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Legislative
Council
Staff

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MEMORANDUM

March 20, 2006

TO: Members of the General Assembly

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

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2006-2012*

This memorandum presents the current budget outlook based on the March 2006 General Fund and cash fund revenue forecasts. Table 1 presents the General Fund overview based on current law.

Summary

- The **TABOR revenue** forecast increased by $173.1 million since December. Most of the increase occurred in the General Fund. The additional revenue will primarily increase the House Bill 1310 diversions to highways and capital construction.

- The **General Fund revenue** forecast was increased by $164.6 million during FY 2005-06. Over the entire forecast period, General Fund revenue was increased by $234.3 million. The revenue was driven by increases in both individual and corporate income tax receipts.

- The forecast of **cash fund revenue** was increased by $8.5 million during FY 2005-06 and by a total of $176.0 million during the forecast period. The increases are primarily due to increased expectations for unemployment insurance and severance taxes.

- Because of passage of Referendum C, the state will be able to retain all of the additional revenue. The general fund revenue will increase the transfers to highways and capital construction under HB 02-1310 during FY 2005-06 and will increase the diversion to highways under SB 97-1 during the rest of the forecast.

Table 1
March 2006 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	$345.8	$335.4	$491.2	$266.8	$282.8	$299.8	$317.8
2	General Fund Nonexempt Revenue	6,160.9	5,954.1	6,258.1	6,639.2	6,989.9	7,341.0	7,983.4
3	General Fund Exempt Revenue	0.0	815.1	801.3	784.9	869.5	981.2	817.6
4	Senate Bill 97-1 Diversion to the HUTF	0.0	-218.5	-163.7	-125.6	-116.3	-122.0	-114.0
5	Paybacks to Other Funds	0.0	-67.1	0.0	0.0	0.0	0.0	0.0
6	Transfers from Other Funds	65.7	231.5	34.4	38.7	37.8	36.9	35.9
7	Diversion of Sales Taxes to Older Coloradans Fund	-1.5	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0
8	TABOR Surplus Liability (refunded in following year)	-41.1	0.0	0.0	0.0	0.0	0.0	0.0
9	Total Funds Available	$6,529.8	$7,048.6	$7,419.2	$7,602.0	$8,061.6	$8,534.8	$9,038.7
	APPROPRIATIONS AND OBLIGATIONS:							
10	**Allowable General Fund Appropriations**	$5,935.2	$6,292.7	$6,670.3	$7,070.5	$7,494.7	$7,944.4	$8,421.0
11	Medicaid Overexpenditure	1.3	0.0	0.0	0.0	0.0	0.0	0.0
12	Rebates and Expenditures	110.7	166.6	171.5	176.9	183.8	191.2	198.8
13	Reimbursement for Senior Property Tax Cut	0.0	0.0	64.6	65.3	65.9	64.1	64.7
14	Funds in Prior Year Excess Reserve to HUTF	81.2	65.3	159.7	0.0	0.0	0.0	0.0
15	Funds in Prior Year Excess Reserve to Capital Construction	40.6	32.7	79.8	0.0	0.0	0.0	0.0
16	Capital Construction Transfer	0.0	0.1	6.6	6.5	17.4	17.3	17.3
17	Transfer to the Controlled Maintenance Trust Fund	55.0	0.0	0.0	0.0	0.0	0.0	0.0
18	Accounting Adjustments	-29.7	NE	NE	NE	NE	NE	NE
19	Total Obligations	$6,194.3	$6,557.4	$7,152.4	$7,319.2	$7,761.8	$8,217.0	$8,701.9
20	**YEAR-END GENERAL FUND RESERVE:**	**$335.4**	**$491.2**	**$266.8**	**$282.8**	**$299.8**	**$317.8**	**$336.8**
21	**STATUTORY RESERVE: 4.0% OF APPROPRIATIONS**	**237.4**	**251.7**	**266.8**	**282.8**	**299.8**	**317.8**	**336.8**
22	**GENERAL FUND EXCESS RESERVE**	**$98.0**	**$239.5**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
	TABOR RESERVE REQUIREMENT:							
23	General & Cash Fund Emergency Reserve Requirement	$249.3	$264.5	$272.4	$282.9	$298.1	$315.4	$324.7
24	Appropriations Growth	$337.1	$356.2	$377.6	$400.2	$424.2	$449.7	$476.7
25	Appropriations Growth Rate	6.02%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
26	Addendum: Amount Directed to State Education Fund	$313.9	$342.0	$356.6	$376.1	$400.9	$427.3	$453.4

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 2 illustrates final revenue collections for FY 2004-05 and projections for FY 2005-06 through FY 2010-11. While the Colorado economy has shown significant growth in jobs and retail activity, the recent acceleration of energy prices has muted growth somewhat. In January 2006, employment levels surpassed the prior peak from December 2000. The bottom of the employment cycle occurred in July 2003. Significant job growth will continue over the next couple of years and move into the higher wage sectors of the economy. The job growth will provide a positive boost for consumer markets as well. However, consumers will be hampered by higher energy prices and they may face higher prices in other areas as energy prices work through the production system.

The forecast for **General Fund revenue** increased by $164.6 million for FY 2005-06. However, $17.7 million of that amount was caused by an auditing adjustment and does not result in additional available revenue. Individual and corporate income taxes accounted for most of the change, with increases in the sales tax forecast providing a smaller amount.

The **sales tax** forecast for FY 2005-06 was increased by $20.4 million. Though reports on the holiday shopping season were mixed, a healthy ski season and particularly good weather in February led to higher-than-expected revenue. We anticipate a 4.8 percent increase in sales tax receipts during FY 2005-06, followed by a 5.0 percent gain in FY 2006-07. Similarly, the forecast for use taxes was increased $4.0 million for FY 2005-06. We expect **use taxes** to increase 8.3 percent in the current year and 0.6 percent during FY 2006-07. The strong growth during the current year is due to what we expect is the final run-up of home construction.

Individual income taxes will increase 13.1 percent in FY 2005-06 after increasing 7.6 percent in FY 2004-05. 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. Individual income taxes will increase 5.6 percent in FY 2006-07, and at rates ranging between 6.0 percent and 6.8 percent through the remainder of the forecast period. The forecast was increased by $74.6 million in FY 2005-06 because of strong growth in estimated payments. The forecast was not materially changed for FY 2006-07, and was decreased by a total of $19.6 million between FY 2005-06 and FY 2010-11.

The Department of Revenue has issued a new table for employers to use when determining how much individual income taxes to withhold from their employee's paychecks beginning on January 1, 2006. The change was made to adjust for increases in the federal personal exemption and standard deduction amounts. The Department of Revenue estimates that the change will result in a reduction in individual income tax withholding of $107.0 million for tax year 2006. The change will not have a significant impact on total individual income taxes, however, as the reduction in withholding will cause fewer refunds to be made and additional cash to be collected as taxpayers file their returns in 2007.

The short-term forecast for **corporate income taxes** was increased from December's level because of new projections for a provision contained in the federal American Jobs Creation Act of 2004. While this act had many elements that reduced federal corporate taxable income and state corporate income taxes, it also contained a provision that allowed companies to temporarily repatriate income earned abroad at a lower tax rate. This created a one-time incentive for firms to repatriate additional income in 2005 and 2006. Because of this change, the state experienced an unexpectedly large increase in corporate income tax collections in December 2005 of about $45 million. An additional $20 million is expected in the remainder of FY 2005-06. For FY 2005-06, corporate income taxes are now projected at $394.9 million, $67.1 higher than previously forecast. Compared to FY 2004-05, corporate income taxes in the current fiscal year are expected to increase 25.4 percent, or by $80 million.

The forecast for subsequent fiscal years was revised downward in response to higher oil and gas prices, the removal of the one-time gain, and increasing corporate payments for underfunded pension programs. Furthermore, competitive pressures domestically and internationally will prevent companies from passing on cost increases to consumers in the form of higher prices. In FY 2006-07 and FY 2007-08, corporate income taxes are expected to decrease 10.5 percent and 0.9 percent respectively. In FY 2008-09, corporate income taxes are expected to increase 5.7 percent.

The **State Education Fund** 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 $342.0 million this year and $356.6 million next year.

The General Fund may lose some revenue this year and incur an additional expense next year if tobacco manufacturers participating in the master settlement agreement (MSA) choose to withhold part of this year's payment. In early March, two of the original participating manufacturers alleged that they overpaid the states a total of $1.1 billion in 2004 and asked the Independent Auditor to reduce the 2006 payment, due April 15, by that amount. While the Independent Auditor has thus far refused the request, the manufacturers could choose to withhold the disputed amount from this years payment and instead place the money into a disputed payments account. If so, Colorado's payment will be reduced by an estimated $15.1 million. This would reduce this year's transfer to the General Fund from the Tobacco Settlement Cash Fund by $6.1 million and cause the General Fund to spend an additional $1.2 million on annual payments for the Fitzsimons Certificates of Participation in FY 2006-07. This forecast assumes that the money will not be withheld.

Table 2
March 2006 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	$1,855.1	4.7	$1,944.2	4.8	$2,042.1	5.0	$2,141.8	4.9	$2,242.4	4.7	$2,348.2	4.7	$2,463.3	4.9
Use	152.9	11.3	165.7	8.3	166.7	0.6	172.6	3.5	177.7	3.0	184.2	3.6	191.4	3.9
Cigarette	51.5	-4.3	47.9	-6.9	46.5	-3.0	45.5	-2.0	44.6	-2.0	43.2	-3.1	42.4	-2.0
Tobacco Products	14.2	22.0	9.0	-36.5	12.1	35.0	12.7	4.6	13.3	4.8	13.9	4.7	14.7	5.5
Liquor	31.2	1.6	33.4	7.1	34.1	2.0	34.8	2.1	35.5	2.0	36.2	1.8	36.9	2.0
TOTAL EXCISE	$2,104.8	5.0	$2,200.2	4.5	$2,301.5	4.6	$2,407.4	4.6	$2,513.6	4.4	$2,625.8	4.5	$2,748.7	4.7
Net Individual Income	$3,712.7	7.6	$4,197.6	13.1	$4,434.3	5.6	$4,699.7	6.0	$5,016.1	6.7	$5,355.7	6.8	$5,704.9	6.5
Net Corporate Income	315.0	33.9	394.9	25.4	353.4	-10.5	350.1	-0.9	370.0	5.7	388.9	5.1	402.4	3.5
TOTAL INCOME TAXES	$4,027.7	9.3	$4,592.5	14.0	$4,787.7	4.3	$5,049.9	5.5	$5,386.1	6.7	$5,744.5	6.7	$6,107.3	6.3
Less: Portion diverted to the State Education Fund	-313.9	12.6	-342.0	8.9	-356.6	4.3	-376.1	5.5	-400.9	6.6	-427.3	6.6	-453.4	6.1
INCOME TAXES TO GENERAL FUND	$3,713.8	9.0	$4,250.6	14.5	$4,431.1	4.2	$4,673.8	5.5	$4,985.2	6.7	$5,317.3	6.7	$5,653.9	6.3
Estate	26.0	-44.9	7.0	-73.0	0.4	-94.7	0.4	NA	0.3	NA	0.3	NA	0.0	NA
Insurance	189.2	7.6	184.4	-2.6	194.8	5.7	206.3	5.9	218.3	5.8	231.1	5.8	244.4	5.8
Pari-Mutuel	3.8	-12.7	3.4	-11.5	3.2	-5.0	3.0	-5.0	2.9	-5.0	2.7	-5.0	2.6	-5.0
Investment Income	27.7	41.9	34.0	22.5	33.9	-0.2	34.3	1.3	35.6	3.6	36.8	3.6	38.2	3.6
Court Receipts	26.3	0.1	26.4	0.4	27.5	4.2	28.6	4.1	29.8	4.0	30.9	3.9	32.2	4.1
Gaming	40.2	0.1	42.9	6.7	45.9	6.9	48.5	5.7	51.3	5.7	54.3	5.8	57.4	5.8
Other Income	28.9	-30.4	20.5	-29.2	21.1	3.0	21.7	3.0	22.3	2.9	23.0	2.8	23.6	2.9
TOTAL OTHER	$342.2	-3.6	$318.5	-6.9	$326.8	2.6	$342.9	4.9	$360.5	5.2	$379.1	5.2	$398.4	5.1
GROSS GENERAL FUND	**$6,160.9**	**6.8**	**$6,769.2**	**9.9**	**$7,059.4**	**4.3**	**$7,424.1**	**5.2**	**$7,859.3**	**5.9**	**$8,322.2**	**5.9**	**$8,801.0**	**5.8**
REBATES & EXPENDITURES:														
Cigarette Rebate	$14.4	-3.2	$14.0	-2.9	$13.6	-3.0	$13.3	-2.0	$13.1	-2.0	$12.7	-3.1	$12.4	-2.0
Old-Age Pension Fund	86.7	10.3	92.0	6.2	97.2	5.6	102.7	5.7	109.3	6.4	116.4	6.5	124.0	6.5
Aged Property Tax & Heating Credit	5.8	-62.8	13.8	135.9	13.9	1.3	13.8	-0.7	13.8	-0.3	13.8	0.2	13.4	-3.2
Interest Payments for School Loans	NA	NA	17.7	NA	17.7	-0.2	17.9	1.3	18.5	3.6	19.2	3.6	19.9	3.6
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	$166.6	50.4	$171.5	2.9	$176.9	3.1	$183.8	3.9	$191.2	4.0	$198.8	4.0

Totals may not sum due to rounding.

Cash Fund Revenue

Table 3 summarizes the forecast for revenue to cash funds subject to the TABOR spending limit in FY 2005-06. Total revenue will increase 7.1 percent in FY 2005-06 after a 7.4 percent increase in FY 2004-05. Growth will slow during the rest of the forecast period, however, leading to an annual average increase of 1.1 percent over the entire period.

The forecast for cash fund revenue subject to TABOR was increased by $8.5 million in FY 2005-06 and $3.5 million in FY 2006-07 relative to the December forecast and by a total of $176.0 million between FY 2005-06 and FY 2010-11. Most of the increase occurred between FY 2007-08 and FY 2009-10 as a result of higher expectations for unemployment insurance and severance taxes during that time period. Because of Referendum C, changes in the forecast for cash fund revenue through FY 2009-10 will no longer affect the amount of money available for spending in the General Fund, but will instead change the amount of General Fund *exempt* revenue relative to the amount of General Fund *nonexempt* revenue.

Revenue to the ***transportation-related*** cash funds, which include the Highway Users Tax Fund, the State Highway Fund, and other transportation-related funds, will decrease 0.6 percent in FY 2005-06 and increase at an annual rate of 1.1 percent over the forecast period. Revenue to the *Highway Users Tax Fund* (HUTF) will decrease 2.0 percent in FY 2005-06. This decrease is entirely the result of a 3.9 percent decrease in motor fuel taxes, as high gasoline prices have driven consumers to alternative means of transportation, more fuel-efficient vehicles, and driving less frequently. Also, automakers continue to 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. HUTF revenue will increase at an average annual rate of 1.2 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 14.4 percent this year and decrease 5.7 percent next year. Interest earnings will increase substantially during FY 2005-06 as a result of larger Senate Bill 97-1 diversions and House Bill 02-1310 transfers from the excess General Fund reserve. Decreases in future years are due to lower expectations for local government matching funds for transportation projects. Meanwhile, revenue to *other transportation funds*, which primarily includes fees paid in connection with motor vehicle registrations, is expected to increase 8.5 percent in FY 2005-06.

Table 4 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* 1.2 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 because 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 2007 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 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 $1.21 billion over this seven-year time period.

After increases of 78.0 percent in FY 2003-04 and 38.9 percent in FY 2004-05, total UI taxes will *decrease* 4.0 percent in FY 2005-06 and continue to decline through

Table 3
Cash Fund Revenue Estimates by Category, March 2006 /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 09-10	Estimate FY 10-11	FY 04-05 to FY 10-11 CAAGR *
Transportation-Related /B	**$843.7**	**$838.6**	**$848.2**	**$859.8**	**$874.6**	**$888.1**	**$899.4**	
% Change	0.0%	-0.6%	1.1%	1.4%	1.7%	1.5%	1.3%	**1.1%**
Unemployment Insurance /C	**$465.6**	**$460.0**	**$426.5**	**$431.6**	**$479.9**	**$534.0**	**$341.1**	
% Change	36.1%	-1.2%	-7.3%	1.2%	11.2%	11.3%	-36.1%	**-5.1%**
Employment Support Fund	**$21.5**	**$23.5**	**$25.0**	**$26.2**	**$27.3**	**$28.5**	**$29.9**	
% Change	7.0%	9.1%	6.5%	4.7%	4.4%	4.5%	4.8%	**5.6%**
Severance Tax /D	**$152.0**	**$241.8**	**$217.3**	**$157.5**	**$139.4**	**$140.1**	**$137.6**	
% Change	21.5%	59.1%	-10.1%	-27.5%	-11.5%	0.5%	-1.8%	**-1.6%**
Limited Gaming Fund	**$103.1**	**$111.4**	**$119.1**	**$125.9**	**$133.0**	**$140.8**	**$148.9**	
% Change	0.4%	8.0%	6.9%	5.7%	5.7%	5.8%	5.7%	**6.3%**
Insurance-Related	**$53.2**	**$62.1**	**$67.3**	**$72.4**	**$77.8**	**$83.1**	**$89.2**	
% Change	1.1%	16.7%	8.4%	7.5%	7.5%	6.8%	7.4%	**9.0%**
Regulatory Agencies	**$51.4**	**$50.5**	**$52.0**	**$53.1**	**$54.5**	**$55.6**	**$57.2**	
% Change	2.3%	-1.7%	3.0%	2.2%	2.5%	2.1%	2.9%	**1.8%**
Capital Construction - Interest	**$2.3**	**$3.1**	**$4.8**	**$3.2**	**$1.8**	**$1.0**	**$0.6**	
% Change	37.5%	34.6%	51.4%	-32.1%	-43.5%	-42.9%	-42.9%	**-20.4%**
Controlled Maintenance Trust Fund - Interest	**$0.0**	**$6.5**	**$0.2**	**$0.2**	**$0.2**	**$0.2**	**$0.2**	
Other Cash Funds	**$272.2**	**$308.0**	**$321.7**	**$338.1**	**$355.0**	**$372.4**	**$391.0**	
% Change	-7.7%	13.1%	4.5%	5.1%	5.0%	4.9%	5.0%	**6.2%**
Total Cash Fund Revenues	**$1,965.1**	**$2,105.5**	**$2,082.0**	**$2,067.9**	**$2,143.5**	**$2,243.9**	**$2,095.1**	
Subject to the TABOR Limit	**7.4%**	**7.1%**	**1.1%**	**-0.7%**	**3.7%**	**4.7%**	**-6.6%**	**1.1%**

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 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.

FY 2007-08 as the fund balance recovers. UI taxes will then increase in FY 2008-09 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. Benefits will continue to decrease this year and remain at levels consistent with a moderate economic expansion thereafter.

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. This year, a fund balance of $450 million represents 0.61 percent of taxable wages, down from 1.48 percent in 1992. By the end of the forecast period, this ratio will fall to 0.46 percent. Meanwhile, taxable wages as a percent of total wages has decreased from 44.7 percent in 1988 to 28.3 percent in 2004. This percentage will continue to decrease as long as average wages increase. Meanwhile, the average benefit payment increases each year with wages. TABOR would prohibit the $10,000 wage threshold and/or the fund balance trigger to be increased without voter approval.

Severance tax collections are projected to increase 59.1 percent in FY 2005-06, reaching $241.8 million. The sharp increase in severance taxes is expected because of the increase in oil and natural gas prices in the last six months. Severance taxes are projected to fall slightly in the following year as energy prices stabilize. They will 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 $217.3 million in FY 2006-07, $157.5 million in FY 2007-08, and $139.4 million in FY 2008-09. Natural gas prices are projected to average $9.90 per 1,000 cubic feet (Mcf) in 2006 and drop to $7.37 per Mcf by 2010.

Total ***gaming*** revenue, which includes taxes, fees, and interest earnings, will increase 8.0 percent in FY 2005-06 and at an average annual rate of 6.3 percent through FY 2010-11. Gaming taxes will increase 7.5 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 late 2004. Since casinos tend to be smaller in Central City than in Blackhawk, a movement of business from Blackhawk to Central City results 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 less than $5 million have marginal tax rates ranging from 0.25 percent to 4.0 percent.

Table 4
Unemployment Insurance Trust Fund Forecast, March 2006
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	$364.7	$489.0	$597.9	$732.0	$903.0	37.5%
Plus Income Received								
Regular Taxes /A	$351.3	$324.2	$246.7	$195.5	$190.0	$202.4	$217.4	-7.7%
Solvency Taxes /B	$107.8	$117.8	$149.9	$198.3	$243.8	$274.7	$69.3	
Interest	$6.5	$18.0	$30.0	$37.8	$46.1	$56.9	$54.4	42.3%
Total Revenues	**$465.6**	**$460.0**	**$426.5**	**$431.6**	**$479.9**	**$534.0**	**$341.1**	-5.1%
% Change	36.1%	-1.2%	-7.3%	1.2%	11.2%	11.3%	-36.1%	
Less Benefits Paid	($333.2)	($292.8)	($277.3)	($296.5)	($318.5)	($334.5)	($347.7)	0.7%
% Change	-27.7%	-12.1%	-5.3%	6.9%	7.4%	5.0%	4.0%	
Federal Reed Act Transfer	($3.9)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	NA
Accounting Adjustment	($41.4)	($23.5)	($25.0)	($26.2)	($27.3)	($28.5)	($29.9)	NA
Ending Balance	**$221.0**	**$364.7**	**$489.0**	**$597.9**	**$732.0**	**$903.0**	**$866.5**	25.6%
Solvency Ratio:								
Fund Balance as a Percent of Total Annual Private Wages	0.32%	0.50%	0.63%	0.72%	0.84%	0.97%	0.88%	18.5%

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.

/B The amount of UI taxes collected via the solvency tax in FY 2004-05 is an estimate. The total amount of taxes is known; the portion of taxes collected as a result of the solvency taxes is estimated. The solvency tax will be collected through calendar year 2010.

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 unless voters allow the state to retain the revenue. 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 5 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 limit 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.

Table 5
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	$172.0
Projections (State Will Retain)	
2005-06	$815.1
2006-07	$801.3
2007-08	$784.9
2008-09	$869.5
2009-10	$981.2
2010-11	$817.6

The state collected $172.0 million over its limit during FY 2004-05. The state has previously refunded $130.9 million of the surplus and will refund the remaining $41.1 million through a sales tax refund paid to each taxpayer on their income tax when they file their 2005 tax return in 2006. The refund amounts to $15 per taxpayer.

Referendum C, passed by the voters last November, allows the state to retain all of the revenue collected above the TABOR limit for the next five years. Referendum C establishes a "Revenue Cap" equal to the largest amount of revenue collected over the five year period. That amount increases at the TABOR mandated rate of inflation plus population growth each year thereafter. The state will be able to retain all of the revenue projected above the TABOR limit in Table 5.

Table 6 displays our current estimates of TABOR revenue, the TABOR limit, the TABOR surplus, and the amount the state can retain under Referendum C. 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, the amount of revenue retained would be reduced. Likewise, if the state's revenue during the next five years exceeds the forecasted amount, the amount retained would increase.

Table 6
March 2006 Forecast for the TABOR Revenue Limit and Retained 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	$6,107.1	$6,712.3	$6,999.5	$7,361.6	$7,794.1	$8,267.9	$8,729.6
Cash Funds	2,375.9	2,105.5	2,082.0	2,067.9	2,143.5	2,243.9	2,095.1
Total TABOR Revenues	**$8,483.0**	**$8,817.9**	**$9,081.5**	**$9,429.4**	**$9,937.6**	**$10,511.8**	**$10,824.8**
Revenue Limit:							
Allowable TABOR Growth Rate	4.6%	1.3%	3.5%	4.4%	4.9%	5.1%	5.0%
Inflation (from prior calendar year)	1.1%	0.1%	2.1%	2.7%	3.0%	3.2%	3.0%
Population Growth (from prior calendar year)	1.1%	1.2%	1.4%	1.7%	1.9%	1.9%	2.0%
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	$8,311.0	$8,002.8	$8,280.2	$8,644.6	$9,068.2	$9,530.6	$10,007.2
Cap on Retained Revenue	NA	NA	NA	NA	NA	NA	$1,030.3
Total Allowable Revenue	NA	NA	NA	NA	NA	NA	$11,037.4
Retained/Refunded Revenue							
Retained Revenue	$0.0	$815.1	$801.3	$784.9	$869.5	$981.2	$817.6
Total Available Revenue	**$8,441.9**	**$8,817.9**	**$9,081.5**	**$9,429.4**	**$9,937.6**	**$10,511.8**	**$10,824.8**
Revenue To Be Refunded to Taxpayers /C	$41.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0

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.

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

/C The state is $172.0 million over the TABOR limit during FY 2004-05, but will only refund an additional $41.1 million because $130.9 million has already been refunded.

National Economy

This section reviews the recent performance of the U.S. economy and presents the March 2006 national economic forecast. A discussion of the major risks to this forecast follows.

The revised estimate of growth in inflation-adjusted gross domestic product (**GDP**) for the fourth quarter of 2005 was 1.6 percent. The advance estimate of growth was 1.1 percent. Upward revisions for business investment in equipment and software, federal government spending, and exports added to growth, while upward revisions for imports subtracted from growth. Nonetheless, the revised estimate of growth was well below trend levels. Weakness prevailed in the fourth quarter due to higher energy prices and their impacts on consumer and business confidence spending. Economic indicators released for the first two months of 2006 foreshadow stronger growth during the first quarter.

Nonfarm employment increased by 243,000 jobs in February. Strength was evident in the construction (41,000 jobs), education and health services (47,000), professional and business services (39,000), and the leisure and hospitality (25,000) sectors. The unemployment rate increased from 4.7 percent in January to 4.8 percent in February, as the strong labor market is attracting new workers into the labor force. *Initial jobless claims* rose above 300,000 for the week ending March 4. This was the first time since early January that claims were above 300,000. Claims had dropped well below 300,000 in January because of unusually warm weather. With the onset of colder weather in February, claims have been trending upward. Still, the level of jobless claims indicate a labor market that is expanding, confirmed by the stout job gains in February.

Personal income increased 0.7 percent in January. *Consumer spending* increased 0.9 percent, primarily due to rising energy prices. The difference between income and spending led to another month of negative saving. As energy prices moderate and decline, inflation-adjusted incomes will rise, thus providing relief on consumers' budgets. In addition, rising interest rates will slow down consumer borrowing and make saving more attractive. The recent string of negative savings rates will end. Internet sales rose 23 percent in 2005 and comprised 2.4 percent of all retail sales in the fourth quarter. The Internet share of all retail sales increased from 2.1 percent a year earlier.

The **manufacturing sector** showed mixed results, although the declines in two indicators are either weather-related or in a volatile sector. The *Institute for Supply Management's Purchasing Managers Index* rose from 54.8 in January to 56.7 in February. The increase was the first in three months. Strong gains in the new orders and employment components of the index led to the overall increase. These gains are promising for the near-term outlook of the manufacturing industry. *New orders for durable goods* dropped 10.2 percent in January, although the decline was attributed to the volatile transportation sector. The latter sector fell by more than 31 percent, primarily due to a decline in aircraft orders. *Industrial production* declined 0.2 percent in January, although mild weather across much of the nation led to a 10.1 percent decline in utilities output. Colder weather prevailed in February and the industrial production index will likely rise significantly. Industrial production has generally been strong since hurricane-related weakness in September.

The **housing market** continued to weaken in January. The affordability index is near a 15-year low. Rising prices for homes, interest rates that are at a cyclical high, and incomes that are not keeping pace with housing prices are constraining sales of new and existing homes. The median sales price for existing and new homes in January were 11.6 percent and 19.4 percent higher than a year earlier. Meanwhile, personal income increased only 5.5 percent last year. *New home sales* declined in January and were at their lowest level in nearly a year. Meanwhile, *sales of existing homes* in January were at a 6.56 million annualized pace, the weakest showing in nearly two years. January's sales pace for existing homes was nearly 700,000 units below the peak in 2005.

Inflation remains contained at this time, although warning signs are evident. *Producer prices* for finished goods rose 0.3 percent in January, following a 0.6 percent increase in December. Producer prices rose 5.7 percent from 12 months earlier. Of more concern is the trend for the prices of intermediate goods. These prices have risen markedly in four of the previous seven months and were 9.3 percent higher in January than a year ago. With the economy near full-employment levels, wage pressures may begin to mount. If they do, producers of final goods will be more likely to pass on the price pressures evident at the intermediate stage.

Meanwhile, continuing volatility in energy prices caused a sharp 0.7 percent rise in consumer prices in January. The core index, excluding food and energy prices, rose only 0.2 percent in January. The Federal Reserve Board increased the federal funds rate to 4.5 percent in late January. The weak performance for GDP in the fourth quarter was likely an aberration and stronger growth should occur during the first quarter of 2006. This may set the stage for two additional rounds of interest rate hikes by the board.

The National Economic Outlook. This section presents the forecast and risks for the national economy. The detailed forecast can be found in Table 7.

- After a lackluster performance in the fourth quarter of 2005, the economy will rebound strongly during the first half of 2006. Inflation-adjusted gross domestic product (**GDP**) will increase over 4 percent in the first quarter. However, as the Federal Reserve Board's monetary tightening takes hold, the economy will slow somewhat during the second half of the year. GDP will increase 3.5 percent in 2006, matching the increase of 2005. The slowdown will extend into 2007, when GDP will increase by 3.0 percent.

- **Nonfarm employment** increased 1.5 percent in 2005, the strongest growth rate in five years. Jobs will increase 1.6 percent in 2006. A decline in construction employment due to interest rate hikes will lead to weakening job growth of 1.1 percent in 2007. The unemployment rate will drop from 5.1 percent in 2005 to 4.9 percent this year. The rate will remain in a narrow range during the rest of the forecast period — a range suggesting near full employment levels.

- **Personal income** increased 5.5 percent last year. We expect a similar increase in 2006, as a tight labor market and higher energy costs will keep upward pressure on wages this year. Personal income and wages will increase 5.5 percent and 5.8 percent, respectively, in 2006. These growth rates will moderate to 4.7 percent and 5.5 percent in 2007.

- Last year's surge in energy prices pushed the national consumer **inflation rate** to 3.4 percent, the highest rate since 2000. Energy prices will not subside this year and they are likely to seep into general price increases for other goods and services. Combined with wage demands, inflation will also be 3.4 percent this year. We expect that the inflation rate will fall to 2.9 percent in 2007.

- Inflation is the primary **forecast risk**. Higher inflation could emerge from three fronts. First, energy prices could rise given geopolitical tensions and leave little room for increased supply that would ease price pressures. Second, ongoing energy price hikes could spillover into other goods and services prices. Third, the labor market is near full employment and wage demands could push unit labor costs higher. Federal Reserve Board action to combat higher inflation would create additional risk for an already weakening housing market. Construction employment has been a major contributor to overall employment growth. If homeowners sense that their wealth from housing is declining, consumer spending would likely slow down.

Table 7
National Economic Indicators, March 2006 Forecast
(Dollars in Billions)

	2000	2001	2002	2003	2004	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	$11,134.6	$11,524.3	$11,870.0	$12,226.1	$12,617.4	$12,995.9
percent change	3.7%	0.8%	1.6%	2.7%	4.2%	3.5%	3.5%	3.0%	3.0%	3.2%	3.0%
Nonagricultural Employment (millions)	131.8	131.8	130.3	130.0	131.4	133.5	135.6	137.1	138.5	140.4	142.2
percent change	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.5%	1.6%	1.1%	1.0%	1.4%	1.3%
Unemployment Rate	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.9%	5.0%	5.0%	4.8%	4.7%
Personal Income	$8,429.7	$8,724.1	$8,881.9	$9,169.1	$9,713.3	$10,249.3	$10,813.0	$11,321.1	$11,830.7	$12,386.7	$12,956.5
percent change	8.0%	3.5%	1.8%	3.2%	5.9%	5.5%	5.5%	4.7%	4.5%	4.7%	4.6%
Wage and Salary Income	$4,829.2	$4,942.8	$4,980.9	$5,111.1	$5,389.4	$5,723.4	$6,055.4	$6,388.4	$6,707.8	$7,063.3	$7,423.6
percent change	8.1%	2.4%	0.8%	2.6%	5.4%	6.2%	5.8%	5.5%	5.0%	5.3%	5.1%
Inflation (Consumer Price Index)	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.4%	2.9%	2.5%	2.3%	2.3%
10-year Treasury Note	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	5.1%	5.3%	5.4%	5.6%	5.6%

Colorado Economy

This section reviews recent events in the state and provides the Colorado economic forecast. More details on economic events across the state can be found in the individual regional sections.

Nonfarm employment increased by a revised 2.1 percent in 2005. While the bottom line growth rate did not change, the revised pattern of growth indicated that Colorado's economy was not slowing during the second half of the year. For example, the previous data indicated that the year-over-year growth rate for the fourth quarter was 1.6 percent, while the revised data indicated that employment grew by 2.2 percent.

After the revision to the employment data, Colorado's jobs growth rate ranked 18th highest in the country. Previous to the revision, Colorado ranked 10th highest.

Employment in January finally surpassed the previous peak level set in December 2000. The state economy lost 103,600 jobs from peak to trough, i.e. from December 2000 to July 2003. The economy has now added 106,000 jobs since July 2003.

Colorado **exports** increased 2.0 percent in 2005, a drop from the 8.9 percent gain in the previous year. Still, exports set a record at nearly \$6.8 billion. Sales of computers and related products accounted for 52 percent of the trade exports. Exports of semiconductor and integrated-circuit products fell by one-third. Exports to Mexico increased by 23.2 percent on the basis of a 54.0 percent increase in beef exports. Exports to Australia surged 58.3 percent after a free-trade agreement was reached at the beginning of 2005. Canada is the state's largest trading partner, accounting for just over one-fourth of the state's exports. Mexico is our second-largest partner and accounts for 12.5 percent of total exports.

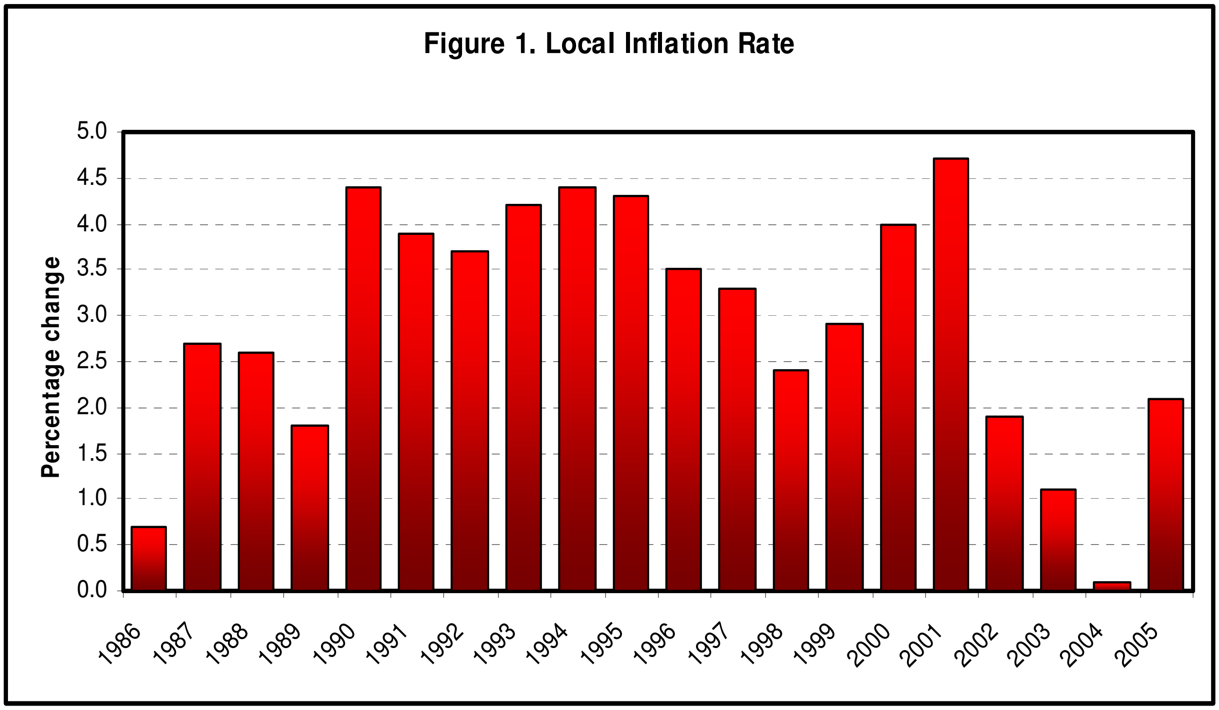
Tourism in Colorado increased in 2005. The average occupancy rate at the state's hotels and motels increased from 57.7 percent in 2004 to 59.9 percent in 2005. The average rental rate for a room increased 9.0 percent to \$105.36. Occupancy rates in January were also higher than a year earlier. Meanwhile, above-average snowfall in Colorado's ski areas led to a 5.5 percent increase in skier visits through December.

In other tourism-related news, **airlines** are adding flights from Denver. United Airlines is adding 32 flights from Denver. United, the dominant carrier at Denver International Airport (DIA), will have 455 flights from Denver. Southwest Airlines, which returned to Denver in January after a 20-year absence, will double the number of gates it uses at DIA. By June, the airline hopes to triple its current flight schedule of 13 departures. JetBlue will add a daily round-trip flight between Denver and New York in mid-June. Frontier Airlines will add two daily flights to Calgary in May, the company's first foray into Canada. Finally, in longer-range plans, Frontier will order larger capacity jets for its high demand routes. The jets will be delivered in 2011.

Attendance at the National Western Stock Show set a record high of 727,000 visitors in January. Warm weather contributed to the 13.6 percent increase.

Inflation in the Denver-Boulder-Greeley area was 2.1 percent in 2005, following the lowest-ever 0.1 percent rate in 2004. Figure 1 shows the local inflation rate over the past 20 years.

Inflation rebounded from its historic low in 2004 because of high energy prices. Gasoline prices hovered around \$3 per gallon in late summer 2005 before they fell back in the fall. Nonetheless, the motor fuel component of transportation rose 24.1 percent in



2005. This led to a 7.8 percent overall rise in transportation costs. The latter costs account for nearly 18 percent of consumer expenditures, the second-highest portion of the consumer market basket. Housing costs, which account for 42 percent of consumer expenditures, fell 0.5 percent in 2005 despite a 12.6 rise in the fuels and utilities component of housing. High vacancy rates have plagued the apartment market, leading to lower rental rates and concessions by landlords. Housing costs have fallen for two consecutive years and exhibited small increases in the two previous years.

The core index for inflation (inflation without measuring food and energy costs), rose only 0.6 percent during 2005. Food and beverage costs rose 1.7 percent, medical costs increased 3.7 percent, and other goods and services costs rose 6.9 percent.

Colorado is one of the nation's leading **energy** producers. The Colorado Oil and Gas Conservation Commission approved 4,363 drilling permits in 2005, a 50 percent increase from the previous year and an all-time high. Requests for drilling permits are expected to be high in 2006 as well.

Colorado is also a leading state for alternative energy sources. Due to the passage of Amendment 37 in 2004, wind energy development is coming to the forefront. Greenlight Energy announced a $480 million, 300 megawatt wind energy farm near Grover in Weld County. The wind farm will have up to 300 wind turbines that will generate enough electricity to power 95,000 homes. The turbines will span across 20,000 acres and start generating power in late 2007.

According to the PriceWaterhouseCoopers Moneytree Survey, investors put $611 million into **venture capital funding** for Colorado businesses in 2005. This was a 47.9 percent increase from 2004. Venture capital funding remains well below the peak of $4.3 billion in 2000. The latter year was atypical and was just prior to the 2001 recession.

According to the Office of Federal Housing Enterprise Oversight, Colorado **housing price** appreciation between the fourth quarters of 2004 and 2005 was 6.0 percent. Colorado's appreciation was the eighth slowest in the country. The national average was 13.0 percent. Over the past five years, housing price appreciation in the state was 28.0 percent and ranked Colorado as the 13th slowest growth rate during that span. The national average was 57.7 percent during the past five years. This indicator's slowdown over the past five years followed a long period of significantly higher appreciation in Colorado's housing market.

The following paragraphs provide a summary of our outlook for the Colorado economy. The complete forecast can be found in Table 8.

- **Employment** growth in Colorado has been the key barometer of the state's economic health. From 1950 to 2005, the state's employment increased at an average annual pace of 3.4 percent per year. The Colorado economy has hit a maturation point and the apparent lack of a strong employment driver will constrain growth during the forecast period to rates below the historical average. Nonfarm employment will increase 2.5 percent in 2006 and 2.7 percent in 2007. Sub-par national economic growth in 2008 will reduce the state's growth rate for employment to 2.2 percent in 2008.

- **Personal income** will increase 5.7 percent in 2006, following an estimated increase of 6.0 percent for 2005. We reduced the growth rate for 2006 by 1.1 percentage points. We are slightly less optimistic about wage and salary gains for 2006 and we significantly reduced the growth rate for interest, dividend, and rental income. Growth in personal income will rebound to 6.4 percent in 2007 and fall slightly to 6.2 percent in 2008.

- **Consumer spending** in Colorado is measured by spending at the state's retail trade stores, including automobile dealers and gasoline stations. Consumer spending weakened considerably during the last four months of 2005, leading to an annual increase of 4.9 percent. Through August, spending had increased 6.2 percent. Increases in energy bills during the rest of the year reduced available income for spending in the retail sector. We expect that this trend will continue in 2006 with retail trade sales increasing 4.6 percent. Gains through the remainder of the forecast period will be somewhat stronger than in 2006, but will be negatively influenced by reports of reduced housing wealth nationwide and by increased market penetration of Internet sales.

- Colorado has a small degree of overbuilding in its **housing** sector. Combined with a large inventory of existing homes for resale and higher interest rates, home building permits will decline 7.5 percent in 2006 and 4.4 percent in 2007. The housing market will stabilize with small gains during the rest of the forecast period.

- **Nonresidential construction** increased 11.7 percent in 2005. However, a single permit for more than $550 million accounted for all of the increase. In the absence of this permit, construction value would have decreased by 5.4 percent last year. We expect that the value of nonresidential construction will decrease by 9.7 percent this year and increase by 7.3 percent in 2007.

- Estimates for **inflation** and **population growth** determine the amount of General Fund exempt revenue that may be retained after the passage of Referendum C at the November 2005 election. We expect that the rental equivalent for housing will turn positive this year after two years of deflation. Thus, inflation will increase to 2.7 percent in 2006, following the 2.1 percent rate in 2005. After 2006, inflation will remain around 3 percent. Migration to Colorado will be somewhat stronger in the forecast period than in recent years. Thus, population growth will range from 1.7 percent to 2.0 percent in the forecast period. These gains follow growth rates of 1.1 percent to 1.4 percent in the three previous years.

- The **risks** to the state economic forecast are generally the same as they are for the nation; i.e., higher-than-expected inflation. This result would damage business and consumer confidence, slowing investment and consumer spending. Construction, an important economic driver in Colorado, could slow even further with Federal Reserve Board rate increases to combat inflation.

Table 8
Colorado Economic Indicators, March 2006 Forecast
(Calendar Years)

	2000	2001	2002	2003	2004	2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010
Population (thousands), July 1	4,326.9	4,428.8	4,498.1	4,547.6	4,601.8	4,665.2	4,744.5	4,834.7	4,926.5	5,025.0	5,120.5
percent change /A	2.4%	2.2%	1.7%	1.1%	1.2%	1.4%	1.7%	1.9%	1.9%	2.0%	1.9%
Nonagricultural Employment (thousands)	2,213.6	2,226.8	2,184.1	2,152.8	2,179.6	2,225.2	2,280.8	2,342.4	2,393.9	2,456.2	2,525.0
percent change	3.8%	0.6%	-1.9%	-1.4%	1.2%	2.1%	2.5%	2.7%	2.2%	2.6%	2.8%
Unemployment Rate	2.7%	3.9%	5.9%	6.2%	5.2%	5.0%	4.7%	4.6%	4.9%	4.8%	4.7%
Personal Income (millions)	$144,394	$152,700	$153,078	$157,083	$166,153	$176,122	$186,161	$198,075	$210,356	$224,029	$238,591
percent change	12.1%	5.8%	0.2%	2.6%	5.8%	6.0%	5.7%	6.4%	6.2%	6.5%	6.5%
Wage and Salary Income (millions)	$85,909	$88,297	$86,936	$87,832	$91,863	$98,110	$103,801	$110,548	$117,954	$125,267	$133,660
percent change	12.6%	2.8%	-1.5%	1.0%	4.6%	6.8%	5.8%	6.5%	6.7%	6.2%	6.7%
Retail Trade Sales (millions)	$57,955	$59,014	$58,864	$58,662	$62,348	$65,401	$68,409	$71,967	$75,421	$79,418	$83,866
percent change	10.2%	1.8%	-0.3%	-0.3%	6.3%	4.9%	4.6%	5.2%	4.8%	5.3%	5.6%
Home Permits (thousands)	54.6	55.0	47.9	39.6	46.5	46.3	42.8	40.9	42.1	43.5	44.7
percent change	10.7%	0.8%	-13.0%	-17.3%	17.5%	-0.5%	-7.5%	-4.4%	2.8%	3.5%	2.8%
Nonresidential Building (millions)	$3,476	$3,500	$2,787	$2,713	$3,291	$3,676	$3,319	$3,562	$3,733	$4,005	$4,221
percent change	-8.1%	0.7%	-20.4%	-2.7%	21.3%	11.7%	-9.7%	7.3%	4.8%	7.3%	5.4%
Denver-Boulder Inflation Rate	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	2.7%	3.0%	3.2%	3.0%	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 intercensal estimates by the Census Bureau and do not reflect the original estimates.

Personal income and wage and salary income for 2005 are estimates. All other data for 2005 are actuals.

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 economy continued to improve in 2005. Table 9 shows several economic indicators for the region. Employment growth in the region during 2005 was revised upward from 1.9 percent to 2.1 percent. While the region's economy is improving, its growth rate lags well below the last four years of the 1990s when employment growth ranged from 4.0 percent to 4.4 percent.

Table 9
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson counties

	2003	2004	2005
Employment Growth /1	-1.4%	0.8%	2.1%
Unemployment Rate	6.2%	5.7%	5.1%
Housing Permit Growth /2	-23.9%	23.2%	-4.3%
Growth in Value of Nonresidential Const. /3	-18.3%	19.3%	6.8%
Retail Trade Sales Growth /4	0.5%	4.8%	3.5%

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

The mining, natural resource, and construction sector had the strongest job growth at 5.1 percent. Growth rates in the professional and business services and education and health services categories exceeded three percent for the year. The information sector, which contains the telecommunications industry, continued to shed jobs in 2005. After losing 3,800 jobs in 2005, the information sector is now 26,900 jobs, or 32.0 percent, below the peak level in 2000. In the four years prior to the peak, employment in the information sector increased at an average annual rate of 12.0 percent.

Following a robust 23.2 percent increase in new housing permits during 2004, a larger number of existing homes for sale and higher interest rates contributed to a 4.3 percent drop in permits last year. Retail trade sales, while positive at 3.5 percent, lagged the statewide increase of 4.9 percent.

Recent Economic News:

- Crispin Porter & Bogusky, a Miami advertising agency, will open an office in Boulder and relocate 50 to 60 workers there. The move will occur this summer. The agency expects to expand its operations in Boulder within two years.

- Insmed will expand its Boulder work force by 35 to 40 this year. The company makes drugs to treat endocrine and metabolic disorders. The new workers will staff positions in quality assurance, manufacturing, and process development.

- Between 150 and 200 software developers were laid off in February at the Denver office of Oracle. The layoffs were part of a companywide reduction of 2,000 workers. The layoffs follow the purchase of PeopleSoft last year and an intended effort to boost profits and integrate with the recent purchase of Siebel Systems Inc.

- Cenveo closed its commercial printing plant last month and laid off 90 workers. The plant was located in Centennial.

- Raytheon, an aerospace and defense-systems company, will lay off 150 workers at its Aurora location. The company recently lost out in its bid to obtain a $2.1 billion federal contract to develop a high speed data transmission system for military personnel in war zones.

- The average sales price for existing single-family homes and condominiums dropped in February. The sales data are not adjusted for seasonal variations. The average price for a single-family home declined by 1.4 percent, or $3,800, while the average price for a condo fell by 8.8 percent, or almost $17,000. As another indication of the soft real estate market in the metro area, there were 17.3 percent more homes for sale in February than a year ago.

- Construction will start later this year on a $200 million residential and retail development near the Westminster Promenade. The first phase of construction encompasses 180 condominiums priced from the high $200,000s to low $400,000s. The development will be near a future FasTracks station. The transit-oriented development will eventually have as many as 750 housing units, 24,000 square feet of retail space, and a community center.

Colorado Springs Region

The Colorado Springs region is improving slower than previously estimated. Re-benchmarking of the employment data for the Colorado Springs region led to a reduction in the growth rate for employment from 2.2 percent to 1.8 percent. Nonetheless, employment improved over the 1.4 percent growth rate in 2004. Table 10 shows the employment and other economic indicators for the past three years.

Table 10
Colorado Springs Region Economic Indicators
El Paso County

	2003	2004	2005
Employment Growth /1	-1.4%	1.4%	1.8%
Unemployment Rate	6.4%	5.7%	5.3%
Housing Permit Growth /2	-23.2%	28.8%	3.6%
Growth in Value of Nonresidential Const. /3	23.3%	-5.7%	141.5%
Retail Trade Sales Growth /4	0.2%	10.3%	5.4%

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

Employment growth in the natural resources, mining, and construction sector was revised upward to 6.9 percent. Construction is the predominant subsector in this group. Housing permits soared 28.8 percent in 2004. While housing permit growth was substantially lower in 2005 at 3.6 percent, the trend for housing construction, as well as a large increase in nonresidential construction last year, boosted construction employment. Economic recovery has not yet begun in the manufacturing and information sectors. Employment in these sectors declined by 6.1 percent and 9.0 percent, respectively, in 2005. Since their peaks in 2001, their employment levels have each declined by more than 27 percent.

Recent Economic News:

- SkyWest, the nation's largest regional air carrier, is building a 100,000-square-foot, $20 million regional maintenance facility at the Colorado Springs Airport. The carrier accounts for nearly one-half of flights at the airport. SkyWest estimated that its current work force of 270 would be expanded by 10 percent when the maintenance facility is completed in early 2007.

- Penrose-St. Francis Health Systems is adding a hospital in Colorado Springs. The St. Francis Medical Center will have 158 beds in its 350,000 square feet. Groundbreaking for the $200 million facility starts in late summer and the facility will be completed in early 2008.

- Current USA Inc. will expand its manufacturing plant on Woodmen Road by 65,000 square feet and close the existing 128,000-square-foot manufacturing facility and outlet store on Stone Ave. The expansion will be complete in October. The company laid off 20 employees in February and anticipates laying off an additional 10 workers later this year.

- Growth in El Paso County has centered on the north and south sides of Colorado Springs. Developers recently purchased 2,450 acres near Fountain. The development could eventually contain between 5,000 and 7,000 homes.

- An upscale hotel was proposed for the northern end of Colorado Springs. The $60 million, 10-story hotel will have 320 rooms, 80,000 square feet of meeting space, and accommodations for up to 4,000 guests for dinner. The hotel hopes to capture guests that visit the neighboring business parks, the Air Force Academy, and create a convention-style hotel. Construction should start in early 2007, with an anticipated opening in late 2008.

Pueblo Region

The economy in the five-county Pueblo region showed mixed results in 2005. Table 11 shows annual economic indicators for the region since 2003. Employment growth moved into positive territory for the first time since 2001, while retail trade growth of 5.1 percent exceeded the statewide average of 4.9 percent. Meanwhile, the unemployment rate dropped from 7.0 percent to 6.4 percent. Construction indicators were negative.

Table 11
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas counties

	2003	2004	2005
Employment Growth /1	-0.9%	-0.2%	1.3%
Unemployment Rate	6.3%	7.0%	6.4%
Housing Permit Growth /2 Pueblo County Only	-1.6%	-4.8%	-3.4%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	223.6%	-17.5%	-48.0%
Retail Trade Sales Growth /4	0.7%	6.7%	5.1%

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the QCEW (ES202) program. 2005 data is from the Current Population (household) Survey.
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue

The list of job announcements over the past year bodes well for the region. Thousands of jobs will be needed for construction of a new electricity generation facility by Xcel, a proposed new cement plant near Pueblo, expansion of an existing cement plant near Florence, and a weapons destruction plant at the Pueblo Chemical Depot.

Recent Economic News:

- The Pueblo City Council has provided $3.2 million to build an airport hangar at the Pueblo Memorial Airport in an effort to entice aviation-related businesses. An additional $600,000 funding request is pending to complete the 22,500-square-foot hangar and site infrastructure that would house an additional three hangars.

- Walsenberg will preserve an 80-year-old school building. The county library will expand into the building. Medical and job training classrooms, small commercial space, and artists' spaces could also be part of the preservation effort. A State Historical Fund grant of $255,000 is funding the effort.

San Luis Valley and Southwest Region

The San Luis Valley and southwest Colorado regions had modest economic growth in 2005. Table 12 shows key economic indicators for the regions. The regional employment gain of 1.6 percent underperformed the statewide increase of 2.1 percent. Moreover, the increase was substantially less than the 4.4 percent gain in 2004. The unemployment rate fell from 5.3 percent to 5.1 percent.

Table 12

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	2005
Employment Growth /1	2.7%	4.4%	1.6%
Unemployment Rate	5.7%	5.3%	5.1%
Statewide Crop Price Changes /2			
Barley	0.3%	8.0%	-16.5%
Alfalfa Hay	-21.1%	1.2%	16.3%
Potatoes	-24.2%	2.1%	80.4%
Fall Potato Production (Cwt) /2	-15.2%	-2.0%	-6.3%
Housing Permit Growth /3			
Alamosa County	-5.3%	22.2%	-39.4%
La Plata County	50.4%	-8.1%	-1.4%
Growth in Value of Nonresidential Const. /3			
Alamosa County	-59.4%	43.6%	-44.1%
La Plata County	457.4%	-25.2%	-83.2%
Retail Trade Sales Growth /4	3.2%	9.4%	7.3%

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

2/ Colorado Agricultural Statistics Service. Price data compares December 2005 to December 2004.

3/ F.W. Dodge

4/ Colorado Department of Revenue

Retail trade sales in the region benefited from increased tourism in 2005. Sales increased 7.3 percent last year.

Recent Economic News:

- According to the Durango Area Association of Realtors, the median sales price of a home increased 19 percent to $357,000 in 2005. Prices increased a stunning 44 percent in Bayfield. In Durango, the high cost of housing makes it difficult to attract workers.

- In an effort to build affordable housing, Mercy Medical Center donated 3.4 acres of land adjacent to Mercy Housing of Colorado in Durango. Mercy Housing is a nationwide coalition of seven Catholic health-care systems teaming up to build affordable housing.

- The San Luis & Rio Grande Railroad will begin two new daily routes from Alamosa in May. One train will travel to Antonito and a second train will cross the Sangre de Cristo mountains to La Veta. The Cumbres & Toltec Scenic Railroad, which travels from Antonito to Chama, New Mexico, could see a mutual benefit with the added service to Antonito. Officials believe that ridership could eventually increase by 5,000 to 10,000 on the Cumbres & Toltec route. Ridership was approximately 30,000 in 2005. It had reached at least 50,000 from 1995 to 2001. Service on the two new routes will begin on May 24 and end in mid-October. The proposed round-trip fare to La Veta is $40, while the proposed fare to Antonito is $12.

Western Region

Energy and tourism were the primary drivers for the western region's economy in 2005. Applications for oil and gas drilling permits increased 50 percent statewide in 2005. Garfield County was the center for the increased activity. Applications for permits within the county increased from 796 in 2004 to 1,508 last year, thus accounting for nearly one-half of the statewide increase. Although smaller in scale, permit applications nearly tripled in Mesa County. Table 13 shows employment changes and other economic indicators for the western region.

Table 13

Western Region Economic Indicators

Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose, San Miguel, Ouray, and Gunnison counties

	2003	2004	2005
Employment Growth /1	0.6%	3.3%	2.8%
Unemployment Rate	5.3%	4.9%	4.5%
Housing Permit Growth			
Mesa County 2/	16.0%	-2.4%	-3.0%
Montrose County 3/	20.1%	34.0%	22.4%
Growth in Value of Nonresidential Const. /3			
Mesa County	-32.1%	0.1%	287.8%
Montrose County	-16.7%	109.4%	-54.9%
Retail Trade Sales Growth /4	2.0%	8.7%	10.3%

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

2/ U.S. Census

3/ F.W. Dodge

4/ Colorado Department of Revenue

Employment increased 2.8 percent last year within the western region. This growth rate was the highest among the state's eight regions covered in this report. The employment gains, spending by energy workers, and tourism gains contributed to a 10.3 percent increase in retail trade sales. This gain was also the largest across Colorado.

Recent Economic News:

- According to the Office of Federal Housing Enterprise Oversight, housing price appreciation in the Grand Junction area was the highest among the state's metropolitan areas. The average house price increased 13.76 percent from the fourth quarter of 2004 to the fourth quarter of 2005. Over the past five years, prices have increased 50 percent, also the largest increase in Colorado.

Mountain Region

The mountain region is heavily dependent on tourism and second-home development. Thus, a strong national economy, accompanied by healthy stock market gains during the past two years and good snow conditions, fueled the mountain region's economy last year. Table 14 shows annual economic indicators for the region for 2003 through 2005.

Table 14
Mountain Region Economic Indicators
Routt, Jackson, Grand, Eagle, Summit, Pitkin, Lake, Park, Teller, Clear Creek, Gilpin, and Chaffee counties

	2003	2004	2005
Employment Growth /1	-2.2%	0.7%	1.8%
Unemployment Rate	4.7%	4.9%	4.3%
Housing Permit Growth /2			
Eagle, Pitkin, & Summit Counties 2/	11.2%	-26.5%	39.1%
Routt County 2/	45.9%	-20.6%	7.7%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	-53.5%	243.4%	11.2%
Routt County	-4.4%	154.9%	-10.3%
Retail Trade Sales Growth /3	0.4%	8.7%	8.8%

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the QCEW (ES-202) program. 2005 data is from the Current Population (household) Survey.
2/ F.W. Dodge
3/ Colorado Department of Revenue

Employment growth improved by more than one percentage point last year, increasing to 1.8 percent. The unemployment rate declined from 4.9 percent to 4.3 percent. Wealth gains from the strong stock market led to a resurgence in second-home development. Housing permits increased by 31.4 percent in the four ski counties.

Great ski conditions in late 2005 helped to propel the mountain economy. These conditions held over for the first two months of 2006 when skier visits increased 5 percent over a year ago.

Recent Economic News:

- Nearly 600 residential housing units were proposed to be built near the base of the Steamboat Springs ski area. Site development could start in late summer and the project could take as long as ten years to build. The initial phase will include 41 single-family homes. The entire project will be built in nine phases and include 85 townhomes, 175 condominiums, and 265 condo-hotel units. The project will include 82 affordable-housing units and small amounts of commercial and retail space. The developers hope for city approval by early summer.

- Rebounding tourism and construction led to strong retail activity in the Roaring Fork Valley in 2005. The five towns in the Valley — Glenwood Springs, Basalt, Carbondale, Aspen, and Snowmass Village — experienced a combined 11 percent increase in sales tax collections. A new shopping center in Glenwood Springs reversed four years of declines in sales tax collections for that community. The new shopping center likely attracted shoppers from outside the Valley region.

- Vail Resorts will move its corporate headquarters from Avon to the metro Denver area. Approximately 100 positions will be relocated to Denver. A specific location in the Denver area was not announced immediately. The move will aid in the recruiting of workers as many cannot afford the high-priced real estate in the Vail Valley region. Office lease space will also be less expensive.

- Two proposed developments near Poncha Springs in Chaffee County would more than double the town's size. While currently in the unincorporated area of the county, the developers are seeking annexation. The first proposed development would contain 279 single-family homes and 300 townhomes. The homes would be located in the foothills overlooking a new 18-hole golf course. The second proposed development would contain 84 homes.

- Construction on a new gondola from the Breckenridge Transportation Center to Peaks 7 and 8 will begin this spring. The addition should be ready for service in December and will reduce the number of bus trips from the ski mountain's base in town. Each gondola will hold eight passengers.

Northern Region

The northern region was characterized by relatively stable economic conditions in 2005. This region contains Larimer and Weld counties, both of which are increasingly seen as bedroom communities to the metro-Denver area. Employment in Larimer County increased 2.0 percent last year, compared with 2.1 percent in 2004. Weld County jobs increased 2.7 percent last year, compared with 2.8 percent in the previous year. The revisions to nonfarm employment in Weld County were significant, as the annual benchmarking process marked down job gains from the previous estimate of 3.9 percent. Table 15 shows employment changes and other economic indicators for the northern region.

Table 15
Northern Region Economic Indicators
Weld and Larimer counties

	2003	2004	2005
Employment Growth /1			
Larimer County	-0.2%	2.1%	2.0%
Weld County	1.4%	2.8%	2.7%
Unemployment Rate			
Larimer County	5.2%	4.6%	4.3%
Weld County	6.4%	5.4%	5.0%
State Cattle and Calf Inventory Growth /2	-9.4%	4.2%	6.0%
Housing Permit Growth /3			
Larimer County	-8.6%	7.1%	-14.8%
Weld County	-9.4%	10.4%	-2.2%
Growth in Value of Nonresidential Const. /4			
Larimer County	-37.3%	197.9%	-56.4%
Weld County	35.2%	34.1%	-35.8%
Retail Trade Sales Growth /5			
Larimer County	0.2%	3.5%	5.9%
Weld County	5.1%	14.6%	9.4%

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data represents nonfarm employment.
2/ Colorado Agricultural Statistics Service report for January 1, 2006. Change is from previous year.
3/ U.S. Census
4/ F.W. Dodge
5/ Colorado Department of Revenue

Consumer spending in the region outpaced the statewide gains. Retail trade sales increased 5.9 percent in Larimer County and 9.4 percent in Weld County. Construction suffered across the board in the region, although the declines came after strong gains in 2004.

As in most other regions of the state, the natural resources, mining, and construction sector was the driving force in the local economy last year with growth rates of 7.1 percent in Larimer County and 11.5 percent in Weld County. Construction employment typically lags permits. The 2005 employment gains in the broad sector followed strong permit activity in 2004. The search for natural gas deposits in Weld County differentiates it from Larimer County. There were no job losses by sector in Larimer County, although three sectors had no growth. Meanwhile, three sectors in Weld County had job losses in 2005: manufacturing; trade, transportation, and utilties; and surprisingly, the educational and health services category. The latter category is one of the strongest across the state.

Recent Economic News:

- Praxair Inc., a Loveland industrial gas production firm, will add to its facility by late 2007. The expansion will enable the company to provide an additional 300 tons of liquid oxygen, nitrogen, and argon to customers in neighboring states. The enhanced production will enable the booming oil and gas industry to use liquid nitrogen to fracture the rock that contains natural gas. The construction phase will employ 30 to 40 workers and five to ten workers will be hired to transport the gas products upon completion.

- Swift and Co., a beef processing company with a plant in Greeley, will lay off between 300 and 400 workers by April. The company will merge two shifts into one and add processing equipment. The beef industry is beset by fears of mad-cow disease and consequent bans on imported beef by other countries. A similar episode of layoffs occurred a year ago, but most of those workers were rehired as market demand conditions warranted.

- Increased demand for its custom motorcycles resulted in the hiring of 40 additional workers at Thunder Mountain Custom Cycles in Fort Collins and Loveland. The new workers include engineers, quality-control personnel, marketing staff, and commercial drivers.

- Encorp, a Windsor-based company, announced that it is closing its doors. The company laid off 25 of its 50 workers in December and the rest in February. At the company's peak, it employed 175 workers focusing on making controls that were mounted in switchgears that back up power systems. More recently, the firm made a product that monitors power equipment in hospitals.

- Sales of existing homes in Fort Collins, Loveland, Greeley, and Windsor declined 12 percent in January from a year ago. The average sales price declined 1.2 percent to $237,153. The number of homes on the market was approximately the same as last year.

- Another shopping center is proposed for the northern Interstate 25 corridor. Preliminary plans for the center at Interstate 25 and Colorado Highway 52 call for an outdoor center anchored by two big-box stores. The center will be between 900,000 and 1.3 million square feet. Construction is slated to start in early 2007.

Eastern Region

While the other regions of the state were improving economically, the eastern plains region deteriorated last year. Employment declined 1.2 percent in 2005, compared with a solid gain of 3.9 percent in 2004. The unemployment rate was relatively stable at 4.7 percent. Table 16 displays the economic indicators for the region for the past three years.

Table 16
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	2005
Employment Growth /1	-0.5%	3.9%	-1.2%
Unemployment Rate	4.2%	4.8%	4.7%
Crop Price Changes /2			
Winter Wheat	-7.7%	-9.2%	0.6%
Corn for Grain	0.8%	13.7%	-7.7%
Alfalfa Hay	-21.1%	1.2%	16.3%
Dry Beans	-1.1%	1.7%	-39.3%
State Crop Production Growth /2			
Sorghum for grain production	140.0%	25.6%	-36.9%
Corn for Grain	11.3%	16.8%	0.1%
Sugar Beets	-18.9%	30.1%	-0.6%
State Cattle and Calf Inventory Growth /2	-9.4%	4.2%	6.0%
Retail Trade Sales Growth /3	-0.2%	5.5%	4.2%

1/ Colorado Department of Labor and Employment. 2003 and 2004 data are from the QCEW (ES-202) program. 2005 data is from the Current Population (household) Survey.
2/ Colorado Agricultural Statistics Service. Price data compares December 2005 to December 2004.
3/ Colorado Department of Revenue

Warm, dry, and windy conditions have characterized the eastern plains during the first two months of 2006. The plains region will need significant moisture during the spring for soil conditions to improve.

In addition to alternative energy resources from ethanol mentioned below, the eastern plains region will be home to new wind energy farms. The region has the state's best wind conditions. During construction of the energy farms over the next several years, several hundred construction jobs will be created.

Recent Economic News:

- The Dollar General stores made their initial entrance into Colorado by opening stores in Springfield and Brush last month. Approximately 30 people have been hired at each store. Dollar General stores typically operate in rural areas. The company plans to open 50 stores in Colorado over the next few years.

- An ethanol plant is under construction in Yuma County. The $61 million facility will be able to produce from 45 million to 50 million gallons of ethanol annually. Site work for the project will begin in April. Opening of the plant is scheduled for March 2007. Yuma County is Colorado's largest corn producer and the nation's ninth largest producer. 17 million bushels of corn will be required to produce the ethanol volume. Corn for grain production in Yuma County was 43.6 million bushels in 2004. Neighboring counties, Phillips and Kit Carson, produced a combined 37.8 million bushels.

- High sugar prices will lead Colorado's beet growers to increase their planted acreage by 25 to 30 percent this year. In January, refined beet sugar prices were nearly 50 percent higher than a year earlier. Damage to sugar cane production facilities in the South from last year's hurricanes led to the highest sugar prices since 1980.

Appendix A
Historical Data

National Economic Indicators

(Dollar amounts in billions)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Gross Domestic Product	$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	$10,469.6	$10,971.2	$11,734.3	$12,485.7
percent change	5.8%	3.3%	5.7%	5.0%	6.2%	4.6%	5.7%	6.2%	5.3%	6.0%	5.9%	3.2%	3.4%	4.8%	7.0%	6.4%
Real Gross Domestic Product (inflation-adjusted, chained to 2000)	$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	$11,134.6
percent change	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%	3.5%
Unemployment Rate	5.6%	6.9%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%
Inflation (Consumer Price Index)	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%	3.4%
10-Year Treasury Note	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%	4.3%
Personal Income	$4,878.6	$5,051.0	$5,362.0	$5,558.5	$5,842.5	$6,152.3	$6,520.6	$6,915.1	$7,423.0	$7,802.4	$8,429.7	$8,724.1	$8,881.9	$9,169.1	$9,713.3	$10,249.3
percent change	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%	5.5%
Wage and Salary Income	$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	$5,723.4
percent change	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%	6.2%
Nonfarm Wage and Salary Employment (millions)	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	131.4	133.5
percent change	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%	-0.2%	1.1%	1.6%

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)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Nonagricultural Employment (thous.)	1,520.8	1,544.9	1,596.8	1,670.5	1,755.9	1,834.7	1,900.9	1,980.1	2,057.5	2,132.5	2,213.6	2,226.8	2,184.1	2,152.8	2,179.6	2,225.2
percent change	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%	1.2%	2.1%
Unemployment Rate	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%	5.0%
Personal Income	$64,748	$68,283	$73,794	$79,697	$85,671	$92,704	$100,233	$107,873	$118,493	$128,860	$144,394	$152,700	$153,078	$157,083	$166,153	NA
percent change	6.8%	5.5%	8.1%	8.0%	7.5%	8.2%	8.1%	7.6%	9.8%	8.7%	12.1%	5.8%	0.2%	2.6%	5.8%	
Per Capita Income	$19,575	$20,160	$21,109	$22,054	$23,004	$24,226	$25,570	$26,846	$28,784	$30,492	$33,370	$34,491	$34,032	$34,542	$36,109	NA
percent change	5.7%	3.0%	4.7%	4.5%	4.3%	5.3%	5.5%	5.0%	7.2%	5.9%	9.4%	3.4%	-1.3%	1.5%	4.5%	
Wage and Salary Income	$37,119	$39,548	$42,678	$45,736	$48,912	$52,782	$57,091	$62,364	$69,462	$76,283	$85,909	$88,297	$86,936	$87,832	$91,863	NA
percent change	7.1%	6.5%	7.9%	7.2%	6.9%	7.9%	8.2%	9.2%	11.4%	9.8%	12.6%	2.8%	-1.5%	1.0%	4.6%	
Retail Trade Sales	$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	$65,401
percent change	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%	4.9%
Housing Permits	11,897	14,071	23,484	29,913	37,229	38,622	41,135	43,053	51,156	49,313	54,596	55,007	47,871	39,569	46,499	46,262
percent change	6.9%	18.3%	66.9%	27.4%	24.5%	3.7%	6.5%	4.7%	18.8%	-3.6%	10.7%	0.8%	-13.0%	-17.3%	17.5%	-0.5%
Nonresidential Construction	$939	$1,610	$1,539	$1,578	$1,581	$1,841	$2,367	$2,986	$2,617	$3,544	$3,476	$3,500	$2,787	$2,713	3,291.0	3,676.0
percent change	-0.7%	71.4%	-4.4%	2.6%	0.2%	16.4%	28.6%	26.2%	-12.4%	35.4%	-1.9%	0.7%	-20.4%	-2.7%	21.3%	11.7%
Denver-Boulder Inflation Rate	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%	2.1%
Population (thousands, July 1)	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	4,665.2
percent change	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%	1.2%	1.4%

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.
NA = Not Available