



2014 Budget Discussion: The Big View

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Economic Indicators that Show Expansion

Annual Increases						
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Personal Income	2.0%	7.3%	5.1%	3.9%	5.7%	6.0%
Wages	1.3%	4.4%	5.3%	4.2%	5.3%	5.6%
Retail sales	6.6%	6.8%	6.0%	4.3%	5.3%	5.4%
Property Values	-5.3%	-5.1%	1.8%	-.8%	2.2%	5.9%

Revenue up for FY 13-14 (5.3%)

In FY 2013-14, the General Fund is expected to end the year with a \$512 million surplus.

--\$30 million will be transferred to the Colorado Water Conservation Board Construction Fund.

--\$361.5 million will be transferred to the State Education Fund.

--The General Fund will end FY 2013-14 with \$120.5 million more than the required reserve.



Revenue up for FY 14-15 (6.0%)

The General Assembly will have just under \$1.37 billion or 16.2 percent, more to spend in FY 2014-15 than the amount budgeted for FY 2013-14.



Indicators That Show Increased Demand

Annual Increases						
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Population	1.5%	1.4%	1.4%	1.6%	1.6%	1.5%
K-12				1.5%	1.5%	1.4%
Prison	1.4%	-1.1%	-7.0%	-4.3%	2.2%	1.4%
CPI	1.9%	3.7%	1.9%	2.9%	2.9%	2.5%

Increased Revenue Triggers Tax Credits

Tax Policies Dependent on Sufficient General Fund Revenue to Allow General Fund Appropriations to Increase by at Least 6 Percent

Tax Policy	Forecast that Determines Availability	Tax Policy Availability
Instream flow income tax credit	June forecast during the tax year the credit will become available.	Available in tax year 2013. Expected to be available in tax years 2014 and 2015. Repealed in tax year 2016.
Sales and use tax exemption for clean rooms	If the June forecast indicates sufficient revenue for the fiscal year that is about to end, the exemption will become available in July.	Currently available through at least June 2014. Expected to continue to be available through at least June 2016.
Child care contribution income tax credit	December forecast immediately before the tax year when the credit becomes available.	Available in tax year 2013 and 2014. Expected to be available in tax years 2015 through 2016.
Historic property preservation income tax credit		
Clean technology medical device sales tax refund	December forecast immediately before the calendar year when the credit becomes available.	Currently available through December 2014. Expected to continue to be available through at least December 2016.

Increased Economic Activity Triggers Transfers

Required Increases or Transfers in Years with No TABOR Rebates				Reduction in Increases if TABOR Rebates Equal:		
Use/Fund	Year 1 of Transfer	Year 2 of Transfer	Years 3, 4 and 5	Less than 1% of General Fund Revenues	More than 3% but less than 5% of General Fund Revenues	More than 5% of General Fund Revenues
Statutory Reserve	4.5% of the amount appropriated from the General Fund	5.0% of the amount appropriated from the General Fund	Increases by .5% up to 6.5% of the amount appropriated from the General Fund	No effect	No effect	No effect
Capital Construction Fund	Amount equal to .5% of total General Fund Revenues	Amount equal to .5% of total General Fund Revenues	Amount equal to 1% of total General Fund Revenues	No reduction	50% reduction	100% reduction
Highway Users Tax Fund	Amount equal to 2% of total General Fund Revenues	Amount equal to 2% of total General Fund Revenues	Amount equal to 2% of total General Fund Revenues	No reduction	50% reduction	100% reduction

Return of TABOR Rebates

Revenue subject to TABOR is expected to be below the Ref C cap by:

- \$290 million in FY 13-14
- \$204 million in FY 14-15
- \$210 million in FY 15-16

Could be Very Soon

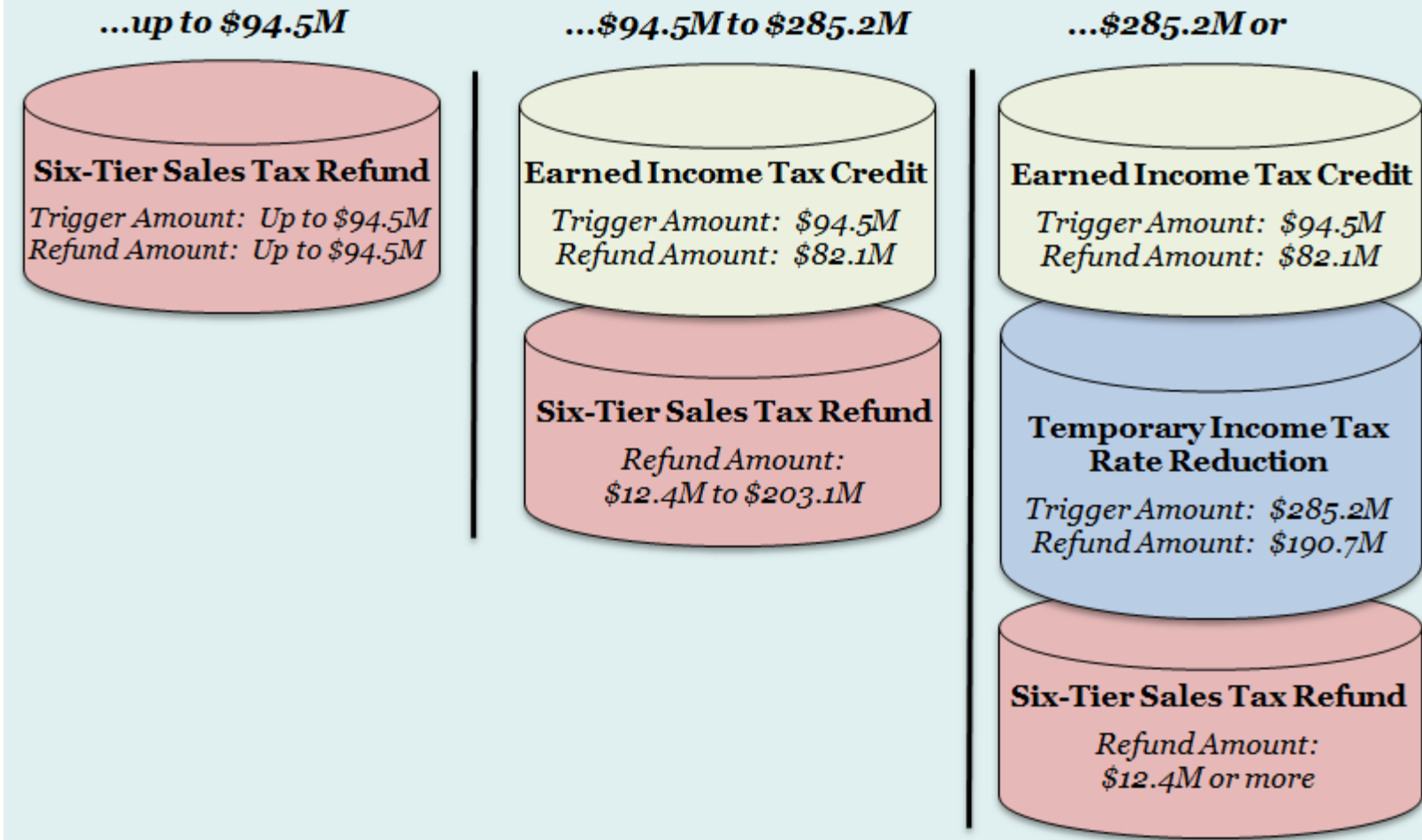
...the amount by which revenue subject to TABOR is below the Referendum C cap is within normal forecasting error. Thus, should the economy and revenue improve faster than currently expected, a surplus could occur as early as this year.

--Focus Colorado, Colorado Legislative Council,
December 20, 2013



Current Refund Mechanisms

*If, in FY 2013-14, the TABOR surplus is...**



Should Start to Plan TABOR Rebates NOW

Implications for EITC

What about targeted tax credits?

Can tax credits accomplish our investment
or policy objectives?

What if they are temporary

What about a State De-Brucing?



2014 Budget Debates

Saving versus investment will be the overriding narrative

Lots of additional revenue, what should we do with it?

Tax credits expansion will be a secondary theme

Sustainability of the recovery will underlie all budget discussions





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