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Legislative
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Staff

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MEMORANDUM

June 20, 2006

TO: Members of the General Assembly

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

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2006-2011*

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

Summary

- The **General Fund revenue** forecast for FY 2005-06 was increased by $165.7 million since March. Individual and corporate income taxes exceeded expectations due to federal tax law changes and a jump in capital gains. The stock market has been extremely volatile recently and could cause dramatic shifts in collections over the forecast period. The increase in General Fund revenue will accrue to the House Bill 02-1310 split between capital construction and highways under current law. Over the entire forecast period, General Fund revenue was increased by $475.2 million.

- The forecast of **cash fund revenue** was increased by $10.4 million during FY 2005-06 and by a total of $141.3 million during the forecast period. The increases are primarily due to increased interest earnings and higher transportation matching revenue from local governments.

- Between FY 2006-07 and FY 2010-11 **highways** will receive $766.3 million through the Senate Bill 97-1 diversion and $256.7 million through the House Bill 02-1310 split. **Capital construction** will receive $128.3 million through that mechanism during FY 2006-07.

Table 1
June 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	$636.7	$267.0	$283.2	$300.3	$318.3
2	General Fund Nonexempt Revenue	6,160.9	5,918.0	6,229.0	6,524.3	6,882.2	7,455.3	7,972.4
3	General Fund Exempt Revenue	0.0	1,016.9	927.4	978.4	1,044.2	918.6	843.6
4	Senate Bill 97-1 Diversion to the HUTF	0.0	-219.1	-158.8	-165.4	-178.8	-154.4	-108.9
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	226.8	32.6	36.7	35.8	34.9	33.9
7	Diversion of Sales Taxes to Older Coloradans Fund	-1.5	-2.0	-3.0	-3.0	-3.0	-3.0	-3.0
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	$7,209.1	$7,663.9	$7,638.1	$8,063.6	$8,551.6	$9,056.4
	APPROPRIATIONS AND OBLIGATIONS:							
10	Allowable General Fund Appropriations*	$5,935.2	$6,292.6	$6,675.5	$7,082.2	$7,507.1	$7,957.6	$8,435.0
11	Exemptions from the Appropriations limit	1.3	5.0	5.8	0.0	0.0	0.0	0.0
12	Rebates and Expenditures	110.7	166.6	180.3	176.3	183.2	190.9	198.5
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	256.7	0.0	0.0	0.0	0.0
15	Funds in Prior Year Excess Reserve to Capital Construction	40.6	32.7	128.3	0.0	0.0	0.0	0.0
16	Capital Construction Transfer	0.0	10.1	85.7	31.0	7.0	20.7	20.7
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	$6,572.3	$7,396.9	$7,354.8	$7,763.3	$8,233.3	$8,719.0
20	**YEAR-END GENERAL FUND RESERVE:**	**$335.4**	**$636.7**	**$267.0**	**$283.2**	**$300.3**	**$318.3**	**$337.4**
21	**STATUTORY RESERVE: 4.0% OF APPROPRIATIONS**	**237.4**	**251.7**	**267.0**	**283.3**	**300.3**	**318.3**	**337.4**
22	**GENERAL FUND EXCESS RESERVE**	**$98.0**	**$385.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
	TABOR RESERVE REQUIREMENT:							
23	General & Cash Fund Emergency Reserve Requirement	$249.3	$270.6	$276.2	$289.2	$304.4	$314.3	$326.4
24	Appropriations Growth	$337.1	$361.1	$383.7	$400.9	$424.9	$450.4	$477.5
25	Appropriations Growth Rate	6.02%	6.08%	6.09%	6.00%	6.00%	6.00%	6.00%
26	Addendum: Amount Directed to State Education Fund	$313.9	$357.2	$367.3	$385.9	$409.1	$433.3	$457.0

Totals may not sum due to rounding.
* FY 2006-07 Appropriations are currently $6,669.2 million. The GA could still appropriate up to the figure in the table, $6,675.5 million.

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 had been showing significant growth in jobs and retail activity, job growth fell flat during April and May. Despite the jobs slowdown and the recent acceleration of energy prices, General Fund revenue has continued to show surprising growth. The 12.6 percent growth rate projected for FY 2005-06 is the strongest rate since FY 1997-98, the height of the 1990's expansion.

Income taxes are being buoyed by five factors. First, the number of jobs in the economy surpassed the previous high set in December 2000 at the beginning of 2006. Second, falling unemployment rates have added to wage pressures and Coloradan's are enjoying steady increases in income. Third, the recent runup in the stock market increased capital gains payments to the state. This factor may fluctuate wildly in the near term, however, as investors wait to see the course of world economic activity and monetary policy. Fourth, federal tax policy regarding the taxing of foreign source corporate income has lead to a significant boost in corporate tax payments. Finally, a runup in corporate profits, especially in the oil and gas industries, has led to a significant increase in collections.

The forecast for **General Fund revenue** increased by $165.7 million for FY 2005-06 and by $475.2 during the forecast horizon. A breakdown of the increases follows.

The **sales tax** forecast for FY 2005-06 was increased slightly, by $5.6 million, as the record ski season and traffic at DIA pushed revenue through May higher than expected. We anticipate a 5.1 percent increase in sales tax receipts during FY 2005-06, followed by a 4.8 percent gain in FY 2006-07. Meanwhile, the forecast for **use taxes** was unchanged. 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, which should flatten out over the next couple of years.

Individual income taxes will increase 16.8 percent in FY 2005-06 after increasing 7.6 percent in FY 2004-05. The strong growth is a result of a strong stock market and healthy job creation. We expect to see a moderation in growth during the next few years. Higher interest rates and other inflationary pressure will prevent rapid job creation during the next few years, and we expect capital gains to dampen somewhat relative to recent levels. Individual income taxes will increase 4.3 percent in FY 2006-07 and at rates close to 6 percent each year thereafter through the end of the forecast period. The forecast was increased by $140.0 million in FY 2005-06 because of strong growth in cash with returns and estimated payments. Although slower growth is expected during the next few years, the growth will occur on a larger base because of the increase in receipts expected for FY 2005-06. This causeed the forecast to increase by a total of $250.6 million over the remainder of the forecast period, or by an average of about $50 million each year.

The short-term forecast for **corporate income taxes** was revised upward compared with the March forecast because of stronger than expected tax collections. The American Jobs Creation Act of 2004 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 income in 2005 and 2006.

Table 2
June 2006 General Fund Revenue Estimates
(Dollars in Millions)

Category	Actual 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	$1,949.8	5.1	$2,043.0	4.8	$2,134.3	4.5	$2,243.3	5.1	$2,359.3	5.2	$2,474.9	4.9
TABOR Overrefund	0.0		0.0		0.0		0.0		0.0		0.0		0.0	
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	47.7	-7.3	42.8	-10.2	41.1	-4.0	40.3	-2.0	39.5	-2.0	38.7	-2.1
Tobacco Products	14.2	22.0	9.8	-30.7	12.8	30.2	13.4	4.3	13.9	4.4	14.6	4.6	12.3	-15.6
Liquor	31.2	1.6	33.6	7.7	33.9	0.9	34.7	2.4	35.6	2.4	36.4	2.3	33.7	-7.4
TOTAL EXCISE	$2,104.8	5.0	$2,206.6	4.8	$2,299.3	4.2	$2,396.1	4.2	$2,510.9	4.8	$2,634.0	4.9	$2,751.0	4.4
Net Individual Income	$3,712.7	7.6	$4,337.7	16.8	$4,523.1	4.3	$4,786.8	5.8	$5,075.3	6.0	$5,382.0	6.0	$5,694.0	5.8
Net Corporate Income	315.0	33.9	467.0	48.2	413.7	-11.4	399.8	-3.4	424.4	6.2	446.5	5.2	463.3	3.8
TOTAL INCOME TAXES	$4,027.7	9.3	$4,804.6	19.3	$4,936.8	2.8	$5,186.6	5.1	$5,499.7	6.0	$5,828.5	6.0	$6,157.4	5.6
Less: Portion diverted to the State Education Fund	-313.9	12.6	-357.2	13.8	-367.3	2.8	-385.9	5.1	-409.1	6.0	-433.3	5.9	-457.0	5.5
INCOME TAXES TO GENERAL FUND	$3,713.8	9.0	$4,447.4	19.8	$4,569.4	2.7	$4,800.6	5.1	$5,090.6	6.0	$5,395.2	6.0	$5,700.3	5.7
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	170.5	-9.9	177.7	4.2	191.8	7.9	205.7	7.3	220.1	7.0	235.0	6.8
Pari-Mutuel	3.8	-12.7	3.3	-14.1	3.2	-3.3	3.1	-3.2	3.0	-3.3	2.9	-3.4	2.8	-3.6
Investment Income	27.7	41.9	35.0	26.2	34.9	-0.2	35.4	1.3	36.6	3.6	37.9	3.6	39.3	3.6
Court Receipts	26.3	0.1	27.5	4.6	28.6	4.0	29.6	3.4	30.6	3.5	31.7	3.5	32.8	3.5
Gaming	40.2	0.1	17.2	-57.2	21.8	26.8	24.3	11.2	26.4	8.7	28.8	9.2	31.2	8.3
Other Income	28.9	-30.4	20.5	-29.2	21.0	2.7	21.6	2.9	22.2	2.9	22.9	2.9	23.6	2.9
TOTAL OTHER	$342.2	-3.6	$280.9	-17.9	$287.6	2.4	$306.0	6.4	$324.9	6.2	$344.6	6.1	$364.7	5.8
GROSS GENERAL FUND	**$6,160.9**	**6.8**	**$6,935.0**	**12.6**	**$7,156.4**	**3.2**	**$7,502.8**	**4.8**	**$7,926.4**	**5.6**	**$8,373.8**	**5.6**	**$8,816.0**	**5.3**
REBATES & EXPENDITURES:														
Cigarette Rebate	$14.4	-3.2	$14.0	-3.3	$12.5	-10.2	$12.0	-4.0	$11.8	-2.0	$11.6	-2.0	$11.3	-2.1
Old-Age Pension Fund	86.7	10.3	92.0	6.2	97.4	5.8	103.2	6.0	109.8	6.4	117.0	6.5	124.6	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	18.6	3.6	19.2	3.6	19.9	3.6
Fire/Police Pensions	3.8	3.9	29.1	666.7	38.8	33.1	29.3	-24.4	29.3	0.0	29.3	0.0	29.3	0.0
TOTAL REBATES & EXPENDITURES	$110.7	-1.8	$166.6	50.4	$180.3	8.2	$176.3	-2.2	$183.2	3.9	$190.9	4.2	$198.5	4.0

Totals may not sum due to rounding.

In addition, it appears that higher profits for oil and gas producers and other businesses are contributing to a run-up in corporate income tax collections. In fact, corporate profitability as a whole is nearing its 1997 peak despite much slower growth rates for the economy than experienced during the late 1990s. For FY 2005-06, corporate income taxes are now projected at $467.0 million, rather than $394.9 million, as reported in the March forecast. Compared with FY 2004-05, corporate income taxes in the current fiscal year are expected to increase 48.2 percent, or by $152 million. In FY 2006-07 and FY 2007-08, corporate income taxes are expected to decrease 11.4 percent and 3.4 percent, respectively, due to the removal of the one-time incentive to repatriate income and because of an expected slowdown in the rate of growth in corporate profits.

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 $357.2 million this year and $367.3 million next year.

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 7.7 percent in FY 2005-06 after a 7.4 percent increase in FY 2004-05. Growth will slow over the forecast period, leading to an annual average increase of 1.2 percent over the entire period.

The forecast for cash fund revenue subject to TABOR was increased by $10.4 million in FY 2005-06 and by a total of $141.3 million over the six years through the end of the forecast period. Most of the increase was the result of higher expectations for interest earnings in cash funds in general and higher expectations for local government matching revenues for transportation projects into the State Highway Fund.

Revenue to the ***transportation-related*** cash funds will increase 1.3 percent in FY 2005-06 and FY 2006-07. Overall, the forecast for transportation-related cash funds was increased by nearly $16 million in FY 2005-06 and $13 million in FY 2006-07. The out years of the forecast saw more moderate increases. High levels of local matching funds and larger than previously expected Senate Bill 97-1 transfers caused the forecast for the State Highway Fund to increase significantly throughout the forecast period. The forecast for registrations was reduced slightly. As consumers continue to prefer smaller, more fuel-efficient cars and trucks, registration revenue growth will moderate. Legislation creating or increasing fees resulted in only minor adjustments to the forecast. In particular, several new license plates are expected to bring in nearly $1 million more than was expected in March. Other transportation-related revenue forecasts, including motor fuel tax revenue, were not significantly changed from March.

Total ***unemployment insurance*** (UI) revenue, which includes UI taxes and interest earnings, will *decrease* 1.3 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 prior to the recession, 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 wages, will be in effect from 2004 through 2009. The solvency tax will generate a total of $1.0 billion over this six-year period.

While the forecast for UI revenue decreased by a total of $63.7 million through FY 2010-11 relative to the March forecast, the pattern of the forecast varied over the forecast period. Tax rates appear to be higher than previously expected this year. This increased the forecast for revenue in FY 2006-07 through FY 2008-09 enough to increase the fund balance such that the solvency tax is no longer expected to be collected in 2010, as was expected in the March forecast. This caused the forecast for UI revenue to decrease by $162.7 million in FY 2009-10 and $28.9 million in FY 2010-11.

After increasing 37.9 percent in FY 2004-05, total UI taxes will *decrease* 4.2 percent in FY 2005-06 and 6.4 percent in FY 2006-07. UI taxes will then increase in FY 2007-08 and FY 2008-09 before decreasing in FY 2009-10 and FY 2010-11 as the solvency tax ceases to be collected. Meanwhile, benefits decreased to $333.2 million in FY 2004-05 after three years at around $500 million. Benefits will continue to decrease this year and remain at

Table 3
Cash Fund Revenue Estimates by Category, June 2006
(Dollars in Millions)

	Actual FY 04-05 /A	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	**$843.7**	**$854.5**	**$865.9**	**$876.4**	**$888.5**	**$898.6**	**$910.9**	
% Change	0.0%	1.3%	1.3%	1.2%	1.4%	1.1%	1.4%	**1.3%**
Unemployment Insurance	**$465.6**	**$459.7**	**$443.4**	**$469.1**	**$553.7**	**$371.3**	**$312.2**	
% Change	36.1%	-1.3%	-3.6%	5.8%	18.0%	-32.9%	-15.9%	**-6.4%**
Employment Support Fund	**$21.5**	**$18.5**	**$24.9**	**$26.1**	**$27.3**	**$28.5**	**$29.8**	
% Change	7.0%	-14.2%	35.0%	4.7%	4.4%	4.5%	4.8%	**5.6%**
Severance Tax	**$152.0**	**$231.7**	**$171.4**	**$194.1**	**$155.9**	**$167.9**	**$157.1**	
% Change	21.5%	52.5%	-26.0%	13.3%	-19.7%	7.7%	-6.4%	**0.6%**
Limited Gaming Fund	**$103.1**	**$111.7**	**$119.7**	**$127.9**	**$135.5**	**$143.9**	**$152.1**	
% Change	0.4%	8.3%	7.2%	6.8%	5.9%	6.2%	5.7%	**6.7%**
Insurance-Related	**$53.2**	**$60.5**	**$64.9**	**$69.9**	**$75.0**	**$79.9**	**$85.4**	
% Change	1.1%	13.6%	7.3%	7.8%	7.2%	6.6%	6.9%	**8.2%**
Regulatory Agencies	**$51.4**	**$48.6**	**$51.1**	**$52.3**	**$53.6**	**$54.6**	**$56.0**	
% Change	2.3%	-5.3%	5.1%	2.4%	2.3%	2.0%	2.4%	**1.4%**
Capital Construction - Interest	**$2.3**	**$3.5**	**$12.7**	**$9.8**	**$5.6**	**$3.3**	**$1.9**	
% Change	37.5%	51.0%	261.1%	-23.3%	-42.6%	-41.7%	-40.9%	**-3.1%**
Controlled Maintenance Trust Fund - Interest	**$0.0**	**$6.7**	**$0.2**	**$0.2**	**$0.2**	**$0.2**	**$0.2**	
Other Cash Funds	**$272.2**	**$320.5**	**$332.8**	**$349.2**	**$365.9**	**$383.5**	**$403.0**	
% Change	-7.7%	17.7%	3.9%	4.9%	4.8%	4.8%	5.1%	**6.8%**
Total Cash Fund Revenues Subject to the TABOR Limit	**$1,965.1**	**$2,115.9**	**$2,087.0**	**$2,175.0**	**$2,261.0**	**$2,131.6**	**$2,108.7**	
	7.4%	7.7%	-1.4%	4.2%	4.0%	-5.7%	-1.1%	**1.2%**

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.

levels consistent with a moderate economic expansion thereafter.

Severance taxes are projected to increase 52.5 percent in FY 2005-06, reaching $231.7 million. The sharp increase in revenue is expected because of the increase in oil and natural gas prices in 2005. In the following two fiscal years, severance taxes are projected to be $171.4 million and $194.1 million, respectively. Severance taxes are projected to fall in FY 2006-07 because of a short-term decline in natural gas prices. Storage levels of natural gas currently exceed the five-year average by about 50 percent, which is expected to put downward pressure on prices in 2006. This assumes that no additional supply disruptions occur due to hurricanes or other factors this summer and fall. Severance taxes are expected to rise modestly in FY 2007-08 because of a slight rebound in prices. In the period beyond FY 2007-08, severance taxes are projected to fluctuate between $155 million and $167 million as natural gas prices stabilize in a range between $6 and $6.50 per thousand cubic feet.

Total ***gaming*** revenue, which includes taxes, fees, and interest earnings, will increase 8.3 percent in FY 2005-06 and at an average annual rate of 6.7 percent through FY 2010-11. Gaming taxes will increase 8.0 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.

HB 06-1201 altered the distribution of gaming revenue. Prior to the bill, 49.8 percent of gaming revenue was distributed to the General Fund. Of this revenue, the bill diverted a total of $24.0 million in FY 2006-07 to the Colorado Travel and Tourism Promotion Fund ($19.0 million), the New Jobs Incentives Cash Fund ($3.0 million), the State Council on the Arts Cash Fund ($1.5 million), and the Film Incentives Cash Fund ($0.5 million). These distributions will be adjusted annually for inflation. In addition, **HB 06-1360** allocated a one-time amount of $2.0 million in FY 2006-07 to the Bioscience Discovery Evaluation Cash Fund. While these changes alter the amount of gaming revenue distributed to the General Fund, they do not change the forecast for gaming revenue.

The forecast for **other cash funds**, which includes a variety of fees and charges for services, was increased by slightly more than $10 million per year. This year's forecast for a 17.7 percent growth rate is due to two major factors. First, some fees collected by the Auraria College Campus that were previously part of the Higher Education cash funds are now included here. Most higher education revenue is no longer subject to TABOR due to its status as an enterprise. Second, interest income is up in FY 2005-06. The treasury borrowed more short-term money this year than last and earned a higher interest rate on the borrowed money than in previous years.

National Economy

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

Recent data. The revised estimate of growth in inflation-adjusted gross domestic product **(GDP)** for the first quarter of 2006 was 5.3 percent, significantly above the economy's potential long-term growth rate. The estimate was revised upward due to larger-than-expected private investment and stronger exports. The revised estimate confirmed that the national economy accelerated decidedly after the slowdown at the end of 2005. The strong growth can be partly attributed to rebuilding efforts along the Gulf Coast in the aftermath of the hurricanes that hit the area last fall. Stronger growth was also due to larger personal consumption, especially vehicle purchases, strong exports, investments in equipment and other increased spending by businesses, and higher federal spending. Despite the strong quarter, some analysts believe conditions are set for growth to slow over the rest of this year and into 2007. Recent data indicates that GDP growth in the current quarter will be around 2.5 percent on an annualized basis, less than half the growth that occurred during the first quarter.

Nonfarm employment increased by only 75,000 jobs in May, less than half of what was expected. The weakness in new jobs occurred across many sectors of the economy. Some sectors experienced declines, including retail trade (-27,000), information (-13,000), and manufacturing (-14,000). Retailer concerns over lower consumer spending due to higher energy costs and interest rates were the main contributors to the weakness in the retail industry. The manufacturing declines were attributed to the higher cost of fuel and raw materials, as well as continued restructuring in the auto industry. Employment activity in the construction industry was stagnant and most other industries experienced weak gains. Financial service industry employment is slowing, coinciding with the weakening of the housing market. However, on a positive note, the education and healthcare sectors continue to expand and computer services and accounting are hiring at a strong pace. Recent jobless claims data indicate that the weak jobs number was due to a pause in hiring due to questions about the strength of the economy and not because of an increase in layoffs.

Although job creation was weak in May, the unemployment rate actually ticked downward to 4.6 percent. The rate went downward because some people left the workforce.

Personal income increased 0.5 percent in April, the same rate as March. The increase was mostly due to increased wages, which experienced their biggest gain in nine months, and increased asset income. *Consumer spending* increased 0.6 percent in April. However, consumer spending is starting to appear more cautious due to higher energy prices.

The continuing disparity between income and spending resulted in another month of negative saving, although the savings rate does not include capital appreciation. The rate was -1.6 percent in April. Further, despite higher interest rates, consumers increased their borrowing in April at the fastest pace in 10 months, rising at an annual rate of 5.9 percent. The potential for higher wage income and lower consumer confidence could slowly contribute to more savings in the future.

The **manufacturing sector** showed mixed results based on two indicators. *The Manufacturers Alliance/MAPI composite index* points to expected strong growth in new orders, as well as in shipments in the upcoming few months. Further, over three-quarters of the survey's respondents expected profit margins to be higher than they were a year ago. Although inventories increased slightly over the last month, they remain below their levels of a year ago. Another indicator portrayed slightly more weakness in the industry. The *Institute for Supply Management's Purchasing Managers Index* decreased in May to 54.4 from 57.3 in April, the largest decline since last August. The index indicated that new orders, production, and employment are all continuing to expand, but at a slower pace. On a potential worrisome note, prices paid by manufacturers surged in April, due to high energy and commodity prices. This could cause higher prices to be passed onto consumers in the future. However, higher profit margins of manufacturers and strong global competition makes this risk relatively small.

The **housing market** continues to weaken and is a potential risk to the economic vitality of the nation. Home sales are declining, especially in the condominium market. Overall sales are down 7.0 percent from the market's recent peak in June of 2005. The factors contributing to the weakening housing market are rising inventories, slower price appreciation, and rising interest rates. Single-family inventories are up 33 percent from a year ago, while condominium inventories are up 62 percent. Price appreciation is slowing due to declining sales and rising inventories; the median existing single-family home price grew 4.3 percent nationally over last year through April, down significantly from the 12 percent average in 2005.

Meanwhile, homebuilder optimism throughout the nation, as measured by the *National Association of Home Builders Housing Market Index*, continued to decline in May from its peak in June of 2005, dropping to its lowest level since June of 1995. This indicates that most homebuilders view conditions as unfavorable, except in the South and West, where the market remains relatively strong compared to the rest of the country.

Inflation continues to tick upward. The consumer price index rose 0.4 percent in May, after a 0.6 percent increase in April. The continuing increases are mostly due to the nation's higher energy prices, which are up 23.6 percent over the past year. The consumer price index has risen 4.2 percent over the past year. The core index, which excludes the more volatile food and energy prices, rose 0.3 percent in May for the third consecutive month. The annualized rate of core inflation is 3.8 percent over the past three months, indicating that higher energy prices and wage pressures are causing firms to raise prices.

Trends in the prices producers of goods pay are also a concern. Prices of finished goods, excluding energy products, are beginning to rise. Moreover, prices are rising at earlier stages of production, which could lead to increased consumer prices in the future, especially with manufacturers operating near full capacity. Producer prices for core intermediate goods, excluding food and energy, rose 1.1 percent in May, while core prices for crude goods rose by 6.2 percent.

The most recent inflation numbers make it likely that the Federal Reserve Board will raise the Federal Funds rate another quarter percentage point in late June despite the weak May employment report and the slowing housing market. However, rate increases are likely to pause after June in order for the Board to monitor the impacts of its rate increases on the economy. Many analysts believe the Board needs to balance fighting inflation with the risk of overtightening at a time when the economy may be slowing. The

Federal Reserve Board has indicated it will closely consider the newest data on inflation and economic activity when it meets to consider interest rate policy.

The National Economic Outlook. This section presents the forecast and risks for the national economy. The detailed forecast can be found in Table 4.

- After a strong rebound in the first quarter of 2006, the economy will slow in the last half of 2006 due in part to lower consumer spending from higher energy prices and interest rates. Further, as new home sales continue to decrease with interest rates rising, housing construction will also decline, which will negatively impact economic growth. GDP will increase 3.4 percent in 2006, a number bolstered by the economy's strong first quarter growth. The slowdown will extend into 2007, when GDP will increase by 2.8 percent. However, because many businesses continue to be in good shape financially, productivity continues to be solid, and other countries' economies are expanding, the United States' economy will continue to grow.

- Although recent jobs data were weak, **nonfarm employment** will still increase 1.5 percent overall in 2006, in part due to the robust growth experienced during the first quarter. Firms will continue to hire workers this year despite evidence of an economic slowdown. About 30 percent of the nation's companies plan to hire workers in the second quarter of this year, while 31 percent plan to hire workers in the third quarter, according to a survey of employers by *Manpower Inc*. Further, a recent quarterly survey by *Duke University* and *CFO Magazine* of chief financial officers of U.S. corporations indicated that though they were concerned about rising wages and inflation, they still plan to hire more workers in the near term. However, the softening housing market will contribute to a decline in employment in construction and financial services, which will lead to weakening job growth overall in 2007. Nonfarm employment will increase 1.0 percent in 2007. The unemployment rate will be 4.9 percent in 2006. However, the rate will tick upward in 2007 and 2008 due to slower job growth. The unemployment rate will start to decline during the remainder of the forecast period.

- **Personal income** increased 5.5 percent last year. There will be a slightly higher increase in 2006 with the economy near full employment. The tight labor market will keep upward pressure on wages this year. Personal income and wages will increase 5.6 and 5.8 percent in 2006, respectively. However, due to the slackening of the labor market, their 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. While energy prices may moderate later this year, they are beginning to seep into general price increases for other goods and services. Combined with wage demands and the first quarter's strong economic growth, inflation will be 3.4 percent this year. However, we do not expect inflation to continue to rise in subsequent years due to strong global economic competition, the Federal Reserve Bank's monetary tightening, and a moderation in energy prices and economic growth. The inflation rate will fall to 3.1 percent in 2007 and moderate further throughout the remainder of the forecast period.

- Inflation, increasing interest rates, and a more abrupt decline in the housing market are the primary **forecast risks**. Higher

prices, especially energy prices, increasing borrowing costs, and a decline in confidence from consumers, especially if they feel less wealthy due to a weaker housing market, could slow consumer spending further than expected. Since consumer spending makes up a significant portion of the nation's economic activity, a more substantial slowdown in consumer spending could have a negative impact on the growth of the economy. Investor confidence could also erode due to concerns over inflation. Further, continuing Federal Reserve Board action to combat higher inflation could result in an overtightening of rates which could slow the economy. Finally, construction employment has been a major contributor to overall employment growth and a more abrupt slowdown in the housing market rather than a gradual correction could result in slower growth than currently expected.

Table 4
National Economic Indicators, June 2006 Forecast
(Dollars in Billions)

	2000	2001	2002	2003	2004	2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010
Inflation-adjusted GDP	$9,816.9	$9,890.6	$10,048.8	$10,320.6	$10,755.7	$11,134.8	$11,513.4	$11,835.7	$12,202.6	$12,598.7	$12,975.7
percent change	3.7%	0.8%	1.6%	2.7%	4.2%	3.5%	3.4%	2.8%	3.1%	3.2%	3.0%
Nonagricultural Employment (millions)	131.8	131.8	130.3	130.0	131.4	133.5	135.5	136.8	138.3	140.2	142.1
percent change	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.5%	1.5%	1.0%	1.1%	1.4%	1.4%
Unemployment Rate	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.9%	5.1%	5.0%	4.9%	4.8%
Personal Income	$8,429.7	$8,724.1	$8,881.9	$9,169.1	$9,713.3	$10,248.3	$10,822.2	$11,335.3	$11,853.3	$12,418.8	$12,998.7
percent change	8.0%	3.5%	1.8%	3.2%	5.9%	5.5%	5.6%	4.7%	4.6%	4.8%	4.7%
Wage and Salary Income	$4,829.2	$4,942.8	$4,980.9	$5,111.1	$5,389.4	$5,723.7	$6,055.6	$6,388.2	$6,722.3	$7,085.2	$7,454.6
percent change	8.1%	2.4%	0.8%	2.6%	5.4%	6.2%	5.8%	5.5%	5.2%	5.4%	5.2%
Inflation (Consumer Price Index)	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.4%	3.1%	2.9%	2.8%	2.7%
10-year Treasury Note	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	5.1%	5.1%	5.3%	5.5%	5.6%

Colorado Economy

This section reviews recent economic news 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.

Following an expansionary 2005, the Colorado economy jumped out of the gates quickly in 2006. Employment increased by 15,000 in the first three months and retail trade increased by 7 percent over the first quarter of 2005. Meanwhile, tourism indicators benefitted from a record ski season and increased traffic through Denver International Airport. However, the most recent data suggests a less optimistic outlook for the rest of 2006. Employment has stagnated since March and the housing market appears to be the weakest in over a decade.

Nonfarm employment increased 2.1 percent in 2005 and began strong in 2006. However, job growth was essentially flat in April and May, as the state added only 700 jobs in the two months combined. Based on May 2005 to May 2006 growth, Colorado ranked 15th nationally in job growth, outpaced primarily by states with large natural resource sectors or large tourism economies. Growth over the last year has been widespread, with only the manufacturing sector experiencing a decrease in jobs. The fastest growing sectors were the construction, natural resources, and mining sectors, which increased 6.3 percent in total. All other sectors increased between 1.8 and 3.4 percent from May 2005 to May 2006.

Tourism in Colorado continues to be on an upswing in 2006. Skier visits jumped 6 percent to a record 12.5 million, breaking a record set in 1997-98. Hotel occupancy topped 60 percent in April statewide, up from around 55 percent a year ago. Room rate increases were also seen in many areas of the state, signifying the health of the lodging industry in the state.

Added flights at Denver International Airport (DIA) contributed to a 17.5 percent jump in **airline** traffic in April over 2005 figures. April was the twelfth straight month of record travelers, and a federal government report now places DIA as the fourth-busiest airport in the country, up from seventh a year ago. Southwest Airlines has continued its expansion at DIA with flights now to four cities.

Colorado has grown to one of the nation's leading **natural resource** 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. In addition, other mining activity is increasing around the state. For example, the Bates-Hunter gold mine in Central City has increased its operations in an attempt to take advantage of high gold prices.

Colorado is also quickly becoming a leading state for alternative energy sources. The state's second full-scale ethanol plant began production in Windsor, while mountain communities in Eagle and Summit counties are doing feasibility tests to determine the cost of heating public buildings with biomass. The production of wind energy continues to expand across the eastern plains. Construction will begin this fall on a 75-megawatt wind farm outside of Lamar.

Housing price appreciation continues to creep closer to zero. A record of more than 30,000 homes were on the market in May, an increase of 21 percent over a year ago. Foreclosures also increased dramatically in 2005, and the trend has continued into 2006. In April, Colorado had the highest foreclosure rate in the nation for the second consecutive month. As a result of these factors, home price appreciation in Colorado was the sixth lowest among states in the first quarter of 2006.

The Colorado Economic Forecast. The following paragraphs provide a summary of our outlook for the Colorado economy. The complete forecast can be found in Table 5.

- **Employment** growth in Colorado is the key barometer of the state's economic health. Most recently, job growth has slowed both nationally and in Colorado. A moderate slowdown in the construction sector, in particular, will limit growth over the next couple of years. Nonfarm employment will increase 2.2 percent in 2006 and 2.2 percent in 2007.

- **Personal income** will increase 6.5 percent in 2006, following a preliminary estimated increase of 6.5 percent for 2005. Wage pressure appears to be taking hold and the tight job market could force employers to import workers from out-of-state. Growth in personal income will remain close to 6.5 percent for the remainder of the forecast period.

- **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, but a good ski season helped boost sales 7 percent through the first quarter of 2006. The sharp increases in energy costs, as well as housing interest costs, will serve to limit growth in spite of wage and salary increases. Retail trade sales will increase 5.5 percent in 2006, and remain near 5 percent for the remainder of the forecast.

- While a large inventory of homes for sale has stymied home price appreciation, builders have continued to pull permits for new **housing**. Permits remained relatively high in 2005, but will decline slightly in each of the next three years, as the market corrects. The housing market will stabilize with small gains during the rest of the forecast period.

- **Nonresidential construction** jumped out to a positive start in 2006 after increasing 11.7 percent in 2005. However, a lackluster national economy will limit growth opportunities for the rest of the year. Overall, we expect that the value of nonresidential construction will decrease 2.6 percent this year and increase 3.4 percent in 2007.

- **Inflation** will increase to 2.9 percent in 2006, following a 2.1 percent rate in 2005. After 2006, inflation will remain slightly over 3 percent. Much of the increase will result from the housing component of the index, which will turn positive this year after two years of deflation.

- A tight labor market will increase migration to Colorado over 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. However, Colorado's housing market may be particularly susceptible to an economic slowdown due to the large number of non-traditional mortgage loans and relatively high housing prices. Though energy prices are a concern for most of the country, Colorado does manage to benefit from increased exploration, which serves to offset some of the insecurity that high energy prices can cause.

Table 5
Colorado Economic Indicators, June 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	4,829.9	4,916.8	5,015.2	5,110.5
percent change /A	2.4%	2.2%	1.7%	1.1%	1.2%	1.4%	1.7%	1.8%	1.8%	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	2,274.2	2,324.2	2,377.6	2,437.1	2,495.6
percent change	3.8%	0.6%	-1.9%	-1.4%	1.2%	2.1%	2.2%	2.2%	2.3%	2.5%	2.4%
Unemployment Rate	2.7%	3.9%	5.9%	6.2%	5.6%	5.0%	4.5%	4.5%	4.4%	4.2%	4.2%
Personal Income (millions)	$144,394	$152,700	$153,066	$157,035	$166,188	$177,025	$188,532	$201,163	$214,239	$227,736	$242,539
percent change	12.1%	5.8%	0.2%	2.6%	5.8%	6.5%	6.5%	6.7%	6.5%	6.3%	6.5%
Wage and Salary Income (millions)	$85,909	$88,297	$86,938	$87,835	$91,839	$98,269	$105,246	$112,192	$119,373	$127,371	$135,650
percent change	12.6%	2.8%	-1.5%	1.0%	4.6%	7.0%	7.1%	6.6%	6.4%	6.7%	6.5%
Retail Trade Sales (millions)	$57,955	$59,014	$58,864	$58,662	$62,348	$65,401	$68,998	$72,517	$76,215	$79,645	$84,025
percent change	10.2%	1.8%	-0.3%	-0.3%	6.3%	5.0%	5.5%	5.1%	5.1%	4.5%	5.5%
Home Permits (thousands)	54.6	55.0	47.9	39.6	46.5	46.3	43.9	41.4	40.7	41.1	42.0
percent change	10.7%	0.8%	-13.0%	-17.3%	17.5%	-0.5%	-5.2%	-5.7%	-1.5%	1.0%	2.2%
Nonresidential Building (millions)	$3,476	$3,500	$2,787	$2,713	$3,291	$3,676	$3,580	$3,702	$3,747	$4,024	$4,257
percent change	-8.1%	0.7%	-20.4%	-2.7%	21.3%	11.7%	-2.6%	3.4%	1.2%	7.4%	5.8%
Denver-Boulder Inflation Rate	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	2.9%	3.3%	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.

Colorado Economic Regions

Metro Denver
Colorado Springs
Pueblo — Southern Mountains
San Luis Valley
Western Region
Mountain Region
Northern Region
Eastern Plains

Metro Denver

Metro-Denver's economy continues to post relatively strong economic gains, measured by employment, housing permits, and retail trade. Table 6 shows key economic indicators for the region.

Table 6
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson counties

	2004	2005	Year-to-date Thru April 2006
Employment Growth /1	0.8%	2.1%	2.1%
Unemployment Rate	5.7%	5.1%	4.6%
Housing Permit Growth /2	23.2%	-4.3%	7.9%
Growth in Value of Nonresidential Const. /3	19.3%	6.8%	1.6%
Retail Trade Sales Growth /4	4.8%	3.5%	5.2%

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; data through March 2006.

In the first four months of 2006, the total number of nonfarm jobs in the region grew by 28,225, or 2.1 percent, compared with the same period in 2005. The unemployment rate continued to move downward, averaging 4.6 percent through April after registering 5.1 percent in 2005. Denver County had the region's highest unemployment rate at 5.4 percent, while Douglas County had the lowest at 3.2 percent. The mining, natural resource, and construction industries continued to show strong employment gains, and jobs in professional and business services and educational and health services also continued to increase steadily. Jobs in the information sector, which includes the telecommunications industry, have not rebounded from the recession that began in 2001. Finally, employment in the manufacturing sector was stagnant.

Construction activity remains strong in the region, with the exception of Boulder County. Some of the on-going strength may be in anticipation of higher interest rates in the future. After declining 4.3 percent in 2005, housing permits are up 7.9 percent in the first four months of the year. Excluding Boulder County, which experienced an 18.6 percent decline, housing permits are up 9.2 percent. In addition, the value of nonresidential construction permits increased 1.6 percent through April 2006. Excluding Boulder County, however, nonresidential permits were up a healthy 13.1 percent. Solid performance in several nonresidential categories, including a boom in education-related facilities, offset a continuing decline in permits for hospital and health treatment facilities.

Retail trade sales were up 5.2 percent in Metro-Denver through March. Although this growth rate lags the statewide average of 7.0 percent, several regions exhibited strong retail sales growth. In particular, Adams County registered an increase of 18.6 percent through March, Denver County saw an increase of 9.6 percent, and Boulder and Jefferson counties experienced growth of 6.9 percent and 6.7 percent, respectively. Arapahoe County was the only county with negative growth, registering a decline of 7.2 percent.

Recent Economic News:

- United Airlines announced that it is looking to relocate its headquarters from suburban Chicago. The leading cities appear to be downtown Chicago, Denver, and San Francisco. United is looking for a 150,000-square-foot facility to house 350 senior-level employees.

- Intertape Polymer Group plans to close its Brighton tape manufacturing plant at the end of the year. About 100 employees are expected to lose their jobs. The closure is

part of a restructuring plan adopted by the Montreal-based company.

- Apartment vacancy rates in 2006 reached their lowest level in several years. In the first quarter of 2006, Metro-Denver's vacancy rate dropped to 7.4 percent, compared with 7.9 percent in the fourth quarter of 2005. In 2004, the vacancy rate stood at 10 percent. Increasing home foreclosures and rising interest rates account for the shift.

- Home foreclosures in the first quarter of 2006 increased 32 percent in Metro Denver compared with the same period in 2005. Foreclosures increased in each of the metro counties. Colorado has one foreclosure for every 494 households, which is the highest rate of any state. The foreclosure rate nationally is one foreclosure for every 1,268 households. The majority of foreclosures are coming from homeowners who used adjustable-rate mortgages or other high-risk financing mechanisms to purchase homes.

- Seagate Technology announced that it will acquire Maxtor Corporation. Maxtor currently employs about 1,300 workers at its Longmont facility, and Seagate plans to layoff about 640 of those employees. Most of the retained workers will be from the engineering staff. Seagate plans to finalize the acquisition by early next year.

- In an effort to cut operating expenses, Sun Microsystems announced that it plans to eliminate up to 5,000 of its 37,500 employees in the next six months. Sun's workforce in Colorado amounts to about 2,000. Sun hopes to achieve cost savings of $480 million to $590 million. However, it has not been determined which divisions or geographic areas will be impacted by the cuts.

- Samsonite Corporation said it will close its Denver headquarters by the end of the year. The Denver facility employs about 265 people, who are primarily involved in corporate functions or product distribution. The company plans to relocate the Denver functions to its Mansfield, Massachusetts office and to a distribution center in the southeastern U.S.

- A Federal Reserve Branch Bank check-processing center in Helena, Montana will close and shift its operations to Denver. The Federal Reserve is closing check processing centers because consumers are switching from check-writing to credit cards, debit cards, and electronic bill paying. About 45 people will lose their jobs in Montana. No decision has been made on how many will be added in Denver.

- Landmark Properties, based in Chicago, announced plans for a large-scale mixed-use development in Littleton. The development of more than 1 million square feet will include a hotel, department stores, specialty shops, and both single- and multi-family residences. Work is expected to begin next year on the project, which could reach a value of up to $300 million when completed.

Colorado Springs

The Colorado Springs economy continues to expand, with healthy growth in employment, retail trade, and nonresidential construction. An emerging correction in the residential construction sector is also a healthy sign, given strong growth in the sector during recent years and an environment of rising interest rates. Table 7 shows key economic indicators for the region since 2004.

Table 7
Colorado Springs Region Economic Indicators
El Paso County

	2004	2005	Year-to-date Thru April 2006
Employment Growth /1	1.4%	1.8%	2.0%
Unemployment Rate	5.7%	5.3%	4.5%
Housing Permit Growth /2	24.2%	3.2%	-22.2%
Growth in Value of Nonresidential Const. /3	-5.7%	141.5%	96.9%
Retail Trade Sales Growth /4	10.3%	5.4%	6.8%

2006 Retail Trade is YTD through March

NA = Not available

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data represents nonfarm employment.

2/ U.S. Census; permits for the Colorado Springs Metropolitan Area.

3/ F.W. Dodge

4/ Colorado Department of Revenue

Employment in the Colorado Springs Metropolitan Area increased 2.0 percent through April, a rate slightly lower than the 2.2 percent increase experienced statewide during that time period. The natural resources and construction sector continues to be the fastest growing sector in Colorado Springs, after having increased 7.4 percent year-to-date through April. Other sectors experiencing strong growth include retail trade (3.6 percent), professional and business services (3.2 percent), financial activities (3.0 percent), and educational and health services (2.8 percent). Meanwhile, employment in the manufacturing and information sectors decreased 7.1 percent and 1.9 percent, respectively.

As job prospects look up, the area's unemployment situation continues to improve. The unemployment rate in El Paso County decreased to 4.5 percent in April, down from 4.9 percent in March.

Higher interest rates and relatively little pent-up demand are contributing to a correction in Colorado Springs' residential construction sector. According to the U.S. Census Bureau, permits filed for residential construction decreased 22.2 percent through April. The decrease occurred for both single-family and multi-family homes.

The Pikes Peak Association of Realtors reported that sales in El Paso and Teller counties increased 3.5 percent in May, compared with the same month a year ago. The median price of a home increased 8.9 percent to $220,000. Inventory is building, however, with the number of homes on the market 23.6 percent higher in May, compared with May 2005. According to the El Paso County Public Trustee's Office, the number of foreclosures in El Paso County increased to 256 in May, up 27.3 percent over May 2005.

The value of nonresidential construction jumped 96.9 percent year-to-date through April, with most of the jump a result of permits filed for educational buildings on school and college campuses. Construction activity in the commercial sector decreased 27.1 percent during this time period.

Recent Economic News:

- The U.S. Army began construction in early May on a $50 million complex at the Colorado Springs Airport's new business park. The 81-acre complex will include a tarmac and taxiways, cargo loading areas, and a

maintenance and storage building. The complex, which will be operated by the Air Force, will have the capability to send more than 1,200 troops a day overseas. It is expected to be completed in 2008.

- A proposal to build a 24-story building that would include a 250-room upscale hotel, 100 condominiums, office, retail, and restaurant space in Downtown Colorado Springs at the corner of Nevada Avenue and Kiowa Street, has been submitted to the City of Colorado Springs. The 500,000-square-foot building would cost between $100 million and $140 million to build.

- Sky-West Airlines began construction on a $20 million, 100,000-square-foot hangar at the Colorado Springs Airport in April. The hangar will require a crew of 200 people.

Pueblo and Southern Regions

The economy in the five-county Pueblo region is showing more strength after mixed results in 2005. Further, recent announcements of new jobs, particularly around Pueblo, will likely spur economic growth in the region, especially in home construction activity. Table 8 shows annual economic indicators for the region for 2004 and 2005, and year-to-date results through April 2006.

Table 8
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties

	2004	2005	Year-to-date Thru April 2006
Employment Growth /1	-0.2%	1.3%	3.2%
Unemployment Rate	7.0%	6.4%	5.2%
Housing Permit Growth /2 Pueblo County Only	-4.8%	-3.4%	30.1%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	-17.5%	-48.0%	49.3%
Retail Trade Sales Growth /4 2006 Retail Trade is YTD through March	6.7%	5.1%	9.1%

1/ Colorado Department of Labor and Employment. 2004 data is from the (QCEW) ES-202 program. 2005 and 2006 data are from the Current Population (household) Survey.
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue

Employment growth throughout the region increased 3.2 percent through the first four months of 2006, compared with the same time period in 2005. Meanwhile, the unemployment rate continued to drop from an average of 6.4 percent in 2005 to 5.2 percent in April 2006. Pueblo, the largest county in the region, had an unemployment rate of 5.3 percent in April, remaining the highest among the state's major metro areas, but at its lowest level since the state's 2001 recession. Las Animas and Custer counties recorded the lowest unemployment rates in the region in April at 3.5 and 4.0 percent, respectively. The strongest job spot in the region was in the Trinidad area in Las Animas County, where hiring by the energy industry pushed the jobless rate down to 3.5 percent in April.

Retail trade sales for the first quarter of 2006 exceeded the statewide pace and jumped above the region's retail trade sales growth for all of 2005. The region experienced retail sales growth of 9.1 percent. Growth was particularly strong in Huerfano (44.6 percent), Las Animas (22.0 percent), and Fremont (17.1 percent) counties.

Housing permit growth in Pueblo County continues to show significant increases – especially compared to national trends – growing by 30.1 percent through April 2006. Most of the new home construction – about 60 percent – continues to occur in Pueblo West, due in part to the lower development costs there. Job growth is the most important factor driving new home construction. Major employment gains in Pueblo will come from the GCC of America's planned cement plant, the Xcel Energy power plant expansion, the Pueblo Chemical Depot weapons destruction facility, and the Fort Carson expansion. Also, the U.S. Air Force recently selected Pueblo as the site for a pilot training school and Cingular Wireless will open a 500-person call center. A weaker segment of Pueblo's economy has been the nonresidential construction sector. However, the value of nonresidential construction finally posted some solid numbers, increasing 49.3 percent through April 2006 compared to the same period in 2005.

Recent Economic News:

- In Pueblo, apartment and rental home vacancy rates continue to drop, although rents have not yet shown signs of increasing.

Pueblo's vacancy rate in the first quarter of 2006 was 9 percent, down from the 13 percent rate in the same period for the prior two years. Five percent is considered to be the equilibrium point in the rental market. Thus, when rates fall below 5 percent, new apartment construction is likely to occur. Rents averaged $475 in the first quarter of 2006, according to the state Division of Housing.

- The City of Pueblo approved $5.67 million in economic incentives to attract Cingular to open a customer-service call center in the fall. The call center will be located in downtown Pueblo along the Riverwalk where the city had planned to locate an Indian casino. Cingular will hire 200 employees initially and have 500 employees by April of 2007. The money for the incentives will come from a one-half cent sales tax designated for capital improvement projects aimed at creating new jobs.

- Businesses in Huerfano County are having a difficult time finding workers as many local young people are moving to larger cities after high school to seek higher paying positions. In addition, business and county officials also cite low education and skill levels in the area as factors causing the workforce shortage. Spanish Peaks hospital, the county's largest employer in Walsenburg, recently raised wages significantly to help keep its medical workers.

- Xcel Energy is having trouble hiring the workers it needs for the construction of its large new power plant in Pueblo. Other construction projects across the state and reconstruction jobs in the hurricane-damaged areas of the Gulf Coast are luring skilled workers away from Pueblo. The project will need more than 1,000 workers at the peak of construction late next year and about two-thirds of that amount this summer.

San Luis Valley and Southwest

The San Luis Valley and Southwest Colorado region had modest economic growth in 2005 and enjoyed a sizable expansion in the beginning of 2006. Table 9 shows key economic indicators for the region. The regional employment gain of 3.6 percent through April was a healthy improvement over a somewhat lackluster 1.6 percent in 2005. The unemployment rate has continued to drop, dipping below 5 percent in April.

Table 9
San Luis and Southwest Region Economic Indicators

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

	2004	2005	Year-to-date Thru April 2006
Employment Growth /1	4.4%	1.6%	3.6%
Unemployment Rate	5.3%	5.1%	4.9%
Statewide Crop Price Changes /2			
Barley	8.0%	-16.5%	18.1%
Alfalfa Hay	1.2%	16.3%	21.4%
Potatoes	2.1%	80.4%	92.4%
Fall Potato Production (Cwt) /2	-2.0%	-6.3%	NA
Housing Permit Growth /3			
Alamosa County	22.2%	-39.4%	-10.0%
La Plata County	-8.1%	-1.4%	18.9%
Growth in Value of Nonresidential Const. /3			
Alamosa County	43.6%	-44.1%	-36.3%
La Plata County	-25.2%	-83.2%	316.3%
Retail Trade Sales Growth /4	9.4%	7.3%	12.0%

NA = Not Available

1/ Colorado Department of Labor and Employment. 2004 data is from the (QCEW) ES-202 program. 2005 and 2006 data are from the Current Population (household) Survey.

2/ Colorado Agricultural Statistics Service. Price data compares April 2006 to April

3/ F.W. Dodge

4/ Colorado Department of Revenue, data through March 2006.

Retail trade sales reflected a good ski season and significant tourism activity, rising 12 percent in the first quarter compared with the first quarter of 2005.

Recent Economic News:

- Housing prices have continued to jump around Durango. The median home price in Durango reached a record $394,000 in the first quarter, up 27 percent over the first quarter of 2005.

- BP America announced that it will add 50 jobs in La Plata County in order to drill more gas wells near Ignacio.

- Plans have been approved for a new 130,000-square-foot lodge at Durango Mountain Resort. The $35 million project will include 37 condominiums, a fitness center, a day spa, and several retail spaces.

- Construction is set to begin on a new Chili's Restaurant in west Alamosa. The 149-seat restaurant is expected to employ 100 people when it opens in October.

Western Region

The economy for the western region continues to grow as the energy and housing markets strengthen. Employment, retail sales, and construction activity were up through April 2006, as indicated in Table 10 .

Table 10

Western Region Economic Indicators

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

	2004	2005	Year-to-date Thru April 2006
Employment Growth /1	3.3%	2.8%	7.2%
Unemployment Rate	4.9%	4.5%	3.6%
Housing Permit Growth			
Mesa County 2/	-2.4%	-3.0%	40.3%
Montrose County 3/	34.0%	22.4%	-1.7%
Growth in Value of Nonresidential Const. /3			
Mesa County	0.1%	287.8%	52.6%
Montrose County	109.4%	-54.9%	186.7%
Retail Trade Sales Growth /4	8.7%	10.3%	16.6%

NA = Not Available

1/ Colorado Department of Labor and Employment. 2004 data is from the (QCEW) ES-202 program. 2005 and 2006 data are from the Current Population (household) Survey.

2/ U.S. Census

3/ F.W. Dodge

4/ Colorado Department of Revenue, data through March 2006.

Employment growth for the region remains strong at 7.2 percent through April 2006, compared with 2.8 percent in 2005. The unemployment rate for the region in April was 3.6 percent, a rate consistent with the strong job growth in the energy and construction sectors. According to the establishment survey of employers, jobs increased 3.9 percent in Mesa County through April. Within other areas of the region, employment growth was greatest in Rio Blanco and Garfield counties.

With the exception of housing permits in Montrose County, construction indicators were generally strong for the region through April 2006. Based on data from F.W. Dodge and the Census Bureau, the number of housing permits increased over 40 percent in Mesa County, while showing a slight decline of 1.7 percent in Montrose County. Figures from the Mesa County Building Department show that Fruita is the main area outside of Grand Junction where homes are being built. Craig is also poised for a summer building boom as new subdivisions are in various stages of approval and construction. In the western region, the market for single-family homes is strongest for residences priced under $250,000. The value of nonresidential construction showed healthy gains in both Mesa and Montrose counties.

Consumer spending in the region, as measured by retail trade sales, increased at a robust pace of 16.6 percent in the first quarter of 2006.

Recent Economic News:

- Starbucks opened its first stand-alone coffee shop in Grand Junction. The coffee shop will employ more than 20 workers.

- The Albertson's grocery store in Clifton will close by the end of the summer. The store has about 60 employees that will be affected by the closure. Albertson's is planning on closing 16 underperforming stores in Colorado.

- Fruita will be home to a new $17.5 million Family Health West Hospital. The company hopes that the hospital will be operating by the end of 2008. The hospital will offer expanded services, including radiology services and outpatient surgeries.

- Enterprise Products Partners, a Houston-based energy firm, is building a $280 million natural gas processing and distribution center near Meeker. Plant construction is expected to be completed in mid-2007.

Mountain Region

The mountain region continues to exhibit relatively strong economic growth, especially in employment and retail trade. The region's tourism- and ski-related jobs continue to respond to a strong national economy, resulting in increased traveling and spending. Also, a strong real estate market and construction activity contributed to the region's economic gains. Table 11 shows annual economic indicators for the region for 2004 and 2005, and year-to-date results through April 2006.

Table 11
Mountain Region Economic Indicators
Routt, Jackson, Grand, Eagle, Summit, Pitkin, Lake, Park, Teller, Clear Creek, Gilpin, and Chaffee counties

	2004	2005	Year-to-date Thru April 2006
Employment Growth /1	0.7%	1.8%	4.5%
Unemployment Rate	4.9%	4.3%	3.5%
Housing Permit Growth /2			
Eagle, Pitkin, & Summit Counties 2/	-26.5%	39.1%	-1.7%
Routt County 2/	-20.6%	7.7%	19.5%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	243.4%	11.2%	87.8%
Routt County	154.9%	-10.3%	2459.3%
Retail Trade Sales Growth /3	8.7%	8.8%	12.9%

2006 Retail Trade is YTD through March

1/ Colorado Department of Labor and Employment. 2004 data is from the (QCEW) ES-202 program. 2005 and 2006 data are from the Current Population (household) Survey.
2/ F.W. Dodge
3/ Colorado Department of Revenue

Employment in the region increased 4.5 percent through April 2006 compared with the same period in 2005. Employment growth exceeded 5 percent in Eagle, Lake, Pitkin, and Routt counties. However, employment growth was relatively stagnant in Jackson and Grand counties. The region's unemployment rate dropped from an average of 4.3 percent in 2005, to 3.5 percent in April 2006. All but two counties in the region – Lake and Gilpin – recorded an unemployment rate at or below the statewide rate of 4.3 percent in April.

After experiencing record real estate sales levels in 2005, housing permits and nonresidential construction activity showed mixed results through April 2006, compared with the same period in 2005. Permits for residential construction in the ski counties of Eagle, Pitkin, and Summit are slightly below the same period in 2005, but permits are up 19.5 percent in Routt County compared with the same period last year. Further, permits declined 10.4 percent in Grand County. Meanwhile, the value of nonresidential construction in Routt County increased from $800,000 in the first four months of 2005 to $20.5 million in the first four months of 2006. Most of the increase was due to the construction of new stores and office and bank buildings. Also, there was a large government administration project that boosted the value of nonresidential construction in the county. Further, the value of nonresidential construction in Eagle, Pitkin, and Summit counties increased 87.8 percent. Construction activity in Aspen was strong enough to cause the city council in April to issue a six-month moratorium on building permits. However, the moratorium excludes single-family and duplex development.

After increasing 8.8 percent in 2005, retail trade sales continued to show strong growth in the region, growing 12.9 percent during the first quarter of 2006. This rate surpassed the state's growth rate of 7.0 percent during the quarter. Gilpin, Grand, and Routt counties had particularly strong retail sales growth rates of 40.4, 20.8, and 20.1 percent, respectively. Retail trade sales in the state's primary ski counties of Summit, Pitkin, and Eagle increased 11.2 percent, an indicator of the state's strong ski season.

Recent Economic News:

- Colorado drew a record 12.5 million skier visits during the past ski season, including more than 1 million skiers who came from outside the country – also a record. Reasons cited for the record year were good snow conditions, bad weather in other ski regions, effective marketing, more airfare competition, and recent investments made by ski areas to upgrade skiing and lodging facilities.

- Blueprints for the development of 4,300 acres of land around Battle Mountain near Minturn for a private ski resort have been submitted. Eight ski lifts are planned on Battle Mountain. The resort will include lodging, retail, restaurants, an aquatic center, an 18-hole golf course, tennis courts, and fishing. The conceptual development plan also includes a total of 1,700 housing units. If approved, construction will include an extensive amount of mine-waste clean up. The developer is considering developing on-site employee housing, subsidized housing in Minturn or the surrounding region, and providing loans for housing for the resort's employees.

- The continuing robust real estate market increased the median price of single family homes for sale in and around Basalt in Eagle County to more than $1 million, according to an analysis by a Roaring Fork Valley real estate agent. The agent cited a lack of supply and high demand as the cause for the increasing prices. Data indicated that appreciation was extremely rapid. The median price of the 27 single-family homes that sold in and around Basalt through mid-May was $695,000, while the median asking price for the 19 homes listed for sale at the beginning of June was $1,195,000.

- Vail Resorts Inc. announced record profits in its third quarter ending April 30. Net income for the quarter increased to $68.3 million, up 16.2 percent from a year ago. The resort cited a large amount of early season snow, mountain improvements, more skier visits, and higher pass prices. Skier visits were up 6 percent in the 2005-2006 season, while ticket prices rose 6.5 percent.

- Steamboat ski area announced more than $7 million in capital improvements for the 2006-2007 ski season. Improvements will include lift, trail, and snowmaking upgrades in the ski resort's Sunshine Bowl area. Also, there will be expanded air service into Steamboat Springs and a 22,000-square-foot terminal addition to the Yampa Valley Regional Airport, which will be paid for mainly by federal and county funds.

- The first phase of a new base village for Winter Park Ski Resort broke ground recently. The entire village will take up to 12 years to be completed. The first phase includes two residential buildings with 194 units, ranging in price from $250,000 to $1 million. The first phase also includes over 20,000 square feet of commercial space. The company building the development – Intrawest – operates the Winter Park ski area for the City of Denver and is also involved with building the new commercial and residential village at the base of the Snowmass ski area.

Northern Region

The economy for the northern region is looking more positive as recent data from the Colorado Department of Labor and Employment indicated that a substantial number of jobs are open for immediate hire in Larimer and Weld counties. The ongoing economic recovery is reflected by the lower unemployment rates in April for each of these counties compared with the rates at the close of 2005. Also, retail sales for Larimer and Weld counties for the first quarter of 2006 were at a growth rate near the statewide average. Table 12 shows employment changes and other economic indicators for the northern region.

Table 12
Northern Region Economic Indicators
Weld and Larimer counties

	2004	2005	Year-to-date Thru April 2006
Employment Growth /1			
Larimer County	2.1%	2.0%	2.5%
Weld County	2.8%	2.7%	2.2%
Unemployment Rate			
Larimer County	4.6%	4.3%	3.8%
Weld County	5.4%	5.0%	4.1%
State Cattle and Calf Inventory Growth /2	4.2%	6.0%	9.0%
Housing Permit Growth /3			
Larimer County	7.1%	-14.8%	0.6%
Weld County	10.4%	-2.2%	-17.3%
Growth in Value of Nonresidential Const. /4			
Larimer County	197.9%	-56.4%	56.9%
Weld County	34.1%	-35.8%	142.1%
Retail Trade Sales Growth /5			
Larimer County	3.5%	5.9%	6.6%
Weld County	14.6%	9.4%	7.4%

NA = Not available

1/ U.S. Department of Labor, Bureau of Labor Statistics. CES Data represents nonfarm employment.
2/ Colorado Agricultural Statistics Service
3/ U.S. Census
4/ F.W. Dodge
5/ Colorado Department of Revenue, year-to-date through March.

Employment growth was mixed in Larimer and Weld counties. Larimer County saw employment growth of 2.5 percent through April 2006 as compared with 2.0 percent in 2005. Meanwhile, Weld County's employment growth was at 2.2 percent as compared with 2.7 in 2005.

In the agricultural industry, for feedlots with a capacity of 1,000 head or more, cattle and calves on feed for the slaughter market increased 9.0 percent through April compared with the same period in 2005.

Construction indicators in the northern region were mixed. The growth in the value of nonresidential construction in Larimer County was nearly 57 percent through April 2006, compared with the same period in the prior year. In Weld County, growth in the value of nonresidential construction more than doubled through April. In contrast, housing permit growth in both counties has come to a standstill. Larimer County saw only minimal growth and permits in Weld County declined by 17 percent. Construction indicators are consistent with foreclosures in the region. Building officials report that home foreclosures are up in Weld County due to higher interest rates and a large volume of speculative home building.

A recent first quarter survey by the Colorado Department of Labor and Employment of about 2,000 employers indicated that 4,086 jobs are open for immediate hire, up from 2,894 jobs during the same period last year. Most of these jobs are in leisure and hospitality, such as restaurant and tourist recreation businesses. There are also a number of positions open in the health care and social assistance professions. In addition, Colorado State University reports that there are more

jobs to help keep graduates in northern Colorado this year.

Recent Economic News:

- Colorado Premium Foods, a Denver-based specialty meat company, will move its operations to Greeley this summer after purchasing a plant from Swift & Company in Greeley. The company will move 55 of its employees to the new plant and will create between 30 and 50 new jobs by the close of the year. Typical jobs at the facility will pay between $10 and $15 per hour.

- Davidson Chevrolet and Subaru of Loveland will begin construction on a new dealership at the Metroplex at Centurra. The dealership is scheduled to open in the fall of 2006.

- LSI Logic Corporation, based in Fort Collins, will hire 60 new employees at its local office. Senior and entry-level engineers will be needed to develop silicon for hard disk drives and storage systems. These new systems called "silicon-to-systems storage," will account for about $1.3 billion of LSI's $2.0 billion in annual revenue.

- A new SuperTarget store will open in Longmont in October. The SuperTarget will replace the old Longmont Target store. The company will increase its current 150 full- and part-time workers to about 250 at the new SuperTarget store.

- GEO Group Inc., a company that runs prison and detention facilities, is discussing the possibility of building a 1,500-bed medium-security prison with the Ault Town Board, town residents, and the state Department of Corrections. If approved, the $100 million private prison would bring as many as 350 jobs to Ault, which is 11 miles north of Greeley. The company, which has 40 acres under contract, would begin construction in January 2007 and be completed in 2009.

- Benchmark Electronics Inc., an electronics manufacturing company, may lay off as many as 110 employees and close its Loveland plant in the fall of this year.

- Firewall Forward, an aviation engine overhaul company at the Fort Collins-Loveland Municipal Airport, closed its doors and laid off 36 employees. Most were aviation mechanics earning about $38,000 annually. The company is filing for Chapter 11 bankruptcy protection.

Eastern Plains

The eastern region is beginning to see some of the gains from economic activities in other parts of the state, especially energy-related development projects. Employment is up 3.2 percent in the first four months of 2006 and the unemployment rate dropped from an average of 4.7 percent in 2005 to 4.2 percent in April. Retail trade sales exceeded the statewide pace and jumped 12.3 percent for the first quarter of 2006. The region's retail trade sales growth was 4.2 percent for all of 2005. Table 13 shows economic indicators for the region for 2004 and 2005 and year-to-date results through April 2006.

Table 13
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca counties

	2004	2005	Year-to-date Thru April 2006
Employment Growth /1	3.9%	-1.2%	3.2%
Unemployment Rate	4.8%	4.7%	4.2%
Crop Price Changes /2			
Winter Wheat	-9.2%	0.6%	42.0%
Corn for Grain	13.7%	-7.7%	10.2%
Alfalfa Hay	1.2%	16.3%	30.8%
Dry Beans	1.7%	-39.3%	-37.3%
State Crop Production Growth /2			
Sorghum for grain production	25.6%	-36.9%	NA
Corn for Grain	16.8%	0.1%	NA
Sugar Beets	30.1%	-0.6%	NA
State Cattle and Calf Inventory Growth /2	4.2%	6.0%	9.3%
Retail Trade Sales Growth /3	5.5%	4.2%	12.3%

NA = Not Available

1/ Colorado Department of Labor and Employment. 2004 data is from the (QCEW) ES-202 program. 2005 and 2006 data are from the Current Population (household)
2/ Colorado Agricultural Statistics Service. Agricultural data compares May 2006 to May 2005.
Crop production based on planting intentions for 2006 versus 2005.
3/ Colorado Department of Revenue, year-to-date through March.

In the labor market, the unemployment rate declined to 4.2 percent in April 2006, while jobs in the region expanded 3.2 percent. Within the region, jobs increased in every county but one. Cheyenne County led the region with a 7.0 percent growth rate through April 2006. Prowers County was the exception, which saw jobs decline 2.7 percent. The cuts in Prowers County were primarily related to the closure of Neoplan's bus manufacturing plant in Lamar.

Consumer spending in the region, as measured by retail trade sales, increased 4.2 percent in 2005. Eleven of the sixteen counties in the region saw double-digit increases through the first quarter of 2006. The largest increases were reported in Cheyenne, Crowley, Yuma, and Bent counties.

Recent Economic News:

- Xcel Energy has selected Brush as the frontrunner for its proposed $1 billion coal power plant because of the town's abundance of land and water. The plant would be located near the Pawnee Power Plant and would be capable of using its infrastructure to transmit enough power for 300,000 households. The company would employ 500 to 600 workers at the peak of the plant's construction. Xcel Energy will begin construction after 2009 if its proposed gasification technology proves to be efficient at high altitudes.

- PPM Energy, a Portland, Oregon-based energy company, will build a 75-megawatt wind farm near Lamar. The wind farm is expected to have 50 turbines that will provide power for 22,500 homes. Xcel Energy will purchase the power as part of the company's plan to add 775 megawatts of wind power to its system by 2007. Construction for the wind farm, called Twin Buttes, will begin this fall and be completed by the end of 2007. During the construction phase, between 40 and 50 workers will be hired. Upon completion, up to six full-time employees will work at the wind farm.

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%	5.6%	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	$153,066	$157,035	$166,188	$177,025
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%	6.5%
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	$37,946
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%	5.1%
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	$86,938	$87,835	$91,839	$98,269
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%	7.0%
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