



**Tomlinson & Associates - (303) 660-6036**  
[www.lobbycolorado.com](http://www.lobbycolorado.com)

---

## **2012 Colorado General Assembly Legislative Session Outlook**

*January 11, 2012*

The Second Regular Session of the 68<sup>th</sup> General Assembly of Colorado convened on Wednesday, January 11, 2012 at 10 am – in spite of the 3-4 inches of snow, freezing weather and terrible driving conditions. Per the state Constitution, the Legislature will meet for no more than 120 days, with adjournment *sine die* occurring not later than midnight on Wednesday, May 9, 2012. You can obtain more information on the General Assembly, including contact information for legislators, information on bills that have been introduced, schedules for committee hearings and links for listening to live audio broadcasts of the proceedings of the legislature by going to the [Colorado General Assembly homepage](#). The [deadline schedule for the 2012 legislative session](#) is also available. The House of Representatives and the Senate will again be televised, both on the [internet](#) and on Comcast cable television channel 165.

### **2012 Elections**

The legislative session will take place against the backdrop of the upcoming 2012 elections. In the legislature, all 65 House seats will be up for election, with the Republicans trying to protect their 33-32 majority. In the Senate, half the seats will be up, and the Democrats will be trying to protect their 20-15 majority. With the legislators running in new seats because of term limits and reapportionment, and with Colorado considered a “swing state” in the national election, 2012 will be a busy year. Governor Hickenlooper does not stand for re-election until 2014.

Legislative Changes. The 2012 elections will see races that feature newly redrawn House and Senate district boundaries. Many districts were substantially changed. As a result of redistricting and other political decisions, we will see a number of political changes:

- Senators Keith King (R-Colorado Springs) and Joyce Foster (D-Denver) and Representatives Jon Becker (R-Fort Morgan), Don Beezley (R-Broomfield), Edward Casso (D-Adams County), Keith Swerdfeger (R-Pueblo West), Glen Vaad (R-Greeley), and Roger Wilson (D-Glenwood Springs) all announced they would not run for reelection.
- Democratic Representative Andy Kerr and Republican Ken Summers, both of Lakewood, will leave the House and run for an open Senate Seat.
- Republican Representatives Brian DelGrosso and B.J. Nikkel of Loveland were put in the same district. Neither has announced their plans and whether we will see a Republican primary in this district.
- Republican House Majority Leader Amy Stephens and Representative Marsha Looper were put in the same district and will run against each other in the primary. A retired Air Force General contemplated running in the Republican primary as well, but has withdrawn.
- House Republican Randy Baumgardner will challenge Senator Jean White in a primary for a state Senate seat.
- Boulder Democrat Deb Gardner was appointed to a vacancy as a Boulder County Commissioner and will be replaced by a House District vacancy committee in the next couple of weeks.
- Republican Senator Tim Neville, appointed earlier this year to fill the unexpired term of Mike Kopp, will lose his seat after 2012 because his home has been moved into the district of Senator Jean Nicholson, who is not required to run for reelection until 2014.
- Will there be more changes – yet unannounced? *Stay tuned!*

### **Legislators Running for Other Offices:**

At this point, there are at least four legislators running for Congress in 2012: Senate President Brandon Shaffer running against United States Representative Cory Gardner in the 4<sup>th</sup> Congressional District. President Shaffer has indicated that he intends to remain in his leadership position. Representative Sal Pace is running against Congressman Scott Tipton in the 3<sup>rd</sup> CD; and Representative Joe Miklosi running against Congressman Mike Coffman in the 6<sup>th</sup> CD. Senator Kevin Lundberg has just announced that he will challenge 2<sup>nd</sup> CD Congressman Jared Polis.

### **Term Limits:**

2012 will be the last term for Senators Bob Bacon (D), Betty Boyd (D), Shawn Mitchell (R), Nancy Spence (R), Suzanne Williams (D), and Representatives Jim Kerr (R), Tom Massey (R), Wes McKinley (D), Judy Solano (D) and John Soper (D). Representatives David Balmer (R), Larry Liston (R), and Nancy Todd (D) are in their final terms in the House, but are running for open Senate seats.

***Given all of the above changes, there will be many new legislators in 2013!***

Legislative Leadership: In the House, Republican Leadership will not change: Frank McNulty (R-Highlands Ranch) will be Speaker and Amy Stephens (R-Monument) Majority Leader. Representative Mark Ferrandino (D-Denver) was elected Minority Leader to replace Representative Sal Pace, who is keeping his seat but resigned from leadership in order to be able to focus on his congressional race.

In the Senate, Democratic Leadership will not change: Brandon Shaffer (D-Longmont) and John Morse (D-Colorado Springs) will be President and Majority Leader, respectively. Senator Bill Cadman (R-Colorado Springs) was elected Minority Leader to replace Senator Mike Kopp after Senator Kopp's resignation from the Senate in the fall.

### **Governor John Hickenlooper**

Governor Hickenlooper was sworn in at the start of the 2011 legislative session, and a month later announced a budget-balancing plan for FY 2011-12. The Governor's legislative agenda was limited during the 2011 session, but it's likely that we will see more initiatives in the 2012 session. On January 9, 2012 Governor Hickenlooper "...unveiled recommendations to reduce government "red tape" and regulatory inefficiencies based on feedback from more than 100 business organizations, local governments, advocacy and community groups statewide." You can read the report "[Cutting Red Tape in Colorado – Making Government More Efficient, Effective and Elegant](#)". This report appears to be meeting with approval from the business community and legislators from both parties.

### **Ballot Initiatives**

2011 was an "off-year" for ballot initiatives; only Proposition 103 appeared on the ballot. Prop 103 contemplated a five-year increase/restoration (to 1999 levels) in the state income tax and sales tax rates, with the additional revenues going to support education and it was defeated by an overwhelming margin. In 2012, we have already heard of proposals regarding the establishment of "personhood"; limitations on water diversion and use of Colorado streams; and establishment of "Colorado Peace Day". Between five and ten measures will likely make the November ballot. Supporters of an initiative to legalize limited possession of marijuana for recreational purposes have turned in about 160,000 signatures to the Secretary of State. Any of the initiatives will require the signatures of about 86,000 registered voters to qualify for the ballot.

## **Recap of 2011 Session**

The 2011 session ended in May, with much of the session being dominated by maps - both the ultimately unsuccessful attempt at drawing new congressional district lines, and the equally unsuccessful effort at redrawing the State House

and Senate district lines. On the former, the legislature didn't pass any new congressional maps, and so the courts have now re-drawn Congressional district boundaries for Colorado's seven Congressional seats. The appointed reapportionment commission drew new lines that were finalized in December and ratified by the Colorado Supreme Court.

In addition to Congressional redistricting and legislative reapportionment, the legislature faced some very difficult budget decisions in 2011. With the input of and working collaboratively with Governor Hickenlooper, the legislature adopted a budget plan that included:

- **Budget reductions:** The [Long Bill](#) included cuts to all of the following agencies: Corrections, Education, Higher Education, Human Services, and Natural Resources. The only area of state government which received a substantial increase in state funds was in the Department of Health Care Policy and Financing - the state's Medicaid program. This increase was driven by caseload increases. See the chart below.
- **Transfer of \$71 million** from the **severance tax fund** to the General Fund.
- **Reinstatement of the vendor fee** (the amount of revenue retained by businesses as compensation for collecting state sales tax) at 2/3 of its traditional level. By not reinstating the vendor fee at its full level, the state will collect \$20 million per year for the next three years.
- **Continuation for two years of the state sales tax on cigarettes**, which was scheduled to expire on June 30, 2011. Legislative Council estimates that this will raise approximately \$32 million per year.
- **Reinstatement of the tax exemption for agricultural products**, effective July 1, 2011. Legislative Council estimates that this will cost the state \$3.4 million GF in FY 2011-12.
- **Reinstatement of the tax exemption for software purchases**, effective July 1, 2012. Legislative Council estimates that this will cost the state \$20.2 million GF in FY 2012-13.
- **Continuation of the 2.0 percent PERA rate swap** for state employees. That is, employees will continue to pay an additional 2.0 percent of their salaries towards their PERA retirement accounts, in lieu of the state making that payment.
- **Setting the state's budget reserve at 4.0 percent** starting July 1, 2011 and maintaining a minimum balance of \$100 million in the State Education Fund as of July 1, 2011.
- **Continuing the suspension of the senior's property tax, or "homestead" exemption.** This suspension has occurred in eight of the past ten years because of the down economy and will likely be a huge

sticking point in the deliberations on the FY 2012-13 budget. Republicans want to restore the homestead exemption, but Democrats view restoration as potentially meaning an additional \$100 million cut in K-12 funding.

This was a carefully balanced and delicately negotiated budget compromise between the Democratic Senate and Republican House and the Governor's Office.

## Major Issues -- 2012

### Budget

As was the case in 2011, the condition of the state's budget will be the most important and time-consuming issue to be addressed by the General Assembly in 2012. The Legislative Joint Budget Committee started its budget deliberations in early November; they will continue their work and develop a budget recommended to the legislature with introduction of the FY 2012-13 budget ("Long Bill") on March 26, 2012. One table that many of the readers of our Preview have used in the past several years is the ten-year comparison of key budget/caseload indicators. Please remember that these are not inflation-adjusted numbers – they reflect actual dollars in each of the two example years. The table below illustrates clearly the state's GF revenues and certain caseload changes of the last decade.

### **10 Year Comparison: Economic and Caseload Indicators FY 01 to FY 10**

	FY 2000-01	FY 2010-11	% change
Colorado Population	4,339,000	5,142,800	15.4%
K-12 Student Enrollment	742,145	843,316	16.4%
Higher Education Enrollment	123,256	166,073	34.7%
Prison Population	16,833	22,610	34.3%
Medicaid Recipients	263,107	588,925	113.8%
General Fund Revenues (millions)	\$6,553	\$7,085	8.1%

To summarize, *Colorado has more people, more K-12 students, more college students, more prisoners, and twice the number of Medicaid recipients than the state had ten years ago* – and the state **General Fund has only increased by 8.1 percent**. This is not a stable fiscal model! We would refer the reader to the [Budget in Brief for FY 2011-12](#). This vest pocket sized document explains the state's budget in very understandable terms. On page 5 of the Budget in Brief, for example, you see that the overall state budget is about \$19.6 billion, with just over \$7 billion being General Fund revenues. The appropriations of the General

Fund revenues show that about 40% goes to K-12 education, about 33% to health care/human services, almost 14% to corrections/judicial, about 9% to higher education and just over 4% to all other areas of state government.

Colorado's General Fund is comprised of two primary sources: personal income tax (about two-thirds) and state sales tax (about one-third). During periods of high unemployment, both of these revenue sources tend to be negatively impacted. Consider the per capita changes in the revenues from these sources:

**Sales Tax and Income Tax *Per Capita*: A 10 Year Comparison**

	FY 2000-01	FY 2010-11	Change	
			\$	Percent
Personal Income Tax per Capita	\$902	\$874	(\$27)	-3.0%
Excise/Sales Taxes per Capita	\$450	\$452	\$2	0.3%

As shown above, in FY 2010-11 Colorado collected **\$2 more per capita** in excise/sales taxes, **but \$27 less per capita** in personal income taxes. The state has more people, more people on Medicaid, more students in K-12 and higher education, and is collecting less money *per person* from the two primary revenue sources (combined). Again, please remember that these are not inflation-adjusted numbers.

The Legislature recently received the [December Quarterly Economic and Revenue Forecast from Legislative Council](#) and the [Governor's Office of State Planning & Budgeting](#). The Legislative Council report indicated *"The economy has stabilized and continues to expand at a modest pace. Although the business climate continues to improve, job growth is being restrained by weakness in the real estate and financial markets, slow wage growth, higher commodity prices, and general uncertainty about the direction of the economy. The greatest risk to the forecast is the European debt crisis and its potential impact on the U.S. and global financial markets."*

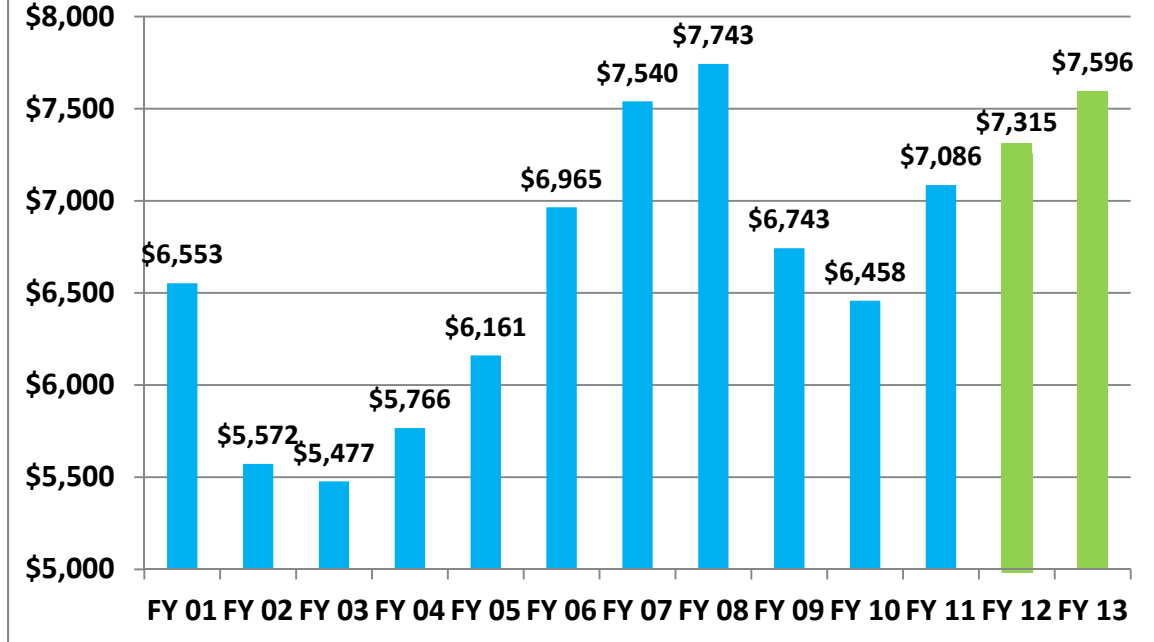
The legislature will continue to monitor the GF revenues, and will receive the next quarterly forecast on March 20, 2012. The Joint Budget Committee traditionally uses the March 20 revenue forecasts to finalize the Long Bill for introduction.

**Historical and Projected Changes for the General Fund**

In considering Colorado's budget challenges, it may be helpful to consider the recent history of Colorado's General Fund. The table below displays the annual change in GF revenues by year.

## Colorado General Fund Revenues Recent Year **Actuals** and **Projections**

*in millions*



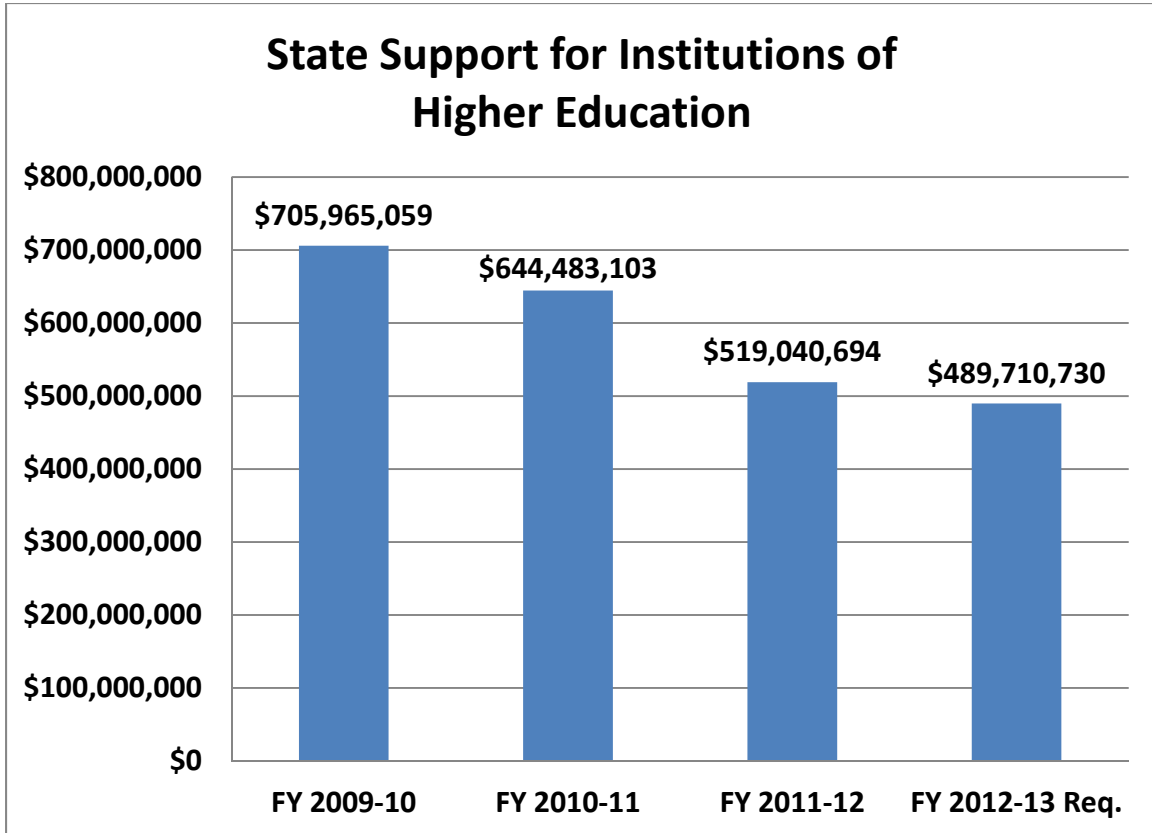
### FY 2012-13 Budget

The Governor delivered his [budget request for FY 2012-13](#) on November 1. On January 3, 2012 Governor Hickenlooper submitted [amendments to the FY 2012-13 budget request](#). The Governor suggested in his letter that OSPB had forecasted FY 2011-12 revenues to be about 3.2% higher than the September, 2011 forecast, with further growth expected in FY 2012-13. His amendments would include transfer of \$107 million to the State Education Fund in FY 2011-12; withdrawal of a proposed reduction in K-12 funding of \$67 million for FY 2012-13; withdrawal of the proposed reduction of \$30 million in higher education financial-aid programs; an additional \$8 million in assistance for low-income seniors, while continuing the suspension of the Senior Homestead Exemption; and an increase of \$10 million to Severance Tax Trust Fund grants. It's important to note that these are amendments to the Governor's budget request and that the General Assembly will ultimately craft the Long Bill. These amendments are likely very indicative of the negotiating points that we will see discussed in the coming months as the budget is drafted.

Colorado operates on an annual budget cycle. Because of this, it is often difficult to focus on some of the long-term (or even medium-term) budget challenges. But we have listed below a number of key questions about the State Budget.

1. Higher Education. In his November 1 budget request, Governor Hickenlooper requested a cut of \$30 million to the higher education

operating budget, and another cut of \$30 million to financial aid. Although he has withdrawn his proposed reduction to financial aid, the \$30 million operating budget reduction continues the steep decline in higher education funding.



This decline in state support has resulted in substantial tuition hikes for almost all the institutions – just to “keep their doors open”. Higher Education is the only portion of state government that operates in a nationally competitive environment – and the declines in state support will hurt our ability to hire top faculty and recruit top students. In addition, the increase in tuition may deter many low and medium income individuals from attending college. *Note from the chart on page 5 that enrollment in the state’s colleges and universities is up 35% in ten years.*

2. **Medicaid.** The state’s Medicaid program continues to increase at a significant rate (*up 114% in the last ten years – per the chart on page 5*). In FY 2010-11, the number of individuals served increased by 57,000, **or approximately 5,000 new Medicaid recipients per month**. At the [JBC hearing for the Department of Health Care Policy & Financing](#) on January 4, 2012 Executive Director Sue Birch stated that there were 614,146 Coloradans enrolled in Medicaid in November 2011. This is a 57.7% increase over January 2007 and is an all-time high for the state. The state’s Medicaid program faces an uncertain future as long as there are

policy disagreements in Washington regarding federal health insurance. What is known, however, is that Medicaid continues to take an ever-larger share of the state budget – nearly 33% of the state’s General Fund appropriations in 2011-12 will go to health care and human services. Republican legislators have suggested that the state should request waivers from the federal government on certain Medicaid programs, but the specific program waivers have not been identified. Governor Hickenlooper consistently maintains Medicaid waivers are not allowable by the federal government.

3. Education – Lobato. The ruling by District Court Judge Sheila Rappaport in the [Lobato v. State of Colorado](#) case – that the state is out of compliance with the “thorough and uniform” requirement of the state constitution – is being appealed. The judge stayed her ruling until the end of the 2012 session, so the legislature doesn’t have to respond yet. Unless the case is overturned by the Supreme Court, the ruling raises many policy questions:
  - a. Will the state ultimately have to find more money for K-12 Education? K-12 education now accounts for 40% of all general fund appropriations.
  - b. Will the state attempt to establish new revenue for K-12 education through a tax increase? If the voters reject the proposed tax increase, how will the courts respond? Initiative 103 failed significantly, in spite of the fact that the revenues generated would have gone to public education.
  - c. Is a proposed solution a dedicated revenue stream or a more comprehensive constitutional reform?
  - d. What is the role of the local (property tax) share of K-12 education? The drop in residential and commercial real estate values exacerbates this piece.
  - e. Are local mill levy overrides part of the problem (by creating funding disparities) or part of a solution – by potentially providing additional funds if passed by voters?
  - f. What is the timing to resolve any of these questions?
4. Overall Budget Adequacy. Over the last ten years, the state has eliminated or reduced or refinanced a number of state-funded programs (e.g. state merit-based aid in higher education, state funding for the Division of Parks). In addition, the state has substantially reduced funding for K-12 education and higher education – in spite of increased enrollment. One could say that these decisions reflect priorities and the tough choices that have to be made in tough economic times. But the continuing reductions to higher education, combined with the continuing budget strain of Medicaid, leads to a question of budget adequacy: *Is Colorado’s current tax structure – 2.9 percent sales tax and 4.63 percent*

*income tax – sufficient to provide necessary state services? Should Colorado work towards a new taxing system that would be less cyclical?*

### **Capital Construction Dollars/GF Transfers to Transportation**

One of the ongoing challenges for the state is the lack of a reliable source of revenues to support capital needs, including college and university buildings, prisons and various other state-owned facilities. In previous years, the state used GF “overflow” dollars to support capital needs; these funds have been nonexistent with the economic downturn. The repeal of the Arveschoug-Bird allocation limit in 2009 through passage of [SB 09-228](#) established certain statutory GF transfers to capital construction, transportation, and to a budgetary reserve; however, these transfers are contingent on available GF revenues. There are indications from House Republicans that legislation will be introduced in 2012 to either repeal or amend SB 09-228 in order to restore funding for highways.

### **Economic Development and the Economy**

The highest priority for Governor Hickenlooper, each of the 100 legislators and nearly every other public policy maker in the state seems to be the creation and retention of good jobs for Coloradans. *Get Coloradans back to work!* With unemployment hovering near 8% of the workforce and the state’s economy slowly recovering, this properly is the highest priority in the coming session.

From the perspective of the Economic Development Council of Colorado ([EDCC](#)), the mantra will be to “do no harm”. Businesses need stability and predictability in the cost of doing business.

We have heard of proposed legislation that will examine the effectiveness of enterprise zones and would limit the maximum amount of EZ tax credits that any taxpayer (company) could claim in a tax year; regulatory analysis of proposed rule changes on private businesses; predictability in regulatory rule-making while permits are being considered; “HIRE” Colorado, which would grant preference to companies that hire Colorado residents; broadband deployment; a tech transfer grant program; increased funding for small business development centers; a program to align college students with available jobs and many more.

### **Transportation**

The Colorado Department of Transportation (CDOT) now estimates that more than 50% of the state’s highways are in “poor” or worse condition. Additionally, we have more than 120 bridges in the state that are “structurally deficient”. We expect very little transportation legislation during the 2012 legislative session. We are likely to see legislation dealing with additional signage on state highways, as well as a proposal to devolve state highways to local governments for maintenance.

One of the significant current construction projects is under way to enlarge the eastbound bore of the “Twin Tunnels” on I-70 east of Idaho Springs. That is a \$60 million program that should be completed in late 2014 or early 2015.

### **Health Care / Health Insurance**

Much of the discussion on health care will center on the state implementation of the Affordable Care Act. At the forefront is the requirement for states to create a “health insurance exchange”. The goal of an exchange is to create a health insurance marketplace with ease of navigation and access, consumer protections and education, and provider transparency.

### **Human Services**

One proposal being discussed as the General Assembly gears up for 2012 would move the “Services for People with Disabilities and Aging” programs from the Department of Human Services to the Department of Health Care Policy and Financing. According to the Departments,

“...program and fiscal integrity of the waivers can be improved by combining the Division of Developmental Disabilities and potentially other Long Term Care programs within HCPF and more effectively leveraging staff expertise. Combining DDD within HCPF could result in the following benefits: reduced fragmentation and increased consistency of program operations and administration; consistent application of rate changes; coordination and standardization of waiver development and management; consistency in payment methodology; greater consistency in stakeholder communications; and standardized policies and procedures.”

To date, the proposal has raised many questions with the JBC and other legislators.

### **Services for Seniors**

The 2012 Session of the Colorado General Assembly could bring focus to a number of senior citizen issues, exacerbated by the uncertainty of continued funding of programs to assist the senior and disabled populations.

A few examples are:

- The governor’s proposal to again suspend the Senior Property Tax Exemption – an impact of \$98.6 million. Speaker McNulty has indicated that the Republican majority in the House has restoration of this tax exemption is a high priority for his caucus.
- The governor proposes to partially offset that reduction in benefits to seniors with a \$17.5 million increase for the senior property tax/rent/heat rebate program to help provide some relief to the lower income seniors.

- There will likely be another mandatory reporting bill that would require certain health-care professionals to report suspicions of elder abuse to the authorities.

### **K-12 Education**

The big stories are the [Lobato](#) lawsuit (discussed above) and the Governor's request to hold state funding flat for education. We will also likely see the following issues:

- SB 10-191 (Principal and Teacher Evaluation) rule implementation. The Colorado Department of Education has approved the rules, but, as per statute, these must be adopted by the legislature in 2012. There are still questions about the lack of funding to effectively implement this requirement at the district level.
- Literacy. This effort by the Governor's Office will modify the current literacy requirements. There has also been discussion of a 3<sup>rd</sup> grade literacy "mandatory retention" requirement.
- Student discipline. Coming out of an interim committee, the bill will likely modify the current statutes regarding allowable student discipline.
- K-12 Construction approval, especially with the recent press coverage about potential engineering concerns related to school construction.
- Other Issues: there are always bills on charter school, district facilities, and funding for the BEST program.

As to the policy discussions, after many of the reform efforts of the previous years, many in the K-12 community are hoping to have time to implement all of the recent reforms ***prior to addressing new state mandates.***

### **Higher Education**

The downward higher education funding slope is detailed above. Policy issues that could be discussed this year include a possible name changes for some of the state colleges; increased emphasis on degree production; and the continued development of a higher education strategic plan. One other issue, which might be considered, is unsubsidized tuition for children of undocumented immigrants.

### **Insurance**

Pinnacol Assurance, the state's largest writer of workers' compensation insurance (greater than a 50% market share) would like to privatize and has entered into serious negotiations with the Governor and members of the General Assembly. Pinnacol is state-chartered and would like to become a privately owned mutual assurance company. Business groups have opposed similar plans in the last several years and appear to be opposing the current plan, although there is no draft legislation at this point. Governor Hickenlooper has appointed a [19-member task force](#) to review a restructuring proposal from Pinnacol, which would give Colorado about \$13 million/year for economic

development and education funding. The task force will be reporting its findings and conclusions to the Governor in the next 30-45 days.

Rep. Claire Levy has indicated that she will be introducing legislation dealing with homeowner's insurance because of the problems associated with the Four Mile Canyon Fire and the fact that many homeowners were underinsured for their losses. We could potentially see legislation dealing with roofers and roof repair/replacement – again a homeowner's insurance issue.

### **Local Government**

The past few sessions have seen myriad bills introduced that would impact local governments. Key among these are beer/liquor sales and medical marijuana growers and dispensaries.

### **Fracking**

With all the oil and gas development along the Front Range, and the proximity of this development to residential areas, there have been many expressions of concern about possible environmental impacts of hydraulic fracturing (fracking). In December, the [Colorado oil and Gas Conservation Commission](#) (after *lengthy* public testimony) adopted a set of rules described as the most comprehensive in the country. Even with these rules being adopted, we won't be surprised to see further legislative efforts regarding fracking. The adopted rules are being touted as a national model "...endorsed by industry and environmental groups and approved by the nine-member Colorado Oil and Gas Conservation Commission (COGCC), require oil and gas operators to publicly disclose all chemicals used in the hydraulic fracturing of their wells, while still recognizing and protecting trade secrets."

### **PERA**

The state's Public Employees' Retirement Association (PERA) is always a hot topic and legislators nearly always have a strong opinion about PERA, such as:

"PERA's benefits are a promise to public employees, and the benefits shouldn't be changed"

"PERA is unrealistic to assume an 8 percent average rate of return for the next 30 years"

"public employees should be paying more for the benefit they are receiving"

"SB 10-001, which was a comprehensive modification of PERA's contribution rates and benefit structure, should be allowed to work before we make more changes to PERA"

Given this range of opinions about PERA, it is not surprising that any substantive policy changes are extremely difficult to implement. In 2012 we will likely see an effort to allow local governments (and perhaps school districts as well) to

implement a PERA “rate swap”, similar to what the state has done the past two years.

As a result of prior legislation in 2004, 2006, and 2010, PERA’s contribution rates will increase over the next few years. The chart below reflects the current statutory schedule of PERA rate changes for the state division. The school division is almost identical, with the local government division requiring lower employer contribution due to its overall funded status. For specific information on these divisions, please review [PERA’s summary of employer contribution rates](#).

**PERA Contributions: State Division**

	<i>Employee Contribution</i>	<i>Employer Contribution*</i>	<b>TOTAL Contribution</b>
<b>Jan 2012</b>	10.5%	13.15%	23.65%
<b>Jan 2013</b>	8.0%	16.55%	24.55%
<b>Jan 2014</b>	8.0%	17.45%	25.45%
<b>Jan 2015</b>	8.0%	18.35%	26.35%
<b>Jan 2016</b>	8.0%	19.25%	27.25%
<b>Jan 2017</b>	8.0%	20.15%	28.15%

*\*The employer contribution includes the statutory employer contribution, the amortization equalization disbursement (AED) paid by the employer, and the supplemental amortization equalization disbursement (SAED) paid by the employer out of funds otherwise used for employee compensation. The AED and SAED can adjust based on PERA’s overall funded status.*

To summarize: Colorado should get credit for addressing PERA’s unfunded liability – many states continue to ignore this problem. But the increasing employer contributions will place a **substantial fiscal hardship on the state, schools, and many entities of local government.**

**Initiative/constitutional reform**

In January 2006 the [Colorado Economic Futures Panel](#) issued a report with numerous recommendations for shaping Colorado’s economic future. These recommendations included fiscal reform and initiative reform. [Colorado’s Futures](#) is a group of concerned citizens that has been working on implementing some of the recommendations included in that report and we expect to see several referenda introduced this year to accomplish those recommendations, including requirement of a “super majority” for passage of constitutional amendments, geographical diversity in voter signatures gathered on petitions and a “hands off” provision to prohibit legislative repeal for a period of time on initiated statutory changes.

**Other Issues**

**Regulatory Reform** The state fiscal crisis has raised the issue of whether the state can operate more efficiently with less money. The belief that business is sensitive to regulation has already been noted, but there is increasing dialogue

that the state needs to revamp – and eliminate – the regulations it imposes on its own operations. This would focus primarily on the Departments of Human Services, Public Health and Environment, and Health Care Policy and Financing. We expect to see legislative efforts to combine, reduce, or eliminate many state regulations.

### **Summary**

This will again be a most interesting legislative session. It looks like unemployment is down, revenues are up and Colorado is on the (long) road to recovery. We will be watching, lobbying and reporting on the various issues and will keep you informed. Please feel free to visit our website at [www.lobbycolorado.com](http://www.lobbycolorado.com) for more information as the session progresses. ***And have a happy and prosperous 2012!***

***This preview of the 2012 session of the Colorado General Assembly has been prepared by Danny L. Tomlinson, Ed Bowditch, and George Dibble. It may be reproduced/distributed with appropriate attribution.***

***February 14, 2012***