

News Release

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“Pay now or pay later” the choice in balancing state budget

DENVER— Policymakers working to plug a \$625 million hole in the state’s \$7.5 billion General Fund budget for the current fiscal year must keep in mind the long-term implications of their actions. The governor and state legislators are considering several solutions, including the use of the General Fund reserve, borrowing from cash fund balances and reducing appropriations. How these approaches are combined can significantly affect appropriations in future budget cycles.

A new report from the Center for Colorado’s Economic Future, available for download at www.du.edu/economicfuture, examines the options under consideration and the “pay now or pay later” ramifications of a budget plan.

“Using the rainy day reserve and moving money from cash funds are only stopgap solutions to balancing the budget,” said Tom Dunn, a CCEF economist. “They help this year, but spending reductions could be considerably higher next fiscal year depending on the choices made for the current year budget.” For example, transferring \$200 million from cash funds to the General Fund, while reducing the reserve by 2 percentage points, would require a nearly 6 percent reduction in state appropriations in FY 2009-10.

The Center for Colorado’s Economic Future was created in 2007 after DU’s Colorado Economic Futures Panel (CEFP) completed its work in January 2006. The panel spent more than a year examining the fiscal health of Colorado’s state and local governments and their ability to sustain fundamental public investments appropriate to the state’s long-term economic vitality. Establishing a permanent center to study the state’s economic future was a recommendation from the CEFP.

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The University of Denver Center for Colorado’s Economic Future is an independent, nonpartisan organization that conducts research on matters related to Colorado’s fiscal health, trends affecting the state’s economy and proposed legislation relating to taxation and public spending.