



How Does Colorado Stack Up? The State's Economy from a National and State Perspective

***Western Interstate Commission
for Higher Education (WICHE)***

***“Creating a Vision for the Future”
Education Summit***

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National Association of State Budget Officers***





Current Fiscal Situation



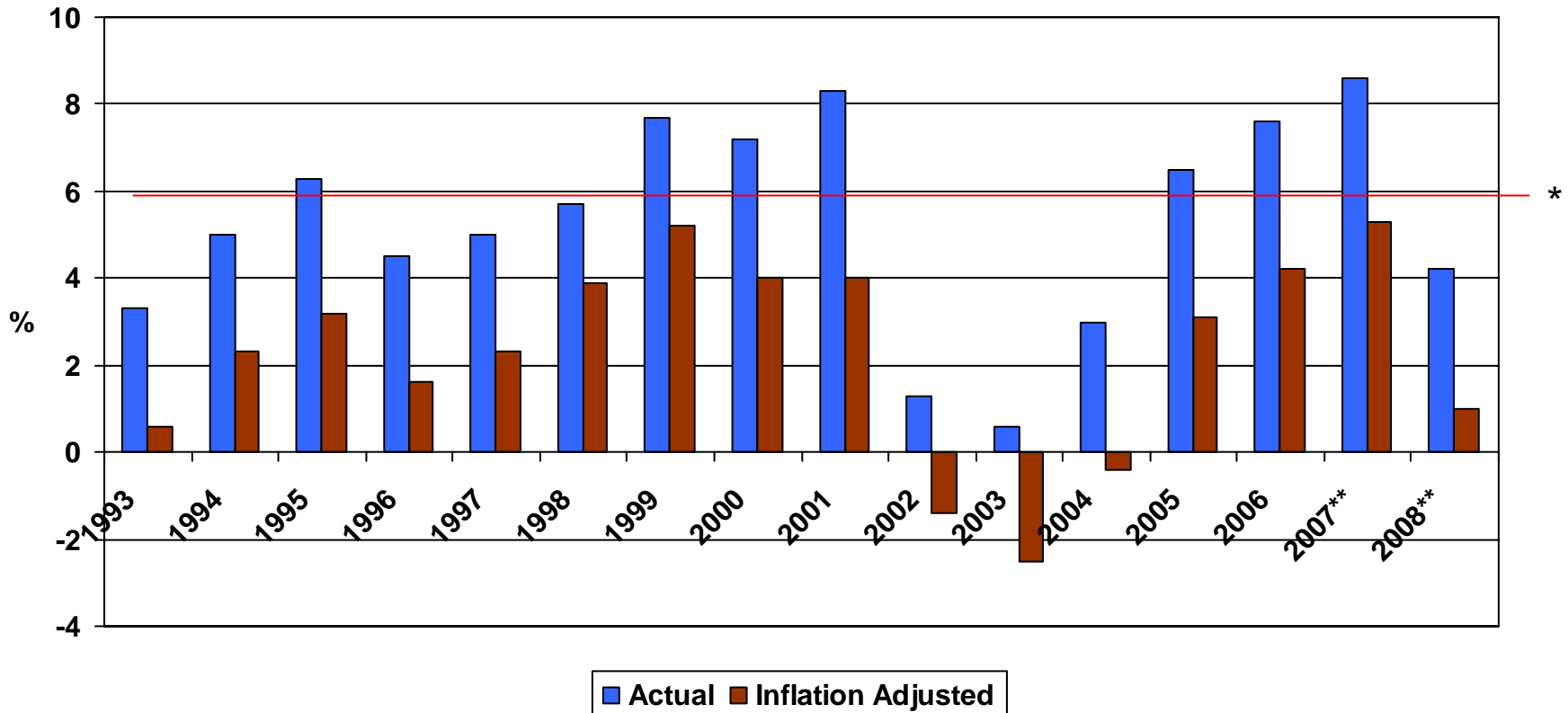
The Current Fiscal Situation

- Fiscal 2006 state finances were strong and stable
- Overall fiscal 2007 state finances continue to be in good shape, although some pockets of weakness
- Somewhat tighter fiscal conditions expected in fiscal 2008, but growth expected
- Competition for dollars continues:
 - Medicaid, pensions, IT, transportation, education, corrections, accounting changes



Above Average Expenditure Growth in Fiscal '07

General Fund Expenditure Growth (%)



*

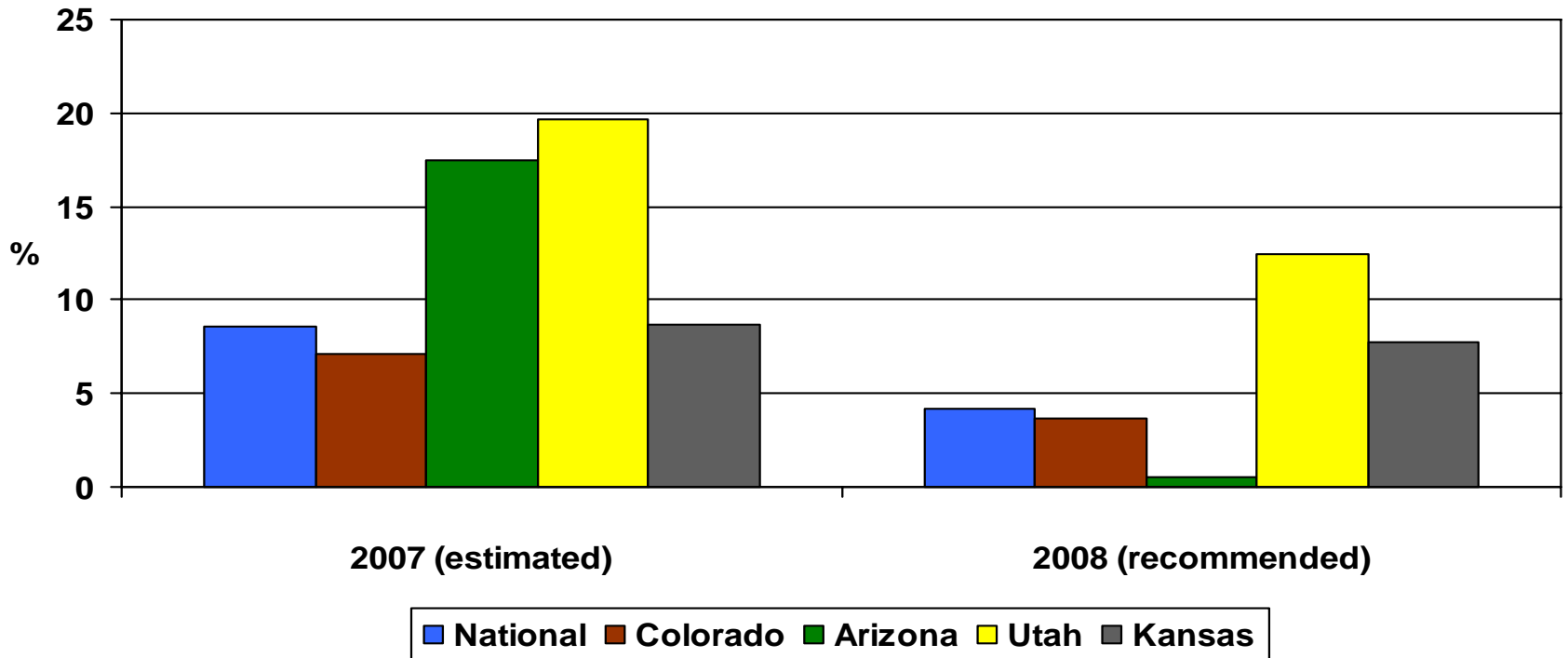
**29-year historical average rate of growth is 6.5 percent*

***Fiscal 07 numbers are estimated; fiscal 08 reflect recommended budgets*

Source: NASBO June 2007 Fiscal Survey of States

Expenditure Growth in Selected States

All States General Fund Expenditure Growth Rate Compared to Selected States General Fund Growth Rate

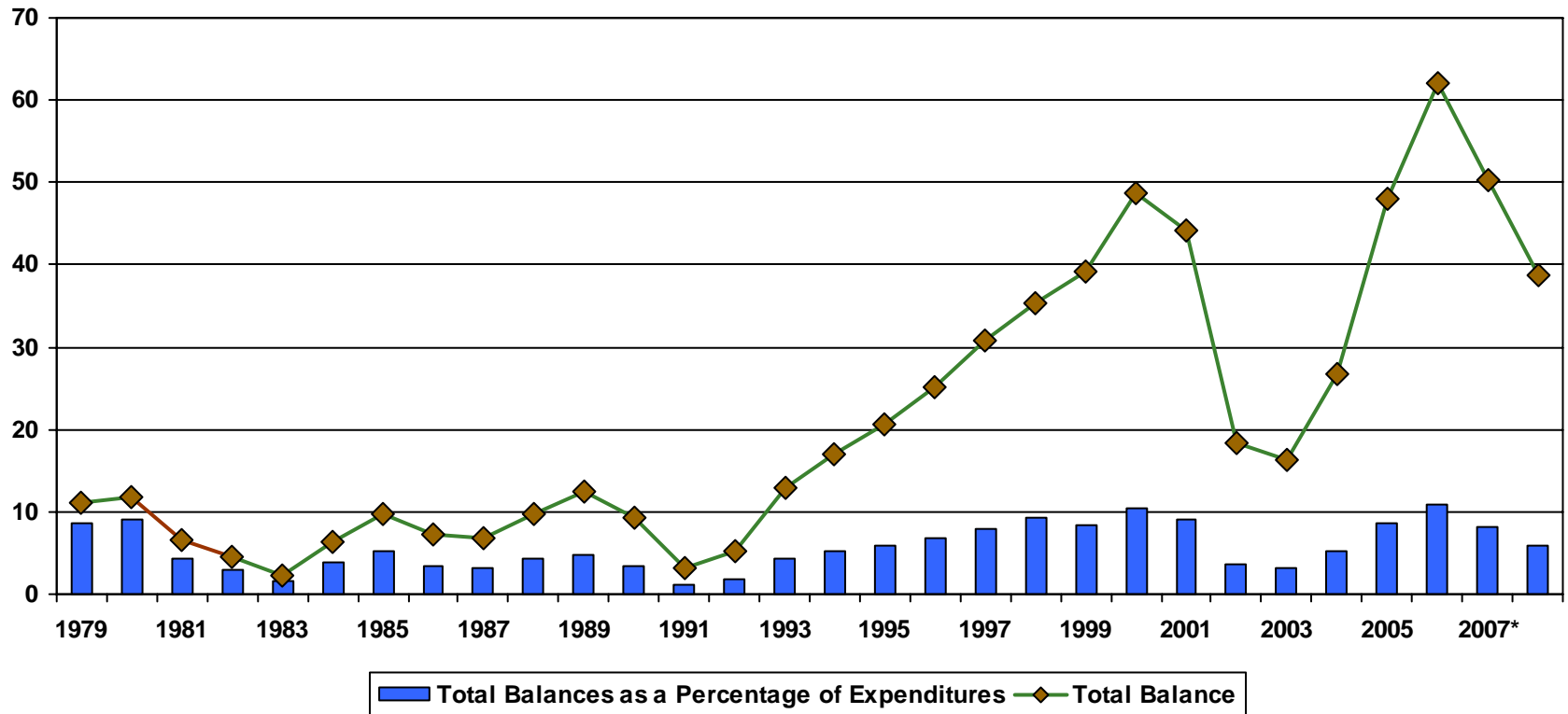


Source: NASBO June 2007 Fiscal Survey of States



Balances Remain Healthy; Some Decline Likely for Fiscal 2008

Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures, Fiscal 1979-Fiscal 2008 (Recommended)

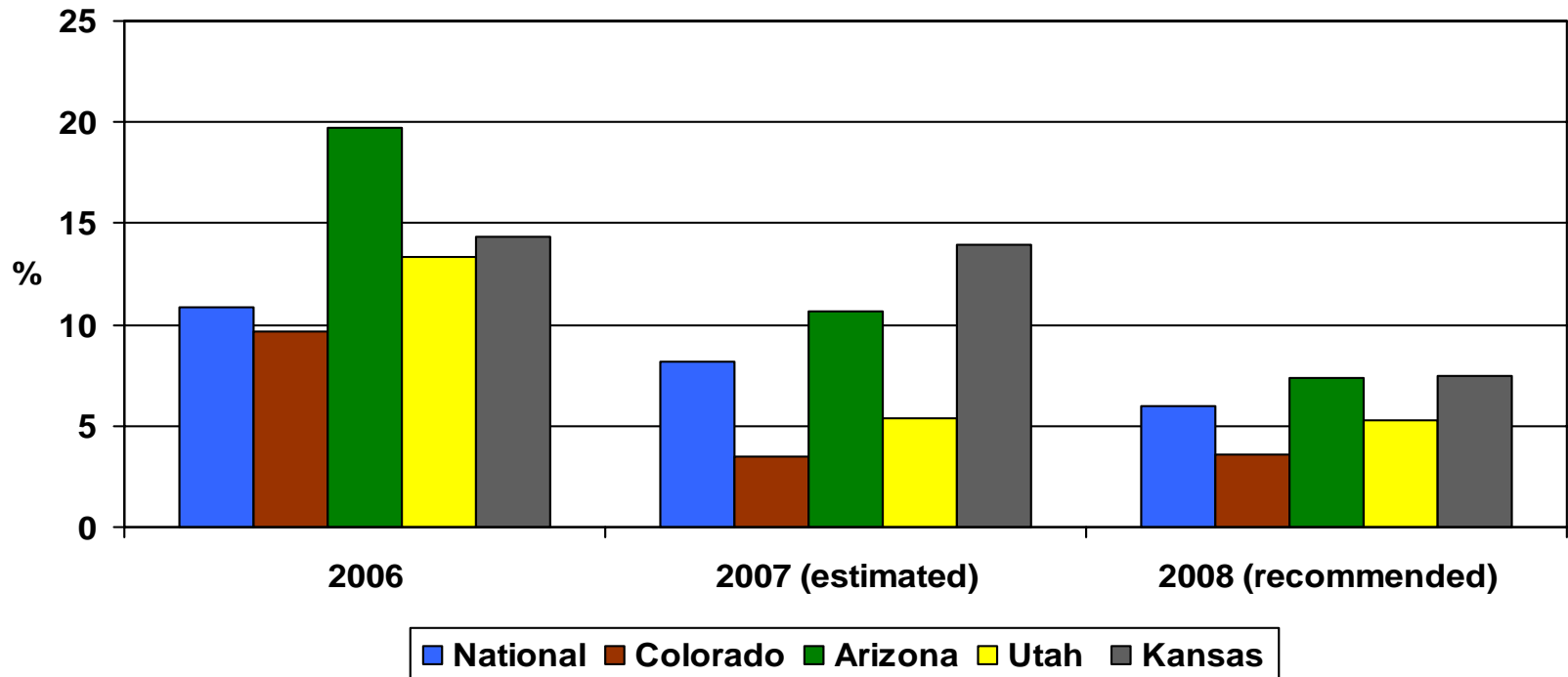


*2007 figures are estimated; 2008 figures are recommended

Source: NASBO June 2007 Fiscal Survey of States

Balances in Selected States

All States Balances as Percentage of Expenditures Compared to Selected States Balances as Percentage of Expenditures

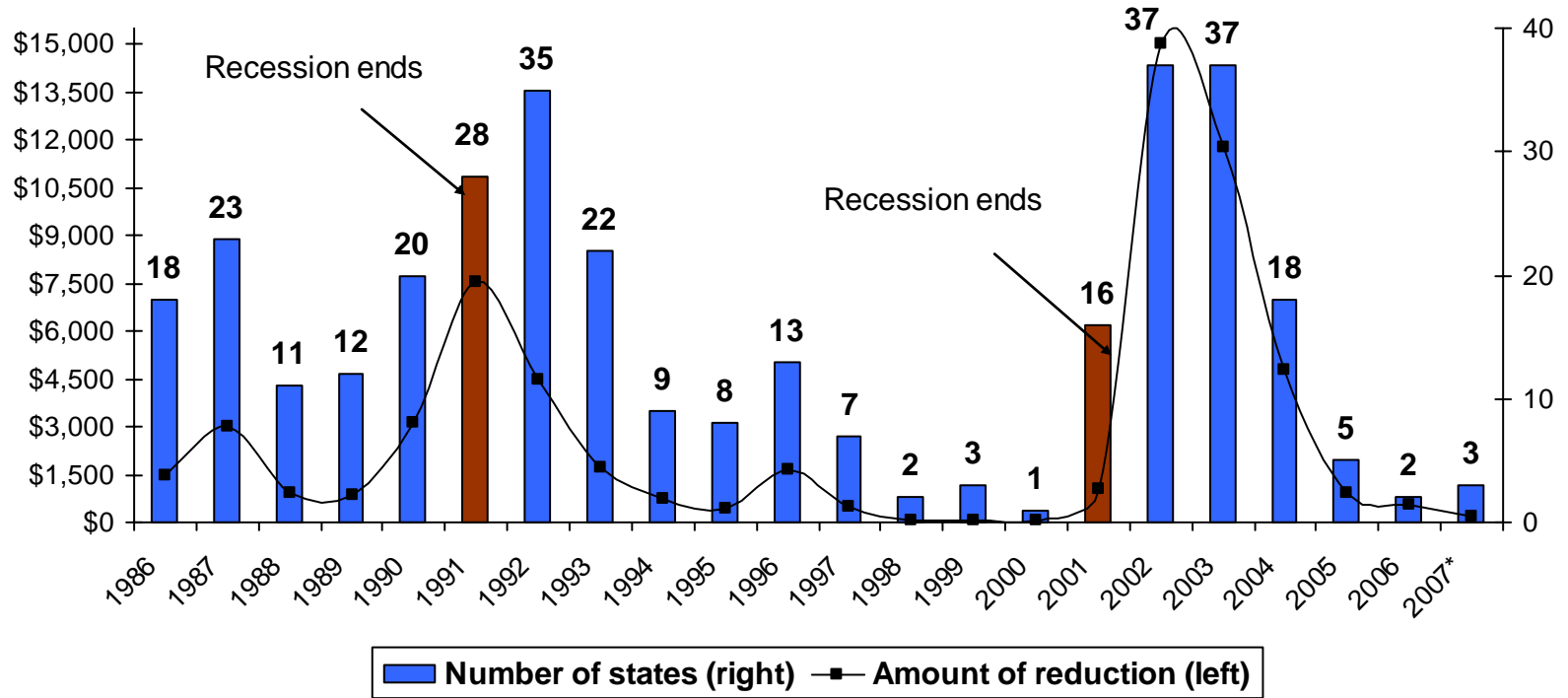


Source: NASBO June 2007 Fiscal Survey of States



Budget Cuts have Declined Since Early 2000's Downturn

Budget Cuts Made After the Budget Passed, Fiscal 1986-Fiscal 2007 (\$ millions)



*MI, WI, and RI have made budget cuts so far in fiscal 2007

Source: June 2007 Fiscal Survey of States



Spending Pressures

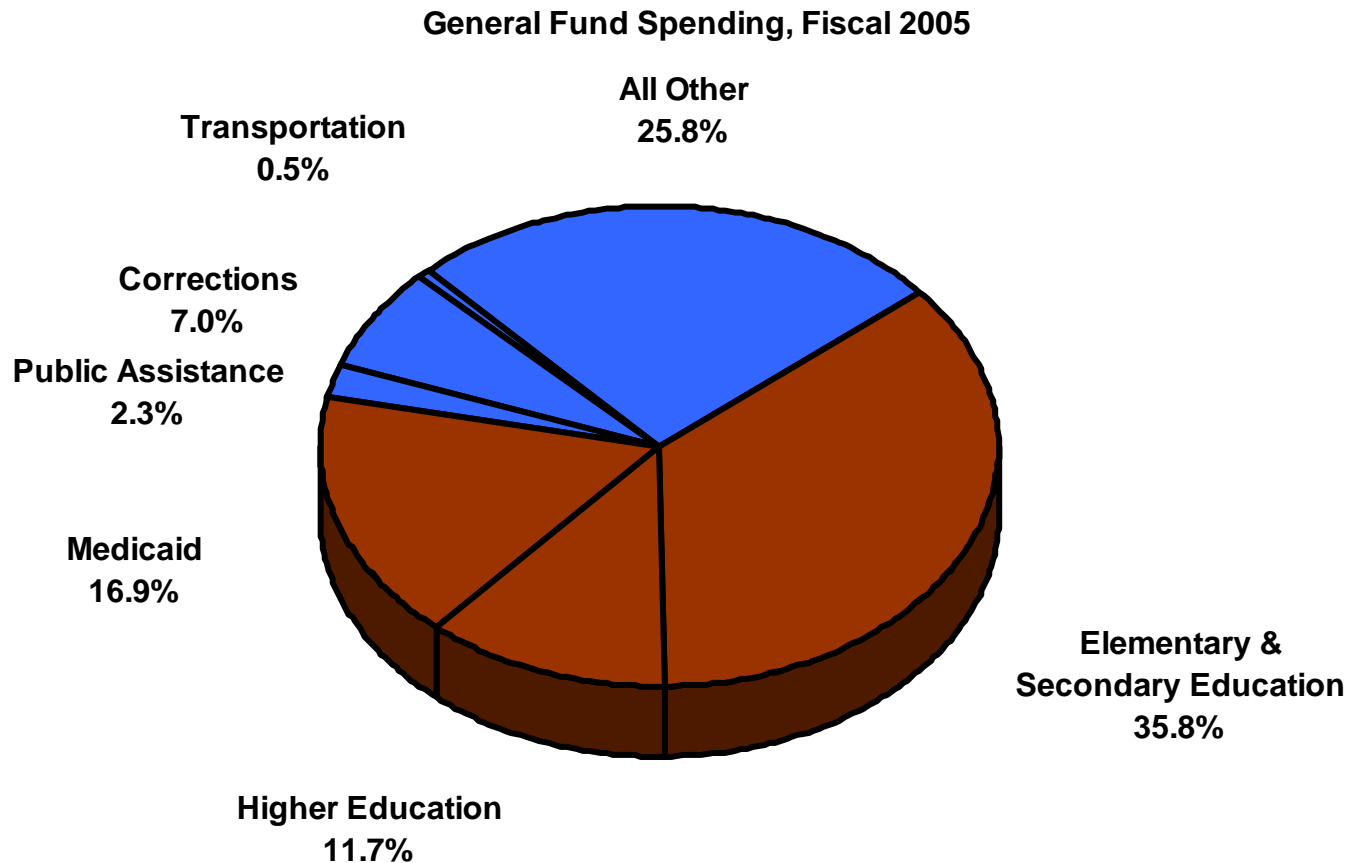


Competing Spending Pressures

- **Medicaid and Health Care**
- **K-12 Increases**
- **Higher Education**
- **Demographic Changes**
- **Infrastructure**
- **Pensions**



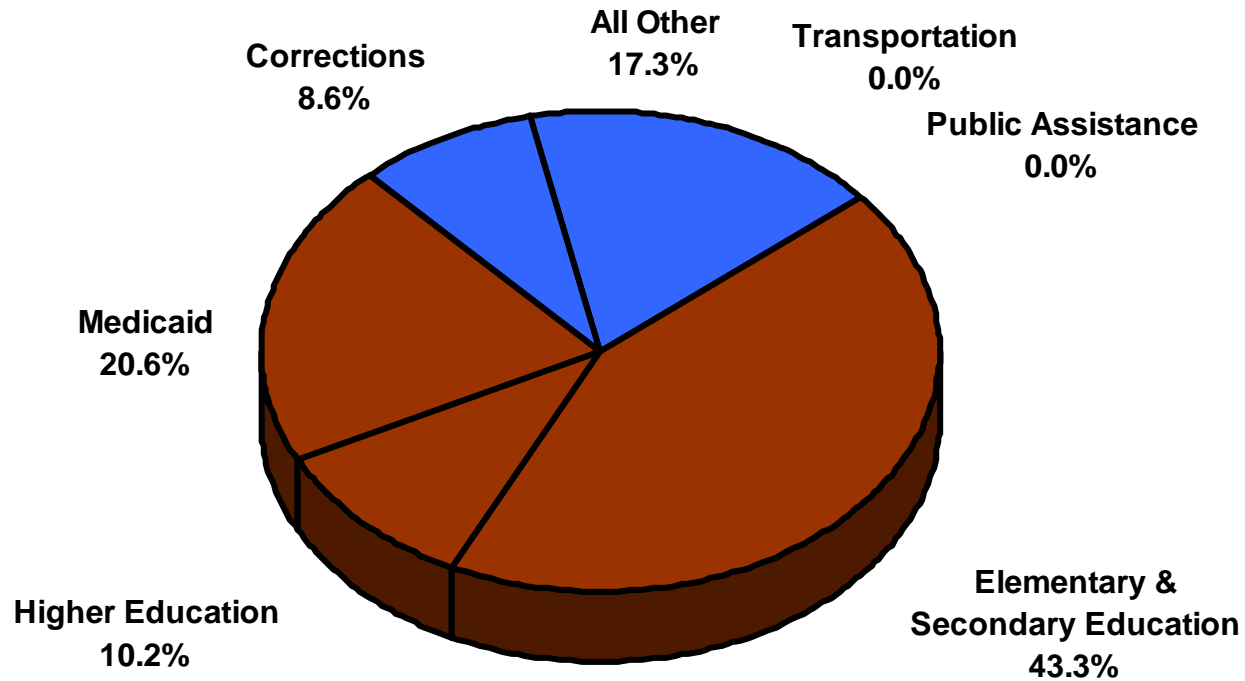
Education and Health Care: Now 64% of General Fund Spending



Source: NASBO 2005 State Expenditure Report

Education and Health Care in Colorado: 74% of General Fund Spending

Colorado General Fund Spending, Fiscal 2005

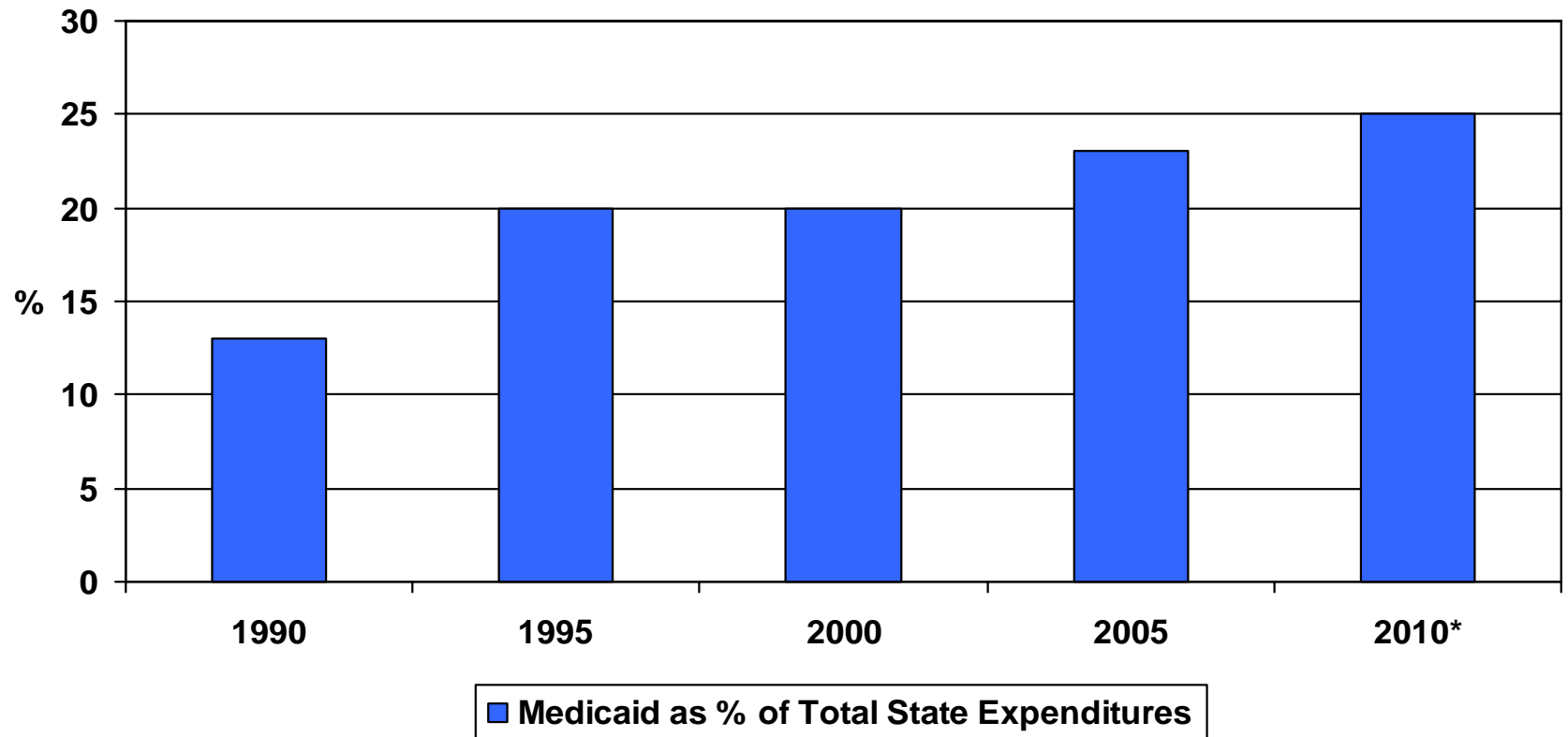


Source: NASBO 2005 State Expenditure Report



Medicaid Spending

Total Medicaid Spending as Percentage of Total State Expenditures



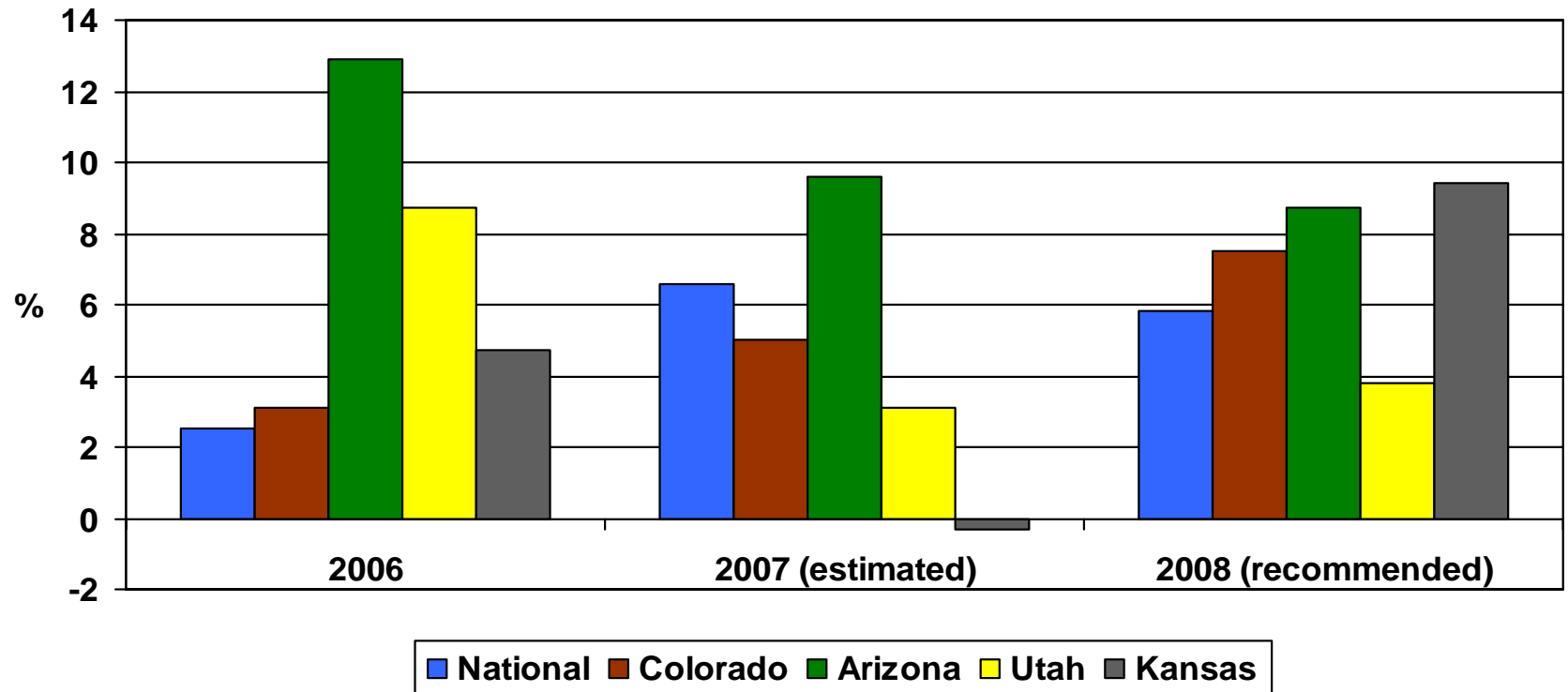
■ Medicaid as % of Total State Expenditures

*2010 percentage projected by Health Management Associates

Source: NASBO State Expenditure Report

Medicaid Growth in Selected States

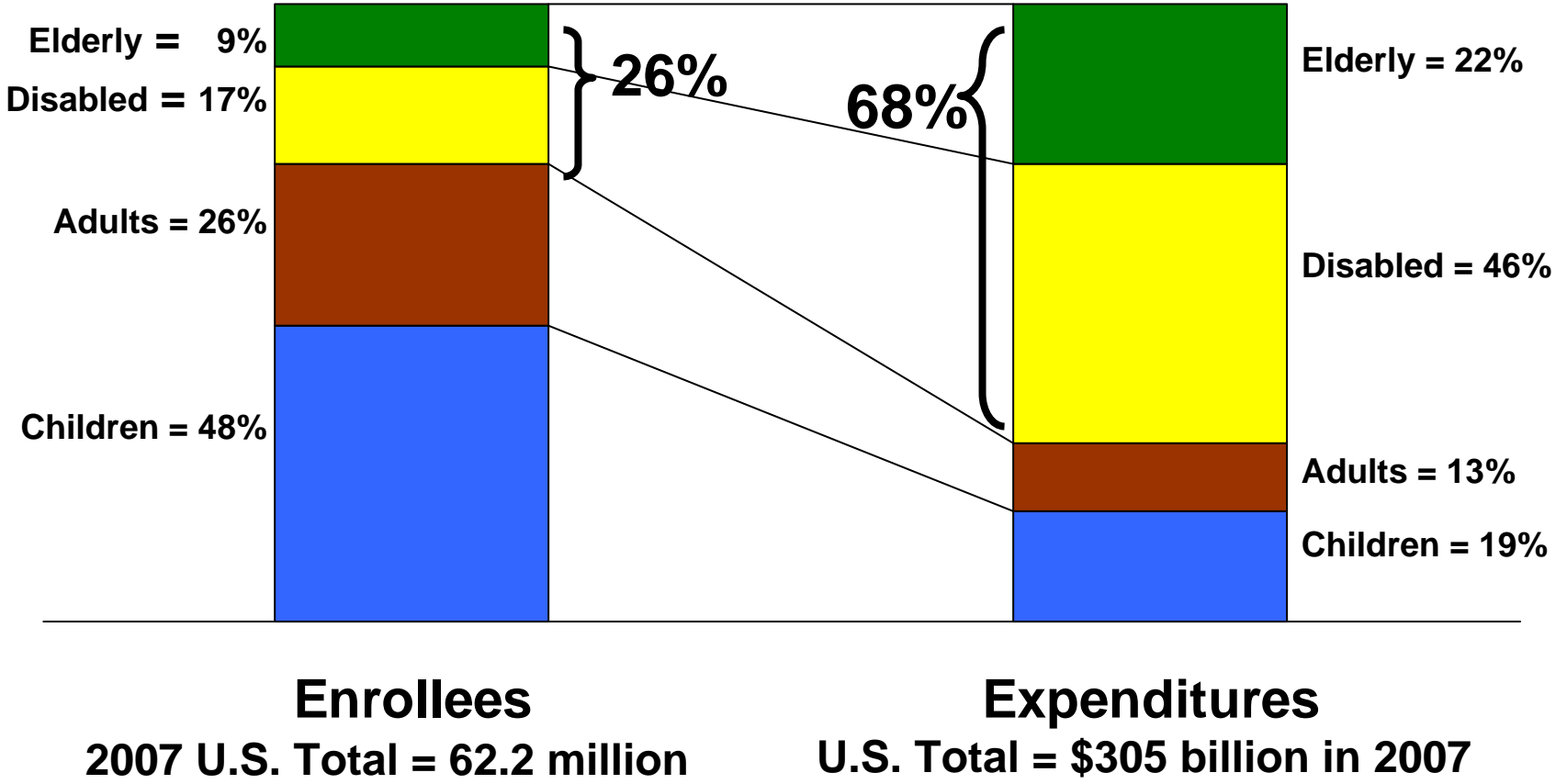
All States Total Medicaid Growth Rate Compared to Selected States Total Medicaid Growth Rate



Source: NASBO June 2007 Fiscal Survey of States



68% of Medicaid Spending on Benefits in 2007 is for Elderly and Disabled

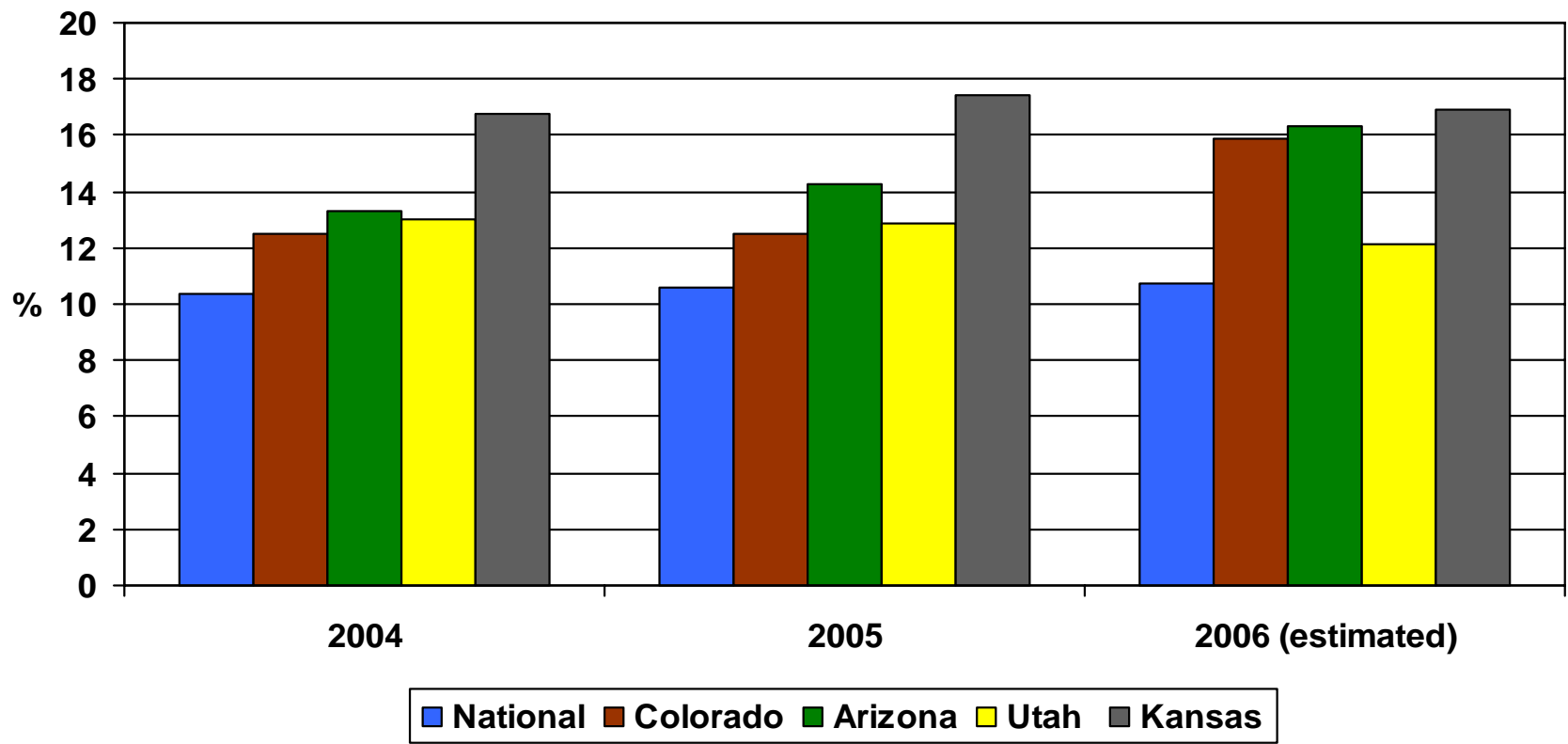


Source: Vernon Smith, Health Management Associates



Higher Education in Selected States

Higher Education Expenditures as a Percent of Total Expenditures

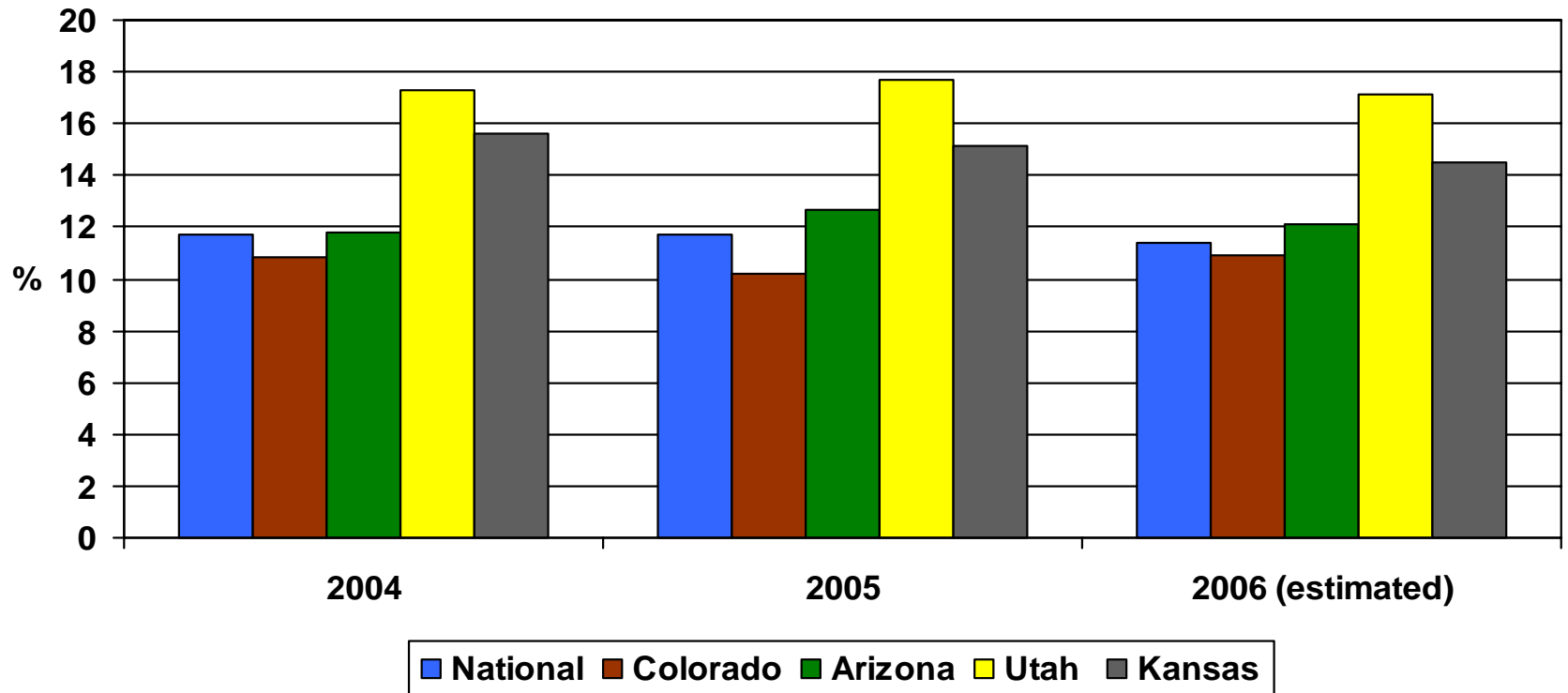


Source: NASBO 2005 State Expenditure Report



Higher Education in Selected States – General Fund

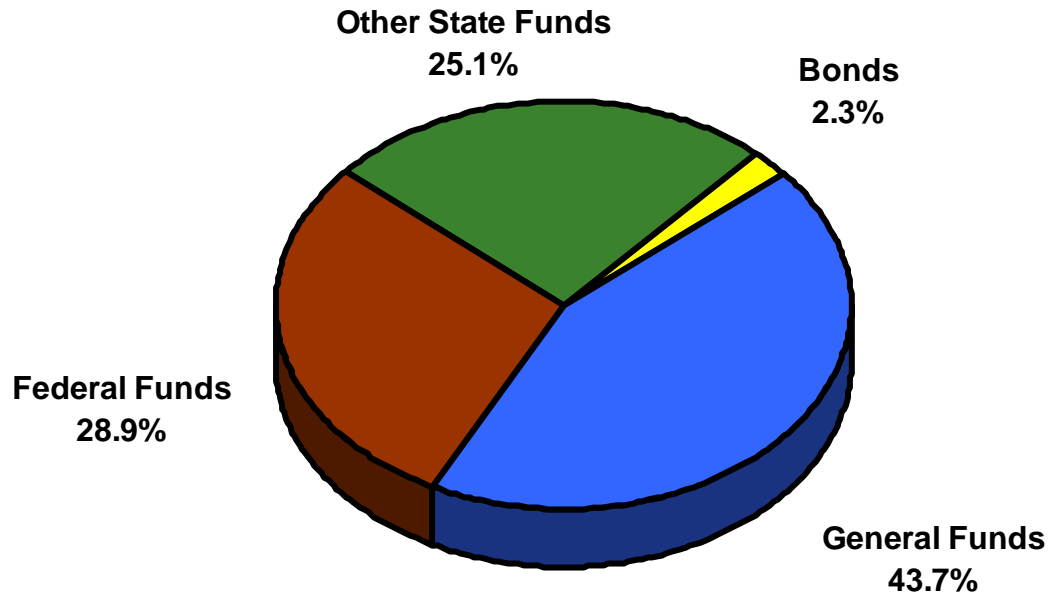
General Fund Higher Education Expenditures as a Percent of Overall General Fund Expenditures



Source: NASBO 2005 State Expenditure Report

National Spending by Funding Source (Percentage)

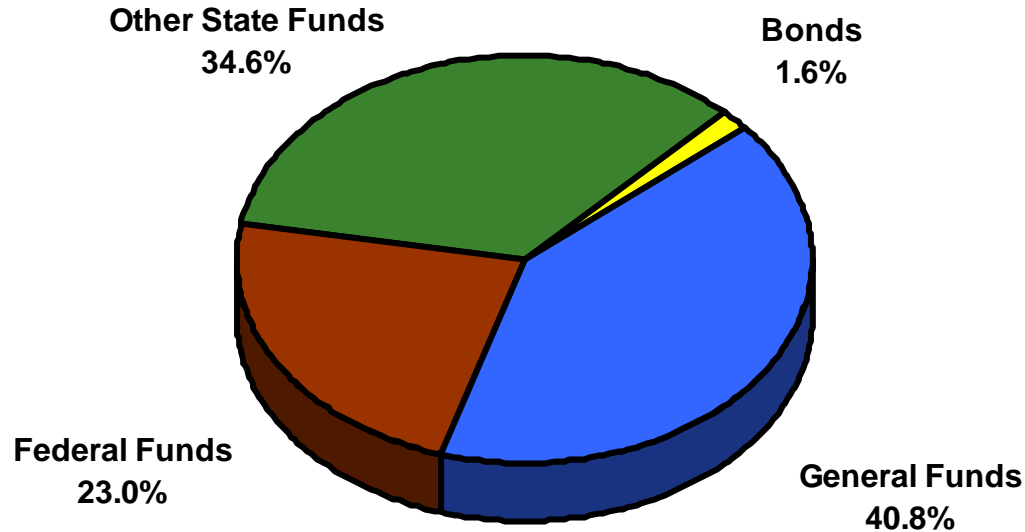
Total State Expenditures By Funding Source, Fiscal 2005



Source: NASBO 2005 State Expenditure Report

Colorado Spending by Funding Source (Percentage)

Total State Expenditures By Funding Source, Fiscal 2005



Source: NASBO 2005 State Expenditure Report



Outlook

State Fiscal Outlook

- Revenue and spending growth likely to slow
 - Balances are healthy, Calendar Year '07 looks good
 - Housing decline and a slowing economy could be problematic
- Tough competition for state general funds
- Long-term federal fiscal imbalance threatens funds to states
 - Deficits
 - Increasing defense, retirement and health care costs





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