

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 10-cv-01546-REB-CBS

The Direct Marketing Association,

Plaintiff,

v.

Roxy Huber, in her capacity as Executive Director, Colorado Department of Revenue,

Defendant.

DECLARATION OF TODD SALIMAN

I, Todd Saliman, pursuant to 28 U.S.C. § 1746 do depose and state as follows:

1. I have been the Director of the Governor's Office of State Planning and Budgeting since December 31, 2006. In that capacity I am familiar with the budget for the State of Colorado, including General Fund revenue forecasts and the budget implications for these forecasts.

2. The Colorado state budget situation is currently quite challenging. Since FY 2008-09 we have balanced shortfalls totaling \$5.2 billion. Included in this amount is a \$1.5 billion shortfall that has been balanced in the current fiscal year. That means that if not for the expenditure reductions, revenue increases and reserve reductions in the current fiscal year, our budget would be \$1.5 billion out of balance.

3. Also included in the \$5.2 billion is a \$714 million shortfall that is being balanced in the Governor's FY 2011-12 budget request. That \$714 million shortfall

does not include nearly \$380 million of increases that would have been requested in a traditional year.

4. The Governor's budget request is \$458 million short of funding K-12 education at the level that would be needed if the historical interpretation of Amendment 23 was in effect. The budget also includes an effective 21% reduction in state support for higher education. From FY 2007-08 to FY 2011-12 the state's General Fund budget has grown by 1.7%. Historically, General Fund spending often increased by 6% per year.

5. The budget shortfalls indicate that state revenues are simply inadequate to pay for the day to day functions of state government. Because revenues are not adequate, expenditures have been reduced and efforts to increase revenues have been implemented. Because we are constitutionally required to balance the budget, any reduction in revenues will directly result, on a dollar-for-dollar basis, in the need to either implement additional expenditure reductions or identify additional revenue sources.

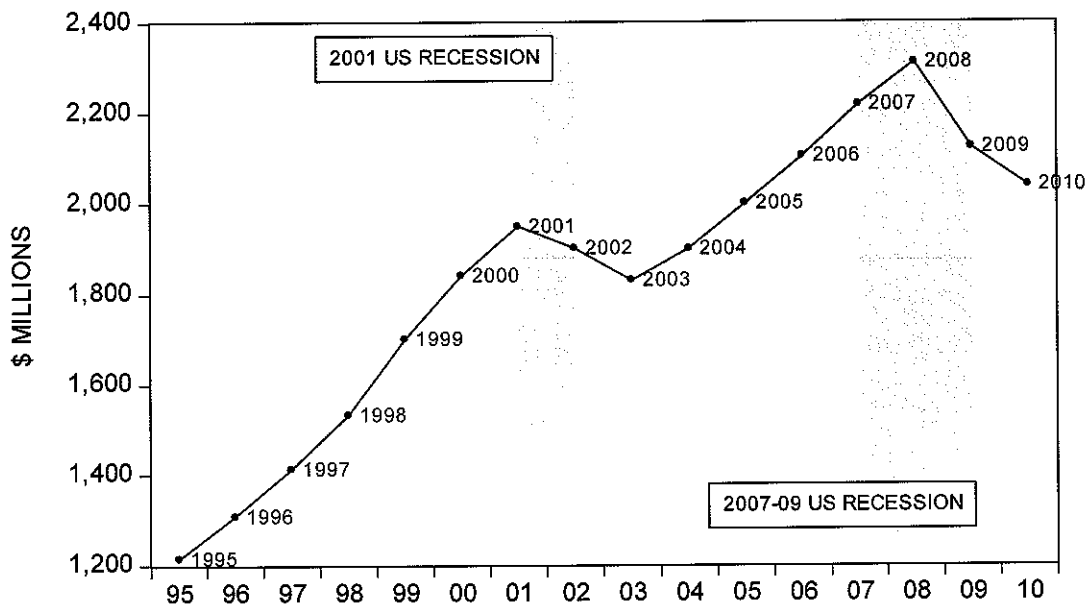
6. The economic forecast indicates that economic growth in Colorado will continue to be very modest. The rate of revenue growth throughout the life of the forecast will not be adequate to pay for mandated and historical increases in areas like Medicaid, K-12 and higher education. In fact, it is likely that during each of the forecast years it will be necessary to balance additional budget shortfalls.

7. The September Revenue Forecast projects that FY 2010-11 excise tax collections will total \$2.2 billion (\$2.15 billion of which is expected to come from sales and use tax) and income tax revenues will total \$4.6 billion. These two tax sources are

the primary funding sources for the state's General Fund. If either of these sources declines, then additional expenditure reductions or revenue increases must be identified.

8. Sales and use tax collections historically account for approximately one third of the State's General Fund. The forecast indicates that 2010 sales tax revenues are going to come in just over the level that was collected in 2005 (see graph below). This comes at a time when the demand for state services is growing rapidly, Medicaid enrollments are up as is enrollment in K-12 education and higher education. As is always the case during a recession, demand for state services runs counter cyclical to the economy. When the economy turns down the demand for services goes up.

SALES AND USE TAX REVENUE



9. In conclusion, the global economic downturn did not spare Colorado. Weak state revenues have resulted in the need to make dramatic reductions to state

programs. The recession has also driven the need to not only increase General Fund revenues through statutorily and constitutionally allowable means but to work to ensure that revenues owed to the state are indeed collected.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 18th day of November, 2010.

A handwritten signature in black ink, appearing to read "Todd Saliman", is written over a solid horizontal line.

Todd Saliman