

TOPIC: FY 2012-13 COLORADO BUDGET AND ECONOMIC UPDATE

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I. SUMMARY

On August 19th the Governor's Office of State Planning and Budgeting (OSPB) presented the attached slides to a joint meeting of the institutions Chief Executive and Chief Financial staff at the Department. This update is to give the Commission the opportunity to review these data and walk through some of the primary factors behind the state's structural deficit and a challenging FY 2012-13 state budget.

II. BACKGROUND

The quarterly revenues estimates assembled by OSPB and Legislative Council are often the focus of the discussion for estimating the amount of General Fund available for state programs including higher education. The attached slides were prepared by OSPB to demonstrate the following:

(1) Revenues are especially difficult to forecast in the current economy and even very slight changes to economic factors can result in significant swings in the amount of General Fund revenues available; and

(2) The Governor's Office and General Assembly have to carefully consider expenditures, service case loads, reserve requirements and statutory triggers that can impact the amount of General Fund available.

III. STAFF ANALYSIS

While the June 20th OSPB forecast showed a modest 1.1 percent General Fund growth equal to \$78.4 million over the 4.0 percent reserve, there are several revenue and expenditure considerations that utilize (cancel out) this growth and indicate a continued deficit:

- Since the June forecast, state and national economic indicators have been unstable and primarily negative;
- Job growth in Colorado is recovering very slowly (especially in construction) and Colorado is primarily dependent on income and sales tax for revenues;
- Based on current law, in FY 2012-13, the senior homestead exemption is scheduled to be reinstated and is estimated to require \$97.8 million from the General Fund;

- Going forward, the projected amount of funding needed to keep the State Education Fund solvent is an additional \$200 - \$300 million (depending on how the negative factor is used);
- Medicaid enrollment has increased 121% since FY 2000-01 and continues to climb rapidly with one in ten Coloradans now enrolled;
- Colorado has experienced flat employment for a decade and this has resulted in flat revenues; and
- There is a \$2.5 billion gap between actual revenues and revenues adjusted for inflation and population (using 2000 as the base year).

Because of revenue limits and “must-fund” programs like Medicaid and K-12, state support for higher education is typically one of the last areas to be funded and is usually on the list for budget balancing actions. While OSPB and Legislative Council remain hopeful for a more robust recovery, statewide revenue and expenditure estimates indicate that FY 2012-13 will be a very challenging year for state supported colleges and universities.

On September 20th OSPB will publish the next revenue forecast and we will have a better sense of available revenues and requirements for state General Fund programs and specifically for higher education.

STATUTORY AUTHORITY

C.R.S. 23-1-105(8)

The funding recommendations made by the commission for state-supported institutions of higher education and by the executive director for the divisions of the department of higher education shall be made to the governor and the general assembly as part of the budget request for the department of higher education and shall be submitted in accordance with the budget procedures of part three of article 37 of title 24, C.R.S., and in conformance with section 24-75-201.1, C.R.S.