

STATE OF COLORADO

OFFICE OF STATE PLANNING AND BUDGETING

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Bill Ritter Jr.
 Governor
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MEMORANDUM

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

FROM: Office of State Planning and Budgeting

DATE: December 19, 2008

SUBJECT: *December 2008 Revenue Forecast*

This memorandum presents the December 2008 Office of State Planning and Budgeting (OSPB) revenue forecast. The memorandum includes a General Fund overview, General Fund and cash fund revenue forecasts, a discussion of the budget implications of this forecast, and summaries of both the national and Colorado economic forecasts.

DECEMBER 2008 OSPB FORECAST HIGHLIGHTS

- Due to the declining economic situation globally, nationally, and now locally, this OSPB forecast reflects that the **General Fund revenue projections will not be able to support full 6 percent General Fund appropriations growth in any of the forecast years.** While economic conditions are anticipated to improve by the end of 2009, due to the timing of Referendum C expiring June 30, 2010, the outlook for State budgeting will remain challenging.
- **Gross General Fund revenues** are anticipated to remain relatively level at \$7.8 billion in FY 2008-09. This revised forecast reflects only 0.4 percent growth over FY 2007-08 revenues as excise tax revenue is anticipated to fall short of prior year collections by roughly 3.0 percent. Income tax collections are projected to offset lower excise revenues, but by a small margin, as FY 2008-09 income tax revenues are estimated to increase by 2.1 percent from FY 2007-08 levels. Beyond FY 2008-09, individual income taxes are forecast to remain suppressed due to projected negative job growth through much of 2009 and retail sales are not anticipated to grow substantially above the projected rate of inflation. Colorado's economy is anticipated to turn positive again near the end of 2009.
- **Cash fund revenues** are forecast to increase 1.1 percent in FY 2008-09 (to \$2.3 billion), with revenues from severance tax collections being the largest contributor. However, due to the volatility in prices for natural gas and the anticipated continuation of the unemployment solvency tax beyond FY 2009-10, the State may be faced with significant TABOR refund obligations following the expiration of Referendum C.
- Under the provisions of **Referendum C**, the State will retain \$5.0 billion from FY 2005-06 through FY 2009-10; a decrease of roughly \$843 million from the November 1 interim forecast, and roughly \$1.2 billion less than forecast one year ago. **TABOR refunds of \$197.8 million and \$541.8 million** are forecast for FY 2010-11 and FY 2011-12.
- Due to weak state revenues, the forecast indicates no General Fund revenues will be available for transportation or capital construction through Senate Bill 97-1 or HB 02-1310 during any of the forecast years.