FOCUS COLORADO: ECONOMIC & REVENUE FORECAST, 2001-2007

State of Colorado

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COLORADO LEGISLATIVE COUNCIL
STAFF REPORT

COLORADO LEGISLATIVE COUNCIL STAFF FORECASTS, 2001-2007

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EXECUTIVE SUMMARY

This document presents the Legislative Council Staff September 2001 forecast for General Fund and cash fund revenues, the TABOR limit and surplus, and the General Fund Overview.

General Fund Revenue

- General Fund revenue will decrease by 1.3% in FY 2001-02, following a 3.7% gain in FY 2000-01. We decreased our revenue forecast for the current year by $188.2 million below the June 2001 forecast. Three factors cause the reduction in the revenue forecast for FY 2001-02. *First*, the Colorado economy is weaker than previously anticipated. While Colorado job growth is up 3.0% through July, continued layoffs and reduced hiring by employers have led to only a 1.7% gain in jobs in July 2001 versus July 2000. Consumer spending has slowed significantly leading to less-than-anticipated sales tax receipts. *Second*, the overrefund of the TABOR surplus will reduce revenues in the current year by $33.4 million more than anticipated. *Finally*, the income tax accruals for FY 2000-01 were much larger than anticipated in the June 2001 forecast. We believe that these accruals will reduce revenues for FY 2001-02, contrary to our expectations in the previous forecast. This will dampen revenues by $21.3 million relative to the June revenue estimate.

- One additional factor will contribute to a decline in General Fund revenues in FY 2001-02. The state's voters passed Amendment 23 in November 2000. This amendment diverts a portion of income tax revenues to the newly established State Education Fund. The impact had a one-half year impact in FY 2000-01. The full-year impact in the current fiscal year serves to dampen revenue growth *vis-a-vis* last fiscal year.

Cash Fund Revenue

- Total cash fund revenue subject to the TABOR revenue limit will decrease 1.5% in FY 2001-02, following a 5.8% increase in FY 2000-01. Four factors account for the decrease. First, the General Assembly made the Colorado Division of Wildlife an enterprise for the purposes of TABOR. Thus, most of the division's revenues are no longer subject to the TABOR revenue limit. Second, natural gas prices will return to normal levels this year and thus severance tax revenues will decline 25.2% from the record-high set in FY 2000-01. Third, most of the Controlled Maintenance Trust Fund (CMTF) was transferred to the General Fund on July 1. Interest earnings on the CMTF will thus be nearly nonexistent this year. Finally, the weak economy will lead to reduced growth rates for most other cash funds in FY 2001-02. The economy will improve after FY 2001-02 and the absence of the one-time factors will lead to increases in cash fund revenues after FY 2001-02.

Constitutional Spending Limit — the TABOR Limit

- The state's TABOR surplus in FY 2000-01 was $927.2 million, $30.7 million less than anticipated in our last forecast. Seventeen refund methods will be used to return the surplus to the state's taxpayers. The average sales tax refund will be $207, compared with an average of $268 refunded thus far from the FY 1999-00 surplus. If voters approve Amendment 26, the average refund will be $189.

- The weak General Fund and cash fund outlook will cause the TABOR surplus to decline to only $16.1 million in FY 2001-02. Two other factors contribute to the decline. First, an estimated 6.0% population growth in 2000 caused the state's revenue limit factor to nearly double for FY 2001-02. Relative to our initial estimate of population growth, this will reduce the surplus by an estimated $294 million. Second, the ongoing impact of Amendment 23 will reduce the surplus by an estimated $167.4 million. The TABOR surplus will reach only $63.7 million for FY 2002-03. During the six-year forecast period, we project that excess revenues will total $1.95 billion, an average of $325.7 million per year.

- The General Assembly has adopted 17 methods of refunding surplus TABOR revenues that are dependent on the level of the surplus. In addition, as long as a surplus exists, the sales tax refund is used in each year. Based on our projections of the TABOR surplus, only the sales tax refund mechanism will be effective for the TABOR refund in FY 2002-03 and FY 2003-04. During the rest of the forecast period, the TABOR surplus will not reach the level such that all refund methods will be used.

General Fund Overview

- The poor General Fund revenue outlook for FY 2001-02 leads to a bleak General Fund overview for this year. The Senate Bill 97-1 diversion of 10.355% of sales and use tax revenues cannot be made at all. If revenue growth were sufficient, $208.8 million would be diverted to the Highway Users Tax Fund. Our June forecast indicated that approximately one-half of the diversion would occur. The diversion is reduced when revenue growth is insufficient such that General Fund appropriations cannot increase by the statutory six percent maximum. Even if no sales and use tax revenue is diverted, General Fund appropriations for the operations budget would still have to be reduced by an estimated $97.8 million.

- After FY 2001-02, the General Fund overview has a healthier picture. The full Senate Bill 97-1 diversion can be made and appropriations can increase by six percent throughout the rest of the forecast period. The excess reserve in the General Fund is still a low $63.1 million in FY 2002-03, but will recover to more than $2.4 billion by FY 2006-07.

Revenue and Economic Forecast

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REVENUE AND ECONOMIC FORECAST

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General Fund Revenue

- We reduced the General Fund revenue forecast by $188.2 million relative to our June 2001 forecast. Three factors contribute to the reduction. First, the Colorado economy is weaker than we had previously anticipated. Second, our estimate of individual income tax accruals is now a negative figure. Previously, we believed that these accruals would be positive. Third, the overrefund of the FY 1999-00 surplus TABOR revenues is $33.4 million larger than previously anticipated. Thus, General Fund revenue will decrease by 1.3% in FY 2001-02. After FY 2001-02, General Fund revenues will return to a more robust growth pattern with a compound average annual growth rate of 7.4%.

- Individual income taxes are the largest source of revenue to the General Fund. They will increase by only 2.3% in FY 2001-02, following a growth rate of 8.1% in the previous fiscal year. Weaker wage growth, lower year-end bonuses, and lower capital gains realizations contribute to the low increase. Additionally, the negative accrual estimates will lead to the low increase. After FY 2001-02, the growth rate for individual income taxes will return to a more typical pattern with an annualized growth rate of 8.0%.

- Sales taxes are the second-largest source of revenue to the General Fund. Consumer and business spending has fallen off in recent months as confidence declined and job losses mounted. Combined with a full-year impact of the reduced sales tax rate, sales taxes will increase 2.8% in FY 2001-02. A strengthening economy thereafter will lead to a 6.6% increase for sales taxes in FY 2002-03.

This section presents the Legislative Council Staff outlook for General Fund revenues, with a special emphasis on the large revenue sources to the General Fund and the impacts of federal tax law changes.

Table 1 shows the preliminary, unaudited estimate of General Fund revenue for FY 2000-01 and our forecast of General Fund revenue for FY 2001-02 through FY 2006-07.

General Fund revenue increased 3.7% in FY 2000-01. This is the lowest growth rate since FY 1990-91 when the state was still feeling the lingering effects of the Colorado economic slowdown that began in the mid-1980s and the national economy was in recession. Two factors were partially responsible for the low growth rate. *First*, General Fund revenue growth was influenced by the diversion of $164.3 million of income tax revenue to the State Education Fund. Approval of Amendment 23 by the state's voters in November 2000 created the diversion of one-third of one percent of state income tax revenues to the State Education Fund. Still, an adjusted growth rate of 6.3% was also the lowest since FY 1990-91. *Second*, the ongoing impacts of tax legislation passed in 2000 reduced the growth rate. The state had a full year of a lower income tax rate during FY 2000-01 and a reduced sales and use tax rate during the last six months of the year reduced revenues.

"General Fund revenue will decline by an estimated 1.3% in FY 2001-02."

General Fund revenue will decline by an estimated 1.3% in FY 2001-02. This will be the first decline in revenue since FY 1980-81 when the state was reducing taxes because of a burgeoning surplus. The decline is influenced by the ongoing impact of Amendment 23 which will have its first full-year effect in FY 2001-02. After FY 2001-02, General Fund revenues will resume a more robust growth path, averaging an annualized pace of 7.4%. The latter growth rate is unchanged from our June 2001 forecast.

"We reduced our previous estimate of General Fund revenues for FY 2001-02 by $188.2 million."

We reduced our previous estimate of General Fund revenues for FY 2001-02 by $188.2 million. Three factors are responsible for the reduction. *First*, we increased our estimate of the TABOR overrefund by $33.4 million. The state is required to refund $941.1 million for FY 1999-00 and $927.2 million for FY 2000-01. Several methods are used to refund the surplus revenues. There is a degree of estimating error with each refund method, particularly in the first year. While some of the refund methods have returned less than the amount originally anticipated, others have refunded a greater amount than the original estimate. For example, taxpayers were eligible for a tax credit if they purchased health insurance in 2000 when they did not have it in 1999. This tax credit returned $2.7 million of the surplus, compared with an original estimate of $22.1 million. Further, the capital gains refund will return twice the original estimate of $40.2 million. Additionally, the sales tax refund has a built-in overrefund factor of five percent that accounts for part of the overrefund. We had previously anticipated that all of the overrefund would occur in the following fiscal year. The state has now reached an overrefund situation prior to June 30 in the last two years. Therefore, we are moving $20 million into FY 2001-02. We previously had this amount in FY 2002-03.

Second, we believe that the accrual process next July will reduce cash basis revenues for

Table 1
Colorado General Fund, Accrual Basis
September 2001 Revenue Estimates by Tax Category
($ in millions)

Category	Preliminary FY 2000-01	Percent Change	Estimate FY 2001-02	Percent Change	Estimate FY 2002-03	Percent Change	Estimate FY 2003-04	Percent Change	Estimate FY 2004-05	Percent Change	Estimate FY 2005-06	Percent Change	Estimate FY 2006-07	Percent Change
Sales /A	$1,811.2	3.8	$1,861.1	2.8	$1,984.6	6.6	$2,124.9	7.1	$2,269.2	6.8	2,421.0	6.7	2,580.6	6.6
TABOR Overrefund	(60.1)		(81.8)		(8.1)		(0.8)		(3.2)		(10.5)		(8.8)	
Use /A	157.9	10.8	154.9	-1.9	162.2	4.7	172.2	6.2	182.4	5.9	193.5	6.1	205.5	6.2
Cigarette	58.1	0.5	57.9	-0.4	57.5	-0.6	57.2	-0.6	56.8	-0.6	56.5	-0.6	56.2	-0.6
Tobacco Products	9.9	5.3	10.5	6.0	11.0	4.3	11.5	5.5	12.2	5.3	12.8	5.1	13.3	4.1
Liquor	29.3	4.6	29.4	0.5	30.5	3.6	31.3	2.6	32.1	2.6	32.9	2.6	33.8	2.6
TOTAL EXCISE	$2,006.3	2.2	$2,032.1	1.3	$2,237.7	10.1	$2,396.3	7.1	$2,549.5	6.4	$2,706.3	6.1	$2,880.5	6.4
Net Individual Income	$4,017.8	8.1	$4,108.6	2.3	$4,425.7	7.7	$4,800.5	8.5	$5,186.8	8.0	$5,640.4	8.7	$6,050.5	7.3
Net Corporate Income	329.7	14.0	311.1	-5.7	346.6	11.4	355.9	2.7	370.4	4.1	391.2	5.6	414.4	5.9
TOTAL INCOME TAXES	$4,347.5	8.5	$4,419.6	1.7	$4,772.3	8.0	$5,156.4	8.0	$5,557.2	7.8	$6,031.6	8.5	$6,464.9	7.2
Less: Portion directed to the State														
Education Fund /B	($164.3)		(331.7)	101.9	(357.8)	7.9	(386.2)	7.9	(415.8)	7.7	(450.9)	8.4	(483.0)	7.1
INCOME TAXES TO GENERAL FUND	$4,183.2	4.4	$4,087.9	-2.3	$4,414.5	8.0	$4,770.2	8.1	$5,141.4	7.8	$5,580.8	8.5	$5,982.0	7.2
Estate	$82.6	38.4	$79.2	-4.2	$61.8	-22.0	$45.9	-25.7	$24.4	-46.9	$2.9	-88.0	$0.0	-100.0
Insurance	142.0	10.5	145.8	2.6	148.0	1.5	148.7	0.4	149.5	0.6	155.3	3.8	161.2	3.8
Pari-Mutuel	6.1	-12.9	6.3	3.3	6.2	-1.6	6.1	-1.6	6.2	1.6	6.2	0.0	6.1	-1.6
Interest Income	45.2	6.9	36.5	-19.2	24.5	-32.9	36.5	48.9	54.5	49.3	66.5	22.0	82.0	23.3
Court Receipts	22.3	-17.7	22.9	2.7	23.5	2.4	24.1	2.8	24.8	2.8	25.5	2.8	26.2	2.7
Gaming /C	31.4	9.0	31.3	-0.2	38.5	23.0	45.9	19.1	51.7	12.7	57.6	11.4	63.2	9.8
Medicaid (Intergovt. Transfer)	0.0	-100.0	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA
Other Income	17.5	-45.1	12.5	-28.6	12.9	2.8	13.3	3.6	13.8	3.8	14.3	3.8	14.9	3.7
TOTAL OTHER	$347.1	4.4	$334.5	-3.6	$315.3	-5.7	$320.5	1.6	$324.9	1.4	$328.3	1.1	$353.6	7.7
GROSS GENERAL FUND	**$6,536.6**	3.7	**$6,454.4**	-1.3	**$6,967.4**	7.9	**$7,487.0**	7.5	**$8,015.8**	7.1	**$8,615.3**	7.5	**$9,216.1**	7.0
REBATES & EXPENDITURES:														
Cigarette Rebate	$16.4	0.0	$16.3	-0.4	$16.2	-0.6	$16.1	-0.6	$16.0	-0.6	$15.9	-0.6	$15.9	-0.6
Old-Age Pension Fund	63.2	9.5	66.5	5.2	70.3	5.8	74.6	6.1	79.3	6.3	84.5	6.6	88.8	5.1
Aged Property Tax & Heating Credit	16.8	-21.9	18.6	10.9	18.5	-0.8	18.3	-1.1	18.1	-1.0	17.8	-1.5	17.9	0.5
Fire/Police Pensions	28.7	0.0	28.7	0.0	28.7	0.0	28.7	0.0	28.7	0.0	28.7	0.0	5.6	-80.5
TOTAL REBATES & EXPENDITURES	$125.1	0.6	$130.1	4.0	$133.7	2.8	$137.7	3.0	$142.1	3.2	$147.0	3.4	$128.2	-12.8

Totals may not sum due to rounding.
NA: Not Applicable.
/A Sales and use taxes diverted to the Highway Users Tax Fund can be found in Table 11.
/B In November 2000, Colorado voters approved Amendment 23 that deposits an amount equal to 0.33 percent of Colorado taxable income into the State Education Fund. These revenues are exempt from the TABOR spending limit.
/C Includes only the amount credited to the General Fund.

individual income taxes for FY 2001-02. In contrast, the accruals for FY 2000-01 increased cash basis individual income taxes by $153.0 million. The large amount should reverse itself in FY 2001-02 and cash basis revenues will be reduced by $14.3 million. Overall, this is a $21.3 million change from our June accrual forecast.

Third, the slowing economy will have an impact on the state's tax receipts. We believe that this began to occur in the latter part of FY 2000-01 and will continue during FY 2001-02. Wage gains will not be as robust as in recent years. When the unemployment rate was extremely low, employers had to pay a premium to hire workers. This will be less of a factor as the unemployment rate rises and businesses are increasingly reluctant to hire additional workers. Consumer confidence began to decline nearly a year ago from a record high. We have witnessed this in Colorado as retail trade sales increased a mere 2.7% in the first half of 2001. High gasoline prices and business uncertainty have curtailed both pleasure and business travel around the country. Colorado particularly feels the impact of reduced pleasure travel as our state is a prime vacation spot. The tragic events in New York City and Washington, D.C. will only exacerbate the travel situation. Lower capital gains realizations will also reduce the growth rate of income taxes. The wealth effect will operate in reverse and somewhat suppress consumer spending.

Individual income taxes increased 8.1% in FY 2000-01, the first time that the growth rate fell below nine percent since FY 1990-91. While the growth rate was influenced by the ongoing impact of tax reductions, these reductions were the smallest of the past three years. A weaker economy and a lower growth rate for capital gains realizations also influenced income tax receipts last fiscal year.

We estimate that individual income taxes will increase by 2.3% in FY 2001-02. Several factors account for the low growth rate. We have previously mentioned the impact of the accrual process and the slowing economy accompanied by lower gains in wages and an anticipated decrease in capital gains realizations. A third factor will also influence the growth rate. National inflation in 2000 reached its highest level since 1991. Inflation is a key variable because it is used to index the values of the standard deduction and personal exemption in determining taxable income. The inflation rate for 2000 affects the standard deduction and personal exemption for the 2001 tax year. We project that inflation in 2001 will nearly match last year's rate, thus leading to increased values for the standard deduction and exemption values again.

"We estimate that individual income taxes will increase by 2.3% in FY 2001-02."

The growth in individual income taxes will be more robust after FY 2001-02, averaging 8.0% through the remainder of the forecast period. Nonetheless, the federal tax law changes passed by Congress and signed by President Bush last spring will have an impact on our income taxes. The state income tax is based on federal taxable income with certain Colorado modifications. Thus, any federal changes that affect the definitions of income, deductions, or exemptions will flow through to Colorado taxable income. Changes to federal tax rates or tax credits do not directly affect Colorado revenues. We estimate that the federal changes to the income tax will reduce state income taxes by $9.3 million in FY 2001-02, $22.4 million in FY 2002-03, and $30.3 million in FY 2003-04. The reduction will ultimately reach $74.2 million in FY 2009-10. The estimated reductions in state income taxes ratchet up because of the long phase-in time for the federal changes.

"The growth in individual income taxes will be more robust after FY 2001-02, averaging 8.0% through the remainder of the forecast period."

The General Assembly passed one income tax reduction bill during the 2001 legislative session. **House Bill 01-1090** increases the income tax credit available for the donation of perpetual conservation easements beginning in tax year 2003. The bill allows additional entities to claim the tax credit and expands the amount of the maximum credit from $100,000 to $260,000. General Fund revenues will be reduced by $1.5 million in FY 2002-03, $4.5 million in FY 2003-04, and $7.5 million in FY 2004-05.

Corporate income taxes increased 14.0% in FY 2000-01. Part of the large increase is attributable to transfers from corporate income taxes to individual taxes in FY 1999-00 that were larger than should have occurred. Still, Colorado's performance is remarkable in light of reported decreases in corporate taxes at the national level. We believe that corporate income taxes will be under pressure in the upcoming year.

"Corporate profit pressure at the national level will ultimately translate into a slowdown for state corporate tax receipts."

Most of Colorado's corporate income taxes are paid by firms that conduct interstate business. Their federal taxable income is apportioned to Colorado based on a combination of property, payroll, and sales factors. Corporate profit pressure at the national level will ultimately translate into a slowdown for state corporate tax receipts. Thus, we estimate that corporate taxes will decrease by 5.7% in FY 2001-02. A rebound in corporate profits will lead to an annual average gain of 5.9% during the rest of the forecast period.

The amount diverted to the ***State Education Fund*** will total an estimated $331.7 million in FY 2001-02. Over the six-year forecast period, we estimate that the fund will receive $1.94 billion from Colorado's income taxes.

Growth in ***sales tax revenues*** slumped after a 20-year high growth rate in FY 1999-00. The increase of 3.8% was partially attributable to the reduction of the state's sales tax rate from 3.0% to 2.9% on January 1, 2001. A rate-adjusted figure of 5.6% still yields the lowest growth rate since FY 1990-91.

"The first full year of the reduced sales tax rate, combined with the slowing economy, will keep sales taxes to a 2.8% gain in FY 2001-02."

The first full year of the reduced sales tax rate, combined with the slowing economy, will keep sales taxes to a 2.8% gain in FY 2001-02. In addition to the many economic pressures on consumers mentioned earlier, businesses will be hurt by corporate profit pressures. Business spending accounts for 35% of sales and use taxes. To put the impact of high gas prices and the terrorist actions on nationwide travel into perspective, tourism spending accounts for 10% of the state's sales and use taxes.

The runup in stock and housing values over the past four years had a tremendous impact on ***estate taxes***. The average amount of taxes collected over the past four years is two and a half times larger than the average for the previous four-year period. The amount of estate taxes is also heavily influenced by the death of particularly wealthy individuals. In the first two months of FY 2001-02, this is very evident as estate taxes are 70% ahead of our estimate. Thus, we increased this estimate by $6.6 million for the current year.

After FY 2001-02, estate taxes will be heavily affected by the federal tax reduction package passed earlier this year. Colorado's estate tax, like all other states' estate taxes, are based on a federal estate tax credit for state taxes. The federal government is phasing in a repeal of the estate tax. In order to reduce the cost of the gradual repeal of the estate tax, the federal government is also phasing out the credit for state taxes. This will flow through to the Colorado estate tax. The Colorado estate tax will no longer be effective for persons who die after 2004. Based on the federal repeal of the credit, we estimate that Colorado estate taxes will be reduced by $14.3 million in FY 2002-03, $35.7 million in FY 2003-04, $53.6 million in FY 2004-05, and $73.7 million in FY 2005-06. After FY 2005-06, the estate tax should be completely wiped out, though the state will likely collect minimal amounts for several years from delinquent filings and reassessments of property values.

"A slowdown in spending for new cars and a moderating growth rate in property values will influence the amount of insurance premium taxes."

The ***insurance premiums tax*** has exhibited strong growth in recent years, increasing 9.0% in FY 1999-00 and 10.5% in 2000-01. Rising health costs and property values and the accompanying rise in their insurance premiums are behind the steep climb in the tax. The insurance premiums tax will exhibit more modest growth of 2.6% in FY 2001-02. A slowdown in spending for new cars and a moderating growth rate in property values will influence the amount of insurance premium taxes.

A law change enacted in the recent session will affect these taxes after FY 2001-02. House Bill 01-1097 provides a credit against the insurance premiums tax owed by insurance companies that make an investment of certified capital in a certified capital company. The insurance companies will provide investment funds to companies that create jobs in Colorado, with an incentive for investment in rural and distressed urban areas. The insurance companies will then receive a vested credit against their state insurance premium tax liability, equal to 100 percent of their investment. The insurance companies can take up to 10 percent of the tax credit each year. For tax years 2003 and 2004, the aggregate amount of capital for which a tax credit can be claimed is $10 million. The amount increases to $20 million for tax years 2005 through 2012, and then falls back to $10 million for the next two tax years. House Bill 01-1097 will reduce General Fund revenues by $4.9 million in FY 2002-03, $9.9 million in FY 2003-04, and $14.9 million in FY 2004-05. The tax credit is slightly offset by additional fees paid by certified capital companies.

Interest earnings for the state's General Fund have been high in recent years as the fund generally had a significant balance throughout the year. However, the slowing economy, combined with a significant amount of capital construction expenditures, will reduce the General Fund balance this year. Thus, we anticipate that interest earnings for the General Fund will decline from $45.2 million in FY 2000-01 to $36.5 million in FY 2001-02 and $24.5 million in FY 2001-02.

Though ***gaming revenues*** as a whole will show strong growth in FY 2001-02, the amount accruing to the General Fund will fall slightly. The General Fund receives the remaining revenue after the Division of Gaming and the Gaming Commission's expenses are paid and the constitutional and statutory amounts that go to other funds are satisfied. The state appropriated an additional $3.8 million of gaming revenues to the State Highway Fund for FY 2001-02 relative to the previous year. The other funds which receive gaming funds receive a percentage of the total gaming revenues, thus their revenues rise or fall with the direction of gaming revenues.

The Joint Budget Committee made a key decision regarding the state's ***Medicaid revenues***. The change reflects a decision in the financing of the Medicaid Disproportionate Share Payments to Hospitals. The financing change removes Medicaid revenues as a source to the General Fund. We had previously estimated that they would contribute $5.6 million to the General Fund. The move will save an equivalent amount of spending from the General Fund, thus easing pressures for the six percent statutory spending limit.

Cash Fund Revenue Forecasts

- Cash fund revenue subject to the TABOR spending limit will decrease 1.5% in FY 2001-02. The decrease is attributable to one-time factors. Cash fund revenue will increase at an annualized pace of 3.7% over the entire forecast period.

- Revenue to the **transportation-related** cash funds, which include the Highway Users Tax Fund and the State Highway Fund, will increase 1.8% in FY 2001-02 and 5.6% in FY 2002-03. A cooling economy and higher gasoline prices are slowing demand for motor fuel and for newer and larger automobiles in FY 2001-02.

- Total **higher education** revenue will grow 5.8% in FY 2001-02, accompanied by 1.1% growth in full-time-equivalent student enrollment. Revenue will grow 5.9% in FY 2002-03, while full-time-equivalent student enrollment will grow 0.9%.

- Total **unemployment insurance** revenue will decline 5.5% in FY 2001-02. Mounting layoffs resulting from the slower economy, combined with a low tax rate inherited from the boom of the past five years and a temporary tax credit, will result in low tax revenues. Meanwhile, benefit payments will continue their recent acceleration in FY 2001-02. The increased benefit payments will put enough downward pressure on the balance of the Unemployment Insurance Trust Fund to trigger the solvency tax for 2004, 2005, and 2008. The fund balance will grow at an average annual rate of 3.1% to $938.4 million by FY 2006-07.

- **Limited Gaming Cash Fund** revenue will increase 10.2% in FY 2000-01. This is a smaller increase relative to the last few years. Still, the trend toward larger casinos and continued demand for gaming entertainment, despite the economic slowdown, will keep gaming revenue growth healthy.

- **Wildlife Cash Fund** revenue subject to the TABOR spending limit declined 0.9% in FY 2000-01, a result of slightly declining license sales. **House Bill 01-1012** designated the Division of Wildlife as an enterprise for the purposes of TABOR beginning in FY 2001-02. Thus, Wildlife Cash Fund revenues subject to TABOR will be reduced after FY 2000-01.

- Finally, all **other cash fund** revenue will decrease 5.4% in FY 2001-02, and increase at a compound average annual rate of 2.3% between FY 2000-01 and FY 2006-07.

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

"...cash fund revenue will decrease 1.5% in FY 2001-02 and rebound to a 6.5% gain in FY 2002-03."

After growing 5.8% in FY 2000-01, cash fund revenue will decrease 1.5% in FY 2001-02 and rebound to a 6.5% gain in FY 2002-03. These revenues will increase at a compound average annual rate of 3.7% between FY 2000-01 and FY 2006-07.

There are six primary reasons for the decline in cash fund revenues in FY 2001-02. First, the Colorado Division of Wildlife was made an enterprise. Thus, most of their revenues are no longer counted as part of TABOR revenues. Second, most of the Controlled Maintenance Trust Fund was transferred to the General Fund on July 1, 2001. Interest earnings to the fund will be substantially lower this year. Third, a decline in natural gas prices after the sudden price increase last winter will lead to a 25.2% decline in severance tax revenues. Fourth, the per-tanker charge for shipments of motor fuel will be reduced by one-third on October 1. Fifth, Senate Bill 00-057 exempted moneys credited to the Unclaimed Property Trust Fund from the TABOR revenue limit. Finally, a weaker economy over the next year will cause lower growth rates in most other cash fund revenue sources *vis-a-vis* last year.

It should be emphasized that a portion of the decline in these cash funds is attributable to the revenue not being counted as part of TABOR revenues. An estimated $49.3 million of wildlife revenue and $12.0 million in the other cash fund category is being treated in this manner. In the absence of the different accounting procedure for these revenues, all cash fund revenue would have increased 1.1% over FY 2000-01.

Transportation-Related Cash Funds

Transportation-related cash funds, which include the Highway Users Tax Fund, the State Highway Fund, and several smaller funds, increased 2.0% in FY 2000-01. Transportation-related revenue will increase at modest rates throughout the remainder of the forecast period. Transportation-related revenue will increase 1.8% in FY 2001-02, and at an average annual rate of 3.1% through FY 2005-06 (Table 3).

"A slower economy combined with higher gasoline prices depressed demand for gasoline and larger, newer vehicles during FY 2000-01."

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 (75 percent), automobile registration fees (21 percent), and revenues from the sale of driver licenses, court fines, penalties, and interest income (4 percent). In addition, 10.355% of the state sales and use tax revenues is diverted to the HUTF for transportation purposes, as long as there is enough revenue in the General Fund to fund a six percent increase in General Fund appropriations and maintain the statutory four percent reserve requirement.

HUTF revenue increased only 0.5% in FY 2000-01, following a 5.7% gain in FY 1999-00. A slower economy combined with higher gasoline prices depressed demand for gasoline

Table 2
Cash Fund Revenue Estimates by Category, September 2001
Millions of Dollars

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 00-01 to FY 06-07 CAAGR *
Transportation-Related /A	**$781.0**	**$795.0**	**$839.5**	**$858.0**	**$878.0**	**$905.7**	**$938.4**	**3.1%**
% Change	2.0%	1.8%	5.6%	2.2%	2.3%	3.2%	3.6%	
Higher Education	**$703.6**	**$744.2**	**$787.8**	**$824.4**	**$858.9**	**$901.2**	**$942.8**	**5.0%**
% Change	7.3%	5.8%	5.9%	4.7%	4.2%	4.9%	4.6%	
Unemployment Insurance /B	**$200.8**	**$189.8**	**$214.5**	**$278.2**	**$350.8**	**$307.4**	**$284.1**	**6.0%**
% Change	-11.0%	-5.5%	13.0%	29.7%	26.1%	-12.4%	-7.6%	
Limited Gaming Fund	**$92.0**	**$101.4**	**$112.9**	**$125.1**	**$138.3**	**$152.5**	**$166.2**	**10.4%**
% Change	15.0%	10.2%	11.4%	10.8%	10.6%	10.3%	8.9%	
Wildlife Cash Fund /C	**$58.9**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	N/A
% Change	-0.9%	-100.0%	N/A	N/A	N/A	N/A	N/A	
Capital Construction - Interest	**$34.9**	**$37.1**	**$31.0**	**$27.5**	**$24.4**	**$21.9**	**$14.2**	**-13.9%**
% Change	-6.0%	6.4%	-16.4%	-11.2%	-11.3%	-10.2%	-35.0%	
Insurance-Related	**$51.4**	**$54.7**	**$57.8**	**$61.2**	**$65.0**	**$69.1**	**$73.4**	**6.1%**
% Change	2.4%	6.4%	5.7%	5.9%	6.1%	6.3%	6.3%	
Regulatory Agencies	**$51.3**	**$52.2**	**$53.6**	**$55.2**	**$56.9**	**$58.6**	**$60.5**	**2.8%**
% Change	8.8%	1.8%	2.8%	2.9%	3.0%	3.0%	3.1%	
Severance Tax /D	**$74.7**	**$55.9**	**$52.2**	**$50.5**	**$49.6**	**$47.9**	**$49.6**	**-6.6%**
% Change	79.2%	-25.2%	-6.6%	-3.3%	-1.6%	-3.5%	3.6%	
Employment Support Fund /B	**$20.9**	**$22.0**	**$23.3**	**$24.7**	**$26.1**	**$27.4**	**$28.6**	**5.4%**
% Change	-2.2%	5.3%	6.1%	6.0%	5.5%	4.9%	4.4%	
Petroleum Storage Tank Fund	**$26.5**	**$19.3**	**$20.1**	**$20.7**	**$10.7**	**$11.0**	**$11.4**	**-13.2%**
% Change	52.5%	-27.1%	3.9%	3.0%	-48.6%	3.3%	3.4%	
Controlled Maintenance Trust Fund - Interest /E**	**$18.4**	**$0.7**	**$16.7**	**$18.7**	**$19.2**	**$19.2**	**$19.2**	**0.8%**
% Change	2.0%	-96.4%	2443.3%	12.0%	2.9%	0.0%	-0.1%	
Other Cash Funds	**$262.0**	**$267.9**	**$283.7**	**$301.2**	**$320.3**	**$341.0**	**$363.4**	**5.6%**
% Change	16.0%	2.2%	5.9%	6.2%	6.4%	6.5%	6.6%	
Total Cash Fund Revenues	**$2,376.3**	**$2,340.1**	**$2,493.2**	**$2,645.5**	**$2,798.2**	**$2,863.0**	**$2,951.7**	**3.7%**
Subject to the TABOR Limit	**5.8%**	**-1.5%**	**6.5%**	**6.1%**	**5.8%**	**2.3%**	**3.1%**	

Totals may not sum due to rounding.

* CAAGR: Compound Annual Average Growth Rate.

N/A = Not Applicable

** These figures reflect only revenue in the funds subject to TABOR, rather than total revenues credited to the funds, much of which has already been counted for the purposes of TABOR. For example, the FY 2000-01 $232.4 million General Fund transfer to the Capital Construction Fund has already been counted in General Fund revenues for the purposes of the TABOR limit, and therefore is not included 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 HB 01-1012 designates the Division of Wildlife as an enterprises for TABOR purposes beginning in FY 2001-02.

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

/E House Bill 01-1267 requires that the principal balance of the Controlled Maintenance Trust Fund, or $243.9 million, be transferred to the General Fund on July 1, 2001. On July 1, 2002, $276.4 million will be transferred from the General Fund to the Controlled Maintenance Trust Fund.

and larger, newer vehicles during FY 2000-01. We expect that these factors will continue during FY 2001-02, leading to a 2.2% gain in HUTF revenue in FY 2001-02. The HUTF revenues will increase at an annualized pace of 3.7% during the forecast period.

Vehicle **registration revenue**, much of which is paid on larger and newer vehicles, will grow 4.5% in FY 2001-02, after decreasing 0.2% in FY 2000-01. Growth in registration revenues is boosted in FY 2001-02 as a result of House Bill 01-1017, which allows owners to register certain vehicles for two-year or five-year periods beginning in FY 2001-02. Prior to the passage of House Bill 01-1017, we expected only 2.5% growth in registration revenues in FY 2001-02. Consumers responded to a slowing economy and higher gasoline prices by reducing their purchases of newer and larger vehicles or postponing the purchase until the economy recovers. Thus, registration fees declined by 0.2% in FY 2000-01. Steady population growth and consistent increases in personal income will cause demand for automobiles and trucks to recover throughout the forecast period. Additionally, concerns for personal safety will keep up the trend to larger vehicles. However, growth will not rival that of recent years. We expect registration revenues to grow at a compound average annual rate of 4.2% over the forecast period.

Motor fuel tax revenue increased only 1.1% in FY 2000-01, a result of a cooling economy and high gasoline prices. This situation is not expected to improve significantly in FY 2001-02, when we expect motor fuel tax revenue to increase 1.6 percent, a combination of a slight decline in special fuel taxes and a small increase in gasoline taxes. In contrast, motor fuel taxes increased at a 4.1% annualized pace in the five years prior to FY 2000-01. We expect the economy to recover by FY 2002-03, thus motor fuel tax revenue will exhibit stronger growth throughout the rest of the forecast period, although at a slightly slower rate than experienced during the late 1990s. Revenues will increase at a compound average annual rate of 3.0% between FY 2000-01 and FY 2006-07.

"The decline in State Highway Fund revenues in FY 2001-02 is attributable to no diversion of sales and use tax revenues during the fiscal year."

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%) 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 into the State Highway Fund. Interest earnings in the fund are subject to the TABOR spending limit. Furthermore, the State Highway Fund received a significant increase in matching funds from local governments in FY 2000-01 for projects accelerated with the use of Transportation Revenue Anticipation Notes. These local matching funds caused State Highway Fund revenues subject to TABOR to increase 38.9% in FY 2000-01. We expect State Highway Fund revenues subject to TABOR to decline 13.3% in FY 2001-02, and decline at a compound average annual rate of 0.6% between FY 2000-01 and FY 2006-07. The decline in State Highway Fund revenues in FY 2001-02 is attributable to no diversion of sales and use tax revenues during the fiscal year.

Additional Monies for Transportation. Senate Bill 97-1 originally provided for the diversion of 10% of state sales and use tax revenues to the HUTF. The amount diverted to the HUTF was increased to 10.355% because sales and use tax revenues were reduced by legislative

Table 3
Transportation Funds Revenue Forecast by Source, September 2001
Millions of Dollars

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 2000-01 to FY 2006-07 CAAGR *
Highway Users Tax Fund								
Registrations /A	$148.7	$155.4	$163.4	$169.0	$174.5	$182.4	$189.9	4.2%
% change	-0.2%	4.5%	5.2%	3.4%	3.2%	4.5%	4.1%	
Motor Fuel and Special Fuel Taxes /B	$526.1	$534.6	$556.6	$572.8	$589.4	$609.0	$629.8	3.0%
% change	1.1%	1.6%	4.1%	2.9%	2.9%	3.3%	3.4%	
Other Receipts /C	$43.5	$44.3	$47.8	$45.9	$48.0	$50.4	$53.2	3.4%
% change	-4.6%	1.8%	8.0%	-4.1%	4.6%	5.1%	5.5%	
Total Highway Users Tax Fund	**$718.4**	**$734.2**	**$767.9**	**$787.7**	**$811.9**	**$841.9**	**$872.9**	**3.3%**
% change	**0.5%**	**2.2%**	**4.6%**	**2.6%**	**3.1%**	**3.7%**	**3.7%**	
State Highway Fund - Interest /D	$42.8	$37.1	$45.9	$43.6	$41.5	$39.4	$41.3	-0.6%
% change	38.9%	-13.3%	23.7%	-4.9%	-5.0%	-5.0%	4.9%	
Other Transportation Funds /E	$19.9	$23.7	$25.8	$26.7	$24.6	$24.4	$24.1	3.3%
% change	-1.6%	19.2%	8.8%	3.4%	-7.6%	-0.7%	-1.2%	
TOTAL: All Transportation Funds	**$781.0**	**$795.0**	**$839.5**	**$858.0**	**$878.0**	**$905.7**	**$938.4**	**3.1%**
% change	**2.0%**	**1.8%**	**5.6%**	**2.2%**	**2.3%**	**3.2%**	**3.6%**	
Addendum: Senate Bill 97-1 Diversion /F	$197.2	$0.0	$222.3	$237.9	$253.9	$270.7	$288.5	6.5%
% change	5.2%	-100.0%	NA	7.0%	6.7%	6.6%	6.6%	

Totals may not sum due to rounding and do not include Senate Bill 97-1 revenues, which are 10.355 percent of sales and use tax revenues. The Senate Bill 97-1 revenues are displayed in the General Fund and are then transferred to the HUTF.

* CAAGR: Compound Annual Average Growth Rate.

/A Incorporates the impact of House Bill 01-1017, which allows the option for a five-year or two-year registration period for certain vehicles.

/B Net of refunds.

/C Includes interest receipts, judicial receipts, drivers' license fees, gross ton mile tax revenues, and other miscellaneous receipts in the HUTF. Incorporates the impacts of House Bill 01-1125, which institutes a new surcharge on first-time driver's license applicants, and Senate Bill 01-109, which reduces the motorist identification fee and extends it for two additional years.

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

/E Revenues received by these funds include fees for distributive data processing, emissions, motorcycle safety, and emergency medical services. Incorporates the impact of House Bill 01-1100, which increases motor vehicle title fees to pay for computer upgrades.

/F The Senate Bill 97-1 diversion is eliminated in FY 2001-02 to allow General Fund appropriations to grow by the six percent statutory limit. .

changes to the tax base and tax rate. The amount diverted is shown at the bottom of Table 3. A statutory trigger reduces the Senate Bill 97-1 diversion dollar-for-dollar when General Fund revenues fall short of fully funding the six percent growth limit on General Fund appropriations. This is expected to occur in FY 2001-02.

Higher Education

In this section, we present the projections for cash fund revenue growth and full-time equivalent (FTE) enrollment in the state's higher education system. The estimates are shown in Tables 4 and 5.

Higher Education Cash Fund Revenue Projections. Higher education revenue increased 7.3% in FY 2000-01. Table 4 provides the six-year forecast through FY 2006-07. Between FY 2000-01 and FY 2006-07, we expect total higher education cash fund revenues will grow at an average annual rate of 5.0%.

Higher education *tuition revenue* increased 5.2% in FY 2000-01, the largest growth in six years. This was less than the 6.3% growth estimated in the June 2001 forecast. Still, the September forecast projects tuition growth between five and six percent in the next two years, due in part to a weakening economy that is expected to spur higher education enrollment gains. Over the six-year forecast period, tuition revenue will increase at an average annual rate of 4.6%.

Nontuition revenue will also maintain a strong growth pattern throughout the forecast period, increasing at an annualized pace of 6.4% through FY 2006-07. The strong growth rate of 15.2% in FY 2000-01 is somewhat misleading because nontuition revenue saw a significant dip in FY 1999-00 due to an operational reorganization at university hospital clinics.

Higher Education Enrollment Projections. FTE enrollment increased 0.3% in FY 2000-01, slightly less than the 0.5% forecasted in June 2001. Table 6 displays the FTE student enrollment projections by residency status. Total FTE student enrollment at Colorado's public higher education institutions will increase at an average annual rate of 0.8% between FY 2000-01 and FY 2006-07.

We project that *resident enrollment* will increase at a compound average annual rate of 0.9% between FY 2000-01 and FY 2006-07. Resident enrollment growth will exhibit a relative surge in FY 2001-02 as the economic slowdown drives people back to colleges and universities in order to obtain more marketable skills.

"Resident enrollment growth will exhibit a relative surge in FY 2001-02 as the economic slowdown drives people back to colleges and universities in order to obtain more marketable skills."

Nonresident enrollment will grow at a rate of 0.5% over the forecast period. We expect that nonresident enrollment will not grow as significantly as resident enrollment as the higher cost of out-of-state tuition will influence prospective students to attend a resident school or become Colorado residents. The slower growth is also attributable to an expected slowing trend in population and migration.

Factors Affecting the Forecast. Population growth among age-groups likely to seek higher education is a significant factor in this forecast. These 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 in particular age groups; and population growth in regions in close proximity to colleges and universities.

Table 4
Higher Education Revenue Forecast by Source, September 2001
Millions of Dollars

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 2000-01 to FY 2006-07 CAAGR *
Tuition	$547.2	$579.7	$612.2	$636.8	$659.0	$688.1	$715.7	4.6%
% change	5.2%	5.9%	5.6%	4.0%	3.5%	4.4%	4.0%	
Nontuition	$156.5	$164.5	$175.6	$187.6	$199.9	$213.1	$227.0	6.4%
% change	15.2%	5.1%	6.7%	6.8%	6.5%	6.6%	6.5%	
TOTAL Higher Education Cash	**$703.6**	**$744.2**	**$787.8**	**$824.4**	**$858.9**	**$901.2**	**$942.8**	5.0%
% change	**7.3%**	**5.8%**	**5.9%**	**4.7%**	**4.2%**	**4.9%**	**4.6%**	

Totals may not sum due to rounding.

* CAAGR: Compound Annual Average Growth Rate.

For FY 2000-01, the General Assembly approved maximum tuition increases of 2.9 percent for residents and 4.0 percent for nonresidents. For FY 2001-02, resident tuition will increase by 4.0 percent and nonresident tuition will increase by 5.0 percent. For subsequent years, we assume maximum tuition rate increases for residents and nonresidents to be equal to the Denver-Boulder-Greeley inflation rate.

FY 2001-02 estimates and beyond do not take into account a recent accounting change that would eliminate student financial aid from reported cash fund revenues.

Table 5
Higher Education Enrollment Forecast, September 2001
Total Public Higher Education FTE Enrollment

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 2000-01 to FY 2006-07 CAAGR *
Residents	117,235	118,739	120,017	120,808	121,930	122,953	123,523	0.9%
% change	0.5%	1.3%	1.1%	0.7%	0.9%	0.8%	0.5%	
Nonresidents	21,235	21,321	21,312	21,502	21,429	21,685	21,833	0.5%
% change	-0.3%	0.4%	-0.0%	0.9%	-0.3%	1.2%	0.7%	
TOTAL Full-Time-Equiv Students	**138,470**	**140,060**	**141,329**	**142,310**	**143,359**	**144,638**	**145,356**	0.8%
% change	**0.3%**	**1.1%**	**0.9%**	**0.7%**	**0.7%**	**0.9%**	**0.5%**	

Totals may not sum due to rounding.

* CAAGR: Compound Annual Average Growth Rate.

Economic conditions such as the business cycle play a role in higher education enrollment. During an economic slowdown, we estimate that enrollment will increase as employees seek to improve their marketable skills. We estimate that higher education enrollment will increase as a result of a weaker economy, employment cuts, and an increasingly competitive job market.

Tuition revenue is driven by enrollment and inflation. Nontuition revenue is driven by student fees, housing, and the use of auxiliary services such as university clinics. Interest income also contributes significantly to nontuition revenue.

The Governmental Accounting Standards Board recently issued statements 34 and 35, requiring institutions of public higher education to discontinue reporting scholarship allowances and tuition discounts as revenue. Financial aid for student tuition provided by or funneled through the state will no longer be reported in financial statements as revenue but rather as offsets. This accounting change becomes effective at the end of FY 2002-03. This does not necessarily mean that revenue will decrease, but rather a portion of tuition revenue (current estimates range between 35% and 50%) will no longer be considered revenue for the purposes of TABOR. This change will be accompanied by an adjustment to the TABOR base such that the TABOR surplus will not be affected. The revenue impact of this change will be addressed in upcoming forecasts.

General Assembly Legislation Affecting the Forecast. The September forecast reflects two tuition inflation factors approved by the Joint Budget Committee for FY 2001-02. First, the committee authorized a 4.0% increase in resident tuition, based on the 2000 Denver-Boulder-Greeley inflation rate. Second, the committee authorized a 5.0% increase in nonresident tuition. Future per-pupil tuition is assumed to increase at the projected Denver-Boulder-Greeley inflation rate. Estimates for the local inflation rate are found in Table 13.

Senate Bill 01-229 authorizes the Colorado School of Mines (CSM) to operate under a performance contract with the Colorado Commission on Higher Education. CSM will have the ability to set resident and nonresident tuition rates. Because the performance contract has not been submitted to the General Assembly for approval, the impact of this bill cannot be estimated at this time.

Unemployment Insurance Trust Fund

Forecasts for unemployment insurance (UI) taxes, benefit payments, and the UI Trust Fund balance are shown in Table 6. The UI Trust Fund collects taxes from employers and uses the revenue 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 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 low unemployment rate produced declines in total benefit payments. Despite strong employment and wage growth, a consistently declining UI tax rate culminated in low UI tax revenue growth during FY 1996-97 and FY 1997-98 and declines in FY 1998-99 through FY 2000-01. Total UI revenue decreased 11.0% in FY 2000-01. The decline was partially attributable to a temporary tax credit that reduces UI taxes by 20% during 2001 and 2002. However, the level of UI

Table 6
Unemployment Insurance Trust Fund Forecast, September 2001
Revenues, Benefits Paid, The UI Fund Balance, and Solvency Measures
Millions of Dollars

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 2000-01 to FY 2006-07 CAAGR *
Beginning Balance	$763.7	$781.2	$748.2	$726.2	$773.9	$879.2	$927.5	3.3%
Plus Income Received								
Taxes /A	$149.6	$143.6	$164.9	$228.3	$297.6	$247.0	$220.1	6.7%
Interest	$51.2	$46.2	$49.7	$49.8	$53.2	$60.4	$64.0	3.8%
Total Revenues	**$200.8**	**$189.8**	**$214.5**	**$278.2**	**$350.8**	**$307.4**	**$284.1**	6.0%
% change	-11.0%	-5.5%	13.0%	29.7%	26.1%	-12.4%	-7.6%	
Less Benefits Paid	($183.2)	($222.8)	($236.5)	($230.5)	($245.5)	($259.0)	($273.3)	6.9%
% change	18.0%	21.6%	6.1%	-2.5%	6.5%	5.5%	5.5%	
Accounting Adjustment /B	$12.9	$2.7	$2.9	$2.8	$3.0	$3.2	$3.4	
Ending Balance	**$781.2**	**$748.2**	**$726.2**	**$773.9**	**$879.2**	**$927.5**	**$938.4**	3.1%
Solvency Measures:								
Months Solvent at Recession-Level Benefits	11.0	9.9	9.0	8.8	9.3	9.1	8.6	-4.1%
Fund Balance as a Percent of Total Annual Private Wages /C	1.11%	1.00%	0.90%	0.89%	0.94%	0.92%	0.86%	-4.1%

Totals may not sum due to rounding.
NA: Not Applicable.
* CAAGR: Compound Annual Average Growth Rate.

/A Incorporates a 20 percent tax credit for eligible employers in calendar years 2000 and 2001. The solvency tax is triggered in in calendar years 2004 and 2005. The Colorado Department of Labor and Employment estimates that solvency tax revenues will equal $55 million in 2004. Solvency tax revenues are estimated to be $155.5 million in 2005. This includes taxes from private employers and state and local governments, penalty receipts, and 50% of the surcharge, and the accrual adjustment on taxes.

/B This is the accrual adjustment for benefits paid and other accounting adjustments.

/C A ratio at or below 0.9% triggers the solvency tax. This forecast incorporates an estimated $55 million in revenues in calendar year 2004 and an estimated $115.5 million in calendar year 2005 from the solvency tax.

taxes remained much higher than the level of benefits paid, resulting in robust growth in the UI Fund balance and increased interest earnings in FY 2000-01.

"The layoffs caused benefit claims to soar during the second half of FY 2000-01."

Layoffs began to take a toll in late 2000 and accelerated throughout the first three quarters of 2001. The layoffs caused *benefit claims* to soar during the second half of FY 2000-01. Indeed, increased claims activity is expected to continue until at least early 2002. This, combined with continually rising wages, caused benefit payments to rise 18.0% in FY 2000-01, and will cause benefit payments to continue to rise substantially in FY 2001-02. Meanwhile, *tax revenues* will decline 4.0% in FY 2001-02 as a result of an extremely low UI tax rate, a slowing economy, and the continuing impact of the temporary tax credit. *Tax rates* will rise somewhat in FY 2001-02 and FY 2002-03 as a result of rising benefit payments in FY 2000-01 and FY 2001-02, and then will be more steady during the remainder of the forecast period. Despite this, the temporary tax credit will prevent tax revenues from recovering in FY 2001-02, when they are expected to decline 4.0 percent. Tax revenues will rise 14.8% in FY 2002-03, and then moderate during the remainder of the forecast period.

Because benefit payments are rising significantly while tax revenues fall, the fund balance will grow at rates substantially less than total covered wages, causing the solvency of the fund to fall to a level by the end of FY 2002-03 that would trigger the solvency tax for calendar year 2004. Furthermore, the estimated $55 million in solvency tax revenues generated during calendar year 2004 will not be enough to return solvency to the fund by the end of FY 2003-04, and thus the solvency tax will continue to be levied at an even higher rate in calendar year 2005. We estimate that the solvency tax will generate $115.5 million in revenues during calendar year 2005. The fund will return to solvency by the end of FY 2004-05. However, we expect the solvency tax to be triggered again for 2008. Total UI revenue, including regular UI taxes, solvency taxes, and interest earnings, will decline 5.5% in FY 2001-02 and increase at a compound average annual rate of 6.0% through FY 2006-07.

"The solvency of the UI Trust Fund is expected to deteriorate over the next few years, however, thus triggering the solvency tax for calendar years 2004 and 2005, and again for 2008."

The UI Trust Fund Balance and Solvency Measures. We expect the UI Trust Fund balance to grow to $969.3 million by FY 2006-07. The solvency of the UI Trust Fund is expected to deteriorate over the next few years, however, thus triggering the solvency tax for calendar years 2004 and 2005, and again for 2008. A solvency tax is triggered in Colorado when the UI fund balance as a percentage of total annual private wages falls below 0.9%. This ratio, shown at the bottom of Table 6, will fall from 1.1% in FY 2000-01 to 0.9% by the end of FY 2002-03, triggering the solvency tax on January 1, 2004. By the end of FY 2003-04, the ratio is expected to be 0.89%; thus the solvency tax will remain in effect for calendar year 2005 as well. Although the solvency tax is not expected to be triggered for calendar years 2006 and 2007, it will be triggered again for calendar year 2008. Another 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. While the fund was able to pay for 11.0 months of recession-level benefits in FY 2000-

01, it will be sufficient to pay for only 8.6 months of recession-level benefits by FY 2006-07, even with the solvency tax in effect for calendar years 2004 and 2005.

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 2000-01, these cash funds comprised 29.1% of total cash fund revenue. The forecast for each of these funds is contained in Table 2.

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 increased 15.0% in FY 2000-01. This healthy growth was a result of strong growth in personal income, larger casinos replacing smaller casinos, and continued demand for gaming entertainment. Larger casinos pay more taxes than smaller casinos because they reach the higher tax rates faster and more often than smaller casinos. The gaming tax currently ranges from 0.25% of the first $2 million of AGP (or the total amount bet less winnings) to 20% of all AGP above $15 million.

"We expect overall gaming revenue to increase 10.2% in FY 2001-02, as larger casinos continue to replace smaller casinos, while the economic slowdown moderates the healthy growth rates seen in recent years."

We expect overall gaming revenue to increase 10.2% in FY 2001-02, as larger casinos continue to replace smaller casinos, while the economic slowdown moderates the healthy growth rates seen in recent years. We expect the gaming market in Colorado to become satiated somewhat by the end of the forecast period, with gaming revenue increasing at an annual rate of 10.4% between FY 2000-01 and FY 2006-07.

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 2000-01, 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 2000-01, the General Fund received 33.4% 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 revenues subject to the TABOR spending limit declined 0.9% in FY 2000-01. Wildlife Cash Fund revenues subject to the TABOR spending limit will be eliminated beginning in FY 2001-02 as a result of House Bill 01-1012. House Bill 01-1012 designated the Division of Wildlife (DOW) as an enterprise for purposes of TABOR beginning July 1, 2001.

While exempting the DOW from TABOR will not affect DOW revenues, it will change the amount of TABOR revenue collected and the TABOR refund. Furthermore, because the TABOR refund is recorded as a General Fund liability, it would change General Fund expenditures and the size of the excess General Fund reserve. Designating the DOW as an enterprise for the purposes of TABOR will cause the TABOR refund to increase by $3.9 million in FY 2001-02, and by a total of $6.9 million through FY 2005-06. The excess General Fund reserve will decrease by $6.9 million by FY 2005-06. The TABOR refund increases because exempting a slow-growth revenue source such as DOW fees creates less offset revenue sources to high-growth sources such as income taxes.

The **Capital Construction Fund** retains money for construction of capital projects such as prisons and higher education facilities. Income to this fund is comprised largely of interest earnings on the unspent balance. A total of $272.4 million was transferred to the fund from the General Fund in early FY 2000-01, and at least $100 million will be transferred in FY 2001-02 through FY 2005-06. The General Assembly typically increases the $100 million transfer in each year. For instance, during the 2001 legislative session, the General Assembly passed many other bills, which transferred an additional $156.8 million from the General Fund on July 1, 2001. An additional $45.8 million is scheduled to be transferred on March 1, 2002.

Despite these large transfers, the anticipated large expenditures from the fund will result in a falling average fund balance throughout the forecast period. Therefore, we expect income to the Capital Construction Fund to decline at a compound average annual rate of 13.9% from FY 2000-01 through FY 2006-07.

The Department of **Regulatory Agencies** regulates and enforces Colorado laws regarding various industries in Colorado. The department collects license and other fees from the professions that it regulates. After growing 8.8% in FY 2000-01, fee revenue is expected to grow 1.8% in FY 2000-01. Because most fees are related to employment levels, we expect DORA cash fund revenue to increase modestly during the remainder of the forecast period.

Insurance-related taxes are deposited into 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. Medical inflation has been increasing for several years and is expected to continue this trend. 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 6.1% between FY 2000-01 and FY 2006-07.

"Severance tax-related revenue reached a record high of $74.7 million last fiscal year."

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. Total severance tax revenues, including interest earnings, increased 52.5% in FY 2000-01, primarily due to a 112.1% increase in oil and gas severance taxes, a result of simultaneous increases in energy prices and oil and gas production. Severance tax-related revenue reached a record high of $74.7 million last fiscal year. Prices for natural gas have plunged from their high levels earlier this year. Thus, we expect that severance taxes from this source will fall in FY 2001-02. All severance taxes and interest income will total $55.9 million in FY 2001-02, a 25.2% decline. Between FY 2000-01 and FY 2006-07, we expect total severance tax revenues to decrease at an annual average rate of 6.6%.

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. After declining 2.2% in FY 2000-01, ESF revenues will increase 5.3% in FY 2001-02, and are expected to grow at an average annual rate of 5.4% over the forecast period.

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, and was set at its high level of $75 during FY 2000-01 because of demand on the fund's resources. Demands for the money in the fund's reserve eased up recently, and the fee will drop to $50 on October 1, 2001. Thus, after increasing 52.5% in FY 2000-01, revenues to the fund will decline 27.1% in FY 2001-02. As a result of the fee changes during the last year and a statutory reduction of the fee in FY 2004-05, Petroleum Storage Tank Fund revenues are expected to decline at a compound average annual rate of 13.2% between FY 2000-01 and FY 2006-07.

"Demands for the money in the fund's reserve eased up recently, and the fee will drop to $50 on October 1, 2001."

The **Controlled Maintenance Trust Fund** (CMTF) is a state trust fund from which the interest earned may be spent for maintenance of existing capital investments. Interest earnings to the Controlled Maintenance Trust Fund (CMTF) will show a volatile pattern during the next two years as a result of House Bill 01-1267. This bill requires the principal balance of the CMTF ($243.9 million) to be transferred to the General Fund on July 1, 2001. On July 1, 2002, $276.4 million will be transferred from the General Fund to the CMTF. Interest income to the CMTF will increase at a compound annual average rate of 0.8% between FY 2000-01 and FY 2006-07.

"Senate Bill 00-057 exempted moneys credited to the Unclaimed Property Trust Fund ."

The **"other cash funds"** component includes approximately 174 smaller cash funds and can be quite volatile. These funds grew 16.0% as a group in FY 2000-01, a heady pace that is likely due to the fact that most funds subject to Senate Bill 98-194 no longer needed to reduce fees in FY 2000-01. This bill required many cash funds to lower fees in order to reduce their reserves. Once their reserves were reduced to a certain level, they were no longer required to reduce their fees and their revenue increased as a result. Revenue to this group of cash funds will increase at an annual average rate of 5.6% over the forecast period. Senate Bill 00-057 exempted moneys credited to the Unclaimed Property Trust Fund from the TABOR limit. The exemption was effective July 1, 2001, and will reduce the other cash funds estimate by $12.0 million.

The Constitutional Revenue Limit

- Colorado will exceed its constitutional revenue limit in each year of the forecast period, though only slightly in the first two years of the forecast. The TABOR surplus will be an estimated $16.1 million and $63.7 million for FY 2001-02 and FY 2002-03. After averaging $777.8 million during the past four years, surplus TABOR revenues will average only $325.7 million during the next six years. A weak economy, combined with the effects of the 2000 Census results, the voter-approved Amendment 23, the ongoing impacts of permanent tax reductions, and higher-than-expected inflation in 2001, are responsible for the low surplus figures for the first two years.

- The General Assembly has enacted 18 ways to return surplus TABOR revenues. Seventeen are based on the amount of the TABOR surplus, while the sales tax refund is used whenever a surplus exists. Based on the low TABOR surplus estimates for FY 2001-02 and FY 2002-03, the sales tax refund will be the only method in effect for these two years. In FY 2003-04, only one refund method that is dependent on the amount of the surplus — the earned income credit — will be in effect. During the rest of the forecast period, the TABOR surplus will not reach the level such that all refund methods will be used.

This section presents a brief discussion of the TABOR spending limit and the projected surplus TABOR revenues after incorporating the General Fund and Cash Fund revenue forecasts. In addition, we discuss which refund methods are projected to be used during the forecast period.

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. TABOR 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 in each year of the forecast period, though by small amounts in the initial two years."

We expect the state to exceed its TABOR limit in each year of the forecast period, though by small amounts in the initial two years. During the six-year forecast period beginning in FY 2000-01, we project that surplus TABOR revenues will total $1.95 billion, an average of $325.7 million per year. This compares with an average surplus of $777.8 million during the past four years. Table 7 displays the projections for the future TABOR surpluses based upon current law (e.g., current tax policy) and the Legislative Council September 2001 revenue, inflation, and population forecasts. Table 8 shows a detailed calculation of the TABOR surplus. The forecast incorporates voter approval of Amendment 23 and Referendum A, as well as legislative approval of House Bill 01-1012 which exempted most Division of Wildlife revenues from the state revenue limits.

Table 7
Estimated TABOR Surplus Revenues

Fiscal Year	Amount
2001-02	$16.1
2002-03	$63.7
2003-04	$242.3
2004-05	$416.6
2005-06	$548.1
2006-07	$667.3
Total	$1,954.0
Average	$325.7

It should be noted that we increased our forecast of the Denver-Boulder-Greeley inflation rate relative to our previous forecast. The June forecast of the 2001 inflation rate was 3.7%. The inflation rate for the first six months of 2001 was 5.4%. Costs of energy used for homes rose 27.1% and was responsible for much of the gain. Energy costs will shrink during the second half of the year and we estimate that inflation will be 4.8% in 2001. The increased inflation rate means that the annual TABOR surplus shrinks by $95.7 million beginning in FY 2002-03 relative to our previous forecast.

"We estimate that the average sales tax refund will be $207 when taxpayers file their 2001 income tax return. If taxpayers approve Amendment 26, the projected refund will be $189."

Review of the FY 2000-01 TABOR Surplus. Revenues subject to the TABOR limit exceeded the allowable limit by $927.2 million in FY 2000-01, a slight decline from the $941.1 million in the previous year. While the General Assembly has enacted 18 refund methods, one does not begin until the refund of the FY 2002-03 surplus. Table 9 shows the amount estimated to be refunded for each of the 17 refunds. The sales tax refund is increased by five percent to ensure that all of the TABOR surplus is refunded. We estimate that the average sales tax refund will be $207 when taxpayers file their 2001 income tax return. If taxpayers approve Amendment 26, the projected refund will be $189.

Table 8
September 2001 Forecast for the TABOR Revenue Limit and Emergency Reserve

	Preliminary FY 2000-01	Estimate FY 2001-02	Estimate FY 2002-03	Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07
TABOR Revenues:							
General Fund /A	$6,500.8	$6,409.3	$6,915.2	$7,427.4	$7,950.4	$8,544.0	$9,139.1
Cash Funds	2,376.3	2,340.1	2,493.2	2,645.5	2,798.2	2,863.0	2,951.7
Total TABOR Revenues	$8,877.1	$8,749.4	$9,408.4	$10,072.9	$10,748.6	$11,407.0	$12,090.8
LIMIT:							
Allowable TABOR Growth Rate	5.1%	10.0%	7.0%	5.2%	5.1%	5.1%	5.2%
Inflation	2.9%	4.0%	4.8%	3.1%	3.1%	3.2%	3.3%
Population Growth	2.2%	6.0%	2.2%	2.1%	2.0%	1.9%	1.9%
Allowable TABOR Limit /B	**$7,948.6**	**$8,733.3**	**$9,344.7**	**$9,830.6**	**$10,331.9**	**$10,858.9**	**$11,423.5**
Revenues Above / (Below) TABOR Limit /C	**$927.2**	**$16.1**	**$63.7**	**$242.3**	**$416.6**	**$548.1**	**$667.3**
EMERGENCY RESERVE:							
TABOR Emergency Reserve /D	$238.5	$262.0	$280.3	$294.9	$310.0	$325.8	$342.7
Reserved Amount (CMTF Principal) /E	$243.9	NA	$276.4	$276.4	$276.4	$276.4	$276.4

Totals may not sum due to rounding.

Note: TABOR broadly defines spending such that expenditures are equal to revenues. The statutory 6 percent limit applies to the General Fund appropriations only. Thus, the two concepts are not directly comparable.

/A These figures differ from the General Fund revenues reported in other tables because they net out revenues that are already in the Cash Funds to avoid double counting. For instance, the General Fund gaming revenues, unexpended prior-year Medicaid expenditures that are booked in "other revenue," and transfers of unclaimed property are netted out. These figures also include the net amount of sales and use tax, after the over-refund of excess TABOR revenues. Senate Bill 97-1 diverts 10.355% of the gross sales and use tax revenues to the Highway Users Tax Fund.

/B In November 2000, Colorado voters approved Referendum A allowing the state revenue limit to increase by $44.1 million in FY 2001-02 to reimburse local governments for reduced property taxes paid by seniors. The additional amount is reflected in the allowable TABOR limit. In addition, the revenue limit for FY 2000-01 was adjusted down by $49.3 million to account for House Bill 01-1012 which exempted the wildlife cash fund from the state's revenue limit.

/C The TABOR surplus was adjusted down by $1.3 million in FY 2000-01 to account for an overstatement of previous years' TABOR refund liabilities.

/D In years where the projected revenues exceed the amount allowed by the Constitution, the reserve is calculated based on the limit, rather than on projected receipts. Given that the state will only retain the maximum allowed by the Constitution, it need only reserve three percent of such amount.

/E 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. Other state funds are designated in the 2001 Long Bill as the state's emergency reserve for FY 2001-02. For FY 2001-02 only, the principal balance in the CMTF was transferred to the General Fund.

Table 9. Refund of the FY 2000-01 Surplus TABOR Revenue

Refund Method	Amount
Earned Income Tax Credit	$30.3
Foster Care Tax Credit	$2.0
Business Personal Property Tax Refund	$100.0
Individual Development Account Tax Credit	$5.0
Capital Gains Deduction before May 1994	$69.3
Rural Health Providers Tax Credit	$0.4
Child Care Credit	$19.4
Reduced Motor Vehicle Registration Fees	$33.6
High Technology Scholarship Tax Credit	$0.5
Charitable Contributions Deduction	$5.1
Interest, Dividends, Capital Gains Deduction	$45.8
Pollution Control Equipment Sales Tax Refund	$1.5
Reduced Sales Tax Rate for Heavy Trucks	$4.3
Ag Value-Added Cooperative Tax Credit	$4.0
Private Health Benefit Plans Tax Credit	$2.7
Capital Gains Deduction for Assets 1 to 5 Years	$41.6
Sales Tax Refund	$589.8
Total Refunded	$955.3

Which refund mechanisms will be used? Except for the sales tax refund, a refund mechanism is used if the amount of the TABOR surplus exceeds the threshold amount set for the mechanism. There are 17 refund methods that are dependent on a threshold. The research and development sales tax refund will not be effective until FY 2003-04. The thresholds are increased each year based on Colorado personal income growth in the calendar year prior to the fiscal year in which the refund is made.

Based on our estimates of the TABOR surplus, only the sales tax refund will be used to refund the FY 2001-02 and FY 2002-03 surplus. For the FY 2003-04 surplus, only the earned income tax credit and the sales tax refund will be used. Table 10 shows the estimated threshold levels for each refund method. The shaded portion of Table 10 indicates which refund methods will not be used.

Table 10. Estimated Thresholds for TABOR Refund Mechanisms
(dollars in millions)

Refund Mechanism:	Thresholds for FY 2002-03	Thresholds for FY 2003-04	Thresholds for FY 2004-05	Thresholds for FY 2005-06	Thresholds for FY 2006-07
Earned Income Tax Credit	**$64.4**	**$68.7**	$73.9	$79.2	$85.0
Foster Care Tax Credit	***$215.4***	***$229.8***	***$247.1***	*$264.9*	$284.2
Business Personal Property Tax Refund	**$219.0**	**$233.7**	**$251.2**	$269.3	$288.9
Individual Development Account Tax Credit	**$226.7**	**$241.9**	**$260.1**	$278.8	$299.2
Capital Gains Deduction before May 1994	**$334.9**	**$357.3**	**$384.2**	$411.8	$441.9
Rural Health Providers Tax Credit	**$340.1**	**$362.9**	**$390.1**	**$418.2**	$448.7
Child Care Credit	**$346.1**	**$369.3**	**$397.0**	**$425.5**	$456.6
Research and Development Sales Tax Refund	***NA***	***$411.9***	***$442.7***	***$474.6***	$509.3
Reduced Motor Vehicle Registration Fees	**$393.8**	**$420.2**	**$451.7**	**$484.2**	$519.6
High Technology Scholarship Tax Credit	**$393.8**	**$420.2**	**$451.7**	**$484.2**	$519.6
Charitable Contributions Deduction	**$417.7**	**$445.7**	**$479.1**	**$513.6**	**$551.1**
Interest, Dividends, Capital Gains Deduction	**$417.7**	**$445.7**	**$479.1**	**$513.6**	**$551.1**
Pollution Control Equipment Sales Tax Refund	**$417.7**	**$445.7**	**$479.1**	**$513.6**	**$551.1**
Reduced Sales Tax Rate for Heavy Trucks	**$417.7**	**$445.7**	**$479.1**	**$513.6**	**$551.1**
Ag Value-Added Cooperative Tax Credit	***$430.8***	***$459.7***	***$494.1***	***$529.7***	**$568.4**
Private Health Benefit Plans Tax Credit	**$477.4**	**$509.3**	**$547.5**	**$587.0**	**$629.8**
Capital Gains Deduction for Assets 1 to 5 Years	**$513.2**	**$547.5**	**$588.6**	**$631.0**	**$677.0**
Sales Tax Refund	NA	NA	NA	NA	NA
Legislative Council Staff Estimate of TABOR Surplus	$16.1	$63.7	$242.3	$416.6	$548.1

Shaded amounts will not be refunded because the projected TABOR surplus is less than the threshold.

General Fund Overview

- The poor General Fund revenue outlook for FY 2001-02 leads to a bleak General Fund overview for this year. The Senate Bill 97-1 diversion of 10.355% of sales and use tax revenues cannot be made at all. The diversion is reduced when revenue growth is insufficient such that General Fund appropriations cannot increase by the statutory six percent maximum. Even though no sales and use tax revenue should be diverted, General Fund appropriations for the operations budget would still have to be reduced by an estimated $97.8 million.

- The General Fund overview improves after FY 2001-02 as the excess General Fund reserve eventually reaches over $2.4 billion. The full diversion to the Highway Users Tax Fund and statutory six percent appropriations limit can be made in each year.

This section presents the General Fund overview after incorporating the revenue forecasts, the expected TABOR surpluses, and other expenditures from the General Fund.

The General Fund overview with continuing capital construction projects is presented in Table 11. The beginning reserve for the General Fund in FY 2000-01 was $802.7 million. Weak revenue growth and large expenditures for capital construction and the TABOR refund caused the reserve to decline to $469.3 million by the end of FY 2000-01.

"The weak General Fund revenue outlook for FY 2001-02 will mean that the Senate Bill 97-1 diversion of 10.355% of sales and use tax revenues should not occur during the fiscal year."

The weak General Fund revenue outlook for FY 2001-02 will mean that the Senate Bill 97-1 diversion of 10.355% of sales and use tax revenues should not occur during the fiscal year. The diversion is reduced when there is not enough revenue to fully fund the statutory six percent limit on General Fund appropriations and maintain the four percent required reserve. Additionally, the revenue outlook is so bleak as to cause a $97.8 million reduction in General Fund appropriations below the assumed six percent statutory maximum.

"Several alternatives exist to provide additional funds to preserve the operational budget and/or the diversion to the HUTF."

Several alternatives exist to provide additional funds to preserve the operational budget and/or the diversion to the HUTF. The General Assembly provided for a $45.8 million transfer to the Capital Construction Fund on March 1, 2002. This transfer could be repealed. One-fourth of the statutory reserve, or $55.8 million, could be used for expenditures. The other three-fourths of the statutory reserve serves as a portion of the TABOR reserve for FY 2001-02. Senate Bill 00-181 provided a trigger mechanism for the settlement of a school lawsuit. If the year-end General Fund excess reserve was less than $80 million, the scheduled transfer for public school construction needs would not be made. This trigger was repealed for FY 2001-02 in Senate Bill 01-222. The trigger could be reinstated to restore $10 million for other parts of the budget. Finally, the rest of the scheduled $256.8 million capital construction budget could be examined to see if some projects could be delayed. It should be noted that if enough of these, or other, alternatives are put into place that it will merely shift budget pressure to the next year.

The General Fund outlook improves after FY 2001-02. The full six percent appropriations increase can be reached each year, as can the full diversion of sales and use tax revenues to the HUTF. The year-end excess reserve is only $63.1 million in FY 2002-03, but reaches over $2.4 billion in FY 2006-07.

The overview does not include the amount that must be paid to settle the Arkansas River lawsuit. The amount is under negotiation, but will likely exceed $20 million. If the amount is settled and must be paid in FY 2001-02, it would cause further pain for the General Fund this year.

Several other lawsuits could also impact the General Fund overview. Rocky Mountain HMO alleged that the Department of Health Care Policy and Financing breached their contracts by incorrectly calculating managed care rates in the Medicaid Program. The initial court ruled for Rocky Mountain HMO and awarded them $18.0 million. The decision is being appealed by the state. Another HMO has also filed suit. In total, it has been estimated that Colorado may be liable for as much

Table 11
September 2001 Forecast for the General Fund Overview
($ in millions)

	Preliminary FY 2000-01	Estimate FY 2001-02	Estimate FY 2002-03	Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07
Beginning Reserve	$802.7	$469.3	$223.3	$299.9	$885.2	$1,458.4	$2,034.9
Gross General Fund	6,536.6	6,454.4	6,967.4	7,487.0	8,015.8	8,615.3	9,216.1
Senate Bill 97-1 Diversion to the HUTF /A	(197.2)	0.0	(222.3)	(237.9)	(253.9)	(270.7)	(288.5)
Diversion of Sales Taxes to Older Americans Fund	(3.0)	(3.0)	0.0	0.0	0.0	0.0	0.0
Transfer from the Controlled Maintenance Trust Fund /E		243.9	0.0	0.0	0.0	0.0	0.0
Total Funds Available	$7,139.1	$7,164.7	$6,968.4	$7,549.1	$8,647.2	$9,803.0	$10,962.5
EXPENDITURES:							
General Fund Appropriations /B, D	$5,336.8	$5,571.5	$5,906.4	$6,261.6	$6,638.5	$7,038.0	$7,461.5
Medicaid Overexpenditure	7.8	NA	NA	NA	NA	NA	NA
Rebates and Expenditures	125.1	130.1	133.7	137.7	142.1	147.0	128.1
Reimbursement for Senior Property Tax Cut		0.0	44.1	44.7	45.6	46.4	47.3
Capital and Prison Construction	224.5	302.6	276.8	136.1	100.3	100.0	0.0
Transfer for Highway Construction	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to the Controlled Maintenance Trust Fund /E	0.0	0.0	276.4	0.0	0.0	0.0	0.0
K-12 Settlement Funding	5.0	10.0	15.0	20.0	20.0	20.0	20.0
TABOR Refund	941.1	927.2	16.1	63.7	242.3	416.6	548.1
Accounting Adjustments	(20.5)	NA	NA	NA	NA	NA	NA
Total Obligations	$6,669.8	$6,941.4	$6,668.5	$6,663.8	$7,188.8	$7,768.0	$8,205.1
YEAR-END GENERAL FUND RESERVE:	**$469.3**	**$223.3**	**$299.9**	**$885.2**	**$1,458.4**	**$2,034.9**	**$2,757.4**
STATUTORY RESERVE: 4.0% OF APPROPRIATIONS	**213.7**	**223.3**	**236.9**	**251.3**	**266.3**	**282.3**	**299.3**
MONIES IN EXCESS OF STATUTORY RESERVE	**$255.6**	**($0.0)**	**$63.1**	**$634.0**	**$1,192.0**	**$1,752.6**	**$2,458.2**
RESERVE AS A % OF APPROPRIATIONS	**8.8%**	**4.0%**	**5.1%**	**14.1%**	**22.0%**	**28.9%**	**37.0%**
TABOR RESERVE REQUIREMENT:							
General & Cash Fund Emergency Reserve Requirement	$238.5	$262.0	$280.3	$294.9	$310.0	$325.8	$342.7
Reserved Amount (CMTF Principal) /C	243.9	NA	276.4	276.4	276.4	276.4	276.4
Money in Excess of Emergency Reserve	5.4	NA	(3.9)	(18.5)	(33.6)	(49.4)	(66.3)
Appropriations Growth	$314.6	$231.9	$339.9	$360.3	$376.9	$399.5	$423.5
Appropriations Growth Rate	6.66%	4.24%	6.01%	6.02%	6.02%	6.02%	6.02%
Addendum: Amount Directed to State Education Fund	($164.3)	($331.7)	($357.8)	($386.2)	($415.8)	($450.9)	($483.0)

NA: Not Applicable.
Totals may not sum due to rounding.
/A 10.355% of sales and use taxes are diverted to the Highway Users Fund when the full six percent of General Fund appropriations limit can be made.
/B Includes $2.6 million in appropriations that are exempt from the statutory appropriations limit as a result of final court orders or federal mandates in FY 2000-01.
/C The principal of the CMTF may be used as full or partial satisfaction of the constitutional emergency reserve requirement. Thus, the principal of the CMTF is reported as the reserved amount. For FY 2001-02 only, other funds will be designated to satisfy the reserve requirement.
/D The amounts for the K-12 settlement funding attributable to Senate Bill 00-181 are also appropriations from the General Fund and should be added to the General Fund appropriations line to calculate total appropriations.
/E House Bill 01-1267 transferred the principal balance of the CMTF to the General Fund on July 1, 2001, and transfers $276.4 million from the General Fund to the CMTF on July 1, 2002.

as $50 million to $70 million, half of which would be General Fund, if the state were to lose lawsuits to all of Colorado's HMO's that have managed care contracts with the Medicaid program.

The Mandy case is a class action suit against the Department of Health Care Policy and Financing alleging that developmentally disabled clients were denied Medicaid services for which they were eligible by being placed on a waiting list. To serve the approximately 2,700 people on the waiting list would cost an estimated $185.7 million per year, half of which would be General Fund.

These cases would place additional pressure on the General Fund. An additional $142 million in General Fund expenditures removes nearly $1 billion from the General Fund reserve over a six-year period if they are included in the base that is increased by six percent each year.

OVERVIEW OF THE ECONOMY

National Economy

Looking Back

The national economy has had a sub-par performance for the past four quarters. Inflation-adjusted gross domestic product (GDP) grew at an anemic pace of 0.2% during the second quarter of 2001. Most components of GDP were weak.

"Business spending plunged by 14.6% in the second quarter after registering near-zero growth in the previous two quarters."

Business spending plunged by 14.6% in the second quarter after registering near-zero growth in the previous two quarters. The weakness was across the board and was most responsible for leading the economy into the current slowdown. Spending on communications equipment fell by nearly 30%. Communications equipment spending had been a leader in the economic expansion of the late 1990s and 2000. The outlook for a quick rebound in this category is negative. The industry is currently plagued by an overcapacity relative to demand. Telecom companies invested heavily early on in the expansion in hopes of gaining a strong foothold in the rapidly changing industry. The return on these investments has not yet materialized to a significant degree and additional investment plans are on hold for the time being. It will likely be in 2003 before a substantive rebound will occur.

The business spending falloff has been compounded by the failure of many new high-tech companies and a decline in venture capital investments that fueled these companies. Venture capital investments dropped 63% in the first half of 2001. However, the first half total was higher than the annual totals of any year prior to 1999. Still, the rapid decline of venture capital money signifies the trepidation that many companies have in investment decisions. This is compounded by fewer successful initial public offerings.

Companies are also less able to make investments in equipment, software, and buildings from internal sources. Corporate profits have declined for the past three quarters and barely increased four quarters ago. We expect that business spending gains will not return to a significant degree until corporate profits are more robust.

"The manufacturing sector is the second poster-child, after the telecommunications industry, for the business slowdown."

The manufacturing sector is the second poster-child, after the telecommunications industry, for the business slowdown. As measured by the National Association of Purchasing Managers' Index, the manufacturing sector has been in recession for 13 months. When the index is below the benchmark level of 50, the industry is considered to be contracting. Surprisingly, the index had a hearty rebound in August, bouncing up from 43.6 to 47.9. The three components of the index related to new orders and production rose above 50, indicating that a turnaround for the manufacturing sector may be at hand. The index has been climbing since reaching its low point in January, offering hope that the sector is improving.

Many other indicators point to the weakness in the manufacturing sector. Manufacturing employment has declined by more than 1 million from its peak last year. Industrial production has dropped for 11 consecutive months, the longest decline since 1960. Also, industrial capacity utilization at 76.2% was more than 600 basis points below its 1967-2000 average.

"Consumer spending, while keeping the economy from recession, has tailed off significantly."

Consumer spending, while keeping the economy from recession, has tailed off significantly. The annualized gain of 2.5% in the second quarter was the weakest gain in four years and is roughly one-half of the increases in the past three years. Given the many job layoffs nationwide and falling consumer confidence, it is not surprising that consumers have taken a breather this year. While consumer confidence has fallen from its heady levels of last fall, it has not dropped to levels typically associated with an overall recession. However, the strongest personal income gains this year in July did not stimulate consumer spending, particularly surprising considering that the first tax cut advance checks arrived during the month. Preliminary indications are that back-to-school spending was weak, leading to concerns that December holiday spending will also be less than robust. As another indicator of consumers' concerns over the economy, consumer credit has been flat for the past two months.

The American consumer is the key to whether the economy avoids a recession. If consumer spending continues at its recent pace or higher, it will eventually lift business spending from the doldrums. However, additional layoff announcements or an ongoing malaise in the stock markets could spook consumers into cutting spending further. This would further depress business spending and a recession would be inevitable. However, the eight interest rate cuts this year, the tax cut advances, and cash from the latest round of mortgage refinancing should begin to stimulate consumer spending during the third quarter.

The economies of our major trading partners are lagging as well, leading to a weakening in **U.S. exports** and giving additional emphasis to the fact that we live in a global economy. The slowdown in our advanced tech and telecommunications industries has spread elsewhere. As a result, no single country is emerging as a candidate to lift others out of the doldrums.

"...the slowdown is squeezing state and local government budgets and they can no longer be looked to as a significant positive source for the economy."

State and local **government spending** is giving one last push to keep the economy expanding. These governments enjoyed a revenue bonanza during the decade-long healthy expansion and spent much of it on refurbishing and building new infrastructure projects. However, the slowdown is squeezing state and local government budgets and they can no longer be looked to as a significant positive source for the economy.

Employment fell in three of the last five months, including a net loss of 113,000 jobs in August. The net decline in employment over the five months totaled 323,000. Manufacturing employment fell by 141,000 in August, bringing the total decline during the recent slowdown to over 1 million. Employment increased 0.7% through August, compared to seven consecutive years of employment growth in excess of 2.1%. Declining corporate profits are causing many layoffs and giving profitable businesses pause in considering their hiring plans. Unemployed workers are finding it more difficult to get a new job and the successful ones are frequently taking new positions at a lower wage or salary. The seasonal August decline in the labor force was much larger than usual, suggesting that many workers are discouraged and no longer seeking employment.

Meanwhile, the unemployment rate was 4.9% in August, surging from 4.5% in July. The many announced layoffs this year are being accomplished and workers are exhausting their severance packages. The unemployment rate has not been as high since September 1997. While the unemployment rate is still far below the average rate of 6.1% from 1990 through 1997, the rapid surge from the 3.9% low only ten months ago indicates the quick deterioration in the economy.

"The news on inflation is one of the few bright spots for the national economy."

The news on **inflation** is one of the few bright spots for the national economy. Inflation reached a recent low of 1.6% in 1998 and remained benign at 2.2% in 1999. However, inflation surged to 3.4 percent in 2000, predominantly on the basis of higher energy prices. Energy prices subsided in late winter this year, leading to less upward pressure in recent months. Consumer inflation was 3.3% through August.

Housing has been another bright spot for the economy as 2001 unfolds. Lower mortgage rates have made housing more affordable, thus counteracting the effect of the weak employment gains. Another factor in the strong markets is the weak stock market. While it might seem that smaller capital gains realizations would depress the housing market, many view housing as an alternative investment to the stock market, particularly in light of still healthy price appreciation. While housing starts are below the pace of the late 1990s, they remain at a high level in a historical context. New and existing home sales are also at very healthy levels. The housing market remains a significant risk to the economy, however. Consumers could be easily spooked by continuing layoffs and decreasing stock market indices. Some analysts also believe that a price bubble exists in the housing market, given the many weak economic indicators.

Looking Ahead

The nation was very close to having a decline in inflation-adjusted gross domestic product (GDP) in the second quarter. Layoffs continued during the third quarter and consumer confidence weakened. The Dow Jones average reached its lowest point since April, the NASDAQ gave back most of its gains since an April low point, and the S&P 500 index reached its low for the year as September unfolded.

DRI-WEFA, a national economic forecasting service, released a new forecast encompassing the tragedy in New York and Washington, D. C. Although the firm is not forecasting a recession, the nation is clearly much more at risk of entering a recession. They believe that while consumer confidence and equity markets will take a hit, the impacts will not be severe. The following bullets discuss the outlook for the national economy. Details of the forecast can be found in Table 12.

- Continuing weak business investment, combined with weaker consumer spending than previously anticipated, will drag **GDP** growth to a 1.4% gain in 2001 and 2.2% in 2002. A rebound to 3.6% growth will occur in 2003.

- **Nonfarm employment** will rise 0.5% in 2001, following a 2.2% gain in

2000. Firms will continue their layoffs and will be reluctant to hire new employees until a definitive return to business profitability is at hand. Combined with declining consumer confidence, employment growth will be even weaker in 2002 at 0.2%. Job growth will bounce back to 1.6% in 2003. The **unemployment rate** will rise from 4.0% in 2000 to 4.7% this year and 5.5% in 2002. The rate will hover near 5.0% through 2005.

- Increases in **personal income** will be less robust than in recent years. Income will rise 5.1% in 2001 and 4.1% in 2002. The job market is not as tight as in the last two years. Employers will not need to offer higher wages in order to entice prospective workers to their firm. The tight corporate profit picture and weak stock market will depress year-end bonuses relative to recent years. The recent economic and noneconomic events have shaken consumer confidence considerably. Also seeking to restore household balance sheets damaged by increasing debt and slowing income gains, **consumer spending** will rise 2.9% in 2001 and 2.4% in 2002.

- Weak demand and corporate profits, as well as a dramatic drop in venture capital and initial public offerings, will slow **investment** in 2001 and 2002. Following five years of double-digit gains, nonresidential fixed investment will decline 2.8% in 2001 and 1.6% in 2002. Although reaching positive territory in 2003, investment will not attain double-digit gains through the rest of the forecast period.

- **Inflation** is the bright spot in the economy. After reaching 3.4% in 2001, the biggest increase in 10 years, inflation will ebb slightly to 3.1% this year before registering a still smaller increase in 2002 at 2.4%. If not for volatile energy prices in 2000 and early 2001, inflation would have been even lower during the last two years. Inflation will remain benign during the rest of the forecast period. Energy prices remain a significant risk to this forecast. The low inflation rate has enabled the Federal Reserve Board to aggressively cut interest rates to combat the economic slowdown. Eight rate cuts by the Fed this year have reduced the discount rate and federal funds rate by 3.5%.

The **risk factors** to the national economy are great. Further declines in consumer confidence will potentially remove the linchpin to keeping the economy from recession. This risk factor will depend on business confidence. Declining corporate profits have kept companies from expanding the work force as in recent years. The temporary halt to the nation's transportation system undoubtedly hindered production in the short term. Travel-dependent industries such as airlines, hotels, and restaurants will suffer. Additional significant layoffs by profit-sensitive companies would send consumer confidence down further, thus creating increased downward pressure on consumer spending.

Table 12
National Economic Indicators, September 2001 Forecast
(Dollar amounts in billions)

	1997	1998	1999	2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Gross Domestic Product (GDP) percent change	$8,318.4 6.5%	$8,781.5 5.6%	$9,268.6 5.5%	$9,872.9 6.5%	$10,231.4 3.6%	$10,686.5 4.4%	$11,348.0 6.2%	$11,934.1 5.2%	$12,611.6 5.7%
Inflation-adjusted GDP percent change	$8,154.4 4.4%	$8,508.9 4.3%	$8,856.5 4.1%	$9,224.0 4.1%	$9,353.1 1.4%	$9,558.9 2.2%	$9,903.0 3.6%	$10,170.4 2.7%	$10,495.9 3.2%
Nonagricultural Employment (millions) percent change	122.7 2.6%	125.8 2.6%	128.9 2.4%	131.8 2.2%	132.4 0.5%	132.7 0.2%	134.8 1.6%	136.8 1.5%	139.0 1.6%
Unemployment Rate	4.9%	4.5%	4.2%	4.0%	4.7%	5.5%	5.2%	5.1%	5.0%
Personal Income percent change	$6,937.0 6.0%	$7,426.0 7.0%	$7,777.3 4.7%	$8,319.2 7.0%	$8,743.5 5.1%	$9,102.0 4.1%	$9,639.0 5.9%	$10,149.8 5.3%	$10,687.8 5.3%
Inflation (Consumer Price Index)	2.3%	1.6%	2.2%	3.4%	3.4%	2.5%	2.4%	2.3%	2.3%
Prime Rate	8.4%	8.4%	8.0%	9.2%	7.1%	6.2%	7.2%	8.0%	8.0%

For historical data, see Appendix A.

Colorado Economy

While Colorado's economy continues to outperform the nation, the state is seeing evidence of the national slowdown. A combination of factors will lead the state to the lowest level of employment growth experienced since the early 1990s. Layoff announcements have been numerous, while announcements of job gains have been few. In all industries statewide, we have counted announced layoffs of over 20,000, compared with announced gains of only about 3,500.

"A combination of factors will lead the state to the lowest level of employment growth experienced since the early 1990s."

The ***advanced-technology*** sector, which has been a leader in growth for Colorado during the last decade, is experiencing difficult times and many local technology companies have been shedding jobs. Many of these companies are being impacted negatively by significant declines in available venture capital in the state and deteriorating stock market conditions. Additionally, many new companies that tried to get on the bandwagon of advanced-tech's promise have dissolved. As an indicator of Colorado's prominence in the sector, the American Electronics Association reported that Colorado had the highest concentration of high-tech workers in the nation with nearly one out of every ten workers employed in the industry in 2000.

The ***construction*** sector is also experiencing a slowdown as downsizing companies need less space and consumers become more cautious in their housing decisions. Sales rates and prices for housing, especially at the high-end, have slowed considerably this year.

Another area of importance to Colorado that will experience difficulties during the coming year is **tourism**. The nationwide economic slowdown will impact vacation decisions of many would-be visitors to Colorado, reducing the number of people visiting ski resorts and other destination areas in the state. In addition, the Winter Olympics in Utah will draw visitors who otherwise would have come to Colorado. The recent terrorist activities in the United States will also provide a negative impact to Colorado's tourism sector as people curb travel plans and flying potentially becomes more difficult and expensive. Military action on the part of the United States would further curb tourism by Americans.

Finally, the economy in Colorado will be dragged down by a dramatic decrease in ***consumer spending*** in 2001. Consumers propped up the economy in 2000 by increasing retail trade sales 11.5%. Consumers slowed their spending in the state to a 2.7% pace during the first half of 2001. Consumer spending was one of the most important parts of economic growth during the 1990s.

"...the economy in Colorado will be dragged down by a dramatic decrease in consumer spending in 2001."

One important factor that may help to offset the slowdown in Colorado is ***interest rates***. Mortgage rates have remained at low levels in Colorado and it is likely that the Federal Reserve Board will further cut rates during the rest of the year. If mortgage rates continue to fall, a new round of refinancing could be set in motion, providing consumers with money to help maintain spending levels or reduce debt.

How Will the Recent Terrorist Attacks Impact the State's Economy?

The final economic impact of the terrorist attacks on New York City and Washington D.C.

is dependent on many decisions and events that are still to occur. While certain impacts can already be determined, such as a slowdown in travel and tourism, others will depend on what retaliatory actions are taken by the United States. A situation that is similar to a small war taking place could have much greater impacts on the economy. For example, the *Wall Street Journal* reported that hotel occupancies fell to their lowest level since 1940 immediately after the Persian Gulf War in 1991 and took nearly a year to begin a recovery. PricewaterhouseCoopers is now forecasting the worst performance in 33 years for the hotel industry as measured by revenue per available room.

The attacks could also further dampen consumer confidence. ***Consumers*** have been the driving force behind the economic boom of the last decade. Consumer confidence had begun to decline precipitously nationwide even before the attacks and confidence certainly became more shaken with those events and the prospect of war. The University of Michigan Consumer Confidence Survey found large declines in all areas of consumer confidence in a survey that ended the day before the attacks. Consumer spending in Colorado slowed markedly during the first half of 2001. Recent events will guarantee a low spending rate this year and a dramatically slower economy than has been experienced in recent times.

One of the most important impacts of the terrorist attacks will be the reaction in the nation's ***financial markets***. Colorado has seen tremendous growth in capital gains during the expansion and a loss of faith in financial markets could cause income tax receipts in the state to slow even further than we are currently forecasting. The state has a significant presence by financial companies, especially mutual fund companies. Long-term problems in this industry would create difficulties for the local economy.

Also at risk due to recent events is ***inflation***. After experiencing low levels of inflation throughout the recent expansion, local inflation surged in the first half of 2001. Any prolonged military action, or action that impacts energy-producing parts of the world, could cause an additional spike to inflation such as occurred during the Gulf War. This would be negative not only because of the impacts of higher prices, but also because it could tie the Fed's hands in terms of monetary policy.

There will also be a long-term benefit to the economy from the attacks. Jobs will be created nationwide in the hard hit manufacturing sector as cleanup and reconstruction activities take place. Also, a large military action could require construction of additional inventory of military goods and vehicles. Colorado has a large presence of military bases and defense-related firms that could benefit from increased defense spending. To the extent that consumers forego spending, hurting the economy in the short run, their balance sheets will be in better shape when the economy begins to pick up and more money will be available for spending when confidence begins to rise again.

The Numbers

The following paragraphs outline our economic forecast for Colorado. Continued job losses in Colorado's best paying industries coupled with economic and safety fears, will create a significant drag on Colorado's economy during the next year. These numbers were chosen prior to the events of September 11 and could be significantly impacted by those events and others over the coming months. Table 13 shows our forecast of several key Colorado economic variables.

- After seeing the state's ***population*** increase at rates between 2.4% and 3.3%

every year from 1992 through 2000, Colorado will experience a slowdown in growth over the next several years as the state's economic advantage over other areas of the nation diminishes and ***migration*** slows. The state's population will increase 2.2% in 2001, followed by growth rates of 2.1% in 2002 and 2.0% in 2003.

- The previously mentioned job losses and slowing population growth in the state will lead to a dramatic slowdown in ***employment*** this year. After employment increased at a compound average annual growth rate of 3.8% between 1990 and 2000, the state will see its job base grow by only 2.5% in 2001 and 2.6% in 2002. In addition, the job mix will change somewhat as the state adds fewer high-paying advanced technology and finance jobs and more low wage service positions. Accordingly, the state's ***unemployment rate*** will climb from an unsustainably low 2.7% in 2000 to 3.1% in 2001 and 3.5% in 2002. While these rates are significantly higher than the past two years, they are still quite low by historical standards. The state experienced a 6.0% unemployment rate in 1992 at the start of the employment boom.

- ***Personal income*** growth will moderate over the next several years as employment growth slows and a lower-paying mix of new jobs are created. The state will see personal income increase 7.7% in 2001, 6.7% in 2002, and 7.5% in 2003.

- As noted previously, ***consumer spending*** slowed substantially during the first half of 2001. We expect this slower rate of spending to continue for the remainder of the year and increase only slightly in 2002 after seeing double-digit growth in spending in 2000.

- ***Residential construction***, especially on the high end, will decline over the next several years. As in-migration and income growth slow, the demand for housing will experience a drop. The number of permits issued in the state will increase slightly in 2001 before experiencing three consecutive years of decline. Permits increased 9.5% in 2000.

- ***Nonresidential construction*** will weather continued declines in 2001 and 2002 after falling 12.4% in 2000. As companies reduce their workforces, the demand for new building space declines accordingly. The slowdown in advanced technology will have a negative impact on what has been one of the boom areas in construction.

- ***Inflation*** in Colorado will reach its highest level in 2001 since 1983. The inflation rate will spike at 4.8% this year before slowing to 3.1% for the next two years. Inflation was 4.0% in 2000, but had been below 3.0% the two years prior to that. Increased energy costs are pushing up this year's inflation rate.

Table 13
Colorado Economic Indicators, September 2001 Forecast
(Calendar Years)

	1996	1997	1998	1999	2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Population (thousands), July 1	3,812.7	3,891.3	3,969.0	4,056.1	4,325.0	4,420.2	4,513.0	4,603.2	4,690.7	4,779.8	4,870.6
percent change /A	2.0%	2.1%	2.0%	2.2%	6.0%	2.2%	2.1%	2.0%	1.9%	1.9%	1.9%
Nonagricultural Employment (thousands)	1,900.4	1,979.5	2,057.0	2,131.9	2,214.8	2,270.2	2,329.2	2,394.4	2,463.8	2,537.8	2,613.9
percent change	3.6%	4.2%	3.9%	3.6%	3.9%	2.5%	2.6%	2.8%	2.9%	3.0%	3.0%
Unemployment Rate	4.2%	3.3%	3.8%	2.9%	2.7%	3.1%	3.5%	3.5%	3.6%	3.6%	3.5%
Personal Income (millions)	$100,012	$108,765	$118,496	$127,903	$141,724	$152,637	$162,863	$175,078	$187,684	$201,385	$215,482
percent change	7.6%	8.8%	8.9%	7.9%	10.8%	7.7%	6.7%	7.5%	7.2%	7.3%	7.0%
Wage and Salary Income (millions)	$57,205	$62,524	$69,604	$76,347	$86,425	$94,117	$100,799	$108,661	$117,028	$126,039	$135,366
percent change	8.2%	9.3%	11.3%	9.7%	13.2%	8.9%	7.1%	7.8%	7.7%	7.7%	7.4%
Retail Trade Sales (millions)	$42,631	$45,146	$48,131	$52,209	$58,202	$59,715	$63,000	$67,410	$71,791	$76,529	$81,351
percent change	6.7%	5.9%	6.6%	8.5%	11.5%	2.6%	5.5%	7.0%	6.5%	6.6%	6.3%
Home Permits (thousands)	42.2	42.5	49.5	49.3	53.7	54.1	51.9	50.5	50.2	50.7	50.4
percent change	6.8%	3.3%	16.5%	-0.4%	9.0%	0.6%	-4.0%	-2.8%	-0.6%	1.0%	-0.5%
Nonresidential Building (millions)	$2,367	$2,986	$2,617	$3,544	$3,105	$2,947	$2,835	$2,954	$3,066	$3,204	$3,355
percent change	28.6%	26.2%	-12.4%	35.4%	-12.4%	-5.1%	-3.8%	4.2%	3.8%	4.5%	4.7%
Denver-Boulder Inflation Rate	3.5%	3.3%	2.4%	2.9%	4.0%	4.8%	3.1%	3.1%	3.2%	3.3%	3.4%

/A Colorado's population on April 1, 2000, was 4,301,261 according to the U.S. Bureau of the Census. The 6.0% change in the population reflects the change from the July 1999 estimate to April 1, 2000, and is used for calculation of the state's TABOR revenue limit.

For more historical data, see Appendix A.

Appendix A
Historical Data

National Economic Indicators

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Gross Domestic Product (billions)	$4,452.9	$4,742.5	$5,108.3	$5,489.1	$5,803.3	$5,986.2	$6,319.0	$6,642.3	$7,054.3	$7,400.6	$7,813.2	$8,318.4	$8,781.5	$9,268.6	$9,872.9
percent change	5.7%	6.5%	7.7%	7.5%	5.7%	3.2%	5.6%	5.1%	6.2%	4.9%	5.6%	6.5%	5.6%	5.5%	6.5%
Inflation-adjusted Gross Domestic Product (billions of 1996 dollars)	$5,912.4	$6,113.3	$6,368.3	$6,591.8	$6,707.9	$6,676.4	$6,880.1	$7,062.6	$7,347.7	$7,543.8	$7,813.2	$8,154.4	$8,508.9	$8,856.5	$9,224.0
percent change	3.4%	3.4%	4.2%	3.5%	1.8%	-0.5%	3.1%	2.7%	4.0%	2.7%	3.6%	4.4%	4.3%	4.1%	4.1%
Unemployment Rate	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%	4.0%
Inflation	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%	3.4%
Prime Rate	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%	9.2%
Personal Income (billions)	$3,712.5	$3,962.5	$4,272.1	$4,599.8	$4,903.2	$5,085.4	$5,390.4	$5,610.0	$5,888.1	$6,200.9	$6,547.4	$6,937.0	$7,391.0	$7,789.6	$8,281.0
percent change	5.6%	6.7%	7.8%	7.7%	6.6%	3.7%	6.0%	4.1%	5.0%	5.3%	5.6%	6.0%	6.5%	5.4%	6.3%
Nonagricultural Wage and Salary Employment (millions)	99.3	102.0	105.2	107.9	109.4	108.3	108.6	110.7	114.1	117.2	119.6	122.7	125.8	128.9	131.8
percent change	2.0%	2.6%	3.2%	2.5%	1.4%	-1.1%	0.3%	1.9%	3.1%	2.7%	2.1%	2.6%	2.6%	2.4%	2.2%

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)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Nonagricultural Employment (thous.)	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	2,139.9	2,214.8
percent change	-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%	3.6%	3.9%
Unemployment Rate	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%	2.7%
Personal Income	$51,062	$53,528	$56,387	$60,760	$65,095	$68,992	$74,207	$80,212	$85,860	$92,947	$100,012	$108,765	$118,496	$127,903	$141,724
percent change	3.2%	4.8%	5.3%	7.8%	7.1%	6.0%	7.6%	8.1%	7.0%	8.3%	7.6%	8.8%	8.9%	7.9%	10.8%
Per Capita Income	$15,571	$16,147	$16,985	$18,110	$19,290	$20,096	$20,998	$22,109	$23,019	$24,304	$25,627	$27,941	$29,840	$31,533	$32,814
percent change	2.3%	3.7%	5.2%	6.6%	6.5%	4.2%	4.5%	5.3%	4.1%	5.6%	5.4%	9.0%	6.8%	5.7%	4.1%
Wage and Salary Income	$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	$86,425
percent change	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%	13.2%
Retail Trade Sales	$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	$58,202
percent change	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%	11.5%
Housing Permits	30,961	17,988	12,864	11,131	11,897	14,071	23,484	29,913	37,229	39,541	42,221	42,509	49,503	48,874	53,749
percent change	-5.7%	-41.9%	-28.5%	-13.5%	6.9%	18.3%	66.9%	27.4%	24.5%	6.2%	6.8%	0.7%	16.5%	-0.4%	9.0%
Nonresidential Construction	$1,214	$948	$973	$946	$939	$1,610	$1,539	$1,578	$1,581	$1,841	$2,367	$2,986	$2,617	$3,544	$3,105
percent change	-29.7%	-21.9%	2.6%	-2.8%	-0.7%	71.4%	-4.4%	2.6%	0.2%	16.4%	28.6%	26.2%	-12.4%	35.4%	-12.4%
Denver-Boulder Inflation Rate	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%	4.0%
Population (thousands, July 1)	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	4,325.0
percent change	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%	6.0%
Net Migration (July 1)	(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	53,253

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 Average Annual Growth Rate 1970-1980	Compound Average Annual Growth Rate 1980-1990	Compound Average Annual Growth Rate 1990-2000	Annual Growth Rate 1999-2000
NONFARM EMPLOYMENT	5.4 %	2.0%	3.8%	3.9%
MINING	10.0	-5.8	-4.3	-1.8
Metal Mining	7.5	-11.5	-7.6	-23.1
Coal Mining	11.6	-7.3	-3.3	-6.6
Oil & Gas Extraction	11.4	-3.7	-5.5	3.6
CONTRACT CONSTRUCTION	6.5	-1.9	9.7	9.7
General Building Contractors	3.5	-4.6	8.6	6.5
Heavy Construction Contractors	7.2	-2.5	5.8	6.2
Special Trade Contractors	8.3	-0.5	11.0	11.3
MANUFACTURING	4.4	0.7	0.6*/**	0.3
Durable Goods	5.3	0.3	0.9*	0.6
Nondurable Goods	2.8	1.4	0.2**	-0.2
Food & Kindred Prod.	1.4	0.7	-0.3	0.8
Printing & Publishing	5.3	4.0	1.8	0.7
TRANSPORTATION & PUBLIC UTILITIES	4.5	1.9	4.1**	3.0
Communications	4.6	2.0	6.8**	3.2
WHOLESALE & RETAIL TRADE	5.8	2.0	3.5	3.5
Wholesale Trade	5.9	1.0	2.9	4.7
Retail Trade	5.8	2.3	3.7	3.2
General Merchandise Stores	-1.2	1.8	3.4	2.8
Food Stores	5.7	2.4	2.0	0.8
Automotive Dealers & Service Stations	3.3	0.8	3.6	3.5
Eating & Drinking Establishments	9.0	3.0	3.8	3.4
FINANCE, INSURANCE, & REAL ESTATE	6.8	2.4	3.9	0.8
SERVICES	6.9	4.7	5.5*	5.2
Hotel & Other Lodging	6.5	3.3	2.6	3.5
Personal Services	2.1	2.4	2.4	2.8
Business Services	7.2	6.2	9.5*	10.0
Amusements & Recreation	7.7	4.4	6.2	4.1
Health Services	5.3	4.3	2.9	1.5
Hospitals	NA	NA	0.3	0.8
GOVERNMENT	3.3	1.3	2.1	3.4
Federal Government	1.6	0.9	-0.4	1.4
State Government	2.9	1.1	2.0	3.0
Education	4.1	0.4	1.9	2.5
Local Government	4.3	1.5	2.9	4.1
Education	3.6	1.2	2.8	4.6

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.

Percent Distribution of Nonagricultural Employment

	1960		1970		1980		1990		2000	
	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.
Mining	3.0%	1.3%	1.9%	0.9%	2.9%	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	7.3	5.1
Manufacturing	17.0	31.0	15.8	27.3	14.4	22.4	12.7	17.4	9.3*	14.1
Wholesale & Retail Trade	24.0	21.0	23.3	21.2	24.4	22.4	24.4	23.6	23.7	23.0
Finance, Insurance, & Real Estate	4.9	4.9	5.3	5.1	6.1	5.7	6.4	6.1	6.4	5.8
Services	14.8	13.6	17.5	16.3	20.3	19.8	26.5	25.5	30.9*	30.7
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	15.3	15.6

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 manufacturing 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)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Mining	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	13.0	12.8
percent change	-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%	-8.5%	-1.5%
Construction	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	147.0	161.3
percent change	-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%	10.9%	9.7%
Manufacturing - Durable	118.9	116.8	119.2	121.5	119.7	111.2 *	109.9	110.4	112.0	117.8	122.6	128.4	131.8	129.6	130.4
percent change	-3.9%	-1.8%	2.1%	1.9%	-1.5%	-7.1%	-1.2%	0.5%	1.4%	5.2%	4.0%	4.7%	2.6%	-1.7%	0.6%
Manufacturing - Non-Durable	66.4	67.7	70.4	71.9	73.5	74.4	76.1	77.7	78.9	74.5 **	74.5	75.6	75.6	75.0	74.8
percent change	-3.1%	2.0%	4.0%	2.1%	2.2%	1.2%	2.3%	2.1%	1.5%	-5.5%	-0.1%	1.5%	-0.0%	-0.8%	-0.3%
Transportation, Communications & Public Utilities	87.0	88.3	91.4	93.7	96.1	97.8	99.8	104.3	108.3	117.5 **	121.1	123.8	130.2	139.7	144.0
percent change	-1.7%	1.5%	3.5%	2.5%	2.6%	1.8%	2.0%	4.5%	3.8%	8.5%	3.1%	2.2%	5.1%	7.3%	3.1%
Wholesale Trade	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	105.9	110.9
percent change	-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%	1.7%	4.7%
Retail Trade	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	401.1	414.0
percent change	-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%	3.2%
Finance, Insurance & Real Estate	98.7	98.6	95.7	96.8	96.9	96.7	99.9	106.2	111.1	113.4	119.0	127.4	135.7	140.8	142.0
percent change	3.0%	-0.1%	-2.9%	1.1%	0.1%	-0.2%	3.3%	6.3%	4.7%	2.0%	5.0%	7.1%	6.5%	3.7%	0.9%
Services	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	651.3	685.3
percent change	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%	4.6%	5.2%
Government	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	328.4	339.4
percent change	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%	1.9%	3.3%
TOTAL	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	2,131.9	2,214.8
percent change	-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%	3.6%	3.9%

Note: Totals may not sum due to rounding.
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 transportation, 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
2000

State	Nonfarm Employment Growth 1999-2000		Per Capita Personal Income 2000		Unemployment Rate 2000	
Alabama	0.7	48	$23,471	44	4.6	39
Alaska	2.2	22	$30,064	15	6.6	50
Arizona	3.9	2	$25,578	37	3.9	24
Arkansas	1.7	36	$22,257	47	4.4	37
California	3.8	5	$32,275	8	4.9	41
Colorado	**3.9**	**4**	**$32,949**	**7**	**2.7**	**6**
Connecticut	1.5	40	$40,640	1	2.3	2
Delaware	1.9	31	$31,255	12	4.0	29
Florida	3.7	6	$28,145	23	3.6	18
Georgia	2.8	10	$27,940	24	3.7	21
Hawaii	3.1	8	$28,221	22	4.3	36
Idaho	3.9	3	$24,180	41	4.9	41
Illinois	1.2	45	$32,259	9	4.4	37
Indiana	1.4	43	$27,011	31	3.2	12
Iowa	0.7	49	$26,723	33	2.6	4
Kansas	1.4	42	$27,816	27	3.7	21
Kentucky	1.6	37	$24,294	40	4.1	30
Louisiana	1.9	33	$23,334	45	5.5	47
Maine	3.0	9	$25,623	36	3.5	15
Maryland	2.6	14	$33,872	5	3.9	24
Massachusetts	2.5	16	$37,992	2	2.6	4
Michigan	2.1	25	$29,612	17	3.6	18
Minnesota	2.1	24	$32,101	10	3.3	14
Mississippi	0.3	50	$20,993	50	5.7	49
Missouri	1.1	46	$27,445	28	3.5	15
Montana	2.3	21	$22,569	46	4.9	41
Nebraska	1.9	32	$27,829	26	3.0	9
Nevada	4.7	1	$30,529	14	4.1	30
New Hampshire	2.5	18	$33,332	6	2.8	7
New Jersey	2.4	19	$36,983	3	3.8	23
New Mexico	2.0	29	$22,203	48	4.9	41
New York	2.1	26	$34,547	4	4.6	39
North Carolina	2.0	28	$27,194	30	3.6	18
North Dakota	1.0	47	$25,068	38	3.0	9
Ohio	1.4	41	$28,400	19	4.1	30
Oklahoma	1.6	39	$23,517	43	3.0	9
Oregon	1.8	35	$28,350	20	4.9	41
Pennsylvania	2.0	27	$29,539	18	4.2	34
Rhode Island	2.2	23	$29,685	16	4.1	30
South Carolina	2.5	17	$24,321	39	3.9	24
South Dakota	1.6	38	$26,115	35	2.3	2
Tennessee	1.9	30	$26,239	34	3.9	24
Texas	3.1	7	$27,871	25	4.2	34
Utah	2.7	12	$23,907	42	3.2	12
Vermont	2.4	20	$26,901	32	2.9	8
Virginia	2.8	11	$31,162	13	2.2	1
Washington	2.6	15	$31,528	11	5.2	46
West Virginia	1.3	44	$21,915	49	5.5	47
Wisconsin	1.8	34	$28,232	21	3.5	15
Wyoming	2.7	13	$27,230	29	3.9	24
U.S.	**2.0**	**NA**	**$29,676**	**NA**	**4.0**	**NA**

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

Gross General Fund Revenues
Fiscal Year
(in millions)

	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	98-99	99-00	00-01
Sales	$731.9	$673.8	$662.9	$648.3	$669.0	$694.8	$768.1	$779.8	$844.5	$928.9	$1,036.6	$1,131.8	$1,218.7	$1,310.0	$1,426.0	$1,563.7	$1,726.0	$1,751.1
Use	66.8	73.0	76.1	68.6	55.6	54.7	62.5	66.9	69.1	69.1	82.5	91.1	102.8	115.8	120.3	140.2	142.5	157.9
Cigarette	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	60.0	59.9	60.0	57.8	58.1
Tobacco Products	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	9.9
Liquor	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	29.3
Other	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	0.0
TOTAL EXCISE	$873.5	$826.0	$816.2	$811.2	$814.2	$835.0	$913.5	$930.9	$999.6	$1,086.0	$1,207.8	$1,315.9	$1,415.4	$1,521.1	$1,639.4	$1,798.3	$1,963.7	$2,006.3
Individual Income	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	4,017.8
Corporate Income	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	329.7
TOTAL INCOME /A	$890.5	$1,000.5	$1,097.6	$1,218.6	$1,307.9	$1,478.0	$1,484.9	$1,577.4	$1,720.6	$1,898.2	$2,066.7	$2,297.5	$2,524.2	$2,809.7	$3,314.7	$3,603.0	$4,007.4	$4,183.2
Estate	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	82.6
Insurance	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	142.0
Pari-Mutuel	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	6.1
Interest Income	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	45.2
Court Receipts	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	22.3
Severance	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	0.0
Medicaid	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	0.0
Gaming	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	31.4
Other	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	17.5
TOTAL OTHER	$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	$347.1
GROSS GENERAL FUND	$1,875.5	$1,972.2	$2,062.7	$2,177.9	$2,283.9	$2,485.6	$2,580.4	$2,663.9	$2,995.8	$3,450.1	$3,725.1	$3,996.3	$4,268.7	$4,679.4	$5,401.2	$5,794.0	$6,303.5	$6,536.6
Dollar Change	$314.9	$96.7	$90.5	$115.2	$106.0	$201.7	$94.8	$83.5	$331.9	$454.3	$275.0	$271.2	$272.4	$410.7	$721.8	$392.8	$509.5	$233.1
Percent Change	20.2%	5.2%	4.6%	5.6%	4.9%	8.8%	3.8%	3.2%	12.5%	15.2%	8.0%	7.3%	6.8%	9.6%	15.4%	7.3%	8.8%	3.7%

Note: Numbers may not add due to rounding.

Source: Controller's Annual Reports; Accounts and Control.

/A Total income taxes are reported net of a $164.3 million diversion to the State Education Fund.

Selected Cash Fund-Related Historical Data

Unemployment Insurance Trust Fund Balance (In Millions)

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 and Employment.

Higher Education Full-Time-Equivalent Enrollment

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	91,947	94,511	99,240	103,219	105,503	107,803	108,947	108,863	108,580	108,667	109,385	112,077	114,269	116,739
Percent Change	2.2%	2.8%	5.0%	4.0%	2.2%	2.2%	1.1%	-0.1%	-0.3%	0.1%	0.7%	2.5%	2.0%	2.2%
Nonresidents	15,593	16,338	16,965	17,801	19,149	19,463	20,573	20,673	20,472	20,741	20,464	20,940	21,162	21,305
Percent Change	0.4%	4.8%	3.8%	4.9%	7.6%	1.6%	5.7%	0.5%	-1.0%	1.3%	-1.3%	2.3%	1.1%	0.7%
Total	**107,540**	**110,849**	**116,205**	**121,020**	**124,652**	**127,266**	**129,520**	**129,536**	**129,052**	**129,408**	**129,849**	**133,017**	**135,431**	**138,044**
Percent Change	2.0%	3.1%	4.8%	4.1%	3.0%	2.1%	1.8%	0.0%	-0.4%	0.3%	0.3%	2.4%	1.8%	1.9%

Totals may not sum due to rounding.
Source: Colorado Commission on Higher Education.

Wildlife Hunting and Fishing Licenses

Calendar Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Resident	909,157	913,666	912,669	917,678	935,904	886,706	900,697	902,787	902,989	927,371	925,419	926,436	893,056
Percent Change	1.5%	0.5%	-0.1%	0.5%	2.0%	-5.3%	1.6%	0.2%	0.0%	2.7%	-0.2%	0.1%	-3.6%
Nonresident	446,616	471,015	495,282	515,573	532,555	562,835	601,734	626,523	608,206	611,848	624,032	650,928	603,983
Percent Change	6.6%	5.5%	5.2%	4.1%	3.3%	5.7%	6.9%	4.1%	-2.9%	0.6%	2.0%	4.3%	-7.2%
Total	**1,355,773**	**1,384,681**	**1,407,951**	**1,433,251**	**1,468,459**	**1,449,541**	**1,502,431**	**1,529,310**	**1,511,195**	**1,539,219**	**1,549,451**	**1,577,364**	**1,497,039**
Percent Change	3.1%	2.1%	1.7%	1.8%	2.5%	-1.3%	3.6%	1.8%	-1.2%	1.9%	0.7%	1.8%	-5.1%

Source: Division of Wildlife