

**Summary of June 2009 Legislative Council and OSPB Revenue Forecasts
Colorado Commission on Higher Education**

- The maintenance of effort requirement in the American Recovery and Reinvestment Act (ARRA) should protect higher education institutions from additional effective cuts in FY09-10 and FY10-11
- State funded financial aid programs could be cut in FY09-10 and FY10-11 in order to balance the state budget without violating ARRA’s MOE clause

General Fund Overview:

Projected Remaining General Fund Shortfalls FY08-09 and FY09-10

	Legislative Council Forecast (Cumulative)	Legislative Council Forecast (Not Cumulative)	OSPB Forecast (Not Cumulative)
FY08-09	249,000,000	249,000,000	256,300,000
FY09-10	384,000,000	135,000,000	81,800,000

The OSPB forecast projects sufficient revenues in FY10-11 to allow for modest General Fund appropriation growth of \$26.8 million. The Legislative Council’s forecast projects that General Fund revenue will increase in FY10-11; however, because they assume most of the FY08-09 and FY09-10 shortfalls are covered with one time funds, their forecast estimates that General Fund spending will need to decrease a further 2.4% in FY10-11.

FY07-08 is projected to be the high revenue year during the five year Referendum C TABOR timeout, meaning the allowable TABOR revenue limit beginning in FY10-11 is based on inflation and population growth in FY08-09 and FY09-10. Combined with the significant decline in state revenues, neither forecast projects TABOR refunds during the forecast period (through FY11-12). The Legislative Council forecast projects gaps of \$1.2 billion and about \$800 million between the TABOR revenue limit and TABOR revenue in FY10-11 and FY11-12, respectively.

Economic and Demographic Indicators:

Because the Referendum C “timeout” goes away in FY10-11, the rates of inflation and population growth will have important implications for the amount of revenue that the state is allowed to keep each year.

Denver-Boulder-Greeley CPI	Legislative Council Forecast	OSPB Forecast
CY 2008 (Actual)	3.9%	3.9%
CY 2009	0.4%	0.0%
CY 2010	1.6%	1.5%
CY 2011	2.6%	2.0%
CY 2012	3.3%	2.3%

Population Growth	Legislative Council Forecast	OSPB Forecast
CY 2008 (Actual)	2.0%	2.0%
CY 2009	1.6%	2.8%
CY 2010	1.8%	1.8%
CY 2011	1.7%	1.7%
CY 2012	1.7%	1.8%

The passage of SB09-228 modifies the 6% spending limit and the HB1310 transfers to transportation and capital construction. The bill requires five years of mandatory transfers to capital construction *once statewide personal income growth reaches 5.0%*. The OSPB forecast, projects reaching this threshold in CY 2012, meaning mandatory transfers for capital construction would occur after CY 2012. Neither forecast projects significant capital construction funding during the forecast period.

Personal Income Change	Legislative Council Forecast	OSPB Forecast
CY 2008 (Actual)	4.9%	4.9%
CY 2009	-0.3%	0.2%
CY 2010	3.0%	2.5%
CY 2011	4.9%	4.0%
CY 2012	4.9%	6.8%

Projections for unemployment by the Legislative Council and OSPB diverge significantly throughout the forecast period, with OSPB predicting a better job market and less unemployment. This variance is a major factor in explaining the differences between the two forecasts.

Unemployment	Legislative Council Forecast	OSPB Forecast
CY 2008 (Actual)	4.9%	4.9%
CY 2009	8.3%	7.2%
CY 2010	9.6%	7.2%
CY 2011	8.7%	6.2%
CY 2012	7.9%	5.3%