State Taxpayer Accountability Report (STAR)
Fiscal Year 2010

It is my privilege to present the State Taxpayer Accountability Report. It summarizes the operations of the State of Colorado for the fiscal year that ended June 30, 2010. This report has been designed to present information about the current fiscal condition of Colorado state government in a clear, understandable, and accessible manner. In this fifth year of the report, we expect that it will advance our goals of greater transparency and accountability in State finances.

The sources of the information included in this report are the State's Comprehensive Annual Financial Report (CAFR), the State Treasurer's Office, the Governor's Office, and other State departments. For more detailed information you may access the sources online at:

CAFR: http://www.colorado.gov/dpa/dfp/sco/CAFR/cafr.htm

Treasurer's Office: http://www.colorado.gov/treasury/

Governor's Office: http://www.colorado.gov/governor/

Additional information on the State's finances, including an online searchable database of all expenditures (http://tops.state.co.us/), and Tax Tracks an online tool thawww.colorado.govt shows taxpayers how their money is spent are b available on the Treasurer's website.

We hope you find this report both informative and beneficial, and we welcome your questions and comments.

David J McDermott

David J. McDermott
Colorado State Controller

State Taxpayer Accountability Report (STAR)

Fiscal Year 2009–10

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Content provided by the Colorado Department of Personnel & Administration; Office of the State Controller.
Design and layout services provided by the Colorado Department of Personnel & Administration; Division of Central Services; Integrated Document Solutions (IDS).


Colorado

Colorado National Monument at the Devil' Kitchen Terrace Overlook

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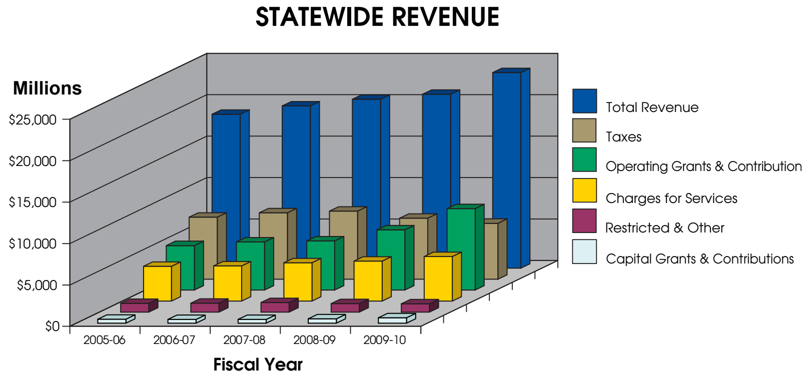
WHERE THE MONEY COMES FROM (REVENUE)



The State's major sources of revenue are Taxes, Operating Grants and Contributions, and Charges for Services. A large increase in Operating Grants and Contributions made up for a major decrease in Taxes in Fiscal Year 2009–10. Over the five year period, the State's total revenue has increased from $18.6 billion to $23.6 billion (26.9 percent). The amounts shown as Taxes generally are collected without any requirements as to how they will be spent. They are the primary source of money for the Legislature and Governor when they decide where State money will be spent. Operating Grants and Contributions are monies that usually must be spent on the purpose for which the money was received. Most of this money comes from the federal government. Restricted revenues include certain taxes dedicated to education and highways. Capital Grants and Contributions include money that is required to be spent on capital assets such as buildings or equipment. Most of this money comes from the federal government. The graph above shows total statewide revenue including certain internal transactions in actual dollars without adjustment for inflation.

The State's revenue generally follows the growth in income of the State's citizens, including wages, business income, and investment income. Total personal income in the State is estimated to have increased by 10.5 percent from 2006 to 2010; however, the unemployment rate during that same timeframe has nearly doubled to an estimated 8.0 percent in 2010. The inconsistency between personal income growth and unemployment indicates business and investment income has been strong while wage income declined. While tax revenue in 2010 was $746.1 million lower than five years ago, the shortfall was offset six times over by operating grants and contributions, most notably federal dollars from the American Reinvestment and Recovery Act of 2009 (ARRA). When the ARRA monies are no longer available, the State faces a major reduction in its ability to provide services.

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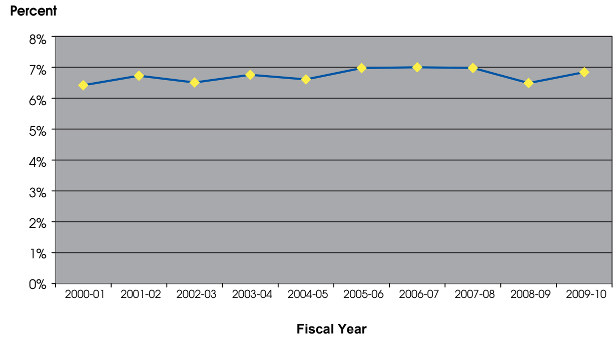
Because the graph on the previous page includes federal revenue, it shows a clear upward trend. However, growth in State government should also be viewed in relation to its impact on State taxpayers' personal income. The graph to the right shows that total budgeted nonfederal revenue as a percent of personal income remained relatively constant through Fiscal Year 2004–05.

In Fiscal Year 2005–06 retained State revenue relative to personal income increased by about 5.5 percent (See the TABOR and Referendum C sections starting on page 9). From Fiscal Year 2005–06 to Fiscal Year 2008–09, revenue as a percent of personal income declined to pre-Referendum C levels. However, increases in fees and other revenues raised the percentage in Fiscal Year 2009–10.

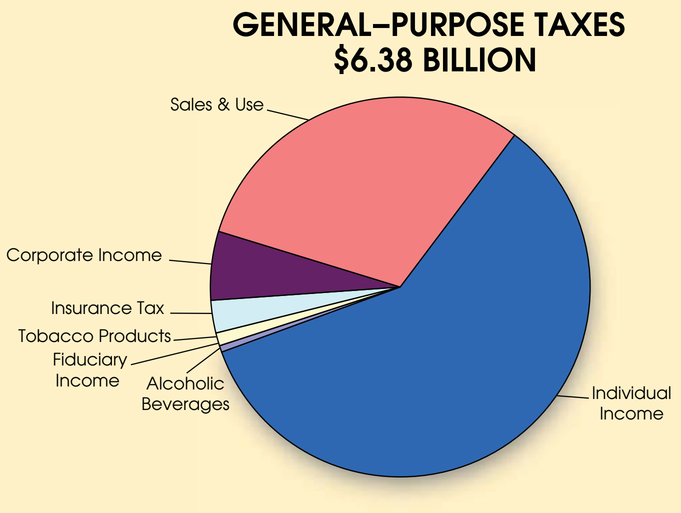
NONFEDERAL STATE REVENUE AS A PERCENT OF PERSONAL INCOME

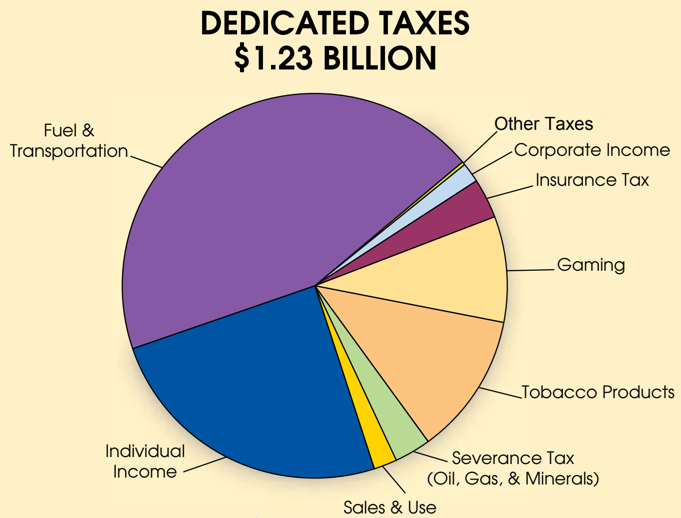


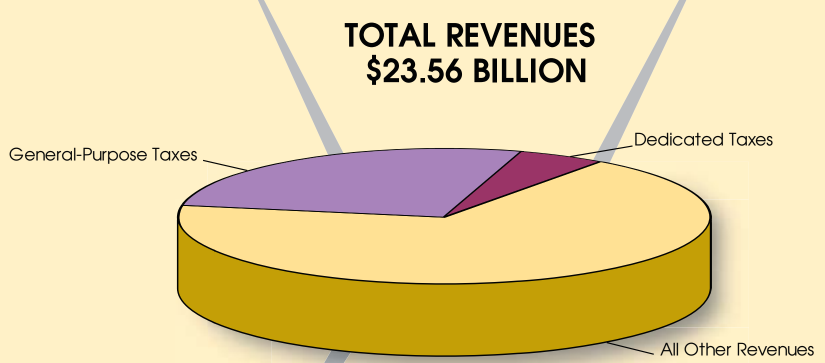
Fiscal Years 2005-06 through 2009-10 have been adjusted to remove Higher Education revenues that were excluded from prior years.

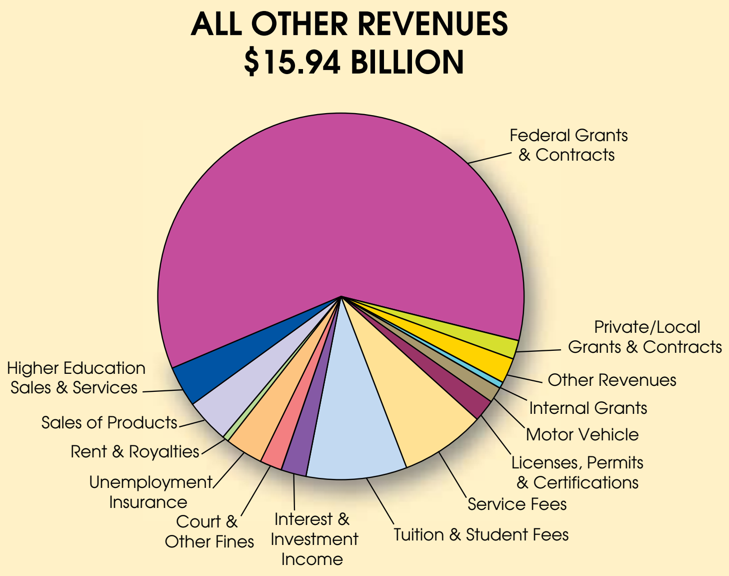
The pie charts on the following page show the relative size of the sources of general-purpose taxes, dedicated taxes, and all other revenues of the State. Sales within the government, transfers, and grants moving within the State, as well as additions to trust funds, have been excluded. Sales within the government, transfers, and federal grants moving within the State, as well as additions to trust funds, have been excluded.

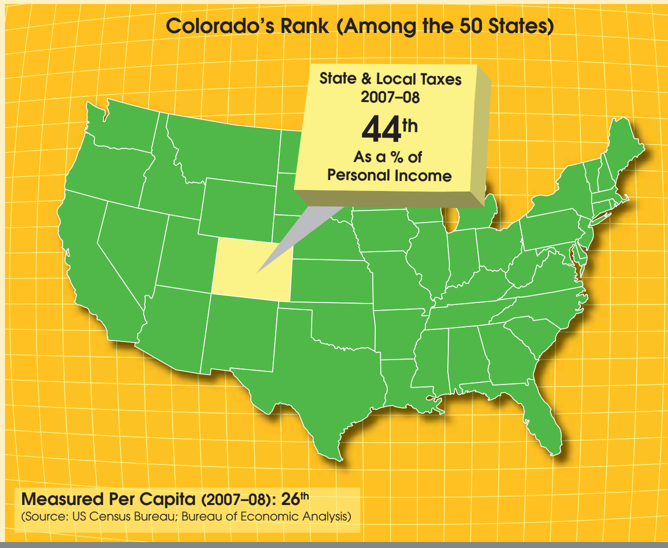
FISCAL YEAR 2009–10











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COLORADO'S ENERGY REVENUES

Like other states in the West, Colorado began seeing significant revenues from the production of oil and gas at the beginning of the decade. However, the inherent volatility of the revenue has been highlighted by the steep decline in the price of oil and natural gas in the fall of 2008.

In 2009, Colorado ranks third in the nation for proven, natural gas reserves and 12th in proven oil reserves. For the 2008 calendar year, the Colorado Geological Survey estimated the total value of oil and gas production at $12.7 billion, up 65.5 percent from the previous year.

Colorado receives revenue at the state level from the production of oil and gas from two main sources—the State's severance tax and revenue received from the federal government from oil and gas production on federal lands within the State.

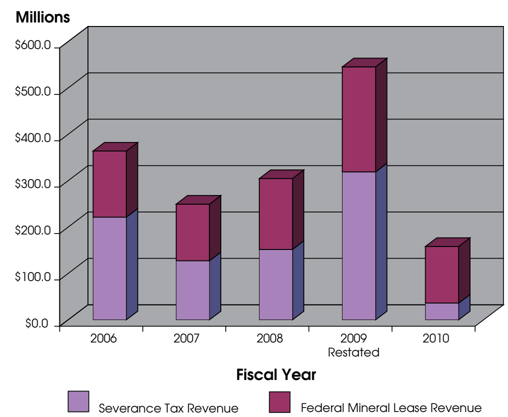
In 1977 the Colorado State legislature created a State severance tax on oil and gas, coal, metallic minerals, molybdenum ore, and oil shale. Colorado's severance tax is intended to recapture a portion of the wealth irretrievably lost when these nonrenewable natural resources are removed from the earth.

Although the volume of oil and gas produced in the State declined somewhat from Fiscal Year 2008–09 to 2009–10, it has increased in each year during the preceding four-year period, revenues received have been more volatile due in part to fluctuating commodity prices. In addition, with respect to State severance tax collections, a unique combination of credits and exemptions amplifies the price volatility resulting in wide fluctuations, including a year-to-year decline in severance tax collections in five of the past ten years.

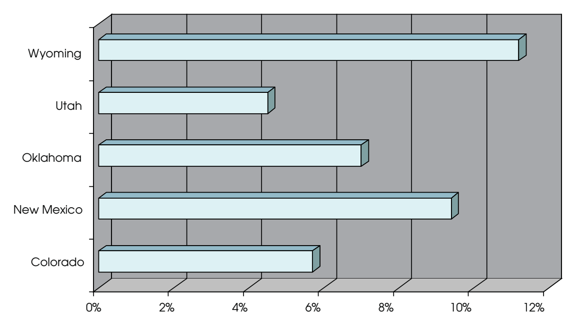
Severance tax collections in Fiscal Year 2009–10 were $36.1 million (nearly 80 percent of which came from oil and gas production in the State), approximately 84 percent less than the receipts in Fiscal Year 2005–06.

Federal Mineral Lease revenues come from the leases of federal lands within the State for mineral production. Roughly 50 percent of the revenues collected on federal leases in Colorado are transferred by the U.S. Government to the Colorado State Treasurer. Federal Mineral Lease Revenues for Fiscal Year 2009–10 were $122.1 million, or approximately 14 percent lower than receipts in Fiscal Year 2005–06.

STATE MINERAL REVENUE



TOTAL TAX BURDEN ON
OIL & GAS PRODUCTION



In a one time study in 2005, the General Assembly's Legislative Council staff compared the total tax burden on oil and gas production in Colorado to that in four other states (total taxes include local property tax, severance tax, corporate income tax and sales tax). The chart to the right summarizes their findings.

Colorado Oil Refinery

Great Sand Dunes Park

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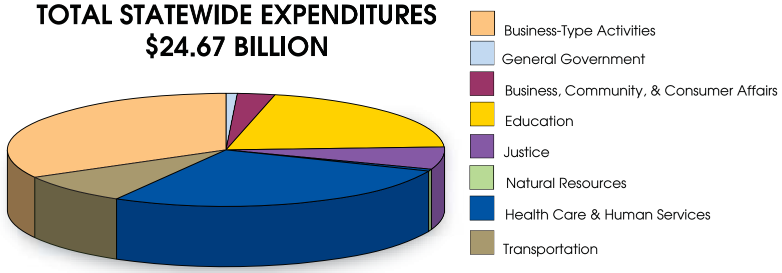
WHAT COLORADO CITIZENS BUY (EXPENDITURES[1])

The State uses the revenue it collects to provide various services to the State's citizens. Buying those services through vendors, paying State employees, or transferring money to local governments and schools results in expenditures. The State tracks these expenditures in the broad categories shown in the pie chart.[2] Additional information on these categories is presented later in this report.

The table below shows expenditures by department in the budget format with a column removing transfers. Some items (such as, depreciation and certain higher education activities) are not budgeted, and therefore, total expenditures shown in the pie chart are greater than the amount shown in the table.

TOTAL STATEWIDE EXPENDITURES $24.67 BILLION



EXPENDITURES BY DEPARTMENT ON THE BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2010 (DOLLARS IN THOUSANDS)

	GENERAL	CASH	FEDERAL	TRANSFERS	TOTAL
Budgeted Expenditures & Transfers					
Department					
Agriculture	$ 6,596	$ 25,850	$ 6,025	$ (1,293)	$ 37,178
Corrections	584,306	130,945	92,357	(7,694)	799,914
Education	3,239,812	3,809,264	628,662	(3,153,001)	4,524,737
Governor	13,827	97,250	558,059	(8,314)	660,822
Health Care Policy & Financing	1,120,304	1,114,594	2,532,885	(543,276)	4,224,507
Higher Education	462,516	2,828,651	1,118,883	(328,939)	4,081,111
Human Services	654,394	304,401	1,488,320	(20,607)	2,426,508
Judicial Branch	323,764	207,187	6,439	(81,502)	455,888
Labor & Employment	—	1,210,140	1,582,036	(83,417)	2,708,759
Law	9,127	37,634	1,461	(4,023)	44,199
Legislative Branch	32,410	1,357	—	(1,664)	32,103
Local Affairs	10,900	304,492	80,402	(127,428)	268,366
Military & Veterans Affairs	8,617	1,986	13,441	28	24,072
Natural Resources	25,892	344,411	37,636	(111,785)	296,154
Personnel & Administration	12,273	418,658	101	(8,462)	422,570
Public Health & Environment	26,644	201,572	265,769	(66,707)	427,278
Public Safety	83,345	127,200	33,205	(9,719)	234,031
Regulatory Agencies	1,441	88,349	1,386	(27,694)	63,482
Revenue	200,727	713,381	4,281	(274,660)	643,729
State	—	16,962	1,586	(410)	18,138
Transportation	46	785,402	630,987	(183,780)	1,232,655
Treasury	467,179	1,734,150	139,289	(1,924,387)	416,231
Transfers Not Appropriated by Department	42,045	11,332	—	(53,377)	—
TOTAL	$ 7,326,165	$ 14,515,168	$ 9,223,210	$ (7,022,113)	$ 24,042,430

[1] The term expenditures is used throughout this document to avoid confusion. Outflows of business-type activities (Enterprise and Internal Service Funds) and trust funds are technically referred to as expenses.

[2] Transfers, which are payments that move within and between funds, and most purchases between state agencies have been excluded from the pie chart.

Grain Silos in a Rural Colorado Farm Town

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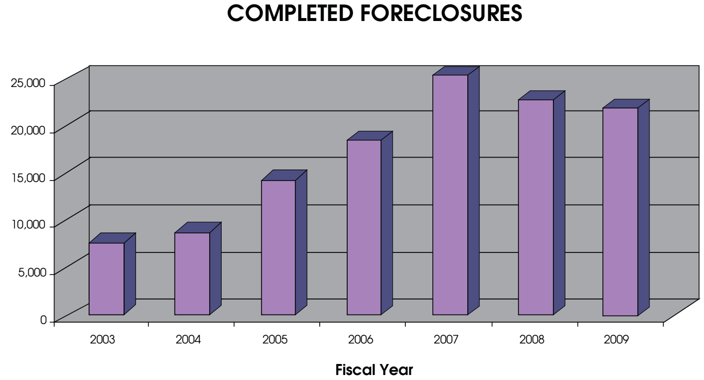
RECESSION: THE STATE'S ECONOMY, REVENUES, AND BUDGET ACTIONS

Economy

According to the National Bureau of Economic Research, the nation entered a recession in December 2007 that ended in June 2009. However, like most other states in the nation, the effects of that recession continue to haunt Colorado's economy. According to the US Department of Commerce's Bureau of Labor Statistics, the unemployment rate in Colorado climbed slightly from 8.7 percent in June 2009 to 8.8 percent in July 2010.

Colorado was hit hard by the developments in the real estate sector that led to the recession. It continues to suffer the effects of a sluggish housing market as new foreclosure filings increased by 18 percent between calendar year 2008 and calendar year 2009. Completed foreclosures declined only about 4 percent according to the Colorado Department of Local Affairs Division of Housing.



Budget Actions

In the same manner as many families, the State of Colorado continued to experience a substantial revenue shortfall in Fiscal Year 2009–10. While revenues continued to decline somewhat in Fiscal Year 2009–10, the bulk of the decline was a carryover of the significant reduction in revenue that occurred from Fiscal Year 2007–08 to Fiscal Year 2008–09. The original Fiscal Year 2009–10 general fund budget, set in advance of the economic downturn, was adjusted by spending cuts and revenue enhancements by approximately $1.55 billion in March 2009 before the beginning of Fiscal Year 2009–10.

By the end of the 2010 legislative session, the Governor's Fiscal Year 2009–10 budget plan, included an additional $659 million in balancing measures. In total there was more than $1.5 billion in general fund budget cuts, and $531.5 million dollars of revenue enhancements to the General Fund. Of the revenue enhancements, $418.4 million came in the form of transfers from the State's cash funds with the balance being nontransfer revenue increases and reductions to the General Fund reserve.

A significant portion of the General Fund revenue shortfall was absorbed by $2.7 billion of American Recovery and Reinvestment Act (ARRA) funding. However, ARRA also supported $1.4 billion of enhanced and extended unemployment insurance benefits for unemployed workers, and $0.2 billion of transportation infrastructure. Unemployment insurance and transportation infrastructure spending are not part of the General Fund.

Denver Skyline at Sunset

Georgetown, Colorado

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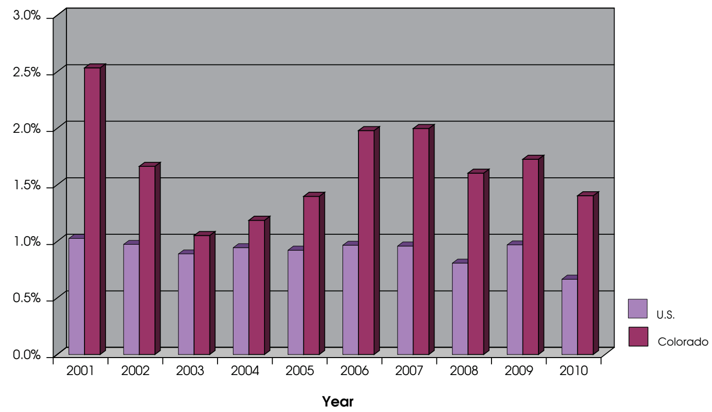
COLORADO DEMOGRAPHIC INFORMATION

COLORADO & U.S. ANNUAL PERCENTAGE POPULATION GROWTH



The State's economic condition and outlook are greatly affected by the number of people living in or moving into the State. The graph to the right shows that even at the low point of the period covered by the graph (2003), Colorado's population has grown faster than the United States' population. During the economic downturn in 2002 and 2003, fewer people moved into the State because of the lack of job opportunities. Although to a lesser extent, a similar decline in growth appears to be occurring in years 2008 and 2010.

Even though population growth slowed from 2002 to 2003 and from 2009 to 2010, the following table shows that the State's population has steadily increased over the last ten years. The table below also shows large increases in the average amount of personal income (per capita income). The average individual personal income of Colorado citizens has been above the national average throughout the past ten years.

COLORADO DEMOGRAPHIC DATA 2000 TO 2010

Year	Population (In Thousands)	Percentage Share of U.S. Population	Total Personal Income (Billions)	Per Capita Personal Income (Dollars)	% of U.S. Per Capita Income	Employment (In Thousands)	Unemployment %
2010[1]	5,029	1.63%	$214.9	$42,732	105.9%	2,213	7.9%
2009	5,025	1.64%	$210.2	$41,831	105.6%	2,493	7.7%
2008	4,935	1.62%	214.7	43,506	107.0%	2,596	4.9%
2007	4,842	1.57%	205.2	42,379	107.4%	2,602	3.8%
2006	4,753	1.59%	194.4	40,900	108.5%	2,537	4.3%
2005	4,661	1.58%	179.7	38,554	108.8%	2,437	5.1%
2004	4,600	1.57%	168.6	36,652	108.2%	2,385	5.6%
2003	4,549	1.57%	159.9	35,151	108.9%	2,324	6.1%
2002	4,504	1.56%	157.8	35,036	111.4%	2,304	5.7%
2001	4,433	1.55%	156.5	35,303	113.4%	2,304	3.8%
2000	4,328	1.54%	144.4	33,361	111.8%	2,300	2.7%

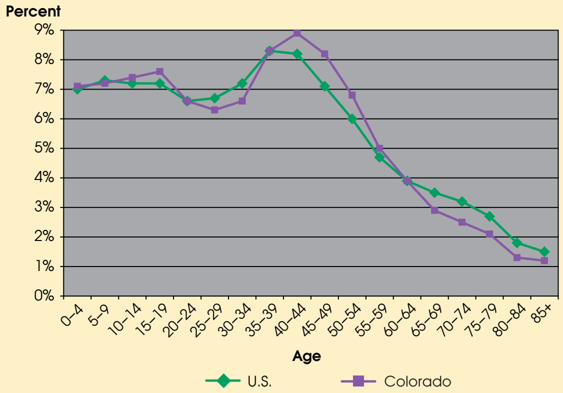
Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, & Colorado Dept. of Labor & Employment

Other demographic factors also affect economic performance. For example, younger persons are normally not employed or are employed in jobs paying lower wages. Older citizens are likely to be retired, and therefore, generate less economic activity. The two graphs on the following page show the percentage of the total population that each age group represented in 1999 and 2008 for the state and the nation as a whole. The graphs show that the stage of life of the state's citizens has changed significantly over the nine years between the graphs.

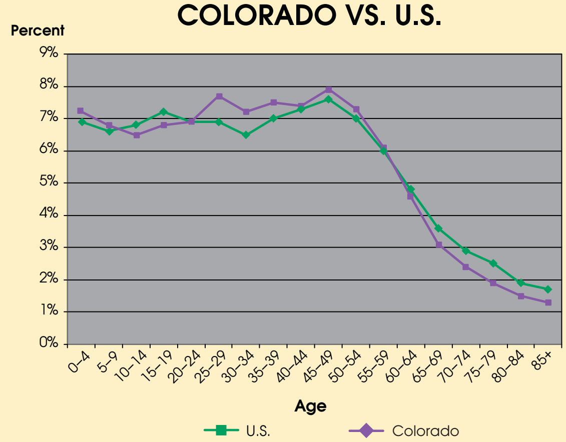
[1] The 2010 population count has been updated for the results of the 2010 census.

In 1999, as compared to the nation as a whole, the State enjoyed a larger proportion of persons in their prime earning and spending years (37–57) than was the case in 2008 (the most recent data available). Today Colorado has lost the advantage of the 42–57 age group and instead has a comparatively high percentage of 27–37 year olds. These individuals are in their early career years or may be enrolled in postsecondary education; as a result, they are likely to require more government services and produce less economic activity than the group they replaced. In addition, these graphs dramatically show the aging of the Baby Boom generation in both Colorado and the nation.

PERCENT OF 1999 POPULATION BY AGE COLORADO VS. U.S.



PERCENT OF 2008 POPULATION BY AGE COLORADO VS. U.S.



TABOR (TAXPAYERS' BILL OF RIGHTS) and REFERENDUM C

Although TABOR had little effect on the State's finances in Fiscal Year 2009–10, over the long-term it is probably the most important factor affecting the level of services the State provides to its citizens. TABOR was added to the State Constitution by the voters in 1992 and became effective in Fiscal Year 1993–94. It limits the rate of spending increases and requires the State to pay back to the taxpayers any revenue that the State collects over a limit. The limit is reset each year to reflect increases in population and inflation. TABOR requires a vote of the people to allow the State to keep and use money it collects that is over the limit. In November 2005 the voters passed Referendum C, which allowed the State to retain and use revenues in excess of the TABOR limit from July 1, 2005, until June 30, 2010.

In Fiscal Year 2009–10, revenues were $615.5 million under the TABOR limit. The graph on the following page shows revenues that exceeded the TABOR limit from Fiscal Year 1993–94 through 2009–10 and whether the revenue over the limit was required to be refunded. Fiscal Year 1996–97 was the first year that the State collected revenues greater than the TABOR limit. The State's revenues were under the TABOR limit in 2001–02 and 2002–03, which permanently reduced the base upon which future limits would be set. In 2004–05 the State retained about $127.8 million that would otherwise have been refunded because the State had refunded more than was required in the late 1990's.

Under Referendum C in Fiscal Year 2005–06 through Fiscal Year 2007–08 the State retained revenue of $3.6 billion in excess of the TABOR limit. The measure also removed the ratchet down effect of TABOR that comes from using the lesser of revenues or the current limit to set the subsequent limit. Fiscal Year 2009–10 is the last year under Referendum C. However, the decline in revenues will not permanently reduce the limit against which refunds will be measured because Referendum C created a new Excess State Revenue Cap (ESRC) that increases each year from the highest revenue amount from Fiscal Year 2005–06 to Fiscal Year 2009–10.

A Field of Sunflowers with the Sun Setting Over the Colorado Rocky Mountain

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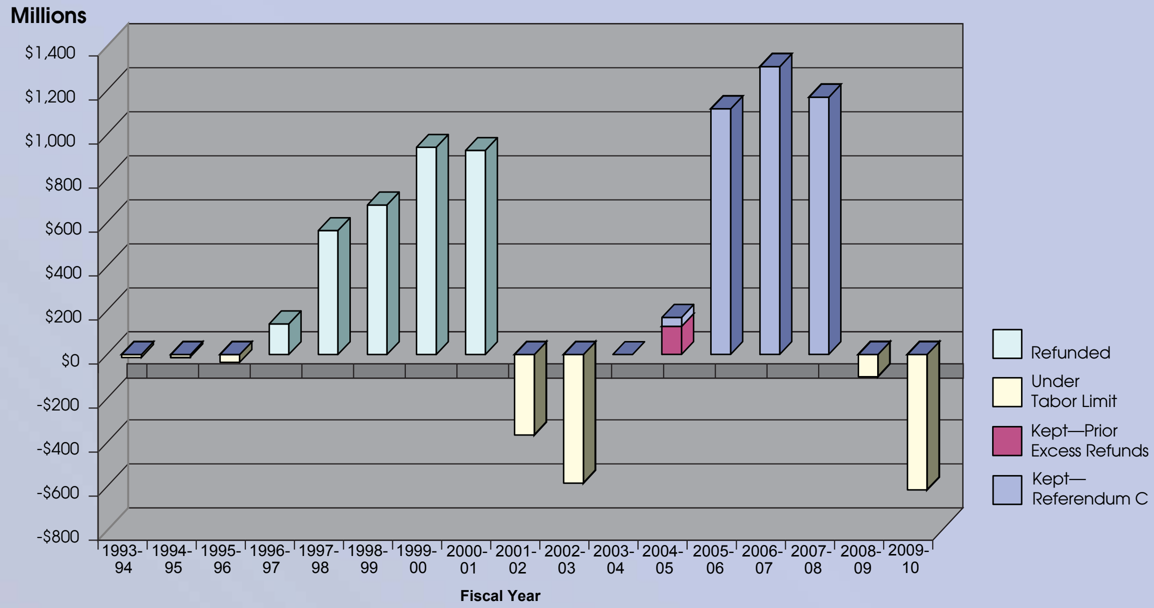
OVER/UNDER TABOR LIMIT



The following tables show the TABOR revenue base, the TABOR limit, and amounts refunded or retained and used by the State since the first year that TABOR was in effect.

TABOR LIMIT CALCULATION
(DOLLARS IN THOUSANDS)

	2009–10	2008–09	2007–08	2006–07	2005–06	2004–05	2003–04	2002–03	2001-02
TABOR Revenue Base	$9,102,354	$8,829,131	$8,333,827	$8,045,257	$8,314,374	$8,331,991	$7,712,512	$7,752,211	$7,948,550
Inflation	3.9%	2.2%	3.6%	2.1%	0.1%	1.1%	1.9%	4.7%	4.0%
Population Change	1.9%	1.9%	2.0%	1.4%	1.2%	1.1%	1.7%	2.2%	0.0%
Percentage Allowable Growth	5.8%	4.1%	5.5%	3.5%	1.3%	2.2%	3.6%	6.9%	4.0%
TABOR Adjusted Revenue Limit	$9,183,425	$9,203,842	$8,829,131	$8,333,827	$8,045,257	$8,314,374	$8,331,991	$8,296,787	$8,126,189
TABOR Non-Exempt Revenues	$8,567,941	$9,102,354	$9,998,559	$9,641,867	$9,161,391	$8,482,963	$8,331,991	$7,712,512	$7,752,211
Correction of Prior Years' Refunds						$284			$8,284
(Over) Under TABOR Limitation	$615,484	$101,488	($1,169,428)	($1,308,040)	($1,116,134)	($168,873)	$0	$584,275	$365,694
Kept	$0	$0	$1,169,428	$1,308,040	$1,116,134	$127,810	$0	$0	$0
Refunded	$0	$0	$0	$0	$0	($41,063)	$0	$0	$0

TABOR LIMIT CALCULATION
(DOLLARS IN THOUSANDS)

	2000–01	1999–00	1998–99	1997–98	1996–97	1995–96	1994–95	1993–94
TABOR Revenue Base	$7,563,710	$7,243,385	$6,872,039	$6,508,592	$6,124,314	$5,757,317	$5,385,087	$5,067,752
Inflation	2.9%	2.4%	3.3%	3.5%	4.3%	4.4%	4.2%	3.7%
Population Change	2.2%	2.0%	2.0%	2.0%	2.3%	2.6%	2.9%	2.8%
Percentage Allowable Growth	5.1%	4.4%	5.3%	5.5%	6.6%	7.0%	7.1%	6.5%
TABOR Adjusted Revenue Limit	$7,948,550	$7,563,710	$7,243,385	$6,872,039	$6,508,592	$6,160,329	$5,767,428	$5,399,258
TABOR Non-Exempt Revenues	$8,877,105	$8,502,952	$7,923,019	$7,435,202	$6,647,618	$6,124,314	$5,757,317	$5,385,087
Correction of Prior Years' Refunds	($1,354)	$1,887						
(Over) Under TABOR Limitation	($927,201)	($941,129)	($679,634)	($563,163)	($139,026)	$36,015	$10,111	$14,171
Kept	$0	$0	$0	$0	$0	$0	$0	$0
Refunded	($927,201)	($941,129)	($679,634)	($563,163)	($139,026)	$0	$0	$0

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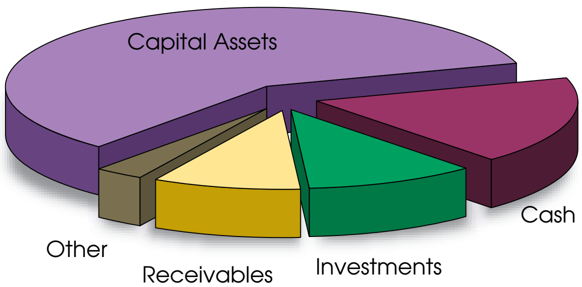
WHAT COLORADO CITIZENS OWN (ASSETS)

The state has five major types of assets:

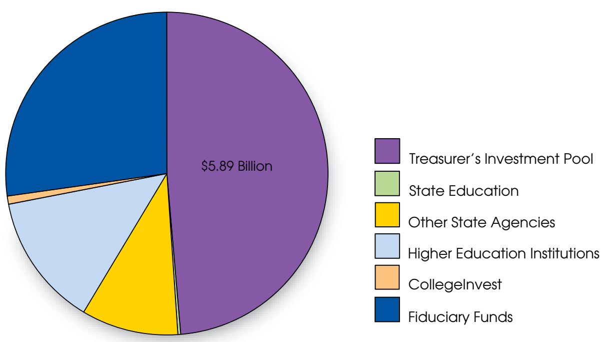
- Cash;
- Receivables (cash that the State is owed but has not yet collected);
- Investments, which mostly consists of cash loaned to the federal government (U.S. Treasury notes and bonds), to corporations (bonds and commercial paper), and to individuals through mutual funds for mortgages;
- Capital Assets, which includes land, buildings, equipment, and infrastructure (roads, bridges, dams, etc.); and
- Other Assets, which includes, taxes that will not be collected for at least one year, amounts paid for goods or services not yet received, and various supplies (inventory).

FISCAL YEAR 2009–10 TOTAL ASSETS

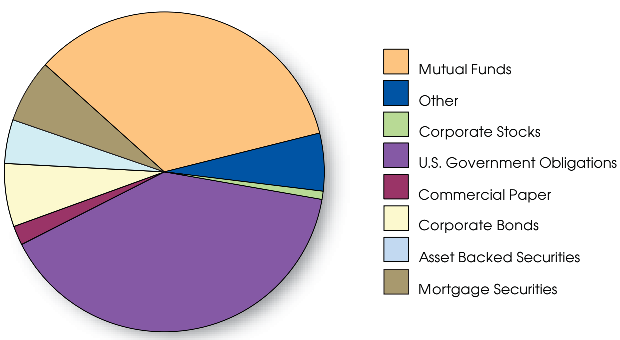


The State had $6.2 billion of cash at June 30, 2010—all but $358.3 million of which was invested by the State Treasurer. The State also had $6.2 billion of other investments based on market value at June 30, 2010, including those held for others in Fiduciary Funds. The following charts show where the State's investments are held and the types of securities that have been purchased.

WHERE THE INVESTMENTS ARE HELD
$12.13 BILLION



INVESTMENT TYPES
$12.13 BILLION

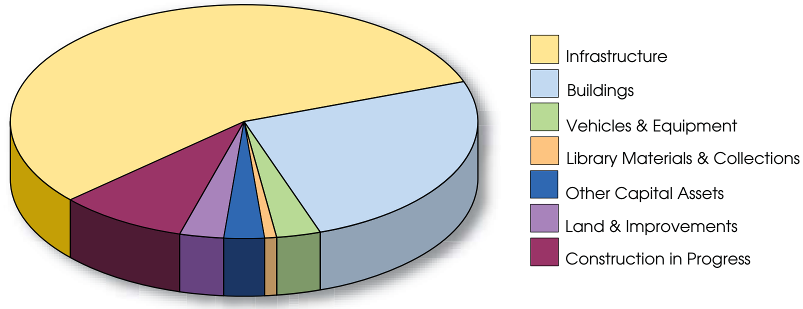


The State Treasurer is responsible for investing most of the State's cash and managing the related investments. For efficiency, and in order to increase investment yields, monies from the General Fund, State agencies, and political subdivisions of the State on deposit with the Treasury are pooled for investment purposes. The Treasury Department invests the monies in accordance with statutorily prescribed objectives and standards. The Treasurer's Investment Pool totaled $5.87 billion at the end of Fiscal Year 2009–10. The average yield on the Pool's investments was 2.4 percent and the total realized income for the fiscal year was $139.0 million.

The citizens own $16.5 billion of capital assets of various types as shown in the chart below. The amounts shown for these assets are based on the amount the State originally paid for the asset less any depreciation that has been recorded. The capital assets decreased by about $916.1 million from the prior year. The reduction was primarily related to the requirement that the Department of Transportation start depreciating roads for the first time in Fiscal Year 2009–10 because resources were not adequate to maintain the roads at a condition level acceptable to the Highway Commission. There were also increases in Higher Education Institutions that lessened the reduction.

The following table shows the amounts the State reported for working capital and net assets over the last five years. The table also shows that although the State's current ratio, which is current assets divided by current liabilities, is good, there has been a decline in the ratio over the past five years of slightly more than 30 percent. The table is in actual dollars and has not been adjusted for inflation.

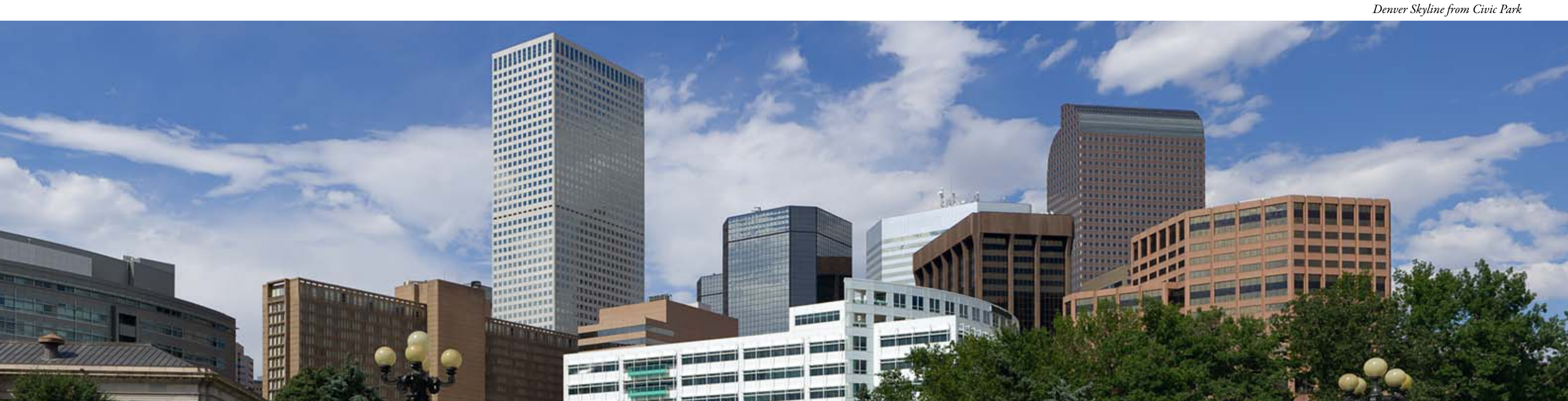
CAPITAL ASSETS



GOVERNMENT-WIDE WORKING CAPITAL & NET ASSETS AT JUNE 30
LAST FIVE FISCAL YEARS (DOLLARS IN THOUSANDS—PERCAPITA AMOUNTS RESTATED)

	2009–10		2008–09		2007–08		2006–07		2005–06
Current Assets	$5,601,648	$	$5,991,706	$	$6,516,040	$	$6,142,704	$	$5,647,092
Less Current Liabilities	(4,034,160)		(3,731,801)		(3,315,995)		(2,799,495)		(2,791,901)
Working Capital	1,567,488	$	2,259,905	$	3,200,045	$	3,343,209	$	2,855,191
Working Capital Per Capita	312	$	472	$	648	$	688	$	599
Current Ratio	1.39		1.61		1.97		2.19		2.02
Working Capital	1,567,488	$	2,259,905	$	3,200,045	$	3,343,209	$	2,855,191
Investments	1,735,730		1,253,716		1,105,125		1,053,617		935,475
Capital Assets	16,446,959		17,363,100		16,615,629		16,775,157		16,252,397
Other Long-Term Assets	4,052,170		5,901,722		5,853,965		5,173,342		4,466,989
Less Long-Term Liabilities	(5,608,373)		(6,421,126)		(5,817,484)		(5,437,517)		(4,969,387)
Deferred Outflow of Resources	7,778								
Net Assets	18,193,974	$	20,357,317	$	20,957,280	$	20,907,808	$	19,540,665
Net Assets Per Capita	3,618	$	4,251	$	4,242	$	4,300	$	4,100

Denver Skyline from Civic Park



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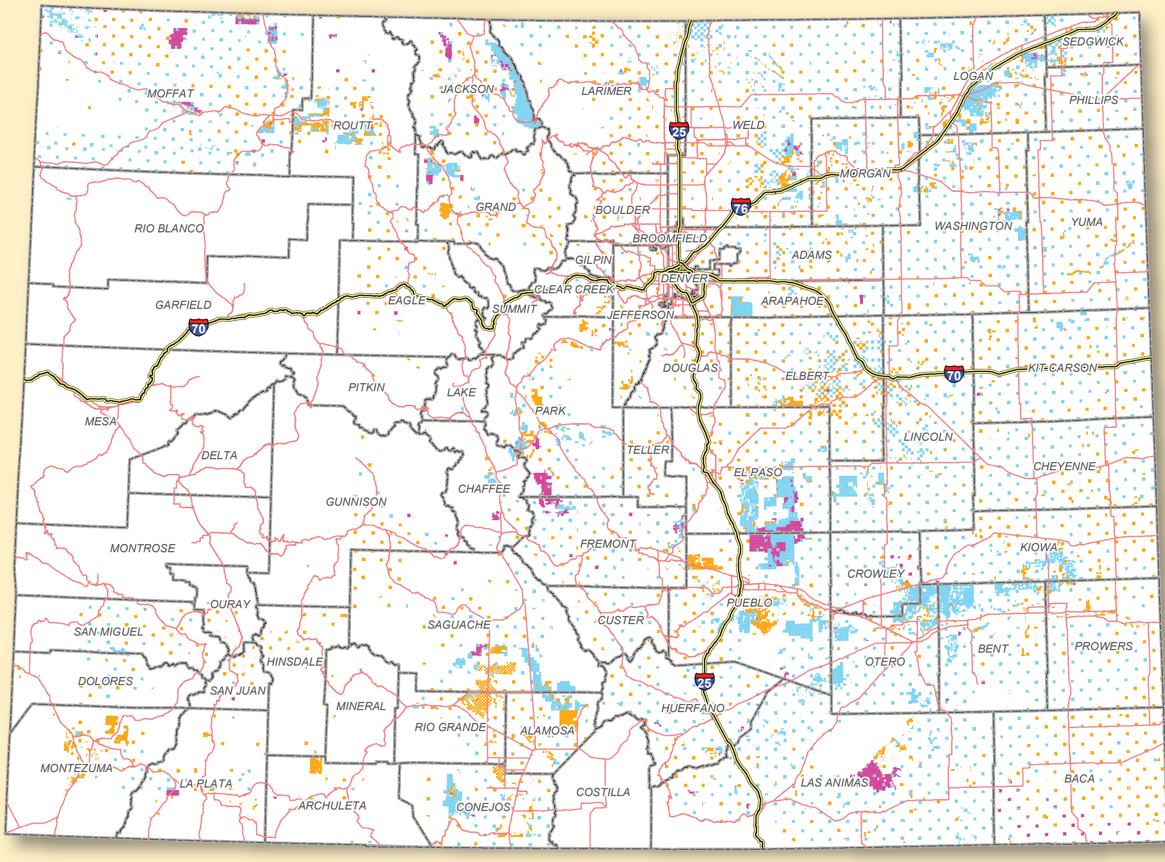
Colorado State Land Board Surface Ownership & Mineral Estate



The state owns about three million acres of state trust lands, which were given to Colorado by the federal government in 1876 for specific purposes, such as the support of "common schools." Some of the lands are leased for ranching, farming, mineral and oil and gas production, and other uses. Proceeds are used to support eight trusts, the largest of which benefits preschool through12th grade education in the state.

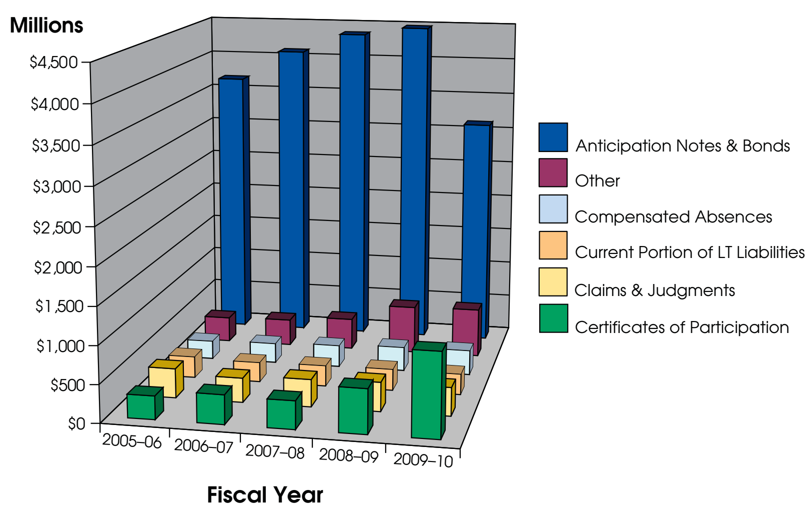
Surface & Sub-Surface Ownership   Surface Ownership Only   Sub-Surface Ownership Only

(Source: Colorado State Land Board)

WHAT COLORADO CITIZENS OWE (LIABILITIES)

The State is prohibited by its Constitution from borrowing money based on its ability to collect taxes except in extremely limited circumstances; such borrowing is commonly referred to as general obligation debt. Although the State is normally prohibited from issuing general obligation debt, it borrows money under several other financing mechanisms, such as, revenue bonds, anticipation notes, and certificates of participation. These borrowings are recorded as long-term liabilities along with other types of State obligations. Long-term liabilities totaled $5.9 billion at the end of Fiscal Year 2009–10, which was $0.82 billion less than the prior year. The majority of the decrease is due to the retirement of CollegeInvest revenue bonds that resulted from the sale of its student loan portfolio,

COMPONENTS OF TOTAL LONG-TERM LIABILITIES



offset by newly issued certificates of participation (COPs) for the Ralph L. Carr Justice Center, the Colorado History Complex, and for public school construction under the Building Excellent Schools Today (BEST) program.

The State reports several categories of long-term liabilities, the largest of which is the combination of anticipation notes, revenue bonds, and COPs. These notes, bonds, and COPs are most often sold to investors to provide the State with cash to buy or build capital assets. The State is required to pay the borrowed money back to the investors and pay them interest on the use of the money. It is required to dedicate a source of revenue to make these payments because of the prohibition against general obligation debt. Some of the anticipation notes shown were issued after a vote of the citizens approved borrowing to improve the State's highways. The total amount of outstanding borrowing and the percentage increase is shown in the following table.

OUTSTANDING BORROWING FOR REVENUE BONDS, COPS, CAPITAL LEASES, NOTES, & MORTGAGES AT JUNE 30, 2010

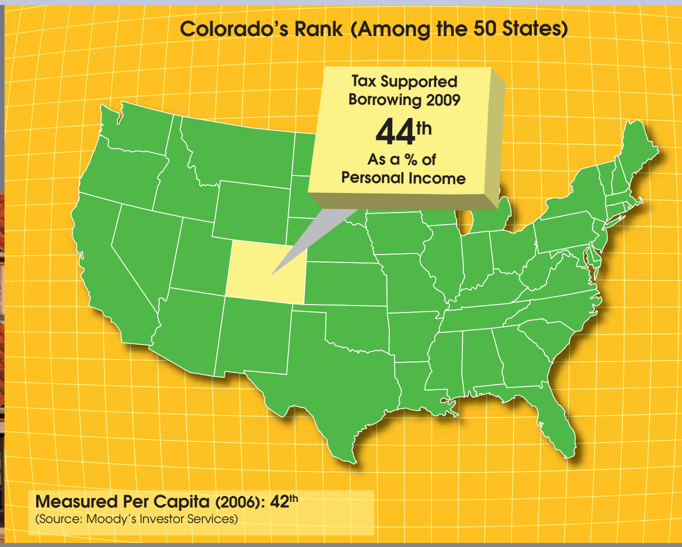
	2009–10	2008–09	2007–08	2006–07	2005–06
Outstanding Borrowing (Dollars in Thousands)	$5,161,229	$ 5,972,627	$ 5,544,326	$ 5,110,760	$ 4,680,136
Percent Change Over Previous Year	-13.6%	7.7%	8.5%	9.2%	7.4%
Colorado Population (In Thousands)	5,029	5,025	4,935	4,842	4,753
Per Capita Borrowing (Dollars Per Person)	$1,026	$1,189	$1,123	$1,056	$985
Per Capita Income (Dollars Per Person)	$42,732	$41,831	$43,506	$42,379	$40,900
Per Capita Borrowing as a Percent of Per Capita Income	2.4%	2.8%	2.6%	2.5%	2.4%

At June 30, 2010, the following amounts in the form of anticipation notes, revenue bonds, and certificates of participation were outstanding.

NOTES, BONDS, & CERTIFICATES OF PARTICIPATION AT JUNE 30, 2010 (DOLLARS IN THOUSANDS)

Borrowed Cash Used for	Anticipation Notes & Revenue Bonds	Certificates of Participation
Fleet Vehicles		$ 12,524
Capitol Parking Structure		7,144
Prisons		131,715
State Historical Society—Museum		87,136
Fitzsimons Medical Buildings		177,397
Higher Education Facilities—Federal Mineral Lease Funded		218,346
Higher Education Auxiliary Facilities	$ 2,306,693	29,812
Highway Projects (Anticipation Notes)	992,436	
Highway Department Buildings		19,574
Judicial—Ralph L. Carr Justice Center		251,326
K-12 Public School Construction (BEST)		187,697
TOTAL	$ 3,299,129	$ 1,122,671

University of Colorado



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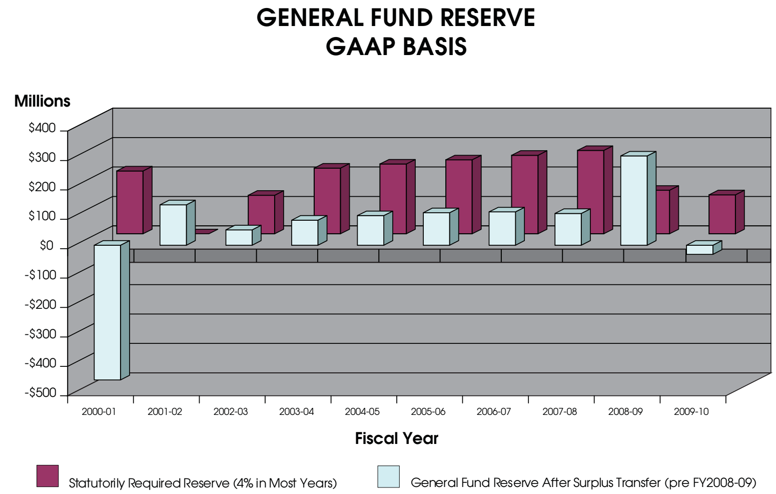
SAVING FOR A DOWNTURN



In most years, State law requires a four percent reserve in the General Fund. However, in response to revenue shortfalls, the State lowered the required reserve to two percent for Fiscal Years 2008–09 and 2009–10; it also cancelled the requirement to transfer any General Fund Surplus over the required reserve to the Highway Users Tax Fund and the State Capital Construction Fund. As a result in Fiscal Year 2008–09, a large transfer of cash at year end remained in the General Fund. Those dollars were transferred to various cash funds in Fiscal Year 2009–10. On a budgetary basis, the State consistently meets the General Fund required reserve by deferring certain payments into the following year. However, when all current liabilities are recognized as required by Generally Accepted Accounting Principles (GAAP), a deficit of $30.8 million General Fund unreserved balance occurred in Fiscal Year 2009–10. With another shortfall of revenues in Fiscal Year 2009–10, the deficit was minimized by $418.4 million of transfers. On a statutory budget basis, the State fully funded the two percent reserve and the ending Fiscal Year 2009–10 general fund surplus was $4.8 million achieved by deferring $168.2 million in certain payroll and medicaid expenditures into Fiscal Year 2010–11. The lack of significant reserves in the General Fund leaves the State vulnerable in an ongoing economic downturn and will more likely require cuts in services. For this reason the legislature passed and the Governor signed a bill that will increase the State's reserves by 0.5% a year for the period from Fiscal Year 2012–13 to 2016–17 if the State's personal income meets a certain threshold.

PENSION FUNDING

The Public Employee's Retirement Association (PERA) provides retirement and other benefits to the employees of more than 400 government agencies and public entities in the State of Colorado. PERA is a substitute for Social Security for most of these public employees. Benefits are prefunded, which means while a member is working, he or she is required to contribute a fixed percentage of salary to the pension fund. The employer also contributes a percentage of pay to the pension fund. The fund is then invested by PERA under the direction of a board of trustees.

Because of retiree benefits increases and reduced contributions in the early 2000's and recent investment losses, the pension assets have become smaller in relation to the pension liabilities. At December 31, 2009, PERA reported the pension assets of the State Division were 67.0 percent of pension liabilities (down 0.9 percentage points from the prior year). To address the issue of insufficient assets to pay all the benefits promised, in the 2006 session the Legislature increased the amount that the State pays into the pension fund—part of which is taken from wage increases that employees would otherwise have received. The statute requires these payments to increase each year until 2013. For 2008 PERA reported a negative 26.0 percent return on investments, and the Legislature took additional action in the 2010 session to modify the benefit and contribution structure to further address the pension funding shortfall.

View of Colorado Springs from Palmer Park

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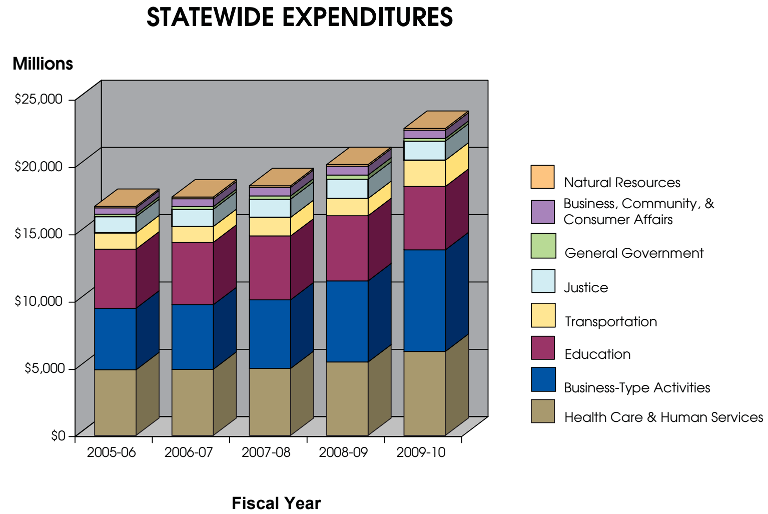
MORE ABOUT WHAT COLORADO CITIZENS BUY

The graph shows the total statewide expenditures using inflation adjusted 2006 dollars broken out by major program. Total real dollar expenditures increased over the five-year period from $17.0 billion to $24.7 billion. The State's major expenditures occur in health care and human services, business-type activities, education, transportation, and justice. Business-type activities include Higher Education, Lottery, Unemployment Insurance, student lending, and several smaller programs. The largest increases occurred in Business-type activities primarily due increases in unemployment insurance benefits paid as a result of the economic downturn.

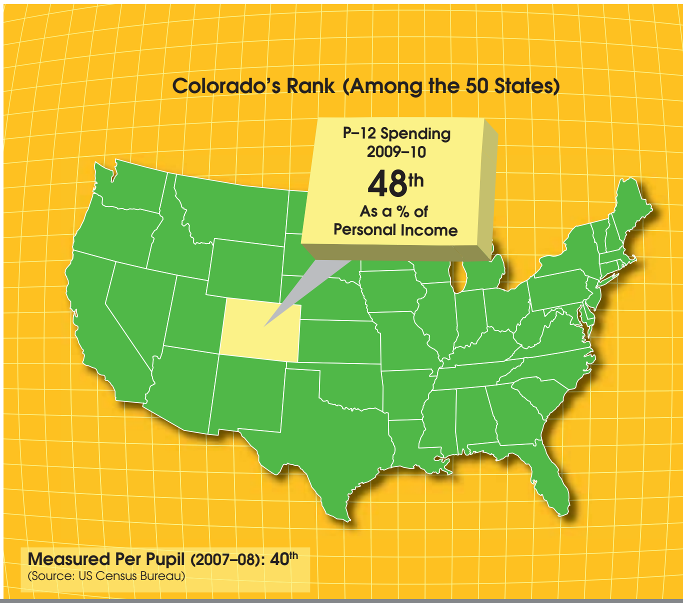


As shown above, most of the State's expenditures are on the functions that include education (preschool through 12th grade and higher education), health and medical care (primarily Medicaid), transportation, and justice (primarily prisons). Some of these expenditures are made up mainly of payments to vendors (Medicaid) or local governments (preschool through 12th grade education), and others are driven by the cost of employing State workers.

Education

In the State of Colorado, primary and secondary education (preschool through 12th grade—P–12) is controlled mostly by local school districts. The Colorado Department of Education sets standards and monitors the quality of education provided by the local school districts. The money to support these schools comes from the local school district (mostly property taxes) and the State. Two constitutional amendments passed by the voters (Gallagher and TABOR) limit the amount of revenue that local governments can collect from property taxes. As a result, local funding has declined as a percentage of the support for local schools. To address this problem, the State has had to make increasingly large payments to the local school districts

Voters approved Amendment 23 in the 2000 general election. The amendment directed a portion of the State income tax into a new State Education Fund, and required the State to increase the amount spent on each pupil by at least the rate of inflation plus one percent through 2011. It also excluded this stream of money from the requirements of TABOR. The intent of the amendment was to restore P–12 spending to inflation adjusted levels and to make sure that spending could be maintained using the money and related investment earnings in the State Education Fund.



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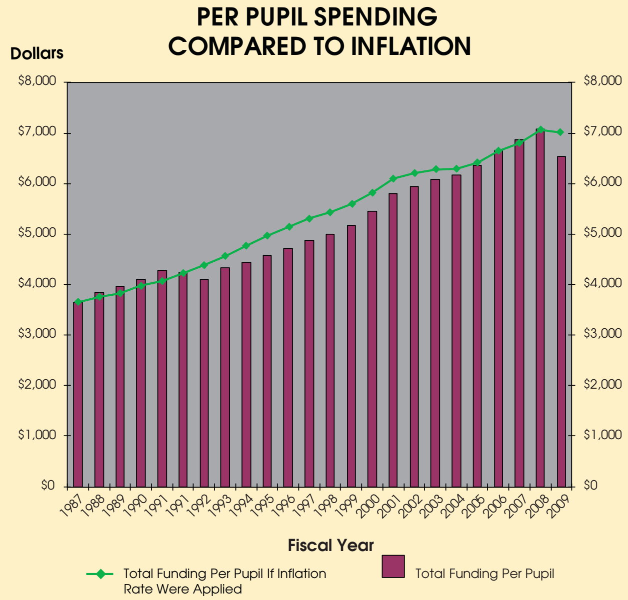
However, shortly after the passage of Amendment 23, the State economy suffered a recession, and some of the principal of the State Education Fund was used to meet the required increase in school payments. The current recession is having a similar adverse effect on the Fund.

For the 2009–10 school year the student enrollment count was 832,368, and in Fiscal Year 2009–10 the State distributed $4.37 billion to local school districts. The enrollment amount represents a 6.6 percent increase in students attending local primary and secondary schools over five years. During about the same period, State payments to local school districts increased by 26.4 percent. The increase in State payments was partially due to the Amendment 23 requirement to make up for previous shortfalls in P–12 funding. However, it also included increases in State funding required because the local districts were unable to maintain their support for the school districts through property taxes.



Building Excellent Schools Today (B.E.S.T.)

In the 2008 legislative session, the State Treasurer helped craft, the Colorado General Assembly passed, and the Governor signed the Building Excellent Schools Today (B.E.S.T) Act.

The B.E.S.T program represents a substantial new State commitment to fund the capital needs of school districts and charter schools across the State. The program directs a stream of revenue earned from School Trust Lands to fund school building repair, renovation, and replacement.

The program is designed to fund a large portion of the new projects through the issuance of Certificates of Participation. At the time of its passage, the program was estimated to have the potential to invest as much as one billion dollars into Colorado school buildings. B.E.S.T. grants are matching grants and part of this amount will come from local school district and charter school revenues.

The first round of B.E.S.T. grant awards were made by the State Board of Education in Fiscal Year 2008-09. The project list includes about $98.5 million of school building investment. Of that, $76.5 million is state grant dollars and $22 million represents the local district contribution. The construction includes five new schools to replace existing schools that had substantial health and safety problems; it also includes several repair and renovation projects.

In Fiscal Year 2009–10 the State Board of Education awarded $94.1 million in B.E.S.T. grant awards. Of that, $14.9 million was awarded in cash grants, $79.2 million as lease purchase grants. In addition, local districts provided $53.0 million in matching contributions, a portion of which was financed by the state. The construction includes six new schools and several repair and renovation projects. Due to ballot initiatives prohibiting any form of State Borrowing, the B.E.S.T. program delayed additional Fiscal Year 2009–10 Certificates of Participation borrowing and related projects until after the November 2010 election.

Rocky Mountain National Park from Trail Ridge Road

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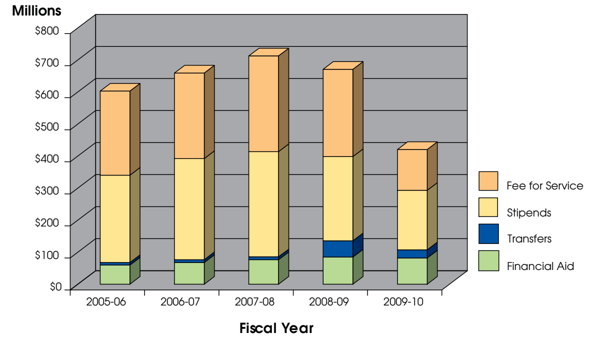
Higher Education

In actual dollars, general fund spending on Higher Education decreased by 30.3 percent from Fiscal Year 2005–06 to 2009–10, and declined by 37.3 percent from Fiscal Year 2008–09 to 2009–10. In Fiscal Year 2005–06, the State spent 9.9 percent of its total general-funded expenditures on Higher Education. By Fiscal Year 2009–10 that percentage had fallen to 6.0 percent—a decline of almost 40 percent. Over the five-year period from Fiscal Year 2004–05 to 2008-09, in-state enrollment increased 0.5 percent from 143,850 to 144,577. The percentage of total State spending represented by spending on Higher Education dropped for several reasons including and the current general revenue shortfall and unavoidable growth in other areas of the General Fund budget, which growth was limited to six percent growth prior to Fiscal Year 2009–10. The decline in the current year was backfilled with an appropriation of $367.7 million of monies from the federal American Recovery and Reinvestment Act.

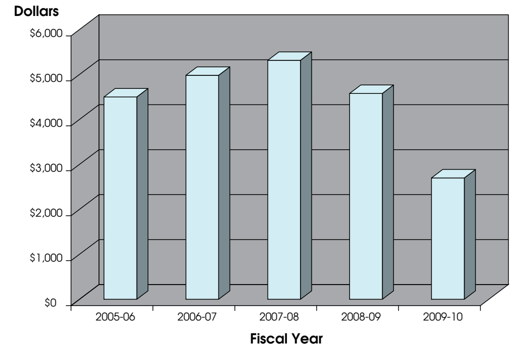
Higher Education has other sources of revenue beside appropriations from the State. It receives revenue from federal grants, tuition, and fees, among other sources. The federal grants are mostly related to research programs at the four major universities; grants are not as important a source of revenue for the State's colleges or community college system. As a result, much of the burden of covering increasing costs of higher education fell on increasing tuition and fees.

In Fiscal Year 2005–06, the State began making stipend payments to higher education students through the College Opportunity Fund, and entering contracts to purchase higher education services from the higher education institutions instead of providing direct General Fund support. The institutions must earn this revenue by providing education services to students (stipends) or to the State (fee-for-service contracts).

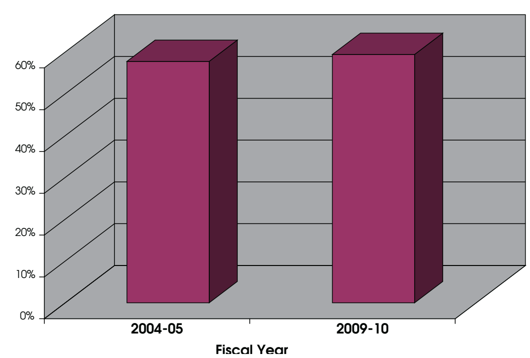
GENERAL FUND SPENDING FOR HIGHER EDUCATION

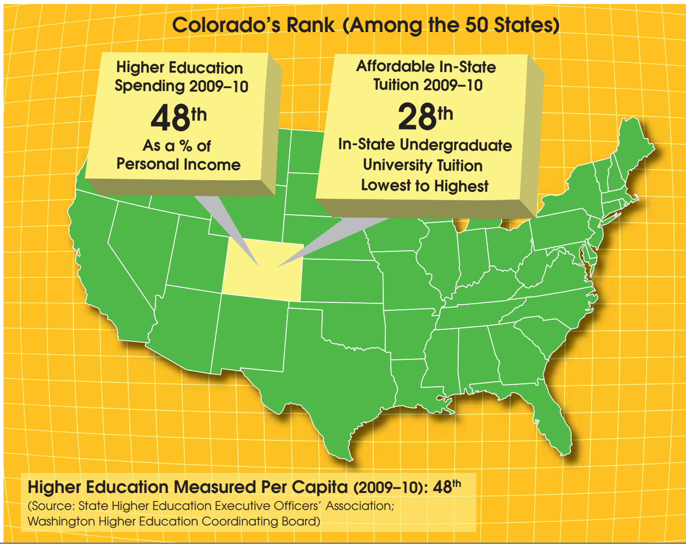


STATE SPENDING PER IN-STATE STUDENT



STUDENT SHARE OF TOTAL HIGHER EDUCATION COSTS





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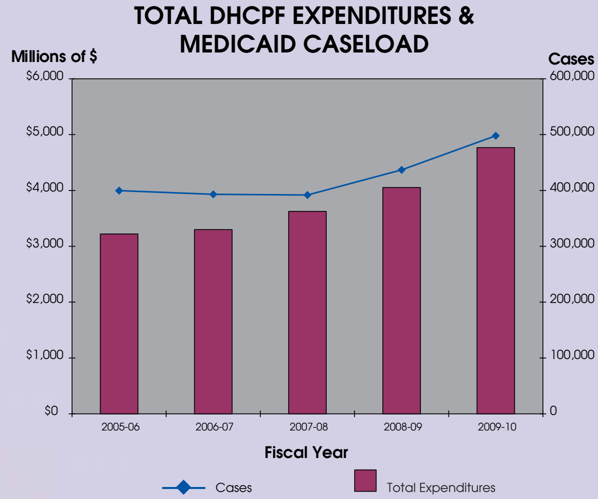
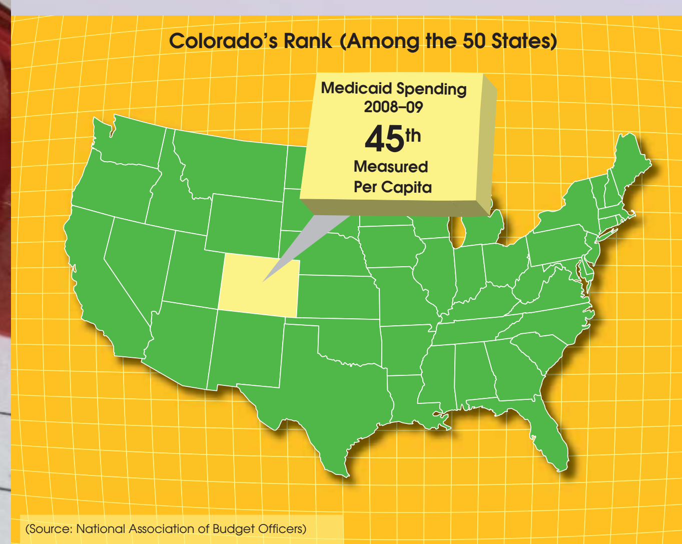
Health Care

Colorado's largest government supported health care program is the federal Medicaid program. Medicaid pays health care and long-term care costs for those who qualify under the Medicaid eligibility rules; eligibility is mostly based on an individual's level of income. Normally, about one-half of all Medicaid expenditures are paid using federal dollars; however, in Fiscal Year 2009–10, the federal share was increased to approximately 60 percent using $415.3 million from the American Recovery and Reinvestment Act.



The State also provides health care access to low-income children through the Child Health Plan Plus (CHP+). CHP+ was created as a federal and state partnership to increase the number of children with access to health care. In fiscal year 2010 CHP+ provided low cost health insurance to 67,152 children in Colorado who otherwise would have been uninsured. The State receives a two-dollar federal match for every dollar of State funds spent on the program.

In Fiscal Year 2009–10, Colorado, through the Department of Health Care Policy and Financing (DHCPF), spent $4.8 billion from all sources (general, cash, and federal revenues) on its health care mission, which was a 48.0 percent increase since Fiscal Year 2005–06. During the same five years the Department's share of the General Fund budget decreased from 20.6 percent to 17.0 percent. Expenditures on the health care program are growing faster than caseload primarily due to high medical care inflation. Caseloads have been restated from the prior year.



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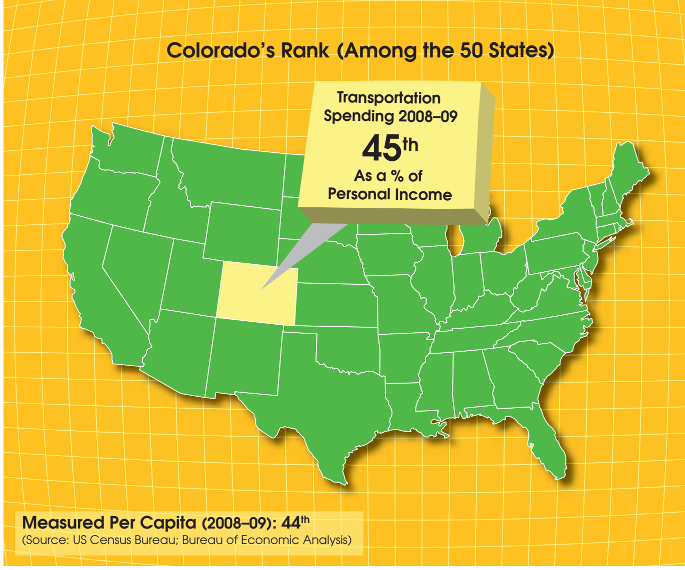
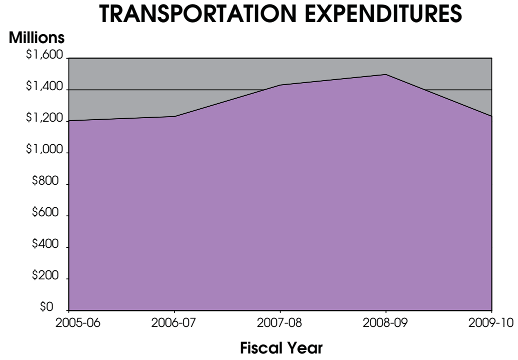
Transportation

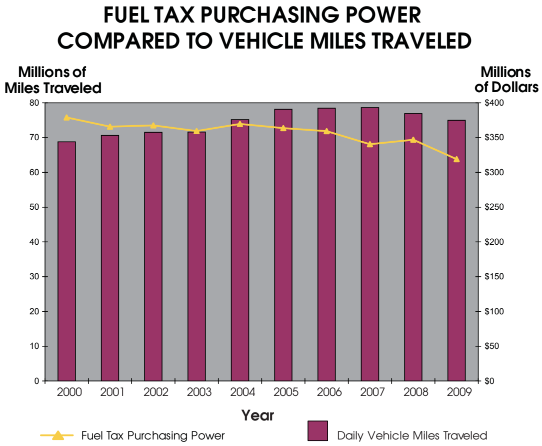
Transportation expenditures by the State are a combination of spending on new or replacement construction, maintenance of existing roadways, and debt service. As shown by the graph just below the map, the State spent $1.23 billion on transportation in Fiscal Year 2009–10, which was down from the peak-spending amount of $1.66 billion in Fiscal Year 2002–03. The spending decline was mostly due to unusually high new construction spending in Fiscal Years 2000–01 through 2003–04. The new construction spending in that period was made possible by Transportation Revenue Anticipation Notes (TRANs) issued by the State after voters approved Referendum A in the 1999 general election.



Colorado pays for transportation costs from cash and federal revenues. The use of federal revenue is limited by Federal Highway Administration requirements and generally excludes maintenance activities. The cash sources include highway users taxes, such as, fuel tax, vehicle registrations, and before Fiscal Year 2008–09 included transfers and sales and use taxes diverted from the General Fund. To partially replace these lost sources, in Fiscal Year 2009–10, an additional $49.1 million of revenues were collected through new fees authorized by the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) statute enacted in 2009.



State fuel tax revenues have been losing purchasing power over time. Since 1991, the last time the Colorado legislature adjusted the State fuel tax, fuel tax revenues have lost 41.2 percent of their purchasing power adjusted for the Denver-Boulder consumer price index (real dollars). This, coupled with a rise in vehicle miles traveled, has caused a multi-billion gap in transportation funding.



The following table shows the percentage of roadways rated good and fair as compared to those rated poor. In Fiscal Year 2009–10 the Department was forced by lack of adequate funding to beginning reporting depreciation on its roadways because they could no longer be maintained at target levels.

	2010	2009	2008	2007	2006
Percent Rated Good/Fair	48	50	53	59	63
Percent Rated Poor	52	50	47	41	37

The following table shows the percentage of State bridge deck area that is assessed as being in poor condition as defined by the Department of Transportation. The Department of Transportation closes all bridges that are considered a threat to public safety. In Fiscal Year 2007–08 the Department was forced by lack of adequate funding to beginning reporting depreciation on its bridges because they could no longer be maintained at target levels.

	2010	2009	2008	2007	2006
Percent Rated Poor	5.48	5.62	6.21	5.81	5.61

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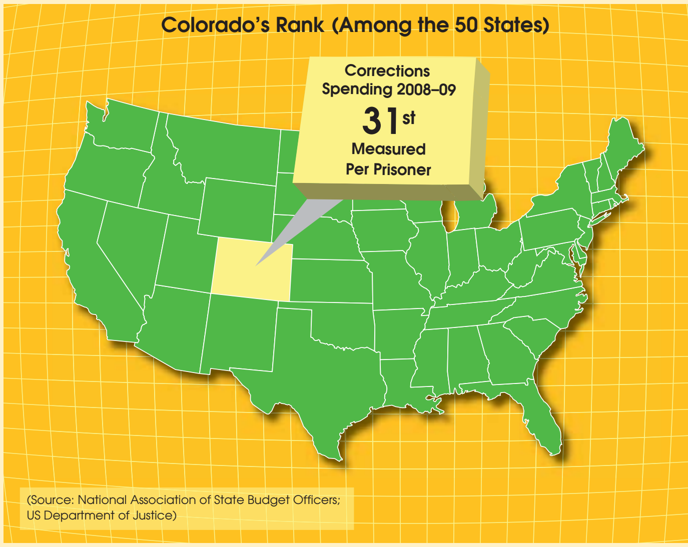
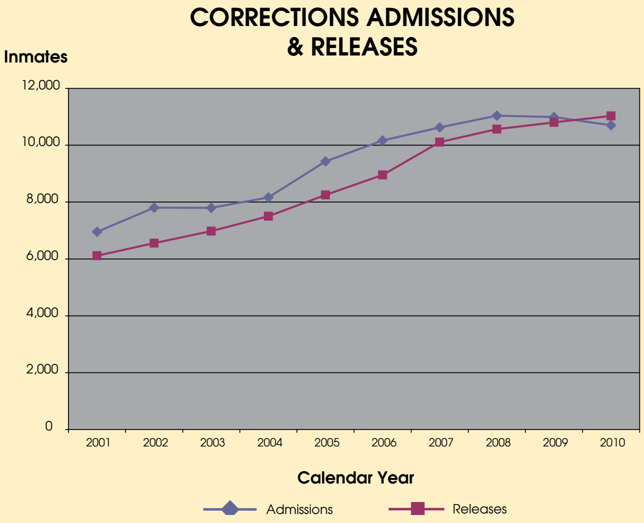
Justice

The justice function includes the Judicial Branch of government, and the Departments of Law, Public Safety, and Corrections. The Department of Corrections' general-funded expenditures increased from $534.2 million in Fiscal Year 2005–06 to $563.6 million in Fiscal Year 2009–10—a 5.5 percent increase. Over the five-year period, this represents a increase from 8.1 percent of the General Fund budget to 8.3 percent in Fiscal Year 2009–10.

The general-funded expenditure amounts stated above do not include payments made to construct and repair the department's correctional facilities. In Fiscal Year 2005-06, the department issued $130.6 million of Certificates of Participation (COPs) to pay for construction of a new correctional facility.

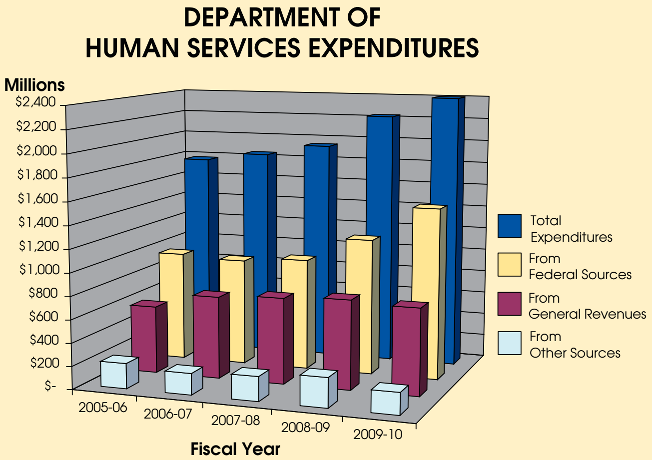
The Department of Corrections measures the demand for prison space and related general-funded operating costs based on the number of persons admitted to and released from the correctional facilities. The graph to the right shows that admissions have consistently exceeded releases until Fiscal Year 2009–10. Although releases exceeded admissions by 329 in Fiscal Year 2009–10, the overall population has significantly increased over time. Unless the growth in releases consistently exceeds the growth in admissions, the prison population will continue to put pressure on the State General Fund budget.





Social Assistance (Department of Human Services)

The Department of Human Services operates a wide variety of programs to assist the State's citizens including mental health institutes, residential mental health services, veterans' nursing homes, youth corrections, child and elderly services, and federal poverty programs. The chart shows that historically the federal government has provided most of the increase in social assistance expenditures. In Fiscal Year 2006–07 the increase was primarily from the General Fund; however, federal assistance once again provided the greater amount of the increase for Fiscal Year 2009–10. The demand for social services is affected by general increases in State population and increases in the portion of the population that is considered needy under program rules.



Twin Lakes Recreation Area

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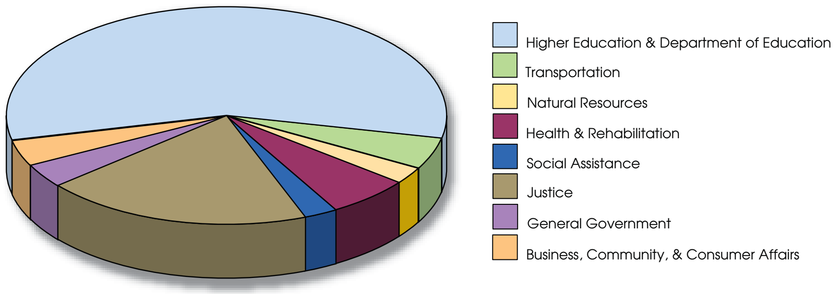
State Employee Workforce

NUMBER OF FULL-TIME EMPLOYEES BY FUNCTION



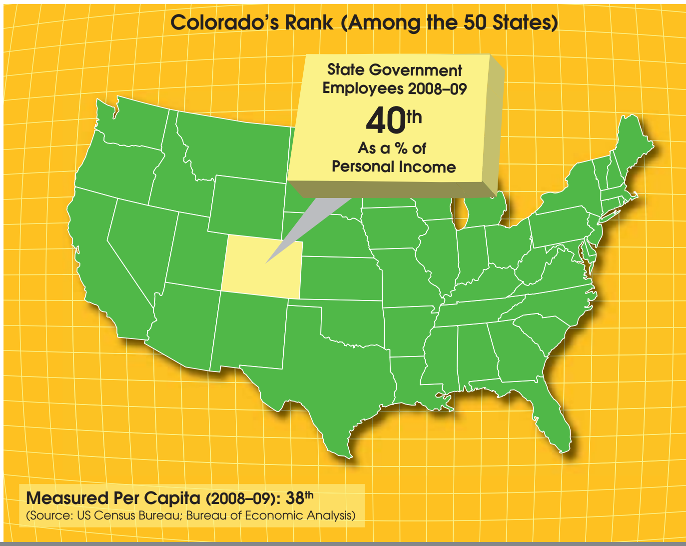
In Fiscal Year 2009–10, the State of Colorado employed 65,325 full-time-equivalent employees (FTEs[3]); and total personal service expenditures (wages, salaries, and benefits) were $5.1 billion. Personal service expenditures have increased by 19.6 percent over the past five years with the effects of inflation removed (29.3 percent in real dollars). The most FTE growth occurred in the Education function, (which is primarily Higher Education workers because P–12 workers are employed by local school districts), Justice, and Social Assistance. Over the five-year period, the total number of State FTE has grown 11.7 percent while the State's population grew 5.8 percent.

The chart shows the functions where State workers are employed. The largest employer is the education function, up 13.5 percent over five years, followed by justice, up 13.0 percent (primarily prison guards), health and rehabilitation workers, up 12.1 percent, and business community and consumer affairs, up 9.5 percent.

NUMBER OF FULL-TIME-EQUIVALENT STATE EMPLOYEES BY FUNCTION
LAST FIVE FISCAL YEARS

FUNCTION	2009–10	2008–09	2007–08	2006–07	2005–06
General Government	2,399	2,454	2,392	2,322	2,255
Business, Community, & Consumer Affairs	2,564	2,437	2,372	2,335	2,342
Higher Education & Department of Education	37,093	36,042	34,469	33,464	32,680
Health & Rehabilitation	4,019	3,944	3,865	3,774	3,729
Justice	12,848	13,000	12,467	11,791	11,372
Natural Resources	1,607	1,587	1,583	1,522	1,485
Social Assistance	1,704	1,671	1,656	1,593	1,520
Transportation	3,091	3,400	3,111	3,072	3,085
TOTAL FTE	65,325	64,535	61,915	59,873	58,468

[3] The term full-time-equivalent in this instance is used to estimate the number of full-time employees that would be needed to provide the same services that are currently provided by a mix of full-time employees and in some instances a large number of part-time or seasonal employees. The estimate is based on each agency's average salaries of full-time employees divided into the total part-time payroll.



Colorado State Facts

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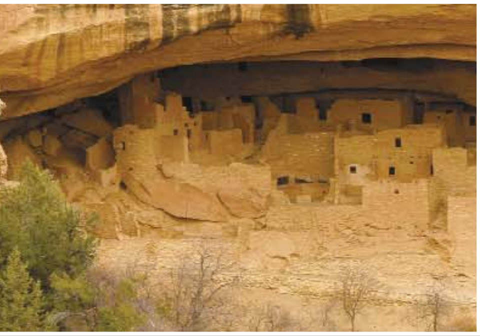
Some Important Dates:

A.D. 1–1299	Anasazi culture flourishes in the area of Mesa Verde in southwestern Colorado.
c. 1500	Ute Indians inhabit mountain areas of southern Rocky Mountains, making these Native Americans the oldest continuous residents of Colorado.
1541	Coronado leads an expedition north from Mexico in search of the Seven Cities of Cibola. It is likely Coronado and his party passed through the present-day area of southeastern Colorado.
1803	The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.
1806	Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.
1851	The founding of the town of San Luis, in the San Luis Valley, the first permanent European settlement in the state.
1858	Gold is discovered along Cherry Creek near the present day Denver.
1861	Congress establishes the Colorado Territory with the boundaries of the present state and chooses its name from the Spanish word for "colored red." President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets, creates 17 counties, and selects Colorado City as the territorial capital.
1867	Denver established as permanent seat of the territorial government by the legislature meeting in Golden.
1870	The Denver Pacific Railroad is completed to Denver.
1876	Colorado is admitted to the Union as the 38th state. John L. Routt is elected the first governor.
1877	The University of Colorado opens classes at Boulder with two teachers and forty-four students.
1894	The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of $2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.
1906	The U.S. Mint at Denver issues its first coins.
1910	Colorado voters adopt a constitutional amendment allowing citizen initiatives.
1973	The Eisenhower Tunnel is built beneath the Continental Divide, sixty miles west of Denver.



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Geography:

Capital: Denver

Land Area: 103,718 square miles (source: Census Bureau)

Population: 5,029,196 (source: 2010 Census Bureau)

Counties: 64 (source: National Association of Counties)

Highest Point: Mt. Elbert at 14,433 feet, located in the county/subdivision of Lake (source: U.S. Geological Survey)

Lowest Point: Arikaree River at 3,315 feet, located in the county/subdivision of Yuma (source: U.S. Geological Survey)

Geographic Center: Located in Park County approx. 30 miles northwest of Pikes Peak (source: U.S. Geological Survey)

State Facts and Symbols:

State Animal—Rocky Mountain Bighorn Sheep

State Bird—Lark Bunting

State Fish—Greenback Cutthroat Trout

State Flower—White and Lavender Columbine

State Folk Dance—Square Dance

State Fossil—Stegosaurus

State Gemstone—Aquamarine

State Grass—Blue Grama

State Insect—Hairstreak Butterfly

State Mineral—Rhodochrosite

State Motto—Nil Sine Numine—Nothing Without Providence (or Deity)

State Nickname—Centennial State

State Reptile—Western Painted Turtle

State Rock—Yule Marble

State Songs—Where the Columbines Grow and Rocky Mountain High

State Tree—Colorado Blue Spruce






Photo courtesy: Various photos from Shutterstock, CDOW, and other image sources.

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