

**Summary of September 2009 Legislative Council and Office of State Planning and  
Budgeting Revenue Forecasts  
Colorado Commission on Higher Education**

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On September 21, 2009 the Legislative Council and the Governor's Office of State Planning and Budgeting (OSPB) presented their quarterly revenue forecasts to the Joint Budget Committee. Both forecasts anticipate the continued decline over the June 2009 forecast in General Fund revenues in FY09-10 and FY10-11, although, once again, they differ in their severity. The Legislative Council forecast is the more dire projection showing a shortfall in FY09-10 of \$560.7 million over the amount budgeted to for the fiscal year. If this forecast holds true, the state will need to reduce spending by an additional \$240.7 million over the \$320 million in FY09-10 reductions the Governor proposed on August 24, 2009. (Note: these reductions have not been formally approved through the supplemental budgeting process.) The Legislative Council forecast assumes the entire FY09-10 shortfall of \$560.7 million is handled with one time sources or revenue and then carries forward into FY10-11, contributing to a forecasted FY10-11 shortfall of \$1.3 billion over the amount currently budgeted to in FY09-10.

The Governor's August 24<sup>th</sup> proposal included a further \$80.9 million cut to the governing boards, local district colleges, and the area vocational schools. In the proposal, the higher education cut was contingent upon receiving a waiver from the Federal government from the maintenance of effort (MOE) clause because it reduced state support to higher education below the FY05-06 level. Further the additional cut would be fully backfilled with additional Federal ARRA stimulus funds in FY09-10 and General Fund in FY10-11. This waiver request has been submitted to but not yet approved by the Federal Department of Education. Without the waiver, the Governor's reduction of \$80.9 million cannot be made without forfeiting the State Fiscal Stabilization Funds.

At this point it is unclear whether an additional waiver would be necessary before further reducing state support to higher education institutions. If further FY09-10 cuts could be made under the existing waiver, they would have to be backfilled with General Fund in FY10-11, meaning they would be one-time in nature and, therefore, would merely delay by one year the need to cut elsewhere in the state budget. It was clear from both presentations that the Joint Budget Committee recognizes the need to make ongoing, permanent cuts to address the budget shortfall.

Typically, the annual appropriations process follows the most conservative revenue forecast. This means that lawmakers and the governor's office will likely begin working on further reductions in FY09-10 and FY10-11 to tie to the September forecast from the Legislative Council. The following chart summarizes the Legislative Council's forecast for available General Fund revenues and expenditures through FY11-12. The full chart is found on page 3 of their forecast which can be accessed at [http://192.70.175.104/gov\\_dir/leg\\_dir/lcsstaff/ECON/Economic%20and%20Revenue%20Forecast,%20September.pdf](http://192.70.175.104/gov_dir/leg_dir/lcsstaff/ECON/Economic%20and%20Revenue%20Forecast,%20September.pdf)

**Summary of Legislative Council September 2009 General Fund Forecast  
(Dollars in Millions)**

Source: Table 1, Focus Colorado: Economic and Revenue Forecast, 2009-2012

	FY08-09	FY09-10	FY10-11	FY11-12
Total Expenditures	7,431	7,206	7,579	7,783
Change from Prior Year		(225)	373	204
Percent Change		-3.1%	4.9%	2.6%
Available Revenue	7,720	6,645	6,247	6,142
Change from Prior Year		(1,075)	(398)	(106)
Percent Change		-16.2%	-6.4%	-1.7%
Shortfall	(290)	561	1,332	1,641