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Council Office

STATE OF COLORADO

OFFICE OF STATE PLANNING AND BUDGETING

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Bill Ritter Jr.
 Governor
 Todd Sairman
 Director

MEMORANDUM

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

FROM: Office of State Planning and Budgeting

DATE: December 18, 2009

SUBJECT: *December 2009 Revenue Forecast*

This memorandum presents the December 2009 Office of State Planning and Budgeting (OSPB) revenue forecast. The memorandum includes a General Fund overview, General Fund and cash fund revenue forecasts, a discussion of the budget implications of this forecast, and summaries of both the national and Colorado economic forecasts.

DECEMBER 2009 OSPB FORECAST HIGHLIGHTS

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

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

- **Gross General Fund revenues in FY 2009-10 are projected to decrease 0.7 percent** (or \$49.7 million) from prior year levels. This reduction in total State revenues is largely the result of declining individual income tax collections which are projected to contract by 1.9 percent. These reductions are being buffered slightly by a projected 0.5 percent increase in sales tax collections; however, much of that increase can be attributed to legislative actions taken during the 2009 session, including the elimination of the vendor administrative fee and the cigarette tax credit.
- **FY 2009-10 cash fund revenues are forecast to decrease 8.9 percent** (or \$212.9 million) from the prior fiscal year. Three significant adjustments were made to TABOR-related cash fund revenue based on 2009 legislation: 1) omission of unemployment related cash funds due to HB 09-1363; 2) addition of hospital provider fee revenues associated with HB 09-1293; and 3) addition of vehicle registration fees pursuant to SB 09-108. Severance tax revenues are also forecast to decline rapidly in this year (by 80.9 percent), due to revised prices in natural gas and the delayed impact of the ad valorem tax credit.
- Under the provisions of Referendum C, the State is projected to retain \$3.6 billion from FY 2005-06 through FY 2009-10. **TABOR refunds are not anticipated during the forecast period** as FY 2007-08 TABOR revenues are projected to be the highest revenue levels during the time-out period of Referendum C.