

Colorado's Budget Outlook



COLORADO FISCAL
POLICY INSTITUTE

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ECONOMIC OUTLOOK

Economic Indicators Sagging

	2007	2008	2009
Unemployment	3.8%	5.2%	6.3%
Personal Income*	6.0%	5.1%	2.7%
Wage and Salary income*	6.5%	5.3%	1.8%
Retail Trade Sales*	6.9%	2.0%	-0.4%
Assessed Valuation**	14.2%	2.8%	4.5%
Inflation	2.2%	3.0%	1.8%

*Annual Rate of Change

**2010 reflects growth rate of -1.8%

When Economy Struggles, Revenue Falls

	FY07-08	FY08-09	FY09-10
Income Tax	2.0%	-7.4%	0.9%
Sales Tax	4.7%	-5.8%	-0.4%
Total General Fund	2.7%	-6.8%	0.7%
Cash Funds	6.9%	5.7%	-8.0%

Demand for Services/Revenue Doesn't Fall

	07-08	08-09	09-10
Population*	2.0%	2.0%	1.5%
School Enrollment*	0.9%	1.3%	1.4%
Adult prison population*	2.1%	2.5%	2.7%
Unemployment	5.2%	6.3%	5.7%

*Annual Rate of Change

Projections May Be Too Rosy

2008 Economic Recession Appears More Severe than 2001 Recession

Current 2008 Projections are Less Dire than 2001-02 Real Experience—
Unemployment, Personal Income, Wage and Salary Income

Expect Further Downward Adjustments

What Happened To Budgets Last Time

Higher Ed Received big cuts

No general fund for Transportation or
Capital Construction

Medicaid Services Reduced

Public Health Services Reduced

What May Happen This Time

More of the Same—Cuts in areas with sources of support beyond general fund

Revenue Enhancements—Fees

Cash Balance reductions

Reductions in Statutory Reserves

What Should Happen

Protect Safety Net

Feed Families

Provide Health Care

Strategic Investments That Create Jobs

Think Long Term--Prepare for eventual recovery

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