.0%	6.4%	3.6%	-3.5%	2.0%	3.7%	5.2%	5.2%
5	Per-Capita Income (\$/person)	\$40,912.0	\$42,444.0	\$42,985.0	\$40,961.6	\$41,646	\$42,737	\$43,976	\$45,413
6	Change	6.2%	3.7%	1.3%	-4.7%	1.7%	2.6%	2.9%	3.3%
	Population & Employment								
7	Population (Thousands)	4,802.7	4,892.1	4,982.9	5,070.6	5,157.8	5,241.3	5,325.6	5,419.1
8	Change	1.9%	1.9%	1.9%	1.8%	1.7%	1.6%	1.6%	1.8%
9	Net Migration (Thousands)	48.7	48.6	51.0	48.4	44.8	39.5	39.8	48.2
10	Civilian Unemployment Rate	4.4%	3.9%	4.9%	7.3%	7.8%	7.7%	7.0%	6.4%
11	Total Nonagricultural Employment (Thousands)	2,279.1	2,331.3	2,350.3	2,244.2	2,221.1	2,245.5	2,288.2	2,331.7
12	Change	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.1%	1.9%	1.9%
	Construction Variables								
13	Total Housing Permits Issued (Thousands)	38.3	29.5	19.0	9.4	13.6	14.8	21.2	25.7
14	Change	-16.4%	-23.2%	-35.5%	-50.5%	44.7%	8.8%	43.2%	21.2%
15	Nonresidential Construction Value (Millions) /B	3,242.0	3,578.8	3,130.7	2,430.5	1,992.8	2,528.0	2,629.0	2,795.1
16	Change	-2.2%	10.4%	-12.5%	-22.4%	-18.0%	26.9%	4.0%	6.3%
	Prices & Sales Variables								
17	Retail Trade (Billions) /C	\$70.4	\$75.4	\$74.8	\$66.9	\$71.5	\$75.6	\$79.9	\$84.3
18	Change	7.6%	7.0%	-0.8%	-10.5%	6.9%	5.7%	5.7%	5.5%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	197.7	202.0	209.9	208.5	211.6	216.0	221.4	227.0
20	Change	3.6%	2.2%	3.9%	-0.7%	1.5%	2.1%	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, proprietors' 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).

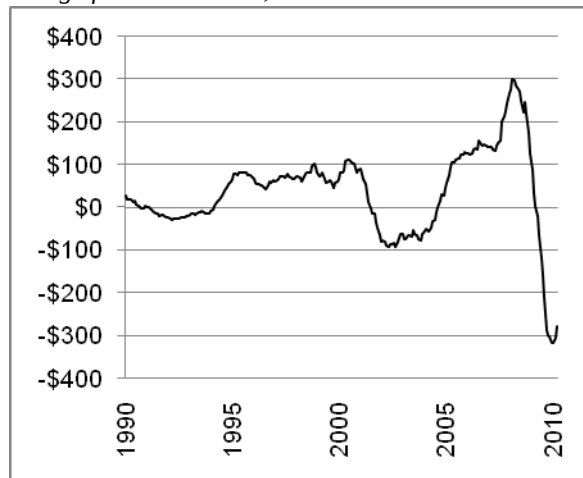
/C Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods / books / music, and general 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 continues to exhibit signs of expansion. Growing corporate profits and consumer spending have increased business confidence, thereby contributing to job growth. Such labor market improvements are expected to contribute to greater consumer spending, especially as consumer confidence improves. Recently advancing economic indicators such as industrial production, real GDP, and retail sales, although still fragile, suggest that a lasting national economic recovery appears underway.

Commercial / Industrial Loans at Commercial Banks

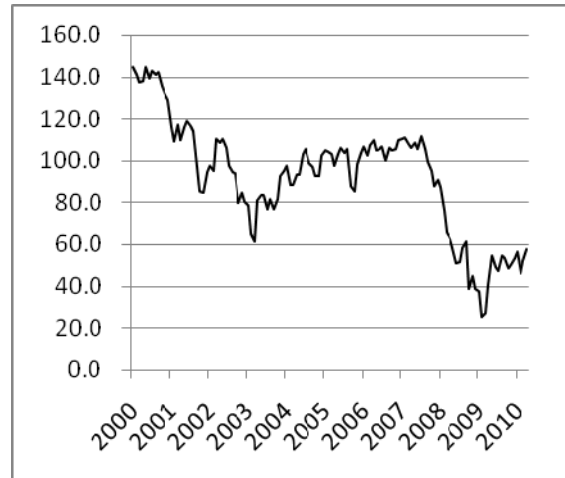
Change from Prior Year, Dollars in Billions



Source: St. Louis Federal Reserve.

Consumer Confidence Index (CCI)

Benchmarked to 1985 =100



Source: Pollingreport.com

National Initial Unemployment Insurance Claims

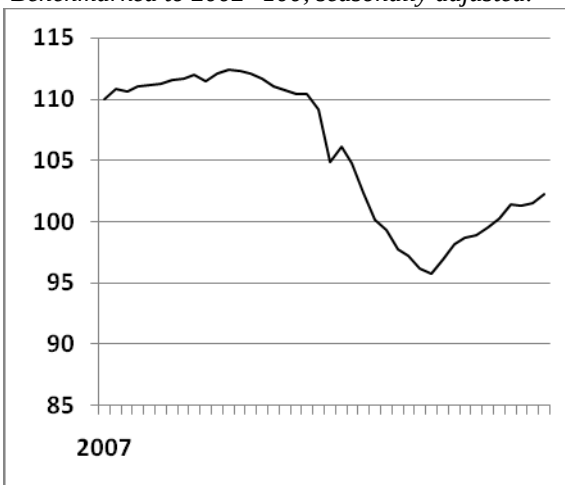
Data in thousands, seasonally adjusted.



Source: U.S. Department of Labor.

Industrial Production and Capacity Utilization

Benchmarked to 2002=100, seasonally adjusted.



Source: Federal Reserve.

This OSPB forecast continues to project improvement in the national economy in calendar years 2010 and 2011, at rates slightly greater than previously projected in March. While credit and labor market conditions have shown near-term improvement, these factors will continue to greatly affect the rate at which the national economy recovers.

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. 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 U.S. Bureau of Economic Analysis (BEA), real GDP increased 3.0 percent from the fourth quarter of 2009 to the first quarter of 2010. This increase reflects positive contributions from personal consumption expenditures, private inventory investment, exports, and nonresidential fixed investment. Local government spending and residential fixed investment negatively contributed to real GDP. Real GDP had increased 5.6 percent in the fourth quarter of 2009.

This forecast projects real GDP in 2010 to increase 3.3 percent above the annual 2009 level. Real annual GDP is expected to increase 3.9 percent in 2011.



Source: U.S. Department of Commerce, Bureau of Economic Analysis. Data is provided on a quarterly basis, seasonally adjusted, and based on chained 2005 dollars.

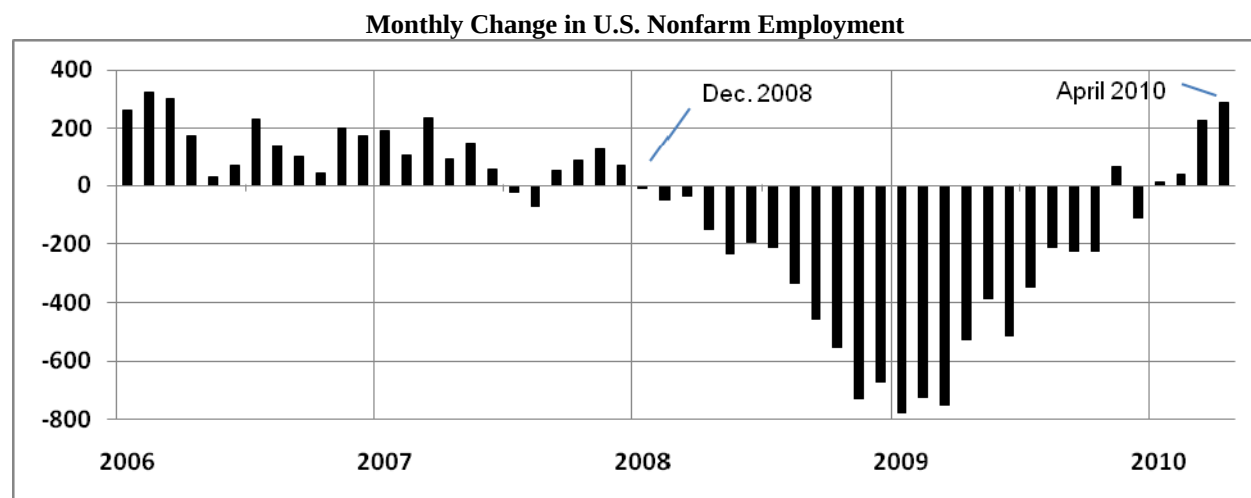
- Consumer spending (roughly 70 percent of GDP):** Real personal consumption expenditures increased 3.5 percent in the first quarter of 2010 after it increased 1.6 percent in the fourth quarter. This forecast projects personal income to increase 3.8 percent in 2010 and increase 6.7 percent in 2011.
- Business investment (roughly 14 percent of GDP):** According to the BEA, the change in real private inventories added 1.7 percentage points to the first quarter change in real GDP. Private businesses increased inventories \$33.9 billion in the first quarter, following decreases of \$19.7 billion in the fourth quarter and \$139.2 billion in the third. Real nonresidential fixed investment, which consists of purchases of both nonresidential structures and equipment and software, increased 15.3 percent in the first quarter of 2010. Real residential fixed

investment, which consists of purchases of private residential structures and residential equipment that is owned by landlords and rented to tenants, decreased 10.7 percent.

- **Government spending (roughly 16 percent of GDP):** Real federal government consumption expenditures and gross investment increased 1.2 percent in the first quarter. National defense increased 1.1 percent and nondefense increased 1.5 percent. Real state and local government consumption expenditures and gross investment decreased 3.9 percent.

EMPLOYMENT

Labor market conditions have continued to show signs of improvement. The U.S. Bureau of Labor and Statistics (BLS) April 2010 release of employment data indicated that nonfarm payroll employment increased by 290,000 as job gains occurred in manufacturing, professional and business services, health care, and leisure and hospitality. Federal government employment has also increased, which reflects the hiring of temporary workers for Census 2010. According to the BLS, in April 2010, the number of unemployed persons was 15.3 million, and the unemployment rate increased to 9.9 percent. The number of long-term unemployed (those jobless for at least 27 weeks) increased to 6.7 million. Of the unemployed, the number of reentrants to the labor force rose by 195,000 over the month.



Source: U.S. Department of Labor (Bureau of Labor Statistics), Current Employment Statistics survey series CES0000000001. Data is for all employees, thousands, seasonally adjusted.

This forecast projects a national unemployment rate of 9.7 percent in 2010 and 9.0 percent in 2011. Total nonagricultural employment is expected to be 130.5 million in 2010 and 132.9 million in 2011, exhibiting little growth over actual 2009 employment of 130.9 million, as job creation typically lags in the course of economic recoveries.

INTEREST RATES

Interest rates affect virtually every 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 projects the federal funds rate to average 0.2 percent in 2010 and 1.5 percent in 2011. 30-year Treasury constant maturity rates are also expected to increase as the economy recovers. In 2009, U.S. banks posted their sharpest decline in lending since 1942, which continues to affect the rate of economic recovery. Banking activity remains low as banks maintain conservative lending positions. While the Federal Reserve will eventually raise interest rates, the timing of such an action is difficult to determine and is contingent upon how quickly the economy improves.

INFLATION

The Consumer Price Index, reported by the U.S. Bureau of Labor and Statistics (BLS), is a measure of the average change in prices over time of goods and services purchased by households. The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.1 percent in April on a seasonally adjusted basis. This decrease was due mainly to a decrease in energy prices. The CPI has increased 2.2 percent over the course of the last 12 months.

The consumer price index is expected to increase 2.1 percent in both 2010 and 2011 as consumer spending increases and the labor market stabilizes. The high degree of slack present in the labor market is still expected to minimize upward wage and price pressures in 2010 and 2011.

RISKS TO THE FORECAST

The recovery remains susceptible to potential shocks, which could certainly affect the rate of improvement in the economy. While the labor market has improved recently, it is not certain that improvement will persist or at what rate improvement will occur. Further, a significant number of people remain unemployed, and the extent to which this will continue to affect consumer spending is uncertain. Other risks to the forecast include energy price volatility, central bank policy changes, shifting fiscal policies at the federal level, and the recent European financial crisis.

Table 6
History and Forecast for Key National Economic Variables
Calendar Year 2006-2013

Line No.		Actual				Forecast			
		2006	2007	2008	2009	2010	2011	2012	2013
	Inflation-Adjusted & Current Dollar Income Accounts								
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	\$12,976.2	\$13,254.1	\$13,312.2	\$12,997.5	\$13,423.0	\$13,942.0	\$14,512.0	\$15,007.0
2	Change	2.7%	2.1%	0.4%	-2.4%	3.3%	3.9%	4.1%	3.4%
3	Gross Domestic Product (Billions)	\$13,398.9	\$14,077.6	\$14,441.4	\$14,258.7	\$14,913.0	\$15,797.0	\$16,778.0	\$17,729.0
4	Change	6.0%	5.1%	2.6%	-1.3%	4.6%	5.9%	6.2%	5.7%
5	Personal Income (Billions) /A	\$11,268.1	\$11,894.1	\$12,238.8	\$12,030.3	\$12,488.0	\$13,324.0	\$14,215.0	\$15,071.0
6	Change	7.5%	5.6%	2.9%	-1.7%	3.8%	6.7%	6.7%	6.0%
7	Per-Capita Income (\$/person)	\$37,766.4	\$39,477.2	\$40,251.3	\$39,234.4	\$40,322.9	\$42,555.1	\$44,941.5	\$47,123.2
8	Change	6.5%	4.5%	2.0%	-2.5%	2.8%	5.5%	5.6%	4.9%
	Population & Employment								
9	Population (Millions)	298.4	301.3	304.1	306.6	309.7	313.1	316.3	319.8
10	Change	0.9%	1.0%	0.9%	0.8%	1.0%	1.1%	1.0%	1.1%
11	Civilian Unemployment Rate	4.6%	4.6%	5.8%	9.3%	9.7%	9.0%	7.9%	7.1%
12	Total Nonagricultural Employment (Millions)	136.1	137.6	137.0	130.9	130.5	132.9	135.9	138.6
13	Change	1.8%	1.1%	-0.4%	-4.5%	-0.3%	1.8%	2.3%	2.0%
	Financial Markets								
14	30-Year T-Bond Rate	4.9%	4.8%	4.3%	4.0%	4.8%	5.6%	6.1%	5.6%
15	3 Month T-Bond Rate	4.7%	4.4%	1.4%	0.1%	0.2%	1.5%	3.7%	5.5%
16	Prime Rate	8.0%	8.1%	5.1%	3.3%	3.3%	4.5%	6.9%	8.5%
17	Federal Fund Rate	5.0%	5.0%	1.9%	0.2%	0.2%	1.5%	3.9%	5.5%
	Price Variables								
18	Consumer Price Index (1982-84=100)	201.6	207.3	215.2	214.5	219.1	223.8	228.9	234.7
19	Change	3.2%	2.9%	3.8%	-0.3%	2.1%	2.1%	2.3%	2.5%
20	Producer Price Index (1982=100)	160.4	166.6	177.2	172.6	180.8	186.4	192.0	197.0
21	Change	3.0%	3.9%	6.3%	-2.6%	4.8%	3.1%	3.0%	2.6%
	Other Key Indicators								
22	Industrial Production Index (1996=100)	109.7	111.3	108.8	98.3	103.8	110.1	115.8	120.3
23	Change	2.3%	1.5%	-2.2%	-9.7%	5.6%	6.1%	5.2%	3.9%
24	Corporate Profits After Tax (Billions)	\$1,135.0	\$1,090.2	\$1,068.2	\$995.8	\$1,178.2	\$1,248.2	\$1,325.7	\$1,400.6
25	Change	8.7%	-3.9%	-2.0%	-6.8%	18.3%	5.9%	6.2%	5.6%
26	Housing Starts (Millions)	1,800.9	1,355.0	905.5	552.0	658.8	821.5	1,073.0	1,190.0
27	Change	-12.9%	-24.8%	-33.2%	-39.0%	19.3%	24.7%	30.6%	10.9%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' 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 ESTIMATING 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.

- John Cuddington – W.J. Coulter Professor of Mineral Economics and Professor of Economics and Business, Colorado School of Mines; President, JTC Economics+Finance LLC
- Elizabeth Garner - State Demographer, Colorado Department of Local Affairs
- Alexandra Hall - Labor Market Information Director, Colorado Department of Labor and Employment
- David McDermott, CPA - State Controller, Department of Personnel and Administration
- Ronald New - Vice President, Stifel Nicolaus
- Patricia Silverstein - President, Development Research Partners
- Richard Wobbekind - Associate Dean, Leeds School of Business; University of Colorado, Boulder

Capital Construction Forecast June 2010
Office of State Planning and Budgeting

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OSPB Capital Construction Fund Projection and Corresponding General Fund Transfer – June 21, 2010

Capital Construction

FY 2009-10

This is the last forecast for FY 2009-10. There were no changes to the FY 2009-10 capital forecast from prior forecasts, except one. The FY 2009-10 payment for the Department of Correction Colorado State Penitentiary certificates of participation was eliminated via a Long Bill Add On in HB 10-1376 as requested by OSPB, but the Department needs some appropriation remaining to cover a \$2.8 million payment made in September 2009. Therefore, on June 11, 2010, OSPB and the Department submitted an emergency supplemental for this amount. This is reflected in Table CC – A, “General Fund Transfer Forecast for Capital Construction June 2010” as an additional General Fund transfer and has been added to OSPB’s FY 2009-10 revenue forecast. Many sources for FY 2009-10 have changed to the Long Bill Add On in HB 10-1376.

The three series of COPs were all refinanced in FY 2009-10: FML Higher Education, Anschutz Medical Campus, and the Colorado State Penitentiary II (CSP II). FY 2009-10 savings reduced or eliminated annual payments. Please see the attached pricings at Tables CC-D, CC-E, and CC-F.

FY 2010-11

The General Assembly passed and the Governor signed the Long Bill (HB 10-1376) which delineates the FY 2010-11 capital construction appropriation. These are the projects as appropriated and as reflected in this forecast:

OSPB Priority	Department	Request Title	FY 2010-11 Appropriation
			CCF
1	Corrections	Colorado State Penitentiary II – Certificates of Participation Payment	\$1,393,460
2	Higher Education	Anschutz Medical Campus Certificates of Participation	\$1,996,149
3	Higher Education/Treasury	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
	Total		\$16,262,506

The General Fund transfer for FY 2010-11 was reduced by applying available fund balances from State Land Board funds in the amounts of \$405,892 from fund 707 and \$7,028,107 from fund 853 for the Public Buildings Trust. These sources are lettered in HB 10-1376.

The three COP payments had less Capital Construction Funds appropriated because of offsets from other fund sources. The Lease Purchase of Academic Facilities at Anschutz Medical Campus was offset by Fitzsimons fund balance, the Lease Purchase of Colorado State Penitentiary II was 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) was covered by the Higher Education FML Revenues Fund. All three series of COPs were refinanced in FY 2009-10. The refinancing savings in FY 2010-11 reduced the General Fund transfer to the Capital Construction Fund (CCF). Please see the attached pricings at Tables CC-D, CC-E, and CC-F.

Due to Budget Balancing, Controlled Maintenance was funded at \$10.1 million for FY 2009-10. Capital Construction Funds contributed \$2,695,589 of this amount, and the balance was offset by State Land Board funds (\$405,892 from fund 707 and \$7,028,107 from fund 853 [$\$10,129,588 - \$405,892 - \$7,028,107 = \$2,695,589$]).

FY 2011-12 and FY 2012-13

No new projects for the out years have been added at this time. Continuation projects are assumed to be funded. The Governor will submit any additional projects recommended for funding on November 1, 2010, including a recommendation for funding Controlled Maintenance.

The projected out-year annual payments required to meet the pricing schedule for certificates of participation are presented at Tables CC-D, CC-E, and CC-F.

OSPB roughly estimates historical need for Level I Controlled Maintenance at \$20 - \$25 million per year. Therefore, until FY 2010-11 Controlled Maintenance funding is specifically recommended on November 1, 2010, a placeholder of \$20 million is used for the forecast.

Summary

For the interest calculation, OSPB used the amount delineated in HB 10-1376 for FY 2009-10. The interest assumptions that affect all other years (row B of Table CC-A) have not changed from prior forecasts. OSPB confirmed with the State Treasurer's Office that these percent assumptions are still accurate as of June 2010.

OSPB 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 on average each month, an analysis that was completed by OSPB in September 2009. 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 CERF Appropriations do not include the impact of HB 07-1040 so it is handled in the same way as done by Legislative Council.

OSPB has calculated the following as the General Fund transfer need for the Capital Construction Fund.

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
General Fund Transfer Need	\$4,831,243	\$8,625,506	\$50,357,753	\$60,833,177

Federal Mineral Lease

The FML projection is provided at Tables CC-B (Revenues Fund) and CC-C (Maintenance and Reserve Fund).

The Federal Mineral Lease Higher Education Revenues Fund was updated with the May 2010 Average Balance per the State Treasurer's report of June 7, 2010. The FY 2009-10 annual payment of \$15,820,365 was reduced to \$0 by the November payment amount of \$11,655,391 and the May payment of \$4,164,974. That is why the "Annual Payments" column is now zero for FY 2009-10. Payments are made May 1 and November 1 annually.

The obligation for annual payments from the FY 2009-10 Revenues Fund balance is \$0 because the payment of \$4,164,974 was paid by the Treasurer straight from the Expenses Fund to cover the May 1, 2010 payment pursuant to the Budget Balancing Plan. The Governor's Budget Balancing plan had assumed that \$5 million in the Treasurer's Expense Fund could be used for FML certificates of participation annual payments. That fund contained \$5,141,059 that could be used for administrative costs (approximately \$141,000 left for this purpose) and higher education capital construction as required by Bond Forms and IRS code. The May 2010 payment leaves \$835,026 in the Expenses Fund to be used for future payments.

Of \$22,964,554 currently in the FML Revenues Fund, HB 10-1389 transferred \$750,000 in FY 2009-10 and \$7,000,000 in FY 2010-11 out of the Revenues Fund into the General Fund. These transfers have not yet been made. The FY 2010-11 payments will be \$3,982,430 and \$4,895,120, for a total of \$8,877,550 for the year. The estimated spillover amounts for the Revenues Fund have increased from the OSPB December forecast (from \$2.5 million in FY 2011-12 and from \$1.9 million in FY 2012-13). However,

there is still not enough revenue projected from this source to full cover the out year annual payments (shown in Table CC-D), so a General Fund need is projected in Table CC-A. The refinancing of the FML certificates of participation reduced payments from the Revenues Fund in the short term. Table CC-B provides a detailed projection of the FML Revenues Fund.

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 was needed to transfer the amounts saved from the refinancing. This was authorized in HB 10-1389. In FY 2009-10, \$750,000 will be transferred into the General Fund, and a similar General Fund transfer will occur in FY 2010-11 for \$7.0 million.

The Higher Education Maintenance and Reserve Fund projection was updated at Table CC-C using current data from the State Controller's Office. The estimated spillover amounts have decreased from the OSPB December forecast; see the comparison below. Note that the FY 2009-10 Spillover Projection is reduced by \$2,537,257 in the projection at Table CC-C for those quarters already transferred.

Fiscal Year	June 2010 Spillover Projection	March 2010 Spillover Projection
FY 2009-10	\$2,693,111	\$3,779,870
FY 2010-11	\$8,749,644	\$7,304,232
FY 2011-12	\$9,972,767	\$8,010,099
FY 2012-13	\$10,195,302	\$7,938,068

HB 10-1327 transferred \$2.3 million out of the Maintenance and Reserve Fund (\$8.3 million less than what was included in the Governor's Budget Balancing Plan over two years), leaving a small balance projected for FY 2009-10 (\$488,337). No other obligations are expected to be paid from this Fund throughout the projection period. Therefore, the fund balance increases as spillover and interest revenues accrue.

Table CC - A General Fund Transfer Forecast for Capital Construction June 2010						
		FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	
A	Uncommitted balance from prior year	N/A	\$5,137,000	\$0	\$0	From HB 10-1376 page 232
B	Interest Annual Percentage	2.00%	2.00%	2.25%	2.50%	Colorado State Treasurer State Controller recommendations for projection purposes as of June 1, 2010. Monthly factor is Annual Interest Percentage multiplied by 30 and divided by 360.
C	Interest from Prior Year	N/A	\$2,500,000	\$1,157,832	\$1,215,020	FY 2010-11 hard coded with interest amount in HB 10-1376, page 232
D	Funds available	N/A	\$7,637,000	\$1,157,832	\$1,215,020	Rows A + D
E	Lease Purchase of Academic Facilities at Anschutz Medical Campus (Fitzsimons)	(\$945,082)	(\$1,996,149)	(\$5,144,350)	(\$6,646,800)	See Table CC - E. The savings in FY 2010-11 from refinancing COPs reduced the General Fund transfer to the Capital Construction Fund. FY 2010-11 source is HB 10-1376 page 237. Tobacco cash funds offset estimated at \$8 million a year for FY 2011-12 forward [maximum pursuant to C.R.S. 23-20-136, (3.5) (a)] reduce the need for General Fund. Tobacco cash funds are appropriated at \$7,698,527 for FY 2010-11.
F	Lease Purchase of Colorado State Penitentiary II	(\$2,855,175)	(\$1,393,460)	(\$17,141,139)	(\$17,942,356)	The FY 2009-10 payment was eliminated via a Long Bill Add On in HB 10-1376 as requested by OSPB, but the Department needs some appropriation remaining to cover a \$2.8 million payment made in September 2009. Therefore, on June 11, 2010, OSPB and the Department submitted an emergency supplemental for this amount. Due to refinancing the COPs, the FY 2010-11 payment is reduced to \$8,048,292, of which \$6,654,832 was appropriated from CERF cash funds. The need for a General Fund transfer in FY 2011-12 is \$17,141,139 CCF to make the payment of \$18,434,900, offset by the CERF balance (projected on the following page). See Table CC - F.
G	Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102 (FML)	\$0	\$0	(\$601,713)	(\$13,274,791)	See Tables CC - B and CC - D. Because of refinancing the COPs, \$750,000 in FY 2009-10 and \$7 million in FY 2010-11 will be transferred from the FML Revenues Fund to the General Fund pursuant to HB 10-1389. Some General Fund is needed for FY 2011-12 and FY 2012-13.
H	Level I Controlled Maintenance	(\$18,235,321)	(\$2,695,589)	(\$20,000,000)	(\$20,000,000)	The FY 2010-11 Level I Controlled Maintenance appropriation is \$10,129,588, offset by State Land Board funds (\$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 2009-10 is SB 09-259; for FY 2010-11 is HB 10-1376.
L	Colorado Integrated Tax Architecture	(\$744,907)	(\$10,177,308)	(\$8,628,383)	(\$4,184,250)	SB 09-259, HB10-1376, out years 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	(\$28,441,936)	(\$16,262,506)	(\$51,515,585)	(\$62,048,197)	Does not include any new FY 2011-12 or FY 2012-13 requests. For FY 2010-11, does not include CDOT appropriation.
O	Funds Available after Approved Projects	N/A	(\$8,625,506)	(\$50,357,753)	(\$60,833,177)	
P	General Fund Transfer Need	\$4,831,243	\$8,625,506	\$50,357,753	\$60,833,177	FY 2010-11 from HB 10-1389
Q	End of Year Uncommitted Balance	\$5,137,000	\$0	\$0	\$0	From HB 10-1376 page 232

Interest Projection			
Total Interest for FY 2009-10		\$2,500,000	
Total Interest for FY 2010-11		\$1,157,832	
Total Interest for FY 2011-12		\$1,215,020	
Total Interest for FY 2012-13		\$1,334,256	

09-10	Interest Projection		Treasury	0.001667	Expended per	CERF Balance Projection	
			Factor:		Month		
	April Average Fund Balance June 7, 2010 Treasurer's Office		\$93,370,780	\$2,217,790	7.69%	\$8,454,183	December 1, 2010 CDC Staff projection of CERF balance after refinancing of COPs
	May		\$86,190,567	\$143,651	7.69%	(\$1,807,306)	Amount reduced from CERF via HB 10-1389
	Add GF Projected Revenue		\$8,600,000			(\$6,654,832)	Amount used to fund HB 10-1376, page 235, CSP II COP Payment
	Jun		\$87,501,173	\$145,835	7.69%	\$175,231	2010 additional revenue to CERF from HB 10-1081 and HB 10-1277
			Treasury	0.001667	Expended per	\$167,276	Subtotal for FY 2010-11
			Factor:		Month		
10-11	Jul		\$80,772,333	\$134,621	7.69%	\$1,126,485	Revenue for FY 2011-12
	Aug		\$74,560,940	\$124,268	7.69%	\$1,293,761	Subtotal for FY 2011-12
	Sep		\$68,827,204	\$114,712	7.69%	(\$1,293,761)	Used for FY 2011-12 CSPII COP Payment
	Oct		\$63,534,392	\$105,891	7.69%	\$0	Subtotal for FY 2011-12
	Nov		\$58,648,597	\$97,748	7.69%	\$488,144	Revenue for FY 2012-13
	Dec		\$54,138,520	\$90,231	7.69%	(\$488,144)	Used for FY 2012-13 CSPII COP Payment
	Jan		\$49,975,268	\$83,292	7.69%	\$0	Subtotal for FY 2012-13
	Feb		\$46,132,170	\$76,887	7.69%	\$0	Revenue for FY 2013-14
	Mar		\$42,584,606	\$70,974	7.69%	\$0	Used for FY 2013-14 CSPII COP Payment
	Apr		\$39,309,850	\$65,516	7.69%	\$0	Subtotal for FY 2013-14
	May		\$36,286,922	\$60,478	7.69%		
	Add GF Projected Revenue		\$50,300,000				
	Jun		\$79,928,388	\$133,214	7.69%		
			Treasury	0.001875	Expended per		
			Factor:		Month		
11-12	Jul		\$73,781,895	\$138,341	7.69%		
	Aug		\$68,108,067	\$127,703	7.69%		
	Sep		\$62,870,557	\$117,882	7.69%		
	Oct		\$58,035,811	\$108,817	7.69%		
	Nov		\$53,572,857	\$100,449	7.69%		
	Dec		\$49,453,104	\$92,725	7.69%		
	Jan		\$45,650,161	\$85,594	7.69%		
	Feb		\$42,139,663	\$79,012	7.69%		
	Mar		\$38,899,123	\$72,936	7.69%		
	Apr		\$35,907,781	\$67,327	7.69%		
	May		\$33,146,472	\$62,150	7.69%		
	Add GF Projected Revenue		\$60,500,000				
	Jun		\$86,445,059	\$162,084	7.69%		

		Treasury Factor:	0.002083	Expended per Month
12-13	Jul	\$79,797,434	\$166,245	7.69%
	Aug	\$73,661,011	\$153,460	7.69%
	Sep	\$67,996,479	\$141,659	7.69%
	Oct	\$62,767,550	\$130,766	7.69%
	Nov	\$57,940,725	\$120,710	7.69%
	Dec	\$53,485,084	\$111,427	7.69%
	Jan	\$49,372,081	\$102,859	7.69%
	Feb	\$45,575,368	\$94,949	7.69%
	Mar	\$42,070,622	\$87,647	7.69%
	Apr	\$38,835,391	\$80,907	7.69%
	May	\$35,848,949	\$74,685	7.69%
	Jun	\$33,092,165	\$68,942	7.69%

7.69% from State Controller's Office, Average of "Report of Revenues and Expenditures By Period" for FY 2007-08 and FY 2008-09 for Fund 461, September 11, 2009; provided in December 2009 Forecast.

Table CC - B

**Higher Education Federal Mineral Lease Revenues Fund
Spillover Projection for SB 08-233 Annual Payments
June 2010**

Fiscal Year	Spillover Projection	Annual Payments	Remaining Use of Expense Funds for Annual Payment	Transfer from FML Revenues Fund to General Fund	Net	Interest (Includes Expense Fund)	Final Projected Balance
May 2010 Average Balance per State Treasurer June 7, 2010					\$22,964,554		\$22,964,554
FY 2009-10	\$0	\$0	\$0	(\$750,000)	\$22,214,554	\$460,992	\$22,675,546
FY 2010-11	\$0	(\$8,877,550)	\$835,026	(\$7,000,000)	\$7,633,022	\$152,660	\$7,785,682
FY 2011-12	\$4,058,905	(\$12,446,300)	\$0	\$0	(\$601,713)	\$0	(\$601,713)
FY 2012-13	\$5,912,297	(\$18,585,375)	\$0	\$0	(\$13,274,791)	\$0	(\$13,274,791)

FY 2009-10 "Annual Payment" of \$15,820,365 has been reduced to \$0 by the November payment amount of \$11,655,391 and the May payment of \$4,164,974. The obligation for annual payments from the FY 2009-10 balance is now \$0 because the payment of \$4,164,974 was paid by the Treasurer straight from the Expenses Fund to covered the May 1, 2010 payment pursuant to the Budget Balancing Plan. This leaves at least \$835,026 in the Expenses Fund to be used for future payments. Payments are made May 1 and November 1 annually. Of \$22,964,554 currently in the FML Revenues Fund, HB 10-1389 transferred \$750,000 in FY 2009-10 and \$7,000,000 in FY 2010-11 out of the fund into the General Fund. These transfers have not yet been made. The FY 2010-11 payments will be \$3,982,430 and \$4,895,120.

Table CC - C

**Higher Education Federal Mineral Lease Maintenance and Reserve Fund
Projection for Higher Education Controlled Maintenance
June 2010**

Fiscal Year	Beginning Year Balance	Spillover Actual Revenue to Date	Interest to Date	Actual Transfer Out for Budget Balancing per HB 10-1327	Prior Balance	Spillover Projection	Projected Interest	Accruing Total
FY 2009-10	\$62,194	\$2,537,257	\$23,457	(\$2,300,000)	\$322,908	\$155,853	\$9,575	\$488,337
FY 2010-11	\$0	\$0	\$0	\$0	\$488,337	\$8,749,644	\$184,760	\$9,422,741
FY 2011-12	\$0	\$0	\$0	\$0	\$9,422,741	\$9,972,767	\$436,399	\$19,831,907
FY 2012-13	\$0	\$0	\$0	\$0	\$19,831,907	\$10,195,302	\$750,680	\$30,777,889

FY 2009-10 Beginning Year Balance, Spillover Revenue to Date, Interest to Date, and HB 10-1327 transfer from State Controller's Office, June 8, 2010.

FY 2009-10 Spillover Projection is reduced by \$2,537,257 which is the total of three quarters already transferred.

Table CC - D
Colorado Higher Education Capital Construction Lease Purchase Refinancing
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 Refinancing 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	\$7,698,527	\$1,996,149
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	\$170,542,465	\$118,038,043

Table CC - F
State of Colorado Refinancing Department of Corrections' Colorado State Penitentiary II
Certificates of Participation, Series 2009

June 2010				
Year	Fiscal Year Ending	Previous Payment Schedule	Payment Schedule	Savings
1	FY 2009-10	\$13,942,350	\$2,857,175	\$11,085,175
2	FY 2010-11	\$13,940,350	\$8,048,292	\$5,892,058
3	FY 2011-12	\$13,938,850	\$18,434,900	(\$4,496,050)
4	FY 2012-13	\$13,983,250	\$18,430,500	(\$4,447,250)
5	FY 2013-14	\$13,939,000	\$18,431,100	(\$4,492,100)
6	FY 2014-15	\$13,937,250	\$18,430,950	(\$4,493,700)
7	FY 2015-16	\$13,937,000	\$18,430,500	(\$4,493,500)
8	FY 2016-17	\$13,937,000	\$18,432,500	(\$4,495,500)
9	FY 2017-18	\$13,936,000	\$16,422,250	(\$2,486,250)
10	FY 2018-19	\$13,937,750	\$9,758,500	\$4,179,250
11	FY 2019-20	\$13,935,750	\$9,757,000	\$4,178,750
12	FY 2020-21	\$13,938,750	\$9,754,500	\$4,184,250
	Sum of All Years	\$164,401,125	\$164,330,992	
	Estimated Present Value Savings:		\$70,133	

FY 2009-10	TF	CCF	CERF
Amount of savings identified in March 2010 forecast	\$11,085,175		
Deappropriation requested on December 10, 2010	(\$13,942,350)	(\$8,175,782)	(\$5,766,568)
Less \$2,000 Administrative Costs made from interest balance	\$2,000	\$2,000	
Net June 2010 1331	(\$2,855,175)	(\$2,855,175)	\$0

Table CC-G**Summary of Corrections Expansion Reserve Fund Appropriations to the Capital Construction Fund****Revenue Appropriations to the CCF**

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
<i>Transfers to the CCF Required from Legislation</i>					
HB 06-1011 (Internet Crimes Against Children)	\$523,164	\$523,164	\$0	\$0	\$0
HB 06-1145 (Meth Task Force)	\$43,597	\$43,597	\$0	\$0	\$0
SB 06-206 (Smuggling of Humans)	\$523,164	\$523,164	\$0	\$0	\$0
SB 06-207 (Trafficking in Humans)	\$523,164	\$523,164	\$0	\$0	\$0
SB 06S-004 (Extortion of Immigrants)	\$0	\$69,755	\$0	\$0	\$0
HB 07-1326 (Sex Offender Registration of Email Addresses)	\$75,099	\$0	\$0	\$0	\$0
SB 07-096 (Theft from At-Risk Individuals)	\$150,198	\$750,990	\$750,990	\$0	\$0
HB 08-1115 (Retaliation against a Judge)	\$0	\$112,649	\$0	\$112,649	\$0
HB 08-1194 (Increasing Penalties for Drunk Driving)	\$12,517	\$0	\$0	\$0	\$0
SB 08-239 (Penalty Leaving a Scene Involving Death)	\$125,165	\$137,682	\$375,495	\$375,495	\$0
HB 10-1277 (Sexual Conduct In Correctional Facility)	\$0	\$83,861	\$0	\$0	\$0
HB 10-1081 (Money Laundering Criminal Fraud)	\$0	\$91,370	\$0	\$0	\$0
HB 10-1389 (Capital Construction Transfers, reverses SB 06-206, SB 06-207, HB 06-1011, SB 07-096, HB 07-1326, and HB 08-1194)	(\$1,807,306)	\$0	\$0	\$0	\$0
	\$168,762	\$2,859,396	\$1,126,485	\$488,144	\$0

**Table CC-H
FY 2010-11 Appropriations**

Bill #	Department	Division or Institution	Project	Type	CCF	CF	RF	FF	TF	Letternotes
10-1376	Corrections	Limon Correctional Facility	Door Controls Replacement and Perimeter Security Improvement	CM	\$0	\$635,083	\$0	\$0	\$635,083	State Land Board Funds
10-1376	Corrections	Colorado Territorial Correctional Facility	Critical Improvements, Cellhouse I	CM	\$0	\$458,116	\$0	\$0	\$458,116	State Land Board Funds
10-1376	Corrections	Arkansas Valley Correctional Facility and Fremont Correctional Facility	Perimeter Security Improvements	CM	\$618,968	\$0	\$0	\$0	\$618,968	
10-1376	Corrections	Correctional Industries	Minor Construction Projects	CC	\$0	\$945,063	\$0	\$0	\$945,063	Correctional Industries
10-1376	Corrections	Colorado State Penitentiary II	Lease Purchase of Colorado State Penitentiary II	CC	\$1,393,460	\$6,654,832	\$0	\$0	\$8,048,292	Cash is CERF
10-1376	Education	School for the Deaf and Blind	Electrical Distribution Upgrades	CM	\$0	\$621,672	\$0	\$0	\$621,672	State Land Board Funds
10-1376	Governor	Office of Information Technology	Replace Microwave Site Towers - A	CM	\$0	\$800,614	\$0	\$0	\$800,614	State Land Board Funds
10-1376	Higher Education	Western State College	Life Safety Projects	CM	\$65,000	\$0	\$0	\$0	\$65,000	
10-1376	Higher Education	Fort Lewis College	Reconstruction of Eighth Avenue, Phase 2 of 3	CM	\$0	\$567,035	\$0	\$0	\$567,035	State Land Board Funds
10-1376	Higher Education	University of Colorado, Boulder	Fire Safety Upgrades	CM	\$0	\$518,063	\$0	\$0	\$518,063	State Land Board Funds
10-1376	Higher Education	University of Colorado, Colorado Springs	Upgrade Fire Sprinkler System, University Hall	CM	\$0	\$497,152	\$0	\$0	\$497,152	State Land Board Funds
10-1376	Higher Education	University of Colorado, Health Sciences Center	Lease Purchase of Academic Facilities at Fitzsimons	CC	\$1,996,149	\$7,698,527	\$0	\$0	\$9,694,676	Cash is Fitzsimons Trust Fund
10-1376	Higher Education	Colorado School of Mines	Replace Failed Corroded Piping	CM	\$0	\$410,730	\$0	\$0	\$410,730	State Land Board Funds
10-1376	Higher Education	Pueblo Community College	SCCC West Campus, Refurbish/Repair Waste Water Lagoon System and Replace Main Water Feed	CM	\$0	\$599,390	\$0	\$0	\$599,390	State Land Board Funds
10-1376	Higher Education	Front Range Community College	Westminster Campus, Replace High Voltage Electrical System	CM	\$0	\$309,761	\$0	\$0	\$309,761	State Land Board Funds
10-1376	Higher Education	Colorado Historical Society	Healy House, Structural Reinforcement	CM	\$0	\$206,250	\$0	\$0	\$206,250	State Land Board Funds
10-1376	Higher Education	Colorado Historical Society	Cumbres and Toltec Scenic Railroad, Chama Depot, Electric and HVAC Upgrade	CM	\$0	\$100,600	\$0	\$0	\$100,600	State Land Board Funds
10-1376	Higher Education	Colorado Historical Society	New Colorado History Museum	CC	\$0	\$5,000,000	\$0	\$0	\$5,000,000	\$2 million from State Historical Fund and \$3 million from State Museum Cash Fund
10-1376	Higher Education	Colorado Historical Society	Regional Museum Preservation Projects	CC	\$0	\$600,001	\$0	\$0	\$600,001	\$500,000 from State Historical Fund and \$100,001 from gifts, grants, and donations
10-1376	Human Services	Office of Information Technology Services	Automated Child Support Enforcement System (ACSES) Migration and Modernization	CC	\$0	\$2,677,500	\$0	\$5,197,500	\$7,875,000	Cash is child support collections and fraud refunds.
10-1376	Human Services	Mental Health and Alcohol and Drug Abuse Services	Mental Health Institute at Fort Logan, Replace Fire Alarm Systems	CM	\$0	\$762,647	\$0	\$0	\$762,647	State Land Board Funds
10-1376	Human Services	Mental Health and Alcohol and Drug Abuse Services	Colorado AWARE VR Case Management System	CC	\$0	\$0	\$0	\$1,747,584	\$1,747,584	
10-1376	Human Services	Youth Corrections	Upgrade Electronic Security Systems	CM	\$0	\$439,864	\$0	\$0	\$439,864	State Land Board Funds
10-1376	Labor and Employment	Division of Oil and Public Safety	Consolidated Enterprise System	CC	\$0	\$641,287	\$0	\$213,762	\$855,049	\$342,020 from the Petroleum Storage Tank Fund, \$171,010 from the Boiler Inspection Fund, \$111,157 from the Conveyance Safety Fund, \$8,550 from the Public Safety Inspection Fund, \$8,550 from the Liquified Petroleum Gas Inspection Fund.

Bill #	Department	Division or Institution	Project	Type	CCF	CF	RF	FF	TF	Letternotes
10-1376	Military and Veterans Affairs	Alamosa Readiness Center	Construction	CC	\$0	\$853,568	\$0	\$610,702	\$1,464,270	Cash from Veterans Trust Fund
10-1376	Military and Veterans Affairs	Grand Junction Readiness Center	Construction	CC	\$0	\$3,688,553	\$0	\$0	\$3,688,553	Cash from Veterans Trust Fund
10-1376	Military and Veterans Affairs	Windsor Readiness Center	Construction	CC	\$0	\$1,888,105	\$0	\$714,315	\$2,602,420	\$1,730,226 from Real Estate Proceeds and \$157,879 from the Veterans Trust Fund.
10-1376	Natural Resources	Parks and Outdoor Recreation	Park Infrastructure and Facilities	CC/CM	\$0	\$9,107,049	\$0	\$1,405,500	\$10,512,549	\$9,416,574 from GOCO; \$5,840,475 from Parks Lottery; \$300,000 HUTF.
10-1376	Natural Resources	Parks and Outdoor Recreation	Staunton State Park, New Park Development	CC/CM	\$0	\$5,500,000	\$0	\$0	\$5,500,000	
10-1376	Natural Resources	Parks and Outdoor Recreation	Land and Water Acquisitions	CC/CM	\$0	\$950,000	\$0	\$0	\$950,000	
10-1376	Natural Resources	Cash	Motorboat Access on Lakes and Streams	CC/CM	\$0	\$128,045	\$0	\$384,135	\$512,180	Cash is Wildlife Cash Funds
10-1376	Natural Resources	Wildlife	Land and Water Acquisitions	CC/CM	\$0	\$4,500,000	\$0	\$0	\$4,500,000	Wildlife Cash Funds
10-1376	Natural Resources	Wildlife	Infrastructure and Real Property Maintenance	CC/CM	\$0	\$681,030	\$0	\$0	\$681,030	Wildlife Cash Funds
10-1376	Natural Resources	Wildlife	Asset Development or Improvements	CC/CM	\$0	\$2,471,600	\$0	\$0	\$2,471,600	Wildlife Cash Funds
10-1376	Personnel and Administration	Not Applicable	Emergency Controlled Maintenance	CM	\$2,000,000	\$0	\$0	\$0	\$2,000,000	
10-1376	Personnel and Administration	Not Applicable	State Office Building, Replace Main Transformer	CM	\$11,621	\$203,478	\$0	\$0	\$215,099	Cash is State Land Board Funds
10-1376	Personnel and Administration	Not Applicable	1570 Grant Street, Replace Fire Alarm System	CM	\$0	\$303,544	\$0	\$0	\$303,544	Not specified (but should be State Land Board Funds)
10-1376	Public Health and Environment	Not Applicable	Brownsfield Cleanup Program	CC	\$0	\$250,000	\$0	\$0	\$250,000	Hazardous Substance Response Fund
10-1376	Revenue	Not Applicable	Colorado Integrated Tax Architecture Upgrade	CC	\$10,177,308	\$0	\$0	\$0	\$10,177,308	
10-1376	Revenue	Not Applicable	Port-of-Entry Mobile Scale Replacement	CC	\$0	\$258,284	\$0	\$0	\$258,284	HUTF
10-1376	Revenue	Not Applicable	Limon Port-of-Entry, Westbound Building Replacement	CC	\$0	\$487,451	\$0	\$0	\$487,451	HUTF
10-1376	Revenue	Not Applicable	Dumon Port-of-Entry, Westbound Scale Lane Pavement	CC	\$0	\$768,678	\$0	\$0	\$768,678	HUTF
10-1376	Revenue	Not Applicable	Limon Port-of-Entry, Westbound Scale Lane Replacement	CC	\$0	\$814,623	\$0	\$0	\$814,623	HUTF
10-1376	Transportation	Not Applicable	Highway Construction Projects	CC	\$500,000	\$0	\$0	\$0	\$500,000	
10-1376	Treasury	Not Applicable	Lease Purchase of Academic Facilities, Pursuant to Section 23-19.9-102, C.R.S.	CC	\$0	\$8,877,550	\$0	\$0	\$8,877,550	FML Revenues
TOTALS					\$16,762,506	\$72,875,745		\$10,273,498	\$99,911,749	
Subtotal Controlled Maintenance					\$2,695,589	\$7,433,999	\$0	\$0	\$10,129,588	\$10,129,588
Long Bill					\$16,762,506	\$72,875,745	\$0	\$10,273,498	\$99,911,749	check
Check										

Bill #	Department	Division or Institution	Project	Type	CCF	CF	RF	FF	TF	Letternotes
			Cash Sources							
			GOCO		\$9,416,574					
			FML Revenues		\$8,877,550					
			Wildlife Cash Funds		\$7,780,675					
			Fitzsimons Trust Fund		\$7,698,527					
			State Land Board Funds		\$7,130,455					
			CERF		\$6,654,832					
			Parks Lottery Proceeds		\$5,840,475					
			Veterans Trust Fund		\$4,700,000					
			State Museum Cash Fund		\$3,000,000					
			DHS child support collections and fraud refunds		\$2,677,500					
			HUTF		\$2,629,036					
			State Historical Fund		\$2,500,000					
			DMVA Real Estate Proceeds		\$1,730,226					
			Correctional Industries		\$945,063					
			Petroleum Storage Tank Fund		\$342,020					
			Unspecified		\$303,544					
			Hazardous Substance Response		\$250,000					
			Boiler Inspection Fund		\$171,010					
			Conveyance Safety Fund		\$111,157					
			Gifts, grants, donations		\$100,001					
			Public Safety Inspection Fund		\$8,550					
			Liquified Petroleum Gas Inspection Fund		\$8,550					
			Sum Cash		\$72,875,745					
					\$0					

**Table CC - I
Legislative Transfers**

Fiscal Year	From	Amount	To	Bill
FY 2009-10	Capital Construction Fund	\$13,317,845	General Fund	HB 10-1389
	HEd FML Revenues Fund	\$750,000	General Fund	HB 10-1389
	Fitzsimons Trust Fund	\$5,054,918	General Fund	HB 10-1389
	CERF	\$1,807,306	General Fund	HB 10-1389
FY 2010-11	HEd FML Revenues Fund	\$7,000,000	General Fund	HB 10-1389
	Fitzsimons Trust Fund	\$3,448,537	General Fund	HB 10-1389
	General Fund	\$8,625,506	CCF	HB 10-1389
	General Fund Exempt	\$500,000	CCF	HB 10-1389
FY 2009-10	HED Maintenance and Reserve Fund	\$2,300,000	General Fund	HB 10-1327
FY 2010-11 GF	FY 2009-10 Interest	\$2,500,000		HB 10-1376 pg 232
	Fund Balance	\$5,137,000		HB 10-1376 pg 232
	Transfers to CCF, above	\$9,125,506		
		\$16,762,506		
	Check from Long Bill	\$16,762,506		HB 10-1376 pg 245
	MATCH	\$0		

Use of State Land Board Monies in HB 10-1376	
Fund 707	\$405,892
Fund 853	\$7,028,107
Total	\$7,433,999
Check	\$7,130,455
Plus Unspecified	\$7,433,999
MATCH	\$0