



Week's *Wirth*

June 25, 2010

On Tuesday of this week the state's economists presented the state's revenue forecast to the Joint Budget Committee based on new quarterly revenue data. Largely as a result of decreases in small business income tax receipts, the state will have to do further budget balancing work for FY 2009-10. During the legislative interim the Governor has authority to propose cuts, and the JBC may act on them without the legislature's approval. The balancing plan presented by the Governor will address an estimated additional \$75 million needed to allow Colorado to keep up its constitutionally mandated General Fund Reserve.

Economists were quick to point out that Colorado, although lagging behind the nation, is in fact in "recovery." That's the good news. The bad news is economists are not able to predict "headwinds" that could be experienced as Colorado continues to pull out of the recession. This lack of predictability continues to make revenue estimates volatile moving forward.

FY 2010-11

Based on the 2010 legislative session, FY 2010-11 General Fund appropriations subject to limitation under 24-75-201.1, C.R.S. equal \$6,993.8 million. This is an increase of 6.0 percent over FY 2009-10 appropriated levels, after adjusting for the MMIS Medicaid provider payment delay. Based on this June OSPB revenue forecast and due to the projected FY 2009-10 shortfall previously described, preliminary General Fund revenue estimates indicate a FY 2010-11 shortfall of \$214.5 million (line 25, Table 1) below a full 4.0 percent General Fund Reserve.

FY 2011-12

The Executive Branch began its fiscal planning process for FY 2011-12 early in the 2010 calendar year. Part of this process has been the continuous consideration of available revenue for that fiscal year, as well as any and all one-time budget balancing actions that expire during or prior to FY 2011-12. Due to the increased demand for General Fund following periods of economic contractions (most notably seen in Medicaid and Corrections), the expiration of recent budget balancing actions has been carefully watched, so as to allow for some management in the disparity between available fiscal resources and financial obligations for the upcoming budget year. While this June OSPB forecast projects that expenditures under the limit defined in 24-75-201.1, C.R.S. may increase by as much as \$200.7 million (2.9 percent) over appropriated FY 2010-11 levels (adjusted for the Medicaid payment delay in FY 2009-10), consideration must be given to the loss of enhanced federal financial participation in Medicaid and to increasing the General Fund Reserve back to 4.0 percent.

In summary, the state continues to be in a budget/recovery crisis. Bases of revenue have not stabilized and budget predictability is a thing of the past. The Governor's office will balance the budget as revenues forecasted to be realized are better determined by actual accruals.

On a totally separate note, attached to this issue of Week's Wirth is a registration flyer for our July CAHSA Next event. I hope you can join us!