Colorado
Legislative
Council
Staff

Room 029 State Capitol, Denver, CO 80203-1784
(303) 866-3521 FAX: 866-3855 TDD: 866-3472

MEMORANDUM

September 19, 2005

TO: Members of the General Assembly

FROM: The Economics Staff, (303) 866-3521

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2005-2011*

This memorandum presents the current budget outlook based on the September 2005 General Fund and cash fund revenue forecasts. Table 1 presents the General Fund overview based on current law. Table 2 shows the General Fund overview assuming passage of Referenda C and D. Referendum C allows the state to retain all revenue collected between FY 2005-06 and FY 2009-10. Referendum D allows the state to issue notes to pay for transportation projects, kindergarten through twelfth grade capital construction projects, higher education capital construction projects, and the liability for old-hire fire and police pensions. A statewide vote will take place on Referenda C and D at the November 1, 2005 general election.

Executive Summary

Revenue Forecast. The revenue forecast increased by a total of $285.7 million between FY 2005-06 and FY 2009-10. All of the increase occurred in the forecast for cash funds.

- The forecast for **General Fund revenue** was largely unchanged, with a total *decrease* of $33.5 million over the five-year period. Most of the decreased occurred in the forecast for sales and use and corporate income taxes.

- The forecast for **cash funds revenue** increased by a total of $319.3 million. This increase was due to a $376.5 million increase in the forecast for unemployment insurance revenue and a $217.7 million increase in the forecast for severance taxes, which were offset by a $198.0 million decrease in the forecast for transportation-related cash funds. The forecast for other cash funds decreased by $76.9 million, primarily due to decreased expectations for insurance-related cash funds.

Because the state is in a TABOR surplus situation, changes in the forecast for General Fund revenue do not help or hurt the General Fund budget. The extra revenue in the cash funds does cause

Table 1
September 2005 General Fund Overview
(Dollars in Millions)

#		Final FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07	Estimate FY 2007-08	Estimate FY 2008-09	Estimate FY 2009-10	Estimate FY 2010-11
1	Beginning Reserve	$346.3	$331.4	$153.2	$242.4	$256.9	$272.4	$283.4
2	Gross General Fund	6,146.4	6,568.1	6,942.4	7,364.0	7,808.6	8,254.5	8,718.2
3	Senate Bill 97-1 Diversion to the HUTF	0.0	0.0	0.0	-66.9	-2.2	0.0	-190.5
4	Paybacks to Other Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Transfers from Other Funds	66.1	232.8	35.4	40.4	39.7	38.9	38.6
6	Diversion of Sales Taxes to Older Coloradans Fund	-1.5	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0
7	TABOR Surplus Liability (refunded in following year)	-44.7	-560.3	-612.1	-666.7	-783.5	-953.6	-789.3
8	Total Funds Available	$6,512.7	$6,569.9	$6,516.9	$6,911.3	$7,317.5	$7,610.1	$8,058.4
	APPROPRIATIONS AND OBLIGATIONS:							
9	Allowable General Fund Appropriations	$5,935.2	$6,178.3	$6,552.5	$6,423.4	$6,808.8	$7,217.3	$7,508.5
10	Additional Appropriations Approved by JBC	$0.0	$3.3	$0.0	$0.0	$0.0	$0.0	$0.0
11	*Available revenue will restrict allowable appropriations by:*	*0.0*	*0.0*	*-492.7*	*0.0*	*0.0*	*-133.8*	*0.0*
12	**Actual Appropriations**	**$5,935.2**	**$6,181.6**	**$6,059.8**	**$6,423.4**	**$6,808.8**	**$7,083.5**	**$7,508.5**
13	**Allowable App. At 6% Growth From 04-05 Budget***	**$5,935.2**	**$6,181.6**	**$6,552.5**	**$6,945.6**	**$7,362.4**	**$7,804.1**	**$8,272.4**
14	**Cumulative Difference (Change From 6%)**	**$0.0**	**$0.0**	**-$492.7**	**-$522.2**	**-$553.6**	**-$720.6**	***-$763.8***
15	Rebates and Expenditures	110.7	141.0	145.4	150.0	155.4	161.6	167.9
16	Reimbursement for Senior Property Tax Cut	0.0	0.0	61.2	60.4	61.3	62.3	62.3
17	Funds in Prior Year Excess Reserve to HUTF	81.5	62.7	0.0	0.0	0.0	0.0	0.0
18	Funds in Prior Year Excess Reserve to Capital Construction	40.8	31.3	0.0	0.0	0.0	0.0	0.0
19	Capital Construction Transfer	0.0	0.1	8.1	20.5	19.5	19.3	19.3
20	Transfer to the Controlled Maintenance Trust Fund	55.0	0.0	0.0	0.0	0.0	0.0	0.0
21	Federal Medicaid Assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Accounting Adjustments	-42.0	NE	NE	NE	NE	NE	NE
23	Total Obligations	$6,181.3	$6,416.7	$6,274.5	$6,654.3	$7,045.1	$7,326.7	$7,758.0
24	**YEAR-END GENERAL FUND RESERVE:**	**$331.4**	**$153.2**	**$242.4**	**$256.9**	**$272.4**	**$283.4**	**$300.4**
25	**STATUTORY RESERVE: 4.0% OF APPROPRIATIONS**	**237.4**	**247.3**	**242.4**	**256.9**	**272.4**	**283.4**	**300.4**
26	**GENERAL FUND EXCESS RESERVE**	**$94.0**	**-94.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
	TABOR RESERVE REQUIREMENT:							
27	General & Cash Fund Emergency Reserve Requirement	$249.6	$240.4	$249.3	$259.7	$271.7	$284.2	$297.8
28	Appropriations Growth	$335.8	$246.4	-$121.8	$363.6	$385.4	$274.7	$425.0
29	Appropriations Growth Rate	6.00%	4.15%	-1.97%	6.00%	6.00%	4.03%	6.00%
30	Addendum: Amount Directed to State Education Fund	$313.9	$328.7	$348.9	$371.7	$396.1	$421.2	$446.1

Totals may not sum due to rounding.
* Used the budgeted amount for FY 2005-06 rather than 6% growth.

an impact, however, as it raises the required level of the refund but the extra money must go to its dedicated purpose. The General Fund remains responsible for the larger refund. This impact was partially mitigated by the final accounting for House Bill 05-1310 and enterprise status for higher education institutions and the Petroleum Storage Tank Fund.

Impact on the General Fund. The changes described above will cause the state to:

- Fall $94.1 million short of its budgeted amount this year. Since this deficit amount is less than half of the statutory reserve and the Governor would not be required to take additional action, it is assumed in this forecast that the reserve is used to cover the shortfall.

- Reduce appropriations below the allowable 6 percent limit by $492.7 million in FY 2006-07. This will result in a $121.8 million reduction in appropriations that year when compared with FY 2005-06.

- Reduce appropriations below the limit by another $133.8 million during FY 2009-10.

Structural Deficit. A structural deficit exists whenever revenue is below the budgeted level of spending on an ongoing basis. A structural deficit does not indicate need or validate the spending that is taking place, it simply states that revenue will not reach the budgeted level. The state's structural deficit is based on the six percent appropriations limit. The state will see a structural deficit during the forecast period, which can be seen on line 14 of Table 1. If no actions were taken, the state would have a **structural deficit** in its General Fund of $763.8 million by FY 2010-11. The state can either cut $763.8 million from its budget on an ongoing basis, increase allowable revenue by $763.8 million per year, or do a combination of the two.

TABOR Refund. The state will refund $44.7 million in FY 2005-06 via the six-tier sales tax refund. This results in an average refund of $15 per taxpayer. This refund is not affected by the passage of Referendum C. The state will set aside $560.3 million in FY 2005-06 and $612.1 million in FY 2006-07 from its budget to refund to taxpayers in FY 2006-07 and FY 2007-08.

Senate Bill 97-1. Only when revenue is available to meet the state's obligations, including its six percent appropriations limit, can an amount up to 10.355 percent of sales and use tax revenue be transferred to the Highway Users Tax Fund (HUTF). This diversion can be seen on line 3 of Table 1.

- A total of $259.6 million will be diverted to the HUTF between FY 2007-08 and FY 2010-11. Most of this will occur during the last year of the forecast period, FY 2010-11.

Referenda C and D. Table 2 depicts the General Fund overview assuming Referenda C and D are passed next November. The major areas of the overview that change have been bolded. As was previously mentioned, a structural deficit can be eliminated by either cutting spending or increasing allowable revenue. The General Assembly has reduced the structural deficit significantly through budget cuts during the past several years. Under Referendum C, the General Assembly is attempting to alleviate the remaining structural deficit by asking voters to retain surplus money under TABOR (line 7).

If Referendum C passes:

- The state's structural deficit will be eliminated during the forecast period with or without Referendum D. In fact, the state would be able to appropriate $109.7 million more in the current year.

- The amount diverted to the Highway Users Tax Fund via the Senate Bill 97-1 diversion (line 3) will increase relative to current law by $568.9 million over the forecast period.

- The state would pay back $67.1 million that was borrowed from a variety of cash funds.

If Referenda D also passes the following additional impacts would occur:

- The state will have the ability to borrow up to $1.7 billion for highway construction under referendum D. The payments on the notes authorized by Referendum D can be seen on line 17.

- The state will be able to borrow $50 million for higher education capital construction, $147 million for kindergarten through twelfth grade capital construction, and $175 million for local fire and police pension funds.

- The amount diverted to the Highway Users Tax Fund via the Senate Bill 97-1 diversion (line 3) will increase relative to current law by $100.4 million over the forecast period.

Economic Forecast

Colorado's economy is expected to continue to expand in the next several years, despite rising energy prices. The economic outlook includes:

- employment growth of 2.2 percent to 2.9 percent each year;

- personal income growth of 6.3 percent to 6.8 percent annually; and

- inflation of 2.1 percent to 3.0 percent per year.

The **U.S. economy** has continued its modest growth trend through much of 2005. Nearly all sectors of the economy are showing positive signs, leaving the forecast for future growth cautiously optimistic:

- The impact of Hurricane Katrina will be mixed, with a hit to the economy in the short-term, followed by a surge from reconstruction efforts in 2006.

- Employment will likely take a hit in September due to the hurricane, but the nation has been adding roughly 200,000 jobs per month in 2005.

- Employment growth, coupled with low interest rates and creative lending products, has helped keep the housing market active. Both new home sales and existing home prices reached record highs in July.

Table 2
September 2005 General Fund Overview
Assuming Passage of Referenda C and D and 6 Percent Budgeting
(Dollars in Millions)

		Preliminary FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07	Estimate FY 2007-08	Estimate FY 2008-09	Estimate FY 2009-10	Estimate FY 2010-11
1	Beginning Reserve	$346.3	$331.4	$307.8	$266.7	$282.8	$299.7	$317.8
2	Gross General Fund	6,146.4	6,584.8	6,976.7	7,400.5	7,847.3	8,295.6	8,761.8
3	**Senate Bill 97-1 Diversion to the HUTF**	0.0	**-215.9**	**-41.8**	**-23.3**	**-39.0**	**-28.9**	**-11.0**
4	**Paybacks to Other Funds**	0.0	**-67.1**	0.0	0.0	0.0	0.0	0.0
5	Transfers from Other Funds	66.1	232.8	35.4	40.4	39.7	38.9	38.6
6	Diversion of Sales Taxes to Older Coloradans Fund	-1.5	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0
7	**TABOR Surplus Liability (refunded in following year)**	-44.7	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
8	Total Funds Available	$6,512.7	$6,863.9	$7,276.0	$7,682.3	$8,128.8	$8,603.3	$9,105.2
	APPROPRIATIONS AND OBLIGATIONS:							
9	Allowable General Fund Appropriations	$5,935.2	$6,291.3	$6,668.8	$7,068.9	$7,493.1	$7,942.6	$8,419.2
10	Additional Appropriations Approved by JBC	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
11	*Available revenue will restrict allowable appropriations by:*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
12	**Actual Appropriations**	**$5,935.2**	**$6,291.3**	**$6,668.8**	**$7,068.9**	**$7,493.1**	**$7,942.6**	**$8,419.2**
13	**Allowable App. At 6% Growth From 05-06 Budget***	**$5,935.2**	**$6,181.6**	**$6,552.5**	**$6,945.6**	**$7,362.4**	**$7,804.1**	**$8,272.4**
14	**Cumulative Difference (Cuts Below 6%)**	**$0.0**	**$109.7**	**$116.3**	**$123.3**	**$130.7**	**$138.5**	***$146.8***
15	Rebates and Expenditures	110.7	115.7	120.1	124.7	130.1	136.3	142.6
16	Reimbursement for Senior Property Tax Cut	0.0	0.0	61.2	60.4	61.3	62.3	62.3
17	**Note Payments**	0.0	**55.0**	**95.0**	**125.0**	**125.0**	**125.0**	**125.0**
18	Funds in Prior Year Excess Reserve to HUTF	81.5	62.7	37.4	0.0	0.0	0.0	0.0
19	Funds in Prior Year Excess Reserve to Capital Construction	40.8	31.3	18.7	0.0	0.0	0.0	0.0
20	Capital Construction Transfer	0.0	0.1	8.1	20.5	19.5	19.3	19.3
21	Transfer to the Controlled Maintenance Trust Fund	55.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Federal Medicaid Assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23	Accounting Adjustments	-42.0	NE	NE	NE	NE	NE	NE
24	Total Obligations	$6,181.3	$6,556.1	$7,009.2	$7,399.5	$7,829.0	$8,285.5	$8,768.4
25	**YEAR-END GENERAL FUND RESERVE:**	**$331.4**	**$307.8**	**$266.7**	**$282.8**	**$299.7**	**$317.8**	**$336.8**
26	**STATUTORY RESERVE: 4.0% OF APPROPRIATIONS**	**237.4**	**251.7**	**266.8**	**282.8**	**299.8**	**317.7**	**336.8**
27	**GENERAL FUND EXCESS RESERVE**	**$94.0**	**56.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
	TABOR RESERVE REQUIREMENT:							
28	General & Cash Fund Emergency Reserve Requirement	$249.6	$257.7	$268.6	$280.8	$296.3	$314.0	$322.8
29	Appropriations Growth	$335.8	$356.1	$377.5	$400.1	$424.1	$449.6	$476.6
30	Appropriations Growth Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
31	Addendum: Amount Directed to State Education Fund	$313.9	$328.7	$348.9	$371.7	$396.1	$421.2	$446.1

Totals may not sum due to rounding.
* Used the budgeted amount for FY 2005-06 rather than 6% growth.

General Fund Revenue

This section presents the Legislative Council Staff forecast for General Fund revenue. Table 3 illustrates revenue projections by category for FY 2005-06 through FY 2010-11. The Colorado economy has shown significant growth in jobs and retail activity. However, the recent acceleration of energy prices will mute growth somewhat. While employment levels remain below the peak from December of 2000, the state has added back 89,000 jobs since the middle of 2003, which was the bottom of the employment cycle. Through August, the state added 2.4 percent more jobs, compared with the same period in 2004. Significant job growth will continue over the next couple of years and move into the higher wage sectors of the economy, providing a positive boost for consumer markets as well. Consumers will be hampered by higher energy prices accounting for a larger share of their disposable income. They may also face higher prices in other areas as energy prices work through the production system and building materials are squeezed by reconstruction efforts in the south.

In FY 2004-05, ***sales taxes*** grew by the fastest rate since FY 2000-01. However, higher gas prices will hinder growth in FY 2005-06. It is estimated that half of an increase in gas prices is funded by lower savings, while the other half is paid for from decreased spending in other areas. As a result, the sales tax forecast was decreased by $10.8 million in FY 2005-06. It should be noted that there is potential for a short-term drain on sales taxes as individuals contribute generously for hurricane relief efforts. Overall, we expect a 3.8 percent increase in sales tax receipts during FY 2005-06, followed by a 5.1 percent gain in FY 2006-07. The prolonged health of the construction market led to a 11.3 percent increase in ***use taxes*** in FY 2004-05. The forecast for use taxes was decreased slightly throughout the forecast period due to concerns regarding over-supply and a recent downturn in construction permits.

After increasing at a healthy 7.6 percent rate in FY 2004-05, ***individual income taxes*** will increase 9.8 percent in FY 2005-06. While we expect job gains to continue and the stock market to contribute more to gains this year, we will see a slight moderation in growth beginning next year, with growth rates ranging between 6.3 percent and 6.8 percent over the remainder of the forecast period. Other than FY 2005-06, the forecast for individual income taxes did not change materially from the June forecast. The forecast for FY 2005-06 was increased by $49.8 million.

The forecast for ***corporate income tax*** collections was revised down from June as a result of recent energy price increases, which are expected to have a negative impact on corporate profits. For FY 2005-06, corporate income taxes are now projected at $331.0 million, rather than $338.1 million, as reported in the June forecast. Compared to FY 2004-05, corporate income taxes are expected to grow 5.1 percent. The forecast for subsequent fiscal years was also revised downward in response to higher oil and gas prices. Corporate income tax collections are projected to slow down in the future as labor costs accelerate, productivity gains moderate, and other input prices increase. In FY 2006-07 and FY 2007-08, corporate income taxes are expected to increase 4.2 percent and 4.0 percent, respectively.

The ***State Education Fund (SEF)*** receives one-third of one percent of taxable income from state income tax returns. This fund will see a growth pattern of revenue similar to income taxes. After receiving $313.9 million in FY 2004-05, it will receive $328.7 million this year and $348.9 million next year.

Table 3
September 2005 General Fund Revenue Estimates
(Dollars in Millions)

Category	Preliminary FY 2004-05	Percent Change	Estimate FY 2005-06	Percent Change	Estimate FY 2006-07	Percent Change	Estimate FY 2007-08	Percent Change	Estimate FY 2008-09	Percent Change	Estimate FY 2009-10	Percent Change	Estimate FY 2010-11	Percent Change
Sales	$1,854.6	4.7	$1,925.0	3.8	$2,022.8	5.1	$2,125.6	5.1	$2,229.3	4.9	$2,334.5	4.7	$2,448.9	4.9
Use	152.9	11.3	160.3	4.8	163.9	2.3	171.0	4.4	179.2	4.8	186.2	3.9	193.5	3.9
Cigarette	51.5	-4.3	45.3	-12.0	44.3	-2.2	43.3	-2.2	42.4	-2.2	41.0	-3.3	40.1	-2.2
Tobacco Products	14.2	22.0	9.8	-31.1	12.9	31.9	13.5	5.1	14.2	5.0	14.9	4.8	15.6	4.6
Liquor	31.2	1.4	32.1	3.1	32.9	2.3	33.6	2.3	34.3	2.1	35.0	1.9	35.9	2.7
TOTAL EXCISE	$2,104.3	5.0	$2,172.5	3.2	$2,276.7	4.8	$2,387.1	4.8	$2,499.5	4.7	$2,611.6	4.5	$2,734.0	4.7
Net Individual Income	$3,711.8	7.6	$4,077.0	9.8	$4,335.4	6.3	$4,630.6	6.8	$4,945.5	6.8	$5,270.7	6.6	$5,602.1	6.3
Net Corporate Income	315.0	33.9	331.0	5.1	344.8	4.2	358.6	4.0	373.9	4.3	389.9	4.3	404.2	3.7
TOTAL INCOME TAXES	$4,026.8	9.3	$4,408.0	9.5	$4,680.2	6.2	$4,989.2	6.6	$5,319.4	6.6	$5,660.5	6.4	$6,006.3	6.1
Less: Portion diverted to the State Education Fund	-313.9	12.6	-328.7	4.7	-348.9	6.1	-371.7	6.5	-396.1	6.6	-421.2	6.4	-446.1	5.9
INCOME TAXES TO GENERAL FUND	$3,712.9	9.0	$4,079.3	9.9	$4,331.4	6.2	$4,617.5	6.6	$4,923.3	6.6	$5,239.3	6.4	$5,560.1	6.1
Estate	26.0	-44.9	4.6	-82.4	0.0	-100.0	0.0	NA	0.0	NA	0.0	NA	0.0	NA
Insurance	189.2	7.6	196.2	3.7	207.2	5.6	219.2	5.8	231.9	5.8	245.2	5.8	259.3	5.7
Pari-Mutuel	3.8	-12.7	3.6	-5.0	3.4	-5.0	3.3	-5.0	3.1	-5.0	2.9	-5.0	2.8	-5.0
Investment Income	13.4	-31.3	25.2	88.0	33.0	30.8	42.2	27.9	51.7	22.6	51.7	-0.1	53.6	3.7
Court Receipts	26.3	0.1	26.2	-0.3	27.2	3.8	28.2	3.7	29.2	3.7	30.3	3.6	31.4	3.7
Gaming	40.2	0.1	41.1	2.1	43.4	5.7	45.9	5.6	48.5	5.8	51.4	6.0	54.3	5.6
Other Income	30.2	-27.3	19.4	-35.7	20.1	3.3	20.7	3.2	21.4	3.1	22.0	3.1	22.7	3.1
TOTAL OTHER	$329.2	-7.3	$316.3	-3.9	$334.3	5.7	$359.4	7.5	$385.8	7.3	$403.6	4.6	$424.1	5.1
GROSS GENERAL FUND	**$6,146.4**	**6.6**	**$6,568.1**	**6.9**	**$6,942.4**	**5.7**	**$7,364.0**	**6.1**	**$7,808.6**	**6.0**	**$8,254.5**	**5.7**	**$8,718.2**	**5.6**
REBATES & EXPENDITURES:	6,460.35													
Cigarette Rebate	$14.4	-3.2	$11.9	-17.7	$11.6	-2.2	$11.4	-2.2	$11.1	-2.2	$10.7	-3.3	$10.5	-2.2
Old-Age Pension Fund	86.7	10.3	87.7	1.1	91.6	4.5	96.6	5.4	102.3	6.0	108.8	6.3	115.7	6.3
Aged Property Tax & Heating Credit	5.8	-62.8	12.4	112.2	13.0	5.2	12.9	-0.7	12.9	-0.3	12.9	0.2	12.6	-2.8
Fire/Police Pensions	3.8	3.9	29.1	665.6	29.1	0.0	29.1	0.0	29.1	0.0	29.1	0.0	29.1	0.0
TOTAL REBATES & EXPENDITURES	$110.7	-1.8	$141.0	27.3	$145.4	3.1	$150.0	3.2	$155.4	3.6	$161.6	4.0	$167.9	3.9

Totals may not sum due to rounding.

Cash Fund Revenue

Total cash fund revenue subject to the TABOR spending limit will increase 4.7 percent in FY 2005-06 after a 7.5 percent increase in FY 2004-05. Cash fund revenue subject to the TABOR spending limit will increase at an average annual rate of 0.8 percent between FY 2004-05 and the end of the forecast period. Unemployment insurance and severance tax revenue are driving the overall trend in cash funds.

The revenue figures shown in Table 4 exclude revenue to the state's public higher education institutions and the Petroleum Storage Tank Fund to show the growth rate in cash fund revenue that will affect the size of the TABOR surplus. The University of Colorado system became an enterprise under TABOR in FY 2004-05 and the remainder of the state's public higher education institutions became enterprises this year. Senate Bill 05-39 granted enterprise status to the Petroleum Storage Tank Fund beginning in FY 2005-06. An enterprise's revenue growth no longer affects the size of the TABOR surplus or the amount of money available for spending in the General Fund.

The forecast for cash fund revenue was increased by $91.8 million in FY 2005-06. This increase is entirely due to a $130.6 million increase in the forecast for severance taxes, which was offset somewhat by a $19.9 million decrease in the forecast for motor fuel taxes and a $13.1 million decrease in unemployment insurance taxes. The higher forecast for cash funds will cause the TABOR surplus to increase $91.8 million in FY 2005-06. Over the five-year forecast period, the forecast for cash fund revenue subject to TABOR was increased by a total of $319.3 million. This increase was due to a $376.5 million increase in the forecast for unemployment insurance revenue and a $217.7 million increase in the forecast for severance taxes, which were offset by a $198.0 million decrease in the forecast for transportation-related cash funds and a $74.0 million decrease in the forecast for insurance related cash funds.

Revenue to the ***Highway Users Tax Fund*** (HUTF) will decrease 1.8 percent in FY 2005-06, as high gasoline prices have driven consumers to alternative means of transportation or more fuel-efficient vehicles. Also, automakers continue to unveil and build more hybrid vehicles in response to growing consumer demand. This trend will temper motor fuel tax revenue growth in the future, even as the state adds population and employment. HUTF revenues will increase at an average annual rate of 0.9 percent over the forecast period.

State Highway Fund (SHF) revenue, which includes interest earnings on the fund balance and matching funds from local governments, will increase 22.9 percent this year and decrease 7.8 percent next year. The uneven growth pattern is driven by local government matching funds for transportation projects receiving state highways funds. Meanwhile, revenue to ***other transportation funds***, which primarily includes fees paid in connection with the motor vehicle registration fee, is expected to increase slightly in FY 2005-06.

Table 5 shows the forecast for ***unemployment insurance*** (UI) revenue, benefit payments, and the UI Trust Fund balance. Total UI revenue, which includes UI taxes and interest earnings, will *decrease* 4.5 percent in FY 2005-06 after increasing 36.1 percent in FY 2004-05 and 58.5 percent in FY 2003-04. UI tax rates increased in 2004 and 2005 as a result of the substantial draw-down of the fund's reserves during the recession. While a low fund balance will cause a higher tax rate schedule to be in effect from 2004 through 2008 than had been in effect in previous years, tax rates will decrease gradually each year between 2006 and 2008 as the fund balance rebuilds. In addition, the solvency tax, which is levied when the fund

Table 4
Cash Fund Revenue Estimates by Category, September 2005 /A
(Dollars in Millions)

	Preliminary FY 04-05	Estimate FY 05-06	Estimate FY 06-07	Estimate FY 07-08	Estimate FY 08-09	Estimate FY 9-10	Estimate FY 10-11	FY 04-05 to FY 10-11 CAAGR *
Transportation-Related /B	**$844.1**	**$844.2**	**$841.5**	**$855.4**	**$868.8**	**$883.8**	**$897.4**	
% Change	0.0%	0.0%	-0.3%	0.0%	1.6%	1.7%	1.5%	**1.0%**
Unemployment Insurance /C	**$465.6**	**$444.6**	**$421.6**	**$447.4**	**$498.9**	**$580.3**	**$382.9**	
% Change	36.1%	-4.5%	-5.2%	6.1%	11.5%	16.3%	-34.0%	**-3.2%**
Employment Support Fund	**$21.5**	**$22.7**	**$23.7**	**$25.0**	**$25.9**	**$27.0**	**$28.1**	
% Change	7.0%	5.4%	4.4%	5.3%	3.6%	4.5%	4.2%	**4.6%**
Severance Tax /D	**$152.0**	**$239.0**	**$224.8**	**$145.3**	**$127.6**	**$132.1**	**$129.2**	
% Change	21.5%	57.3%	-5.9%	-35.3%	-12.2%	3.6%	-2.2%	**-2.7%**
Limited Gaming Fund	**$103.1**	**$108.8**	**$115.0**	**$121.4**	**$128.3**	**$136.0**	**$143.3**	
% Change	0.4%	5.5%	5.7%	5.6%	5.7%	5.9%	5.4%	**5.6%**
Insurance-Related	**$53.2**	**$56.0**	**$59.0**	**$61.9**	**$65.0**	**$68.3**	**$71.4**	
% Change	1.1%	5.2%	5.2%	5.0%	5.0%	5.1%	4.6%	**5.0%**
Regulatory Agencies	**$51.4**	**$52.6**	**$53.8**	**$55.0**	**$56.2**	**$57.5**	**$59.1**	
% Change	2.3%	2.4%	2.1%	2.3%	2.1%	2.5%	2.7%	**2.4%**
Capital Construction - Interest	**$2.3**	**$3.7**	**$2.9**	**$1.7**	**$0.9**	**$0.5**	**$0.3**	
% Change	37.5%	60.1%	-22.7%	-42.6%	-43.3%	-42.8%	-42.8%	**-28.7%**
Controlled Maintenance Trust Fund - Interest	**$0.0**	**$6.6**	**$0.2**	**$0.2**	**$0.2**	**$0.2**	**$0.2**	
Other Cash Funds	**$273.9**	**$281.1**	**$293.3**	**$306.8**	**$321.6**	**$337.3**	**$354.5**	
% Change	-7.1%	2.6%	4.3%	4.6%	4.8%	4.9%	5.1%	**4.4%**
Total Cash Fund Revenues Subject to the TABOR Limit	**$1,967.3**	**$2,059.4**	**$2,035.7**	**$2,020.1**	**$2,093.3**	**$2,223.0**	**$2,066.4**	
	7.5%	**4.7%**	**-1.2%**	**-0.8%**	**3.6%**	**6.2%**	**-7.0%**	**0.8%**

Totals may not sum due to rounding.
* CAAGR: Compound Average Annual Growth Rate.
/A Excludes revenue from the Petroleum Storage Tank Fund and revenue from all higher education institutions, which are enterprises for the purposes of TABOR beginning in FY 2005-06.
/B Includes the Highway Users Tax Fund, the State Highway Fund, and other transportation-related funds.
/C Includes the solvency tax that will be in effect during calendar years 2004 through 2010.
/D Includes total severance tax revenue and interest earnings before distribution to the Local Government Severance Tax Fund.

balance falls below 0.9 percent of total private insured wages, will be in effect from 2004 through 2010. The solvency tax will generate a total of $1.28 billion over this seven-year time period.

The size of Colorado's population and economy is approaching the point where the solvency tax will have to be levied during most years. While the solvency tax will not be levied in 2011, it will be levied again in 2012. The UI tax base has remained constant at the first $10,000 of taxable wages earned by each employed person since 1988. In addition, the size of the fund balance that triggers the lowest of twelve tax rate schedules has remained constant at $450 million since July 1, 1991, when the tax rates for CY 1992 were determined. A fund balance of $450 million represents 0.62 percent of taxable wages this year. By the end of the forecast period, this ratio will fall to 0.47 percent. TABOR, however, would prohibit the $10,000 wage threshold and/or the fund balance trigger to be increased without voter approval. TABOR would not prohibit such a change if it caused fewer taxes to be collected than would have resulted if the solvency tax were to be continually imposed.

After increases of 78.0 percent in FY 2003-04 and 38.9 percent in FY 2004-05, total UI taxes will *decrease* 7.7 percent in FY 2005-06 and continue to decline through FY 2006-07 as the fund balance recovers. UI taxes will then increase between FY 2007-08 and FY 2009-10 before decreasing in FY 2010-11 as the solvency tax takes a year off in 2011. Meanwhile, benefits decreased to $333 million in FY 2004-05 after three years at around $500 million per year. Benefits will continue to decrease this year and remain at levels consistent with a moderate economic expansion thereafter.

The forecast for total UI revenue was increased by $376.5 million over the forecast period. Most of the increase occurred in FY 2008-09 and FY 2009-10 as a result of the solvency tax. The June forecast called for the solvency tax to be levied through 2008 and again in 2010, taking 2009 off. Because the fund balance at the end of FY 2004-05 was lower than had been expected in June, this forecast calls for the solvency tax to be levied each year through 2010. Each year the solvency tax is in effect, the tax rate charged to an employer increases by an increment set in statute until, after five or six years, it reaches a maximum level. This change increased the forecast for solvency taxes during FY 2008-09 and FY 2009-10 by a total of $474.5 million, since it called for two years at the highest solvency tax rates rather than part of a year at the lowest rates, as was expected in June. Meanwhile, the forecast for interest earnings was decreased by a total of $73.9 million over the forecast period.

Severance tax collections are projected to increase 64.5 percent in FY 2005-06, reaching $239.0 million. The sharp increase in severance taxes is expected because of the significant increase in oil and natural gas prices recently. Severance taxes are projected to fall slightly in the following year as energy prices stabilize. Severance taxes are expected to fall more rapidly in FY 2007-08 due to declining energy prices and the claiming of additional property tax credits that are based on the prior year's production value. Tax collections are estimated at $224.8 million in FY 2006-07, $145.3 million in FY 2007-08, and $127.6 million in FY 2008-09. The forecast assumes that natural gas prices will rise to $9.43 per Mcf (thousand cubic feet) in 2006, and drop to about $7.00 per Mcf in the following two to three years.

The forecast for ***gaming revenue*** did not change significantly from the June forecast. Total gaming revenue, which includes taxes, fees, and interest earnings, will increase 5.5 percent in FY 2005-06, and at an average annual rate of 4.8 percent through FY 2010-11.

Table 5
Unemployment Insurance Trust Fund Forecast, September 2005
Revenues, Benefits Paid, The UI Fund Balance, and Solvency
(Dollars in Millions)

	Preliminary FY 04-05	Estimate FY 05-06	Estimate FY 06-07	Estimate FY 07-08	Estimate FY 08-09	Estimate FY 09-10	Estimate FY 10-11	FY 2004-05 to FY 2010-11 CAAGR *
Beginning Balance	$133.9	$221.0	$349.0	$435.2	$524.6	$643.7	$820.3	35.3%
Plus Income Received								
Regular Taxes /A	$346.0	$307.8	$234.6	$204.2	$193.6	$204.1	$212.7	-7.8%
Solvency Taxes /B	$113.1	$115.9	$150.5	$201.7	$254.9	$313.1	$79.4	
Interest	$6.5	$20.9	$36.5	$41.6	$50.4	$63.0	$90.7	55.0%
Total Revenues	**$465.6**	**$444.6**	**$421.6**	**$447.4**	**$498.9**	**$580.3**	**$382.9**	-3.2%
% Change	36.1%	-4.5%	-5.2%	6.1%	11.5%	16.3%	-34.0%	
Less Benefits Paid	($333.2)	($293.9)	($311.7)	($333.1)	($354.0)	($376.7)	($399.2)	3.1%
% Change	-27.7%	-11.8%	6.1%	6.9%	6.3%	6.4%	6.0%	
Federal Reed Act Transfer	($3.9)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	NA
Accounting Adjustment	($41.1)	($22.7)	($23.7)	($25.0)	($25.9)	($27.0)	($28.1)	NA
Ending Balance	**$221.0**	**$349.0**	**$435.2**	**$524.6**	**$643.7**	**$820.3**	**$775.8**	23.3%
Solvency Ratio:								
Fund Balance as a Percent of Total Annual Private Wages	0.32%	0.48%	0.56%	0.64%	0.75%	0.90%	0.81%	16.7%

Totals may not sum due to rounding.
NA = Not Applicable
* CAAGR: Compound Average Annual Growth Rate.
/A This includes regular UI taxes, 50% of the UI surcharge, penalty receipts, and the accrual adjustment on taxes. Surcharge revenue to the UI Fund is excluded during FY 2003-04, per Senate Bill 03-239.
/B The amount of all UI taxes collected via the solvency tax in FY 2003-04 is an estimate. The total amount of taxes is known; the portion of taxes collected as a result of the solvency taxes is estimated.

Gaming taxes will increase 5.6 percent in FY 2005-06 after increasing 0.5 percent in FY 2004-05. The relatively low growth in FY 2004-05 was partially due to a shift in gaming proceeds from Blackhawk to Central City after the opening of the new Central City Parkway in December 2004. Since casinos tend to be smaller in Central City than in Blackhawk, a movement of business from Blackhawk to Central City will result in a lower overall effective tax rate due to the graduated tax rate structure of the gaming tax. Casinos with adjusted gross proceeds over $15 million per year have a marginal tax rate of 20 percent. In contrast, casinos with adjusted gross proceeds of $5 million have a marginal tax rate of only 4 percent.

All ***other cash fund revenue*** will increase 5.1 percent in FY 2005-06, and at an average annual rate of 4.2 percent over the forecast period.

The Constitutional Revenue Limit—TABOR

Article X, Section 20 of the state Constitution (**TABOR**) requires that any revenue collected above the TABOR limit be refunded to taxpayers within one year after the fiscal year in which the revenue is collected. TABOR limits the aggregate annual increase in about 60 percent of state revenue to inflation plus the annual percentage change in state population. The limit is applied to either the prior year's limit or to actual TABOR revenue collected in the prior year, whichever is less.

The state first collected TABOR revenue over the limit in FY 1996-97 and continued to do so for the next four years. Table 6 shows the actual and estimated TABOR surpluses from FY 1996-97 through FY 2010-11. The state experienced a recession in FY 2001-02 and revenue fell $365.7 million below the allowable amount that year. Continuing tough economic times, including stock market declines and significant job losses throughout the economy, caused state revenue to fall $621.8 million below the limit in FY 2002-03. Because the TABOR limit grows from the lower of either the previous year's limit or actual revenue collected in the prior year, the limit "ratchets down" in years that the state does not collect revenue up to the allowable limit. The state's limit was reduced by over $1 billion from where it would have been had it grown each year by inflation plus population growth. Because the base for the TABOR limit has ratcheted down, growth has again exceeded the limit as the state has experienced an economic recovery. However, the population adjustment amends the limit so that the state may retain about $476.9 million per year that would have otherwise become part of the surplus. As can be seen in the table, the state will refund $3.6 billion during the next five years under current law.

Table 6
History and Projections of TABOR Surpluses
(Dollars in Millions)

Actual	
1996-97	$139.0
1997-98	$563.2
1998-99	$679.6
1999-00	$941.1
2000-01	$927.2
2001-02	$0.0
2002-03	$0.0
2003-04	$0.0
2004-05	$172.5
Projections	
2005-06	$560.3
2006-07	$612.1
2007-08	$666.7
2008-09	$783.5
2009-10	$953.6

The **population adjustment** was passed during the 2002 legislative session to adjust the TABOR limit because the U.S. Census Bureau underestimated the state's population during the 1990s. The underestimate caused the state to refund $483 million more than would have been required under TABOR had the correct population estimates been made. To make up for the over-refund of surplus revenue, the legislation provided that the state could carry forward six percentage points of population growth that were available in the TABOR limit for FY 2001-02. The limit for FY 2001-02 was chosen because it incorporated the population growth from the 2000 Census, which included the population that had been undercounted during the 1990s. In FY 2001-02, revenue fell sufficiently below the limit so that none of the population portion of the limit was used. Therefore, the full six percentage points of population growth available in the FY 2001-02

TABOR limit were carried forward for future use.

Because revenue fell below the limit again in FY 2002-03, none of the population adjustment was used that year. However, since the state would have been $280 million above its limit during FY 2003-04 without the population adjustment, 3.6 percentage points out of the six percentage points available were used to raise the limit enough to retain the revenue received. The remaining 2.4 percentage points of the population dividend will be used in FY 2004-05. Use of the remaining population adjustment in FY 2004-05 will raise the limit by another $196.9 million plus growth. Because the population adjustment permanently increases the TABOR base, an additional $469.4 million plus growth will be retained annually due to the implementation of the population adjustment.

Table 7 displays our current estimates of TABOR revenue, the use of the population adjustment, the TABOR limit, and the TABOR surplus. As can be seen, the state had a surplus of $172.5 million during FY 2004-05 and that surplus grows to $953.6 million by FY 2009-10. It should be noted that the current forecast does not anticipate a recession during the forecast period. The economy experiences a recession every five years on average. At the end of this forecast period the economy would be nine years into an upswing. During the 1990s the state experienced a 10-year cycle without a downturn. If the state were to undergo a downturn during this forecast period, refunds would be reduced significantly.

Because the state has already refunded $127.8 million more to taxpayers than is required under TABOR, the state will refund $44.7 million of the $172.5 million surplus from FY 2004-05 to taxpayers during FY 2005-06. The refund will be executed entirely through a sales tax credit. The sales tax credit will be refunded when taxpayers file their 2005 taxes in early 2006 and will appear on their income tax form. The sales tax credit will average $15 dollars per taxpayer. Later refunds will be executed through 18 different mechanisms, with the sales tax refund acting as a "catch-all" to refund any surplus not refunded through the other 17 mechanisms. Table 8 displays the mechanisms that will be used each year and the amount of revenue that will be refunded through each mechanism. Table 9 shows the average refund projected for the sales tax refund each year. The income tiers used during 2001 are displayed for informational purposes and are based on a taxpayer's adjusted gross income. Joint filers would receive two times the value of the refund. The actual tiers used will be recalculated by the Colorado Department of Revenue each year. The bottom line gives the overall average refund per taxpayer.

Since the state was already expected to be in a TABOR surplus position during FY 2004-05 and beyond, changes in the General Fund forecast simply change the amount of surplus revenue to be refunded. They have no impact on the state's budget situation. However, the significant increases in cash fund revenue, primarily from higher expectations for unemployment insurance tax receipts and severance tax revenue, will increase the state's structural deficit. Since the General Fund is responsible for the TABOR refund under current law, the General Fund is worse off when a non-General Fund revenue source receives more revenue, thereby increasing the TABOR refund. The General Fund is made worse off because it has the liability for the added amount of refund while the revenue will go to the cash fund. The state is expected to have a structural deficit of $763.8 million by the end of the forecast period.

Table 7
September 2005 Forecast for the TABOR Revenue Limit and Emergency Reserve
(Dollars in Millions)

	Preliminary FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07	Estimate FY 2007-08	Estimate FY 2008-09	Estimate FY 2009-10	Estimate FY 2010-11
TABOR Revenues:							
General Fund /A	$6,104.1	$6,513.0	$6,885.0	$7,304.2	$7,746.1	$8,203.1	$8,650.0
Cash Funds	2,388.7	2,059.4	2,035.7	2,020.1	2,093.3	2,223.0	2,066.4
Total TABOR Revenues	$8,492.8	$8,572.5	$8,920.7	$9,324.3	$9,839.4	$10,426.1	$10,716.4
TABOR LIMIT:							
Allowable TABOR Growth Rate	**4.6%**	**1.3%**	**3.7%**	**4.2%**	**4.6%**	**4.6%**	**4.8%**
Inflation (from prior calendar year)	1.1%	0.1%	2.1%	2.5%	2.8%	2.8%	2.9%
Population Growth (from prior calendar year)	1.1%	1.2%	1.6%	1.7%	1.8%	1.8%	1.9%
Growth Dividend Population Adjustment (6% Carried Forward)	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Allowable TABOR Limit /B	**$8,320.3**	**$8,012.2**	**$8,308.7**	**$8,657.6**	**$9,055.9**	**$9,472.4**	**$9,927.1**
Revenues Above / (Below) TABOR Limit /C	**$172.5**	**$560.3**	**$612.1**	**$666.7**	**$783.5**	**$953.6**	**$789.3**
EMERGENCY RESERVE:							
TABOR Emergency Reserve	$249.6	$240.4	$249.3	$259.7	$271.7	$284.2	$297.8

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 are netted out.

/B The TABOR Limit was adjusted for new TABOR enterprises in FY 2004-05 and FY 2005-06.

/C The state has previously over-refunded $127.8 million of TABOR surplus to taxpayers. Therefore, the $172.5 million surplus during FY 2004-05 will be reduced by $127.8 million to determine the refund amount of $44.7 million.

Table 8
Estimated Refund Amounts for TABOR Refund Methods
(Dollars in millions)

Refund Method	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
HB 99-1383 and HB 00-1049, EIC Refund	$0.0	**$41.0**	**$40.4**	**$41.2**	**$42.1**	**$42.9**
HB 00-1053, Exclude Charitable Contributions (Begins FY 2007)	$0.0	**$3.6**	**$3.7**	**$3.8**	**$4.0**	**$4.1**
HB 01-1313, Foster Care Issues	$0.0	**$0.2**	**$0.2**	**$0.2**	**$0.2**	**$0.2**
HB 99-1311, BPP Refund	$0.0	**$117.7**	**$123.6**	**$129.7**	**$136.2**	**$143.0**
HB 99-1237, Capital Gains Refund	$0.0	**$36.8**	**$36.0**	**$35.3**	**$34.6**	**$33.9**
HB 00-1063, Rural Health Providers (ends after FY 2008)	$0.0	**$0.2**	**$0.2**	**NA**	**NA**	**NA**
HB 00-1351, Child Care Credit	$0.0	**$28.6**	**$29.0**	**$29.4**	**$29.8**	**$30.3**
HB 01-1081, Research and Development	$0.0	**$14.5**	**$15.2**	**$15.9**	**$16.5**	**$17.1**
HB 00-1227, Lower Motor Vehicle Fees	$0.0	**$40.1**	**$41.6**	**$43.0**	**$44.5**	**$46.1**
HB 00-1355, High Technology Scholarship Program*	$0.0	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
HB 00-1257, Pollution Control Equipment	$0.0	**$1.0**	**$1.0**	**$1.0**	**$1.0**	**$1.0**
HB 00-1052, Contribution to Telecommunication Education	$0.0	**$0.5**	**$0.5**	**$0.5**	**$0.5**	**$0.5**
HB 00-1259, Trucks at 0.01 Percent Sales Tax Rate	$0.0	**$6.7**	**$7.0**	**$7.3**	**$7.6**	**$8.0**
HB 99-1137 and HB 00-1171, interest, div, and CG exclusion	$0.0	**$49.4**	**$51.7**	**$53.8**	**$56.3**	**$59.1**
HB 01-1086, Ag Coop Tax Credit	$0.0	**$0.5**	**$0.5**	**$0.5**	**$0.5**	**$0.5**
HB 00-1104, Purchase Private Health Benefit Plans	$0.0	**$2.7**	**$2.7**	**$2.7**	**$2.7**	**$2.7**
HB 00-1209, Colorado Capital Gains 1 to 5 Years	$0.0	$0.0	**$33.0**	**$36.6**	**$40.4**	**$44.1**
HB 99-1001, Sales Tax Refund	**$44.7**	**$217.0**	**$225.6**	**$265.6**	**$366.6**	**$520.1**
Legislative Council Staff Estimate of TABOR Surplus	$44.7	$560.3	$612.1	$666.7	$783.5	$953.6

Only the shaded amounts will be refunded because the projected TABOR refund is larger than the threshold.

The refunds will be in the fiscal year indicated in the table based on the projected TABOR surplus in the previous fiscal year.

* The estimated amount for these refund methods is less than $50,000.

Table 9
Estimated Sales Tax Refund and Taxpayers by Fiscal Year
September 2005 LCS Forecast

	Estimated Average Refund in Each Year					
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Tier 1 - Less Than $26,000	$11	$51	$51	$59	$79	$109
Tier 2 - $26,001 to $53,000	$13	$61	$61	$70	$95	$131
Tier 3 - $53,001 to $78,000	$16	$77	$78	$90	$121	$167
Tier 4 - 78,001 to $103,000	$20	$94	$95	$109	$147	$202
Tier 5 - $103,001 to $ 126,000	$21	$98	$99	$114	$153	$211
Tier 6 - More than $126,000	$31	$148	$150	$172	$231	$319
Overall Average	$15	$71	$72	$83	$111	$153

National Economy

This section reviews the recent performance of the U.S. economy and describes the national economic forecast. A discussion of the major risks to the national economic forecast follows.

Recent data. Estimates of economic growth during the second quarter of 2005 were revised downward slightly in August. Inflation-adjusted gross domestic product (**GDP**) increased at a 3.3 percent annual rate, compared with the original estimate of 3.4 percent growth. The revision was explained mostly by an upward revision in imports and a downward revision in consumer expenditures. Though encouraging, the figure still represents slower growth than the 3.8 percent rate seen in the first quarter of 2005.

The impact of Hurricane Katrina is something that economists are still sorting out. However, many believe its impact will be measurable, but not overwhelming for the country as a whole. Most economists expect that Katrina will reduce GDP growth through the end of the year, but the eventual rebuilding and in-flow of insurance and government payments to the affected areas will boost GDP in 2006.

The most recent **employment** data showed moderate gains, as August payrolls grew by 169,000 jobs. Meanwhile, figures for June and July were revised upward a total of 44,000 jobs. Generally, the year has seen moderate job gains. The impact of Hurricane Katrina will appear in the September figures, when analysts are expecting a decrease of 100,000 jobs nationwide for the month. The manufacturing sector continued its decline in August. However, every other sector, except social services, experienced an increase in employment. It should be noted that the trend had been upward since the beginning of July. Meanwhile, the *unemployment rate* continues to inch downward, falling to 4.9 percent in August, its lowest level since 2001.

The **housing market** remains relatively strong with new home sales hitting a record high in July. Meanwhile, following a record in June, sales of existing homes fell 2.6 percent, even as the median price reached a record high, rising 14.1 percent over the July 2004 median price. New home sales rose 6.5 percent to set a record for the second consecutive month. Relatively low mortgage rates and creative financing packages have helped keep the housing market strong.

The **manufacturing sector** is generally healthy, although it has weakened throughout the year. The summer initially saw back-to-back increases, but the *Institute for Supply Management's manufacturing index* declined in August. Though the trend is downward, the index level of 53.6 in August was less than three points below the beginning of the year. Both the production and new orders index components contributed to the decline.

Continually rising energy costs contributed to significant price increases in August. Consumer prices increased by 0.5 percent in the month. August figures were 3.6 percent higher than August 2004. Despite overall figures being higher than in recent years, the core rate, which excludes food and energy, has been essentially flat for all of 2005, and was up 2.2 percent since August 2004. Prices for services are rising significantly faster than those for goods. *Producer prices* increased sharply for the second consecutive month. Following a 1.0 percent increase in July, producer prices climbed another 0.6 percent in August, led by a 3.7 percent increase in energy prices.

National economic forecast. This section presents the forecast for the national economy. The detailed forecast can be found in Table 10. Other than adjustments made from the economic shock of Hurricane Katrina, there has been little change since June.

- The impact of Hurricane Katrina on **inflation-adjusted GDP** will be a decrease in the near-term, followed by an increase in 2006 as reconstruction ramps up. Recent increases in interest rates by the Federal Reserve Board are likely to continue throughout 2005, thus dampening economic growth. Though consumer debt and the housing market remain a concern, the economy will be able to maintain its positive trend. GDP will increase 3.2 percent in 2005 and 4.1 percent in 2006.

- The August figure notwithstanding, **employment** growth over the last quarter was encouraging, as the nation has averaged an additional 195,000 jobs per month since May. Though the hurricane will have a significant impact in the near-term, government and insurance payments will result in increased employment in the longer term, especially in the construction and health services sector. Nonfarm employment will increase 1.6 percent in 2005 and 2.0 percent in 2006. The **unemployment rate** will drop to 5.2 percent in 2005 and 5.0 percent in 2006.

- **Personal income** has continued to see solid growth after a series of slow years early in the decade. Transfer payments to hurricane victims will help push income higher, especially in 2006. Income growth will be 6.1 percent in 2005 and 6.4 percent in 2006, then moderate around 5 percent throughout the rest of the forecast period. **Wage and salary income** will be negatively affected by the hurricane. Despite this, labor markets are continuing to tighten, pushing wages higher. Wage and salary income will be 6.4 percent and 6.3 percent for the next two years.

- **Inflation** is expected to increase in 2005 to 3.4 percent, as energy prices push the index higher in the near-term. Inflation will remain relatively low through the rest of the forecast period.

Forecast risks. Hurricane Katrina is not likely to have a lasting impact on the economy, except to the extent that it may encourage the federal government to increase infrastructure projects domestically. The primary forecast risks are energy prices and higher interest rates, both of which are at risk of greater than expected impacts from the hurricane. Energy price increases filter through the production cycle and result in higher costs that may limit job expansion. Furthermore, gasoline price increases act to limit consumer buying power by requiring a greater portion of disposable income to be dedicated to transportation.

The dollar has shown encouraging signs lately, helping to push the trade deficit below expected levels, though it remains high. Foreign investment in the United States has remained strong, helping to keep long-term interest rates low. The deficit will continue to put pressure on the dollar, which could stoke fears of inflation.

Table 10

National Economic Indicators, September 2005 Forecast

(Dollars in Billions)

	2000	2001	2002	2003	2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010
Inflation-adjusted GDP	$9,817.0	$9,890.7	$10,048.9	$10,320.6	$10,755.7	$11,099.9	$11,555.8	$11,878.8	$12,294.6	$12,749.5	$13,195.7
percent change	3.7%	0.8%	1.6%	2.7%	4.2%	3.2%	4.1%	2.8%	3.5%	3.7%	3.5%
Nonagricultural Employment (millions)	131.8	131.8	130.3	130.0	131.5	133.6	136.2	137.9	139.8	141.8	143.9
percent change	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.6%	2.0%	1.2%	1.4%	1.4%	1.5%
Unemployment Rate	4.0%	4.7%	5.8%	6.0%	5.5%	5.2%	5.0%	5.1%	5.0%	4.8%	4.8%
Personal Income	$8,429.7	$8,724.1	$8,881.9	$9,169.1	$9,713.3	$10,303.1	$10,921.6	$11,404.6	$11,986.2	$12,633.4	$13,328.3
percent change	5.4%	3.5%	1.8%	3.2%	5.9%	6.1%	6.0%	4.4%	5.1%	5.4%	5.5%
Wage and Salary Income	$4,829.2	$4,942.8	$4,980.9	$5,111.1	$5,389.4	$5,734.4	$6,094.1	$6,411.0	$6,763.6	$7,149.2	$7,549.5
percent change	8.1%	2.4%	0.8%	2.6%	5.4%	6.4%	6.3%	5.2%	5.5%	5.7%	5.6%
Inflation (Consumer Price Index)	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.0%	2.8%	2.4%	2.3%	2.3%
10-year Treasury Note	6.0%	5.0%	4.6%	4.0%	4.3%	4.2%	5.3%	5.3%	5.3%	5.6%	5.6%

Colorado Economy

Despite the acceleration in gasoline and oil prices this summer, the state's economy is expected to continue to expand, albeit at a somewhat slower pace, in the coming months. Although most economic indicators have not fully registered the impact of the increase in energy prices, recent data suggest a continuation of economic growth. Employment, retail sales, and personal income are all up in 2005. Employment through August increased 2.4 percent over the same period in 2004. Similarly, retail sales and personal income are up in the current year, 5.9 percent and 7.0 percent, respectively, compared to same periods in 2004.

Table 11 presents historical data on the state's principal economic indicators and it summarizes the forecast for those indicators.

Employment figures through August show that the state's economy is continuing to move forward. The sectors exhibiting the strongest growth in 2005 are natural resources and mining, professional and technical services, construction, and local government. Increases in oil and gas prices are fueling another production boom in Colorado, which accounts for the strong growth in mining employment. Overall, an estimated 89,000 jobs have been added since employment reached a low in the state in June 2003. While the employment picture remains positive, the state's level of employment is still 15,000 below the peak amount recorded in December 2000. The information services and manufacturing sectors continue to exhibit weakness, with year-over-year declines in employment levels through August.

The job situation in Colorado is projected to improve in the coming years. Nonfarm employment is expected to increase 2.2 percent in 2005, 2.6 percent in 2006, and 2.5 percent in 2007. The economic impacts of rising energy prices and Hurricane Katrina are not anticipated to have a significant negative affect on Colorado's job situation.

As of August 2005, the unemployment rate was 5.0 percent. It is expected to drop to 4.9 percent by the end of 2007 because of further improvements in employment.

Personal income growth in the first quarter of 2005 was 7.0 percent compared to the first quarter of 2004. For all of 2004, personal income growth was 5.8 percent. **Wages and salaries** increased by a strong 6.9 percent in the first quarter of 2005, compared to growth of only 4.6 percent for all of 2004. This trend is indicative of more jobs being created in high wage industries, such as professional and technical services and mining. This type of income growth is necessary to sustain the state's economic recovery. In the first quarter of 2005, Colorado's personal income growth ranked 18^{th} among all 50 states.

Personal income is expected to show relatively strong growth throughout the forecast period. In particular, personal income will increase 6.8 percent in 2005, 6.7 percent in 2006, and 6.3 percent in 2007. Gains in employment and wages and salaries are expected to push personal income higher. Wages and salaries are anticipated to increase 6.9 percent in 2005, 6.8 percent in 2006, and 6.5 percent in 2007. A tightening labor market and diminishing productivity growth will push wages and salaries upward.

Through June 2005, **retail trade sales** have grown 5.9 percent compared with the same period in 2004. However, the pace of spending has slowed down in the past two months, most likely due to the affects of higher oil and gas prices.

Consumer spending, as measured by retail trade sales, is expected to grow modestly in the next two years corresponding with the growth in personal income. Retail trade sales are projected to increase 6.2 percent in 2005, 6.0 percent in 2006, and 5.8 percent in 2007. Consumer confidence appears to have survived the energy price shocks so far. However, consumer confidence could suffer if energy prices rise further, which could have an adverse effect on consumer spending in the future. This represents a risk to the economic expansion.

Construction employment is up in 2005, reflecting strong housing permit activity in 2004. However, the number of housing permits and the value of nonresidential building activity are both down in 2005. Through the first seven months of this year, the value of nonresidential construction is off 3.5 percent, according to data from F.W. Dodge. According to the U.S. Census Bureau, the number of housing permits is also down 1.8 percent. Single-family permits are down 0.3 percent and multi-family permits are down 10.5 percent.

The short term outlook for construction activity is for additional weakness. Housing permits are expected to drop 3.1 percent in 2005, 8.4 percent in 2006, and 0.2 percent in 2007 as interest rates increase. The value of nonresidential construction is expected to fall 8.1 percent in 2005 and increase modestly thereafter. Growth in 2006 and 2007 is projected at 2.2 percent and 2.1 percent, respectively.

Inflation in the Denver-Boulder-Greeley area for the first six months of 2005 was 1.4 percent compared to the same period in 2004. In 2004, the rate of inflation was 0.1 percent, the lowest rate ever recorded. While gasoline and oil prices pushed the inflation measure higher, ongoing weakness in the rental housing market kept the inflation rate low. The latter exerts a much stronger influence on inflation than energy prices because it is used as a proxy for housing prices, and housing is the largest component of the consumer price index.

The rate of inflation is forecast to be 2.1 percent in 2005, 2.5 percent in 2006, and 2.8 percent in 2007. Economic growth nationally and regionally will continue to push prices higher.

In conclusion, the state's economy is projected to grow throughout the forecast period. Jobs are expected to increase 2.2 to 2.9 percent annually, and personal income growth is expected to range from 6.3 to 6.8 percent each year. These factors will keep retail sales moving forward as well. In the short term, construction activity is the only area expected to exhibit weakness. Home permits are projected to fall in the next two years as interest rates rise, and nonresidential building will bottom out in 2005 and grow modestly thereafter.

The principal risks to the forecast are:

- An unexpected acceleration in inflation, as increasing energy prices work through the economy, which may cause the Federal Reserve to raise interest rates faster than anticipated.
- Declining consumer confidence due to higher inflationary expectations and higher interest rates, which may cause consumer spending to grow more slowly or decrease.
- Falling business confidence and investment, as higher energy prices squeeze corporate profit margins.

Table 11
Colorado Economic Indicators, September 2005 Forecast
(Calendar Years)

	1999	2000	2001	2002	2003	2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010
Population (thousands), July 1	4,226.0	4,326.9	4,428.8	4,498.1	4,547.6	4,601.4	4,675.0	4,754.5	4,840.1	4,927.2	5,020.8	5,116.2
percent change /A	2.7%	2.4%	2.2%	1.7%	1.1%	1.2%	1.6%	1.7%	1.8%	1.8%	1.9%	1.9%
Nonagricultural Employment (thousands)	2,131.4	2,212.4	2,225.4	2,182.5	2,150.9	2,178.6	2,226.5	2,284.4	2,341.5	2,404.8	2,467.3	2,536.4
percent change	3.6%	3.8%	0.6%	-1.9%	-1.4%	1.3%	2.2%	2.6%	2.5%	2.7%	2.6%	2.8%
Unemployment Rate	3.1%	2.7%	3.9%	5.9%	6.2%	5.2%	5.1%	5.0%	4.9%	4.6%	4.5%	4.6%
Personal Income (millions)	$128,860	$144,394	$152,700	$153,962	$157,171	$166,342	$177,653	$189,556	$201,498	$214,394	$228,115	$242,715
percent change	8.7%	12.1%	5.8%	0.8%	2.1%	5.8%	6.8%	6.7%	6.3%	6.4%	6.4%	6.4%
Wage and Salary Income (millions)	$76,283	$85,909	$88,297	$86,807	$87,747	$91,769	$98,101	$104,772	$111,582	$119,058	$127,035	$135,546
percent change	9.8%	12.6%	2.8%	-1.7%	1.1%	4.6%	6.9%	6.8%	6.5%	6.7%	6.7%	6.7%
Retail Trade Sales (millions)	$52,609	$57,955	$59,014	$58,864	$58,662	$62,348	$66,214	$70,186	$74,257	$78,935	$84,224	$89,951
percent change	9.2%	10.2%	1.8%	-0.3%	-0.3%	6.3%	6.2%	6.0%	5.8%	6.3%	6.7%	6.8%
Home Permits (thousands)	49.5	53.7	54.5	47.9	39.4	45.6	44.2	40.5	40.4	43.1	44.1	44.2
percent change	-3.6%	8.6%	1.5%	-12.1%	-17.7%	15.6%	-3.1%	-8.4%	-0.2%	6.8%	2.2%	0.3%
Nonresidential Building (millions)	$3,544	$3,339	$3,373	$2,660	$2,429	$3,073	$2,824	$2,886	$2,947	$3,035	$3,184	$3,299
percent change	35.4%	-5.8%	1.0%	-21.1%	-8.7%	26.5%	-8.1%	2.2%	2.1%	3.0%	4.9%	3.6%
Denver-Boulder Inflation Rate	2.9%	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	2.5%	2.8%	2.8%	2.9%	3.0%

/A Colorado's population on April 1, 2000, was 4,301,261 according to the U.S. Census Bureau. The changes that are shown in this table for 1999 and 2000 are based on the inter-censal estimates by the Census Bureau and do not reflect the original estimates.

Colorado Economic Regions

Metro Denver
Colorado Springs
Pueblo Region
San Luis Valley and Southwest Regions
Western Region
Mountain Region
Northern Region
Eastern Plains

Metro Denver

The Metro-Denver region, consisting of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties, serves as a bellwether for the economic health of both the state and Rocky Mountain region. As such, the region is susceptible to national trends and has seen growth similar to the nation's modest recovery.

Table 12 summarizes major economic indicators for the region. After modest employment growth in 2004, the regional employment trend continued upward in the first seven months of 2005. Compared with the same period in 2004, average regional employment expanded by 1.2 percent, despite stagnant employment growth over the past three months. Meanwhile, the unemployment rate climbed from 5.1 percent in 2004 to 5.2 percent in July of 2005.

Table 12
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson counties

	2003	2004	Year-to-date Thru July 2005
Employment Growth /1	-1.4%	1.0%	1.2%
Unemployment Rate	6.2%	5.1%	5.2%
Housing Permit Growth /2	-22.5%	23.2%	-3.1%
Growth in Value of Nonresidential Const. /3	-20.8%	12.9%	9.6%
Retail Trade Sales Growth /4 2005 is YTD through June	0.5%	4.8%	4.9%

NA = Not Available
1/ U.S. Department of Labor, Bureau of Labor Statistics. Data represents nonfarm employment.
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue through June.

The regional construction industry appears to be experiencing a shift. While housing construction has waned in the last few months, nonresidential construction picked up over the first part of the summer. Nonresidential construction values increased 9.6 percent through July. Finally, retail trade sales, which were up 4.8 percent in 2004, have continued the trend through June 2005, up 4.9 percent.

Recent Economic News

- Denver's office market continued to tighten, as the vacancy rate ticked downward for the fourth consecutive quarter, falling to 17.3 percent in the second quarter of 2005. The weakest market remains the US 36 corridor, which has over one-third of its office space empty. Meanwhile, lease rates have responded by increasing each of the last three quarters. The positive trend has also led to a boost in investment.

- Southlands shopping center broke ground in Aurora on its central, Main Street district earlier this month. The new urban center will include 75 stores and a farmer's market over four blocks and is part of an on-going $250 million project to redevelop downtown Aurora.

- The median Denver home price reached a new record high in August of $255,000, which was up 6.3 percent from a year ago. Even as home prices appreciate, foreclosures continue to rise, climbing in six of the region's seven counties in the second quarter. Adams County saw the largest increase, with foreclosures jumping more than 34 percent over the same period in 2004. Meanwhile Denver's apartment market appears to have gained some steam, as the vacancy rate decreased to 8.0 percent in the second quarter from 9.7 percent a year ago.

- A proposed joint rocket venture between Lockheed Martin and Boeing could bring roughly 1,000 administration, engineering, and support jobs to the Denver area. Most of the jobs are being relocated from Boeing's Huntington Beach, California offices. The proposal is slated to be finalized later this year. Lockheed Martin also announced that it will hire about 35 people after it was recently awarded a $28 million NASA contract to finish development of a space shuttle replacement.

- Ball Aerospace & Technologies Corp. announced it will lay off up to 145 of the company's 2,900 local employees as a result of slowing aerospace contracts for the company. Meanwhile, Aviation Technology Group announced that it will remain in Colorado to develop a small corporate jet. The company plans to hire up to 300 employees as they move toward full-scale production of the new aircraft.

- Boulder-based KeyCorp announced that it plans to add 145 workers to its equipment-leasing unit to meet increased demand. The company will also expand its office space at its headquarters outside Boulder as part of its planned two-year expansion.

- Construction began on a $20 million assisted living community in Littleton. The project includes 65 assisted-living units and 20 units for patients with Alzheimer's disease.

- Development of the Esplanade Club at Cherry Hills, formerly the Denver Seminary site, will include luxury housing and retail space. Despite initial opposition from local residents in Englewood, developers are planning 350 condominiums with prices from $500,000 to more than $2.5 million, more than 45,000 square feet of retail space, and a clubhouse.

- Construction will begin later this year on a $150 million high-rise that will bring 144 luxury apartments to the south edge of City Park in Denver. The Pinnacle at City Park South is the largest part of a development that will also include up to 120 townhomes.

- A new transit-oriented development is planned for Englewood. Vallagio Inverness, located next to Inverness Golf Club, will include 469 townhomes, condominiums, lofts, and golf villas. Additionally, the project will include 40,000 square feet of retail and commercial space.

- Over the next year, Golden will lose 115 jobs as nutritional supplement company EAS Inc. moves to Columbus, Ohio, where its parent company is located.

- Due in large measure to the current energy boom, Washington Group International Inc. announced that it will add 100 employees over the next year to its Denver office. The company is one of the world's largest construction and engineering firms, and currently employs nearly 200 people in its oil and gas division.

- Boulder will get a new 390-unit mixed-use development slated to be completed in 2007. Named The Peloton, the project will include 17,000 square feet of office and retail space in addition to new housing units.

- A federal government panel voted to eliminate the last two military operations housed at the old Lowry Air Force Base. The decision will move about 750 jobs out of Colorado. Despite this blow to the Denver area, the state received a net gain from the base restructuring being done by the Defense Department.

- Construction has begun on Orchard Town Center in Westminster, a $114 million mixed-use project. The project will include 500 housing units and several large retail and office buildings. The first phase is slated to open in the fall of 2006.

Colorado Springs Region

Table 13 shows annual economic indicators for the Colorado Springs region for 2002 through 2004, and year-to-date indicators through July 2005. The economy in this region continues to show growth in construction and home sales due to continued low mortgage rates and employment growth.

Table 13
Colorado Springs Region Economic Indicators
El Paso County

	2003	2004	Year-to-date Thru July 2005
Employment Growth /1	-1.4%	1.4%	2.6%
Unemployment Rate	6.4%	5.4%	5.5%
Housing Permit Growth /2	-23.2%	28.8%	14.9%
Growth in Value of Nonresidential Const. /3	19.3%	-4.0%	4.8%
Retail Trade Sales Growth /4 2005 is YTD through June	0.2%	10.3%	6.9%

NA = Not available
1/ U.S. Department of Labor, Bureau of Labor Statistics. Data represents nonfarm employment.
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue, through June 2005.

Through July 2005, nonfarm jobs in the region increased 2.6 percent, compared with the same time period in 2004. The unemployment rate increased slightly to 5.5 percent in July versus 5.4 percent for all of 2004. The slight increase may reflect workers who have entered the labor market due to the economic expansion. Retail trade sales slowed significantly, but remains robust, at 6.9 percent through July 2005. Sales increased 10.3 percent in 2004.

Residential construction in Colorado Springs continues the strong pace that began in 2003 after two years of declines in the number of housing permits issued. Residential permits are up 14.9 percent through July 2005, compared with the same period in 2004. Further, the July 2005 median price for a Colorado Springs-area single-family home rose nearly 8 percent over July 2004, to a record $212,750, according to figures compiled by the Pikes Peak Association of Realtors. Nonresidential construction has tempered somewhat after experiencing strong growth through the first quarter of 2005. According to F.W. Dodge, the value of nonresidential construction in El Paso County increased 4.8 percent through July 2005, compared with the same period in 2004.

Recent Economic News

- According to a quarterly survey released in mid-September 2005, over one-third of Colorado Springs employers plan to hire workers in the final three months of the year. Last year in a Manpower Inc. survey, 23 percent of employers planned to increase their workforce during the same time period in 2004.

- Fort Carson will become the headquarters for the 4th Infantry Division. The relocation of the division is estimated to add $400 million annually in military spending to the regional economy. Fort Carson army personnel spend more than $1.1 billion annually. The 4th Infantry Division was stationed at Fort Carson until 1995, when it was moved to Fort Hood, Texas. The division will deploy to Iraq this fall and will return to the United States in fall 2006. More than 12,000 soldiers are expected to move to Fort Carson during the next several years. City analysts expect that the spending by the new troops will result in a $4.5 million increase in tax collections.

- Wal-Mart, Colorado Springs' largest employer, is proposing to build a new 208,000 square-foot supercenter southwest of Powers Boulevard and Hancock Expressway. If the project is approved by the city, it could open by the end of 2006 and employ about 400 full- and part-time workers.

- SkyWest Airlines will begin construction of a $20 million maintenance hanger in fall 2005 at the Colorado Springs Airport. When completed in fall 2006, the hanger will be SkyWest's largest maintenance operation outside its headquarters in St. George, Utah. More than 100 SkyWest staff are employed at the smaller, temporary maintenance operation in the Springs. With the new hanger, the airport's staff may increase to 200 employees within a few years.

- The Baltimore-based mutual funds company T. Rowe Price Group Inc. will boost its staff by 40 percent at its Colorado Springs Service Center. The performance of their mutual funds has contributed to the company's growth. From 2003 through 2005, the workforce is expected to increase from 349 to 500 employees. The staff is expected to grow to 700 in the next five years.

- Palo Alto, California-based Hewlett-Packard has confirmed that it is cutting jobs in Colorado and moving the positions to Guadalajara, Mexico. Hewlett-Packard employs about 5,400 workers in Colorado and will cut an undetermined number of customer service jobs in Colorado Springs and Littleton. The job shifts will occur from September 2005 through May 2006.

- Electric component maker Sanmina-SCI will initiate layoffs for about 20 percent of the workers at its El Paso County plant after it lost two major contracts with EFI Electronics and LSI Logic Corporation. These companies are shifting their assembly contract to Guadalajara, Mexico. About 150 of 783 employees may be affected. These layoffs are in addition to the 50 workers that were laid off by the company in February.

Pueblo Region

After several sluggish years, the economy in the five-county Pueblo region has begun to show some signs of life. Table 14 shows annual economic indicators for the region since 2003. Employment and retail trade expanded, while construction figures showed declines during the first half of 2005.

Table 14
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas counties

	2003	2004	Year-to-date Thru July 2005
Employment Growth /1	-0.9%	-0.2%	1.6%
Unemployment Rate	6.3%	6.2%	6.7%
Housing Permit Growth /2 Pueblo County Only	-1.6%	-4.8%	-6.9%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	213.3%	3.3%	-38.8%
Retail Trade Sales Growth /4 2005 is YTD through June	0.7%	6.7%	5.7%

NA = Not Available
1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the ES-202 program. 2005 data are from the Current Population (household) Survey.
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue.

Employment increased 1.6 percent through the first seven months of 2005, compared with the same time period in 2004, after decreasing for three years. The bulk of the employment growth occurred in Pueblo County, where employment increased 1.9 percent through July. Employment in Fremont County also showed strong growth, with a 1.8 percent increase. Custer County and Huerfano County, meanwhile, lost jobs during the time period, while employment was flat in Las Animas County. The region's unemployment rate remained relatively high at 6.7 percent. Despite an increase in the number of jobs, the rate is expected to remain high because many people have entered or re-entered the labor force. Meanwhile, retail sales showed strong growth at 5.7 percent through June, compared with the first half of 2004.

Permits for residential construction in Pueblo decreased for the third straight year in 2004, and fell further through July, decreasing 6.9 percent. The decrease occurred as a result of a 53.6 percent decrease in the number of permits granted for multi-family homes. The number of single-family permits increased slightly. In addition, nonresidential construction has declined in Pueblo after showing strong increases over the last few years and into the beginning of 2005. According to F.W. Dodge, the value of nonresidential construction decreased 38.8 percent through July, compared with the same period in 2004. Most of the decrease occurred in the construction of office and bank buildings, education and science buildings, and hospital and health treatment facilities.

Recent Economic News

- Xcel has proposed a new 750-megawatt coal-fired electric generating power plant expansion at the existing Comanche Station power plant near **Pueblo**. According to the Pueblo Workforce Center, as many as 1,000 temporary construction jobs will be needed to build the expansion.
- Oregon Steel Mills Inc. announced that, in December, it will reopen the seamless steel mill at the Rocky Mountain Steel Mills plant in Pueblo, which has been idle since November 2003.
- The Pueblo City Council voted to support the location of an Indian reservation casino on the Riverwalk in Pueblo. Congress must grant reservation status to the location before the casino can be built.

- The Professional Bull Riders tour will relocate their headquarters from Colorado Springs to Pueblo. The City of Pueblo and the Professional Bull Riders tour will build a $6 million, 44,000-square-foot, four-story office building and a $2.5 million, 170-space parking garage along the Riverwalk to house the tour's administrative staff. Pueblo will also become a regular stop on the televised Professional Bull Riders tour.

- Two new call centers could bring up to 800 jobs to Pueblo once they are fully operational. The RMS call center, which opened in June, plans to hire 200 people by the end of the year. Express Scripts plans to open its call center this fall and hire 400 people by the end of the year.

- Several retailers and restaurants opened in the new Pueblo Crossing shopping center in north Pueblo this summer. Famous Footwear opened with eight employees and Old Navy opened with 75 part-time employees. Wal-Mart is opening a 230,000-square-foot Supercenter along Highway 50 in Pueblo West in late December or early January. The store will employ 400 people, approximately 300 of which will be full-time.

- Construction began on Four Mile Ranch, a 1,640-acre residential development in **Canon City**. Plans for the development call for a golf course and 2,500 homes. The first phase will include 33 single-family homes. Construction on the golf course is expected to begin in the spring of 2006.

- Several nonresidential construction projects are underway in Canon City. St. Thomas More Hospital is undergoing an $18.2 million expansion to meet increased demand for its services. The Canon RE-1 school district is building a new $17 million school, expected to be open by the start of the 2006-07 school year. The Fremont County Airport will undergo a $7 million to $9 million expansion in 2008. A 40,000-square-foot Big R store recently opened its doors, and construction has begun on a 62,000-square-foot Home Depot store.

San Luis Valley and Southwest Region

The economy in the six-county San Luis Valley and six-county Southwest region continued to show mixed results through July of 2005. Table 15 shows annual economic indicators for the region from 2003 through July of 2005. The Southwest region experienced more positive employment and retail trade growth during this time than the San Luis Valley region.

Table 15

San Luis and Southwest Region Economic Indicators

Alamosa, Archuleta, Conejos, Costilla, Dolores, Hinsdale, La Plata, Mineral, Montezuma, Rio Grande, Saguache, and San Juan counties

	2003	2004	Year-to-date Thru July 2005
Employment Growth /1	2.7%	2.1%	1.0%
Unemployment Rate	5.7%	5.1%	5.2%
Statewide Crop Price Changes /2			
Barley	0.3%	8.0%	NA
Alfalfa Hay	-21.1%	1.2%	22.1%
Potatoes	-24.2%	2.1%	-16.3%
Fall Potato Production (Cwt) /2	-15.2%	-2.0%	NA
Housing Permit Growth /3			
Alamosa County	-5.3%	22.2%	26.7%
La Plata County	48.0%	-26.1%	3.9%
Growth in Value of Nonresidential Const. /3			
Alamosa County	-59.4%	43.6%	-8.7%
La Plata County	557.4%	-27.9%	-95.4%
Retail Trade Sales Growth /4 2005 is YTD through June	3.2%	9.4%	5.3%

NA = not Available

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the ES-202 2005 data is from the Current Population (household) Survey.

2/ Colorado Agricultural Statistics Service. Crop prices are August prices.

3/ F.W. Dodge

4/ Colorado Department of Revenue.

The unemployment rate in the San Luis Valley region increased to 7.1 percent compared to 6.7 percent at the same time last year, while the unemployment rate in the Southwest region stayed the same at 4.3 percent. Costilla County continues to have the highest unemployment rate in both regions with a rate of 10.2 percent through July; Hinsdale, a county with a small labor force, had the lowest at 2.3 percent. La Plata County, the most populous county of both regions, recorded a low unemployment rate of 3.8 percent.

Retail trade sales showed growth in the Southwest region, increasing 6.4 percent during the first half of 2005 compared with same period in 2004. Dolores County continues to show large retail growth, with a 45.4 percent increase in the first half of 2005, after increasing more than 40 percent in 2004. The San Luis Valley region, however, experienced weaker growth – 2.0 percent – during the first half of 2005.

Construction figures for two of the most populous counties in the regions were mixed. Based on data from F.W. Dodge, Alamosa County saw a slight decline in the value of nonresidential construction through July after minimal activity in the first part of 2005. However, through July, the county continues to build single family residential units at a faster pace than were built in 2004. La Plata County's nonresidential construction figures continue to flounder after dramatic increases in 2002 and 2003. The value of nonresidential construction in the county decreased 95.4 percent through July over the same period in 2004. Meanwhile residential construction showed a slight increase in the number of projects.

Recent Economic News

- The median price of a home in Durango has increased almost 19 percent from $299,999 in the second quarter of 2004 to $355,752 in the second quarter of 2005, according to local real estate officials. The median price of condominiums and townhomes increased by almost 42 percent, from $193,750 to $274,500.
- Silverton's year-round population of 600 could double or triple in the next decade if the town's building boom continues and as its winter economy grows. Local officals say that developing a year-round economy, cen-

tered around the Silverton Mountain Ski Area, is part of Silverton's current development plans. Traditionally, the town's economy suffers during the winter, as tourism declines significantly.

- A report by a nonprofit group in Durango stated that the cost of living is increasing at a higher rate than wages in the area. The report analyzed economic and social trends in Archuleta, Montezuma, San Juan, Dolores and La Plata counties. The nonprofit calculated a livable wage for each of the major cities in the five counties using the Denver-Boulder consumer price index, local real-estate prices, child-care costs, and other factors.

Western Region

The economy of the western region is once again exhibiting strong growth as measured by employment and consumer spending. The results for construction activity are mixed, however, with housing permits increasing in Montrose County, but decreasing in Mesa County. Similarly, nonresidential construction is up in Mesa County, but down in Montrose County. Table 16 shows annual economic indicators for the region in 2003 and 2004, and year-to-date results through July 2005.

Table 16
Western Region Economic Indicators
Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose, San Miguel, Ouray, and Gunnison counties

	2003	2004	Year-to-date Thru July 2005
Employment Growth /1	0.6%	3.3%	2.4%
Unemployment Rate	5.3%	4.5%	4.5%
Housing Permit Growth			
Mesa County 2/	13.4%	9.1%	-20.4%
Montrose County 3/	23.0%	35.3%	14.4%
Growth in Value of Nonresidential Const. /3			
Mesa County	-31.7%	-7.6%	302.4%
Montrose County	-16.7%	109.4%	-82.4%
Retail Trade Sales Growth /4	2.0%	8.7%	8.1%
2005 is YTD through June			

NA = Not Available
1/ Colorado Department of Labor and Employment. 2003 data are from the ES-202 program. 2004 data are from the Current Population (household) Survey. 2005 data are for Mesa County only.
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue.

On the jobs front, the household survey shows that employment in the region expanded at a 2.4 percent rate through July. This makes the fourth consecutive year in which the region experienced job growth. In addition, employment in Mesa County is up 1.1 percent through July, with the biggest gains being registered in the natural resource, construction, and educational and health services sectors. The unemployment rate in the western region stood at 4.5 percent as of July, which is the same unemployment rate that the region averaged in 2004.

Construction indicators are mixed for the region. Based on data from F.W. Dodge and the Census Bureau for the first seven months of 2005, the number of housing permits increased 14.4 percent in Montrose County, but dropped 20.4 percent in Mesa County. However, the value of housing permits in Mesa County is up this year. The value of nonresidential construction has more than tripled in Mesa County through July 2005, but has decreased 82.4 percent in Montrose County. The building of new educational facilities is responsible for the gain in Mesa County this year.

Consumer spending, as measured by retail trade sales, remains robust in the region. In the first seven months of 2005, retail trade grew 8.1 percent. Double-digit gains were reported in Delta, Ouray, Montrose, and San Miguel counties. In contrast, Rio Blanco and Gunnison counties had relatively flat retail sales growth. For all of 2004, retail sales in the region grew 8.7 percent.

Recent Economic News

- Colorado Printing Company in Grand Junction is acquiring an additional 100,000 square feet of space for manufacturing operations related to printing catalogs and other direct-mail products. The company currently employs 100 people at an average wage of $24 per hour. The company expects to hire an additional 50 people by the end of 2005.

- The U.S. Energy Department plans to move 12 million tons of uranium mill tailings from Moab, Utah to Crescent Junction, Utah. The move will create about 150 new jobs, 50 of which are expected to be located at the Energy Department's Grand Junction office.

The project is estimated to take up to 10 years to complete and cost $472 million.

- Grand Junction's lodging tax revenues were up almost 15 percent through June 2005, compared to the same period last year. The rise of gasoline prices has not dampened tourist visits, especially from Colorado's front range.

Mountain Region

Economic conditions in most mountain region counties continued to show strength through July of 2005, bolstered by a strong tourism season. Table 17 shows annual economic indicators for the region for 2003 and 2004, and year-to-date results through July 2005. The most recent data indicate that employment in the region continues to grow, and that the region is experiencing strong retail trade sales and construction activities. However, high gas prices could impact the region's economy in the future. The region is heavily dependent on tourism, which is negatively impacted by higher transportation costs.

Table 17
Mountain Region Economic Indicators
Routt, Jackson, Grand, Eagle, Summit, Pitkin, Lake, Park, Teller, Clear Creek, Gilpin, and Chaffee counties

	2003	2004	Year-to-date Thru July 2005
Employment Growth /1	-2.2%	1.5%	1.8%
Unemployment Rate	4.7%	4.1%	4.2%
Housing Permit Growth /2			
Eagle, Pitkin, & Summit Counties 2/	25.8%	-30.6%	-8.9%
Routt County 3/	58.7%	21.5%	45.5%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	-54.6%	226.1%	26.5%
Routt County	-16.8%	125.7%	31.4%
Retail Trade Sales Growth /4 2005 is YTD through June	0.4%	8.7%	9.2%

NA = Not available
1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the ES-202 program. 2005 data is from the Current Population (household) Survey.
2/ F.W. Dodge
3/ U.S. Census
4/ Colorado Department of Revenue.

On the jobs front, the region's unemployment rate in July was 4.2 percent, down from 4.5 percent at the same time last year. Employment increased 1.8 percent through July of 2005, compared to the same period last year, based on the household survey. This is good news for the region after two years of declining employment in 2002 and 2003. The region's tourism-related jobs appear to be responding to nationwide increases in traveling and spending, as employment in Eagle, Pitkin, and Summit counties increased 2.7 percent.

Nonresidential construction activity is continuing to show growth for some counties in the region. In the first seven months of 2005, the value of nonresidential construction increased 26.5 percent in Eagle, Pitkin, and Summit counties, while nonresidential construction increased 31.4 percent in Routt County. In addition, housing permits in Routt County continued a trend of increased activity over 2004. Permits were up 45.5 percent through July 2005. However, the number of housing permits decreased 8.9 percent in Eagle, Pitkin, and Summit counties through July 2005, as the number of single-family residential projects in the three counties declined.

With the exception of two counties, Gilpin and Jackson, which represent less than 1 percent of the region's total retail trade activity, retail trade sales continue to show increases in the mountain region in 2005. The region experienced an increase of 9.2 percent through the first half of 2005 compared to the first half of 2004. This also signals that larger numbers of tourists are visiting the region. For the first seven months of the year, sales are up 9.2 percent over last year in Aspen alone, according to the city finance department. Tourist accommodations, the single largest sector of the resort's retail economy, were tracking 13 percent ahead of last year's totals.

Recent Economic News

- Colorado ski resorts reported a 5 percent increase in skier visits last season to 11.8 million and visits by higher-spending foreign tourists were up 28 percent.

- The Henderson Mine, near Empire, has been selected as one of two finalists for a $300 million federally-funded underground physics, geological, and biological laboratory.

- Aspen's building department set records for the number of permits it issued and the value of the construction associated with those permits through the first half of 2005. Part of the significant residential construction activity in the area includes a new subdivision for worker housing. Several large commercial projects are also contributing to the increase. Over $1 billion in real estate sales occurred in Pitkin County through the first half of 2005.

Northern Region

The economy in the northern region continued to show mixed results through July of 2005. Retail trade is strong and the area is seeing a surge in oil and gas exploration, but employment growth is modest and construction activity is declining overall in the region. Table 18 shows annual economic indicators for the region for 2003 and 2004, and year-to-date construction activity through July of 2005. It also provides statistics on the state cattle and calf inventory, as ranching is an important sector of Weld County's economy.

Table 18
Northern Region Economic Indicators
Weld and Larimer counties

	2003	2004	Year-to-date Thru July 2005
Employment Growth /1			
Larimer County	-0.1%	2.0%	1.8%
Weld County	1.5%	3.0%	2.5%
Unemployment Rate			
Larimer County	5.2%	4.9%	4.4%
Weld County	6.4%	6.1%	5.1%
State Cattle and Calf Inventory Growth /2	-9.4%	4.2%	-4.3%
Housing Permit Growth /3			
Larimer County	-0.2%	7.1%	-18.1%
Weld County	-9.3%	10.4%	-4.8%
Growth in Value of Nonresidential Const. /4			
Larimer County	-35.8%	191.2%	-43.2%
Weld County	33.3%	24.0%	-68.5%
Retail Trade Sales Growth /5			
2005 is YTD through June			
Larimer County	0.2%	3.5%	5.8%
Weld County	5.1%	14.6%	12.3%

NA = Not available

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the ES-202 program. 2005 data is from the Current Population (household) Survey.
2/ Colorado Agricultural Statistics Service.
3/ U.S. Census
4/ F.W. Dodge
5/ Colorado Department of Revenue.

Larimer County is outpacing both the state and the nation in its unemployment rate of 4.4 percent, but the county lags behind in wage growth. Average weekly wages in Larimer County in 2004 were about $75 lower than the national average, according to the Quarterly Census of Employment and Wages. According to the county's workforce center, higher-paying manufacturing employment declined 18 percent between 2001 and 2004, while lower-paying jobs increased. Also, the northern region has been discouraged by recent announcements of layoffs at several high tech companies in the area. However, some high tech companies are hiring, especially in contract positions, according to a northern region job-search firm. Weld County's unemployment rate of 5.1 percent was higher than Larimer county's 4.4 percent rate.

Retail trade sales continue to be positive in the region. Weld County in particular showed significant growth with a 12.3 percent increase. This strength is likely linked to the county's population growth. Larimer County's retail trade sales increased 5.8 percent.

Recent reports from the U.S. Census Bureau indicate that home construction in the area continued to decline through July of 2005 compared to the same period in 2004. A high amount of existing housing inventory in the region is likely contributing to this decline. Residential construction permits were down 18.1 percent in Larimer County and 4.8 percent in Weld County. The value of nonresidential construction in Weld County decreased 68.5 percent through the first seven months of 2005, compared to 2004. Weld County attributed the decrease to a drop in permits issued for industrial buildings compared to 2004. After a spike in nonresidential construction in Larimer County in 2004, nonresidential construction declined in 2005, decreasing 43.2 percent through July 2005 over July 2004.

Due to the higher energy prices, oil and gas exploration permits issued by Weld County have continued to grow through the first half of 2005. The value of the permits went from $630,000 through the first six months of 2004 to $2.2 million through the end of June this year.

Recent Economic News

- The state's population growth is showing a trend of shifting north of the Denver Metro Area. Eight of the state's ten fastest-growing towns are in land-abundant Weld County, according to the U.S. Census Bureau. Officials attribute the growth to the lower cost of land compared to Denver, the attraction of the area's small town atmosphere, the construction of E-470, and the area's proximity to Denver International Airport and to university campuses.

- In July, Eastman Kodak Company announced it would layoff up to 10,000 more workers worldwide, with an unknown amount of layoffs at its Windsor plant. However, in August, the company said it would move some jobs from Rochester, NY to Windsor. A company spokesperson indicated that the Windsor plant expects to employ 1,550 to 1,600 by the end of the year, up from an earlier projection of 1,500.

- A 1,543-acre development near Windsor in northern Colorado is expected to have a $6 billion economic impact in the state over the next decade, according to a report by the University of Northern Colorado. When completed, the development will include industrial space, retail and office space, and about 2,000 housing units. The development is expected to create 2,000 jobs over time.

- A bottle-manufacturing plant in Windsor has opened that will have a work force of 173 people with a total annual payroll of about $6 million. The plant will produce glass bottles for Anheuser-Busch Company's facility north of Fort Collins.

- In the Fort Collins area, selling prices for homes continue to fall behind the national trend. The second-quarter median price was $217,900, up only 2.3 percent from a year earlier. The median price in the Loveland area was down 2.2 percent to $205,400, and Weld County had a 1.7 percent increase to $178,000.

Eastern Region

Table 19 shows the economic indicators for the eastern plains region. Employment in the region decreased 4.1 percent through July, compared with the same time period in 2004. The unemployment rate increased to 5.0 percent in July versus 3.5 percent for all of 2004. Retail trade sales grew by 4.3 percent through June 2005. The growth rate is slower than the 5.5 percent growth rate for all of 2004.

Table 19
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca counties

	2003	2004	Year-to-date Thru July 2005
Employment Growth /1	-0.5%	3.9%	-4.1%
Unemployment Rate	4.2%	3.5%	5.0%
2005 rate is for March only			
2005 is YTD through July			
Crop Price Changes /2			
Winter Wheat	-7.7%	-9.2%	-0.7%
Corn for Grain	0.8%	13.7%	-26.2%
Alfalfa Hay	-21.1%	1.2%	22.1%
Dry Beans	-1.1%	1.7%	40.1%
2005 is YTD through August			
State Crop Production Growth /2			
Sorghum for grain production	140.0%	25.6%	-20.4%
Corn for Grain	7.0%	16.8%	-13.0%
Sugar Beets	-12.6%	30.1%	-7.6%
2005 is YTD through August			
State Cattle and Calf Inventory Growth /2	-9.4%	4.2%	-7.0%
2005 is YTD through May			
Retail Trade Sales Growth /3	-0.2%	5.5%	4.3%
2005 is YTD through June			

NA = Not Available

1/ Colorado Department of Labor and Employment. 2003 data are from the ES-202 Program. 2004 data are from the Current Population (household) Survey.

2/ Colorado Agricultural Statistics Service.

The August commodity prices for wheat and corn declined compared to prices received a year ago, while prices for alfalfa hay and dry beans saw increases over the same time period. State crop production for sorghum, corn, and sugar beets declined through August 2005 compared with a year ago. Cattle and calf inventories declined by 7.0 percent in August 2005, compared with August 2004.

Recent Economic News

- Xcel corporation recently announced that its 69 megawatt wind power project in Lamar was cancelled. The southwest Colorado wind power project was to be built by Prairie Wind Energy, a cooperative of area landowners who have permits to develop a wind project on their 7,000 acre property. The company was unable to purchase wind turbines at a price that would enable it to remain within the price structure of the contract that was signed with Xcel. The wind power project was one of two wind farms that were chosen by Xcel and when completed, would have totaled 129 megawatts.

- The Arkansas River Power Authority and Lamar Utilities Board is proposing the construction of a $66 million dollar coal-fired boiler in Lamar. The boiler would be built at the Lamar Light and Power Plant and, when completed, would add an additional 18-megawatt steam turbine to the existing 25-megawatt turbine. The project would create about 20 new jobs for the region and is estimated to be completed in 2008. The Authority and Board estimate that the coal-fired boiler project will reduce the "electric cost adjustment" rate that appears on regional utility bills.

Appendix A
Historical Data

National Economic Indicators
(Dollar amounts in billions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Gross Domestic Product	$5,484.4	$5,803.1	$5,995.9	$6,337.7	$6,657.4	$7,072.2	$7,397.7	$7,816.9	$8,304.3	$8,747.0	$9,268.4	$9,817.0	$10,128.0	$10,487.0	$11,004.0	$11,733.5
percent change	7.5%	5.8%	3.3%	5.7%	5.0%	6.2%	4.6%	5.7%	6.2%	5.3%	6.0%	5.9%	3.2%	3.5%	4.9%	6.6%
Real Gross Domestic Product (inflation-adjusted, chained to 2000)	$6,981.4	$7,112.5	$7,100.5	$7,336.6	$7,532.7	$7,835.5	$8,031.7	$8,328.9	$8,703.5	$9,066.9	$9,470.3	$9,817.0	$9,890.7	$10,048.9	$10,320.6	$10,755.7
percent change	3.5%	1.9%	-0.2%	3.3%	2.7%	4.0%	2.5%	3.7%	4.5%	4.2%	4.4%	3.7%	0.8%	1.6%	2.7%	4.2%
Unemployment Rate	5.3%	5.6%	6.9%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.8%	5.8%	6.0%	5.5%
Inflation (Consumer Price Index)	4.8%	5.4%	4.2%	3.0%	3.0%	2.6%	2.8%	3.0%	2.3%	1.6%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%
10-Year Treasury Note	8.5%	8.6%	7.9%	7.0%	5.9%	7.1%	6.6%	6.4%	6.4%	5.3%	5.6%	6.0%	5.0%	4.6%	4.0%	4.3%
Personal Income	$4,587.8	$4,878.5	$5,051.0	$5,362.0	$5,558.6	$5,842.5	$6,152.3	$6,520.6	$6,915.2	$7,423.0	$7,802.4	$8,429.7	$8,724.1	$8,881.9	$9,169.1	$9,713.3
percent change	7.9%	6.3%	3.5%	6.2%	3.7%	5.1%	5.3%	6.0%	6.1%	7.3%	5.1%	8.0%	3.5%	1.8%	3.2%	5.9%
Wage and Salary Income	$2,596.4	$2,754.0	$2,823.0	$2,980.3	$3,082.7	$3,232.1	$3,419.3	$3,619.6	$3,877.6	$4,183.4	$4,466.3	$4,829.2	$4,942.8	$4,980.9	$5,111.1	$5,389.4
percent change	5.8%	6.1%	2.5%	5.6%	3.4%	4.8%	5.8%	5.9%	7.1%	7.9%	6.8%	8.1%	2.4%	0.8%	2.6%	5.4%
Nonfarm Wage and Salary Employment (millions)	108.0	109.5	108.4	108.7	110.8	114.3	117.3	119.7	122.8	125.9	129.0	131.8	131.8	130.3	130.0	131.5
percent change	2.6%	1.4%	-1.0%	0.3%	1.9%	3.2%	2.6%	2.0%	2.6%	2.5%	2.5%	2.2%	0.0%	-1.1%	-0.3%	1.1%

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

Colorado Economic Indicators
(Dollar amounts in millions)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Nonagricultural Employment (thous.)	1,436.1	1,482.3	1,520.8	1,544.9	1,596.9	1,670.7	1,755.9	1,834.3	1,900.3	1,979.5	2,056.6	2,131.4	2,212.4	2,225.4	2,182.5	2,150.9	2,178.6
percent change	1.7%	3.2%	2.6%	1.6%	3.4%	4.6%	5.1%	4.5%	3.6%	4.2%	3.9%	3.6%	3.8%	0.6%	-1.9%	-1.4%	1.3%
Unemployment Rate	6.4%	5.8%	5.0%	5.1%	6.0%	5.3%	4.2%	4.0%	4.2%	3.4%	3.5%	3.1%	2.7%	3.9%	5.9%	6.2%	5.5%
Personal Income	$55,884	$60,652	$64,748	$68,283	$73,794	$79,697	$85,671	$92,704	$100,233	$107,873	$118,493	$128,860	$144,394	$152,700	$153,962	$157,171	$166,342
percent change	5.3%	8.5%	6.8%	5.5%	8.1%	8.0%	7.5%	8.2%	8.1%	7.6%	9.8%	8.7%	12.1%	5.8%	0.8%	2.1%	5.8%
Per Capita Income	$17,130	$18,515	$19,575	$20,160	$21,109	$22,054	$23,004	$24,226	$25,570	$26,846	$28,784	$30,492	$33,371	$34,479	$34,228	$34,561	$36,150
percent change	5.3%	8.1%	5.7%	3.0%	4.7%	4.5%	4.3%	5.3%	5.5%	5.0%	7.2%	5.9%	9.4%	3.3%	-0.7%	1.0%	4.6%
Wage and Salary Income	$32,872	$34,666	$37,119	$39,548	$42,678	$45,736	$48,912	$52,782	$57,091	$62,364	$69,462	$76,283	$85,909	$88,297	$86,807	$87,747	$91,769
percent change	4.9%	5.5%	7.1%	6.5%	7.9%	7.2%	6.9%	7.9%	8.2%	9.2%	11.4%	9.8%	12.6%	2.8%	-1.7%	1.1%	4.6%
Retail Trade Sales	$24,886	$26,160	$27,544	$28,932	$31,298	$34,178	$38,100	$39,919	$42,629	$45,142	$48,173	$52,609	$57,955	$59,014	$58,852	$58,662	$62,348
percent change	6.1%	5.1%	5.3%	5.0%	8.2%	9.2%	11.5%	4.8%	6.8%	5.9%	6.7%	9.2%	10.2%	1.8%	-0.3%	-0.3%	6.3%
Housing Permits	12,864	11,131	11,897	14,071	23,484	29,913	37,229	38,622	41,135	43,053	51,156	48,874	53,749	54,537	47,911	39,446	45,585
percent change	-28.5%	-13.5%	6.9%	18.3%	66.9%	27.4%	24.5%	3.7%	6.5%	4.7%	18.8%	-4.5%	10.0%	1.5%	-12.1%	-17.7%	15.6%
Nonresidential Construction	$973	$946	$939	$1,610	$1,539	$1,578	$1,581	$1,841	$2,367	$2,986	$2,617	$3,544	$3,339	$3,373	$2,660	$2,429	3,073.0
percent change	2.6%	-2.8%	-0.7%	71.4%	-4.4%	2.6%	0.2%	16.4%	28.6%	26.2%	-12.4%	35.4%	-5.8%	1.0%	-21.1%	-8.7%	26.5%
Denver-Boulder Inflation Rate	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%	4.7%	1.9%	1.1%	0.1%
Population (thousands, July 1)	3,271.4	3,284.5	3,307.6	3,387.1	3,495.9	3,613.7	3,724.2	3,826.7	3,920.0	4,018.3	4,116.6	4,226.0	4,326.9	4,428.8	4,498.1	4,547.6	4,601.4
percent change	0.2%	0.4%	0.7%	2.4%	3.2%	3.4%	2.7%	2.8%	2.0%	2.0%	2.0%	2.0%	2.4%	2.4%	1.6%	1.1%	1.0%

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.