

Subject: Brief Summary of December 20 LCS and OSPB forecasts

The Governor's Office of State Planning & Budgeting (OSPB) and Legislative Council Services (LCS) staff released their statutorily required economic and revenue forecasts today. As usual, an apples-to-apples comparison is difficult because the LCS forecasts conditions under current law while the OSPB forecast assumes various budgetary and statutory adjustments.

Some highlights:

LCS Forecast

Leg Council
conomic Forecast - attached.

- LCS projects that there will be insufficient revenue (by **\$137.0 million**) to maintain the statutorily required 4.0% General Fund reserve. This does not take into account the budget balancing proposal from OSPB.
- Assuming that this deficit is rolled forward into FY 2011-12 using the one day cash fund transfer mechanism and that General Fund appropriations remain at the FY 2010-11 level of **\$6,940.3 million**, the General Fund is projected to again have insufficient reserves in FY 2011-12 by **\$189.5 million**, which is a cumulative figure.
- The true structural problem in the General Fund may be up to **\$800 million higher** than the figure in the second bullet, because of the expiration of one-time revenue sources in FY 2010-11, including **\$363.6 million** in federal Medicaid funds, **\$96.0 million** of Amendment 35 tobacco tax funds for Medicaid, and **\$89.2 million** of ARRA funds for Higher Education and because of possible caseload increases in Medicaid, Corrections, and K-12 education.
- In addition, the LCS forecast projects a significant decline in statewide assessed valuations for local property taxes, which puts pressure on the General Fund due to Amendment 23's requirements for state support of K-12 funding.
- The LCS forecast projects that statewide personal income will grow **3.4%** in calendar 2012 and **4.6%** in calendar 2013, implicitly projecting that SB 09-228 General Fund transfers to Transportation and Capital Construction will not begin until FY 2014-15 at the earliest.

- The LCS forecast explicitly projects FASTER funding in the following amounts:

LCS December 2010 FASTER Forecast
(\$millions)

Fiscal Year	2010-11	2011-12	2012-13
HUTF	157.1	157.6	157.9
<i>to CDOT</i>	99.3	99.6	99.7
Bridge Safety	68.9	93	94.1

OSPB Forecast

OSPB Economic
Forecast 12-20-1..- attached

- The OSPB forecast incorporates the Governor's budget balancing proposal for FY 2010-11 which includes a request to reduce the statutory General Fund reserve to 2.0%, in which case the year-end balance of **\$194.9 million** would exceed the reserve requirement of **\$135.9 million**.
- The OSPB forecast assumes **\$7.4 billion** of General Fund revenue in FY 2011-12 as opposed to the LCS projection of **\$7.1 billion**. The OSPB projection suggests there will be sufficient revenues to support appropriations of **\$7.4 billion** while maintaining a 2.0% reserve, as opposed to the LCS projection of a continuation of **\$6.9 billion**. The OSPB figure is not adjusted for the impacts of the loss of one-time funding that offset a significant portion of General Fund spending in FY 2010-11.
- The OSPB forecast projects statewide personal income growth of **5.4%** in calendar 2012, triggering a General Fund transfer of **\$157.7 million** to the HUTF in FY 2012-13.



Leg Council
conomic Forecast .

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