



# OFFICE OF THE GOVERNOR

*Policy Change Proposal*  
*January 15, 2009*

*Todd Saliman*  
Director, OSPB

## *Proposal to Reduce the Vendor Fee on State Sales Tax Collection*

### **Proposal:**

Per statute, State sales taxes are collected at the vendor level. As compensation for administrative costs associated with the collection of these taxes, vendors are allowed to keep a portion of these revenues, equal to three and one-third percent. This proposal would cap the amount a vendor could retain, up to \$5,000 annually, effective February 1, 2009 and continuing through June 30, 2012.

### **Summary of Request:**

- Per 39-26-105 (1) (a), C.R.S. (2008), vendors are currently allowed to retain three and one-third percent of current State sales tax collections (equal to two and ninety one-hundredths percent of the purchase price for all taxable goods and services).
- Due to revenue and budget constraints from the last economic recession, legislation was enacted to reduce this “vendor fee” temporarily to two and one-third percent during FY 2003-04 and FY 2004-05.
- This legislative proposal would effectively target large vendors – those with gross taxable sales greater than roughly \$431,000 per month (\$5.2 million annually) – and would cap the amount the vendor could retain at \$417 per month (\$5,000 annually). This reduced vendor fee percentage would be effective February 1, 2009 and would continue through June 20, 2012. As State sales tax revenue is received in the month following the month of sale, the State would receive an increase in General Fund revenues beginning March 2009.
- The net increase to State General Fund revenues from sales taxes would equal \$93.0 million.

### **Assumptions and Tables to Show Calculations:**

- All calculations are based on sales tax projections included in the December 19, 2008 OSPB revenue forecast.
- Vendors with monthly sales greater than roughly \$430,000 (\$5.2 million annually) will only be allowed to retain a maximum of \$417 per month (\$5,000 annually). Vendors with sales less than the thresholds above will continue to retain the full three and one-third percent of State sales tax revenue.

	<b>Annual</b>	<b>Monthly</b>
Vendor Taxable Sales	\$5,172,414	\$431,034
State Sales Tax Rate	2.90%	2.90%
State Sales Tax	\$150,000	\$12,500
Vendor Fee Percentage	3.33%	3.33%
Vendor Fee	\$5,000	\$417

- Based on data from calendar year 2007, an annual vendor fee cap of \$5,000 would have resulted in an additional \$39.3 million in State sales tax revenue and would have impact approximately 1,700 vendors (or 1.9 percent of the total 91,500 vendors collecting State sales tax).
- Anticipated changes in the number of vendors affected and the amount of additional State sales tax revenue is assumed to reflect the same percentage change in State sales tax revenue on a calendar year basis.

<b>Calendar Year (in millions)</b>	<b>CY 2007</b>	<b>CY 2008</b>	<b>CY 2009</b>	<b>CY 2010</b>	<b>CY 2011</b>	<b>CY 2012</b>
Taxable Sales	\$75,986.8	\$73,577.7	\$74,041.9	\$77,055.7	\$81,809.7	\$87,269.5
State Sales Tax Rate	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Initial State Sales Tax Revenue	\$2,203.6	\$2,133.8	\$2,147.2	\$2,234.6	\$2,372.5	\$2,530.8
Vendor Fee Percentage	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%
Vendor Fees Retained (uncapped)	\$73.5	\$71.1	\$71.6	\$74.5	\$79.1	\$84.4
Effective State Sales Tax Rate	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
State Sales Tax Revenue	\$2,130.2	\$2,062.6	\$2,075.6	\$2,160.1	\$2,293.4	\$2,446.5
Percent Change in Revenue	N/A	-3.2%	0.6%	4.1%	6.2%	6.7%
<b>Additional State Revenue from a \$5,000 cap on Vendor Fees</b>	<b>\$39.3</b>	<b>\$38.1</b>	<b>\$38.3</b>	<b>\$39.9</b>	<b>\$42.3</b>	<b>\$45.1</b>
Percent of Uncapped Vendor Fees	54%	54%	54%	54%	54%	54%
Number of Vendors Affected	1,731	1,676	1,687	1,755	1,864	1,988

- To convert to a fiscal year basis, roughly 50 percent of all sales tax revenue is received from each of the two calendar years spanned. For FY 2008-09, the proposed legislative change is not anticipated to be effective until February 1, and due to the lag in collections, the State will not experience any additional revenue until March – resulting in only a partial (4 month) impact in the current fiscal year.

<b>Converted to Fiscal Year Basis</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
Additional State Revenue in CY Pertaining to 1st Half of Fiscal Year	\$38.1	\$38.3	\$39.9	\$42.3
Percent Captured in Proposed Legislative Change	0%	50%	50%	50%
<b>Additional State Revenue from 1st Half of Fiscal Year</b>	<b>\$0.0</b>	<b>\$19.1</b>	<b>\$19.9</b>	<b>\$21.2</b>
Additional State Revenue in CY Pertaining to 2nd Half of Fiscal Year	\$38.3	\$39.9	\$42.3	\$45.1
Percent Captured in Proposed Legislative Change	33%	50%	50%	50%
<b>Additional State Revenue from 2nd Half of Fiscal Year</b>	<b>\$12.8</b>	<b>\$19.9</b>	<b>\$21.2</b>	<b>\$22.6</b>
<b>Additional State Revenue from Proposed Legislation*</b>	<b>\$12.8</b>	<b>\$39.1</b>	<b>\$41.1</b>	<b>\$43.7</b>

\*Bottom-line totals may not add due to rounding.

**Current Statutory Authority or Needed Statutory Change:**

This proposal would require a statutory change to 39-26-105 (1) (a), C.R.S. (2008) to specify a cap on the monthly vendor fee that could be retained by the vendor to \$417 per month. This change would be effective February 1, 2009 and continue through June 30, 2012.

*39-26-105 (1) (a), C.R.S. (2008): Except as provided in paragraphs (d) and (e) of this subsection (1), every retailer, also in this part 1 called "vendor", shall, irrespective of the provisions of section 39-26-106, be liable and responsible for the payment of an amount equivalent to three percent of all sales made prior to January 1, 2001, and two and ninety one-hundredths percent of all sales made on or after January 1, 2001, by the vendor of commodities or services as specified in section 39-26-104 and shall, before the twentieth day of each month, make a return to the executive director of the department of revenue for the preceding calendar month and remit an amount equivalent to said percentage on such sales to said executive director, less three and one-third percent of the sum so remitted for sales occurring prior to July 1, 2003, or on or after July 1, 2005, and less two and one-third percent of the sum so remitted for sales occurring on or after July 1, 2003, but before July 1, 2005, to cover the vendor's expense in the collection and remittance of said tax; but, if any vendor is delinquent in remitting said tax, other than in unusual circumstances shown to the satisfaction of the executive director, the vendor shall not be allowed to retain any amounts to cover such vendor's expense in collecting and remitting said tax, and an amount equivalent to the said percentage, plus the amount of any local vendor expense that may be allowed by the local government to the vendor, shall be remitted to the executive director by any such delinquent vendor. Such returns of the taxpayer or the taxpayer's duly authorized agent shall contain such information and be made in such manner and upon such forms as the executive director shall prescribe. Any local vendor expense remitted to the executive director shall be deposited to the state general fund.*



# OFFICE OF THE GOVERNOR

*Policy Change Proposal*  
*January 15, 2009*

*Todd Saliman*  
Director, OSPB

## *Proposal to Revise Gaming Funds Distribution*

### **Proposal:**

Current law requires that in a given year when General Fund revenues are not sufficient to support the maximum allowable six percent General Fund appropriation increase, revenue collected through limited gaming that would otherwise be transferred for tourism, new job development, the arts, and the film industry would instead be transferred to the General Fund. This proposal would limit the amount that could be transferred to the General Fund to only one-half of the FY 2007-08 distribution amounts for tourism, new job development, film incentives and the arts, plus inflation – allowing for some General Fund relief, yet not eliminating all new funding for these revenue generating programs during difficult economic times.

### **Summary of Request:**

- The proposal will result in additional General Fund revenues from the transfer of gaming cash fund revenue to the General Fund. Based on the December 19, 2008 OSPB revenue forecast, over the next four fiscal years (beginning with FY 2008-09), the State will receive an additional \$49.3 million in General Fund revenue and will also allow for roughly one-half of the original distribution amounts to continue to be transferred to the intended programs.
- These transfers to the General Fund and to each individual program would continue to occur at the end of each fiscal year. The amount transferred to the General Fund will be used to support appropriation limits in the fiscal year that is being closed. The remaining transfers to the programs supported by limited gaming revenues will be used for appropriations in the subsequent fiscal year as specified by current law.

### **Assumptions and Tables to Show Calculations:**

- All calculations were based upon the Office of State Planning and Budgeting's December 19, 2008 revenue forecast for General Fund and Cash Funds.
- Per statute, after funding administrative costs at the Department of Local Affairs, twenty-eight percent of Gaming revenue is distributed to the Colorado Historical Society, twelve percent is distributed to Gilpin and Teller counties, and ten percent is distributed to the cities of Black Hawk, Central City, and Cripple Creek.
- The remaining fifty percent, which until FY 2005-06 was distributed to the General Fund, is distributed per 12-47.1-701, C.R.S. (2008). Beginning in FY 2005-06, aside from the thirteen percent that is carved off the top each year for the Local Government Limited Gaming Impact Fund, the following amounts were set in statute and were defined to increase by the rate of inflation each subsequent year:
  - \$19.0 million for the Colorado Travel and Tourism Promotion Fund
  - \$3.0 million for the New Jobs Incentives Cash Fund
  - \$1.5 million for the State Council on the Arts Cash Fund
  - \$500,000 for the Film Incentives Cash Fund

- Finally, statute dictates \$4.5 million in FY 2008-09 and \$5.5 million thereafter, is transferred to the Bioscience Discovery Evaluation Fund and that any additional gaming revenue thereafter be transferred to the Clean Energy Fund rather than to the General Fund. Note, the FY 2008-09 Long Bill also included roughly \$10.1 million appropriated to the Department of Transportation, and the November 1, 2008 FY 2009-10 Budget Request assumed \$7.0 million for Transportation thereafter.

<b>Current Law Distribution Assuming the 6% General Fund Appropriation Limit is Met During the Forecast Years</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
<b>Total Limited Gaming Revenue</b>	<b>\$113,615,832</b>	<b>\$101,677,271</b>	<b>\$105,321,890</b>	<b>\$110,852,759</b>	<b>\$119,319,630</b>
<i>Amount for Administration</i>	<i>(\$11,483,187)</i>	<i>(\$10,280,038)</i>	<i>(\$10,999,981)</i>	<i>(\$11,329,981)</i>	<i>(\$11,669,880)</i>
<b>Gaming Revenue for Distribution</b>	<b>\$102,132,645</b>	<b>\$91,397,233</b>	<b>\$94,321,909</b>	<b>\$99,522,778</b>	<b>\$107,649,750</b>
Fifty Percent	\$51,066,323	\$45,698,617	\$47,160,954	\$49,761,389	\$53,824,875
Local Government Impact Fund	\$6,638,622	\$5,940,820	\$6,130,924	\$6,468,980	\$6,997,234
Bioscience Discovery Evaluation Fund	\$0	\$4,500,000	\$5,500,000	\$5,500,000	\$5,500,000
Colorado Travel and Tourism Promotion Fund	\$20,107,662	\$19,785,530	\$20,212,925	\$20,722,782	\$21,299,901
New Jobs Incentive Cash Fund	\$3,174,894	\$3,124,031	\$3,191,514	\$3,272,018	\$3,363,142
State Council on the Arts Cash Fund	\$1,587,447	\$1,562,015	\$1,595,757	\$1,636,009	\$1,681,571
Film Incentives Cash Fund	\$634,979	\$658,947	\$673,181	\$690,162	\$709,383
Transportation	\$14,292,757	\$10,127,274	\$7,000,000	\$7,000,000	\$7,000,000
Clean Energy Fund	\$0	\$0	\$2,856,653	\$4,471,438	\$7,273,644
<b>General Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i>Inflation (Denver-Boulder-Greeley)</i>		<i>3.77%</i>	<i>2.16%</i>	<i>2.52%</i>	<i>2.78%</i>

\* Note: Transfer amounts for certain programs were not able to grow at an inflationary rate as total gaming revenues are anticipated to decline by ten and one-half percent between FY 2007-08 and FY 2008-09.

<b>Current Law Distribution Assuming the 6% General Fund Appropriation Limit is Not Met During the Forecast Years</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
<b>Total Limited Gaming Revenue</b>	<b>\$113,615,832</b>	<b>\$101,677,271</b>	<b>\$105,321,890</b>	<b>\$110,852,759</b>	<b>\$119,319,630</b>
<i>Amount for Administration</i>	<i>(\$11,483,187)</i>	<i>(\$10,280,038)</i>	<i>(\$10,999,981)</i>	<i>(\$11,329,981)</i>	<i>(\$11,669,880)</i>
<b>Gaming Revenue for Distribution</b>	<b>\$102,132,645</b>	<b>\$91,397,233</b>	<b>\$94,321,909</b>	<b>\$99,522,778</b>	<b>\$107,649,750</b>
Fifty Percent	\$51,066,323	\$45,698,617	\$47,160,954	\$49,761,389	\$53,824,875
Local Government Impact Fund	\$6,638,622	\$5,940,820	\$6,130,924	\$6,468,980	\$6,997,234
Bioscience Discovery Evaluation Fund	\$0	\$4,500,000	\$5,500,000	\$5,500,000	\$5,500,000
Colorado Travel and Tourism Promotion Fund	\$20,107,662	\$0	\$0	\$0	\$0
New Jobs Incentive Cash Fund	\$3,174,894	\$0	\$0	\$0	\$0
State Council on the Arts Cash Fund	\$1,587,447	\$0	\$0	\$0	\$0
Film Incentives Cash Fund	\$634,979	\$0	\$0	\$0	\$0
Transportation	\$14,292,757	\$10,127,274	\$7,000,000	\$7,000,000	\$7,000,000
Clean Energy Fund	\$0	\$0	\$2,856,653	\$4,471,438	\$7,273,644
<b>General Fund</b>	<b>N/A</b>	<b>\$25,130,523</b>	<b>\$25,673,377</b>	<b>\$26,320,971</b>	<b>\$27,053,977</b>
<i>Inflation (Denver-Boulder-Greeley)</i>		<i>3.77%</i>	<i>2.16%</i>	<i>2.52%</i>	<i>2.78%</i>

<b>Proposed Distribution Assuming the 6% General Fund Appropriation is Not Met During the Forecast Years</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
<b>Total Limited Gaming Revenue</b>	<b>\$113,615,832</b>	<b>\$101,677,271</b>	<b>\$105,321,890</b>	<b>\$110,852,759</b>	<b>\$119,319,630</b>
<i>Amount for Administration</i>	<i>(\$11,483,187)</i>	<i>(\$10,280,038)</i>	<i>(\$10,999,981)</i>	<i>(\$11,329,981)</i>	<i>(\$11,669,880)</i>
<b>Gaming Revenue for Distribution</b>	<b>\$102,132,645</b>	<b>\$91,397,233</b>	<b>\$94,321,909</b>	<b>\$99,522,778</b>	<b>\$107,649,750</b>
Fifty Percent	\$51,066,323	\$45,698,617	\$47,160,954	\$49,761,389	\$53,824,875
Local Government Impact Fund	\$6,638,622	\$5,940,820	\$6,130,924	\$6,468,980	\$6,997,234
Bioscience Discovery Evaluation Fund	\$0	\$4,500,000	\$5,500,000	\$5,500,000	\$5,500,000
Colorado Travel and Tourism Promotion Fund	\$20,107,662	\$10,432,860	\$10,658,210	\$10,926,797	\$11,230,562
New Jobs Incentive Cash Fund	\$3,174,894	\$1,647,294	\$1,682,875	\$1,725,284	\$1,773,247
State Council on the Arts Cash Fund	\$1,587,447	\$823,647	\$841,438	\$862,642	\$886,623
Film Incentives Cash Fund	\$634,979	\$329,459	\$336,575	\$345,057	\$354,649
Transportation	\$14,292,757	\$10,127,274	\$7,000,000	\$7,000,000	\$7,000,000
Clean Energy Fund	\$0	\$0	\$2,856,653	\$4,471,438	\$7,273,645
<b>General Fund</b>	<b>N/A</b>	<b>\$11,897,263</b>	<b>\$12,154,279</b>	<b>\$12,461,191</b>	<b>\$12,808,915</b>
<i>Inflation (Denver-Boulder-Greeley)</i>		<i>3.77%</i>	<i>2.16%</i>	<i>2.52%</i>	<i>2.78%</i>

**Current Statutory Authority or Needed Statutory Change:**

This proposal would require a statutory change to 12-47.1-701, C.R.S. (2008) to a reduced transfer to specific programs during periods of economic crisis when General Fund revenues are not sufficient to support the maximum allowable General Fund appropriation growth.

*12-47.1-701 (4) (a) (IV) (B) If the joint budget committee, pursuant to sub-subparagraph (A.5) of this subparagraph (IV), does not determine the amount of limited gaming fund moneys, if any, to be transferred to the funds specified in sub-subparagraph (A) of this subparagraph (IV) and if, based on the June revenue forecast prepared by the legislative council, the state treasurer determines that the amount of general fund revenues for the fiscal year in which the forecast is prepared will be insufficient to allow the maximum amount of general fund appropriations permitted by section 24-75-201.1 (1) (a) (II), C.R.S., to be made for that fiscal year, the state treasurer shall transfer to the general fund from the moneys that would otherwise be transferred to the state council on the arts cash fund, the new jobs incentives cash fund, and the Colorado travel and tourism promotion fund pursuant to sub-subparagraph (A) of this subparagraph (IV) at the end of the fiscal year an amount equal to the lesser of the full amount that would otherwise be transferred to the state council on the arts cash fund, the new jobs incentives cash fund, and the Colorado travel and tourism promotion fund or the amount necessary to allow the maximum amount of general fund appropriations to be made for the fiscal year. Any reduction in the amounts transferred to the state council on the arts cash fund, the new jobs incentives cash fund, and the Colorado travel and tourism promotion fund required by this sub-subparagraph (B) shall be pro-rated based on the amounts otherwise required to be transferred to said funds pursuant to sub-subparagraph (A) of this subparagraph (IV).*



# OFFICE OF THE GOVERNOR

*Policy Change Proposal  
January 15, 2009*

*Todd Saliman  
Director, OSPB*

## *Proposal to Redefine the Source of Revenues for the TABOR Reserve*

### **Proposal:**

This legislative proposal redefines the list of cash funds and amounts specified to fulfill the three percent TABOR reserve requirement as specified in the FY 2008-09 Long Bill headnotes. This proposal does not change the amount as required by the Colorado Constitution.

### **Summary of Request:**

- Per Article X, Section 20, Subsection 5 of the Colorado Constitution, three percent of fiscal year non-exempt revenues are required to be set aside for emergencies. The amount and cash fund source where this three percent resides is denoted in the FY 2008-09 Long Bill (HB 08-1375) within the headnotes.
- Under this proposal, the amount of revenue set aside to fulfill the three percent TABOR revenue from both the Subsequent Injury Fund and Workers' Compensation Cash Fund would be eliminated, and the amount of revenue set aside in the Major Medical Fund would be increased by an equal amount. Reference the chart below for changes to all specified funds.

### **Assumptions and Tables to Show Calculations:**

	Current Law	Proposed Legislation
Major Medical Fund	\$64,000,000	\$94,000,000
Subsequent Injury Fund	\$16,000,000	\$0
Workers' Compensation Cash Fund	\$14,000,000	\$0
Wildlife Cash Fund	\$100,000,000	\$100,000,000
State Properties	\$114,500,000	\$114,500,000
<b>Total</b>	<b>\$308,500,000</b>	<b>\$308,500,000</b>

### **Current Statutory Authority or Needed Statutory Change:**

This proposal would require a headnote change to Section (1) the FY 2008-09 Long Bill (HB 08-1375), requiring that up to \$94,000,000 of the emergency reserve be funded by the Major Medical Fund, and that neither the Subsequent Injury Fund and Workers' Compensation Cash Fund be responsible for any portion of the emergency reserve.

*(2) (a) For purposes of complying with the provisions of subsection (5) of section 20 of article X in the state constitution, and in accordance with the provisions of this subsection (22), the balance of funds in the funds specified in paragraph (b) of this subsection (22), or such portions thereof as is necessary to be in compliance with said constitutional provision, are hereby designated to constitute the state emergency reserve for the 2008-09 fiscal year. The designation of the balance of funds in said funds shall be in the same order of priority as said funds are set forth in paragraph*

*(b) of this subsection (22) and shall be made in the manner such that all of the balance of funds in one fund, to the extent permitted in accordance with paragraph (b) of this subsection (22), shall constitute all or a portion of said state emergency reserve before any balance of funds in any other fund lower in the order of priority of said funds set forth in paragraph (b) of this subsection (22) shall constitute all or part of said state emergency reserve. To the extent that the balance of funds, or any portion thereof, in one or more of the funds set forth in paragraph (b) of this subsection (22) are not necessary to be in compliance with said constitutional provision, said balance of funds, or portion thereof, shall not be designated to constitute any portion of said emergency reserve.*

*(b) The funds designated to constitute the state emergency reserve for the 2008-09 fiscal year are:*

- (I) The major medical insurance fund, created in section 8-46-202 (1) (a), Colorado Revised Statutes, up to a maximum of \$64,000,000;*
- (II) The subsequent injury fund, created in section 8-46-101 (1) (b) (I), Colorado Revised Statutes, up to a maximum of \$16,000,000;*
- (III) The workers' compensation cash fund, created in section 8-44-112 (7) (a), Colorado Revised Statutes, up to a maximum of \$14,000,000;*
- (IV) The wildlife cash fund and fund equity, created in section 33-1-112 (1), Colorado Revised Statutes, up to a maximum of \$100,000,000; and*
- (V) Up to \$114,500,000 of state properties as designated by the Governor.*





# CAPITAL CONSTRUCTION

*Budget Reduction Proposal  
January 15, 2009*

**Todd Saliman**  
OSPB Director

## Freeze Additional Pre-construction Capital Construction Projects

### Proposal:

OSPB proposes to freeze current capital construction and controlled maintenance projects that have not broken ground. This will cause the following amounts to be deappropriated and transferred to the Higher Education Maintenance and Reserve Fund.

FY 2008-09 Long Bill Currently Frozen Projects	\$50,278,532
Additional Projects Funded but Not Under Construction	\$43,411,136
<b>Total Deappropriated</b>	<b>\$94,645,250</b>

### Summary of Request:

- On October 1, 2008, the Governor froze a limited list of projects that were funded in the FY 2008-09 Long Bill (HB 08-1375). The list did not include controlled maintenance, projects that had started construction, or urgent life/safety projects. The list of currently frozen projects is as follows:

Delayed Capital Construction Fund Projects FY 2008-09				
Institution / Agency	Title	FY 2008-09 Long Bill	Expenses	FY 2008-09 Long Bill Less Expenses
CSU-Fort Collins	CSU-Fort Collins Clark Building Revitalization	\$2,000,000	\$130,674	\$1,869,326
CU-Boulder	CU-Boulder Ekeley Renovation	\$11,559,536	\$391,789	\$11,167,747
CU-Boulder	CU-Boulder Ketchum Arts and Sciences Capital Renewal	\$8,435,946	\$47,196	\$8,388,750
CSM	CSM Hall of Justice Demolition/Classroom Improvements, Phase 2	\$3,516,697	\$324,540	\$3,192,157
PCC	PCC Academic Building - Learning Center	\$2,971,482	\$0	\$2,971,482
DMVA	Grand Junction Readiness Center	\$3,994,432	\$56,343	\$3,938,089
Human Services	CMHIFL Cottage Air Conditioning	\$1,806,035	\$0	\$1,806,035
UNC	UNC Butler Hancock Interior Renovation	\$3,000,000	\$2,355	\$2,997,645
CSU-Pueblo	CSU-Pueblo Academic Resource Center Renovation Addition	\$2,797,436	\$2,685	\$2,794,751
CSM	CSM Brown Hall Addition - Phase I of 1	\$2,000,000	\$0	\$2,000,000
CNCC	CNCC Craig Academic Center	\$1,990,056	\$0	\$1,990,056
Corrections	Fort Lyon Correctional Facility Phase III Expansion	\$7,162,494	\$0	\$7,162,494
<b>Total</b>		<b>\$51,234,114</b>	<b>\$955,582</b>	<b>\$50,278,532</b>

Reduction from appropriation does not include encumbrances

The Office of State Planning and Budgeting proposes that these projects be de-appropriated and the funds transferred into the Higher Education Maintenance and Reserve Fund, authorized in SB 08-218.

- The Office of State Planning and Budgeting has worked with the Office of the State Architect to identify additional capital construction and controlled maintenance projects that were appropriated

through some other bill that have not yet started construction. This list does not include Level 1 Controlled Maintenance. The following list includes projects that are in bid, design, or contracting stage. The total of these projects is \$59.5 million Capital Construction Funds. OSPB has not confirmed these appropriations against law, but assumes it is a close approximate. As it implements this freeze, OSPB will utilize an exemption process to:

- Remove projects where the status is not accurately reflected in this report (the data is several weeks old) and the project is actually in construction as of January 15;
- Remove projects that must be completed to address emergent life and safety issues;
- Make required corrections to the data.

Because the data is from early December, it is possible that some projects have since started construction. In addition, the table shows that there have been some expenses to date. Therefore, OSPB assumed that roughly 80% of the remaining funding will be available for deappropriation. If so, the total would be \$43.4 million. OSPB's recommendation is to freeze these projects effective immediately, after an exemption process is considered.

Agency Name	Project	CCF Appropriation	Dollars Expended	Fiscal Year
Arapahoe Community College	Replace HVAC Equipment, Art and Design Center	\$672,423	\$1,504	FY 08-09
Colorado Historical Society	Ute Indian Museum, Ph 2 of 2	\$2,098,598	\$0	FY 08-09
Colorado Historical Society	Museum Relocation Logistics	\$385,000	\$15,802	FY 08-09
Corrections	Electrical System Improvements, BVCC, Ph 2 of 3	\$534,221	\$0	FY 08-09
Corrections	Waste Water Treatment and Water Storage Tank Repairs, FLCF, Ph 1 of 2	\$540,486	\$43,258	FY 08-09
Corrections	CSP II Expansion - High Custody Expansion, Ph 3 of 3	\$2,000,000	\$0	FY 08-09
Human Services	Suicide Risk Mitigation	\$3,284,215	\$322	FY 08-09
Military and Veterans Affairs	Grand Junction Readiness Center Construction	\$3,994,432	\$653,000	FY 08-09
Military and Veterans Affairs	Lakewood Readiness Center Construction	\$3,330,284	\$133,924	FY 08-09
Public Safety	Alamosa Troop Office, Regional Communications Center, Ph 2 of 2	\$1,217,719	\$0	FY 08-09
Revenue	Fort Morgan, Port of Entry, Eastbound Lane and Scale Pit Repair	\$186,746	\$0	FY 08-09
State Fair - Pueblo	Repair/Replace Infrastructure on Fairgrounds, Ph 2 of 3	\$1,502,276	\$0	FY 08-09
University of Colorado - Boulder	Fire Safety Upgrades, Ph 2 of 2	\$418,063	\$2,400	FY 08-09
University of Colorado - Boulder	Visual Arts Complex, Ph 3 of 3	\$7,070,000	\$0	FY 08-09
University of Colorado - Colorado Springs	Repair/Replace University Hall Rooftop Units, Ph 1 of 2	\$431,436	\$33,000	FY 08-09
Arapahoe Community College	Structural/Exterior Concrete Repair Main Bldg	\$439,602	\$13,108	FY 07-08
Capitol Complex Facilities	Repair Passenger and Freight Elevators in Annex and Centennial Buildings, Ph 3 of 3	\$975,295	\$0	FY 07-08
Capitol Complex Facilities	Fire Alarm System Upgrades at State Human Services Building, Ph 2 of 2	\$1,251,965	\$0	FY 07-08
Capitol Complex Facilities	Variable Air Volume Boxes Replacement at Centennial Building, Ph 1 of 2	\$993,473	\$16,530	FY 07-08
Colorado Community College System at Lowry	Upgrade Mechanical System Components, Replace Roof, Building 758	\$644,383	\$49,888	FY 07-08
Colorado Community College System at Lowry	HVAC Upgrades, Building # 967	\$331,372	\$0	FY 07-08

Agency Name	Project	CCF Appropriation	Dollars Expended	Fiscal Year
Colorado Historical Society	Grant Humphreys Mansion Facilities Improvements	\$301,000	\$42,844	FY 07-08
Colorado Historical Society	Ute Indian Museum, Ph 1 of 2	\$146,000	\$12,224	FY 07-08
Colorado Northwestern Community College	Tunnel Repair and Safety Upgrade, Rangely Campus	\$624,030	\$20,000	FY 07-08
Colorado School of Mines	Brown Hall HVAC Replacement, Ph 1 of 3	\$746,900	\$528	FY 07-08
Colorado School of Mines	Replace Failed Corroded Piping, Ph 1 of 2	\$410,730	\$23,461	FY 07-08
Colorado School of Mines	Hall of Justice Demolition and Related Classroom Improvements, Ph 1 of 2	\$2,841,145	\$313,415	FY 07-08
Colorado State University	Pitkin Station Electrical Switchgear Replacement	\$580,800	\$576,391	FY 07-08
Colorado State University - Pueblo	Replace Campus Water Lines, Ph 1 of 2	\$283,589	\$15,014	FY 07-08
Agriculture - Zuni & Insectary	Insectary Upgrade, Palisade	\$582,009	\$35,472	FY 07-08
Corrections	Roof Replacement, CTCF and BVCC, Ph 2 of 5	\$163,943	\$0	FY 07-08
Corrections	Electrical System Improvements, BVCC, Ph 1 of 3	\$653,590	\$11,932	FY 07-08
Corrections	Lock/Door Control Replacement, CWCF	\$466,167	\$33,246	FY 07-08
Human Services	Replace Fire Hydrant and Water Mains, CMHIFL	\$705,999	\$45,416	FY 07-08
Human Services	Heat Plant Repair and Equipment Replacement, GJRC	\$811,010	\$8,770	FY 07-08
Human Services	Repair/Replace Roofs, CMHIFL, Ph 1 of 3	\$406,340	\$13,456	FY 07-08
Human Services	CSVC at Homelake - Domiciliary Renovations, Ph 2 of 3	\$917,095	\$426,082	FY 07-08
Human Services	Suicide Risk Assessment and Prevention at CMFIFL	\$160,000	\$18,560	FY 07-08
Human Services	Program Plan Adams Youth Services Center Replacement	\$185,200	\$162,532	FY 07-08
Military and Veterans Affairs	Building System Revitalization, Ph 2 of 2	\$938,000	\$0	FY 07-08
Revenue	Fire Suppression System at 1881 Pierce	\$54,190	\$5,000	FY 07-08
Fort Lewis College	Electrical Distribution System Improvements, Ph 2 of 2	\$728,153	\$0	FY 07-08
Fort Lewis College	Central Campus Infrastructure Improvements, Ph 1 of 3	\$463,925	\$59,630	FY 07-08
Lamar Community College	Window Replacement and Exterior Wall Repair, Bowman/Trustees Buildings	\$677,467	\$4,923	FY 07-08
Office of Information Technology	Transmitter Site Tower Analysis/Emergency Repairs	\$200,000	\$153,857	FY 07-08
Pikes Peak Community College	Remove/Replace "D" Parking Lot Stairs and Scarify/Riprap Hillside	\$274,933	\$24,435	FY 07-08
Pueblo Community College	Repair/Replace Electrical Distribution Panels, Central Administration	\$370,008	\$10,545	FY 07-08
State Capitol Building	Repair/Replace All Elevators	\$549,350	\$0	FY 07-08
State Fair - Pueblo	Repair/Replace Infrastructure on Fairgrounds, Ph 1 of 3	\$830,000	\$0	FY 07-08
University of Colorado - Boulder	Repair/Replace Building Electrical Services, Ph 2 of 4	\$507,011	\$18,067	FY 07-08
University of Colorado - Boulder	Upgrade Building Transformers/Electrical Services, Ph 1 of 2	\$535,203	\$50,931	FY 07-08
University of Colorado - Boulder	Main Campus Tunnel Security, Ph 1 of 3	\$100,907	\$899	FY 07-08
University of Colorado - Boulder	Ekeley Sciences Middle Wing Renovation, Ph 1 of 2	\$2,567,767	\$668,128	FY 07-08

Agency Name	Project	CCF Appropriation	Dollars Expended	Fiscal Year
University of Colorado - Boulder	Ketchum Arts & Sciences Building Capital Renewal, Ph 1 of 2	\$991,015	\$237,386	FY 07-08
Colorado State University - Pueblo	Campus Structural Analysis	\$386,100	\$64,190	FY 06-07
Agriculture - Zuni and Insectary	Biochemistry Lab Building HVAC and Roof Replacement	\$295,621	\$44,120	FY 06-07
Human Services	Replace Deteriorated Campus Infrastructure System, CMHIFL, Ph 1 of 6	\$1,309,195	\$123,334	FY 06-07
Human Services	CSVC at Homelake - Domiciliary Renovations, Ph 3 of 3	\$750,000	\$0	FY 06-07
Military and Veterans Affairs	Building System Revitalization, Ph 1 of 2	\$544,000	\$40,000	FY 06-07
Mesa State College	Campus Fire Alarms	\$670,000	\$7,019	FY 06-07
University of Colorado - Boulder	Storm/Sanitary Sewer Cross Connection, Ph 1 of 2	\$158,734	\$27,113	FY 06-07
Capitol Complex Facilities	Capitol Complex Master Plan	\$1,700,000	\$363,539	FY 05-06
Human Services	CSVC at Homelake - Domiciliary Renovations, Ph 1 of 3	\$288,200	\$288,200	FY 05-06
Human Services	CSVC at Homelake - Domiciliary Renovations, Ph 1 of 3	\$288,200	\$288,200	FY 05-06
<b>TOTAL</b>		<b>\$59,465,515</b>	<b>\$5,201,595</b>	
<b>Less Dollars Expended</b>		<b>(\$5,201,595)</b>		
<b>New Total</b>		<b>\$54,263,920</b>		
<b>80%</b>		<b>\$43,411,136</b>		

CCF = Capital Construction Funds

Reduction from appropriation does not include encumbrances

The Office of State Planning and Budgeting proposes that these projects that do not receive an exemption be deappropriated by the unexpended amount and the funds transferred into the Higher Education Maintenance and Reserve Fund, authorized in SB 08-218.

#### Assumptions and Tables to Show Calculations:

These lists are not intended to include projects that are currently FML funded. OSPB did not eliminate any projects automatically that may need to not be frozen.

The Office of the State Architect provided the core data for this report; OSPB manipulated it to eliminate completed projects and projects without funding.

For the purpose of the Office of State Planning and Budgeting General Fund overview, and recommendation for transfer from the Capital Construction Fund (CCF) to the Higher Education Maintenance and Reserve Fund (HEMAR), the amounts were split into fiscal years:

	Appropriation	Dollars Expended	New Total	80%
FY 2008-09	\$27,665,899	\$883,210	\$26,782,689	\$21,426,151
Prior to FY 2008-09	\$31,799,616	\$4,318,385	\$27,481,231	\$21,984,985

#### Current Statutory Authority or Needed Statutory Change:

Statutory change is needed to transfer these funds to the Higher Education Maintenance and Reserve Fund. A budget bill is also needed to deappropriate the projects.



# OFFICE OF THE GOVERNOR

*Policy Change Proposal*  
*January 15, 2009*

*Todd Saliman*  
Director, OSPB

## *Proposal to Utilize Higher Education Maintenance and Reserve Fund*

### **Proposal:**

De-appropriation of certain capital construction projects appropriated in FY 2008-09 will result in a reduced obligation to the Capital Construction Fund of \$71.7 million. In addition, the Capital Construction Fund will contain an unobligated cash balance due to additional reductions in obligations for prior fiscal year projections that have not yet begun (estimated at \$22.0 million). Therefore, this proposal assumes that \$90 million in Capital Construction Fund dollars, plus the anticipated Federal Mineral Lease revenues from bonus payments, and interest, would be transferred in equal amounts of \$47.2 million over each of the next three fiscal years to help with anticipated General Fund revenue shortfalls.

### **Summary of Request:**

- As announced during the Governor's press conference held on September 25, 2008, the State has suspended many capital construction projects during FY 2008-09. Included in these projects were construction jobs appropriated in FY 2008-09 which had not already broken ground and that were not exempt from the suspension due to a life or safety issue. De-appropriation of these projects, as well as eliminating all funding for controlled maintenance, is anticipated to equal \$71.7 million in FY 2008-09.
- Capital construction projects appropriated in previous fiscal years are also not anticipated to have fully begun construction. It is anticipated that de-appropriating a fraction of these prior projects will result in approximately another \$22.0 million in available Capital Construction Fund balance.
- Based on the above reduction to Capital Construction Fund balance, this proposal assumes a \$90 million transfer from the Capital Construction Fund to the Higher Education Maintenance and Reserve Fund.
- Federal Mineral Lease bonus payments are anticipated to equal \$67.4 million (due to the Roan Plateau sale), \$16.6 million, and \$17.0 million for FY 2008-09 through FY 2010-11. Half of these estimated revenues are deposited into the Higher Education Maintenance and Reserve Fund.

### **Assumptions and Tables to Show Calculations:**

- All transfer to the General Fund is assumed to occur on June 30.
- Interest earnings are assumed to reflect a three and one-half percent annualized rate of return. For FY 2008-09, interest earnings on the capital construction savings are assumed to reflect only four months of interest. Subsequent fund balance amounts are assumed to receive a full year's interest earnings.
- Calculations are based on Federal Mineral Lease bonus payment projections included in the December 19, 2008 OSPB revenue forecast and are assumed to be deposited equally throughout the fiscal year, accruing interest for only six months.

<b>Higher Education Maintenance and Reserve Fund (in millions)</b>	<b>FY 2008-09*</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>
FY 2008-09 Capital Construction Fund Transfer	\$90.0	N/A	N/A
Balance from Prior Fiscal Year	N/A	\$77.7	\$38.8
Interest Earnings at 3.5% to June 30	\$1.1	\$2.7	\$1.4
Federal Mineral Lease Bonus Payments	\$33.7	\$8.3	\$8.5
Interest Earnings at 3.5% to June 30	\$0.2	\$0.0	\$0.0
Balance in Fund Before Transfer	\$124.9	\$86.0	\$47.3
<b>Transfer to the General Fund</b>	<b>(\$47.2)</b>	<b>(\$47.2)</b>	<b>(\$47.2)</b>
Balance in Fund After Transfer	\$77.7	\$38.8	\$0.0

**Current Statutory Authority or Needed Statutory Change:**

Legislation would be required to appropriate funding that is currently appropriated to capital construction to be appropriated to the Higher Education Maintenance and Reserve Fund. In addition, language would need to be included to allow for transfers from the Higher Education Maintenance and Reserve Fund to the General Fund.



# OFFICE OF THE GOVERNOR

*Policy Change Proposal*  
*January 15, 2009*

**Todd Saliman**  
Director, OSPB

## *Proposal to Reduce the Statutory 4.0% General Fund Reserve Requirement*

### **Proposal:**

This legislative proposal would reduce the current statutory four percent General Fund reserve requirement to zero percent for FY 2008-09 and two percent for FY 2009-10. Subsequent to these two fiscal years, the statutory reserve would return to the full statutory four percent. *At this time, the Governor recommends a General Fund Reserve of \$142.5 million to be included for budget balancing in FY 2008-09.*

### **Summary of Request:**

- This proposal would result in a General Fund Reserve of \$142.5 million in FY 2008-09, versus a full four percent statutory General Fund reserve (calculated to equal \$294.9 million), to be utilized when balancing the current year budget. Repayment of funds utilized below the four percent threshold would occur in FY 2010-11, once the reserve requirement was returned to the full four percent level.
- Similar actions to reduce the General Fund reserve have occurred over the past two decades. The table below outlines the statutory requirements by fiscal year since FY 1989-90. In addition to the noted percentages below, restrictions have been placed on the use of diverted General Fund reserve dollars – in FY 1990-91, the additional revenue was only allowed to be used to alleviate prison overcrowding – whereas other years allowed diverted revenues to be spent for any lawful purpose.

Fiscal Year	Reserve Percent	Fiscal Year	Reserve Percent
FY 1989-90	4.0%	FY 1998-99	4.0%
FY 1990-91	3.0%	FY 1999-00	4.0%
FY 1991-92	3.0%	FY 2000-01	4.0%
FY 1992-93	3.0% less \$14 million	FY 2001-02	0.0%
FY 1993-94	4.0%	FY 2003-04	3.0% less \$37 million
FY 1994-95	4.0%	FY 2004-05	4.0%
FY 1995-96	4.0%	FY 2005-06	4.0%
FY 1996-97	4.0%	FY 2006-07	4.0%
FY 1997-98	4.0%	FY 2007-08	4.0%

### **Assumptions and Tables to Show Calculations:**

- For forecasting purposes, the maximum allowable statewide General Fund appropriation for FY 2008-09 is equal to \$7,546.9 million. This amount was determined based on the prior year's actual General Fund appropriation of \$7,087.8 million, plus an additional \$31.9 million in General Fund appropriations exempt from the six percent limit (predominately due to Medicaid overexpenditures in FY 2007-08), all increased by six percent.

- The current FY 2008-09 General Fund appropriation based on the 2008 legislative session was, however, \$7,519.2 million; \$27.7 million lower than the allowable limit (largely due to the Medicaid overexpenditure occurring after the 2008 legislative session had ended).
- Based on submitted and approved Emergency Supplemental requests of \$895,403, regular Supplemental requests submitted on January 3, 2009 of \$4,148,532, and a placeholder for anticipated Medicaid and Department of Human Service supplemental needs of \$15.6 million; a revised General Fund appropriation level of \$7,539.9 million is estimated, prior to any budget cuts for the current fiscal year. This revised appropriation level is roughly \$7.0 million lower than the allowable six percent General Fund appropriation growth limit.
- Based on one-time and on-going cuts proposed in this January 15, 2009 Budget Balancing binder of \$166.3 million, a revised General Fund appropriation level of \$7,373.6 million is being proposed by the Governor. On a revised General Fund appropriation of \$7,373.6 million, a re-calibrated four percent General Fund reserve amount would equal \$294.9 million.
- Based on revenue policy change proposals (equal to \$289.7 million) and decreases in General Fund obligations (equal to \$201.1 million) included in this January 15, 2009 Budget Balancing Binder, this proposal recommends only a partial General Fund Reserve. Based on a revised General Fund appropriation of \$7,374.1 million, this proposal requests a Reserve of \$142.5 million, equal to 1.93 percent, rather than the full four percent, of the revised General Fund Appropriation.

<b>General Fund Revenues</b>	<b>LCS Dec 19 Forecast</b>	<b>Jan 15 Budget Balancing</b>
Revenue Projection Based on Current Economic Conditions	\$7,527.2	\$7,527.2
<i>Increases from January 15 Budget Balancing Binder</i>	<i>N/A</i>	<i>\$291.4</i>
<b>Total Revenue</b>	<b>\$7,527.2</b>	<b>\$7,818.6</b>

<b>General Fund Obligations</b>	<b>LCS Dec 19 Forecast</b>	<b>Jan 15 Budget Balancing</b>
Maximum GF Appropriation Level Under 6% Limit	\$7,546.9	\$7,546.9
<i>Proposed GF Cuts from January 15 Budget Balancing Binder</i>	<i>(\$631.9)</i>	<i>(\$166.3)</i>
<i>Reduction to Maximum GF Appropriation Limit</i>	<i>N/A</i>	<i>(\$7.0)</i>
<b>Revised GF Appropriations Under 6% Limit</b>	<b>\$6,915.0</b>	<b>\$7,373.6</b>
Current GF Obligations Exempt from 6% Limit	\$335.6	\$335.6
<i>Reduction to FPPA from January 15 Budget Balancing Binder</i>	<i>N/A</i>	<i>(\$34.8)</i>
<b>Revised GF Obligations Exempt from the 6% Limit</b>	<b>\$335.6</b>	<b>\$300.8</b>
<b>Total GF Obligations - Except for GF Reserve</b>	<b>\$7,250.6</b>	<b>\$7,674.3</b>
General Fund Reserve	\$276.6	\$276.6
<i>Reduction to Reserve from January 15 Budget Balancing Binder</i>	<i>N/A</i>	<i>(\$134.1)</i>
<b>General Fund Reserve (Based on Revised GF Appropriations)</b>	<b>\$276.6</b>	<b>\$142.5</b>
<i>General Fund Reserve Percentage</i>	<i>4.00%</i>	<i>1.93%</i>
<b>Total GF Obligations - Including GF Reserve</b>	<b>\$7,527.2</b>	<b>\$7,816.8</b>

**Current Statutory Authority or Needed Statutory Change:**

This proposal would require a statutory change to 24-75-201.1 (1) (d) (III), C.R.S. (2008) to reflect a revision to the current statutory requirement of four percent.