

# State of Colorado



**Bill Owens**

*Governor*

**Jeffrey M. Wells**

*Executive Director*

**Paul Farley**

*Deputy Executive Director*

**Richard Pennington**

*Division Director*

**Arthur L. Barnhart**

*State Controller*

## DPA

Department of Personnel  
& Administration

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May 3, 2004

The Honorable Bill Owens  
Governor  
136 State Capitol Building  
Denver, Colorado 80203

Dear Governor Owens:

I am submitting a Quarterly Financial Report on the status of the state's financial condition for the nine-month period ended March 31, 2004. This Quarterly Financial Report summarizes activity in the General Fund and the Capital Construction Fund.

The attached Exhibit A provides a *Balance Sheet* for the Unrestricted General Fund and Capital Construction Fund at March 31, 2004. Factors that contribute to the \$786.4 million deficit Total Fund Equity are addressed in the Exhibit B discussion below. When four percent of appropriations are reserved, as is required by current law, the General Fund unreserved fund balance deficit is \$1,010.2 million. This compares to the unreserved fund balance deficit of \$1,149.0 million at March 31, 2003. In the current year, \$7.8 million has been transferred in to augment the General Fund; however, that amount is offset by \$56.2 million that was transferred out to repay a portion of the prior years' transfers. The March 2004 Revenue Forecast, issued by your office, anticipates additional transfers into the General Fund of \$46.4 million, including \$40.0 million from the Controlled Maintenance Trust Fund required by House Bill 04-1222.

The General Fund is normally in deficit at this time of year because of the legal requirement for the Department of Education to transfer twelve months of public school moneys by the end of the third quarter. This transfer caused approximated \$511.0 million of the \$1,010.2 million unreserved deficit.

The cash position of the General Fund shows significant improvement over March 31, 2003; however, it has degraded since the second quarter. The state's current General Fund cash position (defined here as the Liability to Pooled Cash plus the State

Treasurer's short-term borrowing payable at June 27, 2004, reduced by investments available for liquidation) is \$989.8 in deficit. The state's General Fund deficit cash position was \$1,553.3 million and \$1,208.6 million at March 31, 2003, and 2002, respectively. The improved cash position is in part related to the fact that the amount due from other governments is approximately \$220.0 million lower than in the prior year. Using the current revenue estimates, the State Treasurer anticipates a General Fund cash surplus at fiscal year end. In addition, the state's overall cash position has improved over the prior year as a result of borrowable resources increasing to \$1.16 billion; however, this amount represents a \$140.0 million reduction in borrowable resources since December 31, 2003.

Exhibit B provides a *Schedule of Revenues, Expenditures and Changes in Unreserved Fund Balance - General Fund - Budget and Actual* for the nine-month period ended March 31, 2004. The Current Annual Estimate/Restricted Budget column reflects the most recent OSPB estimate of revenues on the modified accrual basis for the fiscal year and appropriations and transfers currently in law. The line item titled Difference Between Recorded and Estimated Appropriations primarily reflects that the State Controller's Office has not yet recorded the supplemental Long Bill appropriations and a portion of the estimated reduction for General Fund match of Medicaid costs. Actual revenues reported on the March Year-to-Date Revenue Summary Report exceeded the estimate by \$33.5 million. This amount is not reflected in the Current Annual Estimate, and it is therefore not reflected in the anticipated \$41.1 million ending unreserved fund balance. The \$33.5 million is reflected in the actual unreserved fund balance deficit.

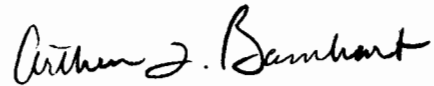
At the end of the third quarter, actual general-purpose revenues were \$4,015.0 million, which is 70.5 percent of the annual estimated revenue. In Fiscal Year 2002-03, 70.9 percent of estimated annual revenues had been recorded at March 31. Due to the deferral of payroll expenditures and Medicaid costs from Fiscal Year 2002-03 into Fiscal Year 2003-04 and the accelerated transfers to the Public School fund, it is not practicable to assess whether departmental spending rates are consistent with a quarterly allocation of appropriations. Prior year's expenditures are not comparable to current year expenditures due to the payroll and Medicaid cost deferrals. In addition, refinancing of General Fund expenditures to cash funds means that current year General Fund expenditures are not comparable to prior years.

Exhibit C is a *Schedule of Revenues, Expenditures and Changes in Unreserved Fund Balance - Regular Capital Construction Fund - Budget and Actual* for the nine-month period ended March 31, 2004. The estimated expenditures of the Capital Construction Fund reflect budget restrictions. Actual expenditures of the Capital Construction Fund are expected to be less than outstanding appropriations because of the multi-year nature of the appropriations compared to current fiscal year expenditures. The \$13.5 million deficit unreserved fund balance reflects the fact that departments have encumbered projects for which they have legal commitments but for which the cash funded revenue has not yet been earned.

Governor Bill Owens  
Page 3 of 3  
May 3, 2004

Based on a review of the attached financial reports and agency comments, I have presented the financial issues that I believe are significant to the state. Questions concerning this report should be directed to my office.

Sincerely yours,

A handwritten signature in black ink, reading "Arthur L. Barnhart". The signature is written in a cursive style with a large, stylized initial "A".

Arthur L. Barnhart  
State Controller

Attachments

cc: Jeffrey M. Wells, DPA  
Nancy McCallin, OSPB  
John Ziegler, JBC

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**BALANCE SHEET**  
**GENERAL AND CAPITAL CONSTRUCTION FUNDS**  
**MARCH 31, 20004**

(DOLLARS IN THOUSANDS)	UNRESTRICTED	
	GENERAL FUND	CAPITAL CONSTRUCTION
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ -	\$ 65,348
Taxes Receivable, net	756,149	-
Other Receivables, net	62,362	321
Intrafund Receivables	19,394	38
Due From Other Governments	305,733	6,397
Due From Other Funds	9,459	2,606
Inventories	6,441	-
Prepays, Advances, and Deferred Charges	22,269	5,405
Investments	1,449	-
Other Long-Term Assets	231	172
<b>TOTAL ASSETS</b>	<b>\$ 1,183,487</b>	<b>\$ 80,287</b>
<b>LIABILITIES</b>		
Liability to Pooled Cash	\$ 685,405	\$ -
Tax Refunds Payable	427,743	-
Accounts Payable and Accrued Liabilities	375,567	13,508
Due To Other Governments	47,987	-
Due To Other Funds	2,226	180
Intrafund Payables	490	-
Deferred Revenue	122,073	5,115
Other Current Liabilities	308,335	-
Deposits Held in Custody for Others	12	-
Other Long-Term Liabilities	40	-
<b>TOTAL LIABILITIES</b>	<b>1,969,878</b>	<b>18,803</b>
<b>FUND EQUITY:</b>		
Fund Balances:		
Reserved For:		
Encumbrances	-	69,225
Other Specific Purposes	-	5,586
Long-Term Assets and Loans Receivable	231	172
Statutory Reserve	223,600	-
Unreserved:		
Designated	-	(13,499)
Undesignated	(1,010,222)	-
<b>TOTAL FUND EQUITY</b>	<b>(786,391)</b>	<b>61,484</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,183,487</b>	<b>\$ 80,287</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
UNRESERVED FUND BALANCE - GENERAL FUND  
BUDGET AND ACTUAL - BUDGETARY BASIS  
FOR THE NINE MONTHS ENDED MARCH 31, 2004**

<b>(DOLLARS IN THOUSANDS)</b>	<b>CURRENT ANNUAL ESTIMATE/ RESTRICTED BUDGET</b>	<b>ACTUAL</b>	<b>PERCENT OF ESTIMATE</b>
<b>REVENUES:</b>			
Sales and Use Tax	\$ 1,897,800	\$ 1,425,451	
Other Excise Taxes	94,400	71,485	
Individual Income Tax, net	3,137,400	2,160,654	
Corporate Income Tax, net	206,100	109,576	
Estate Tax	41,700	44,958	
Insurance Tax	172,400	140,234	
Parimutuel, Courts, and Other	85,900	54,328	
Investment Earnings	22,400	8,330	
Gaming	39,600	-	
<b>TOTAL GENERAL PURPOSE REVENUES</b>	<b>5,697,700</b>	<b>4,015,016</b>	<b>70.5%</b>
<b>EXPENDITURES:</b>			
Agriculture	4,112	3,215	
Corrections	469,617	368,198	
Education	2,417,670	2,407,676	
Governor	13,380	10,056	
Health Care Policy and Financing	1,135,397	962,368	
Higher Education	591,409	462,810	
Human Services	455,760	353,862	
Judicial Branch	208,618	169,789	
Law	6,796	4,916	
Legislative Branch	27,240	20,004	
Local Affairs	4,755	3,398	
Military Affairs	3,897	3,064	
Natural Resources	19,682	17,088	
Personnel and Administration	7,826	6,838	
Public Health and Environment	12,419	9,836	
Public Safety	54,171	41,643	
Regulatory Agencies	1,051	902	
Revenue	170,709	129,272	
Treasury	4,347	4,115	
<b>SUBTOTAL DEPARTMENTAL EXPENDITURES</b>	<b>5,608,856</b>	<b>4,979,050</b>	<b>88.8%</b>
Appropriation to Capital Construction Fund	9,500	9,490	
Difference Between Recorded and Estimated Appropriations	29,244		
<b>TOTAL GENERAL FUNDED EXPENDITURES</b>	<b>5,647,600</b>	<b>4,988,540</b>	
<b>EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES</b>	<b>50,100</b>	<b>(973,525)</b>	
<b>EXCESS AUGMENTING REVENUES</b>	<b>-</b>	<b>18,674</b>	
<b>TRANSFERS:</b>			
Transfers from Cash Funds to General Fund	54,200	7,789	
Transfers from General Fund to Repay Cash Funds	(56,200)	(56,188)	
Transfer of Excess Beginning Reserve to Highways and Capital Construction	(8,400)	(8,339)	
<b>TOTAL TRANSFERS</b>	<b>(10,400)</b>	<b>(56,738)</b>	
<b>BEGINNING UNRESERVED FUND BALANCE - BUDGET BASIS</b>	<b>93,700</b>	<b>93,659</b>	
Deduct the GAAP Expenditures Not Budgeted	-	(200)	
Add GAAP Revenue Adjustments	-	247	
(Additions) Deductions to the Statutory Four Percent Reserve	(92,300)	(92,340)	
<b>ENDING UNRESERVED FUND BALANCE - BUDGET BASIS</b>	<b>\$ 41,100</b>	<b>\$ (1,010,222)</b>	

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
UNRESERVED FUND BALANCE - FUNDED BY GENERAL PURPOSE REVENUE  
BUDGET AND ACTUAL - CAPITAL CONSTRUCTION FUND  
FOR THE NINE MONTHS ENDED MARCH 31, 2004**

<b>(DOLLARS IN THOUSANDS)</b>	<b>CURRENT ANNUAL ESTIMATE/ RESTRICTED BUDGET</b>	<b>ACTUAL</b>	<b>PERCENT OF ESTIMATE</b>
<b>REVENUES:</b>			
General Fund Transfer-In	\$ 9,490	\$ 9,490	
Beginning General Fund Excess Reserve Transfer	2,780	2,780	
Interest Earnings	1,800	1,129	
<b>TOTAL CAPITAL CONSTRUCTION REVENUES</b>	<b>14,070</b>	<b>13,399</b>	<b>95.2%</b>
<b>EXPENDITURES:</b>			
Agriculture	167	111	
Corrections	4,410	1,843	
Governor	390	68	
Health Care Policy and Financing	4,957	691	
Higher Education	26,346	11,029	
Human Services	6,084	4,804	
Judicial Branch	122	47	
Law	5	5	
Military Affairs	21	6	
Natural Resources	835	837	
Personnel	9,162	5,287	
Public Health and Environment	1,730	816	
Public Safety	1,669	1,230	
Revenue	598	5	
Transportation	8	-	
Intrafund Transfer-Out	69	69	
<b>NET EXPENDITURES AND AUGMENTING REVENUES</b>	<b>56,573</b>	<b>26,848</b>	<b>47.5%</b>
<b>EXCESS GENERAL REVENUES OVER (UNDER)</b>			
NET CAPITAL CONSTRUCTION EXPENDITURES	(42,503)	(13,449)	
<b>EXCESS AUGMENTING REVENUES</b>	<b>-</b>	<b>29,597</b>	
<b>BEGINNING UNRESERVED FUND BALANCE - GAAP BASIS</b>			
(Additions) Deductions to Reserve for Encumbrances - All Funding Sources	35,023	(34,202)	
<b>ENDING UNRESERVED FUND BALANCE - GAAP BASIS</b>	<b>\$ (2,925)</b>	<b>\$ (13,499)</b>	