

STATE OF COLORADO

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Bill Ritter, Jr.
Governor
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Director

January 27, 2010

The Honorable Jack Pommer
Chairman
Joint Budget Committee
Colorado General Assembly
200 East 14th Avenue, 3rd Floor
Denver, CO 80203

Dear Representative Pommer:

Today I present the initiatives to balance the State's FY 2009-10 General Fund budget, in response to the December 2009 Legislative Council General Fund revenue forecast. This January 27th Budget-Balancing Plan contains \$49.1 million in General Fund balancing initiatives. This Plan responds to the General Fund revenue change outlined in the Legislative Council Staff December 2009 economic forecast based on current expenditures.

This FY 2009-10 balancing plan follows over \$2.2 billion General Fund of other budget and budget-balancing actions for FY 2009-10.

- The General Assembly balanced \$1.5 billion General Fund in the 2009 Session. Note that this figure is refined and revised from earlier reports. This included \$1.0 billion of General Fund expenditure reductions, \$389.3 million of General Fund revenue augmentation, and \$149.1 million of adjustments to the General Fund reserve.
- OSPB submitted a June 2009 H.B. 98-1331 "emergency" request to use federal ARRA funds in the Department of Corrections saved \$45.4 million General Fund in FY 2009-10.
- My August 25, 2009 balancing package was based on the revenues in the *June 2009* Legislative Council Staff economic forecast. The August 25, 2009 Budget Balancing Plan provided over \$313.4 million of balancing initiatives for FY 2009-10. This included \$260.0 million of General Fund expenditure reductions, and \$41.4 million of General Fund revenue augmentation, and \$11.9 million of General Fund reserve adjustments to calibrate the 2.0 percent reserve to the lower General Fund expenditure level.
- My December 1, 2009 balancing package responded to the revenue decrease in the *September 2009* Legislative Council Staff economic forecast. The December 1, 2009 balancing plan contained \$276.3 million General Fund of balancing initiatives. This balancing plan included a net \$203.7 million of General Fund reductions, \$68.5 million

of General Fund revenue augmentation, and \$4.1 million of General Fund reserve adjustments to calibrate to the lower General Fund expenditure level.

- The January 4, 2010 "regular" requests reduced \$684,476 General Fund expenditures in FY 2009-10. Budget amendments for FY 2010-11 were also submitted on this date, summarized below.

These balancing actions for FY 2009-10 were done in concert with balancing the FY 2010-11 request.

January 27, 2010 Balancing Initiatives for FY 2009-10

The December 2009 Legislative Council Staff economic forecast results in a further General Fund budget shortfall for FY 2009-10 compared to FY 2009-10 General Fund expenditure estimates. As noted above, significant balancing measures for FY 2009-10 have already been submitted on August 25, 2009 and December 1, 2009, totaling \$589.7 million. With this January 27, 2010 balancing package totaling \$49.1 million, the FY 2009-10 General Fund budget-balancing requests submitted since the end of the 2009 Legislative Session totals \$638.8 million.

This January 27, 2010, General Fund Budget Balancing Plan for FY 2009-10 contains General Fund initiatives totaling \$49.1 million. These initiatives include General Fund expenditure reductions of \$16.7 million, General Fund revenue augmentation totaling \$32.1 million, and a General Fund reserve adjustment of \$272,857 to calibrate to the lower General Fund expenditures on which the reserve is calculated.

FY 2009-10 General Fund Expenditure Reductions

My January 27, 2010, General Fund Balancing Plan for FY 2009-10 contains \$16.7 million in General Fund expenditure reductions, including a net \$13.6 million in General Fund appropriations and \$3.1 million in General Fund obligations/expenditures not appropriated in the budget.

- The \$13.6 million in net reductions in General Fund appropriations includes the following initiatives:
 - ✓ \$9.6 million General Fund is reduced in the Department of Corrections attributable to lower caseload projections in FY 2009-10.
 - ✓ \$5.5 million General Fund is reduced in the Department of Higher Education, refinanced with federal funds from the federal ARRA waiver.
 - ✓ Against these reductions, \$1.5 million General Fund is increased in the Department of Corrections. This sum reduces the Government Services Fund from the State Fiscal Stabilization Fund (ARRA 18 percent funds) used in the

Department of Corrections that were proposed in the December 1, 2009 budget balancing package.

- A total of \$3.1 million General Fund is reduced in General Fund expenditures/obligations from the OSPB December 2009 forecast in the area of General Fund Obligations/Expenditures, lowering the FY 2009-10 estimate from \$5.2 million to a revised estimate of \$2.1 million.

FY 2009-10 General Fund Revenue Enhancements

The January 27, 2010 FY 2009-10 Budget Balancing Plan contains \$32.1 million of General Fund revenue enhancements. These revenue enhancements include adjustments to tax credits of \$18.77 million and cash fund transfers totaling \$13.3 million.

My FY 2009-10 budget balancing plan's changes to tax credits and exemptions for FY 2009-10 enhance the General Fund revenue by \$18.77 million. These include the following General Fund proposals:

- ✓ \$9.6 million associated with a March 1, 2010 start-date for suspending the tax exemption for industrial and manufacturing energy use, thus providing for an impact of this exemption to be realized in FY 2009-10.
- ✓ \$3.58 million associated with a March 1, 2010 start-date for eliminating the tax exemption for candy and soft drinks, thus providing for an impact of this exemption to be realized in FY 2009-10.
- ✓ \$3.0 million associated with a March 1, 2010 start-date for eliminating the tax exemption for software, thus providing for an impact of this exemption to be realized in FY 2009-10.
- ✓ \$1.0 million associated with a March 1, 2010 start-date for eliminating the tax exemption for enforcing sales tax collections of online purchases, thus providing for an impact of this exemption to be realized in FY 2009-10.
- ✓ \$580,000 associated with a March 1, 2010 start-date for suspending the tax exemption for pesticides, thus providing for an impact of this exemption to be realized in FY 2009-10.
- ✓ \$420,000 associated with a March 1, 2010 start-date for eliminating the tax exemption for non-essential food containers, thus providing for an impact of this exemption to be realized in FY 2009-10.

- ✓ \$300,000 associated with a March 1, 2010 start-date for suspending the tax exemption for agricultural compounds and bull semen, thus providing for an impact of this exemption to be realized in FY 2009-10.
 - ✓ \$290,000 associated with a March 1, 2010 start-date for eliminating the tax exemption for direct mail advertising, thus providing for an impact of this exemption to be realized in FY 2009-10.
- The cash fund transfers to the General Fund totaling \$13.3 million include the following:
- ✓ \$4.8 million of Cash Fund transfers from the Local Government Severance Tax Fund in the Department of Local Affairs based on the higher December 2009 OSPB forecast for this Fund.
 - ✓ \$4.3 million from the Higher Education Federal Mineral Lease Maintenance and Reserve Fund.
 - ✓ \$4.2 million from the Fitzsimons Trust Fund used to pay Certificates of Participation for the Anschutz Medical Campus.

FY 2009-10 General Fund Reserve Adjustment

While State law allows me to maintain a 1.0 percent General Fund reserve, my FY 2009-10 Budget Balancing Plan continues to set the General Fund appropriations reserve at 2.0 percent of General Fund dollars subject to the appropriations limit. While still maintaining a reserve based on 2.0 percent of General Fund appropriations, the General Fund reserve assumption is lowered by \$0.3 million. This adjustment is attributable to calibrating the reserve for reductions in the General Fund spending on which the reserve calculation is based.

Summary

In closing, my balanced budget for FY 2009-10 continues to maintain critical services that our citizens expect while balancing the General Fund budget to the most conservative General Fund revenue forecast. I look forward to continuing our work together to provide critical state services and foster economic growth.

Sincerely,



Governor Bill Ritter, Jr.

cc: Senator Moe Keller, Joint Budget Committee Vice-chairman
Senator Al White, Joint Budget Committee Member
Senator Abel Tapia, Joint Budget Committee Member
Representative Mark Ferrandino, Joint Budget Committee Member
Representative Kent Lambert, Joint Budget Committee Member
Speaker of the House Terrance Carroll
Senate President Brandon Shaffer
Mr. John Ziegler, Joint Budget Committee Staff Director
Mr. Todd Saliman, Director, Office of State Planning and Budgeting
Mr. Jim Carpenter, Chief of Staff, Governor Bill Ritter, Jr.
Mr. Don Elliman, Chief Operating Officer, Governor Bill Ritter, Jr.