

***Colorado's Fiscal Future  
Post Referendum C:  
An Analysis***



**COLORADO FISCAL  
POLICY INSTITUTE**

**CAROL HEDGES  
JIM ZELENSKI**

727 E. 16<sup>th</sup> Ave.  
Denver, Colorado 80203  
[www.cclponline.org](http://www.cclponline.org)  
303-573-5669

# Our Objectives

- Analyze what will happen to the State Budget after the 5-year time-out under Ref. C expires
- Create two scenarios (A and B) about how the economy and revenues will fare *during the 5-year time-out*, to see how much difference this makes in the post-Ref-C period



# “Scenarios”

- **Scenario A**: Leg. Council revenue projections from Dec. 2006 Forecast
- **Scenario B**: adjusts Dec. 2006 revenue forecast for “**slower growth**” during the FY 07-11 period



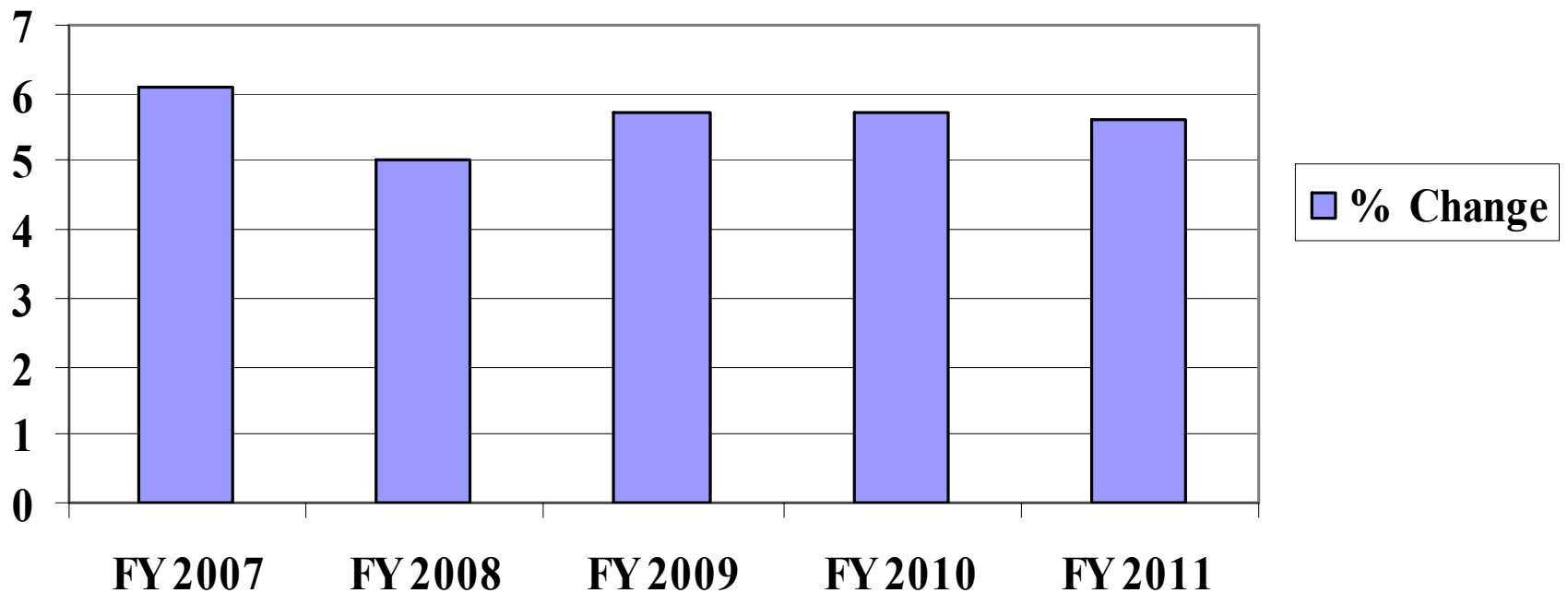
# Scenario A Growth Rates (Gross General Fund)

- Leg. Council (Dec. 2006 forecast)  
Scenario A:
  - FY 2007: 6.1%
  - FY 2008: 5.0%
  - FY 2009: 5.7%
  - FY 2010: 5.7%
  - FY 2011: 5.6%



# Scenario A – Leg. Council (Gross General Fund)

## Scenario A - Leg. Council December. Forecast



# Scenario B Growth Rates

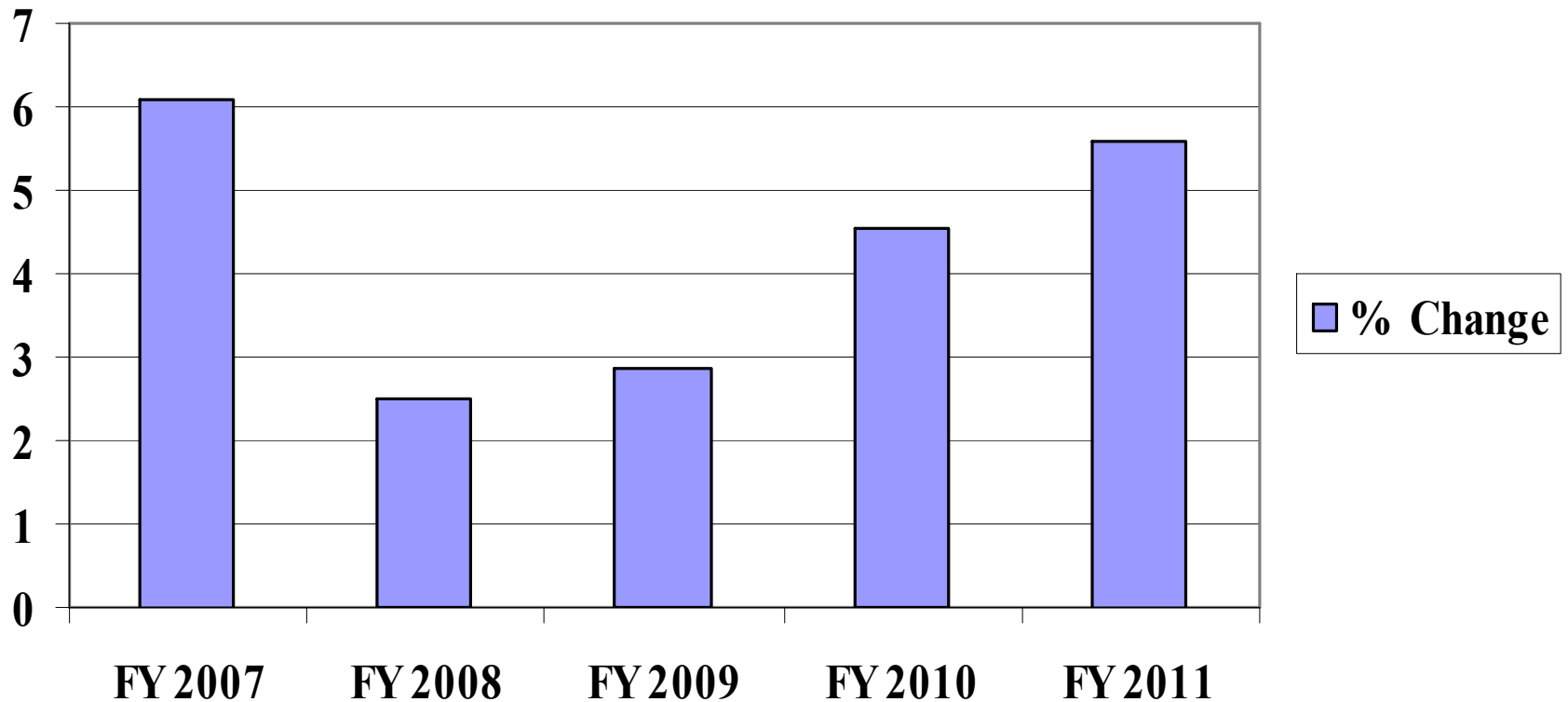
## (Gross General Fund)

- Scenario B “slower growth”:
  - FY 2007: 6.1%
  - FY 2008: **2.5%**
  - FY 2009: **2.85%**
  - FY 2010: **4.56%**
  - FY 2011: 5.6%



# Scenario B – “Slow Growth” (Gross General Fund)

## Scenario B - Early Recession



Each of these scenarios has **two**  
**“Options”** for the years following  
**Ref. C**  
( FY 2012-FY16)

- **“Growth”** -- Like FY 1997-2001
- **“Recession”** -- Like FY 2001-05



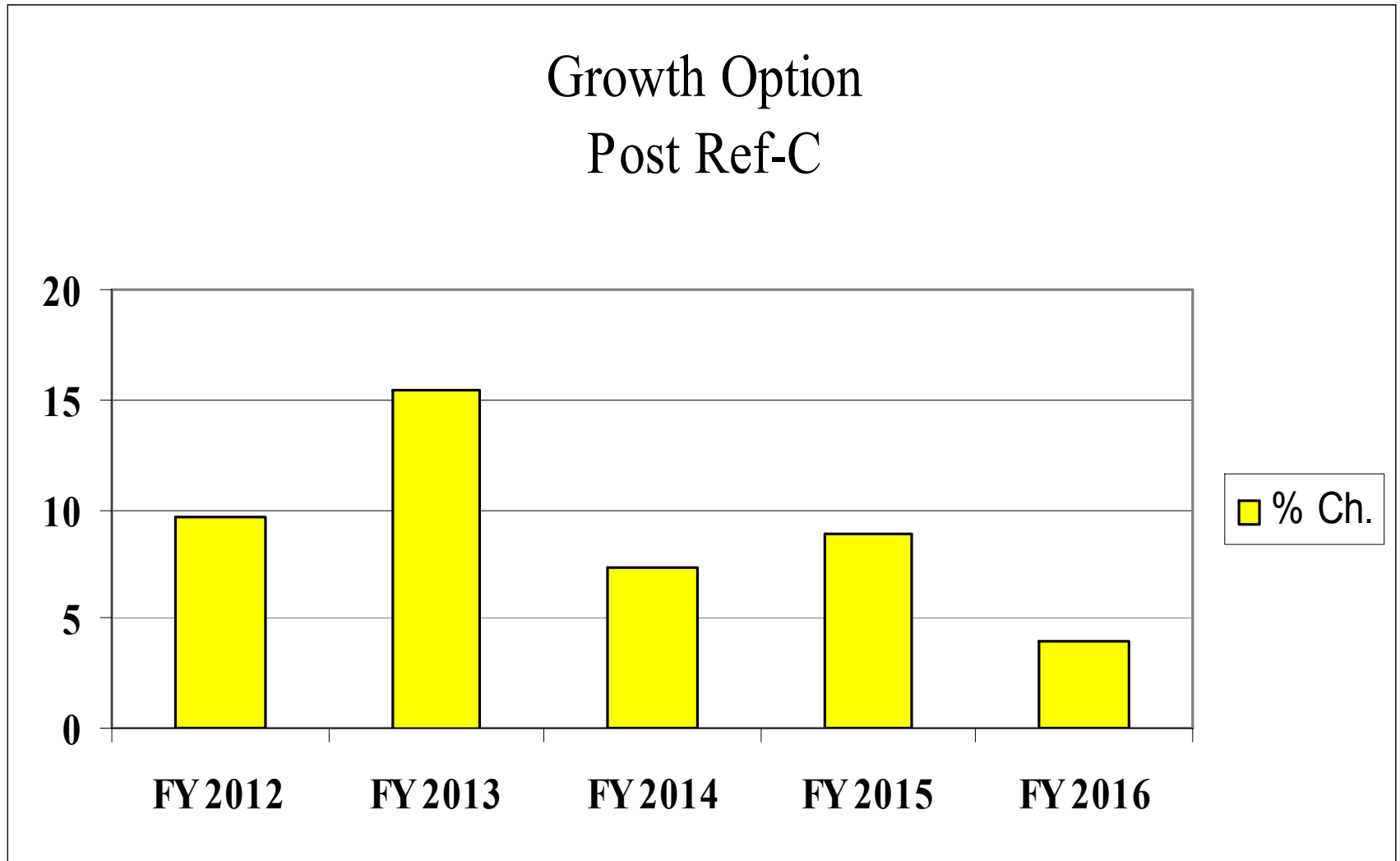
COLORADO FISCAL  
POLICY INSTITUTE

# Post-Ref. C “Growth” Option

- (Mirrors FY 97-01):
  - FY 2012: 9.6%
  - FY 2013: 15.4%
  - FY 2014: 7.3%
  - FY 2015: 8.8%
  - FY 2016: 4.0%



# “Growth” Option (Gross General Fund)



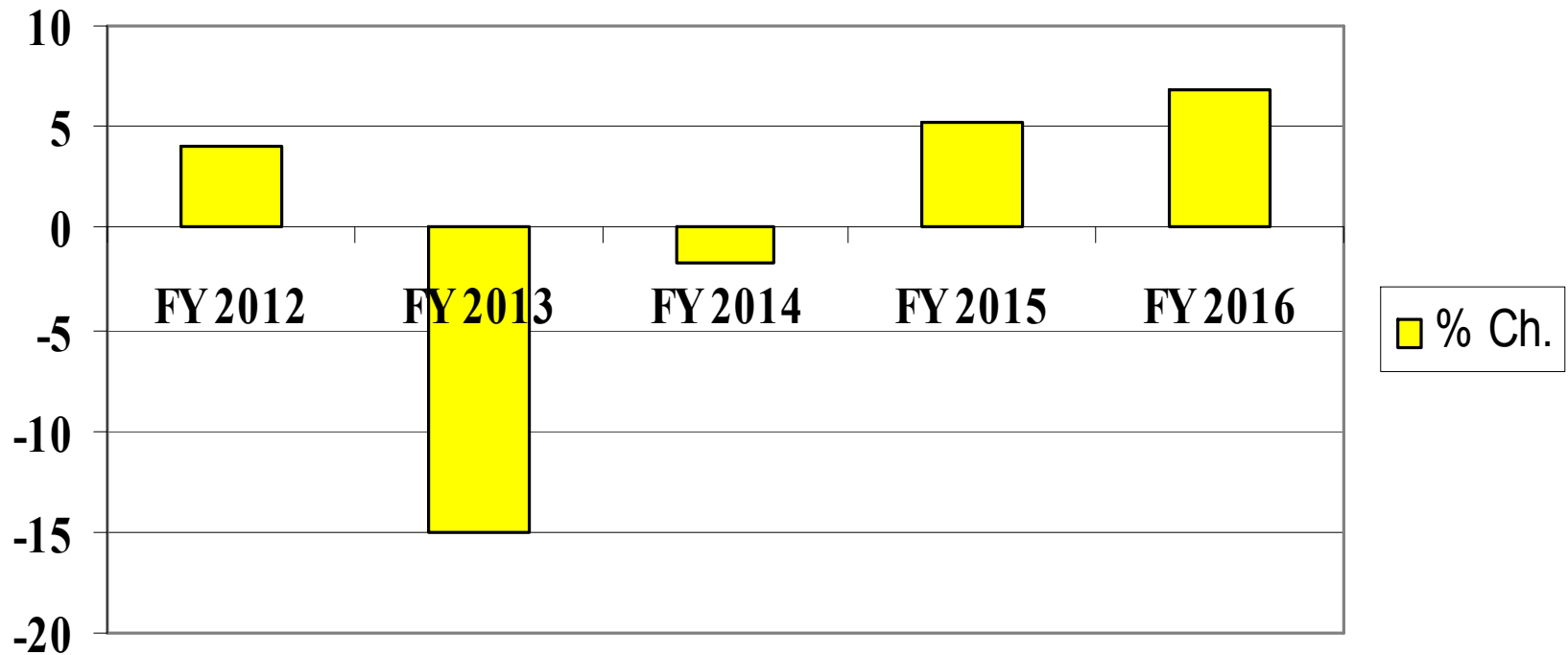
# Post-Ref C “Recession” Option

- (Mirrors FY 2001-05):
  - FY 2012: 4.0%
  - FY 2013: **-15.0%**
  - FY 2014: **-1.7%**
  - FY 2015: 5.3%
  - FY 2016: 6.8%



# “Recession” Option (Gross General Fund)

Severe Recession  
Post Ref-C



# What We Want to Compare

- General Fund Operating **Appropriations** (incl. against the 6%)
- **TABOR Rebates**
- **SB-1 Transfer** Amounts to HUTF
- HB-02-1310 Transfers to Hwys.(2/3) And Capital (1/3)
- Any Changes in **Statutory Reserves**



# Assumptions

- Arveschoug-Bird (statutory 6% GF limit)
- No change in tax rates
- SB-1 in place - HUTF
- HB-1310 allocation of excess reserves to Highways / Capital
- TABOR limits back in place after FY2011
- Begin with current 4% Statutory Reserve



# Scenarios A & B with Growth



COLORADO FISCAL  
POLICY INSTITUTE

# Scenario A with Post Ref. C “Growth” Option (FY 2012-16)

- Operating Spending Increase: \$2.853 B
- TABOR Refunds: \$1.798 B
- SB-1 Transfers: \$1.773 B
- HB-1310 Transfer to Highways: \$2.798 B
- HB-1310 Transfer to Capital: \$1.397 B
- Total Transportation Funding: \$4.591 B



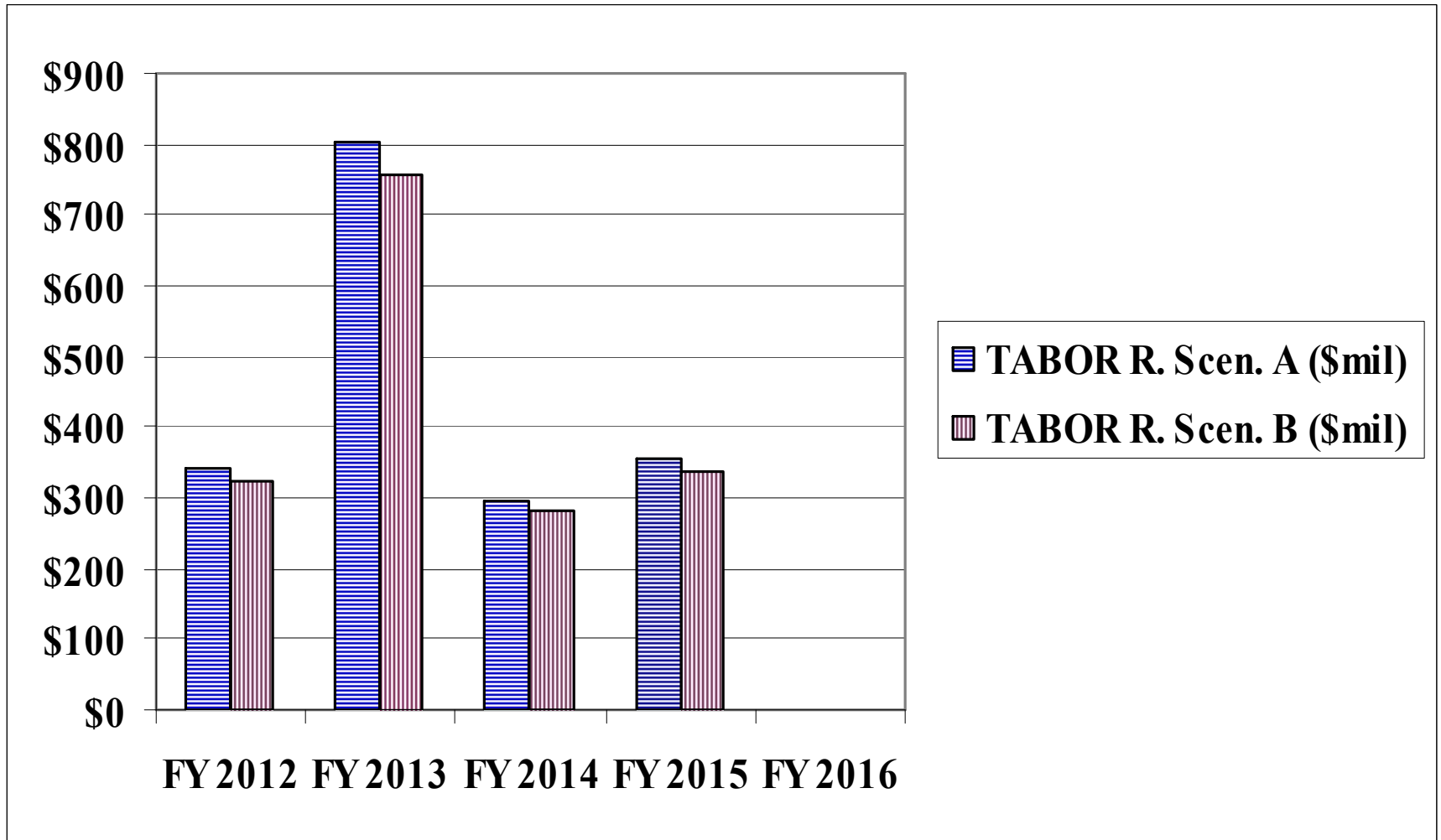
## Scenario B (slow growth) with Post Ref. C “Growth” Option (FY 2012-16)

- Operating Spending Increase: \$2.809 B
- TABOR Refunds: \$1.701 B
- SB-1 Transfers: \$1.427 B
- HB-1310 Transfer to Highways: \$1.152 B
- HB-1310 Transfer to Capital: \$571 M
- Total Transportation Funding: \$2.578 B



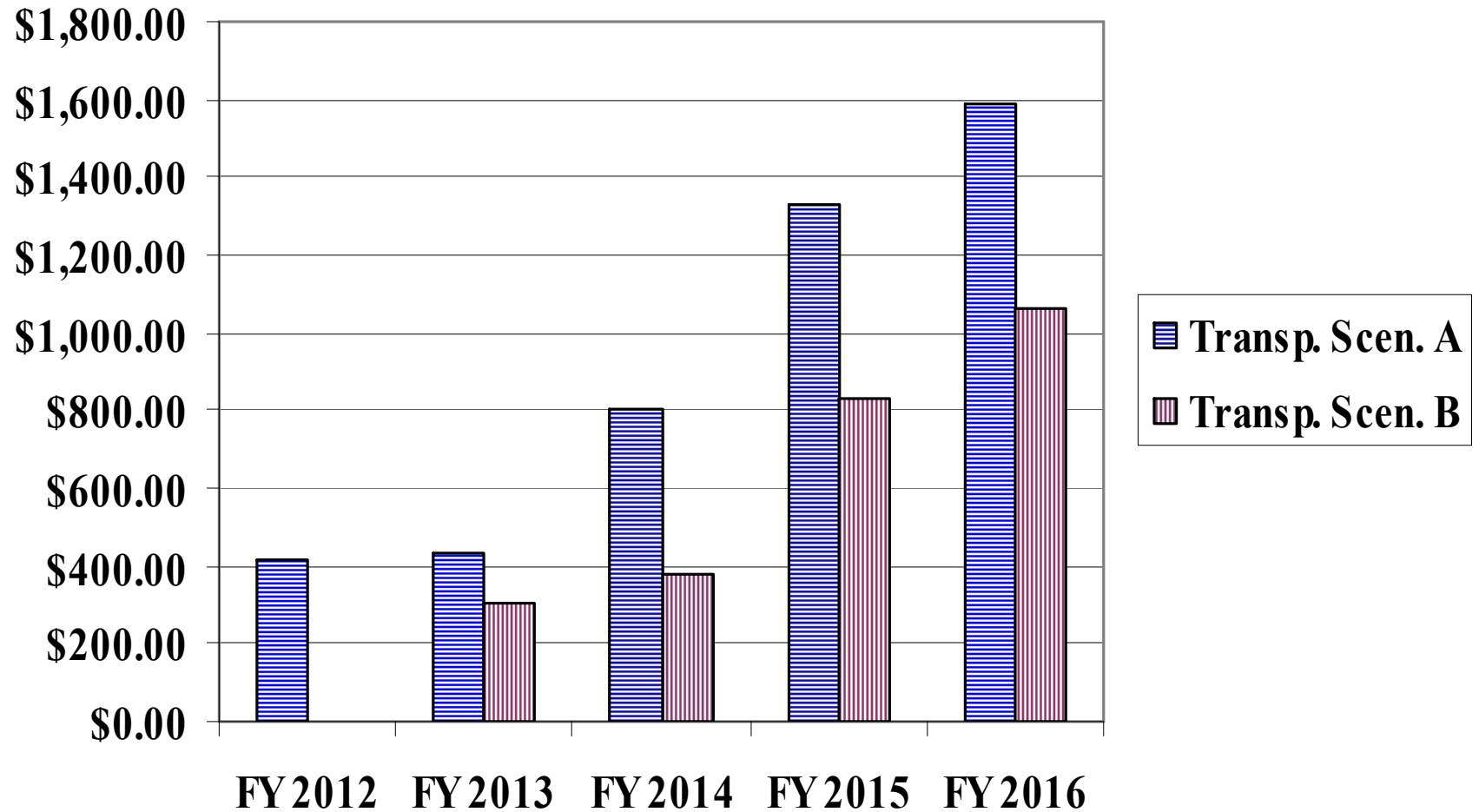
# TABOR Rebates

## Scenarios A and B (Growth Options Only)



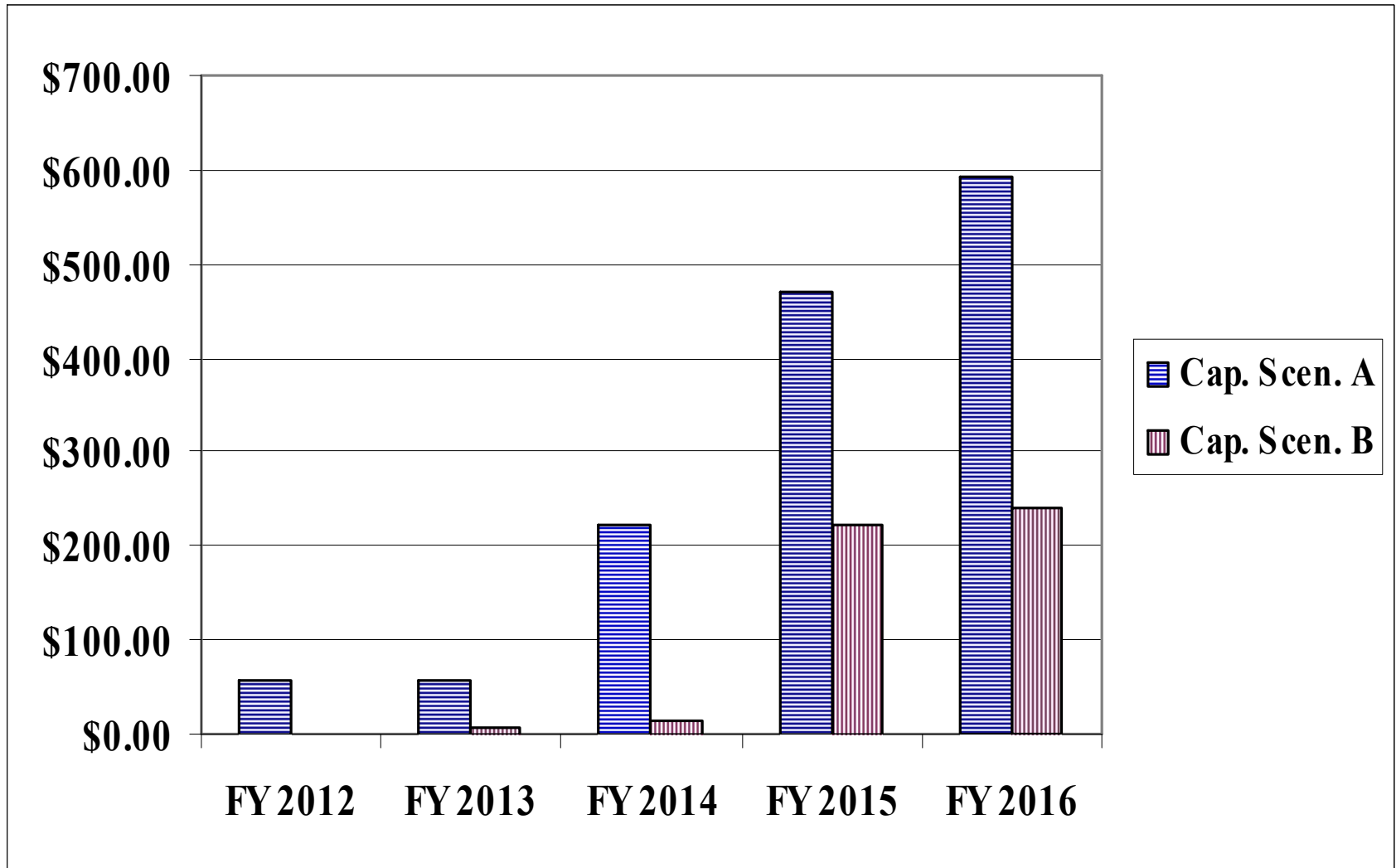
# Transportation

## Scenarios A and B (Growth Options Only)



# Capital Transfers

## Scenarios A and B (Growth Options Only)



# Scenarios A & B with Recession



COLORADO FISCAL  
POLICY INSTITUTE

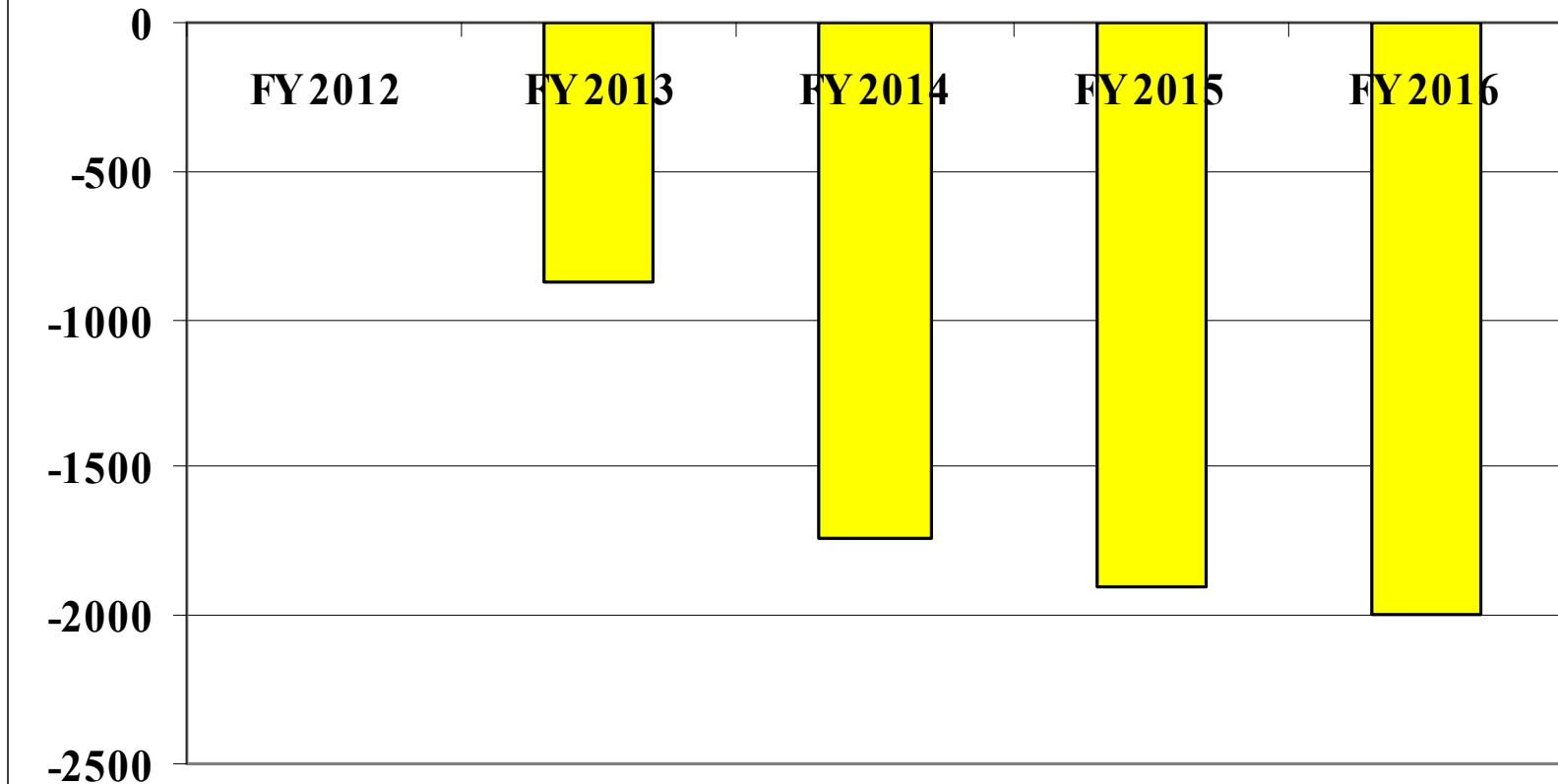
# Scenario A with Recession

- Total Cumulative Appropriations Change: +\$258.7 M
- Total Reduction from the Annual A/B 6% base: -\$850 M
- Reduction from Current Services: -\$6.478 B
- Total Transportation and Capital : \$472 M



# Scenario A with Recession – Appropriations Below Current Services

**Below Current Services (millions)**



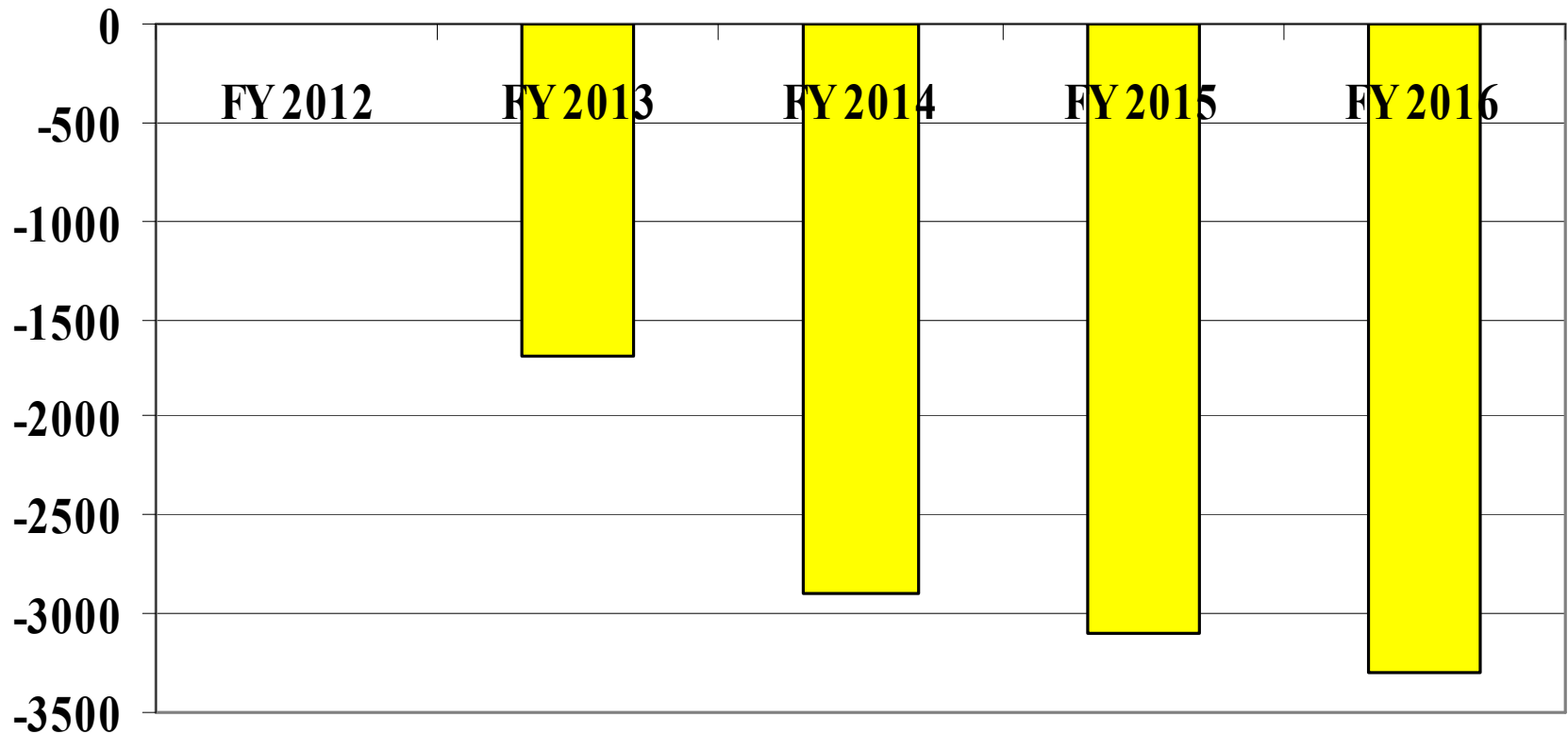
# Scenario B (slow growth) with Recession

- Total Cumulative Appropriations Change:  
-\$371.7 M
- Total Reduction from the annual A/B 6%  
base: -\$2.556 B
- Reduction from Current Services:  
- \$11.521 B
- No Transportation or Capital



# Scenario B with Recession – Appropriations Below Current Services

**Below Current Services (millions)**

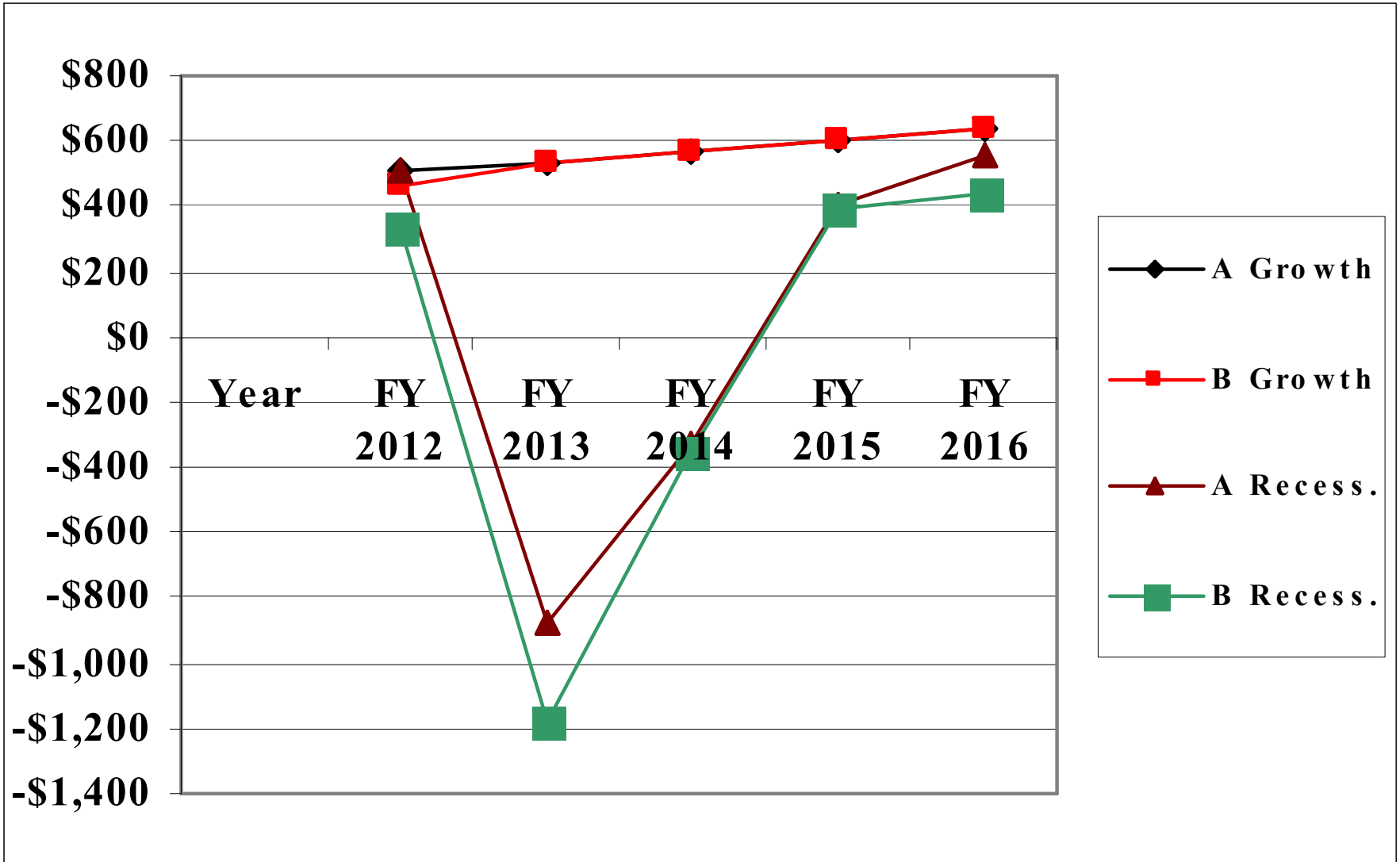


# Summary Analysis

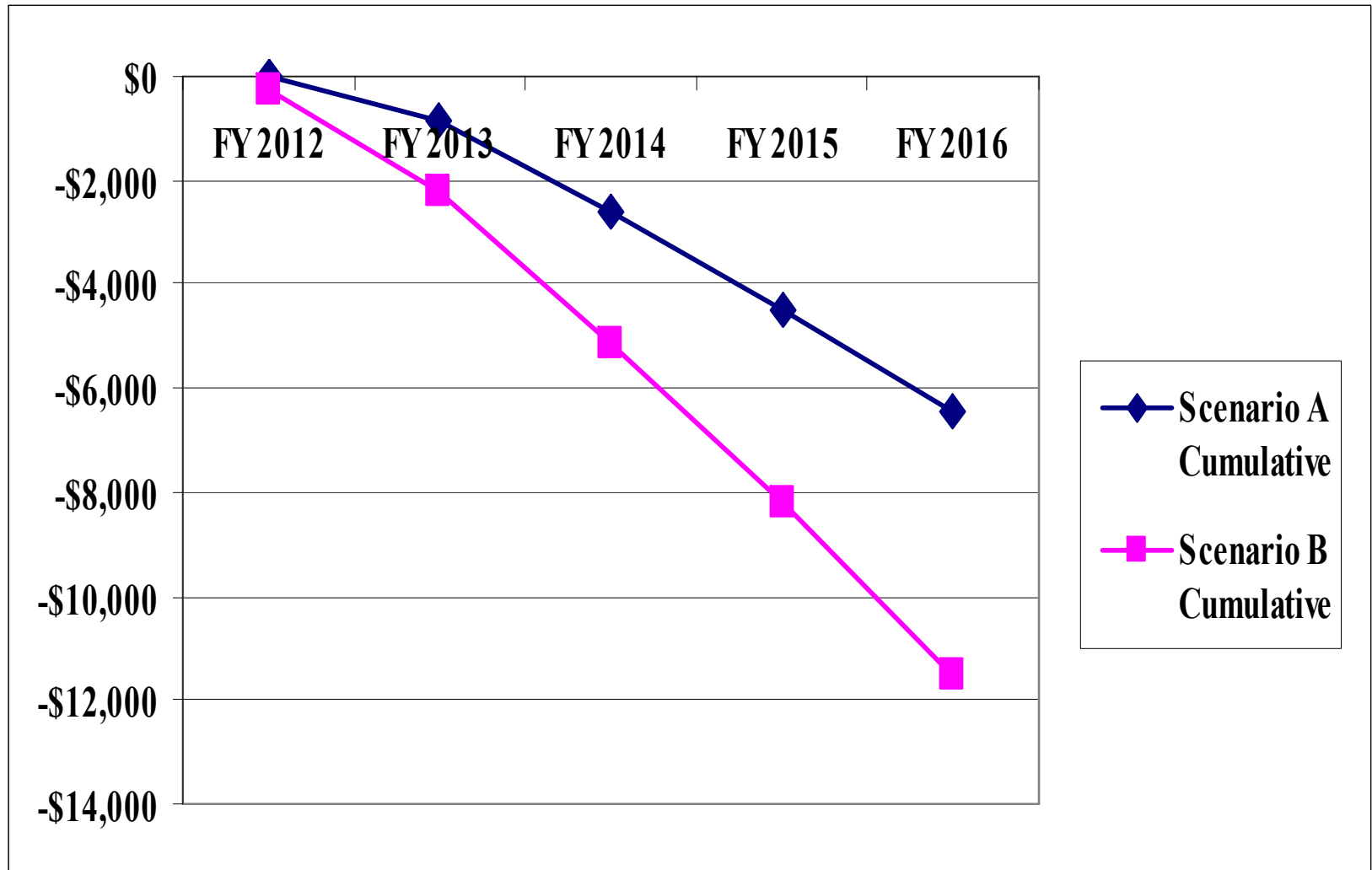


COLORADO FISCAL  
POLICY INSTITUTE

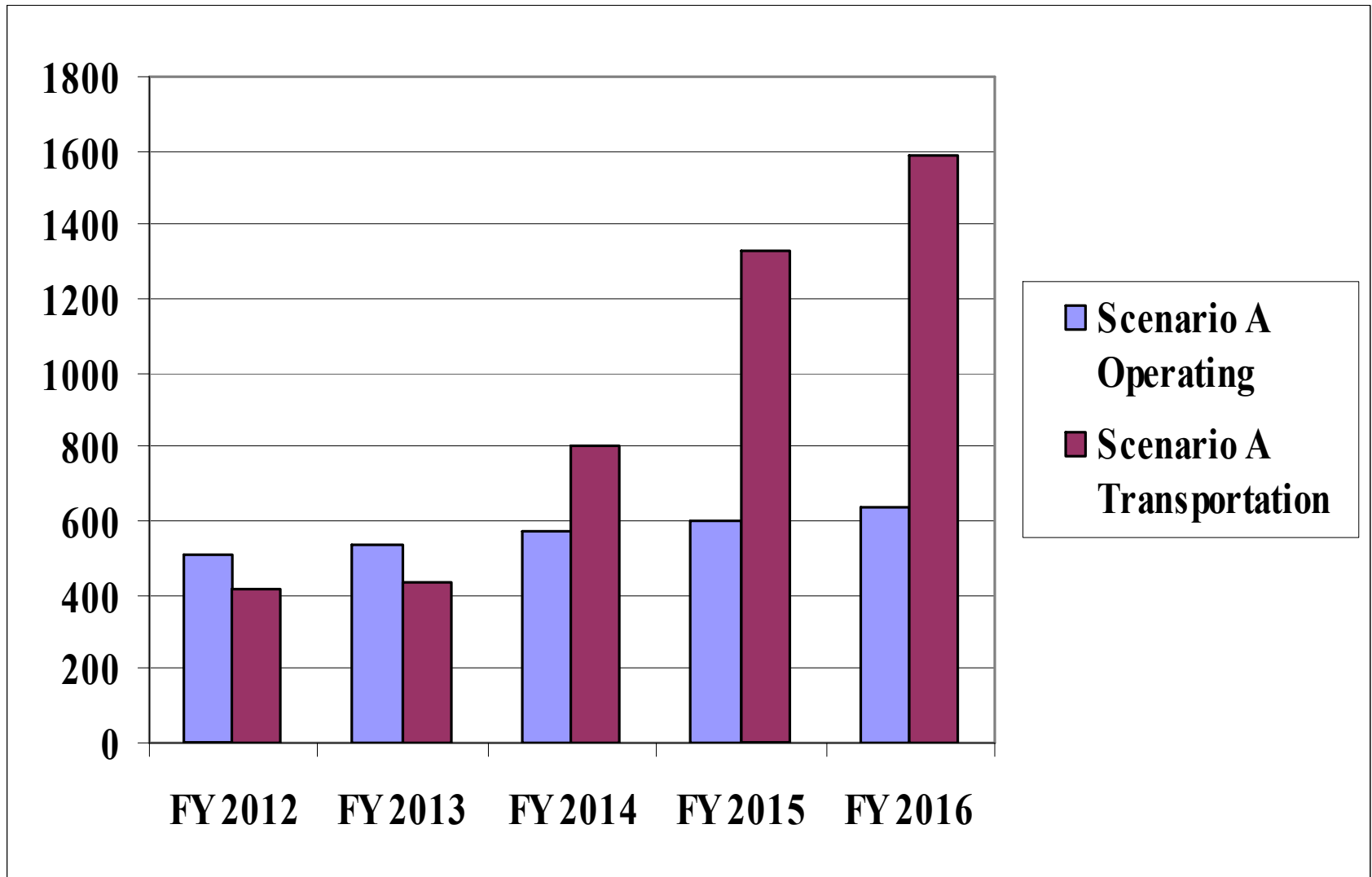
# Annual Operating Spending Growth / Decline (millions)



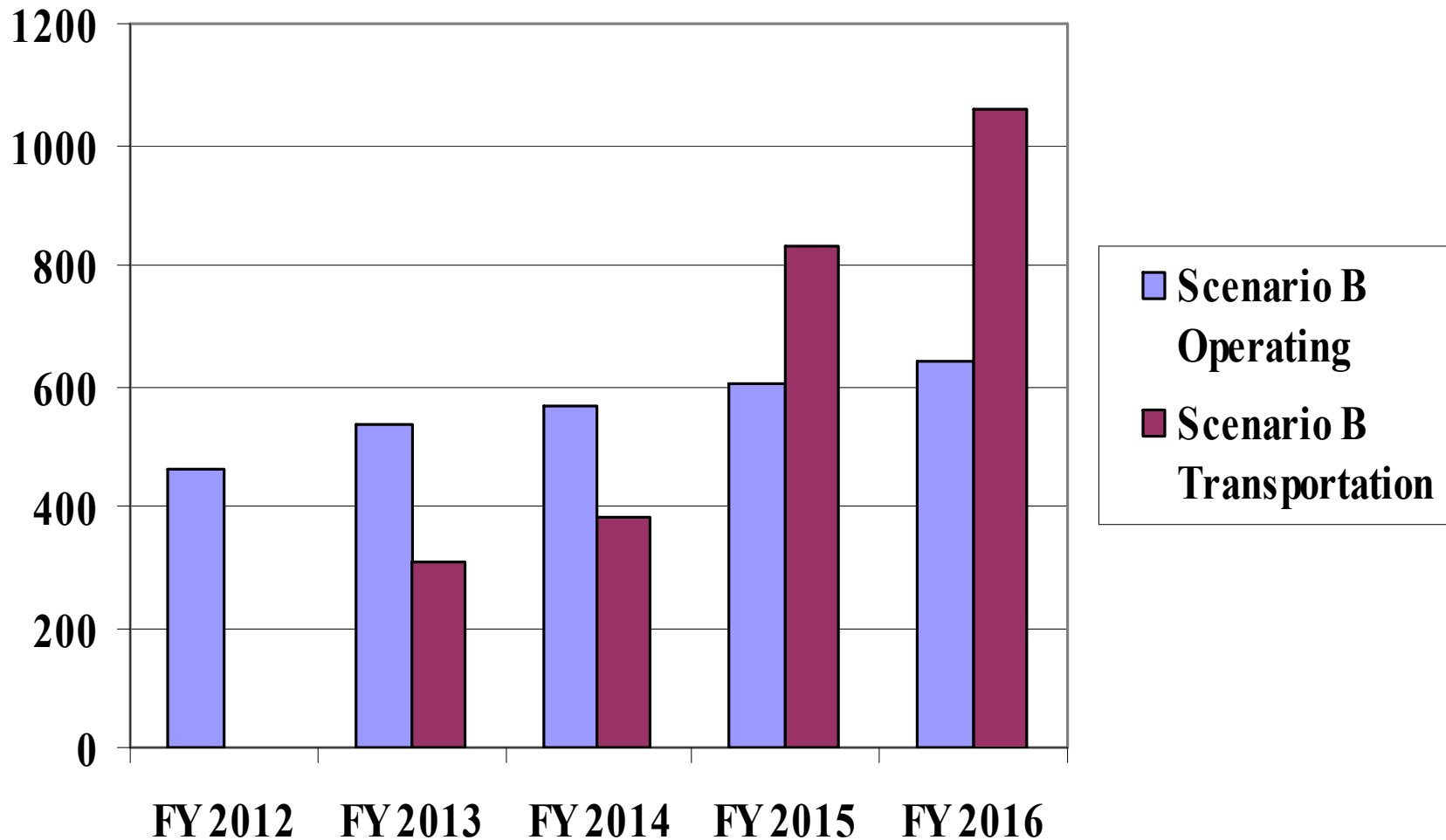
# Cumulative Spending Below Current Services - Recession Options (millions)



# New Money – Scenario A



# New Money – Scenario B



# Global Lessons



COLORADO FISCAL  
POLICY INSTITUTE

# Global Lessons (1)

- Need to Increase Statutory Reserve
  - 10%
  - Fill from above A/B
  - Serve as Rainy Day Fund
  - Would reduce or eliminate the operating expenditure cuts shown above under “recession”



# Global Lessons (2)

- Use Existing A/B provisions to faithfully implement Ref. C (the 1/3-1/3-1/3 allocations)
  - Invoke the “Significantly restructured method of financing K-12 & Higher Ed.” language in A/B



# Global Lessons (3)

- Increase Revenue
  - Would allow both operating and highways/capital to be addressed
  - Enable improvements in quality of State services



# Global Lessons (4)

- Eliminate A/B
  - Vastly increases legislative flexibility within existing resources for spending on operations
  - \$3B over the period 2012-16
  - Likely significant reductions in Highways and Capital
  - Still not allow Colorado to reach middle of the pack on operations or capital



# Global Lessons (5)

- Eliminate TABOR spending limit
  - Allow government services and investment to grow with the size of the economy
  - A sound economy requires a sound public sector



# Statutory References

- **Arveschoug Bird General Fund Spending Limit—**  
CRS 24-75-201.1
  - Reconsideration of limit by legislature for changes in financing of K-12 and Higher Education-- (I) (a) (VI)
- **Statutory 4% Reserve—**CRS 24-75-201.1(I) (d) (III)
- **HB 02- 1310—**CRS 24-75-217
- **SB 97-01 –** 39-26-123
- **TABOR Amendment –** Colorado Constitution, Art X, Section 20



Contact Information:

Carol Hedges

[chedges@cclponline.org](mailto:chedges@cclponline.org)

303-573-5669 Ext 309

Jim Zelenski

[jzelenski@cclponline.org](mailto:jzelenski@cclponline.org)

303-573-5669 Ext 304



COLORADO FISCAL  
POLICY INSTITUTE