

# Colorado Legislative Council Staff Forecasts, 2000-2006

December 2000

## COLORADO LEGISLATIVE COUNCIL STAFF FORECASTS, 2000-2006

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# **EXECUTIVE SUMMARY**

This document is intended to provide information to members of the General Assembly that will aid in budget deliberations in the upcoming 2001 legislative session. Included in this report are Legislative Council Staff's projections for Colorado's TABOR limit, the General Fund reserve, and General and Cash Fund revenues. Many items that drive state expenditures are also projected. The state's adult prison and youthful offender populations are forecast and compared with capacity to ascertain future construction needs for prisons. Enrollment, assessed values, and property taxes are projected in order to assess the amount of state aid required for pre-school through twelfth grade school finance. A common forecast of the national and state economies drives the revenue and budget projections provided in this publication. In addition to the summary provided below, more detailed summaries are provided at the start of each section. If you would like further information on these topics, please contact the staff members listed in this summary.

#### **Constitutional Spending Limit — the TABOR Limit**

The state's TABOR surplus is expected to be \$858.7 million in FY 2000-01 and \$672.7 million in FY 2001-02. During the six-year forecast period beginning in FY 2000-01, we project that excess revenues will be \$6.65 billion, an average of \$1.11 billion per year.

Staff contact: Tom Dunn or Mike Mauer, (303) 866-3521.

#### General Fund Revenue, Appropriations, and Reserve

General Fund revenue will increase by 3.0 percent in FY 2000-01 and by 4.0 percent in FY 2001-02. These growth rates are influenced by tax reductions enacted during the 2000 legislative session and Amendment 23, which was approved by the voters in November 2000. Amendment 23 directs a portion of state income tax revenues to the State Education Fund. Revenue growth will average 7.3 percent after FY 2001-02.

In FY 2001-02, General Fund appropriations may increase by \$320.1 million, or by the allowable six percent maximum. Appropriations can increase by six percent throughout the forecast period.

The FY 2000-01 General Fund reserve is expected to be \$420.5 million, following a year-end reserve of \$806.2 million in FY 1999-00.

The interaction of Amendment 23 with current planned and required expenditures will set off the Senate Bill 97-1 trigger, preventing the diversion of most sales and use tax revenue to the Highway Users Tax Fund in FY 2001-02. The diversion will be reduced by \$205.6 million.

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#### **Cash Fund Revenues**

We project **total Cash Fund revenue** subject to the TABOR spending limit to grow 5.2 percent in FY 2000-01 and 3.3 percent in FY 2001-02.

**Transportation-related** cash funds, which include the Highway Users Tax Fund and the State Highway Fund, will grow 4.1 percent in FY 2000-01 and 2.8 percent in FY 2001-02.

**Higher education** cash funds will increase 5.7 percent in FY 2000-01, a result of steady growth in enrollment and strong growth in tuition and nontuition revenues. **Unemployment insurance** revenues from taxes and interest earnings will decrease 0.3 percent in FY 2000-01. Healthy growth in taxable wages and strong interest earnings in the UI Fund will nearly offset a 20 percent tax credit for most employers in calendar 2001. The UI Trust Fund balance will grow to \$1.1 billion by FY 2005-06 and will remain solvent throughout the forecast period.

Staff contact: Natalie Mullis, (303) 866-3521.

#### Adult Prison Population

The total **Department of Corrections (DOC) population** is expected to increase at an average annual rate of 7.0 percent, to 23,966 inmates, during the six-year forecast period. The male population will increase from 14,733 inmates on June 30, 2000, to 22,098 inmates on June 30, 2006. Meanwhile, the female population will increase from 1,266 inmates on June 30, 2000, to 1,868 inmates on June 30, 2006.

The **prison bed** *shortfall* **for male inmates** is projected to be 1,288 by June 30, 2006, while there will be a **bed** *surplus* **for female inmates** of 214 by June 30, 2006. These figures include facilities that have been planned by DOC but have not yet been funded or approved by the General Assembly.

The total **parole population** will increase 31.1 percent during the forecast period. The parole population will grow from 5,222 inmates on June 30, 2000, to 6,487 inmates on June 30, 2006.

The **Youthful Offender System population** is projected to grow 2.1 percent, from 290 offenders on June 30, 2000, to 296 offenders on June 30, 2006.

Staff contact: Jonathan Lurie, (303) 866-3521.

#### **Juvenile Corrections Population**

We project that the **average daily population of all youths** under the supervision of the Division of Youth Corrections (DYC) will increase from 1,787.8 in FY 1999-00 to 2,175.1 in FY 2005-06, an increase of 21.7 percent.

The **average daily commitment population** will increase at an average annual rate of 4.4 percent, from 1,216.7 to 1,577.2 youths, during the forecast period. The **average daily detention population** will increase from 571.1 in FY 1999-00 to 651.6 youths in FY 2005-06, an average annual rate of 2.2 percent, during the forecast period.

The **average daily parole population** will increase at an average annual rate of 12.2 percent, from 601.4 in FY 1999-00 to 1,198.0 youths in FY 2005-06.

Staff contact: Jonathan Lurie, (303) 866-3521.

#### Pre-Kindergarten to Twelfth Grade Enrollment

Enrollment for the 2001-02 school year is projected to increase by 1.92 percent, or by 13,264 full-time-equivalent (FTE) students. This follows an increase of 1.78 percent, or 12,117 FTE students for the 2000-01 school year.

We project that enrollment will increase at a compound annual average rate of 1.71 percent during the next five years. This increase amounts to 61,148 students. This growth compares with an annualized growth rate of 1.95 percent, or 63,718.5 students, during the last five years.

Staff contact: Josh Harwood, (303) 866-3521.

#### **Assessed Values and Property Taxes**

Strength in the Colorado economy will boost the **assessed value of taxable property** by 19.4 percent in 2001. Total assessed value will reach \$58.2 billion. By 2006, assessed value will total \$75.7 billion, reflecting a compound annual average growth rate of 7.6 percent since 2000.

It is anticipated that the **residential assessment rate** will decrease from the current level of 9.74 percent to 9.19 percent in 2001, 8.78 percent in 2003, and 8.41 percent in 2005. Strong gains in residential market value will outpace nonresidential property gains, leading to the decline in the residential assessment rate.

**Local government property taxes** for general operating purposes will increase 7.9 percent to \$1.478 billion in 2002.

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# Revenue and Economic Forecast

Prepared by

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## **REVENUE AND ECONOMIC FORECAST**

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- General Fund revenue growth will slow through FY 2001-02 due to tax reductions, a weakening economy, and the impact of Amendment 23. Revenue will increase 3.0 percent in FY 2000-01 and by 4.0 percent in FY 2001-02. After FY 2001-02, General Fund revenue will increase at a compound annual average rate of 7.3 percent during the forecast period.
- Individual income taxes will increase at an annualized pace of 7.9 percent. However, Amendment 23 directs a portion of these revenues to the State Education Fund. We estimate that \$160.3 million and \$346.6 million will be deposited in the State Education Fund in FY 2000-01 and FY 2001-02, respectively. Meanwhile, sales taxes will average 6.2 percent growth during the six-year forecast period.

#### **General Fund Revenue**

General Fund revenues in FY 1999-00 increased 8.8 percent, to \$6.3 billion. The strong growth occurred despite ongoing tax reductions from 1999 legislative action and new tax reductions enacted during the 2000 legislative session. The growth rate was slightly less than the compound annual average growth rate of 9.3 percent since FY 1989-90. Graph 1 shows the growth rates for the past 21 years.



Graph 1

Table 1 shows the forecast for General Fund revenue. Due to the continuing impacts of tax reductions enacted during the 2000 legislative session and the implementation of Amendment 23, General Fund revenues will increase by only 3.0 percent in FY 2000-01 and 4.0 percent in FY 2001-02. The following sections discuss the forecast of the main components of General Fund revenues.

*Individual income taxes.* Individual income taxes increased by 11.8 percent in FY 1999-00. However, the continued impact of tax reductions and a slowing economy will reduce the growth rate to 6.9 percent in FY 2000-01.

Individual income taxes have increased at a compound average annual growth rate of 10.9

percent since FY 1990-91. The lowest growth rate during that period was 9.1 percent. Three reasons account for the strong gains. First, the robust stock market gains since 1994 fueled tremendous increases in capital gains. The Standard & Poor's 500 index increased from an average of 460 in 1994 to an average of 1326 in 1999, or an annualized increase of 23.6 percent. The level of estimated payments, which are based on unearned income such as capital gains, increased at an annual pace of 20.3 percent during the corresponding period. According to the Internal Revenue Service, capital gains as a percentage of federal adjusted gross income on Colorado income tax returns increased from 3.5 percent in 1991 to 9.4 percent in 1998, the latest available data. Moreover, the number of households with capital gains is more broad based. The percentage of tax returns with capital gains increased from 14.3 percent in 1991 to 25.0 percent in 1998.

The *second* reason for strong increases in individual income taxes is the robust growth in wages during the past five years. From 1994 to 1999, total wages and salaries increased at a 9.3 percent average annual pace, while they increased at 7.1 percent rate during the previous five-year period. The economy has been stronger and there has been significant growth in the high-wage advanced technology sector.

*Third*, inflation has been low, leading to smaller increases in the federal personal exemption and standard deduction that are indexed to inflation. This increases the yield of income taxes.

As mentioned in previous forecasts, we believe that the underlying factors causing the recent strong gains in income tax revenues will abate. *First*, the increasing importance of capital gains is not without risk. A recent report by the Nelson A. Rockefeller Institute of

		% Change	12/2000	% Change	12/2000	% Change	12/2000	% Change	12/2000	% Change	12/2000	% Change	12/2000	% Change
Category	FY 1999-00	Over Prior Year	Estimate FY 2000-01	Over Prior Year	Estimate FY 2001-02	Over Prior Year	Estimate FY 2002-03	Over Prior Year	Estimate FY 2003-04	Over Prior Year	Estimate FY 2004-05	Over Prior Year	Estimate FY 2005-06	Over Prior Year
Sales	\$1,744.8 /A	11.6	\$1,829.1 /A	4.8	\$1,913.5 /A	4.6	\$2,057.4 /A	7.5	\$2,203.1 /A	7.1	\$2,352.3 /A	6.8	2,509.7 /A	6.7
Sales Tax Overrefund from TABOR	(18.8)		(35.5)		(35.0)		(26.2)		(16.2)		(29.1)		(41.3)	
Use	142.5 /A	1.6	152.4 /A	7.0	155.7 /A	2.1	164.2 /A	5.5	172.9 /A	5.3	181.6 /A	5.0	191.0 /A	5.2
Cigarette	57.8	-3.7	56.3	-2.6	56.1	-0.4	55.7	9.0-	55.5	-0.5	55.2	-0.5	55.3	0.2
Tobacco Products	9.4	9.3	10.3	6.9	10.6	2.6	11.2	6.0	11.8	5.5	12.4	5.0	12.9	4.0
Liquor	28.0	8.5	27.2	-2.7	27.7	1.8	28.3	2.2	29.0	2.2	29.6	2.2	30.2	2.1
TOTAL EXCISE	\$1,963.7	9.2	\$2,039.9	3.9	\$2,128.6	4.3	\$2,290.7	7.6	\$2,456.0	7.2	\$2,602.0	5.9	\$2,757.7	6.0
Net Individual Income	\$3,718.2	11.8	\$3,974.3	6.9	\$4,339.2	9.2	\$4,725.7	8.9	\$5,110.4	8.1	\$5,487.5	7.4	\$5,868.7	6.9
Net Corporate Income	289.2	4.7	299.5	3.6	287.1	-4.1	320.2	11.5	339.9	6.1	350.2	3.0	362.7	3.6
TOTAL INCOME TAXES	\$4,007.4	11.2	\$4,273.8	6.6	\$4,626.4	8.2	\$5,045.9	9.1	\$5,450.3	8.0	\$5,837.7	7.1	\$6,231.5	6.7
Less: Portion directed to the State Education			(160.3)	NA	(346.6)	116.3	(377.5)	8.9	(407.3)	7.9	(436.0)	7.0	(465.3)	6.7
NET INCOME TAXES TO GENERAL FUND	\$4,007.4	11.2	\$4,113.5	2.6	\$4,279.8	4.0	\$4,668.4	9.1	\$5,043.0	8.0	\$5,401.7	7.1	\$5,766.2	6.7
Estate	\$59.7	-11.0	\$66.0	10.6	\$64.8	-1.8	\$67.4	4.0	\$71.9	6.6	\$68.7	4.4-	73.6	7.0
Insurance	128.5	9.0	136.3	6.1	142.9	4.8	149.0	4.3	155.3	4.2	161.0	3.7	166.6	3.5
Pari-Mutuel	7.0	12.9	6.4	-8.6	6.5	1.6	6.4	-1.5	6.3	-1.6	6.4	1.6	6.4	0.0
Interest Income	42.3	-10.9	44.3	4.8	39.9	-10.0	42.3	6.0	45.0	6.5	47.3	5.0	49.6	5.0
Court Receipts	27.1	6.7	27.5	1.3	28.1	2.5	28.8	2.4	29.6	2.8	30.5	2.8	31.3	2.8
Gaming	28.8 /C	5.5	32.0 /C	11.0	34.5 /C	8.1	43.7 /C	26.5	50.1 /C	14.5	59.7 /C	19.2	66.9 /C	12.1
Medicaid (Intergovt. Transfer)	7.1	-90.3	7.1	0.0	7.1	0.0	7.1	0.0	7.1	0.0	7.1	0.0	7.1	0.0
Other Income	31.9	12.7	20.9	-34.4	22.0	4.9	22.6	2.8	23.4	3.6	24.3	3.8	25.2	3.8
TOTAL OTHER	\$332.4	-15.3	\$340.5	2.4	\$345.9	1.6	\$367.3	6.2	\$388.7	5.8	\$405.0	4.2	\$426.8	5.4
GROSS GENERAL FUND	\$6,303.5	8.8	\$6,494.0	3.0	\$6,754.2	4.0	\$7,326.5	8.5	\$7,887.6	7.7	\$8,408.6	6.6	\$8,950.7	6.4
REBATES & EXPENDITURES: Cinarette Rehate	\$16.4	-18	\$16.0	96-	\$15 Q	7 U-	\$15.R	90-	\$15.7	5 0-	\$15.7	¥ 0-	\$15.7	00
Old-Age Pension Fund	57.7	0.5	64.0	11.0	64.4	0.7	68.0	5.5	72.0	6.0	76.6	6.3	81.7	6.7
Aged Property Tax & Heating Credit	21.5	82.2	22.2	3.1	21.9	-1.2	21.7	-0.8	21.7	-0.1	21.7	0.0-	21.7	-0.1
Fire/Police Pensions	28.7	0.7	28.8	0.3	29.2	1.4	29.8	2.1	30.4	2.0	1.0	-96.7	1.0	0.0
TOTAL REBATES & EXPENDITURES	\$124.3	8.7	\$131.0	5.4	\$131.4	0.4	\$135.3	2.9	\$139.8	3.4	\$114.9	-17.8	\$120.0	4.5
Totals may not sum due to rounding. NA: Not Applicable.														
/A lin November 2000, Colorado voters approve	d Amendment 23 th	at deposits an	amount equal to 0.3	3 percent of Co	ilorado taxable i <b>n</b> oi	me into the Sta	te Education Fund.	These revenues	are exempt from t	the TABOR spe	nding limit.			
/C Limited gaming receipts are reported net of and to the Municipal Limited Gaming Impact Fu	evenues that are cre od (MLGIF). In FY 2	edited to the L 000-01, the MI	cal Government Lir GIF will be merged	nited Gaming In into the LGLGI	npact Fund (IGLGI	<ul> <li>In addition,</li> </ul>	the receipts are net	of transfers to th	e State Highway F					

Colorado General Fund, Accrual Basis Revenue Estimates by Tax Category (\$ in millions)

Table 1

Prepared by Legislative Council Staff

Government labeled Colorado as the state most at risk from a downturn in the stock market. Colorado's capital gains as a percentage of federal adjusted gross income are 20 percent higher than the national average. The state's income tax revenues as a percentage of general revenue are 45 percent higher than the national average. Overall, the Rockefeller Institute stated that Colorado's reliance on capital gains is 74 percent higher than the national average. The impact of a stock market decline on individual income taxes is unclear. Many investors may lock in their gains in the face of an overall market decline. For instance, estimated payments to the state increased 14 percent in FY 1987-88, the period when the stock market had an abrupt and sharp decline. However, the decline was short-lived. Through late November this year, the NASDAQ market fell by nearly 50 percent from its March peak. Estimated payments during the current fiscal year have increased 11.6 percent. Though seemingly a strong increase, it is significantly below the average of the previous five years. We are projecting a 14.0 percent increase in estimated payments for the current fiscal year.

Bonus payments to financial industry workers are typically tied to the rates of return in company mutual funds or overall stock market performance. The lackluster performance of the stock markets this year will likely lead to reduced bonus payments this year. We have received some anecdotal reports already that this may occur. Additionally, many startup companies in the high tech industry tie compensation packages to stock options. The collapse of many dot-com and related companies has led to decreased values in the stock options. Many workers are returning to traditional wage-based compensation rather than stock option-based compensation. These factors are likely to lead to smaller income tax growth rates than in recent years.

It is difficult to predict when a market downturn will occur. Standard & Poor's DRI, a major national economic forecasting service, is forecasting growth rates significantly below the historical average beginning in 2005. This will reduce the growth rate of individual income taxes markedly beginning in FY 2004-05.

Second, wage and salary gains will be more modest during the next five years, averaging 7.9 percent. Still, this is above the 1989 to 1994 period. The low unemployment rate will keep wage and salary increases above the long-term average.

*Finally*, inflation will be slightly higher in the initial years of our forecast, causing higher values for the federal personal exemption and standard deduction, and leading to smaller gains in individual income tax revenues.

Two non-economic factors will reduce the growth rate of individual income taxes in FY 2000-01. First, we expect that the uncommonly large withholding tax accrual adjustment from FY 1999-00 will reverse itself and be negative. This is a natural result of having a large positive adjustment in FY 1999-00. Second, tax cuts enacted by the General Assembly will reduce revenues. A full-year impact of the tax rate reduction will influence the growth rate. Combined with tax credits and exemptions created by three other bills passed by the legislature, revenues will be reduced by an incremental \$58.1 million. Overall, we expect that individual income taxes will increase at a 7.8 percent compound average annual growth rate during the six-year forecast period.

How will Amendment 23 Affect the General

*Fund?* Colorado's voters approved Amendment 23 at the November general election. Amendment 23 requires that an amount equal to 0.33 percent of federal taxable income, as adjusted by law, shall be deposited in the State Education Fund created by the amendment. The revenues allocated to the fund are exempt from the state's TABOR spending limit, thus reducing the TABOR refund. The amendment increases per-pupil funding for public schools and total state funding for special purpose education programs (commonly called categorical programs) by at least the rate of inflation plus one percentage point for the next ten years and by at least the rate of inflation thereafter. State aid under the school finance act must increase by at least five percent each year for the next ten years.

We show the total income tax revenues in Table 1, then deduct the amount that goes into the State Education Fund. Based on our forecast of income tax revenues, we estimate that \$160.3 million will be directed to the State Education Fund in FY 2000-01. The diversion will increase to \$346.6 million in FY 2001-02 and increase at a rate approximately equal to our forecasted growth for income tax receipts thereafter.

*Corporate income taxes will be volatile during the forecast period.* Corporate taxes are typically the most volatile state tax. Graph 2 shows the growth rates in this tax during the past 15 years, as well as the projected rates during the forecast period.

Corporate income taxes have been increasing at a robust rate in recent years, coinciding with larger corporate profits at the national level and Colorado's growing share of these profits. However, corporate profits are under pressure and are expected to decline in FY 2001-02. Slower consumer spending, high energy prices, and increasing wage pressures will cut into the corporate bottom line. Corporate income taxes will bounce back strongly in FY 2002-03 and attain modest gains thereafter. Additionally, several tax reductions will reduce state revenues. A reduction in the corporate income tax rate from 4.75 percent to 4.63 percent will reduce revenues by \$6.1 million in FY 2000-01. Three new tax credits will reduce revenues by an additional \$4.0 million in FY 2000-01.

*Sales tax revenues will weaken.* Sales tax revenues increased 11.6 percent in FY 1999-00, matching the highest growth rate of the last 20 years. Sales taxes have averaged a 9.4 percent increase over the past seven years, above the 8.1 percent annualized increase in personal



income during that period. This comparison is in contrast to a longer-term view (FY 1982-83 to FY 1999-00) when sales taxes averaged a gain of 6.8 percent compared to an annualized gain of 7.0 percent in personal income.

Our forecast calls for 4.8 percent and 4.6 percent increases in sales tax receipts in FY 2000-01 and FY 2001-02, respectively. This is somewhat weaker than our September forecast. The recent higher energy prices, as well as the drawback in the stock market indexes, appears to be slowing spending. Through November, sales tax receipts increased 7.4 percent, significantly below last year's growth rate. The prospect of even higher energy prices will chill spending during the remainder of the year. Gas and electric providers have announced several increases in rates due to higher gas prices. Gas and electric bills will soon be double last year's typical bill. This will reduce consumers' ability to spend on other goods. Because gas and electric service for residential service is not taxed by the state, we expect smaller sales taxes from consumers.

The projected growth rates for the next two years are influenced heavily by two bills passed by the General Assembly that reduce sales taxes. A reduction in the sales tax rate from 3 percent to 2.9 percent and an exemption for certain agricultural equipment will reduce sales taxes by \$30.3 million and \$72.8 million in FY 2000-01 and FY 2001-02. Without the tax reductions, sales taxes would have increased 6.6 percent and 6.8 percent in these two periods. After FY 2001-02, sales tax receipts will have modest gains ranging from 6.7 percent to 7.5 percent.

#### Other taxes will exhibit varied growth pat-

*terns.* Cigarette taxes declined 3.7 percent in FY 1999-00, the result of significantly higher prices imposed by the industry in response to

the tobacco settlement. Smoking will be relatively flat over the length of the forecast period as strong campaigns to reduce the number of new smokers will have an influence.

*Liquor taxes* increased 8.5 percent in FY 1999-00, far above the historical trend. We believe that New Year celebrations marking the beginning of 2000 contributed to the strong increase. Thus, the increase should be considered one-time in nature. Liquor taxes will decline slightly in FY 2000-01, before increasing at rates approximating population growth in Colorado.

*Estate taxes* show a varied pattern of collections over the past few years. The level of estate tax receipts fluctuate highly because of large payments from perhaps only one or two estates. Estate taxes reached a peak of \$109.6 million in FY 1997-98 and fell to \$67.1 million and \$59.7 million in the next two years. Nonetheless, last year's collections are 72 percent higher than any year prior to FY 1997-98. Because of the level of wealth accumulated in the stock and real estate markets in recent years, we believe that estate taxes will remain at a high level. They will be influenced somewhat negatively by scheduled changes in federal tax law.

*Insurance taxes* increased 9.0 percent in FY 1999-00. We believe that the increase, the largest gain since FY 1993-94, was attributable to a resumption in higher costs for medical insurance premiums and increases in property insurance premiums. Insurance taxes will grow at rates ranging from 3.5 percent to 6.1 percent over the forecast period. The influence of reduced insurance premium tax rates resulting from House Bill 96-1261 is over. This bill phased in a reduction of tax rates from 2.25 percent in 1995 to 2.0 percent in 2000.

*Pari-mutuel taxes* reversed a five-year slide, increasing from \$6.2 million in FY 1998-99 to \$7.0 million in FY 1999-00. We believe that these taxes will decline again in the current fiscal year and remain relatively flat during the remainder of the forecast period.

The General Fund receives a portion of *gam*ing taxes and fees. These receipts have increased significantly since limited gaming started in 1991. Despite a significant reduction in tax rates at the beginning of FY 1999-00, gaming taxes in the General Fund increased by \$1.5 million. More attractions in the state's three gaming towns and continued growth in the state's economy will keep gaming taxes on an upward path.

#### Rebates and expenditures will increase

*slightly.* Senate Bill 00-185 will increase the amounts given under the old age property tax grant program. The bill excludes Medicaid payment amounts from income used to determine eligibility and the amount of the grant. The bill will increase the grants by \$0.6 million beginning in FY 2000-01. House Bill 00-1072 provided for an additional \$3.0 million of one-time funding for the Older Coloradans Act in FY 2000-01. This expenditure is included in the Old Age Pension Fund line in Table 1.

### **Cash Fund Revenue Forecasts**

- Total cash fund revenue subject to the TABOR spending limit will increase 5.2 percent in FY 2000-01, 3.3 percent in FY 2001-02, and at an average annual rate of 4.8 percent between FY 1999-00 and FY 2005-06.
- Revenue to the **transportation-related** cash funds, which include the Highway Users Tax Fund and the State Highway Fund, will increase 4.1 percent in FY 2000-01 and 2.8 percent in FY 2001-02. Demand for motor fuel and larger, less fuel-efficient vehicles has fallen due to rising gasoline prices and a faltering stock market.
- Total **higher education** revenue, including tuition and nontuition revenue, will grow 5.7 percent in FY 2000-01, accompanied by 0.8 percent growth in full-time-equivalent student enrollment.
- Total **unemployment insurance** revenue will decline 0.3 percent in FY 2000-01. Healthy growth in taxable wages and strong interest earnings in the UI Fund will nearly offset a 20 percent

unemployment insurance tax credit for most employers in calendar year 2001. The UI Trust Fund Balance will grow to \$1.1 billion by FY 2005-06 and will remain solvent throughout the forecast period.

- Limited Gaming Cash Fund revenue will increase 18.5 percent in FY 2000-01, a result of healthy growth in personal income and a trend toward larger casinos, which reach the higher tax rates faster than smaller casinos.
- Wildlife Cash Fund revenue will decline 2.1 percent in FY 2000-01, a result of slightly declining license sales. Wildlife revenue will then grow at a faster pace for the remainder of the forecast period as a result of House Bill 00-1448, which increased fees for nonresident hunting licenses.
- Finally, all **other cash fund** revenue will increase 7.9 percent in FY 2000-01, and at a compound average annual rate of 3.6 percent between FY 1999-00 and FY 2005-06.

This section presents the forecast for cash fund19revenue subject to the TABOR spending limitcaand descriptions for several of the large cashce

and descriptions for several of the large cash funds. Table 2 presents a summary of all cash fund revenue subject to the TABOR spending limit.

After growing 3.2 percent in FY 1999-00, cash fund revenue subject to the TABOR spending limit will increase 5.2 percent in FY 2000-01. We increased the forecast for FY 2000-01 by \$15.8 million relative to the September forecast. This increase is primarily a result of a strong growth in oil and gas severance tax revenues and revenue to the umbrella group "other cash funds," offset partially by lowerthan-expected growth in motor fuel tax revenue.

Cash funds subject to the TABOR spending limit will increase at a compound average annual rate of 4.8 percent between FY 1999-00 and FY 2005-06. This strong growth is partially due to the effect of several new laws passed during the 2000 legislative session. Over the six-year period between FY 2000-01 and FY 2005-06. House Bill 00-1055 and House Bill 00-1452 provided an additional \$518.4 million of funding to the capital construction fund, estimated to increase interest earnings to the fund by \$55.6 million over the six-year forecast. Further, House Bill 00-1448 will increase Wildlife Cash Fund hunting license fee revenue by an estimated \$31.2 million, and House Bill 00-1486 will increase Petroleum Storage Tank Fund revenue by an estimated \$29.4 million. In addition, we increased the forecast by a total of \$57.3 million between FY 2000-01 and FY 2004-05 over the September forecast. The upward revision is due to extremely strong growth in severance tax revenues and a stronger forecast for revenue in the "other cash fund" umbrella group due to the reduced impact of Senate Bill 98194. Additionally, higher forecasts for medical inflation will increase insurance-related receipts.

It is important to note that while the state is in the position of having excess TABOR revenue, the larger cash fund revenue forecast will cause the General Fund to retain less revenue in its year-end reserve each year than had been expected in September. This occurs because the TABOR refund is recorded as a General Fund liability. Since higher-than-expected cash fund revenue increases the TABOR refund in the following year, more is needed from the General Fund for the TABOR refund.

#### **Transportation-Related Cash Funds**

Transportation-related cash funds, which include the Highway Users Tax Fund, the State Highway Fund, and several smaller funds, increased 6.5 percent in FY 1999-00. As the consumer-driven economy embarks on a gentle cooling trend, we expect transportation-related revenue to continue to increase at more moderate rates, increasing 4.1 percent in FY 2000-01, 2.8 percent in FY 2001-02, and by a compound average annual rate of 4.1 percent through FY 2005-06 (Table 3). The dip in the growth rate during FY 2001-02 is a result of a substantially reduced Senate Bill 97-1 diversion, which will cause interest earnings in the State Highway Fund to decline.

*The Highway Users Tax Fund.* The Highway Users Tax Fund (HUTF) was created by the General Assembly as a result of the state constitutional requirement that the revenues from highway-related taxes and fees be used only for the construction, maintenance, and administration of public highways. Thus, revenue sources for the HUTF include taxes on the sale of motor fuel (73 percent), automobile registra-

Table 2 Cash Fund Revenue Estimates by Category, December 2000

	Actual FY 99-00	Estimate FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	FY 99-00 to FY 05-06 CAAGR *
Transportation-Related /A	\$766.1	\$797.5	\$819.9	\$867.1	\$900.7	\$937.4	\$975.0	4.1%
% Change Higher Education	6.5% \$655.9	4.1% <b>\$693.1</b>	2.8% \$732.2	5.8% \$769.5	3.9% <b>\$806.6</b>	4.1% \$846.1	4.0% <b>\$888.2</b>	5.2%
% Change	3.0%	5.7%	5.6%	5.1%	4.8%	4.9%	5.0%	
Unemployment Insurance /B	\$225.5	\$224.7	\$223.1	\$243.7	\$268.2	\$281.6	\$295.5	4.6%
% Change	1.9%	-0.3%	-0.7%	9.3%	10.1%	5.0%	4.9%	
Limited Gaming Fund	\$80.0	\$94.8	\$109.0	\$124.5	\$141.1	\$158.1	\$175.5	14.0%
% Change	1.2%	18.5%	15.0%	14.2%	13.3%	12.1%	11.0%	
Wildlife Cash Fund	\$59.4	\$58.1	\$61.8	\$63.4	\$65.3	\$67.5	\$69.6	2.7%
% Change	-10.3%	-2.1%	6.2%	2.6%	3.1%	3.3%	3.2%	
Capital Construction - Interest	\$37.1	\$38.4	\$32.2	\$27.3	\$24.3	\$21.4	\$19.6	-10.1%
% Change	-33.1%	3.6%	-16.3%	-15.0%	-11.2%	-11.8%	-8.5%	
Insurance-Related	\$50.2	\$55.6	\$58.6	\$61.3	\$63.9	\$66.8	\$69.9	5.7%
% Change	3.2%	10.9%	5.4%	4.6%	4.2%	4.6%	4.6%	
Regulatory Agencies	\$47.1	\$49.3	\$50.5	\$51.8	\$53.0	\$54.4	\$55.6	2.8%
% Change	1.8%	4.7%	2.5%	2.4%	2.5%	2.5%	2.3%	
Severance Tax /C	\$41.7	\$52.9	\$48.8	\$50.6	\$51.6	\$55.0	\$54.5	4.5%
% Change	24.4%	27.0%	-7.8%	3.7%	2.0%	6.6%	-1.1%	
Employment Support Fund /B	\$21.4	\$17.2	\$16.2	\$19.2	\$22.4	\$23.6	\$24.8	2.5%
% Change	61.2%	-19.3%	-6.2%	18.8%	16.8%	5.2%	5.2%	
Petroleum Storage Tank Fund	\$17.4	\$24.1	\$18.8	\$19.5	\$20.3	\$10.5	\$10.9	-7.5%
% Change	4.6%	38.5%	-21.9%	3.9%	3.9%	-48.2%	3.7%	
Controlled Maintenance Trust Fund - Interest**	\$18.0	\$17.9	\$17.5	\$17.4	\$17.4	\$17.4	\$17.4	-0.5%
% Change	0.4%	-0.3%	-2.6%	-0.2%	-0.3%	0.1%	0.2%	
Other Cash Funds	\$225.9	\$239.5	\$252.3	\$265.9	\$281.1	\$297.8	\$314.4	5.7%
% Change	1.7%	6.0%	5.3%	5.4%	5.7%	5.9%	5.6%	
Total Cash Fund Revenues Subject to the TABOR Limit	\$2,245.5 3.2%	\$2,363.3 5.2%	\$2,440.8 3.3%	\$2,581.2 5.8%	\$2,716.0 5.2%	\$2,837.8 4.5%	\$2,971.1 4.7%	4.8%
Totals may not sum due to rounding. * CAAGR: Compound Annual Average Growth Rate.		-	-	-	-	-		-
** These figures reflect only revenue in the runds subject to TAI the EV 2000-04 \$232.4 million General Erind transfer to the Cai	BUK, ratner man tot nital Construction Fi	al revenues creui ind has already h	ited to the runas, i den counted in G	mucn or w nich rig aneral Fund re ve	is aiready been ur	ounted tor the pur	POSES OF LADU	K. For example, refore is not in-

cluded in this table as TABOR revenues.

/A This includes the Highway Users Tax Fund, the State Highway Fund, and other transportation -related funds.

/B This incorporates the effects of House Bill 00-1310, which provides a 20 percent tax credit on unemployment insurance taxes during Calendar Years 2001 and 2002.

/C This figure includes both the state and local shares of severance tax revenue before distribution.

tion fees (21 percent), and revenues from the sale of driver licenses, court fines, penalties, and interest income (6 percent). In addition, approximately 10 percent of the state sales and use tax revenues are diverted to the HUTF for transportation purposes, as long as there is enough revenue in the General Fund to fully fund a six percent increase in General Fund appropriations each year.

After increasing 5.7 percent in FY 1999-00, we expect total HUTF revenue to grow 3.8 percent in FY 2000-01, and at a compound average annual rate of 4.2 percent through FY 2005-06. We decreased our forecast for FY 2000-01 HUTF revenues by \$6.1 million over the September forecast, including \$2.7 million for vehicle registration revenue and \$3.4 million for motor fuel tax revenue. Available evidence suggests that high gasoline prices and a declining stock market may be somewhat depressing demand for gasoline and larger, less fuel efficient vehicles relative to what we had expected in September. As a result, we decreased the forecast for HUTF revenues over the remainder of the forecast period as well.

Vehicle **registration revenue**, much of which is paid on larger and newer vehicles, will grow 4.3 percent in FY 2000-01, after increasing 6.2 percent in FY 1999-00. Due to steady population growth, continued concerns for personal safety, and consistent increases in personal income, we expect that demand for large automobiles and trucks will remain steady throughout the forecast period. Thus, we expect registration revenues to grow at a healthy compound average annual rate of 5.0 percent during this time period.

According to AAA Colorado, the average price of a gallon of regular unleaded gasoline in Colorado increased from \$1.14 in June 1999 to \$1.61 in June 2000. Prices for other fuels and grades of gasoline exhibited similar increases. Despite this, **motor fuel tax revenue**  21

grew at a strong rate of 5.0 percent in FY 1999-00. However, growth is slowing somewhat in FY 2000-01. While vehicle miles traveled do not appear to have declined and population growth and rising incomes have been more than sufficient to offset the negative impacts of higher gasoline prices, motor fuel tax revenues did not increase as quickly during the first quarter of FY 2000-01 relative to the first quarter of FY 1999-00. However, while gasoline prices continue to be high in Colorado and should remain there at least through the end of 2000, they remain at relatively low historical levels when adjusted for inflation, and quite affordable to most Coloradans. Thus, we expect that motor fuel tax revenue will continue to exhibit steady growth throughout the forecast period, although at a slightly slower rate than we had expected in September. Revenues will increase 3.8 percent in FY 2000-01, and at a compound average annual rate of 3.9 percent between FY 1999-00 and FY 2005-06.

The State Highway Fund. Once the taxes and fees generated for the Highway Users Tax Fund (HUTF) are collected, they are disbursed to the state, counties, and cities in a manner stipulated by Colorado law. The state's share of money (approximately 55 percent) is credited to the State Highway Fund. In addition, the Senate Bill 97-1 diversion and any capital construction transfers from the General Fund for transportation purposes are deposited in the State Highway Fund. The balance in the State Highway Fund earns interest that is subject to the TABOR spending limit. We expect interest earned in this fund to increase 13.3 percent in FY 1999-00, primarily the result of a \$50 million transfer from the General Fund. However, interest earnings will decline 33.3 percent in FY 2001-02, a result of the much smaller Senate Bill 97-1 diversion of sales and use tax revenues. The diversion will be reduced substantially in FY 2001-02 to allow General Fund appropriations to grow by the six percent statutory limit. Interest earnings to this fund

Transportation Funds Revenue Forecast by Source, December 2000 Millions of Dollars Table 3

	Actual FY 99-00	Estimate FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	FY 1999-00 to FY 2005-06 CAAGR *
Highway Users Tax Fund								
Kegistrations	\$149.0	\$155.4	\$163.0	\$171.2	\$179.2	\$188.3	\$199.8	5.0%
% change	6.2%	4.3%	4.9%	5.0%	4.7%	5.1%	6.1%	
Motor Fuel and Special Fuel Taxes /A	\$520.5	\$540.2	\$564.2	\$586.1	\$609.0	\$631.4	\$654.8	3.9%
% change	5.0%	3.8%	4.4%	3.9%	3.9%	3.7%	3.7%	
Other Receipts /B	\$45.6	\$46.7	\$48.9	\$52.8	\$53.1	\$55.6	\$58.3	4.2%
% change	12.2%	2.4%	4.7%	7.9%	0.6%	4.8%	4.8%	
Total Highway Users Tax Fund	\$715.1	\$742.3	\$776.1	\$810.1	\$841.3	\$875.4	\$912.9	4.2%
% change	5.7%	3.8%	4.6%	4.4%	3.9%	4.1%	4.3%	
State Highway Fund - Interest /C	\$30.8	\$34.9	\$23.3	\$35.8	\$37.5	\$39.3	\$38.5	3.8%
% change	30.9%	13.3%	-33.3%	53.5%	4.7%	4.8%	-1.8%	
Other Transportation Funds /D	\$20.2	\$20.3	\$20.6	\$21.3	\$22.0	\$22.8	\$23.6	2.6%
% change	4.3%	0.3%	1.4%	3.6%	3.4%	3.5%	3.5%	
TOTAL: All Transportation Funds	\$766.1	\$797.5	\$819.9	\$867.1	\$900.7	\$937.4	\$975.0	4.1%
% change	6.5%	4.1%	2.8%	5.8%	3.9%	4.1%	4.0%	
Senate Bill 97-1 Revenue /E	\$188.7	\$199.5	\$8.7	\$230.0	\$246.0	\$262.4	\$154.3	-3.3%
% change	8.8%	5.7%	-95.7%	2555.2%	6.9%	6.6%	-41.2%	
otals may not sum due to rounding and do not i baved in the General Fund and are then transfe	nclude Senate B	ill 97 -1 revenue	s, which are 10.3	355 percent of s	ales and use tax	revenues. The	Senate Bill 97 -	1 revenues are dis-

\* CAAGR: Compound Annual Average Growth Rate.

/A Net of refunds.

/B Includes interest receipts, judicial receipts, drivers license fees, gross ton mile tax revenues, and other miscellaneous receipts in the HUTF.

/C Includes interest, local transfers, and fees. Does not include the state's portion of the HUTF, which is reported within to tal HUTF revenues.

/D Revenues received by these funds include fees for distributive data processing, emissions, motorcycle safety, and emergency medical services.

Senate Bill 97-1 revenue declines in FY 2001-02 and FY 2005-06 to allow General Fund appropriations to grow by the six perce nt statutory limit. щ

will grow at a compound average annual rate of 3.8 percent between FY 1999-00 and FY 2005-06.

Additional Monies for Transportation. During the 2000 legislative session, the General Assembly specified that \$50 million be transferred to the State Highway Fund from the General Fund on July 1, 2000. In addition, Senate Bill 97-1 provided for the diversion of 10 percent of state sales and use tax revenues to the HUTF. This amount was increased to an effective rate of 10.107 percent for FY 2000-01 and to 10.355 percent for each year thereafter. The amount diverted is shown at the bottom of Table 3. A statutory trigger reduces the Senate Bill 97-1 diversion dollar-fordollar when General Fund revenues fall short of fully funding the six percent growth limit on General Fund appropriations, as is expected to occur in FY 2001-02 and FY 2005-06. As a result, the diversion will be reduced by \$205.6 million in FY 2001-02 and \$125.3 million in FY 2005-06.

#### **Higher Education**

In this section, we present the projections for cash fund revenue growth and full-time equivalent (FTE) enrollment in the higher education system. Table 4 illustrates the tuition and nontuition revenue projections and Table 5 illustrates the FTE enrollment forecasts by residency status.

*Higher Education Cash Fund Revenue Projections.* The FY 1999-00 total (tuition and nontuition) higher education cash fund revenue increased 3.0 percent, despite a 0.9 percent dip in nontuition revenue. The nontuition revenue drop was attributable to an operational reorganization at university hospitals and clinics. This year, however, these hospitals and clinics developed new operational strategies and reported that revenue is expected to return to normal levels of growth.

We anticipate that higher education cash fund revenue will increase 5.7 percent in FY 2000-01 and 5.6 percent in FY 2001-02 (Table 4). Between FY 1999-00 and FY 2005-06, we expect total higher education cash fund revenues to grow at a compound average annual rate of 5.2 percent.

We project that tuition revenue will increase 5.4 percent in FY 2000-01 and at a compound average annual rate of 4.9 percent between FY 1999-00 and FY 2005-06. We expect non-tuition revenue to maintain a somewhat stronger growth pattern throughout the forecast period, increasing 6.7 percent in FY 2000-01 and at a compound average annual rate of 6.3 percent through FY 2005-06.

The December 2000 *tuition revenue* forecast is similar to the September 2000 forecast. We increased the forecast for *nontuition revenue* over the September 2000 projections because, excluding university hospitals and clinics, there were significant revenue increases in FY 1999-00 that were associated with 1) interest income and 2) strong student consumer spending. Both interest income and consumer spending are expected to remain robust through the forecast period.

#### Higher Education Enrollment Projections.

FY 1999-00 FTE enrollment increased 1.8 percent over FY 1998-99 enrollment. Most of the increase was attributable to a 2.0 percent gain in resident enrollment while nonresident enrollment grew 1.1 percent. The addition of Colorado Northwestern Community College to the state system was responsible for some of the enrollment growth. In line with expectations, record enrollment at community colleges was also responsible for enrollment growth. Topping the list of schools with the largest

Actual         Estimate         Estimate         Estimate         Estimate         FY 199-00 to           FY 99-00         FY 00-01         FY 01-02         FY 02-03         FY 03-04         FY 2005-06         FY 2006-07         FY 2006-07         FY 2006-07         FY 2006-07         FY 2006-07         FY 2006-06         FY 2006-06         FY 2006-06         FY 2006-07         FY 2006-	Higi	her Educa	tion Rever	Table 4 nue Foreca: Millions of D	4 st by Sourc oollars	e, Decembe	er 2000		
\$520.1       \$548.2       \$577.9       \$605.3       \$632.1       \$661.2       \$692.6       4.9%         4.1%       5.4%       5.4%       4.7%       4.4%       4.6%       4.8%       4.9%         \$135.8       \$144.9       \$154.3       \$164.2       \$174.5       \$185.0       \$195.5       6.3%         \$135.8       \$144.9       \$154.3       \$164.2       \$174.5       \$185.0       \$195.5       6.3%         \$0.9%       6.7%       6.5%       6.4%       6.3%       5.7%       5.7%       5.7%         ucation Cash       \$655.9       \$693.1       \$732.2       \$769.5       \$806.6       \$846.1       \$888.2       5.0%         unding.        3.0%       5.7%       \$1.%       4.9%       \$5.0%       5.0%		Actual FY 99-00	Estimate FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	FY 1999-00 to FY 2005-06 CAAGR *
\$135.8       \$144.9       \$154.3       \$164.2       \$174.5       \$185.0       \$195.5       6.3%         -0.9%       6.7%       6.5%       6.4%       6.3%       6.0%       5.7%       6.3%         ucation Cash       \$655.9       \$693.1       \$732.2       \$769.5       \$806.6       \$846.1       \$888.2       5.2%         unding.       3.0%       5.7%       5.6%       5.1%       4.8%       5.0%       5.0%         unding.       I Average Growth Rate.       I Average Growth Rate.       I Average Growth Case by 4.0 percent. For subsequent years, we assume maximum tuition rat e increases for resident tuition will increase by 4.0 percent. For subsequent years, we assume maximum tuition rat e increases for resident and nonresidents. For FY 2000-01, resident tuition will increase by 4.0 percent. For subsequent years, we assume maximum tuition rat e increases for residents and nonresidents. For resident tuition rate increases for resident and nonresidents. For resident and nonresident set increases for resident and nonresidents. For resident tuition rate increases for resident and nonresidents.		\$520.1 4.1%	\$548.2 5.4%	\$577.9 5.4%	\$605.3 4.7%	\$632.1 4.4%	\$661.2 4.6%	\$692.6 4.8%	4.9%
ucation Cash\$655.9\$693.1\$732.2\$769.5\$806.6\$846.1\$888.25.2%3.0%5.7%5.6%5.1%4.8%4.9%5.0%5.0%unding.unding.I Average Growth Rate.Assembly approved maximum tuition increases of 2.4 percent for both residents and nonresidents. For FY 2000-01, resident tuition will increase by 4.0 percent. For subsequent years, we assume maximum tuition rat e increases for residents and nonresidents.		\$135.8 -0.9%	\$144.9 6.7%	\$154.3 6.5%	\$164.2 6.4%	\$174.5 6.3%	\$185.0 6.0%	\$195.5 5.7%	6.3%
unding. Il Average Growth Rate. Assembly approved maximum tuition increases of 2.4 percent for both residents and nonresidents. For FY 2000-01, resident tuition will in- nresident tuition will increase by 4.0 percent. For subsequent years, we assume maximum tuition rat e increases for residents and nonres i- er-Boulder-Greeley inflation rate.	lucation Cash	\$655.9 3.0%	\$693.1 5.7%	\$732.2 5.6%	\$769.5 5.1%	\$806.6 4.8%	\$846.1 4.9%	\$888.2 5.0%	5.2%
	unding. al Average Growth F Assembly approve onresident tuition wil ver-Boulder-Greele,	Rate. d maximum tu l increase by , y inflation rate	uition increase 4.0 percent. F	s of 2.4 percen or subsequent	t for both reside : years, we assu	ents and nonree	sidents. For F tuition rat e inc	-Y 2000-01, re creases for res	sident tuition will in- idents and nonres i-
		Actual FY 99-00	Estimate FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	FY 1999-00 to FY 2005-06 CAAGR *
FY 1999-00 to Actual Estimate Estimate Estimate Estimate Estimate FY 2005-06 FY 99-00 FY 00-01 FY 01-02 FY 02-03 FY 03-04 FY 04-05 FY 05-06 CAAGR *		116 700	117 676		122 260	000 101	006 201	120 062	1 00/

growth rates in FY 1999-00 were: Front Range Community College (6.5 percent), Otero Community College (5.8 percent), and Community College of Aurora (4.5 percent).

Table 5 illustrates the FTE student enrollment projections by residency status. *Resident* enrollment will increase at a compound average annual rate of 1.8 percent between FY 1999-00 and FY 2005-06, while *nonresident* enrollment will grow at a slower rate of 1.0 percent over the same period. Total FTE student enrollment at Colorado's public higher education institutions will increase at a compound average annual rate of 1.7 percent between FY 1999-00 and FY 2005-06.

The December *resident enrollment* forecast was reduced slightly from the September forecast. This is due to the Colorado Commission on Higher Education estimates of the current enrollment in FY 2000-01. The Fall enrollment accounts for most of the year's census. These figures revealed less-than-expected gains compared with FY 1999-00. We expect that overall enrollment will increase at a smaller rate than historical trends for two reasons: a slowing in the state's economy and slowing growth in the typical college-age and community college-age populations.

*Factors Affecting the Forecast.* A significant factor in the forecast is the growth of the population groups that are likely to seek higher education. This may include: the number of Coloradans completing high school or a high school equivalent program, the level of migration into the state, the number of Coloradans that are college-age, and population growth in regions close in proximity to colleges and universities.

Due in part to a near-full employment labor market, we estimate that part-time higher education enrollment — particularly at community colleges — will increase as a result of more adults returning to education for technical degrees. Because part-time students generally pay more per credit hour in tuition and fees than full-time students, the average cost per credit rises as the proportion of part-time students increases. Therefore, during times of enrollment growth, an increase in part-time enrollment relative to full-time enrollment should drive up tuition revenue.

The December forecast reflects three tuition inflation factors approved by the Joint Budget Committee for FY 2000-01 figure setting. First, the committee authorized a 2.9 percent increase in resident tuition that is pegged to the Denver-Boulder-Greeley inflation rate in 1999. Second, the committee authorized a 4.0 percent increase in nonresident tuition. Finally, the committee authorized an additional \$1.4 million tuition differential for the University of Colorado system. Future per-pupil tuition is assumed to increase at the projected Denver-Boulder-Greeley inflation rate, while future nontuition revenue growth is driven by enrollment growth and inflation. Estimates for the local inflation rate are found in Table 14. Colorado Economic Indicators, on page 50.

#### **Unemployment Insurance Trust Fund**

Forecasts for UI tax revenue, benefit payments, and the UI Trust Fund balance are shown in Table 6. The Unemployment Insurance (UI) Trust Fund collects taxes from employers and uses the revenues for unemployment benefits. Growth in UI taxes depends upon employment growth, the rate at which covered employees switch employers, wage growth, and the amount of benefits paid to UI claimants. The amount of benefits paid to UI claimants depends upon the state unemployment rate and the average wage level. When the amount of benefits paid falls, the average

U Revei	Inemployment Ir nues, Benefits F	ısurance T 'aid, The U Millic	<b>Table 6</b> rust Fund <i>I Fund Bal</i> ons of Dolla	Forecast, I ance, and S IS	Jecember 2 So <i>lvency M</i>	000 eæures		
	Actual FY 99-00	Estimate FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	FY 1999-00 to FY 2005-06 CAAGR *
Beginning Balance	\$685.0	\$763.7	\$821.5	\$865.3	\$918.4	\$984.1	\$1,050.2	7.4%
Plus Income Received Taxes /A Interest	\$177.8 \$47.7	\$174.5 \$50.3	\$170.2 \$52.9	\$187.9 \$55.8	\$208.8 \$59.4	\$217.6 \$64.1	\$226.7 \$68.8	4.1% 6.3%
Total Revenues % change	<b>\$225.5</b> 1.9%	<b>\$224.7</b> -0.3%	<b>\$223.1</b> -0.7%	<b>\$243.7</b> 9.3%	<b>\$268.2</b> 10.1%	<b>\$281.6</b> 5.0%	<b>\$295.5</b> 4.9%	4.6%
Less Benefits Paid /B	(\$146.8)	(\$166.9)	(\$179.3)	(\$190.6)	(\$202.5)	(\$215.5)	(\$229.1)	7.7%
Ending Balance	\$763.7	\$821.5	\$865.3	\$918.4	\$984.1	\$1,050.2	\$1,116.6	6.5%
Solvency Measures: Months Solvent at Recession- Level Benefits	11.9	11.8	11.6	11.5	11.6	11.8	11.9	0.0%
Fund Balance as a Percent of Total Annual Private Wages /C	1.20%	1.18%	1.17%	1.16%	1.17%	1.19%	1.20%	0.0%
Totals may not sum due to rounding. NA: Not Applicable. * CAAGR: Compound Annual Average Growth /A Incorporates a 20 percent tax credit for eligit receipts, and 50% of the surcharge. This also in	Rate. Ble employers in caler	dar years 200 durtears 200	0 and 2001. Ir axes.	ncludes taxes f	rom priva te er	mployers and	state and local	governments, penalt
/B This includes the accrual adjustment for ben	nefits paid and other a	ccounting adju	stments.					
/C A ratio at or below 0.9% triggers the solvenc	cy tax.							

UI tax rate paid by all employers falls, and UI tax revenues fall, all else equal. For the three years between FY 1996-97 and FY 1998-99, a very low unemployment rate produced declines in total benefit payments despite rising wages. Combined with strong employment and wage growth, this culminated in low UI tax revenue growth during FY 1996-97 and FY 1997-98 and declines in FY 1998-99 and FY 1999-00. However, the level of UI taxes remained much higher than the level of benefits paid, resulting in robust growth in the UI Fund balance and increased interest earnings.

Total UI revenue increased 1.9 percent in FY 1999-00, a result of essentially flat tax revenues and strong interest earnings. We expect total UI revenue to essentially remain flat in FY 2000-01, decreasing 0.3 percent, and to increase at a compound average annual rate of 4.6 percent through FY 2005-06.

The UI Tax Revenue Forecast. Tax revenues were flat in FY 1999-00, a result of a declining average tax rate due to an extremely low unemployment rate. Tax revenues will decline in FY 2000-01 and FY 2001-02 as a result of House Bill 00-1310, which provides for a 20 percent tax credit on UI taxes during calendar years 2001 and 2002. This is expected to reduce UI Fund tax revenues by a total of \$43.8 million between FY 2000-01 and FY 2002-03. During the remainder of the forecast period, while we expect the average UI tax rate to remain low, tax revenues will continue to grow in general as a result of substantial job turnover in the workforce as employers compete with each other for a limited supply of labor. Thus, we expect tax revenues to grow at a compound average annual rate of 4.6 percent between FY 1999-00 and FY 2005-06.

*The UI Benefit Payments Forecast.* Benefit payments fell for three years between FY 1996-97 and FY 1998-99 as a result of a low

unemployment rate and a shortage of labor. However, although the unemployment rate hit record lows, total benefit payments increased 5.6 percent in FY 1999-00. This occurred because the average benefit payment increases each year based upon wage gains in the prior year; wages and salaries grew 10.0 percent in 1999. While the number of claimants and the average period in which claimants received benefits were lower, the average benefit has grown substantially. Over the forecast period, the number of claimants are expected to grow at a fairly slow rate. However, we expect continued strong gains in the wage level. Therefore, we expect that benefit payments will grow at a compound average annual rate of 7.7 percent between FY 1999-00 and FY 2005-06.

*The UI Trust Fund Balance and Solvency Measures.* By FY 2005-06, we expect the UI Trust Fund balance to grow to \$1.1 billion. Although benefit payments are expected to grow faster than tax revenues, interest earnings from the large fund balance will compensate for this deficiency and the fund balance will grow at a compound average annual rate of 6.5 percent between FY 1999-00 and FY 2005-06.

In addition, the UI Trust Fund will remain solvent for the duration of the forecast. A generally accepted method of measuring fund solvency is the number of months a state can pay recession-level benefits before depleting its fund. It is generally believed that 12 months is sufficient, provided a solvency tax is triggered when the fund balance falls below a certain level, as it is designed in Colorado. We expect that the fund will remain at levels sufficient to pay for at or near 12 months of recession-level benefits throughout the duration of the forecast. A solvency tax is triggered in Colorado when the UI fund balance as a percent of total annual private wages falls below 0.9 percent. As shown in Table 6, we expect this ratio initially to fall from 1.20 percent in FY 1999-00 to 1.16 percent in FY 2002-03, and then recover to 1.20 percent by FY 2005-06.

#### **Overview of Additional Cash Funds**

This section provides brief descriptions of other large cash funds that are subject to the TABOR spending limitation. In FY 1999-00, these cash funds comprised 26.6 percent of total cash fund revenue. The forecast for each of these funds is contained in Table 2.

The Limited Gaming Fund. The Limited Gaming Fund (sometimes referred to as the Colorado Gaming Fund) receives license fees and taxes levied on the adjusted gross proceeds (AGP) earned from gaming activity in Black Hawk, Central City, and Cripple Creek. Gaming revenues surged 18.6 percent in FY 1998-99, and despite the elimination of the \$75 device fee imposed by the state and a substantial decrease in gaming tax rates, grew 1.2 percent in FY 1999-00. Our analysis suggests that had the tax rate changes not occurred, gaming tax revenues would have grown 24.6 percent in FY 1999-00. This heady growth is a result of a trend toward larger casinos, which pay taxes at higher marginal rates, combined with healthy growth in gaming tourism. The gaming tax currently ranges from 0.25 percent of the first \$2 million of AGP (or the total amount bet less winnings) to 20 percent of all AGP above \$15 million.

We expect overall gaming revenue to increase 18.5 percent in FY 2000-01, as income growth and tourism remains healthy, and larger casinos continue to replace smaller casinos. The trend will moderate and gaming revenue will increase at an annual rate of 14.0 percent between FY 1999-00 and FY 2005-06.

Gaming revenues in this fund are first used to pay for the expenses of running the Gaming Commission and the Division of Gaming. In FY 1999-00, these expenditures equaled \$8.6 million. The remaining amount is distributed to the General Fund, the Colorado Tourism Promotion Fund, local government impact funds, the State Highway Fund, and the State Historical Society. Once all appropriations and distributions were complete in FY 1999-00, the General Fund retained 36.0 percent of gaming revenues. The amount retained in the General Fund is reported as a revenue source for the General Fund in Table 1. All gaming revenues, regardless of where they are distributed, are included within the TABOR limit.

Wildlife Cash Fund. By source, approximately 92 percent of revenue in the Wildlife Cash Fund comes from the sale of hunting and fishing licenses. The remaining revenue in the fund is comprised of interest receipts and miscellaneous revenues. Revenues in the Wildlife Cash Fund are used to maintain wildlife in Colorado. Overall revenue to the fund declined 10.3 percent in FY 1999-00. This decline was a result of two factors. First, FY 1999-00 marked the first year in which all deer licenses were sold through an application process, causing an estimated \$4 million decline in deer license revenue. Second, the Wildlife Commission approved the lowest number of buck deer licenses in over 40 years for 1999 -106,000 licenses, down 41.5 percent from the amount approved in 1998.

Wildlife revenues are expected to decline by 2.1 percent in FY 2000-01, but begin recovering at a healthy rate for the remainder of the forecast period as a result of House Bill 00-1448, which raised fees for nonresident hunting licenses, and indexed them to the Denver-Boulder-Greeley inflation rate thereafter. House Bill 00-1448 is expected to raise hunting license revenue by \$31.2 million over the forecast period, despite an expected 36.6 percent reduction in the number of nonresident licenses sold.

Capital Construction Fund. The Capital Construction Fund retains money for construction of future capital projects such as prisons and higher education facilities. Income to this fund is comprised largely of interest earnings on the unspent balance. On July 1, 1998, \$468 million was transferred to the fund, and an additional \$100 million will be transferred from the General Fund to the fund in FY 1999-00 through FY 2001-02. During the 2000 legislative session, the General Assembly passed legislation that increased the General Fund transfers to the Capital Construction Fund by \$518.4 million through FY 2005-06. House Bill 00-1055 extended the \$100 million transfer for four more years through FY 2005-06, while House Bill 00-1452 requires the transfer of \$118.4 million to the fund in FY 2000-01. These bills will increase interest earnings to the Capital Construction Fund by an estimated \$55.6 million between FY 2000-01 and FY 2005-06.

Despite these large transfers, the anticipated large expenditures from the fund will result in a falling average fund balance throughout the forecast period, though at a much slower rate than would have occurred prior to the passage of House Bills 00-1055 and 1452. Therefore, we expect income to the Capital Construction Fund to decline at a compound average annual rate of 10.1 percent from FY 1999-00 through FY 2005-06.

**Regulatory Agencies.** The Department of Regulatory Agencies (DORA) regulates and enforces Colorado laws regarding various industries in Colorado. The DORA collects license and other fees from the professions that it regulates. Because employment growth has been so healthy, DORA has been annually readjusting their fees downward in order to keep revenue growth commensurate with DORA's annual appropriation, which has been growing at modest rates. Thus, we expect DORA cash fund revenue to increase modestly over the next five years.

Insurance-Related. This category is comprised of three cash funds administered by the Division of Workers Compensation in the Department of Labor and Employment. The revenue collected by the funds comes from taxes on workers compensation insurance premiums. In late 1999, the Colorado Commissioner of Insurance approved an average increase in workers compensation rates of 3.4 percent, the first increase in ten years and a result of persistent increases in medical costs. We expect medical inflation to continue to increase. While the move to health maintenance organizations helped to control costs for several years, any efficiency gains from this move have been exhausted and costs are on the rise. Thus, we expect these revenues to increase at a compound average annual rate of 5.7 percent between FY 1999-00 and FY 2005-06.

Severance Tax. Severance taxes are levied on the value of extracted oil, gas, coal, and minerals. Final oil and gas severance taxes for a given year are reduced by a portion of a company's property taxes paid during the same year, but based on the previous year's income. The difference of timing between the gross severance taxes due and the offsetting property taxes creates a volatile collections pattern. Between FY 1999-00 and FY 2005-06, we expect severance taxes to increase at an average annual rate of 4.5 percent, but the pattern of growth will be varied. We increased this forecast by \$9.6 million in FY 2000-01, a result of increases in energy prices that will spur additional oil and gas production.

Two recent bills will reduce severance tax revenues throughout the forecast period. House Bill 00-1065, which made several small changes to the oil and gas severance tax code, will reduce severance tax revenues by \$430,000 in FY 2000-01. In addition, House Bill 99-1249, which expanded several exemptions to the severance tax and specified that severance tax cash funds retain their own interest earnings, will reduce net revenues by an estimated \$1.0 million in FY 2000-01.

Petroleum Storage Tank Fund. The Petroleum Storage Tank Fund collects money to clean leaking underground gasoline storage tanks. Most of the fees collected in the fund are levied on tank truckloads of fuel products shipped within the state. The fee level is set in statute to fluctuate with the amount of money in the fund's reserve. House Bill 00-1486, which will increase revenues to the Petroleum Storage Tank Fund by an estimated \$29.4 million over the forecast period, made two changes to the statutory fee level. First, the fee currently charged when the fund balance falls below \$5 million was reduced from \$100 to \$75. Second, the date at which a new replacement fee structure of \$25 when the fund balance falls below \$8 million will become effective was postponed from July 1, 2001 to July 1, 2004. Petroleum Storage Tank Fund revenues are expected to decline at a compound average annual rate of 7.5 percent between FY 1999-00 and FY 2005-06.

Employment Support Fund. The Employment Support Fund (ESF), designed to help maintain the solvency of the Unemployment Insurance Trust Fund (UI Fund), receives its revenue from the unemployment insurance surcharge tax. The surcharge tax is levied to cover benefits charged against employers who have gone out of business. During the 1999 regular session, the General Assembly passed Senate Bill 99-228, which increased the amount of surcharge taxes retained in the ESF from 20% to 50%, allowed the ESF to retain unappropriated funds, and fixed the surcharge tax rate at 0.22 percent of taxable wages. As a result of the new law, ESF revenues grew 189.2 percent in FY 1998-99 and 61.2 percent

in FY 1999-00. However, ESF revenues are expected to decline 19.3 percent in FY 2000-01. Two factors will contribute to the decline. First, the lower surcharge tax rate will be in effect for a full year for the first time. Second, House Bill 00-1310, which provides for a 20 percent tax credit on all UI taxes in 2001 and 2002, is expected to reduce ESF revenues by a total of \$8.1 million between FY 2000-01 and FY 2002-03. Employment Support Fund revenues are expected to grow at a compound average annual rate of 2.5 percent over the forecast period.

*Controlled Maintenance Trust Fund.* The Controlled Maintenance Trust Fund (CMTF) is a state trust fund from which the interest earned may be spent for the maintenance of existing capital investments. The principal balance in this fund is designated to satisfy the state's constitutional emergency reserve requirement. Because the fund balance is not being augmented and because the interest rate expected to be earned by the fund will decline throughout much of the forecast period, interest income to the CMTF will decline at a compound annual average rate of 0.5 percent between FY 1999-00 and FY 2005-06.

*Other Cash Funds.* The "other cash funds" component includes approximately 174 smaller cash funds and can be quite volatile. These funds grew 1.7 percent as a group in FY 1999-00, a relatively modest pace that is primarily due to Senate Bill 98-194, which required many cash funds to lower fees in order to reduce their reserves. We expect revenue to this group of cash funds to grow at a more healthy rate of 6.0 percent in FY 2000-01. We increased our forecast for this group of cash funds by \$6.9 million in FY 2000-01, since we believe the effects of Senate Bill 98-194 seem to have generally run their course. Revenue to this group of cash funds will increase at an annual average rate of 5.7 percent over the forecast period.

## **The Constitutional Revenue Limit**

- After surplus TABOR revenues of \$941.1 million in FY 1999-00, the **TABOR surplus** will fall to \$858.7 million and \$672.7 million in FY 2000-01 and FY 2001-02, respectively. The lower surpluses are attributable to voter approval of Amendment 23 and Referendum A and ongoing impacts of tax reductions enacted by the 2000 General Assembly.
- Surplus TABOR revenues will total \$6.7 billion during the six-year period, or \$1.1 billion per year. Nine refund methods will be used to refund the TABOR surplus in FY 2000-01, while 17 methods will be used in FY 2001-02 and thereafter.

This section presents a brief discussion of the TABOR spending limit, the projected excess TABOR revenues after incorporating the General Fund and Cash Fund revenue forecasts, and a review of the TABOR refund methods.

The provisions of Article X, Section 20 of the Colorado Constitution (TABOR) require that revenue collected above the TABOR limit be refunded to taxpayers within one year after the fiscal year in which they were collected. TA-BOR limits annual growth in most state revenue to inflation plus the annual percentage change in state population.

We expect the state to exceed its TABOR limit by at least \$668 million each year into the foreseeable future. Table 7 displays the projections for the future TABOR surpluses based upon current law (e.g., current tax policy) and the Legislative Council December 2000 revenue, inflation, and population forecasts. Table 8 shows a detailed calculation of the TABOR surplus. The forecast also incorporates voter approval of Amendment 23 and Referendum A. Amendment 23 exempts part of state income tax revenues from the TABOR limit. while Referendum A increases allowable state spending beginning in FY 2001-02. The FY 2000-01 TABOR surplus is expected to be \$858.7 million, and the FY 2001-02 surplus is anticipated to be \$672.7 million. Without the voter-approved changes, we would have anticipated increases in the surplus during each year of the forecast. In total, we expect the state to exceed its constitutional revenue limit by over \$6.7 billion from FY 2000-01 through FY 2005-06.

The forecast for the TABOR surplus is not surprising given that, in the long term, growth in the state's revenue base has historically exceeded the TABOR limit. This is primarily because a large portion (nearly 44 percent) of the state's TABOR revenue is tied to the individual income tax. Income taxes inherently grow faster than personal income, and personal income will almost always grow faster than the TABOR limit, which is the sum of inflation plus population growth.

Fiscal Year	Amount	
2000-01	\$858.7	
2001-02	\$672.7	
2002-03	\$944.3	
2003-04	\$1,206.5	
2004-05	\$1,391.8	
2005-06	\$1,580.9	
Total	\$6,654.9	
Average	\$1,109.2	

Table 7 Estimated TABOR Surplus Revenues (millions of dollars)

Three factors cause income taxes to grow faster than personal income. The first two factors relate to the state's progressive income tax system. Even though the state has a flat income tax rate of 4.63 percent, Colorado's income tax structure is progressive. First, the fixed amount of deductions and personal exemptions allowed by law are a larger share of the income of low-income households than of high-income households, thus causing progressivity in the state's income tax. Next, these deductions generally grow at a slower rate than overall income, while much of the income growth is concentrated in the high-income households. Another reason why individual income taxes grow at a stronger rate than overall income is capital gains. Capital gains accounted for an estimated 9.4 percent of adjusted gross income in 1998, almost triple the share of only a few years ago. However, capital gains income is not included in overall personal income data. In addition, the percentage of tax returns with capital gains increased from 14.3 percent in 1991 to 25.0 percent in 1998.

Table 8 TABOR Revenue Limit and Emergency Reserve

	FY 1999-00	12/2000 Estimate FY 2000-01	12/2000 Estimate FY 2001-02	12/2000 Estimate FY 2002-03	12/2000 Estimate FY 2003-04	12/2000 Estimate FY 2004-05	12/2000 Estimate FY 2005-06
TABOR Revenues: General Fund Cash Funds Total TABOR Revenues	\$6,257.5 /A 2,245.5 \$8,503.0	\$6,444.8 /A 2,363.3 \$8,808.1	\$6,702.5 /A 2,440.8 \$9,143.3	\$7,265.6 /A 2,581.2 \$9,846.8	\$7,820.4 /A 2,716.0 \$10,536.4	\$8,331.7 /A 2,837.8 \$11,169.5	\$8,866.6 /A 2,971.1 \$11,837.7
LIMIT: Allowable TABOR Growth Rate Inflation Population Growth	4.4% 2.4% 2.0%	5.1% 2.9% 2.2%	6.0% 3.7% 2.3%	5.1% 3.1% 2.0%	4.8% 2.9% 1.9%	4.8% 3.0% 1.8%	4.9% 3.2% 1.7%
Allowable TABOR Limit Revenues Above / (Below) TABOR Limit	\$7,563.7 \$941.1	\$7,949.5 \$858.7	\$8,470.5 /B \$672.7	\$8,902.5 \$944.3	\$9,329.9 \$1,206.5	\$9,777.7 \$1,391.8	\$10,256.8 \$1,580.9
EMERGENCY RESERVE: TABOR Emergency Reserve /C Reserved Amount (CMTF Principal) /D	\$226.9 \$243.9	\$238.5 \$243.9	\$254.1 \$248.1	\$267.1 \$248.1	\$279.9 \$248.1	\$293.3 \$248.1	\$307.7 \$248.1
Totals may not sum due to rounding. Note: TABOR broadly defines spending such concepts are not directly comparable.	that expenditures a	re equal to revenues	s. The statutory 6 p	ercent limit applies t	o th e General Func	ł appropriations only	. Thus, the two
/A These figures differ from the General Func stance, the General Fund gaming revenues, u These figures also include the net amount of and use tax revenues to the Highway Users T	I revenues reported inexpended prior - ye sales and use tax, af Tax Fund.	in other tables beca aar Medicaid expend tter the over -refund	use they net out rev litures that are book of excess TABOR r	enues that are alrea ed in "other revenue evenues. Senate Bi	dy in the Cash Fur s," and tr ansfers of t ill 97 -1 diverts appro	ds to avoid double c inclaimed property a oximately ten percen	ounting. For in- re netted out. t of the gross sales
/B In November 2000, Colorado voters appro property taxes paid by seniors. The additiona	ved Referendum A a amount is reflected	allowing the state rev i in the al lowable T/	venue limit to increa ABOR limit.	se by \$44.1 million i	n FY 2001-02 to re	imburse local goverr	ments for reduced
/C In years where the projected revenues exc state will only retain the maximum allowed by	ceed the amount allo the Constitution, it n	wed by the Constituties doubt the doubt the doubt reserve the	Ition, the reserve is our of such	calculated based on amount.	the limit, rather the	in on projected recei	pts. Given that the

/D The principal of the CMTF may be used as full or partial satisfaction of the constitutional emergency reserve requirement for Cash and General Funds. Thus, the principal of the CMTF is reported as the reserved amount.

**Personal income growth usually exceeds the TABOR growth limit** (the sum of inflation and population growth) because it includes a component that rewards people for their efficiency and experience (productivity) in addition to inflation and population growth.

Table 9
<b>TABOR Refund Mechanisms for the</b>
FY 1999-00 TABOR Surplus
(millions of dollars)

Description	Amount Refunded in FY 2000-01	Threshold Trigger
Earned Income Credit	\$32.4	\$54.0
Personal Property Credit	\$82.7	\$183.5
Interest, Dividends, Capital Gains	\$35.3	\$237.5
Capital Gains	\$40.2	\$280.7
Rural Health Care	\$0.3	\$285.0
Children's Issues	\$24.1	\$290.0
Pollution Equipment	\$3.8	\$350.0
Health Benefit Plans	\$22.1	\$400.0
Sales Tax Refund (with 5% add on)	\$735.3	NA
Total	\$976.2	

# Refund Mechanisms Effective for the FY 1999-00 TABOR Surplus

Nine refund mechanisms will be used to return the FY 1999-00 surplus to taxpayers during the current fiscal year. Five refund mechanisms were passed during the 1999 legislative session, while four new refund mechanisms were passed during the 2000 legislative session. Table 9 shows these refund methods, the amount estimated to be refunded for the FY 1999-00 surplus, and the threshold amounts for the refunds. A particular refund mechanism will be used only if the surplus revenues are greater than the threshold amount. The thresholds are increased by personal income growth each year. *Earned Income Tax Credit.* The Colorado credit "piggybacks" off of the federal earned income tax credit, and Colorado taxpayers receive 10.0 percent of the federal credit amount. The federal credit may be claimed by certain taxpayers with modified federal adjusted gross incomes up to approximately \$31,300. Colorado taxpayers who claim the federal credit may claim the state credit.

#### Business Personal Property Tax Refund.

Businesses will receive a refund equal to 100 percent of personal property taxes paid up to \$500, plus 13.37 percent of personal property taxes paid in excess of \$500. All businesses that pay personal property tax may claim the credit. There must be \$183.5 million of excess revenues for this method to be used. Through November 2000, \$78.4 million had been refunded.

*Exclusion of Interest, Dividend, and Capital Gains Income.* Individuals will be able to deduct the lesser of \$1,200 or their total amount of interest, dividend, and capital gains income on their state income tax return. Joint filers will be allowed to deduct up to \$2,400 of such income. All Colorado individual income taxpayers with any of the above types of income qualify for the deduction. This method is expected to refund \$35.3 million of the FY 1999-00 excess revenues in FY 2000-01. There must be at least \$237.5 million in excess revenues, adjusted for Colorado personal income growth, for this refund method to be used.

*Exclusion of Capital Gains on Colorado Assets.* Individuals and businesses will receive a deduction for capital gains taken on Colorado assets purchased prior to May 9, 1994. The gains must be taken during the preceding tax year and the modification will appear on the state's income tax forms. The refund mechanism would return \$40.2 million of the FY 1999-00 excess to taxpayers during FY 2000-01. There must be at least \$280.7 million in excess revenues, adjusted for Colorado personal income growth, for this refund method to be used.

Tax Credit for Rural Health Care Providers. The TABOR refund offered through this income tax credit is available to health care professionals (a physician, physician assistant, or nurse who is licensed or certified) who have resided and practiced in a rural health care professional shortage area for at least 180 days of the income tax year, and have committed to residing and practicing in the area for three to five years. The credit is equal to one-third of the amount of the student loan or one-third of the balance due and owing on the student loan, up to the amount of the taxpayer's actual income tax liability. This refund method will exist for five years, while unused portions of the credit may be carried forward up to ten vears.

Child Care and Child Tax Credits. Colorado taxpayers already receive a child care tax credit and a child tax credit, though these credits are not TABOR refund mechanisms. The TABOR refund mechanism broadens these tax credits. The existing child care tax credit is increased from 50 percent to 70 percent and the qualifying population is expanded to those with federal adjusted gross incomes greater than \$60,000 and less than \$64,001. The existing child tax credit for children under age six is increased from \$200 to \$300 and the income limitations are also expanded in the same manner as for the child care tax credit. The age limit is expanded to 12 for children who are cared for in their own family-operated child care home that is either licensed or legally exempt from licensing requirements. The credits will be effective for income tax years beginning on or after January 1, 2000.

Sales and Use Tax Exemption for Pollution Control Equipment. This refund mechanism is a sales and use tax exemption for purchases of equipment installed or used to detect, eliminate, reduce, or prevent air, water, or other environmental pollution. The exemption is effective for purchases on or after October 1, 2000.

Income Tax Credit for Purchase of Private Health Benefit Plans. This refund mechanism allows Colorado residents to claim an income tax credit for amounts paid for health benefit plans. The tax credit is restricted to individuals, spouses, and dependents who obtain private medical/health insurance and who were not covered by an individual health benefit plan or an employee or group health benefit plan during any portion of the income tax year immediately preceding the income tax year for which the credit is being claimed. The credit is limited to residents whose federal adjusted gross income does not exceed \$25,000 for individuals with no dependents, \$30,000 for two individuals with no dependents filing a joint return or two married individuals with no dependents filing separate returns, and \$35,000 for resident individuals with dependents. The maximum credit is limited to \$500, is not refundable to the taxpayer, and cannot be carried forward.

*Sales Tax Refund.* Individuals will receive a state sales tax refund based on six modified federal adjusted gross income tiers and the filing status of the taxpayer. The amount of excess revenues refunded through this mechanism is determined by subtracting the amount estimated for other refund methods from the total TABOR refund and multiplying the result by 105 percent. The legislature refunds 105 percent of the amount necessary through this mechanism to be assured of refunding the required amount. Any amount refunded in excess of what is required will reduce the following year's refund. Table 10 shows the amount

per taxpayer to be refunded through the six-tier mechanism in FY 2000-01. The calculation of the sales tax refund causes it to act as a "catch all" mechanism. Any surplus not refunded by other mechanisms is refunded through the sales tax refund. The difference between the \$976.2 million scheduled to be refunded in Table 9 and the \$941.1 million required to be refunded results from the 105 percent provision in the six-tier mechanism.

Table 10 FY 2000-01 Sales Tax Refund Amounts Used to Refund a Portion of the FY 1999-00 Surplus

Modified Federal Adjusted Gross Income	Refund for Single, Head of Household. Married Separate:	Refund for Joint Return or Surviving Spouse:
Less than \$26,001	\$182	\$364
\$26,001 to \$53,000	\$245	\$490
\$53,001 to \$78,000	\$288	\$576
\$78,001 to \$103,000	\$325	\$650
\$103,001 to \$126,000	\$363	\$726
More than \$126,000	\$574	\$1,148

# Refund Mechanisms Effective for the FY 2000-01 Surplus

The refund mechanisms discussed previously and eight new refund mechanisms will be used to refund the surplus revenues for FY 2000-01 and later. Table 11 shows the new refund mechanisms, the estimated amounts of the refunds, and the threshold amounts for each to be utilized. Based on the Legislative Council revenue estimate, each of the new refund mechanisms will be effective for the FY 2000-01 surplus.

*Tax Credit for Individual Development Accounts.* This mechanism establishes the Individual Development Account (IDA) program, creating a new type of deposit account in financial institutions. The program allows persons earning 200 percent or less of the federal poverty income level to save money for postsecondary education, or, for persons earning 80 percent or less of the area median income, to save for the purchase of a home. Moneys deposited in an IDA may be matched with philanthropic donations. The funds can be used for post-secondary education, including occupational training, first-time purchase of a home, or business capitalization.

The mechanism allows an income tax credit for donors who provide matching funds to an IDA. The maximum credit is 25 percent of the amount donated, but the total amount of the tax credits cannot exceed \$5 million annually and no donor can receive a credit in excess of \$100,000 annually.

#### Table 11 TABOR Refund Mechanisms for the FY 2000-01 TABOR Surplus (millions of dollars)

Description	Amount Refunded in FY 2001-02	Threshold Trigger
Earned Income Credit	\$34.3	\$58.6
Personal Property Credit	\$89.2	\$199.3
Individual Development Accounts*	\$5.0	\$206.3
Interest, Dividends, Capital Gains	\$36.6	\$257.9
Capital Gains	\$38.6	\$304.8
Rural Health Care	\$0.4	\$309.5
Children's Issues	\$24.2	\$314.9
Vehicle Registration Fees*	\$33.7	\$358.4
High Tech Scholarships*	\$0.5	\$358.4
Pollution Equipment	\$3.9	\$380.1
Telecommunication Education*	\$0.3	\$380.1
Charitable Contributions*	\$5.0	\$380.1
Interest, Dividends, and Capital Gains (Increase)*	\$7.6	\$380.1
Commercial Trucks*	\$6.1	\$380.1
Health Benefit Plans	\$22.4	\$434.4
Capital Gains*	\$27.3	\$467.0
Sales Tax Refund (with 5% add on)	\$549.7	NA
Total, All Refund Mechanisms	\$884.8	

\*New refund method in FY 2001-02.
#### **Reduction of Motor Vehicle Registration**

*Fees.* This refund mechanism reduces annual registration fees for motor vehicles beginning July 1, 2001. The fee for registering a passenger vehicle is reduced to \$2.50; the fee for registering other vehicles is reduced by 25 percent.

#### Income Tax Credit for High Technology

*Scholarships.* This refund mechanism provides for a 25 percent income tax credit for donations made to the Colorado High Technology Scholarship Program for income tax years beginning on or after January 1, 2001. The credit cannot exceed 15 percent of the amount of income taxes due. The program provides scholarships to in-state students earning high-technology related certificates or degrees.

*Income Tax Credit for Contributions to Telecommunication Education.* This refund mechanism provides an income tax credit equal to 15 percent of a taxpayer's total monetary contribution made to the Colorado Institute for Telecommunication Education for the purpose of funding grants or scholarships for students enrolled at the institute. The credit cannot exceed the smaller of \$10,000 or the taxpayer's actual tax liability for the income tax year, and cannot be carried forward or refunded to the taxpayer. Individual and corporate taxpayers are eligible for the tax credit for income tax years beginning on or after January 1, 2001.

#### Exemption for Certain Charitable Contribu-

*tions.* This refund mechanism allows individuals who do not use itemized deductions on their federal income tax return to subtract charitable contributions in excess of \$500 from federal taxable income on their state income tax returns beginning with income tax years commencing on or after January 1, 2001.

*Reduction of the Sales and Use Tax Rate on Commercial Trucks.* This refund mechanism reduces the sales and use tax rate on the sale of a new or used commercial truck, truck tractor, tractor, semitrailer, or vehicle used in combination therewith that has a gross vehicle weight rating in excess of 26,000 pounds to 0.01 percent. The reduction will be effective on July 1, 2001.

*Increase the Interest, Dividend, and Capital Gains Deduction.* This refund mechanism increases the existing interest, dividend, and capital gains deduction from \$1,200 to \$1,500. A married couple will be able to deduct up to \$3,000. The deduction is effective for income tax years beginning on or after January 1, 2001. The additional deduction will be available only if the amount of surplus revenues exceed \$350 million, while the existing deduction is available if surplus revenues exceed \$237.5 million.

Capital Gains Deduction for Assets Held for One to Five Years. This mechanism modifies a refund provision passed in House Bill 99-1237 and establishes a new refund mechanism for other capital gains. House Bill 99-1237 established a deduction for certain Colorado assets that were held for a period of at least five years and purchased prior to May 9, 1994. While the original bill required the transaction to occur on or after January 1, 2000, House Bill 00-1209 amended the law to allow transactions which occurred in 1999 to qualify for the deduction. Taxpayers who had qualifying gains in 1999 can obtain the deduction by filing an amended income tax return with the Colorado Department of Revenue.

The new refund mechanism applies to the capital gains arising from the sale of certain Colorado assets on or after January 1, 2001, that were held by the taxpayer from one to five years. Both individuals and corporations are eligible for this deduction.

### **General Fund Overview**

- The **General Fund excess reserve** will be \$420.5 million at year-end FY 2000-01. Tax reductions, large capital construction transfers, and the initial impact of Amendment 23 will reduce the reserve from \$806.2 million at the beginning of the year.
- The continued impact of **Amendment 23** will reduce the excess General Fund reserve to zero in FY 2001-02. Meanwhile, to preserve reductions below the six percent General Fund appropriations limit, the diversion of sales and use tax revenues to the Highway Users Tax Fund will be reduced by \$205.6 million in FY 2001-02. Slowing revenue growth in FY 2004-05 and FY 2005-06 will reduce the diversion

by an additional \$64.9 million in FY 2005-06.

- General Fund appropriations can increase by six percent throughout the forecast period.
- Senate Bill 00-181 was enacted to provide for K-12 capital construction and maintenance needs. An appropriation is dependent on the level of the General Fund excess reserve. Based on this forecast, appropriations for these needs totaling \$50 million could not be made in FY 2001-02, FY 2004-05, and FY 2005-06. A total of \$40 million can be appropriated in FY 2000-01, FY 2002-03, and FY 2003-04.

This section presents the General Fund overview after incorporating the revenue forecasts, the expected TABOR surpluses, the passage of Amendment 23 and Referendum A, and other expenditures from the General Fund.

The General Fund overview with continuing capital construction projects is presented in Table 12. The beginning General Fund reserve in FY 2000-01 was \$806.2 million. General Fund revenues in FY 2000-01 will be sufficient to allow General Fund appropriations to increase by six percent. The initial earmarking of income tax revenues (\$160.3 million) to the State Education Fund, increased capital construction transfers of \$98.7 million above the prior year, and a higher TABOR refund (\$261.5 million) will reduce the year-end General Fund reserve to \$420.5 million. After the required statutory reserve (equal to four percent of appropriations), the excess General Fund reserve will be \$207.1 million.

Amendment 23 will have an impact on the General Fund. A revenue reduction to the General Fund will occur, but an offsetting reduction in the TABOR refund liability will not occur until the following year. Thus, the General Fund will see a reduction in either its excess reserves, the diversion of sales and use taxes to the Highway Users Tax Fund (HUTF), future capital construction projects, or General Fund appropriations.

Incorporation of Amendment 23 into the December 2000 revenue forecast will reduce the diversion of sales and use taxes to the HUTF by \$205.6 million in FY 2001-02. The state can maintain its maximum six percent appropriations in FY 2001-02. If our future revenue forecasts show increased revenues, each additional dollar will generally add an additional dollar to the sales and use tax diversion assuming the allowable six percent General Fund appropriations limit is fully funded. If the appropriations limit is not fully funded, increased revenues will go to General Fund appropriations first. Increased estimates for income taxes will generate only 92.8 cents to the General Fund for each income tax dollar.

Both the General Fund six percent appropriations limit and the diversions to the HUTF can be fully funded from FY 2002-03 through FY 2004-05. However, the projected slowdown in revenue growth in FY 2004-05 and FY 2005-06 will lead to a reduced diversion of \$125.3 million to the HUTF in FY 2005-06.

**Referendum** A reduces property taxes for qualified senior citizens by exempting up to one-half, but not to exceed \$100,000, of the value of a home from property taxation. The state is required to reimburse local governments for their property tax reductions. The amount of the backfill spending is exempt from the TABOR spending and General Fund six percent appropriations limits, thus the amount of surplus TABOR revenues will be reduced.

The TABOR spending limit is increased by \$44.1 million for FY 2001-02, thus the TA-BOR refund will be reduced in FY 2002-03. The state will reimburse local governments for their property tax revenue losses in FY 2002-03. The state will therefore not have a onetime reduction in the General Fund excess reserve because the reduced expenditures for the TABOR refund offsets the increased expenditures for the reimbursement of local governments.

The reimbursement of local governments will not grow as fast as the spending limit. The spending limit increases by the sum of inflation and the percentage change in the state's population, while the reimbursement will grow by an amount roughly equal to the percentage change in the population age 65 and over. Thus, this will increase the amount available in the General Fund by small amounts each year. However, it should be pointed out that the reimbursement could exceed the allowable TA-BOR spending increase. The constitutional amendment specified \$44.1 million as the amount of the increase in allowable TABOR spending. If the actual amount of reimbursement exceeds the allowable TABOR increase, the General Fund will absorb the difference. Of course, if the reimbursement is less than the allowable TABOR increase, the General Fund will benefit.

Senate Bill 00-181 was enacted to provide for K-12 capital construction and maintenance needs. An appropriation is dependent on the level of the General Fund excess reserve. Based on this forecast, appropriations for these needs totaling \$50 million could not be made in FY 2001-02, FY 2004-05, and FY 2005-06. A total of \$40 million can be appropriated in FY 2000-01, FY 2002-03, and FY 2003-04. The Senate Bill 00-181 transfer could have been made in each year if Amendment 23 had not passed. Of course, Amendment 23 allows funds from the State Education Fund to be used for school building capital construction.

Although this report does not contain a General Fund overview with only the current statutory appropriations for capital construction, our analysis shows that the diversion of sales and use taxes to the HUTF would still be reduced. The diversion would be reduced by \$19.7 million in FY 2001-02 and by \$107.1 million in FY 2005-06. Under this scenario, the state would still not be able to appropriate money for K-12 capital construction and maintenance in FY 2001-02, FY 2004-05, and FY 2005-06. On June 13, 2000, the Governor issued an emergency order for the wildfires in Colorado's mountains. The order borrowed \$4.1 million from the Controlled Maintenance Trust Fund (CMTF) in FY 1999-00. This fund serves as the constitutional emergency reserve. The Governor will request the General Assembly to replenish the CMTF via an appropria-

The constitutional emergency reserve requirement is three percent of the TABOR revenue limit. We project that the amount currently in the reserve will be less than the constitutional requirement beginning in FY 2001-02. By the end of the forecast period, the deficit in the CMTF will reach \$59.6 million. The General Assembly could consider, though it is not required to do so, the transfer of additional revenues from the General Fund to the CMTF, or could designate another source to satisfy the reserve requirement.

tion in FY 2001-02.

General Fund (	Overview with	Table 12 Continuing C	apital Cons	truction Pro	jects		
		12/2000 Fertimate	12/2000 Estimate	12/2000 Estimate	12/2000 Estimate	12/2000 Estimate	12/2000 Estimate
	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
BEGINNING RESERVE	\$678.5 6 200 F	\$806.2 6 404 0	\$420.5 5 754 5	\$226.3 7 200 F	\$337.9	\$380.1	\$306.3
GRUDSS GENERAL FUND SENATE BILL 97-1 DIVERSION TO THE HUTF /A	0,303.3 (188.7) /A	0,494.0 (199.5) /A	0,754.2 (8.7) /A	(,320.0) /A	(,887.0 (246.0) /A	6,406.0 (262.4) /A	6,9300.7 (154.3) /A
TOTAL FUNDS AVAILABLE	\$6,793.3	\$7,100.7	\$7,166.0	\$7,322.7	\$7,979.6	\$8,526.4	\$9,102.6
EXPENDITURES:							
General Fund Appropriations Medicaid Oversynanditure	\$5,009.3 /B 17 3	\$5,335.8 /C, E N∆	\$5,655.9 N∆	\$6,005.3 /E NA	\$6,370.6 /E NA	\$6,752.9 NA	\$7,158.0 NA
Rebates and Expenditures	124.3	131.0	131.4	135.3	139.8	114.9	120.0
Reimbursement for Senior Property Tax Cut	2 071	0.0	0.0	44.1	44.7	45.6	46.4
Capital and Prison Construction (To Fund Prionites) Transfer for Hinhway Construction	0.0	50.0	203.0 0 0	121.4 0.0	0.001	2.001	0.00
Transfer to the Controlled Maintenance Trust Fund	0.0	0.0	4.1	0.0	0.0	0.0	0.0
K-12 Settlement Funding	NA	5.0	0.0	15.0	20.0	0.0	0.0
TABOR Refund	679.6	941.1	858.7	672.7	944.3	1,206.5	1,391.8
Accounting Adjustments TOTAL OBLIGATIONS	(17.0) \$5,987.1	NA \$6,680.2	NA \$6,939.7	NA \$6,984.8	NA \$7,599.4	NA \$8,220.1	NA \$8,816.3
							ſ
YEAR-END GENERAL FUND RESERVE:	\$806.2	\$420.5	\$226.3	\$337.9	\$380.1	\$306.3	\$286.4
STATUTORY RESERVE: 4.0% OF APPROPRIATIONS MONIES IN EXCESS OF STATITORY RESERVE	200.4 ¢605 8	213.4 \$207.1	226.2 \$0.0	240.2 \$97 7	254.8 ¢1253	270.1 \$36.2	286.3 \$0.0
RESERVE AS A % OF APPROPRIATIONS	16.1%	7.9%	4.0%	5.6%	6.0%	4.5%	4.0%
TAROR RESERVE REOLIIREMENT.							
General & Cash Fund Emergency Reserve Requirement	\$226.9 243 0 /D	\$238.5 243 0 /D	\$254.1 248.1 /D	\$267.1 248.1 /D	\$279.9 248.4 /D	\$293.3 248.1 /D	\$307.7
Neserved Antiount Contra Finishan Money in Excess of Emergency Reserve	17.0	5.4	(6.0)	(19.0)	(31.8)	(45.2)	(59.6)
Appropriations Growth	\$298.9 /B	\$326.5 /C	\$320.1	\$349.4	\$365.3	\$382.2	\$405.2
Appropriations Growth Rate	6.33% /B	6.15% /C	6.00%	6.18%	6.08%	6.00%	6.00%
Addendum: Amount Directed to State Education Fund		(\$160.3)	(\$346.6)	(\$377.5)	(\$407.3)	(\$436.0)	(\$465.3)
NA: Not Applicable. Totals may not sum due to rounding. /A In FY 1999-00, 10 percent of sales and use taxes was diverted to th	the Highway Users Ta	ax Fund (HUTF). An ∈	effective rate of 1 0	.068 percent of gro	ss sales and use ta	axes are diverted to	o the HUTF in FY
2000-01. The diversion increases to 10.355 percent the reatter. I Includes \$3.8 million in appropriations that are exempt from the statt thes is eventiant from the startion timit but are included in the base for it.	tutory appropriations   - calculation of the FV	imit as a result of fina	l court o rders or fe	deral mandates. In	n addition, the \$17.	3 million for Medic	aid overexpend i-
/C Includes \$2.6 million in appropriations that are exempt from the stat /D The principal of the CMTF may be used as full or partial satisfaction /E The General Fund appropriations line contains \$5 million in FY 2000	tutory appropriations I of the constitutional 0-01 for K-12 settlem	limit as a result of fina emergency reserve re ent funding attributabl	l court o rders or fe equirement. Thus le to Senate Bill 00	ederal mandates. the principal of the -181, \$15 million in	CMTF is reported FY 2002-03, and	as the reserved a \$20 million in FY 2	mount. 2003-04.

## OVERVIEW OF THE ECONOMY

## **National Economy**

The U.S. economy continued to grow during the third quarter, extending the record length for economic expansions. However, the pace of expansion slowed markedly, as the six interest rate increases by the Federal Reserve Board over the past 18 months began to take effect. The national economy is still healthy, though it is showing increasing signs of old age. Moreover, the risk factors are greater for further slowing. The remainder of this section discusses our outlook and the risk factors for the national economy. Table 13 contains the Legislative Council Staff forecast of the national economy.

#### **Gross Domestic Product**

Inflation-adjusted gross domestic product (GDP) slowed to a 2.4 percent annual pace in the third quarter, the smallest gain in four years. Government spending declined at an annual rate of 1.5 percent, influenced by the completion of the decennial census effort. Business spending increased at a 7.8 percent annualized pace, down from the robust growth rates of 14.6 percent and 21.0 percent of the previous two quarters. Consumer spending picked up slightly in the third quarter, but was still weaker than the growth rate of any other period since 1998's third quarter.

"The strong economy in the past five years is arguably the best in the nation's history."

The strong economy in the past five years is arguably the best in the nation's history. GDP increased at a compound average annual rate of 4.4 percent compared with 3.0 percent annual growth in the previous 25 years. Moreover, GDP growth in 2000, despite the slowdown in the second half of the year, will be the strongest since 1984. Strong spending by consumers and businesses spurred the recent growth. However, both sectors will cool down in the near term.

#### "Meanwhile, surging energy prices have been at least partially responsible for the past four recessions."

Energy prices have surged since early 1999 as oil prices tripled and natural gas prices more than doubled. Albeit a smaller factor than a decade ago, energy prices are still an integral part of the economy. Meanwhile, surging energy prices have been at least partially responsible for the past four recessions. The risk factor for energy prices is increasing, as political uncertainty in the Middle East and lean inventories of gasoline, natural gas, and heating oil could lead to further price increases. Still, the inflation-adjusted price of oil and its byproducts remain low by historical standards. However, data suggests that consumers react more to changes in prices rather than the price level itself. In our consumer-driven economy, the impact of higher energy prices on consumer behavior is crucial. The income that is spent at the gas pump or on utility bills is money that is not spent at retail stores. Additionally, higher energy prices will negatively influence business investment.

Except for a brief respite during the summer, the equity markets have been very weak since March. The NASDAQ market fell nearly 50 percent from its March peak. The companies that have been at the forefront of recent strong growth — telecommunications, software, and computer equipment — have been particularly hard hit. Venture capital to fuel continued growth in these companies is slowing down. The investment plans of other mainline businesses are on hold as well. Many of these companies are reducing payrolls and investment spending.

The decline in the stock markets will also negatively influence consumer confidence. In fact, the index of consumer confidence tumbled in November to its lowest level in a year, and is nine points lower than only two months previous. Consumers still feel good about current economic conditions, but are soft on future expectations. The weak stock market, declining manufacturing conditions, and softness in the job markets are causing consumers to feel more negative about the fate of the economy in the near term.

Household debt has been increasing during the recent boom period. One-fourth of households with annual incomes under \$50,000, roughly the national median, have debt burdens of more than 40 percent. An economic slow-down will unduly influence these families and will slow down their spending.

The manufacturing sector has been slowing for more than a year. The National Association of Purchasing Manager's Index has been below the critical 50% level for four consecutive months, suggesting that the manufacturing sector is contracting. The lengthy downward trend in the NAPM index does not bode well for the sector. Domestic spending on manufacturing output is weakening, and global markets are unlikely to contribute in a positive manner.

While these factors will lead to a slowdown in GDP during the next year, they should not cause a recession. Business investment will remain high by historical standards, as the impetus for further technological innovation remains strong in light of the labor shortage. The real estate markets are in balance with low vacancy rates across most of the nation. To the extent that a building slowdown occurs as a result of weaker demand, it would not take as long for the building sector to catch up once the economy picks up. Moreover, the core inflation rate, which measures inflation outside the volatile energy and food sectors, is low, thus giving the Federal Reserve Board the necessary latitude to quickly reduce interest rates in the event of a sudden downturn. The high federal budget surplus also gives the President and Congress some latitude with fiscal and tax policy.

• We estimate that GDP will increase by 5.2 percent in 2000. The economy will slow leading GDP down to a 3.5 percent pace in 2001, and then turn up to growth rates of 4.3 percent and 4.8 percent in 2002 and 2003, respectively.

"...the core inflation rate...is low, thus giving the Federal Reserve Board the necessary latitude to quickly reduce interest rates in the event of a sudden downturn."

#### Employment

The nation's employment surged at an annual pace of 2.5 percent during the last half of the 1990s, compared with 1.1 percent during the first half of the decade. Meanwhile, the unemployment rate averaged 4.2 percent in 1999, compared with a high point of 7.5 percent in 1992. The unemployment rate was 3.9 percent during three months in 2000, the lowest rate since 1969. Employment would have increased to a greater extent if there were available workers.

The labor markets are softening somewhat as 2000 draws to a close. Initial jobless claims are on an upward path and continuing claims for unemployment insurance are at a one-year high. These are clear indications that the pace of hiring is slowing and those who are unemployed are taking longer to find jobs. However, the levels of initial and continuing claims are well below those of the last recession in 1991, when the labor force was 14.5 million persons lower than in 2000.

"Initial jobless claims are on an upward path and continuing claims for unemployment insurance are at a one-year high."

Many dot-com companies have either folded or cut back staffing levels significantly. Businesses that are linked to the dot-com industry are seeing associated weakness and are also slowing their hiring plans. The automobile industry laid off 50,000 workers in recent months because of inventory buildups. The slowing housing industry caused the lumber industry to cut back employment levels by approximately 20,000.

- The robust employment gains of the past five years will slow and will more closely mirror those of the early 1990s. After a 2.1 percent increase in 2000, employment will increase by 1.1 percent in 2001 and 1.2 percent in 2002. Employment gains will surge to 1.9 percent in 2003.
- The unemployment rate will average 4.0 percent in 2000, before increasing to 4.4 percent and 4.6 percent in the following two years. The stronger employment gains in 2003 will bring the unemployment rate back down to 4.2 percent in 2003.

#### **Personal Income**

- Personal income will increase by 6.4 percent in 2000, the second highest growth rate since the current economic expansion began. Personal income will grow at more modest rates during the soft landing of the next two years, increasing 5.8 percent in 2001 and 5.6 percent in 2002, before reaching 6.3 percent in 2003.
- Consumer spending will increase 5.3 percent in 2000. Declining consumer confidence and the general economic slowdown will reduce consumer spending growth to 4.0 percent in 2001. Spending will rebound to 4.7 percent and 4.8 percent in 2002 and 2003, respectively, before dropping to 3.7 percent growth in 2004.

The saving rate averaged 5.9 percent during the 1990s, but steadily deteriorated as the decade came to a close. The saving rate will average 0 percent in 2000 and will remain below one percent during the forecast period. It should be noted that the official definition of the saving rate understates the real situation. Stock, mutual fund, and 401k portfolios have become an increasing part of household wealth and, to some extent, have replaced older, traditional savings vehicles. However, the gains in these portfolios are not included in personal income. Most households with stock portfolios treat them as capital gains, however.

#### Inflation

National inflation has been at or below 3.0 percent since 1991, when it averaged 4.2 percent. 1991 marked the end of a five-year period when inflation averaged 4.4 percent. By contrast, inflation averaged a mere 2.5 percent since 1991. There will be a temporary halt to

the good news in 2000, however, as inflation will average 3.4 percent this year. Energy prices are leading the surge this year. Oil prices have tripled since early 1999 and natural gas prices have more than doubled. However, core inflation, which excludes the volatile energy and food sectors, will increase only 2.4 percent in 2000, compared with a 2.1 percent increase in 1999.

• Energy prices are expected to moderate in 2001, thus contributing to a 2.3 percent increase in consumer prices next year. Inflation will slow further to 1.8 percent in 2002 before the expected pickup in economic activity boosts prices by 2.0 percent in 2003.

#### **Risk Factors for the Economy**

Declines in the stock market and higher energy prices have contributed to a slowdown in the economy thus far, but have not pushed the economy into a recession. However, a continuation of trends for these two factors could slow the economy even further as inflation and uncertainty would hurt both consumer spending and business investment.

A falling stock market would significantly dent the boom in venture capital in the "New Economy's" tech companies, causing dropoffs in business investment in software, computers, and communications equipment. Consumer spending by high income households would slow. Foreign investment in the U.S., which has helped fuel the expansion, would decline. Rising oil prices would affect consumer and business spending. Foreign economies, which are typically more dependent on energy as a percentage of their national output, would be hurt worse than the U.S. and would significantly cut back their purchases of our goods and services. Businesses have thus far been relatively restrained in raising prices because of the higher costs of energy. However, these restraints might be lifted if energy prices continue to increase. The Fed might further increase interest rates in response to a general rise in prices, thus contributing to the end of the longest economic expansion in history.

	1996	1997	1998	1999	Forecast 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004
Gross Domestic Product (GDP) percent change	\$7,813.2 5.6%	\$8,300.7 6.2%	\$8,760.0 5.5%	\$9,256.2 5.7%	\$9,941.2 7.4%	\$10,478.0 5.4%	\$11,106.7 6.0%	\$11,850.8 6.7%	\$12,585.6 6.2%
Inflation-adjusted GDP percent change	\$7,813.2 3.7%	\$8,144.9 4.2%	\$8,495.7 4.3%	\$8,848.2 4.1%	\$9,308.3 5.2%	\$9,634.1 3.5%	\$10,048.4 4.3%	\$10,530.7 4.8%	\$10,930.9 3.8%
Nonagricultural Employment (millions) percent change	119.6 2.1%	122.7 2.6%	125.8 2.6%	128.7 2.3%	131.4 2.1%	132.9 1.1%	134.5 1.2%	137.0 1.9%	139.3 1.7%
Unemployment Rate	5.4%	4.9%	4.5%	4.2%	4.0%	4.4%	4.6%	4.2%	4.2%
Personal Income percent change	\$6,547.4 5.6%	\$6,951.1 6.2%	\$7,358.9 5.9%	\$7,791.8 5.9%	\$8,290.5 6.4%	\$8,771.3 5.8%	\$9,262.5 5.6%	\$9,846.0 6.3%	\$10,436.8 6.0%
Inflation (Consumer Price Index)	2.9%	2.3%	1.6%	2.2%	3.4%	2.3%	1.8%	2.0%	2.5%
Prime Rate	8.3%	8.4%	8.4%	8.0%	9.2%	9.3%	8.9%	8.8%	8.8%
For historical data, see Appendix A.									

## **Colorado Economy**

Colorado's buoyant economy is finally beginning to show signs of weakening as 2000 comes to a close. Colorado's slowdown is primarily being driven by a slowing national economy. Constraints on the local labor market, concerns about the stock market, and falling consumer confidence have led to the beginning of a slowdown as we approach the new millennium. While we don't anticipate that the economy will significantly falter over the next few years, we do expect growth to slow from the robust levels reached during the 1990s. One positive for the current slowdown is the leeway that appears to be available for the Federal Reserve Board to act on the economy's behalf, if necessary. Inflation has remained moderate at both the state and national levels despite the booming economy, and as long as it remains relatively low during the slowdown, the Federal Reserve should be able to keep the national economy out of trouble if the need arises.

"Constraints on the local labor market, concerns about the stock market, and falling consumer confidence have led to the beginning of a slowdown as we approach the new millennium.

The advanced-technology sector, which has been one of the drivers of growth for several years, is feeling the pain of tight labor markets, which have caused an undersupply of skilled workers and higher costs. Also, dramatic decreases in many high-tech stocks and the overall declines in the NASDAQ stock market have made it more difficult for these companies to obtain capital. While the sector is feeling some pinches and will not drive growth next year to the levels of recent years, it continues to be a positive factor in the economy and will help prevent the economy from stalling too precipitously.

The construction sector will also find it difficult to maintain the haughty pace it has set during the last decade. With the completion of two major regional malls in the metro-Denver area during the last four years, the retail construction sector may be set for a slight contraction. In addition, the residential sector will slow as the economy skips a beat and consumers grow more cautious. The slowdown follows many years of strong construction, especially in the apartment market, which has added significant stock in the past few years. Construction levels will remain relatively high, even without the growth that has been experienced over the last several years.

The following paragraphs outline our economic forecast for Colorado. A general slowdown in the national economy will spill over into Colorado unless the Federal Reserve takes action to boost the economy. Since Colorado's economy is in a stronger position than the nation as a whole, the state has a very good chance of experiencing a soft landing over the next year or two before resuming a solid growth path. Table 14 displays the Legislative Council Staff forecast for the Colorado economy:

• Colorado's tight labor market will lead to **population** growth of 2.3 percent in 2000, eclipsing 1999's 2.2 percent growth rate. Population growth will slow thereafter, however, mirroring the slowdown in the local economy. We anticipate population growth rates of 2.0 percent in 2001, 1.9 percent in 2002, and 1.8 percent in 2003.

- Nonagricultural employment will slow to 3.4 percent in 2000 and 2.8 percent in 2001 after growing 3.7 percent in 1999. Employment growth during the forecast period will be significantly slower than that of the last several years. Accordingly, the unemployment rate will bottom out at 2.7 percent in 2000 before increasing to 3.1 percent in 2001 and 3.4 percent in 2002.
- **Personal** income growth will remain strong through 2001, primarily due to the tight labor market. Despite the softening in the economy, the tight labor market will allow wages to continue to grow in the short term. **Wage and salary income** will increase 9.2 percent in 2000 and 8.2 percent in 2001, before slowing to the 7.0 to 7.5 percent range for the remainder of the forecast period. This growth will spur **total personal income** growth of 8.6 percent in 2000 and 7.7 percent in 2001.
- Consumers, who have played a big role in the economic expansion, will finish the century with a bang before cutting back on their spending in 2001. **Retail trade sales** will jump 10.6 percent in 2000, after growing 8.5 percent in 1999 and 6.6 percent in 1998. While the growth in retail sales will fall to 7.6 percent in 2001, it will still provide support in the changing economic times.
- Rapidly increasing energy prices will lead to a 3.7 percent **inflation** rate for Colorado in 2000. This will represent the fastest growth in prices in the state since 1995. We expect that energy prices will moderate in 2001, however, bringing inflation back down to 3.1 percent that year. Inflation will range between 2.9 percent and 3.3 percent for the rest of the forecast horizon.

 Table 14

 Colorado Economic Indicators, December 2000 Forecast

 (Calendar Years)

	1996	1997	1998	1999	Forecast 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Population (thousands), July 1	3,812.7	3,891.3	3,969.0	4,056.1	4,149.4	4,232.4	4,312.8	4,390.5	4,465.1	4,545.5
percent change	2.0%	2.1%	2.0%	2.2%	2.3%	2.0%	1.9%	1.8%	1.7%	1.8%
Nonagricultural Employment (thousands) percent change	1,900.4	1,979.5	2,057.0	2,133.5	2,206.0	2,267.8	2,324.5	2,380.3	2,439.8	2,500.8
	3.6%	4.2%	3.9%	3.7%	3.4%	2.8%	2.5%	2.4%	2.5%	2.5%
Unemployment Rate	4.2%	3.3%	3.8%	2.9%	2.7%	3.1%	3.4%	3.3%	3.2%	3.3%
Personal Income (millions) percent change	\$100,012 7.6%	\$108,763 8.7%	\$118,51 4 9.0%	\$127,955 8.0%	\$138,959 8.6%	\$149,659 7.7%	\$160,584 7.3%	\$172,307 7.3%	\$184,541 7.1%	\$197,643 7.1%
Wage and Salary Income (millions)	\$57,205	\$62,524	\$69,604	\$76,347	\$83,371	\$90,291	\$97,063	\$104,051	\$111,543	\$119,351
percent change	8.2%	9.3%	11.3%	9.7%	9.2%	8.3%	7.5%	7.2%	7.2%	7.0%
Retail Trade Sales (millions)	\$42,631	\$45,146	\$48,131	\$52,209	\$57,743	\$62,132	\$66,729	\$71,534	\$76,541	\$81,516
percent change	6.7%	5.9%	6.6%	8.5%	10.6%	7.6%	7.4%	7.2%	7.0%	6.5%
Home Permits (thousands)	41.1	42.5	49.5	49.3	53.5	49.5	49.6	51.5	52.0	52.2
percent change	6.5%	3.3%	16.5%	-0.4%	8.5%	-7.5%	0.2%	4.0%	1.0%	0.3%
Nonresidential Building (millions)	\$2,367	\$2,986	\$2,617	\$3,400	\$2,866	\$2,986	\$3,153	\$3,374	\$3,620	\$3,870
percent change	28.6%	26.2%	-12.4%	29.9%	-15.7%	4.2%	5.6%	7.0%	7.3%	6.9%
Denver-Boulder Inflation Rate	3.5%	3.3%	2.4%	2.9%	3.7%	3.1%	2.9%	3.0%	3.2%	3.3%
For more historical data, see Appendix A.										

Prepared by

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#### ADULT PRISON PROJECTIONS

- The total **Department of Corrections** (**DOC**) **population** is projected to increase 49.8 percent — from 15,999 inmates on June 30, 2000, to 23,966 inmates on June 30, 2006. This corresponds to an average annual growth rate of 7.0 percent. Over this time frame, the **male** population will increase from 14,733 to 22,098 inmates, a 50.0 percent increase and an average growth rate of 7.0 percent per year. The **female** population will increase from 1,266 inmates to 1,868 inmates, a 47.6 percent increase and an average growth rate of 6.7 percent per year.
- By June 30, 2006, the projected **shortfall** in beds for **male** inmates is 1,288 beds, while there is a projected **surplus** for **female** inmates of 214 beds. These figures

incorporate facilities from the DOC Bed Implementation Plan as of September 2000. Several projects have been planned but have not yet been funded or approved by the General Assembly.

- The total **parole population** including out-of-state and absconding parolees is expected to increase from 5,222 parolees on June 30, 2000, to 6,487 parolees on June 30, 2006, a 31.1 percent growth rate and an average growth rate of 4.6 percent per year.
- The **Youthful Offender System (YOS) population** is projected to increase 2.1 percent during the forecast period, from 290 inmates on June 30, 2000, to 296 inmates on June 30, 2006.

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This section of the forecast provides: the forecast figures and a legislative overview; the prison forecast organized by admission type and gender; forecasted admissions to prison; factors in prison commitments; the estimated length of stay in prison; parole as a factor influencing the prison population; and separate projections for the Youthful Offender System.

### **Adult Prison Projection Overview**

The following sections discuss legislative impacts on the prison population and provide a summary of the projected prison population.

*Legislative Impact upon the Prison Population.* Table 15 illustrates the historical and projected prison population and growth. The strong growth between FY 1984-85 and FY 1989-90 is due to House Bill 85-1320, which doubled the maximum of the presumptive sentencing range for all felony classes. This effectively expanded the sentence length of stay for new commitments, from an average of 20 months to almost 60 months. Of all legislation passed by the General Assembly, House Bill 85-1320 had the most significant impact upon the prison population.

In the next few years, modifications made to the criminal code by the General Assembly mitigated the effects of House Bill 85-1320. Senate Bill 88-148 lowered the sentencing range for violent crimes and Senate Bill 89-246 created a new class 6 felony with a presumptive sentencing range of one to two years in prison. As a result, Senate Bill 89-246 changed several class 5 crimes to class 6 crimes and some class 4 felonies to class 5 felonies.

The most dramatic legislation curbing population growth was House Bill 90-1327. This bill provided for early parole — at the discretion of the parole board — of inmates convicted of nonviolent crimes that served at least 50 per-

cent of their sentence (those committing violent crimes could be paroled after serving at least 75 percent of their sentence). House Bill 90-1327 also doubled the amount of earned time inmates could accrue while serving their sentence (from five days to ten days per month), reducing their governing sentence as well as the time to their earliest parole eligibility. After the passage of House Bill 90-1327, the prison population growth decreased significantly, averaging 6.4 percent in the next three fiscal years (FY 1990-91 to FY 1992-93). During the first five years after passage of House Bill 85-1320, the DOC population increased at an annual average rate of 16.1 percent.

In the 1993 legislative session, the General Assembly passed House Bill 93-1302, restructuring the criminal penalty presumptive ranges to shorten the maximum sentence, except for certain crimes that present "an extraordinary risk of harm to society." House Bill 93-1302 also provided for a mandatory period of parole for all inmates sentenced after July 1, 1993.

Prison Forecast and Recent Trends. Between FY 1999-00 and FY 2005-06, the prison population will increase by an annual average rate of 7.0 percent, a slower rate relative to the past six-year period. Prison population growth is expected to slow because admissions are expected to grow slower than had been previously projected. Overall admissions (including supervision returns) grew an estimated 2.9 percent in FY 1999-00, compared with 6.6 percent growth in FY 1998-99 and 7.4 percent growth in FY 1997-98. However, recent estimates reveal that releases (including releases to parole and sentence discharges) also decreased in FY 1999-00, meaning more inmates remained incarcerated. Releases from prison increased an estimated 0.2 percent in FY 1999-00, compared with 8.5 percent growth in FY 1998-99 and 7.9 percent growth in FY 1997-98.

Fiscal Year	Male Population	Percentage Change	Female Population	Percentage Change	DOC Population	Percentage Change
FY 1984-85	NA		NA		3,637	
FY 1985-86 FY 1986-87 FY 1987-88 FY 1988-89 FY 1989-90	NA NA 6,579 7,215	9.7%	NA NA NA 392 451	15.1%	4,088 4,746 5,756 6,971 7,666	12.4% 16.1% 21.3% 21.1% 10.0%
FY 1990-91 FY 1991-92 FY 1992-93 FY 1993-94 FY 1994-95	7,598 8,269 8,712 9,382 10,000	5.3% 8.8% 5.4% 7.7% 6.6%	445 505 530 623 669	-1.3% 13.5% 5.0% 17.5% 7.4%	8,043 8,774 9,242 10,005 10,669	4.9% 9.1% 5.3% 8.3% 6.6%
FY 1995-96 FY 1996-97 FY 1997-98 FY 1998-99 FY 1999-00	10,808 11,681 12,647 13,547 14,733	8.1% 8.1% 8.3% 7.1% 8.8%	769 909 1,016 1,179 1,266	14.9% 18.2% 11.8% 16.0% 7.4%	11,577 12,590 13,663 14,726 15,999	8.5% 8.8% 8.5% 7.8% 8.6%
6 year avera (FY1993-94 t	ge growth rate to FY 1999-00)	7.8%		12.5%		8.1%
	-		Forecast			
FY 2000-01 FY 2001-02 FY 2002-03 FY 2003-04 FY 2004-05 FY 2005-06	15,775 16,915 18,121 19,388 20,709 22,098	7.1% 7.2% 7.1% 7.0% 6.8% 6.7%	1,350 1,432 1,543 1,661 1,763 1,868	6.6% 6.1% 7.8% 7.6% 6.1% 6.0%	17,125 18,347 19,664 21,049 22,472 23,966	7.0% 7.1% 7.2% 7.0% 6.8% 6.6%
6 year avera (FY1999-00 t	ge growth rate to FY 2005-06)	7.0%		6.7%		7.0%

 Table 15

 Historical and Forecasted DOC Population at Fiscal Year End

#### Projections by Gender and Admission Type and the Projected Bed Shortfall

This section discusses the population projections by gender, the comparison of Colorado's prison growth to national trends of incarceration by gender, the growth of parole revocations as a result of an increasing population, and the projected prison bed shortfall over the next six years.

*Jurisdictional Population by Gender.* Between June 1994 and June 2000, the male prison population grew at an average rate of 7.8 percent per year. During that same sixyear period, the female population grew at an average rate of 12.5 percent per year. We expect that the male population will increase from 14,733 inmates in June 2000 to 22,098 inmates by the end of June 2006, an annual average increase of 7.0 percent. We predict that the female population will grow from 1,266 in June 2000 to 1,868 by June 2006, an annual average increase of 6.7 percent. One reason behind the slowing growth rate for the female population, relative to the past six years, is that the level of criminal filings and convictions has slowed relative to the past. Between FY 1993-94 and FY 1999-00, female convictions rose 73.9 percent. In the next six years, we project female convictions will increase 37.0 percent.

*National Trends of Incarceration by Gender.* The Colorado prison population increased at a faster rate than the rest of the country from December 1994 to December 1999. The Department of Justice Bureau of Justice Statistics (BJS) reported that male incarceration in all state and federal prisons increased at an average rate of 5.2 percent per year, while Colorado male incarceration increased at an annual average rate of 7.2 percent over that five-year period. Females in Colorado prisons also increased at a faster rate than the rest of the country. The Department of Justice BJS reported that over the last five calendar years, the number of female prisoners rose by an average of 7.1 percent per year nationwide compared with 12.3 percent in Colorado. Although most of the nation's growth in the past five years was attributable to western states, incarceration in Colorado increased at an average rate of 7.9 percent between 1994 to 1999. Meanwhile, incarcerations in the southwestern states of Arizona, Nevada, New Mexico, Utah, and Colorado grew at an average rate of 6.9 percent over that five-year period.

*Inmate Population by Admission Type.* As the prison population and inmate releases increase, parole revocations also increase as a result of a larger parole population, particularly since the implementation of mandatory parole pursuant to House Bill 93-1302. Graph 3 below illustrates the growth of admissions, supervision technical returns as a share of admissions, and releases. Supervision technical returns (including parole and probation revocations) have increased between 22.4 percent and 28.7 percent in the last three fiscal years compared with increases ranging from 5.9 percent to 12.4 percent between FY 1994-95 and FY 1996-97. We expect to see an increasing trend in the number of inmates returning to prison for technical returns and for new crimes committed while under supervision. This will increase the overall prison population despite the fact that the average length of stay for returns to prison, particularly technical returns, is much lower than the average length of stay for new commitments. Between June 2000 to June 2006, we expect the number of prisoners with technical returns to increase from 2,289 to 3,487, an average increase of 7.3 percent per year. For parole violators with new crimes, we forecast a similar trend, though not as significant. Supervision returns with new crimes will increase from 1.518 in June 2000 to 2,221 in June 2006, an average annual increase of 6.5 percent.

*Projected Prison Bed Surplus/(Shortfall) by Gender.* Table 16 illustrates the Legislative Council Staff prison population projections by gender and admission type and the projected



Graph 3: New Court Commitments, Supervision Technical Returns, and Releases

December 2000

Legislative Council Staff December 2000 Prison Population Projections by Commitment Type and Gender with Projected Prison Bed Surplus/(Shortfall) Table 16

Fiscal Year Ending	Populat Crime	tion of Ori Commitme	ginal ents	Populati Violators	on of Super with New Cri	vision mes <i>l</i> a	Populatic Vic	on of Techi olators /a	nical		Fotal DOC Population		Project Bo Surr (Short	ed DOC ed ilus/ age) /c
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	~I~M	-1 C
June 2000 /b	11,260	932	12,192	1,424	94	1,518	2,049	240	2,289	14,733	1,266	15,999	Male	remale
						FOREC	AST							
June 2001	12,114	966	13,110	1,484	103	1,587	2,177	251	2,428	15,775	1,350	17,125	(257)	326
June 2002	12,977	1,057	14,034	1,591	109	1,700	2,347	266	2,613	16,915	1,432	18,347	(409)	239
June 2003	13,888	1,137	15,025	1,705	118	1,823	2,528	288	2,816	18,121	1,543	19,664	(514)	153
June 2004	14,844	1,223	16,067	1,824	126	1,950	2,720	312	3,032	19,388	1,661	21,049	(609)	399
June 2005	15,839	1,297	17,136	1,949	134	2,083	2,921	332	3,253	20,709	1,763	22,472	(699)	316
June 2006	16,885	1,373	18,258	2,079	142	2,221	3,134	353	3,487	22,098	1,868	23,966	(1,288)	214
6 Year Average Growth Rate (FY1999-00 to FY 2005-06)	7.0%	6.7%	7.0%	6.5%	7.1%	6.5%	7.3%	6.6%	7.3%	7.0%	6.7%	7.0%		

Some projects have not been approved or funded by the General Assembly. DOC jurisdictional population adjusted to account for 2.5% of male Sources: DOC Bed Implementation Plan (FY 200901 to FY 2005-06) and Legislative Council Staff. /a This includes returns to pison from probation, community diversion programs, or other placements. /b Estimated from actual June 2000 monthly population eport. At this time DOC does not provide interim reports of population by admission type. population off-grounds, 1.0% of all beds are vacant due to the natural movement of offenders through the system, and 10.0% of population in community corrections placements. prison bed shortfall by gender. The projected shortfall is based on the DOC's Bed Implementation Plan (FY 2000-01 to FY 2005-06). This includes facilities that have been planned but have not yet been approved for funding by the General Assembly. The last columns in Table 16 present the projected surplus or shortfall in prison beds by gender throughout the forecast period. This estimate includes the funded DOC prison expansions (Denver Women's Correctional Facility — 436 beds in 2001, and Trinidad — 480 beds in 2001), several unfunded expansions (Fort Lyon — 500 beds in 2001, Denver Reception and Diagnostic Center — 100 beds in 2002, San Carlos — 250 beds in 2003, Arkansas Valley — 382 beds in 2003, and 764 beds additional between FY 2004-05 and FY 2005-06), and increased capacity at private prison facilities (an estimated 2,740 beds between FY 2000-01 and FY 2005-06). This bed estimate adjusts population to reflect 3.5 percent of the inmate population as off-grounds or moving between facilities and a 10 percent share of inmate

population in community corrections placements.

With the current DOC facility construction plan assumed to be approved, funded, and built, there will be a male prison bed shortage of 1,288 beds by June 2006. This shortage represents 5.4 percent of the male population. Meanwhile, with the build-out of the Denver Women's Correctional Facility in FY 2000-01, there will be a female prison bed surplus of 214 by June, 2006.

#### **Prison Admissions**

Table 17 illustrates the projected growth for prison admissions for new crime commitments, the largest group of overall prison admissions. In FY 1999-00, new crime commitments accounted for 66.1 percent of all admissions. The admissions forecasts were lowered from the December 1999 projection due to a recent trend of slowing admissions. This is

Fiscal Year Ending	Male Admissions	Annual Growth	Female Admissions	Annual Growth	Total Admissions	Annual Growth
June 1997	3,870		418		4,288	
June 1998	3,939	1.8%	457	9.3%	4,396	2.5%
June 1999	3,860	-2.0%	475	3.9%	4,335	-1.4%
June 2000*	3,753	-2.8%	424	-10.7%	4,177	-3.6%
		FORECA	ST			
June 2001	3,946	5.1%	450	6.1%	4,396	5.2%
June 2002	4,093	3.7%	471	4.7%	4,564	3.8%
June 2003	4,238	3.5%	493	4.7%	4,731	3.7%
June 2004	4,381	3.4%	525	6.5%	4,906	3.7%
June 2005	4,519	3.2%	552	5.1%	5,071	3.4%
June 2006	4,653	3.0%	576	4.3%	5,229	3.1%
6 year average growth rate (FY1999-00 to FY 2005-06)		3.6%		5.2%		3.8%

Table 17 Admissions from Court Commitments by Gender

due in part to a healthy economy and strong wage growth. The number of people convicted and admitted to prison is influenced by arrests and crime trends, but also by the discretion of district attorneys and judges. While the decreasing level of arrests has pulled down the number of felony filings, convictions remained flat over the last two years, suggesting that fewer arrests have not led to fewer felony convictions.

Over the forecast period, original crime commitments are expected to grow at an average annual rate of 3.8 percent, down from the 5.5 percent growth rate that was forecast in the December 1999 prison projection. Female admissions are expected to increase at a faster rate than male admissions over the six-year period. We expect female admissions to increase at an average annual rate of 5.2 percent, while male admissions are expected to increase at an average annual rate of 3.6 percent. The rationale behind a greater growth rate for females than for males is related to the current increasing trend in female incarceration admissions. An increasing number of women are being arrested and incarcerated for drug crimes, theft, and forgery. In FY 1999-00, however, there was a 10.7 percent drop in the number of female admissions. For this reason, the forecast for female admissions was reduced from last year's 6.7 percent annual average growth rate to a 5.2 percent growth rate. Male admissions also decreased for the second straight year. For this reason, the male admissions forecast was lowered from the 5.4 percent annual average growth rate in the December 1999 forecast to a 3.6 percent annual average.

#### **Factors in Prison Commitments**

Males and females were further broken down into admissions by felony class and projected independently using several methodologies. There were several explanatory variables considered in modeling prison admissions. Most of these factors can be classified into three groups: state economic variables, state population variables, and state justice and public safety variables. Although there is some expected correlation between these variable types (e.g., it is likely that economic growth affects population growth and population growth affects public safety spending), the admissions model avoided using strongly correlated variables. The following paragraphs describe some of the factors that have influenced prison commitments.

**Population.** All other things being equal, a larger population results in a greater total number of criminal offenses, arrests, criminal felony filings, and prison commitments. Colorado's population grew at an estimated 2.5 percent annual average growth rate between June 1992 and June 1999. Over this same period, the average annual rate of growth in the prison population was 7.7 percent. As Colorado's population is projected to continue to grow, we expect this to contribute to an increase in the total number of new admissions to prison. State population growth is projected to taper off during the forecast period. Slower population growth is one reason for the decline of prison population growth in rates expected during the last few years of the forecast period.

*Reported Crime Rates.* The Colorado Bureau of Investigation's (CBI) crime index, based upon reported incidents, has decreased for several years. Because offenses are correlated to prison commitments, this suggests that prison commitments should be decreasing. However, one should note that the CBI's crime index measures a minority of the crimes committed in the state, primarily violent crimes (murder, rape, robbery, burglary, and auto theft). One of the strongest growth categories for Colorado prison admissions, drug crimes, is excluded from CBI's crime index. Moreover, there is a lag period between slowing crime

rates and slowing admissions. It may take over three years for an offense to lead to incarceration. For this reason, the forecast focused on variables that were more proximate to admission to prison, such as filings and convictions.

Felony Filings and Felony Convictions. Two important factors affecting prison admissions are felony filings and convictions. These variables are further along the criminal justice time frame than offenses and arrests and more accurately reflect those defendants that may be sentenced to prison. Felony filings increased 10.6 percent in FY 1996-97 and 14.6 percent in FY 1997-98. However, total felony filings decreased 3.3 percent in FY 1998-99 and an estimated 2.1 percent in FY 1999-00. Typically, a rise in felony filings increases prison admissions with a six- to twelve-month lag for court proceedings (arraignments, trials, dispositions, sentence hearings). In the past, an increase in felony filings has led to increases in felony convictions and prison commitments. Over the past two fiscal years, FY 1998-99 and FY 1999-00, convictions have remained relatively flat while filings decreased, suggesting an increase in the rate of convictions relative to filings.

*Mandatory Parole.* House Bill 93-1302 created mandatory parole with longer parole terms for all inmates that committed offenses after June 30, 1993. With a larger parole population and increased lengths of stay on parole, we expect an increase in the number of admissions for new crimes and technical violations committed while under supervision.

#### **Releases And Length of Stay**

Average length of stay is critical to the prison population forecast because this variable is responsible for determining the release of existing prisoners based on prisoner characteristics such as gender, felony class, and crime type. Table 18 illustrates the December 1999 and December 2000 forecast for the average length of stay for new admissions by felony class and by gender. The projected average length of stay increased due to two reasons: a continued trend of fewer releases and a change in the methodology used to estimate length of stay.

	Decen	nber 1999 For	ecast	Decer	nber 2000 For	ecast
Felony Class	Females	Males	Both	Females	Males	Both
Class 1	LIFE	LIFE	LIFE	LIFE	LIFE	LIFE
Class 2	204.5	240.8	237.0	204.5	240.8	237.0
Class 3	43.3	62.8	60.9	59.6	73.8	72.8
Class 4	26.0	31.7	31.0	31.9	42.0	41.0
Class 5	14.4	17.3	17.0	24.6	26.3	26.1
Class 6	8.1	8.5	8.5	9.7	11.4	11.3
Overall Average	29.6	36.8	36.1	38.3	50.0	49.0

 Table 18

 Average Length of Stay in Months for New Admissions by Gender and Class

#### ADULT PAROLE POPULATION PROJECTIONS

The parole population projection is presented in Table 19, which displays the parole population *supervised in Colorado*, the estimated parole population *served out-of-state*, and parole *absconders* — parolees who have not reported and are considered missing. Our forecast calls for a 30.7 percent increase in the number of parolees *supervised in Colorado* throughout the forecast period — from 3,685 parolees on June 30, 2000, to 4,815 parolees on June 30, 2006. The number of *total* parolees will increase 31.1 percent over the forecast period, from 5,222 parolees on June 30, 2000, to 6,847 parolees on June 30, 2006.

The following sections discuss three factors that affect the parole population: changes in the parole board's discretionary releases to parole, the implementation of mandatory parole, and prison capacity.

Changes in Discretionary Releases to Parole. The parole board decides whether to grant inmates early release to parole (before sentence discharge date) or whether to revoke parole. These decisions can increase or decrease the size of the parole population and have an opposite effect on the size of the prison population. In FY 1999-00, the parole board released 23.4 percent of those who appeared before the board for release decisions. This compares with a 30.9 percent release rate in FY 1998-99 and a 29.5 percent release rate in FY 1997-98. Based on this information, the December 2000 adult parole forecast was adjusted downward to reflect fewer releases to parole. Likewise, the December 2000 adult prison population was adjusted upward to reflect more inmates being denied parole.

Graph 4 shows a three-month moving average of discretionary releases (i.e. releases to parole that are at the discretion of the parole board).

Fiscal Year Ending	Parolees Supervised in Colorado	Annual Growth	Parolees Supervised out-of-state	Parole Absconders	Total Parolees	Annual Growth
June 1998	3,219		1,200	233	4,652	
June 1999	3,722	15.6%	1,268	301	5,291	13.7%
June 2000	3,685	-1.0%	1,247	290	5,222	-1.3%
		Foreca	st Period			
June 2001	3,915	7.9%	1,318	303	5,536	6.0%
June 2002	4,095	7.7%	1,386	317	5,798	4.7%
June 2003	4,275	7.3%	1,454	331	6,060	4.5%
June 2004	4,455	6.9%	1,522	345	6,322	4.3%
June 2005	4,635	6.5%	1,590	360	6,585	4.2%
June 2006	4,815	3.9%	1,657	375	6,847	4.0%
6 year average growth rate (FY1999-00 to FY 2005-06)		4.6%				3.8%

Table 19Legislative Council Staff December 2000 Parole Population Projection

While the average number of discretionary releases hovered between 200 and 275 per month before June 1999, the number of discretionary releases have averaged around 180 per month since June 1999. Although more inmates are being released on mandatory parole after completing their prison sentences, total releases to parole have been pulled down due to fewer discretionary releases.

*Mandatory Parole.* A significant reason for the growth in the long-term projected parole population is the implementation of mandatory parole. House Bill 93-1302 created mandatory parole for all inmates released from prison who committed a crime on or after July 1, 1993. Prior to mandatory parole, a significant percentage of the inmate population discharged their sentence without serving parole. Now, with mandatory parole, each inmate released from prison who committed a crime after July 1, 1993, is released to parole with a determinate length of stay. In FY 1999-00, 33.0 percent of total prison releases were to mandatory parole, compared with 24.9 percent in FY 1998-99, 19.2 percent in FY 1997-98, and 13.2 percent in FY 1996-97. This share of releases is expected to continue increasing throughout the forecast period. Mandatory parole affects all new commitments after FY 1992-93 and increases the number of parolees and their lengths of stay on parole. We are now just beginning to encounter the effects of mandatory parole. Table 20 illustrates some trends in the parole population, due in part to the impact of mandatory parole.

The mandatory length of stay on parole varies by felony class. For class 6 felons, the sentence length on parole is one year. The parole length is two years for class 5 felons, three years for class 4 felons, and five years for class





	stay and FO	pulation		
	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00
Parolees Released on Mandatory Parole	623	962	1,363	1,823
Annual Percentage Growth		54.4%	41.9%	33.7%
Percent of Releases thatwere to Mandatory Parole	13.2%	19.2%	24.9%	33.0%
Estimated Parole Length of Stay	11.1 months	11.8 months	13.1 months	13.8 months
Total Parole Population at Fiscal Year End	3,850	4,652	5,291	5,222

Table 20Mandatory Parole Trends and the Effects upon ParoleLength of Stay and Population

2 and 3 felons. With the longer expected parole period, there is more of a chance for parole to be revoked. This will decrease the parole population and the average length of stay on parole, but will increase the prison population and the average length of stay in prison. House Bill 95-1087 slightly offset the effects of mandatory parole by granting earned time while on parole to some nonviolent offenders. House Bill 95-1087 reduced the length of stay on parole for nonviolent offenders by an estimated 20 percent and by eight percent for the entire parole population.

*Prison Capacity.* The parole board is able to extend their discretion to release or retain prisoners if there is available prison capacity. Large increases in prison capacity are generally followed by increases in prison commitments as well as decreases in releases. With the increased use of jail contracts and private prison contracts, DOC has been able to use a "safety net" when state prisons approach capacity. Colorado will significantly increase its prison capacity throughout the forecast period. As of July 1, 2000, DOC had an estimated available bed capacity of 16,400 including jail contracts, backlog, off-grounds population, community corrections, and 1,693 private prison beds. Based upon the current DOC Bed Implementation Plan (FY 2000-02 to FY 2005-06), approximately 5,900 new beds will be added by FY 2005-06, including 2,740 private beds. This plan will increase DOC capacity by 36 percent.

#### YOUTHFUL OFFENDER SYSTEM POPULATION PROJECTIONS

The Youthful Offender System (YOS) was created within the DOC during the 1993 special session in response to increased juvenile criminal activity. The program was originally planned to end on June 30, 1999. Senate Bill 99-131 extended the sunset provision to June 30, 2004. The YOS serves youths convicted of:

- Class 2 felonies which are not the result of a plea agreement where a class 1 felony was charged;
- Defined crimes of violence pursuant to Section 16-11-309, C.R.S. including crimes against an at-risk adult or at-risk juvenile, first or second degree assault, kidnapping aggravated robbery, first degree arson, first degree burglary, escape, and criminal extortion;
- Felonies involving the use or possession and threatened use of a deadly weapon; or,
- Vehicular homicide, vehicular assault, or arson.

These juveniles are sentenced as adults to the DOC after which their sentences are suspended while they complete the YOS program. If a youth does not successfully complete the YOS program, the youth may be remanded to adult prison. In FY 1999-00, there were 21 terminations or failures from the YOS program, compared to 24 terminations or failures in FY 1998-99.

In FY 1990-00, there were 99 admissions and 101 releases (including failures). In FY 1998-99, there were 86 admissions and 92 releases. As can be seen by this trend, releases have outpaced admissions, thereby decreasing YOS population. Through the forecast period, however, we anticipate that population will increase slightly, as new admissions will slightly outpace releases.

The admission and population forecast for YOS is shown in Table 21. We project that the YOS population will grow from FY 1999-00 to FY 2005-06, from 290 to 296 youths, at an average rate of 0.3 percent per year. In the first year of the forecast, we expect releases to continue along the current trend and outpace admissions, causing the YOS population to decrease to 281 by the end of FY 2000-01. After that time, we expect YOS admissions and population to grow slowly throughout the forecast period. We do not expect population to exceed the 480-bed capacity at the YOS facility in Pueblo.

Fiscal Year Ending	Total Population	Percent Change					
June 1996	220						
June 1997	276	25.5%					
June 1998	298	8.0%					
June 1999	292	-2.0%					
June 2000	290	-0.7%					
F	Forecast Period						
June 2001	281	-3.1%					
June 2002	282	0.4%					
June 2003	284	0.7%					
June 2004	288	1.4%					
June 2005	292	1.4%					
lune 2006	296	1 /0/					

# Table 21 Projected YOS Population by Fiscal Year

# **Juvenile Corrections Population**

Prepared by

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## **Juvenile Corrections Population**

- We project that the **average daily population of all youths** under the supervision of the Division of Youth Corrections (DYC) will increase from 1,787.8 in FY 1999-00 to 2,228.8 in FY 2005-06, an increase of 24.7 percent.
- The average daily commitment population will increase at an average annual rate of 4.4 percent, from 1,216.7 to 1,577.2, during the forecast period. The average daily detention population will increase from 571.1 in FY 1999-00 to 651.6

in FY 2005-06, an average annual rate of 2.2 percent.

- Using the current DYC Long Range Bed Plan, there will be a commitment bed shortfall of 67.9 beds in FY 2005-06. There will be a projected detention bed surplus of 59.8 in FY 2005-06.
- The average daily **parole population** will nearly double from 601.4 in FY 1999-00 to 1,197.9 in FY 2005-06.

This section presents the December 2000 Legislative Council Staff projections for youth corrections in Colorado. The first part provides an overview of juvenile offender sentence placements and recent trends in the juvenile offender population. The second part discusses the influences that affect the juvenile offender population, followed by projections for the detention, commitment, and parole populations. The incarcerated population projections are also compared with the projected number of available beds.

There are several placements available for juvenile offenders. The major distinction among the options is whether the youth is tried as an adult through the Department of Corrections (DOC) or whether the youth is tried as a juvenile through the Department of Human Services, Division of Youth Corrections (DYC). For juveniles placed in the custody of the DYC, there are two placement alternatives: commitment or detention. Juveniles may also be diverted to community-based alternatives to detention or commitment. These are referred to as Senate Bill 91-94 programs. In order to avoid a detention placement, juveniles may also be sentenced to the Regimented Inmate Training Program for no more than 60 days. However, this program will end on July 1, 2001.

Our projections of future DYC populations are based on current law, including the estimated impacts of legislation passed during the General Assembly's 2000 regular session. The projections do not include juveniles serving in community programs established by Senate Bill 91-94, but do take into account the diversionary effect of those programs on the number of incarcerated youths. For those juvenile offenders convicted as adults, please refer to the adult prison forecast in the section on the Youthful Offender System.

#### Division of Youth Corrections Sentencing Options and Population Overview

The DYC divides the state geographically into five management regions: Southern, Western, Denver, Central, and Northeast. When juveniles are arrested or sentenced to detention, they are generally placed in a facility in the same region in which the offense occurred. Because of capacity constraints, committed youths are sometimes placed in facilities located outside the region in which the offense occurred.

*Commitment.* The commitment population consists of juveniles who have been adjudicated for a crime and committed to the DYC. In FY 1999-00, commitment population (including those in detention awaiting commitment placement) increased 4.4 percent to an average daily population of 1,216.7. From July to October 2000, the daily committed population averaged 1,276.0, a 4.9 percent increase over the average FY 1999-00 figure. The average length of stay of a juvenile released from DYC commitment (including residential but excluding parole time) in FY 1999-00 was 15.5 months, a 0.6 percent decline from the prior year.

**Detention.** The detention population is comprised of juveniles in three legal status categories: preadjudicated, sentenced, and committed. Preadjudicated youths are youths who have been arrested and are awaiting a court decision and have not furnished bail. Sentenced youths have received a court-imposed sentence to a state detention facility of up to 45 days. Committed youths are those who have been adjudicated and committed to the custody of the DYC by a court. This latter category includes youths currently serving a commitment sentence but awaiting court action on a new offense or parole violation and youths sentenced to a commitment facility but waiting in detention for a commitment bed to become available. While these so-called "committedawaiting-placement" youths are housed in detention facilities, they are part of the commitment population and are included as such in these projections.

In FY 1999-00, the detention population (excluding those awaiting commitment placement) averaged 571.1 youths. This figure is up 3.8 percent from the FY 1998-99 population of 550.4 youths. Length of stay in detention varies significantly by the legal status of the juvenile. Youths in detention awaiting a commitment placement can spend a month waiting for a placement. On the other hand, many preadjudicated juveniles in detention have lengths of stay ranging from several hours to several days. The average length of stay in detention facilities in FY 1999-00 was 14.3 days. Most stays, however, were shorter, as the median length of stay was 5.6 days. The average length of stay was skewed up by large lengths of stay served by a relatively small number of detainees.

#### **Regimented Inmate Training Program**

("Boot Camp"). In 1993, the General Assembly held a special session to address juvenile violence. Several statutes in the adult criminal code and children's code were amended. The 80-bed Regimented Inmate Training Program was established in order to provide an alternative to detention or commitment. Youths sentenced to boot camp may receive a courtimposed sentence of up to 60 days. The program began receiving sentenced youths in 1994. In FY 1999-00, the program had an average daily population of 77.1 offenders, up from 68.6 offenders in FY 1998-99 and similar to its FY 1997-98 population of 77.9 juveniles. Average length of stay at this program has remained relatively constant at around 58 days.

#### Legislative Impact upon DYC Commitment and Detention

Several legislative initiatives have mandated minimum sentences, authorized alternatives to detention and commitment, and established aftercare provisions. The following paragraphs discuss the significant legislation and their impacts on the DYC population.

Senate Bill 91-94: Concerning the allocation of services for juveniles. This bill created community-based alternative programs to divert juveniles from placement in detention or commitment. It also required that local advisory committees develop criteria for the placement of juveniles in incarceration. This legislation has been significant in reducing detention and commitment ADP and length of stay.

*House Bill 93S-1005: Regimented Juvenile Training Program.* This bill created the Regimented Juvenile Training Program, a militarystyle intensive physical discipline "boot camp" intended to be a diversion from detention and commitment. The program was to be repealed by July 1, 1997. Senate Bill 97-50 extended the authorization of the program until July 1, 2000, and Senate Bill 00-50 extended the authorization of the program until July 1, 2001. At this time, the facility is planned for demolition to accommodate expansion of the Colorado Mental Health Institute at Pueblo.

*House Bill 96-1005: Concerning juvenile justice.* In a bill that reorganized the juvenile code, this legislation increased commitment sentence lengths for aggravated juveniles of up to five years (excluding crimes that would constitute an adult class one felony, for which the maximum sentence is seven years). This bill established sentence lengths for nonaggravated offenses of up to two years. This bill also authorized a mandatory minimum of 12 months on parole upon leaving residential programs. This legislation has not only increased the parole population, it has increased the commitment population as more juveniles on parole has led to more parole revocations back to commitment.

House Bill 97-1318: Juvenile facility con-

*tract.* This bill authorized the Department of Human Services to contract with a single entity to design, build and operate a "campusstyle" facility that would implement alternative education and vocational training in an academic correctional model. This became the 500-bed Ridge View commitment facility that is scheduled to phase in capacity beginning with 200 beds in FY 2001-02.

*House Bill 99-1094: Aggravated juvenile offenders.* This bill mandated a minimum sentence of three years for juvenile offenders adjudicated for committing the equivalent of an adult class 1 or class 2 felony. The maximum

sentence remained at five years for crimes equivalent of class 2 felonies and seven years for crimes equivalent of class 1 felonies.

# Influences on the Juvenile Offender Population

The stronger growth in the juvenile offender population since 1993 and its recent slowdown are related to a combination of influences. Demographic factors, juvenile delinquency, economic factors, school participation, Senate Bill 91-94 programs, and legislation passed by the General Assembly all affect the juvenile offender projections. These influences are discussed in this section.

**Demographic factors.** One important factor that influences the juvenile offender population is the state's juvenile population, which is defined as youths aged 10 to 17 years old. While the juvenile population grew at an annual average rate of 2.8 percent between 1993 and 1999, it is expected to increase at half that rate, a 1.4 percent average annual pace, during the forecast period.

*Juvenile Delinquency.* Another factor influencing the juvenile offender population is the incidence of juvenile delinquency. There are two main proxies for juvenile delinquent activity: juvenile arrests and juvenile delinquency filings. Both of these variables decreased in recent years. Juvenile arrests in 1999 decreased 13.3 percent from the previous year and FY 1999-00 juvenile delinquency filings decreased 3.4 percent from the previous year. Both of these variables decreased for the second consecutive year. These variables contributed to the slowing growth of the DYC commitment and detention populations.

*Employment opportunities.* Employment plays a large role in both the detention and commitment population projections. We have found that increased employment opportunities for youths reduce delinquency, and thus reduce commitment to the DYC. Historically, employment opportunities for youth increase in times characterized by strong economic growth and tight labor markets. As employers find difficulty in hiring adult workers, they tend to hire younger and less experienced workers. There are no data on teenage employment in Colorado. There are, however, national figures for teenage employment, which this forecast uses as a proxy for Colorado teen employment.

*School participation.* School dropout and graduation rates are also strongly correlated to juvenile delinquency. Colorado dropout rates for grades 7 through 12 have decreased during each of the last three school years in which data are available (FY 1996-97 through FY 1998-99). Meanwhile, graduation rates have increased over the last few years. These variables have decreased the population in the custody of DYC.

Senate Bill 91-94 programs. The enactment of Senate Bill 91-94 allows communities to set up diversionary, alternative nonresidential programs to prevent youths from being incarcerated (detained or committed). In FY 1997-98, the Center for Business and Economic Forecasting estimated significant decreases in the average daily populations for both DYC detention (a decrease of 146.2 in FY 1997-98) and commitment (a decrease of 65.8 in FY 1997-98) as a result of these diversionary programs. We have incorporated the average daily caseload and admissions of these programs into our forecasts.

Sentence enhancements influence commit-

*ment.* For the past few years, commitment residential length of stay has increased due to longer sentence lengths for committed offenders. Recent sentencing changes included increasing maximum sentences for non-aggravated offenses to two years (House Bill 96-1005), increasing sentences for aggravated offenses to up to five years (House Bill 96-1005), and increasing minimum sentences for juvenile offenders adjudicated for crimes that would constitute a class 1 felony if committed by an adult (House Bill 99-1094).

Mandatory parole influences commitment.

Another factor that distinctly influences the commitment projections is the role played by mandatory parole, which was created in House Bill 96-1005. During FY 1999-00, 1,243 juveniles were on parole, compared with 914 in 1998-99 and 728 in 1997-98. This figure will increase as mandatory parole is expected to raise the parole population by FY 2005-06. We expect mandatory parole to increase the number of re-commitments to the DYC (by the fact that more supervised juveniles will likely lead to more parole violations and revocations back to commitment). We also expect mandatory parole to have an increasing effect on length of stay. According to the DYC, parolees with a revocation tend to have lengths of

stay that are 13.3 percent longer in commitment facilities than new commitments.

*The detention population influences commitment.* As more juveniles are detained, particularly as a result of a court-ordered sentence (as opposed to detention for preadjudication), this eliminates future options if the juvenile reoffends. That is, for juveniles who are sentenced to detention, there is one fewer placement option before commitment. Among juveniles in commitment, the average number of prior adjudications was 1.64 in FY 1999-00, a 10.1 percent increase from the average number of prior adjudications in FY 1993-94.

State and local policy changes influence detention and commitment. Policies which change the capacity of detention facilities, change the number of police patrolling communities, change the type of juvenile that may be held in a detention facility, or create or restrict judges' sentencing alternatives for delinquent juveniles affect the detention population. Several policy changes in the past few years significantly affected the detention population. These include the creation of alternative programs, such as Senate Bill 91-94 and the Regimented Juvenile Training Program, the 1995 federal court-ordered cap on the Denver Gilliam Youth Services Center's population, juvenile handgun legislation, and the funding and construction of new detention beds.

# Division of Youth Corrections Historical and Projected Population

In the last 15 years, the average daily population (ADP) of juveniles under the supervision of the Division of Youth Corrections (DYC) almost tripled, from 604.5 in FY 1983-84, to 1,787.8 in FY 1999-00. During this time, the average daily commitment population increased at an average annual rate of 6.6 percent, and the average daily detention population increased at an average annual rate of 8.0 percent. As far as recent trends, the total DYC average daily population (ADP) increased 14.2 percent in FY 1999-00. Detention ADP rose 3.8 percent in FY 1999-00, while commitment ADP increased 4.4 percent. Factors associated with these increases include the growth in commitment admissions, increased length of stay, and growth in the juvenile population (ages 10 to 17).

The projections for the DYC commitment detention populations are shown in Table 22. We project the total DYC population to increase at an average annual rate of 3.7 percent, to 2,228.8 by FY 2005-06. This is a downward revision from the 5.8 percent annual growth projected in the December 1999 forecast. In the next six years, the average daily commitment population will increase at an average annual rate of 4.4 percent and the average daily detention population will increase at an average annual rate of 2.2 percent. The commitment rate of growth is similar to the December 1999 forecast, while the detention rate of growth is a downward revision from the 6.6 percent growth rate in last year's forecast. Commitment and detention growth are discussed in more detail in the following sections.

#### DYC Commitment Population Projections Versus Capacity

We project that the population of youths committed to the Division of Youth Corrections will grow 29.6 percent between FY 1999-00 and FY 2005-06 (from 1,216.7 to 1,577.2). This represents a 4.4 percent compound annual rate of growth. Three factors account for this increase: strong admissions growth, regional economic and population growth, and an increased commitment length of stay. The population projections by management region and estimated statewide bed surplus and shortfall are presented in Table 23.

	Commit	ment*	Detent	tion*	Total Pop	oulation
Fiscal Year	Average Daily Population	Percent Change	Average Daily Population	Percent Change	Average Daily Population	Percent Change
1997-98	1,050.1		515.2		1,565.3	
1998-99	1,165.3	11.0%	550.4	6.8%	1,715.7	9.6%
1999-00	1,216.7	4.4%	571.1	3.8%	1,787.8	14.2%
		F	Forecast Period			
2000-01	1,285.9	5.7%	589.1	3.2%	1,875.0	4.9%
2001-02	1,347.2	4.8%	603.1	2.4%	1,950.3	4.0%
2002-03	1,405.6	4.3%	616.2	2.2%	2,021.8	3.7%
2003-04	1,461.1	3.9%	628.6	2.0%	2,089.7	3.4%
2004-05	1,518.0	3.9%	640.2	1.8%	2,158.2	3.3%
2005-06	1,577.2	3.9%	651.6	1.8%	2,228.8	3.3%
6 year average	ge growth rate	4.4%		2.2%		3.7%

# Table 22: Division of Youth Corrections Commitment and Detention Populations, Historical and Projected

\* Commitment population includes those detained awaiting commitment placement. Therefore, detention excludes this population.

	Fiscal Year							
Region	Historical		Forecast					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Southern	268.1	266.9	287.9	307.2	327.2	348.4	370.5	393.9
Western	128.6	132.6	136.5	139.8	143.0	145.9	148.8	151.8
Denver	258.7	279.0	290.6	301.5	312.8	322.3	332.3	342.5
Central	268.2	277.7	290.2	301.9	310.9	318.0	325.3	332.7
Northeast	241.7	260.5	280.7	296.7	311.7	326.4	341.0	356.3
Total	1,165.3	1,216.7	1,285.9	1,347.1	1,405.6	1,461.0	1,517.9	1,577.2
Commitment per 100,000 juveniles age 10-17	246.1	251.0	256.9	266.8	273.8	280.8	288.6	296.8
DYC Statewide Design Capacity *			1,285.1	1,349.2	1,404.3	1,456.4	1,509.3	1,509.3
Estimated Commitment Bed Surplus/(Shortfall)			(0.8)	2.1	(1.3)	(4.6)	(8.6)	(67.9)

Table 23Commitment Average Daily Population by Region and<br/>Projected Bed Surplus/(Shortfall)

\* This includes: the phase-in of Ridge View Commitment Facility (500.0 beds between FY 2001-02 and FY 2004-05); the addition of the Forensics Mental Health Unit (20.0 beds in FY 2002-03); and the phase-in of the Girls Treatment Unit (40.0 beds between FY 2001-02 and FY 2002-03).

Table 23 also shows the commitment per capita (per 100,000 juveniles) to indicate the growth of commitment ADP relative to the growth of the Colorado population, age 10 to 17. While commitment ADP is expected to increase at an average rate of 4.4 percent per year, the commitment per capita is expected to increase at an average rate of 2.8 percent per year.

Factors driving the increase in the population committed to the Division of Youth Corrections include a growing juvenile population (ages 10 to 17), an increase in the number of juveniles being prosecuted (juvenile arrests and delinquency filings), and administrative and legislative changes that contribute to longer lengths of stay (refer to the previous section on *Influences on the Juvenile Offender Population*). Although the number of juvenile arrests and delinquency filings decreased during the last two years, we project them to increase through the forecast period. However, we expect them to grow at a slower rate than in past forecasts. *Commitment bed capacity and shortfall.* Table 23 illustrates the projected ADP by region and the statewide capacity based upon the DYC Long Range Bed Plan. This assumes that capacity remains constant from FY 2004-05 to FY 2005-06. The projected surplus also assumes that state facilities will operate at 100 percent of design capacity.

Projected admissions and average length of stay. Table 24 provides the regional admission projections and the statewide estimated length of stay for commitment placements. After several years of steady increases, commitment admissions dropped from 878 in FY 1998-99 to 845 in FY 1999-00. Because of a slowing in the growth of the number of Colorado juveniles and the increase in Senate Bill 91-94 diversion programs, the growth in DYC commitments will slow to a 2.9 percent annual rate. This is significantly less than the 4.4 percent rate projected in the December 1999 forecast. The population growth exceeds that of admissions because of longer projected average lengths of stay. The average residential length
				Fisca	l Year			
Region	Histo	orical			Fore	cast		
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Southern	202	200	207	212	218	224	230	237
Western	107	100	100	102	104	106	108	110
Denver	190	168	174	179	184	188	193	198
Central	194	171	174	179	183	186	190	194
Northeast	185	206	222	231	240	249	258	267
TOTAL	878	845	877	903	929	953	979	1,006
Average Length of Stay (Months)	15.6	15.5	15.8	16.1	16.3	16.5	16.7	16.9

of stay increased from 15.1 months in FY 1997-98 to 15.6 months in FY 1998-99. However, in FY 1999-00 the average length of stay decreased slightly to 15.5 months. Regarding regional lengths of stay, only the Southern and Northeast regions witnessed an increased length of stay in commitment. We anticipate a gradual increase in the statewide length of stay over the forecast period, mostly attributable to the Southern and Northeast regions. The average length of stay for committed youths will increase from 15.5 months for FY 1999-00 to 16.9 months in FY 2005-06, up 8.8 percent.

# DYC Commitment ADP and New Commitments by Gender

Table 25 illustrates male and female commitment ADP and commitment admissions. The female commitment population increased 17.3 percent and admissions increased 0.9 percent in FY 1999-00. Meanwhile, the male commitment population grew 2.8 percent and admissions dipped 4.4 percent in FY 1999-00. Both ADP and admission growth slowed compared with last year.

Over the forecast period, we expect female *population* growth to outpace male population growth. This is primarily due to the historical trend of female commitment population

growth. Between FY 1994-95 and FY 1999-00, the female commitment population grew at an average annual rate of 34.4 percent, compared with a 12.2 percent annual average growth rate among males. A similar trend exists in the female commitment *admission* figures. Between FY 1994-95 and FY 1999-00, the female commitment population grew at an average annual rate of 18.5 percent, compared to a 6.4 percent annual average growth rate in the male population.

From FY 1999-00 to FY 2005-06, we project that the female population will continue growing faster than the male population, but not as fast as it has in the past few years. Through the next six years, we expect the female population to grow at an annual average rate of 9.9 percent and male population to increase at a 3.5 percent annual average rate. Over the forecast period, we expect female commitment ad*missions* to grow on an annual average rate of 3.6 percent and male commitment admissions to increase at a 2.9 annual average rate. Average length of stay is also expected to increase for both males and females. *Male average length of stay* will increase from 15.9 months in FY 1999-00 to 17.0 months in FY 2005-06. Female average length of stay will increase from 13.0 months in FY 1999-00 to 15.5 months in FY 2005-06.

			i opulatio					
Fiscal Year	Female ADP	Percent Growth	Female Admissions	Percent Change	Male ADP	Percent Growth	Male Admissions	Percent Change
1998-99	130.5		109		1,034.8		769	
1999-00	153.1	17.3%	110	0.9%	1,063.6	2.8%	735	-4.4%
			Fore	ecast Period	b			
2000-01	172.1	12.4%	116	5.5%	1,113.8	4.7%	761	3.5%
2001-02	192.0	11.6%	120	3.4%	1,155.2	3.7%	783	2.9%
2002-03	211.7	10.3%	124	3.3%	1193.9	3.4%	805	2.8%
2003-04	229.7	8.5%	128	3.2%	1,231.4	3.1%	825	2.5%
2004-05	248.8	8.3%	132	3.1%	1,269.2	3.1%	847	2.7%
2005-06	270.1	8.6%	136	3.0%	1,307.2	3.0%	870	2.7%
		Average A	nnual growth FY	1999-00 to	FY 2005-06			
	9.9	0%	3.6%		3.5	%	2.9%	

Table 25
<b>Division of Youth Corrections Commitment</b>
Population* by Gender

\* Commitment population includes those in detention awaiting placement in a commitment facility.

#### DYC Detention Population Projections Versus Capacity

In FY 1999-00, the detention population (excluding those awaiting commitment placement) averaged 571.1 youths. This figure is 3.8 percent higher than the FY 1998-99 population of 550.4. We project that the DYC detention ADP will increase 14.1 percent to 651.6 youths between FY 1999-00 and FY 2005-06. This represents a 2.2 percent compound annual growth rate and is a slower rate than previously forecasted in the December 1999 projections. When taking into account the growth in the juvenile population, age 10 to 17, detention ADP per capita is expected to grow at an average rate of 0.7 percent per year. The projected regional detention populations are presented in Table 26.

Current detention population projections indicate a detention bed surplus of 59.8 beds by FY 2005-06. This assumes that capacity remains constant from FY 2004-05 to FY 2005-06. In the past, DYC has used this surplus for commitment population in facilities that provide both detention and commitment services. DYC is also likely to decrease its use of contract bed facilities. These figures are illustrated in Table 26.

*Projected Admissions.* Between FY 1993-94 and FY 1999-00, detention admissions decreased an average of 2.4 percent a year. However, detention admissions in FY 1999-00 increased 3.0 percent to 14,873. Because of an expected slow growth trend in the number of Colorado juveniles and an increasing use of Senate Bill 91-94 diversion programs, the growth in DYC detention admissions will slow to a 1.6 percent annual rate. This is significantly less than the 4.4 percent rate projected in the December 1999 forecast.

*Projected Length of Stay.* Length of stay in detention did not change significantly, except in the Southern region which had an increase in length of stay from 15.1 days in FY 1998-99 to 15.6 days to FY 1999-00. Length of stay in detention varies significantly by the legal status of the juvenile. Youths in detention awaiting a commitment placement can spend a month waiting for a placement. On the other hand, many preadjudicated juveniles in detention to several days. The average length of stay in

				Fisc	al Year			
Region	Histo	rical			Fore	ecast		
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Southern	145.5	158.3	165.2	170.4	175.0	179.1	182.7	185.9
Western	51.9	50.1	51.1	52.0	53.0	54.0	55.0	56.0
Denver	101.0	104.5	106.1	107.0	108.1	109.1	110.0	111.1
Central	137.9	139.9	144.0	147.6	151.3	155.0	158.7	162.5
Northeast	114.1	118.3	122.7	126.1	128.8	131.4	133.8	136.1
TOTAL	550.4	571.1	589.1	603.1	616.2	628.6	640.2	651.6
Detention per 100,000 juveniles age 10-17	116.2	117.8	117.7	119.4	120.0	120.8	121.7	122.6
DYC Statew ide Design	Capacity *		633.7	633.7	659.3	685.0	711.4	711.4
Estimated Detention Be	ed Surplus/(	Shortfall)	44.6	30.6	43.1	56.4	71.2	59.8

# Table 26Division of Youth CorrectionsDetention Population by Region

\* This includes: the conversion of Mount View commitment beds to detention (28.0 beds in FY 2003-04); the completion of build out at Platte Valley to capacity (22 beds in FY 2004-05) and adjustments to contract placements.

	Table 27
Historical	and Projected Detention Admissions by Region
	and Statewide Average Length of Stay

				Fisca	l Year			
Region	Histo	orical			Forec	ast		
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Southern	3,576	3,694	3,722	3,759	3,794	3,828	3,862	3,901
Western	955	983	981	990	1,009	1,028	1,047	1,066
Denver	3,341	3,319	3,310	3,347	3,379	3,410	3,441	3,473
Central	3,582	3,660	3,751	3,843	3,936	4,029	4,123	4,217
Northeast	2,985	3,217	3,368	3,444	3,518	3,588	3,655	3,719
TOTAL	14,439	14,873	15,132	15,383	15,636	15,883	16,128	16,376
Average Length of Stay (Months)	14.6	14.3	14.2	14.3	14.4	14.4	14.5	14.5

detention facilities in FY 1999-00 was 14.3 days, down 1.9 percent from the average of 14.6 days in FY 1998-99 (Table 27). Most stays, however, were shorter, as the median length of stay was 5.6 days. Relatively few detainees had large lengths of stay that skewed the average length of stay.

# Juvenile Parole Population Projections

Table 28 provides an overview of the growth in the parole population the last four years and Table 29 reports the regional juvenile parole population projections. Since a mandatory parole period of 12 months was implemented four years ago (effective for those committing offenses on or after January 1, 1997), both parole length of stay and parole caseload have significantly grown. Prior to the implementation of the one-year mandatory parole period, the DYC average parole time was seven months. In FY 1999-00, the length of stay was 11.0 months.

We expect the juvenile parole population to grow significantly over the forecast period, from an average daily population of 601.5 in FY 1999-00 to 1,197.9 in FY 2005-06, an annual average growth rate of 12.2 percent. The strongest growth occurs early in the forecast, reflecting the phase-in of the one-year mandatory parole provision of House Bill 96-1005. We expect that within two years, nearly all committed youth will be eligible for mandatory parole, at which time the parole caseload growth will slow to around eight percent a year. Offense date data is unavailable at this time. However, in FY 1999-00, 96.6 percent of those in commitment were admitted (as a proxy to reflect when they committed crimes) after January 1, 1997.

Table 28Historical Parole Length of Stay and Caseload

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00
Parole length of stay	7.4 months	6.4 months	8.6 months	11.0 months
Parole average daily caseload	227.0	255.0	366.1	601.7
Proportion of committed youth that were admitted after 1996	20.2%	54.9%	84.6%	96.6%

 Table 29

 Division of Youth Corrections Parole Population, Historical and Projected

				Fiscal	Year			
Region	Hist	orical			Forec	ast		
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Southern	91.1	154.3	198.4	231.4	254.0	275.4	2 98 .9	322.8
W es te rn	69.9	93.5	110.1	125.3	134.6	144.4	153.1	161.3
Denver	55.7	105.6	136.3	153.6	170.7	188.1	2 02 .7	2 18.0
Central	79.0	132.4	161.2	182.9	204.6	2 18.6	2 32 .7	2 47.2
Northeast	70.5	1 15.7	144.0	174.6	205.6	224.1	2 35.0	2 48.6
TOTAL	366.2	601.5	750.0	867.8	969 <i>.</i> 5	1,050.6	1,122.4	1,197.9
Statew ide annu grow th	ual	64.3%	24.7%	15.7%	11.7%	8.4%	6.8%	6.7%

# Pre-Kindergarten to Twelfth Grade Public School Enrollments

Prepared by

Josh Harwood, Economist

### **School Enrollment Projections**

- Enrollment across the State of Colorado will increase by 1.92 percent, or 13,264.5 FTE students, during the 2001-02 school year. Therefore, during the 2001-02 school year, 704,433.5 FTE students will be enrolled in Colorado schools. The projected gain follows a 1.78 percent increase in the 2000-01 school year.
- Our projections indicate that school enrollment over the next five years will increase at a compound annual average growth rate of 1.71 percent, which represents 61,148 additional students. This five-year average growth rate compares with a 1.95 percent compound average annual growth rate over the previous five years.
- As in past years, the metro-Denver, Colorado Springs, and northern regions will experience the largest increases in FTE students during the 2001-02 school year with growth rates over 2.0 percent. Western Colorado, the north central mountains, and the north central plains will see growth rates larger than 1.0 percent for the next school year. The San Luis Valley, southwest, and Pueblo regions will experience only slight gains in enrollment, while the southeast region will continue to decline in school enrollment in the 2001-02 school year, although not as significantly as in the 2000-01 school year.

This section of the forecast presents Legislative Council Staff's *preliminary* full-timeequivalent (FTE) enrollment projections for Colorado's pre-kindergarten through twelfth grade public schools. FTE enrollment is forecast to help determine funding levels for Colorado's 176 school districts. Final projections will be made after a school district review of our projections.

Actual full-time-equivalent pre-kindergarten through twelfth grade enrollment in the 2000-01 school year was 691,169 students. This represented an increase of 1.78 percent, or 12,117 students, over the 1999-00 level. This enrollment level was 1,877 FTE students, or 0.27 percent, *higher* than Legislative Council Staff forecasted in December 1999. Factors contributing to the higher-than-expected enrollment included continued high employment growth, as well as continued high levels of residential construction, especially in Colorado's major metropolitan areas.

It is anticipated that Colorado will continue to experience enrollment gains, although at declining rates. FTE enrollment in the 2001-02 school year is expected to increase 1.92 percent while the compound annual average growth rate over the next five years is expected to be 1.71 percent.

These anticipated growth rates compare to historical growth rates of 1.78 percent for the current school year and a compound annual average growth rate of 1.95 percent over the last five years. Several significant factors that will contribute to this slowing rate of increase include smaller employment gains, subsequent lower net migration to Colorado, and a slowing rate of increase in the number of schoolage children.

Table 30 identifies the anticipated growth in FTE enrollment over the next five years for each of Colorado's regions. Additionally, Fig-

ure 1 shows the makeup of the regions as well as identifies the anticipated increase in FTE enrollment for the 2001-02 school year.

Fueled by continued employment growth, the major front range regions of Colorado Springs, metro-Denver, and northern Colorado are expected to dominate gains in FTE enrollment over the forecast period. Together, these regions will account for over 90 percent of enrollment growth in 2001-02, while representing only 78 percent of statewide enrollment. FTE enrollment in the Colorado Springs region, which includes El Paso and Teller counties, is expected to increase by 2.51 percent in the 2001-02 school year and at a compound annual average rate of 2.11 percent over the next five years, buoyed in part by the employment growth over the next several years created by Intel Corporation's new manufacturing plant in Colorado Springs.

The northern region, which consists of Larimer and Weld counties, had an increase of 2.90 percent in FTE enrollment in the 2000-01 school year, which was the largest in the state. This large increase is mostly attributed to the southern regions of these two counties, as people attempt to escape the crowds in the Denver area, but still live close enough to enjoy the amenities of the Denver-metro area. Additionally, housing costs in Larimer and Weld counties are lower than the metro area, thereby making it more affordable for many families to move to these counties. This trend is expected to continue as development continues, though at a slower pace than in recent years. Therefore, we are forecasting a 2.46 percent increase in FTE enrollment for the 2001-02 school year and a compound annual average growth rate of 2.15 percent for the next five years.

The final two regions along the front range, metro-Denver and Pueblo, will also experience enrollment gains in the next several years, though in differing degress. Enrollment in the 

 Table 30

 Colorado Public School Full-Time-Equivalent Enrollment Forecasts

 Pre-Kindergarten through Twelfth Grade

	Preliminary												5-Year Compound Annual
Region	2000-01	Percent Change	2001-02	Percent Change	2002-03	Percent Change	2003-04	Percent Change	2004-05	Percent Change	2005-06	Percent Change	Average Growth
Metro-Denver	379,478.0	2.06%	387,535.0	2.12%	395,223.0	1.98%	402,444.0	1.83%	409,497.5	1.75%	416,564.5	1.73%	1.88%
Colorado Springs	93,404.0	2.52%	95,752.0	2.51%	98,009.0	2.36%	100,004.0	2.04%	101,888.5	1.88%	103,699.5	1.78%	2.11%
Northern	68,106.5	2.90%	69,783.0	2.46%	71,394.0	2.31%	72,919.0	2.14%	74,374.5	2.00%	75,765.0	1.87%	2.15%
Western	43,826.0	0.98%	44,343.5	1.18%	44,734.5	0.88%	45,168.5	0.97%	45,603.0	0.96%	46,071.5	1.03%	1.00%
Pueblo	30,359.5	0.50%	30,513.5	0.51%	30,670.0	0.51%	30,766.5	0.31%	31,037.5	0.88%	31,250.5	0.69%	0.58%
North Central Mountain	20,238.0	0.97%	20,561.5	1.60%	20,847.5	1.39%	21,196.0	1.67%	21,515.0	1.51%	21,761.5	1.15%	1.46%
North Central Plains	19,649.0	0.43%	19,898.0	1.27%	20,137.5	1.20%	20,367.5	1.14%	20,552.0	0.91%	20,744.5	0.94%	1.09%
Southwest	14,546.0	-0.52%	14,587.0	0.28%	14,658.5	0.49%	14,769.0	0.75%	14,919.0	1.02%	15,025.5	0.71%	0.65%
Southeast	12,734.5	-2.56%	12,618.0	-0.91%	12,552.0	-0.52%	12,530.5	-0.17%	12,544.5	0.11%	12,531.0	-0.11%	-0.32%
San Luis Valley	8,827.5	-2.08%	8,842.0	0.16%	8,849.0	0.08%	8,884.0	0.40%	8,903.0	0.21%	8,903.0	0.00%	0.17%
Statewide Total	691,169.0	1.78%	704,433.5	1.92%	717,075.0	1.79%	729,049.0	1.67%	740,834.5	1.62%	752,316.5	1.55%	1.71%
FTE Increase	12,117		13,265		12,642		11,974		11,786		11,482		

metro-Denver region is predicted to increase by 2.12 percent in the next school year. Much of the gains in this region will come in Douglas County, as it continues to have the largest population growth in the state. The Pueblo region, consisting of Pueblo, Fremont, and Custer counties, will see an increase of only 0.50 percent in enrollment for the 2001-02 school year, as less-than-average growth is expected throughout the forecast period. Furthermore, continuing enrollment declines are expected in the core Pueblo city school district.

The southeast Colorado region, comprised of Baca, Bent, Crowley, Huerfano, Kiowa, Las Animas, Otero, and Prowers counties, is projected to experience an enrollment decline of 0.91 percent for the 2001-02 school year. While declines are forecasted, they are not expected to be as steep as the region experienced in the 2000-01 school year when enrollment fell by 2.56 percent. Only the southeast region is expected to see a continuing decline in school enrollment for the entire five-year forecast period. This region and the San Luis Valley, which is expecting only the smallest of enrollment gains, has seen little benefit from the high-tech and construction sectors that have driven Colorado's boom economy.

As would be expected, the individual school districts that will see the largest rate of increase are those that will also see significant new residential development. Parts of El Paso County, where there has been long-term new home growth, will see some of the highest growth rates, as the Falcon and Hanover school districts are expected to have the highest average annual percentage growth over the forecast period. The Douglas County school district is expected to remain among the highest growth districts in the state with an increase in enrollment of 6.5 percent for the 2001-02 school year and a compound annual average growth rate of 5.7 percent over the

next five years. Additionally, some of the smaller districts in eastern Adams and Arapahoe counties are expected to see gains as these communities are increasingly attractive bedroom communities for the metro area. Some districts in Colorado's metropolitan areas, such as Englewood, Westminster, and Sheridan, are expected to see limited gains or even declines as these districts are essentially built out and land locked.

This school enrollment forecast was prepared utilizing a variety of economic and demographic variables. The most significant variables included school-age population, employment, migration, and number of births. These variables had historical changes that best patterned that of the enrollment in each school district. Efforts were also made to identify recent trends that would not be reflected in the economic and demographic variables, such as large employers entering or leaving a district, announcement of new residential developments, etc. Additional discussions will occur between Legislative Council Staff, the Colorado Department of Education, and school district representatives prior to issuing a final forecast in January 2001.





# Assessed Values and Property Tax Projections

Prepared by

Josh Harwood, Economist

### **Assessed Values and Property Tax Projections**

- The **residential assessment rate** will decline steadily from its current 9.74 percent in 2000 to 9.19 percent in 2001, 8.78 percent in 2003, and 8.41 percent in 2005.
- Total assessed values for all property classes are expected to increase by 19.4 percent in 2001 to a total value of \$58.2 billion. Because 2001 is a reassessment year, both price appreciation and new construction are reflected in property assessments. As a result, this increase is significantly higher than the 4.3 percent increase seen in 2000. By 2006, assessed values are anticipated to total \$75.7 billion, which reflects a compound annual average growth rate of 7.6 percent. By contrast, assessed values increased at an annual rate of 8.5 percent since 1995.
- Total residential *market* value increased by 22.4 percent in the last two-year reassessment cycle ending in 1999. Fueled by unprecedented economic health, market values are expected to jump by 33.1 percent in 2001 over 1999 figures. Following the cooling trend of the economy, a gradual decline in the growth rate of total residential market value is expected to occur through future reassessment periods, although strong increases are still anticipated. The expected increase in residential market

values in the 2003 and 2005 reassessment cycles are 19.0 percent and 15.7 percent, respectively.

- **Residential assessed values** are expected to increase by 19.5 percent in 2001, which reflects both new construction and changes in market value. Residential assessed values increased 5.1 percent in 2000. This is the largest increase in any non-reassessment year, when only new construction is added to the tax rolls. Due to the forecasted decrease in the residential assessment rate, the increases in residential assessed value will be lower than the anticipated increases in market value. Over the entire six-year forecast time frame, residential assessed values will increase at a compound annual average rate of 7.7 percent.
- Nonresidential assessed values are expected to increase by 19.3 percent in 2001 and at a compound annual average rate of 7.6 percent through 2006.
- Local government property taxes for general operating purposes will total \$1.478 billion in 2002 which amounts to a 7.9 percent increase over 2001 revenues. These property taxes will increase at a compound annual average rate of 5.4 percent from 2001 through 2007.

This section provides projections of assessed values and the residential assessment rate (RAR) through 2006. Based upon these projections, estimates of general operating property tax revenues for non-school units of local government are provided.

Total assessed values for all property classes increased by an average of 5.3 percent annually in the last decade, with the strongest growth coming after 1993. Since 1995, assessed values have grown by an average 8.5 percent annually. Due to the continuing healthy economy, though less robust, we project that values will grow by an average of 7.6 percent annually throughout the forecast period. Overall, we anticipate total assessed values to total \$58.2 billion in 2001, a 19.4 percent increase, and reach \$75.7 billion by 2006.

The Gallagher Amendment to the Colorado Constitution states that residential assessed values must be approximately 45 percent of total assessed values. When the market values of residential property increase faster than the value of nonresidential property, the RAR must decline to keep the 45 percent/55 percent ratio. The residential market has not cooled down as was previously anticipated. Thus, we have increased our forecast of residential market values. This adjustment is especially noticeable in 2001, when the exceptional price appreciation that has occurred in many of Colorado's urban areas will be taken into account. Therefore, we are projecting that the RAR will be lower than in our last forecast for 2001, while the projected RAR for 2003 and 2005 had little change. This forecast anticipates the RAR will be 9.19 percent in 2001, 8.78 percent in 2003, and 8.41 percent in 2005. It should be noted that the Division of Property Taxation makes the official determination of the residential assessment rate.

Forecasted residential and nonresidential assessed values are shown in Table 31. Residential *assessed* values are expected to increase at a compound annual average rate of 7.7 percent, while nonresidential assessed values will increase at an average of 7.6 percent per year. At the end of the forecast period, assessed values will total \$75.7 billion.

A discussion of recent trends in assessed values and our forecast of nonresidential and residential assessed values, including the residential assessment rate, follows. The property tax forecast and analysis comprise the final section of the memorandum.

Year	Residential Assessed Value	Percent Change	Nonresidential Assessed Value	Percent Change	Total Assessed Value	Percent Change
2000	\$22,775	5.1%	\$26,007	3.5%	\$48,782	4.3%
2001	\$27,212	19.5%	\$31,015	19.3%	\$58,227	19.4%
2002	\$28,500	4.7%	\$32,415	4.5%	\$60,916	4.6%
2003	\$30,926	8.5%	\$35,417	9.3%	\$66,343	8.9%
2004	\$32,182	4.1%	\$36,357	2.7%	\$68,539	3.3%
2005	\$34,266	6.5%	\$39,260	8.0%	\$73,526	7.3%
2006	\$35,477	3.5%	\$40,249	2.5%	\$75,726	3.0%

Table 31 Residential and Nonresidential Assessed Values (millions of dollars)

#### **Recent Trends**

Assessed values have consistently grown since 1990, though the largest of these increases have come in the last six years. Following the path led by booming state and national economies, assessed values grew by an average of 8.5 percent annually since 1995. Contributing factors to residential assessed value gains include strong employment growth, high net migration, low mortgage rates, a booming stock market, and high consumer confidence. Residential market values increased by 5.1 percent in 2000, which accounts only for new residential construction. Residential assessed values totaled \$22.8 billion in 2000, which is 1.3 percent higher than anticipated at this time last year. Continued strong demand for office, retail, and industrial space, especially along the front range, led to many new commercial developments as well as a strong increase in market values for these properties. In 2000, nonresidential assessed values increased 3.5 percent to \$26.0 billion, or 0.4 percent higher than forecasted one year ago.

#### **Nonresidential Assessed Values**

Assessed values in the nonresidential property classes totaled \$26.0 billion in 2000. Despite concerns surrounding ever-increasing rental rates, strong demand for nonresidential properties is expected to continue over the forecast period, which will lead to continued healthy increases in nonresidential construction. Additionally, vacancy rates are expected to remain relatively stable through the forecast period. Therefore, market prices for these properties are expected to continue to increase which translates to an increase in assessed values. Nonresidential assessed values are anticipated to increase at a compound annual average rate of 7.6 percent over the forecast period, increasing to \$40.2 billion by 2006.

The nonresidential sector consists of eight property classes: commercial, vacant land, state assessed, industrial, oil and gas, natural resources, producing mines, and agriculture. Table 32 identifies 2000 assessed values for each of the eight property classes and shows

			Fo	precast	
Property Class	2000 Assessed Value	2001 Assessed Value	Percent Change	2006 Assessed Value	2000-2006 Annual Avg. Growth Rate
Commercial	\$14,482	\$17,688	22.1%	\$24,799	9.4%
Vacant Land	\$3,060	\$3,608	17.8%	\$4,189	5.4%
STATE ASSESSED	\$3,298	\$3,422	3.8%	\$3,992	3.2%
Industrial	\$2,509	\$3,322	32.4%	\$4,025	8.2%
Oil & Gas	\$1,486	\$1,810	21.8%	\$1,953	4.7%
AGRICULTURE	\$816	\$823	0.9%	\$896	1.6%
NATURAL RESOURCES	\$256	\$254	-0.8%	\$302	2.8%
Producing Mines	\$100	\$88	-11.6%	\$94	-1.1%

Table 32 Nonresidential Assessed Values by Class (\$ in millions)

the anticipated increases in each class over the forecast period. The outlook for these property classes is discussed in the following paragraphs.

The **commercial** property class is the largest nonresidential property class, comprising nearly 56 percent of all nonresidential property. Commercial property assessed value totaled \$14.5 billion in 2000, an increase of 5.4 percent over 1999. Overall, the value of commercial construction across Colorado is down 6.9 percent through October 2000 when compared with the same period in 1999. However, office and bank buildings — has seen a 0.7 percent increase in construction value. The value of all nonresidential construction is estimated to decline 15.7 percent in 2000. Nonetheless, the value of all nonresidential construction will likely be the third highest in history. The highest concentration of office space in the state is no longer in downtown Denver. The booming market in the Denver Technological Center and other large business parks has provided the southeast Denver suburbs with more office space than any market in the state.

Significant commercial construction is occurring in nearly all of the state's major metropolitan areas. The typically slow-developing area of Downtown Denver is expected to see some significant development with an 1,100room hotel across from the Colorado Convention Center, as well as the renovation of several downtown office buildings. Douglas County will see some of the most significant nonresidential construction over the forecast period as it becomes increasingly appealing to developers trying to draw upon its fastgrowing population base. In addition to several smaller projects in the area, the Briargate area in Colorado Springs continues to grow with plans announced for a 550,000-squarefoot office complex to be located on 53 acres in the Briargate Business Campus.

Retail construction has been widespread. However, the largest new development is located in Broomfield as the 1.5 million-squarefoot FlatIron Crossing Mall opened in August 2000. Similarly, expanded retail construction surrounding the mall will come online in phases over the next three years beginning with the 440,000-square-foot FlatIron Marketplace, which will be completed by June 2001 and is located just east of FlatIron Crossing mall. Southwest of FlatIron Crossing, the Main Street development is underway. It will take approximately three years to finish the 160-acre, \$400 million development, which will include pad sites and retail centers.

Most other large nonresidential construction is coming in the form of mixed-use developments. Many on-going redevelopment areas, such as Lowry Air Force Base and Stapleton Airport, are combining vast amounts of office and retail space with neighborhood residential development and affordable housing projects.

Reassessment, coupled with new construction, will boost commercial assessed values to \$17.7 billion in 2001, an increase of 22.1 percent. By the end of the forecast period in 2006, commercial assessed values are expected to be \$24.8 billion, which amounts to an increase of 71.2 percent during the forecast period.

In 2000, **state-assessed** property was the second largest non-residential class totaling \$3.3 billion. Utility, airline, pipeline, and railway sectors make up the vast majority of value in this category. Following its largest jump ever in 1999 at 9.1 percent, assessed values in this property class increased 5.1 percent in 2000. In the future, state-assessed property will see increases in value resulting from continued expansion in utilities and airline operations to meet the demands of Colorado's growing population. Assessed values in this class are expected to total nearly \$4 billion by 2006, which reflects a compound annual average growth rate of 3.2 percent.

After spending its first year as the secondlargest nonresidential property class, vacant land fell back behind state assessed property. Vacant land totaled \$3.1 billion in 2000, a decrease of 5.0 percent. This is common in nonreassessment years, as new construction causes the reclassification of newly developed vacant land. Therefore, without reassessment to factor in increased demand in times of healthy growth, the value inevitably drops. Similar declines were seen in 1998 (5.9 percent) and 1996 (4.8 percent). The assessed value of vacant land is expected to increase by 17.9 percent in 2001 as developers continue to keep land in high demand. The anticipated increase over the entire forecast period totals 36.9 percent, rising to a total assessed value of \$4.2 billion in 2006. Continued demand for housing, commercial, and industrial property will increase the value of vacant land and thus the assessed values during reassessment years. However, because development subtracts from the inventory of vacant land, declines are forecasted for vacant land assessed values during non-reassessment years.

Assessed values in the **industrial** property class increased by a meager 1.4 percent in 2000. These values are expected to increase substantially in 2001, rising 32.4 percent to \$3.3 billion with construction continuing on a new Intel manufacturing plant in El Paso County. By the end of the forecast period, industrial assessed values are expected to rise 60.4 percent to \$4.0 billion, which reflects an average increase of 8.2 percent. The influence of Intel in El Paso County on this property class is dramatic, as new construction there is expected to bring approximately \$580 million in new assessed value to Colorado Springs by the end of 2002.

The values in the oil and gas, natural resources, and producing mines classes are based on the income derived from the extraction of the earth's resources. Because these classes are reassessed each year based on the prior year's income, the assessed values in these classes tend to be more volatile then other property classes. **Oil and gas** assessed values increased by 7.8 percent in 2000, due in large part to the rising energy prices during 1999. Continued price increases in 2000, especially for natural gas, is expected to cause an upward spike of 21.8 percent in assessed values for this property class in 2001. In 2001 oil prices are expected to stabilize, while historically low natural gas reserves will help keep prices high for most of 2001 before the market begins to loosen. Oil and gas assessed values are expected to increase at a compound annual average rate of 4.7 percent through 2006.

The natural resources property class is dominated by the coal industry. Across Colorado, coal production is down 2.1 percent through September 2000. This decrease is somewhat influenced by a three-month shutdown at the West Elk mine in Gunnison County due to a fire. The coal producer price index is expected to fall slightly in 2000. As a result, assessed values for the natural resources class are expected to stay relatively flat, decreasing by 0.8 percent in 2001. Over the entire forecast period, the coal market is expected to turn around, helping assessed values for this class increase to \$302 million by 2006, which amounts to a compound annual average growth rate of 2.8 percent.

**Producing mines** is the smallest property class totaling just under \$100 million in as-

sessed value in 2000, rising only 0.1 percent over 1999 values. Over half the value in this class is accounted for by the Henderson Mine in Clear Creek County. A roughly 10 percent decrease in Clear Creek County, to \$56.6 million in value, is forecasted for 2001 as production at the Henderson Mine was cut by 20 percent in response to weak global markets. Assessed values are expected to drop by 11.6 percent in 2001, and then experience modest gains throughout most of the forecast period, resulting in an overall decline from 2000 values of 6.0 percent. Additionally, there will be a continued decline in Lake County as the Black Cloud Mine closed permanently in 1999.

The final nonresidential property class is **agriculture**. Since agriculture assessed values are based on a ten-year moving average of income, the property class rarely sees significant changes from year to year. As a result, changes tend to reflect the long-term trend in agriculture. Agriculture assessed values totaled \$816 million in 2000. Following a 0.2 percent increase in 2000, agriculture assessed values are expected to increase by 0.9 percent in 2001. Agriculture assessed values will increase at a compound annual average rate of 1.6 percent over the forecast period.

#### **Residential Assessed Values**

In this section, the forecast for residential market values and the determination of the residential assessment rate is discussed. The application of the residential assessment rate to residential market values determines residential assessed values.

*Residential market values.* Total residential market values increased 22.4 percent in 1999 from the previous reassessment in 1997. Due to continued high demand and widespread

construction, we expect that market values will increase by 33.1 percent in 2001 over 1999 figures. Residential market values will then begin to show significant slowing as the high home prices begin to price some people out of the home market. A 19.0 percent increase is expected over the next cycle which ends in 2003 followed by a 15.7 percent change through 2005. Factoring in new construction in 2006, the increase in residential market value will total 89.9 percent from 2000 through 2006, bringing the total market value of all residential property to an estimated \$421.8 billion by 2006.

The increase in residential market values is considerably stronger than the increases that were forecasted at this time last year, as the Colorado economy continues to exceed expectations for job growth and net migration. Second homes for the leading edge of the baby-boom generation continues to be an attractive option, especially given the long bull run in the stock markets through early 2000. It has been estimated that roughly 63% of residential property in Vail is owned as secondhomes, while the same can be said for 54% of Steamboat Springs residences. Similar rates can be found in other mountain resort communities. It is anticipated that the number of new residential units will increase in 2000 to 52,700 units from 48,600 units in 1999 and continue to remain above 1999 figures throughout the forecast period.

**Residential assessment rate.** The adjustment of the residential assessment rate is intended to stabilize residential real property's share of total assessed value at approximately 45 percent. This constitutional provision passed in 1982 and is known as the Gallagher Amendment. Economic factors driving market values and/or property income in the residential and nonresidential sectors affect the relative balance of these sectors and determine the RAR. Because

Year	Residential <i>Market</i> Value	Percent Change	Residential Assessment Rate	Residential Assessed Value	Percent Change						
1991	\$89,865	1.8%	14.34%	\$12,887	-2.7%						
1993	\$103,989	15.7%	12.86%	\$13,373	3.8%						
1995	\$146,285	40.7%	10.36%	\$15,155	13.3%						
1997	\$181,454	24.0%	9.74%	\$17,674	16.6%						
1999	\$222,505	22.6%	9.74%	\$21,672	22.6%						
2001*	\$296,099	33.1%	9.19%	\$27,212	25.6%						
2003*	\$352,237	19.0%	8.78%	\$30,926	13.7%						
2005*	\$407,444	15.7%	8.41%	\$34,226	10.8%						

 
 Table 33

 Residential Assessment Rate and Values (millions of dollars)

\*Forecast

residential market values have grown at a faster rate than nonresidential property since 1982 (or have declined at a slower pace), the RAR decreased from 21.0 percent in 1982 to 9.74 percent in the current assessment cycle of 1999 and 2000.

It is anticipated that the future growth in residential market values will continue to be stronger than that of nonresidential property. Thus, the RAR is expected to continue to decline through the forecast period. The forecasted decline is more than was forecasted at this time last year due to a relatively strong gain in forecasted residential property values *vis-a-vis* nonresidential values. The residential assessment rate is estimated to decrease to 9.19 percent in 2001 and 2002, 8.78 percent in 2003 and 2004, and 8.41 percent in 2005 and 2006. Table 33 indicates residential market and assessed value, as well as the RAR for 1991 through the forecast period.

*Residential assessed values.* The decline of the RAR will temper the growth of residential

assessed values as compared to residential market values. Although residential market values are expected to increase by 33.1 percent during the two-year period ending in 2001, residential assessed values will only increase by 25.6 percent. The effect of the RAR is to bring total residential assessed value increases to a comparable growth rate of all nonresidential assessed values. Overall, residential assessed values will increase to \$35.5 billion by 2006, or at a compound annual average growth rate of 7.7 percent over the forecast period.

#### **County Level Assessed Values**

Table 34 and Table 35 show assessed values by county as well as percentage changes for 1999 and each year of the forecast period.

Continuing the trend of the last five years, the counties that will see the largest gains in assessed value are largely front range and resort counties. Douglas County is expected to see the largest percentage gain in assessed value across the forecast period due to the large amounts of residential construction, as well as the nonresidential construction that will flow into the county to meet the needs of its growing population. Other metro-area counties that will see growth rates that rank among the ten highest in the state include Adams County and Boulder County. Growth in Adams County is expected to be fueled by continued development around DIA, as commercial and industrial developments fill in around the airport. Additionally, the completion of the E-470 beltway in the northeast quadrant of the region will spur residential development in Adams County. Boulder County will continue to see large gains, though it is difficult to forecast the extent of these gains, as much of new development in Boulder County, especially high valued properties around Interlocken and FlatIron Crossing, will be in the new local government boundaries of the City and County of Broomfield. As the new Intel plant fills in and subsequent residual development for employees and suppliers comes online, El Paso County will also experience assessed value growth amongst the highest in the state.

Many of Colorado's mountain communities will also see assessed value growth that is among the highest in the state. Eagle, Pitkin, Grand, San Miguel, and Summit counties will all see strong assessed value increases, due in large measure to second-home construction. This will continue to make positive contributions to the local economies, as well as support continued commercial development of Colorado's ski resorts. Finally, Las Animas County's assessed value growth will also rank among the top in the state as continued expansion is expected for new coal bed methane gas wells.

The parts of the state that will see the least amount of assessed value increase are all rural counties. Most of these counties' economies are based in agricultural, mining, or oil and gas production. Baca, Cheyenne, Costilla, Kiowa, Kit Carson, Phillips, Sedgwick, and Washington counties are all located on the eastern plains or in the San Luis Valley, where the booming high-tech and construction sectors of Colorado's economy have had little effect on local economies. Moffat and Rio Blanco counties are in the northwest part of Colorado and rely heavily on coal mining and oil and gas production. Each of these counties will have assessed value growth that ranks in the bottom ten in Colorado. Another contributing factor to the slow growth of assessed values in the rural counties is the residential assessment rate. If the state has large amounts of residential development and significant residential price appreciation relative to nonresidential classes, the RAR will be driven down. For the rural counties, which typically do not have market value increases as strong as the urban and resort counties, a decreasing RAR can keep their assessed value growth below that of the state's metropolitan areas.

#### **Property Tax Forecast**

Property taxes are determined by the application of mill levies to assessed values. Since 1992, property taxes are subject to a growth constraint imposed by Article X, Section 20 of the Colorado Constitution (TABOR), which states that growth in district property taxes may not exceed inflation plus a local growth factor. The local growth factor for schools is the percentage change in student enrollment, while for non-school local governments, this factor is the net percentage change in valuation from construction. If property taxes exceed the growth limit, the local mill levy is reduced to the level that yields the maximum property tax revenue, unless voter approval was given to retain and spend excess property tax revenues.

For the 2000 property tax year, property taxes based on assessed values in 1999 totaled \$3.490 billion. The estimated taxes on residential property accounted for 46.6 percent of the property tax burden, or \$1.624 billion. Nonresidential property taxes accounted for \$1.866 billion. Taxes on personal property, a subset of all nonresidential property taxes, accounted for \$533 million, or 15.3 percent, of the total property tax burden.

School finance property taxes accounted for \$1.380 billion, or 39.5 percent of all property tax collections in 1999. The property tax collections of other local governments for their general operating purposes totaled \$1.310 billion, or 37.5 percent of the total. The remaining 23.0 percent, or \$800 million, is property taxes collected by both schools and other local governments for bonded indebtedness, local tax overrides, and abatement levies. Our forecast of property taxes accounts only for the taxes imposed for the general operating purposes of non-school local governments.

*Non-School Property Taxes.* Table 36 shows the non-school finance property taxes for general operating purposes. Because of the interaction with the constitutional restriction on property tax growth, property tax revenues will only increase 7.9 percent in 2002, despite assessed value growth of 19.4 percent in 2001. Overall, non-school general operating property taxes are estimated to increase at a compound average annual rate of 5.4 percent from property tax year 2001 through 2007, relative to our projections of a 7.6 percent average annual growth rate for assessed values.

Tax Year	Non-School Finance Property Taxes	Property Taxes Dollar Change	Property Taxes Percent Change	Average Statewide Mill Levy
2000	\$1,309.6	\$104.7	8.7%	27.988
2001	\$1,369.5	\$59.9	4.6%	28.073
2002	\$1,478.3	\$108.8	7.9%	25.388
2003	\$1,545.5	\$67.2	4.5%	25.371
2004	\$1,654.6	\$109.1	7.1%	24.941
2005	\$1,711.8	\$57.2	3.5%	24.975
2006	\$1,824.6	\$112.8	6.6%	24.816
2007	\$1,881.5	\$56.9	3.1%	24.847

Table 36
Estimated Non-School Finance Property Taxes
(\$ in millions)

#### Table 34 Total Assessed Value by County (in Thousands)

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	2000	2001	2002	2003	2004	2005	2006
Adams	\$2,706,528	\$3,422,898	\$3,592,744	\$3,915,734	\$4,082,529	\$4,375,641	\$4,559,795
Alamosa	92.073	96.914	99,992	103.385	105.815	109.300	112,536
Arapahoe	5,563,291	6,388,835	6,590,551	7,311,075	7,526,227	8,183,841	8,434,909
Archuleta	158,022	181,823	190,651	210,060	218,567	234,974	239,755
Baca	55,616	58,454	59,045	59,238	59,721	59,992	60,478
Bent	49,815	52,065	53,273	54,452	55,970	57,890	59,574
Boulder	4,032,012	5,204,327	5,545,335	6,083,763	6,396,131	6,865,119	7,060,661
Chaffee	190,719	211,441	218,394	236,972	242,628	259,930	265,867
Cheyenne	98,099	88,861	89,530	90,816	91,616	92,688	91,039
Clear Creek	186,343	189,954	190,538	196,504	200,842	208,308	211,915
Conejos	36,197	38,550	39,706	41,830	42,901	44,617	45,605
Costilla	62,404	62,989	63,710	64,585	65,260	66,090	66,893
Crowley	22,978	23,682	24,160	24,783	25,370	25,930	26,496
Custer	52,662	57,210	59,041	63,077	64,772	67,982	69,554
Delta	158,060	180,396	185,138	195,510	200,523	209,674	214,379
Denver	6,486,490	7,602,779	7,816,847	8,679,649	8,847,377	9,563,572	9,770,211
Dolores	34,658	38,613	39,947	40,942	40,909	42,090	42,286
Douglas	2,221,543	3,258,548	3,642,482	4,201,586	4,581,806	5,143,329	5,528,563
Eagle	1,659,353	1,987,171	2,068,151	2,277,104	2,355,382	2,551,342	2,633,443
Elbert	167,529	186,897	195,779	211,796	220,963	235,868	244,654
El Paso	4,261,428	5,172,970	5,596,155	6,019,691	6,194,178	6,588,670	6,760,481
Fremont	251,472	267,154	278,039	293,015	301,317	313,236	319,089
Garfield	612,633	730,412	774,132	838,291	870,448	925,755	950,108
Gilpin	215,713	244,345	253,348	274,173	282,353	299,842	303,351
Grand	376,172	436,637	456,978	513,900	529,355	578,342	590,767
Gunnison	312,514	326,336	343,341	370,526	379,095	404,019	412,660
Hinsdale	31,546	34,491	35,731	37,774	38,646	40,223	40,906
Huerfano	99,182	99,946	101,660	105,883	107,203	110,701	111,594
Jackson	21,760	23,236	23,293	23,675	23,931	24,324	24,508
Jefferson	4,988,706	5,876,100	6,012,898	6,416,477	6,540,482	6,928,705	7,045,726
Kiowa	25,398	27,560	27,928	27,370	27,248	27,089	27,152
Kit Carson	89,353	92,851	93,474	95,726	96,672	98,894	99,827
Lake	65,355	66,000	67,265	71,975	72,914	76,585	77,267
La Plata	1,207,869	1,349,544	1,419,215	1,451,475	1,460,905	1,523,845	1,551,056
Larimer	2,432,515	2,950,051	3,077,076	3,351,005	3,470,291	3,725,741	3,848,211
Las Animas	159,002	180,959	200,501	223,636	246,460	271,269	295,835
Lincoln	49,769	51,772	52,487	53,882	54,826	56,265	57,087
Logan	157,091	166,733	170,651	176,597	180,116	184,686	187,688
Mesa	807,081	911,467	945,985	1,018,101	1,049,160	1,115,965	1,146,308
Mineral	18,505	19,755	20,195	21,562	21,905	22,989	23,165
Moffat	303,790	315,746	322,195	328,976	329,037	329,599	331,213
Montezuma	235,027	243,288	249,444	261,970	267,804	279,154	284,239
Montrose	271,554	294,660	304,974	325,862	334,657	355,652	364,696
Morgan	312,502	326,080	329,219	340,279	344,398	353,842	358,295
Otero	97,708	102,905	104,562	108,510	110,597	113,921	116,521
Ouray	95,036	105,667	106,565	110,090	116,955	127,140	129,217
Park	242,876	280,417	285,810	317,495	323,964	347,701	354,660
Phillips	41,505	42,703	43,122	44,099	44,094	40,414	40,112
Pitkin	1,393,844	1,742,890	1,784,812	1,956,895	2,002,960	2,159,043	2,208,406
Provers	09,304	94,109	90,779	1 090 504	1 1 2 2 4 7 6	1 172 626	1 206 965
Pio Blanco	242 108	267 010	251 356	240 373	738 073	238 255	238 100
Rio Grande	243,190	207,910	120 024	240,373	230,973	236,233	230,109
Routt	523 967	501 702	610 882	663 854	683 169	731 878	753 080
Saguacha	12 5/18	44.096	44 608	45 717	46 112	/7 183	135,303
San luan	72,340	25 322	25 570	-3,717	27 706	20,008	20,020
San Juan San Miguel	22,134	20,022 207 712	20,070 412 033	21,141 115 502	21,190 150 185	29,990 192 207	29,920 507 122
Sedawick	200,997 20 712	20 221	30 /77	31 107	31 /60	31 002	201,400
Summit	23,110 QA7 082	1 1/5 812	1 203 265	1 373 1/0	1 <u>4</u> 09 277	1 5/1 7//	1 581 /80
Teller	287 565	308 673	316 437	334 844	340 357	356 415	363 325
Washington	70 556	76 112	74 825	74 889	75 085	75 624	76 073
Weld	1.763.367	2.138.889	2.271.086	2.361 824	2.427.150	2.551 865	2.648 017
Yuma	155.155	169.967	176.266	176.636	176.722	178.794	180,199
State Total	\$48,781,845	\$58,226,719	\$60,915,611	\$66,343,217	\$68,538,787	\$73,525,338	\$75,726,010

	2000	2001	2002	2003	2004	2005	2006	Percentage Change	Rank
Adams	5.9%	26.5%	5.0%	9.0%	4.3%	7.2%	4.2%	9.1%	4
Alamosa	4.5%	5.3%	3.2%	3.4%	2.4%	3.3%	3.0%	3.4%	38
Arapahoe	4.1%	14.8%	3.2%	10.9%	2.9%	8.7%	3.1%	7.2%	13
Archuleta	5.3%	15.1%	4.9%	10.2%	4.0%	7.5%	2.0%	7.2%	12
Baca	3.8%	5.1%	1.0%	0.3%	0.8%	0.5%	0.8%	1.4%	58
Bent	0.6%	4.5%	2.3%	2.2%	2.8%	3.4%	2.9%	3.0%	42
Boulder	7.0%	29.1%	6.6%	9.7%	5.1%	7.3%	2.8%	9.8%	3
Chaffee	3.4%	10.9%	3.3%	8.5%	2.4%	7.1%	2.3%	5.7%	23
Cheyenne	11.0%	-9.4%	0.8%	1.4%	0.9%	1.2%	-1.8%	-1.2%	63
Clear Creek	-1.2%	1.9%	0.3%	3.1%	2.2%	3.7%	1.7%	2.2%	50
Conejos	2.2%	6.5%	3.0%	5.4%	2.6%	4.0%	2.2%	3.9%	36
Costilla	1.7%	0.9%	1.1%	1.4%	1.0%	1.3%	1.2%	1.2%	60
Crowley	0.5%	3.1%	2.0%	2.6%	2.4%	2.2%	2.2%	2.4%	47
Custer	3.1%	8.6%	3.2%	6.8%	2.1%	5.0%	2.3%	4.7%	28
Deita	3.6%	14.1%	2.6%	5.6%	2.6%	4.6%	2.2%	5.2%	20
Deliver	2.2%	17.2%	2.0%	11.0%	1.9%	0.1%	2.2%	7.1%	14
Doudlas	21.0%	11.4%	3.5% 11.8%	2.0% 15.3%	-0.1%	2.9%	0.5%	3.4% 16.4%	40
Eadla	2.7%	40.7 %	11.0%	10.3%	3.0%	8.3%	3.2%	8.0%	6
Elbort	2.7 /0	11.6%	4.170	8 2%	1 2%	6.7%	3.7%	6.5%	16
El Paso	2.0%	21.4%	4.0%	7.6%	4.3%	6.4%	2.6%	8.0%	7
Eremont	7.6%	6.2%	1 1%	5.4%	2.3%	4.0%	1.0%	4.0%	3/
Garfield	6.8%	19.2%	6.0%	8.3%	3.8%	4.0 <i>%</i>	2.6%	7.6%	11
Gilnin	13.0%	13.2%	3.7%	8.2%	3.0%	6.2%	1.2%	5.8%	22
Grand	6.9%	16.1%	4.7%	12.5%	3.0%	9.3%	2.1%	7.8%	10
Gunnison	2.1%	4 4%	5.2%	7.9%	2.3%	6.6%	2.1%	4 7%	29
Hinsdale	2.8%	9.3%	3.6%	5.7%	2.3%	4.1%	1.7%	4 4%	32
Huerfano	6.6%	0.8%	1.7%	4.2%	1.2%	3.3%	0.8%	2.0%	52
Jackson	2.8%	6.8%	0.2%	1.6%	1.1%	1.6%	0.8%	2.0%	51
Jefferson	2.6%	17.8%	2.3%	6.7%	1.9%	5.9%	1.7%	5.9%	21
Kiowa	1.1%	8.5%	1.3%	-2.0%	-0.4%	-0.6%	0.2%	1.1%	61
Kit Carson	1.3%	3.9%	0.7%	2.4%	1.0%	2.3%	0.9%	1.9%	54
Lake	-0.8%	1.0%	1.9%	7.0%	1.3%	5.0%	0.9%	2.8%	45
La Plata	3.8%	11.7%	5.2%	2.3%	0.6%	4.3%	1.8%	4.3%	33
Larimer	3.6%	21.3%	4.3%	8.9%	3.6%	7.4%	3.3%	7.9%	9
Las Animas	11.7%	13.8%	10.8%	11.5%	10.2%	10.1%	9.1%	10.9%	2
Lincoln	2.0%	4.0%	1.4%	2.7%	1.8%	2.6%	1.5%	2.3%	48
Logan	7.5%	6.1%	2.3%	3.5%	2.0%	2.5%	1.6%	3.0%	43
Mesa	5.2%	12.9%	3.8%	7.6%	3.1%	6.4%	2.7%	6.0%	19
Mineral	4.6%	6.8%	2.2%	6.8%	1.6%	4.9%	0.8%	3.8%	37
Moffat	-6.0%	3.9%	2.0%	2.1%	0.0%	0.2%	0.5%	1.5%	57
Montezuma	-0.8%	3.5%	2.5%	5.0%	2.2%	4.2%	1.8%	3.2%	41
Montrose	5.5%	8.5%	3.5%	6.8%	2.7%	6.3%	2.5%	5.0%	27
Morgan	2.7%	4.3%	1.0%	3.4%	1.2%	2.7%	1.3%	2.3%	49
Otero	3.3%	5.3%	1.6%	3.8%	1.9%	3.0%	2.3%	3.0%	44
Ouray	1.6%	11.4%	2.5%	7.7%	1.8%	6.9%	1.6%	5.3%	25
Park	1.2%	15.5%	1.9%	11.1%	2.0%	7.3%	2.0%	6.5%	17
Phillips	1.3%	2.9%	1.0%	2.3%	1.3%	1.6%	1.5%	1.8%	55
Pitkin	0.9%	25.0%	2.4%	9.6%	2.4%	7.8%	2.3%	8.0%	8 20
Provers	1.4%	0.4% 0.10/	2.0%	3.9% 5.4%	2.5%	3.4%	2.4%	3.4%	39
Rio Blanco	9.7%	10.2%	-6.2%	-1 1%	-0.6%	-0.3%	-0.1%	-0.4%	62
Rio Grande	3.1%	8.6%	-0.2 /8	-4.4%	-0.0%	-0.3%	-0.1%	-0.4 %	24
Routt	3.6%	12.9%	3.2%	8.7%	2.9%	7.1%	3.0%	6.3%	18
Saquache	2.1%	3.6%	1.2%	2.5%	0.9%	2.3%	0.8%	1.9%	53
San Juan	-1.0%	11.4%	1.0%	8.5%	0.2%	7.9%	-0.3%	4.7%	30
San Miguel	4.9%	10.8%	3.6%	8.1%	3.1%	7.1%	3.1%	5.9%	20
Sedawick	-0.5%	2.0%	0.5%	2.1%	1.2%	1.7%	1 4%	1.5%	56
Summit	3.7%	21.0%	5.0%	14.1%	3.6%	8.5%	2.5%	8.9%	5
Teller	4.2%	7.3%	2.5%	5.8%	1.6%	4.7%	1.9%	4.0%	35
Washington	3.4%	7.9%	-1.7%	0.1%	0.3%	0.7%	0.6%	1.3%	59
Weld	8.0%	21.3%	6.2%	4.0%	2.8%	5.1%	3.8%	7.0%	15
Yuma	-2.3%	9.5%	3.7%	0.2%	0.0%	1.2%	0.8%	2.5%	46
State Total	4.3%	19.4%	4.6%	8.9%	3.3%	7.3%	3.0%	7.6%	

Table 35Percentage Change in Assessed Value

### Appendix A Historical Data

Prepared by Legislative Council Staff

Indicators
Economic
National

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Gross Domestic Product (billions) percent change	\$4,213.0 7.1%	\$4,452.9 5.7%	\$4,742.5 6.5%	\$5,108.3 7.7%	\$5,489.1 7.5%	\$5,803.3 5.7%	\$5,986.2 3.2%	\$6,319.0 5.6%	\$6,642.3 5.1%	\$7,054.3 6.2%	\$7,400.6 4.9%	\$7,813.2 5.6%	\$8,318.4 6.5%	\$8,790.2 5.7%	\$9,299.1 5.8%
Inflation-adjusted Gross Domestic Product (billions of 1996 dollars) percent change	\$5,717.0 3.8%	\$5,912.4 3.4%	\$6,113.3 3.4%	\$6,368.3 4.2%	\$6,591.8 3.5%	\$6,707.9 1.8%	\$6,676.4 -0.5%	\$6,880.1 3.1%	\$7,062.6 2.7%	\$7,347.7 4.0%	\$7,543.8 2.7%	\$7,813.2 3.6%	\$8,159.7 4.4%	\$8,515.7 4.4%	\$8,875.8 4.2%
Unemployment Rate	7.2%	7.0%	6.2%	5.5%	5.3%	5.6%	6.9%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%
Inflation	3.6%	1.9%	3.6%	4.1%	4.8%	5.4%	4.2%	3.0%	3.0%	2.6%	2.8%	3.0%	2.3%	1.6%	2.2%
Prime Rate	%6.6	8.3%	8.2%	9.3%	10.9%	10.0%	8.5%	6.3%	6.0%	7.1%	8.8%	8.3%	8.4%	8.4%	8.0%
Personal Income (billions) percent change	\$3,515.0 7.3%	\$3,712.5 5.6%	\$3,962.5 6.7%	\$4,272.1 7.8%	\$4,599.8 7.7%	\$4,903.2 6.6%	\$5,085.4 3.7%	\$5,390.4 6.0%	\$5,610.0 4.1%	\$5,888.1 5.0%	\$6,200.9 5.3%	\$6,547.4 5.6%	\$6,937.0 6.0%	\$7,391.0 6.5%	\$7,789.7 5.4%
Nonagricultural Wage and Salary Employment (millions) percent change	97.4 3.2%	99.3 2.0%	102.0 2.6%	105.2 3.2%	107.9 2.5%	109.4 1.4%	108.3 -1.1%	108.6 0.3%	110.7 1.9%	114.1 3.1%	117.2 2.7%	119.6 2.1%	122.7 2.6%	125.8 2.6%	128.7 2.3%

December 2000

Sources: U.S. Department of Commerce Bureau of Economic Analysis, U.S. Department of Labor Bureau of Labor Statistics, Federal Reserve Board.

Colorado Economic Activity (Dollar amounts in millions)

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	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Nonagricultural Employment (thous.)	1,418.7	1,408.3	1,412.6	1,436.1	1,482.3	1,520.9	1,545.0	1,596.9	1,670.7	1,755.9	1,834.4	1,900.4	1,979.5	2,057.0	2,133.5
percent change	1.2%	-0.7%	0.3%	1.7%	3.2%	2.6%	1.6%	3.4%	4.6%	5.1%	4.5%	3.6%	4.2%	3.9%	3.7%
Unemployment Rate	5.9%	7.4%	7.7%	6.4%	5.8%	5.0%	5.1%	6.0%	5.3%	4.2%	4.2%	4.2%	3.3%	3.8%	2.9%
Personal Income	\$49,467	\$51,062	\$53,528	\$56,387	\$60,760	\$65,095	\$68,992	\$74,207	\$80,212	\$85,860	\$92,947	\$100,012	\$108,763	\$118,514	\$127,955
percent change	5.8%	3.2%	4.8%	5.3%	7.8%	7.1%	6.0%	7.6%	8.1%	7.0%	8.3%	7.6%	8.7%	9.0%	8.0%
Per Capita Income	\$15,224	\$15,571	\$16,147	\$16,985	\$18,110	\$19,290	\$20,096	\$20,998	\$22,109	\$23,019	\$24,304	\$25,627	\$27,015	\$29,845	\$31,546
percent change	4.3%	2.3%	3.7%	5.2%	6.6%	6.5%	4.2%	4.5%	5.3%	4.1%	5.6%	5.4%	5.4%	10.5%	5.7%
Wage and Salary Income	\$29,581	\$30,442	\$31,342	\$32,868	\$34,674	\$37,167	\$39,563	\$42,714	\$45,778	\$48,992	\$52,874	\$57,204	\$62,524	\$69,604	\$76,347
percent change	5.7%	2.9%	3.0%	4.9%	5.5%	7.2%	6.4%	8.0%	7.2%	7.0%	7.9%	8.2%	9.3%	11.3%	9.7%
Retail Trade Sales	\$24,339	\$23,452	\$23,466	\$24,886	\$26,160	\$27,544	\$28,932	\$31,298	\$34,180	\$38,100	\$39,955	\$42,629	\$45,142	\$48,131	\$52,209
percent change	5.5%	NC	0.1%	6.1%	5.1%	5.3%	5.0%	8.2%	9.2%	11.5%	4.9%	6.7%	5.9%	6.6%	8.5%
Housing Permits	32,824	30,961	17,988	12,864	11,131	11,897	14,071	23,484	29,913	37,229	38,622	41,135	42,509	49,503	48,874
percent change	-26.0%	-5.7%	-41.9%	-28.5%	-13.5%	6.9%	18.3%	66.9%	27.4%	24.5%	3.7%	6.5%	3.3%	16.5%	-1.3%
Nonresidential Construction	\$1,726	\$1,214	\$948	\$973	\$946	\$939	\$1,610	\$1,539	\$1,578	\$1,581	\$1,841	\$2,367	\$2,986	\$2,314	\$3,399
percent change	-2.7%	-29.7%	-21.9%	2.6%	-2.8%	-0.7%	71.4%	-4.4%	2.6%	0.2%	16.4%	28.6%	26.2%	-22.5%	46.9%
Denver-Boulder Inflation Rate	2.7%	0.7%	2.7%	2.6%	1.8%	4.4%	3.9%	3.7%	4.2%	4.4%	4.3%	3.5%	3.3%	2.4%	2.9%
Population (thousands, July 1)	3,214.4	3,243.8	3,263.4	3,271.4	3,284.5	3,303.9	3,368.8	3,461.7	3,563.4	3,656.9	3,741.6	3,816.2	3,892.6	3,971.0	4,056.1
percent change	1.2%	0.9%	0.6%	0.2%	0.4%	0.6%	2.0%	2.8%	2.9%	2.7%	2.3%	2.0%	2.0%	2.0%	2.1%
Net Migration (July 1)	5,317	(5,731)	(14,299)	(24,046)	(18,698)	(12,707)	33,410	60,862	70,691	63,605	54,728	45,751	46,817	46,744	54,406

NC: The Department of Revenue changed its definition of retail trade starting with 1986 data. Hence, 1985 and 1986 data are not comparable.
Sources: Colorado Department of Labor and Employment, U.S. Department of Commerce, Colorado Department of Revenue, U.S. Bureau of the Census, U.S. Bureau of Labor Statistics, F.W. Dodge.

#### **Employment Growth by Industry**

	Compound Annual Average Growth Rate 1970-1980		Compound Annual Average Growth Rate 1980-1990		Compound Annual Average Growth Rate 1990-1999		Annual Growth Rate 1998-1999	
NONFARM EMPLOYMENT	5.4	%	2.0	%	3.8	%	3.7	%
MINING	10.0		-5.8		-4 5		-7 8	
Metal Mining	7.5		-11.5		-5.6		-9.9	
Coal Mining	11.6		-7.3		-2.9		-1.2	
Oil & Gas Extraction	11.4		-3.7		-6.4		-13.1	
CONTRACT CONSTRUCTION	6.5		-1.9		9.8		11.2	
General Building Contractors	3.5		-4.6		8.7		8.6	
Heavy Construction Contractors	7.2		-2.5		5.8		10.7	
Special Trade Contractors	8.3		-0.5		11.0		12.1	
MANUFACTURING	4.4		0.7		0.6	*/**	-1.7	
Durable Goods	5.3		0.3		0.9	*	-1.9	
Nondurable Goods	2.8		1.4		0.2	**	-1.3	
Food & Kindred Prod.	1.4		0.7		-0.5		-2.5	
Printing & Publishing	5.3		4.0		2.0		2.0	
TRANSPORTATION & PUBLIC UTILITIES	4.5		1.9		4.2	**	7.1	
Communications	4.6		2.0		7.2	**	16.5	
WHOLESALE & RETAIL TRADE	5.8		2.0		3.5		3.1	
Wholesale Trade	5.9		1.0		2.7		1.6	
Retail Trade	5.8		2.3		3.7		3.5	
General Merchandise Stores	-1.2		1.8		3.5		3.6	
Food Stores	5.7		2.4		2.2		2.4	
Automotive Dealers & Service Stations	3.3		0.8		3.6		4.1	
Eating & Drinking Establishments	9.0		3.0		3.8		2.7	
FINANCE, INSURANCE, & REAL ESTATE	6.8		2.4		4.3		4.1	
SERVICES	6.9		4.7		5.5	*	4.8	
Hotel & Other Lodging	6.5		3.3		2.9		5.5	
Personal Services	2.1		2.4		2.4		3.5	
Business Services	7.2		6.2		9.4	*	6.9	
Amusements & Recreation	7.7		4.4		6.4		4.6	
Health Services	5.3		4.3		3.1		1.2	
Hospitals	NA		NA		0.4		-1.0	
GOVERNMENT	3.3		1.3		1.9		2.0	
Federal Government	1.6		0.9		-0.7		-1.0	
State Government	2.9		1.1		1.9		1.7	
Education	4.1		0.4		1.8		0.7	
Education	4.3		1.5		2.8		3.0	
	3.0		1.2		∠.0		∠.0	

NA: Not Available.
Source: Colorado Department of Labor and Employment.
\* In 1991, a large company was reclassified from the durable manufacturing industry to business services. In part, this reclassification

accounts for the weakness in durable manufacturing and the strength in services. \*\* In 1995, a large company was reclassified from the non-durable manufacturing industry to communications, electricity, and gas. In part, this reclassification accounts for the weakness in non-durable manufacturing and the strength in communications, electricity, and gas.

December 2000

Percent Distribution of Nonagricultural Employment
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	196	0	191	70	19	30	199	90	199	9	
	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.	
Mining	3.0 %	1.3 %	1.9 %	% 6.0	% 6.2	1.1 %	1.3 %	0.6 %	0.6 %	0.4 %	
Construction	6.5	5.4	5.5	5.1	6.2	4.8	4.2	4.7	6.9	5.0	
Manufacturing	17.0	31.0	15.8	27.3	14.4	22.4	12.7	17.4	9.6 *	14.4	
Wholesale & Retail Trade	24.0	21.0	23.3	21.2	24.4	22.4	24.4	23.6	23.8	23.1	
Finance, Insurance, & Real Estate	4.9	4.9	5.3	5.1	6.1	5.7	6.4	6.1	6.6	5.9	
Services	14.8	13.6	17.5	16.3	20.3	19.8	26.5	25.5	30.6 *	30.3	
Transportation & Public Utilities	8.5	7.4	6.9	6.4	6.3	5.7	6.3	5.3	6.5 *	5.3	
Government	21.4	15.4	23.6	17.7	19.5	18.0	18.2	16.7	15.4	15.7	
	.   										

Source: Colorado Department of Labor and Employment; U.S. Department of Labor, Bureau of Labor Statistics.

Note: Totals may not sum to 100 percent due to rounding.

\* In Colorado, a large company was reclassified from manufacturing to services in 1991, and another was reclassified from manuf acturing to transportation and public utilities in 1995. These transfers account for some of the decline in manufacturing and growth in the other areas in Colorado.

Colorado Nonagricultural Employment by Category (in thousands)

	1007	0007	100	0007	0001	0001	1001				1007	0007	1007		0007
	1985	1986	1987	1988	1989	1990	1991	7661	1993	1994	1995	1996	1997	1998	1999
Mining	32.9	25.8	21.3	20.7	19.6	19.9	18.6	16.6	16.1	15.6	14.8	13.7	14.0	14.2	13.1
percent change	-8.4%	-21.6%	-17.4%	-2.8%	-5.3%	1.5%	-6.5%	-11.0%	-2.9%	-3.0%	-4.8%	-7.8%	2.2%	1.4%	-7.7%
Construction	86.3	77.6	67.3	60.4	60.0	63.6	66.5	74.8	86.0	97.1	102.1	111.0	119.0	132.6	147.5
percent change	-4.0%	-10.1%	-13.3%	-10.3%	-0.7%	6.0%	4.6%	12.4%	15.1%	12.8%	5.2%	8.7%	7.2%	11.4%	11.2%
Manufacturing - Durable percent change	123.7 -2.0%	118.9 -3.9%	116.8 -1.8%	119.2 2.1%	121.5 1.9%	119.7 -1.5%	111.2 * -7.1%	109.9 -1.2%	110.4 0.5%	112.0 1.4%	117.8 5.2%	122.6 4.0%	128.4 4.7%	131.8 2.6%	129.3 -1.9%
Manufacturing - Non-Durable percent change	68.5 -0.7%	66.4 -3.1%	67.7 2.0%	70.4 4.0%	71.9 2.1%	73.5 2.2%	74.4 1.2%	76.1 2.3%	77.7 2.1%	78.9 1.5%	74.5 ** -5.5%	74.5 -0.1%	75.6 1.5%	75.6 -0.0%	74.6 -1.3%
Transportation, Communications & Public Utilities percent change	88.5 1.5%	87.0 -1.7%	88.3 1.5%	91.4 3.5%	93.7 2.5%	96.1 2.6%	97.8 1.8%	99.8 2.0%	104.3 4.5%	108.3 3.8%	117.5 ** 8.5%	121.1 3.1%	123.8 2.2%	130.2 5.1%	139.4 7.1%
Wholesale Trade	80.9	78.3	76.5	78.0	81.4	83.1	83.1	83.6	86.4	91.4	95.3	98.2	102.1	104.1	105.8
percent change	0.5%	-3.2%	-2.3%	2.0%	4.4%	2.1%	0.0%	0.6%	3.3%	5.8%	4.2%	3.0%	4.0%	2.0%	1.6%
Retail Trade	271.1	270.2	271.5	274.9	282.5	288.7	292.4	302.0	317.6	338.1	358.0	367.7	378.0	387.6	401.2
percent change	2.1%	-0.3%	0.5%	1.3%	2.8%	2.2%	1.3%	3.3%	5.2%	6.5%	5.9%	2.7%	2.8%	2.5%	3.5%
Finance, Insurance & Real Estate percent change	95.8 1.2%	98.7 3.0%	98.6 -0.1%	95.7 -2.9%	96.8 1.1%	96.9 0.1%	96.7 -0.2%	99.9 3.3%	106.2 6.3%	111.1 4.7%	113.4 2.0%	119.0 5.0%	127.4 7.1%	135.7 6.5%	141.3 4.1%
Services	321.9	329.4	342.3	358.8	383.6	402.6	421.1 *	443.4	469.4	504.1	537.2	563.8	595.5	622.8	652.5
percent change	4.1%	2.3%	3.9%	4.8%	6.9%	5.0%	4.6%	5.3%	5.9%	7.4%	6.6%	4.9%	5.6%	4.6%	4.8%
Government	248.9	256.0	262.2	266.7	271.4	276.8	283.3	291.1	296.7	299.3	303.7	308.7	315.6	322.3	328.8
percent change	1.8%	2.9%	2.4%	1.7%	1.8%	2.0%	2.3%	2.8%	1.9%	0.9%	1.5%	1.7%	2.2%	2.1%	2.0%
TOTAL	1,418.7	1,408.3	1,412.6	1,436.1	1,482.3	1,520.9	1,545.0	1,596.9	1,670.7	1,755.9	1,834.4	1,900.4	1,979.5	2,057.0	2,133.5
percent change	1.2%	-0.7%	0.3%	1.7%	3.2%	2.6%	1.6%	3.4%	4.6%	5.1%	4.5%	3.6%	4.2%	3.9%	3.7%
Note: Totals may not sur	n due to rour	nding.													

Source: Colorado Department of Labor and Employment.

\* In 1991, a large company was reclassified from the durable manufacturing industry to business services. In part, this reclas sification accounts for the weakness in durable manufacturing and the strength in services.

\*\* In 1995, a large company was reclassified from the non-durable manufacturing industry to transporation, communications, and public utilities. In part, this reclassification accounts for the weakness in non-durable manufacturing and the strength in transportation, communications, and public utilities.

# Comparative Economic Growth 1999

State	Nonfarm Employment Growth 1998-99		Per Capita Perso Income 1999	nal	Unemployment Rate 1999	9
Alabama	1.4	40	\$22,987	42	4.8	38
Alaska	0.9	47	28,577	17	6.4	49
Arizona	4.1	2	25,189	35	4.4	30
Arkansas	1.7	31	22,244	46	4.5	32
California	2.8	10	29,910	13	5.2	45
<b>Colorado</b>	<b>3.8</b>	<b>4</b>	<b>31,546</b>	<b>6</b>	<b>2.9</b>	<b>7</b>
Connecticut	1.7	29	39,300	1	3.2	13
Delaware	2.9	8	30,778	11	3.5	18
Florida	3.6	5	27,780	19	3.8	22
Georgia	4.0	3	27,340	22	4.0	23
Hawaii	0.5	49	27,544	20	5.6	46
Idaho	3.4	6	22,835	45	5.2	43
Illinois	1.0	45	31,145	7	4.3	28
Indiana	1.8	27	26,143	30	3.0	9
Iowa	1.6	33	25,615	33	2.5	1
Kansas	1.2	44	26,824	27	3.0	8
Kentucky	2.4	19	23,237	41	4.5	34
Louisiana	0.4	50	22,847	44	5.1	40
Maine	2.9	7	24,603	37	4.1	25
Maryland	2.5	16	32,465	5	3.5	19
Massachusetts	1.9	25	35,551	2	3.2	14
Michigan	0.8	48	28,113	18	3.8	21
Minnesota	2.1	22	30,793	10	2.8	4
Mississippi	1.9	23	20,688	50	5.1	41
Missouri	1.5	35	26,376	29	3.4	15
Montana	2.3	20	22,019	47	5.2	44
Nebraska	1.7	30	27,049	24	2.9	5
Nevada	6.4	1	31,022	9	4.5	31
New Hampshire	2.8	11	31,114	8	2.7	2
New Jersey	1.7	32	35,551	2	4.6	35
New Mexico	1.4	41	21,853	48	5.6	47
New York	2.7	13	33,890	4	5.2	42
North Carolina	2.5	17	26,003	31	3.1	12
North Dakota	1.4	42	23,313	39	3.4	16
Ohio	1.2	43	27,152	23	4.3	27
Oklahoma	1.5	37	22,953	43	3.4	17
Oregon	1.4	39	27,023	25	5.7	48
Pennsylvania	1.5	36	28,605	16	4.4	29
Rhode Island	1.5	34	29,377	15	4.1	26
South Carolina	2.9	9	23,545	38	4.5	33
South Dakota	2.7	12	25,045	36	2.9	6
Tennessee	1.5	38	25,574	34	4.0	24
Texas	2.4	18	26,858	26	4.6	36
Utah	2.6	15	23,288	40	3.7	20
Vermont	1.9	24	25,889	32	3.0	10
Virginia	2.7	14	29,789	14	2.8	3
Washington	1.9	26	30,392	12	4.7	37
West Virginia	0.9	46	20,966	49	6.6	50
Wisconsin	2.2	21	27,390	21	3.0	11
Wyoming	1.8	28	26,396	28	4.9	39
U.S.	2.2	NA	\$28,542	NA	4.2	NA

NA: Not Applicable. Source: U.S. Department of Commerce, U.S. Bureau of Labor Statistics.

	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	<b>98-99</b>	00-66
Sales Use	\$485.8 54.4	\$541.6 74.1	\$566.4 66.1	\$731.9 66.8	\$673.8 73.0	\$662.9 76.1	\$648.3 68.6	\$669.0 55.6	\$694.8 54.7	\$768.1 62.5	\$779.8 66.9	\$844.5 69.1	\$928.9 69.1	31,036.6 \$2.5	\$1,131.8 91.1	31,218.7 \$ 102.8	\$1,310.0 \$ 115.8	\$1,426.0 \$ 120.3	1,563.7 \$ 140.2	1,726.0 142.5
Cigarette	37.0	37.2	36.7	47.4	52.3	50.9	66.1	61.9	59.0	56.3	57.5	57.3	56.6	57.0	59.7	58.2	60.09	59.9	60.0	57.8
Tobacco Products	0.0	0.0	0.0	0.0	0.0	0.0	2.7	3.1	3.0	3.2	3.9	4.3	4.6	5.5	5.9	7.0	8.2	8.1	8.6	9.4
Liquor	24.7	25.8	25.1	25.3	25.0	24.4	23.6	22.6	21.5	21.4	19.1	21.2	23.2	22.6	23.3	24.3	24.0	25.1	25.8	28.0
Other	3.1	2.0	2.0	2.1	1.9	1.9	1.9	2.0	2.0	2.0	3.7	3.2	3.6	3.6	4.1	4.4	3.2	0.0	0.0	0.0
TOTAL EXCISE	\$605.0	\$680.7	\$696.3	\$873.5	\$826.0	\$816.2	\$811.2	\$814.2	\$835.0	\$913.5	\$930.9	\$ 9.999.6	1,086.0	31,207.8	31,315.9	31,415.4	31,521.1 \$	31,639.4 \$	1,798.3 \$	1,963.7
Individual Income	479.4	621.0	703.3	796.4	921.7	973.2	1,081.9	1,195.0	1,311.0	1,380.7	1,462.4	1,608.5	1,759.8	1,919.9	2,106.4	2,318.5	2,572.6	3,051.6	3,326.8	3,718.2
Corporate Income	84.8	88.8	66.5	94.1	78.8	124.4	136.7	112.9	167.0	104.2	115.0	112.2	138.4	146.8	191.1	205.7	237.1	263.1	276.2	289.2
TOTAL INCOME	\$564.2	\$709.8	\$769.8	\$890.5	\$1,000.5	\$1,097.6	\$1,218.6	\$1,307.9 \$	31,478.0 \$	1,484.9 \$	1,577.4 \$	1,720.6	1,898.2	2,066.7 \$	32,297.5	32,524.2	\$2,809.7	33,314.7 \$	3,603.0 \$	4,007.4
Estate	6.6	12.3	8.9	10.7	14.0	13.7	18.4	13.4	15.5	21.7	15.3	34.3	19.7	33.9	27.6	31.8	34.6	109.6	67.1	59.7
Insurance	41.6	47.9	51.6	56.6	64.7	75.0	84.1	80.7	81.1	82.5	84.7	89.1	92.1	101.9	105.1	110.4	111.8	113.8	117.9	128.5
Pari-Mutuel	8.8	9.5	8.4	8.6	7.7	8.5	9.0	8.4	8.4	8.3	8.4	8.3	8.5	8.5	8.2	8.1	7.5	7.1	6.2	7.0
Interest Income	37.6	34.5	7.6	4.4	33.4	21.1	10.8	5.9	15.6	15.9	4.0	5.6	8.3	18.5	28.6	37.2	41.2	52.2	47.5	42.3
Court Receipts	7.2	8.6	7.4	9.1	12.3	12.9	14.1	19.3	20.5	19.9	11.6	17.5	17.8	19.5	20.1	20.7	23.1	24.9	25.4	27.1
Severance	31.4	0.0	0.0	0.0	0.0	0.0	0.0	7.1	10.7	7.5	10.5	8.4	12.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	82.4	258.9	205.6	126.7	69.0	80.4	72.6	73.0	7.1
Gaming	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.1	13.4	16.6	17.1	17.5	19.6	21.5	27.3	28.8
Other	14.3	13.7	10.6	22.1	13.6	17.7	11.7	27.0	20.8	26.4	21.1	25.9	35.2	43.2	49.5	34.4	30.4	45.4	28.3	31.9
TOTAL OTHER	\$147.5	\$126.5	\$94.5	\$111.5	\$145.7	\$148.9	\$148.1	\$161.8	\$172.6	\$182.0	\$155.6	\$275.6	\$465.9	\$450.6	\$382.9	\$329.2	\$348.6	\$447.1	\$392.3	\$332.4
GROSS GENERAL FUND	\$1,316.7	\$1,517.0	\$1,560.6	\$1,875.5	\$1,972.2	\$2,062.7	32,177.9	32,283.9 \$	;2,485.6 \$	2,580.4 \$	2,663.9	2,995.8	3,450.1 \$	3,725.1 \$	33,996.3	34,268.7	34,679.4 \$	35,401.2 \$	5,794.0 \$	6,303.5
Dollar Change	(\$38.2)	\$200.3	\$43.6	\$314.9	\$96.7	\$90.5	\$115.2 5.6%	\$106.0	\$201.7	\$94.8 2 80/	\$83.5 2.20	\$331.9	\$454.3	\$275.0	\$271.2 7 30/	\$272.4 6 997	\$410.7	\$721.8	\$392.8	\$509.5
Percent Change Note: Numbers may	, pot add du	0.2.01 to roundir	%A7	×0.2%	%7.C	4.0%	%0.c	4.9%	0.0%	3.0%	3.2%	%0.71	%7.61	Ø.0%	1.3%	0.0%	9.0%	% <del>1</del> .01	1.3%	8.8%
Source: Controller's	Annual Rep	orts; Accou	ig. unts and Co	ontrol.																

Gross General Fund Revenues Fiscal Year (in millions)

				-	Jnemployn	əent İnsura (In M	ınce Trust İillions)	Fund Bala	nce					
Calendar Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	
Ending Balance	\$90.4	\$156.8	\$230.8	\$291.5	\$301.6	\$326.6	\$377.7	\$423.6	\$469.0	\$497.9	\$560.9	\$634.2	\$703.8	
Source: Division of Labor a	and Employmer	nt.												
				Hig	lher Educa	tion Full-T	ime-Equiv:	alent Enrol	lment					
Fiscal Year	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Residents Percent Change	91,947 2.2%	94,511 2.8%	99,240 5.0%	103,219 4.0%	105,503 2.2%	107,803 2.2%	108,947 1.1%	108,863 -0.1%	108,580 -0.3%	108,667 0.1%	109,385 0.7%	112,077 2.5%	114,269 2.0%	116,739 2.2%
Nonresidents Percent Change	15,593 0.4%	16,338 4.8%	16,965 3.8%	17,801 4.9%	19,149 7.6%	19,463 1.6%	20,573 5.7%	20,673 0.5%	20,472 -1.0%	20,741 1.3%	20,464 -1.3%	20,940 2.3%	21,162 1.1%	21,305 0.7%
<b>Total</b> Percent Change	<b>107,540</b> 2.0%	<b>110,849</b> 3.1%	<b>116,205</b> 4.8%	<b>121,020</b> 4.1%	<b>124,652</b> 3.0%	<b>127,266</b> 2.1%	<b>129,520</b> 1.8%	<b>129,536</b> 0.0%	<b>129,052</b> -0.4%	<b>129,408</b> 0.3%	<b>129,849</b> 0.3%	<b>133,017</b> 2.4%	<b>135,431</b> 1.8%	<b>138,044</b> 1.9%
Totals may not sum due to Source: Colorado Commis:	rounding. ision on Higher	Education.												
					Wildlife	Hunting a	nd Fishing	l Licenses						
Calendar Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	
Resident Percent Change	909,157 1.5%	913,666 0.5%	912,669 -0.1%	917,678 0.5%	935,904 2.0%	886,706 -5.3%	900,697 1.6%	902,787 0.2%	902,989 0.0%	927,371 2.7%	925,419 -0.2%	926,436 0.1%	893,056 -3.6%	
Nonresident Percent Change	446,616 6.6%	471,015 5.5%	495,282 5.2%	515,573 4.1%	532,555 3.3%	562,835 5.7%	601,734 6.9%	626,523 4.1%	608,206 -2.9%	611,848 0.6%	624,032 2.0%	650,928 4.3%	603,983 -7.2%	
<b>Total</b> Percent Change	<b>1,355,773</b> 3.1%	<b>1,384,681</b> 2.1%	<b>1,407,951</b> 1.7%	<b>1,433,251</b> 1.8%	<b>1,468,459</b> 2.5%	<b>1,449,541</b> -1.3%	<b>1,502,431</b> 3.6%	<b>1,529,310</b> 1.8%	<b>1,511,195</b> -1.2%	<b>1,539,219</b> 1.9%	<b>1,549,451</b> 0.7%	<b>1,577,364</b> 1.8%	<b>1,497,039</b> -5.1%	
Source: Division of Wildlife														

Selected Cash Fund-Related Historical Data