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Legislative
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MEMORANDUM

March 20, 2007

TO: Members of the General Assembly

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

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2007-2011*

This memorandum presents the current budget outlook based on the **March 2007 General Fund and cash fund revenue forecasts**. Table 1 presents the General Fund overview based on current law. While the overall forecast has decreased for both General Fund and cash fund revenue, the primary impact of the changes will indirectly impact funding for highways and capital construction. This forecast incorporates the impacts of **Senate Bill 07-97**, which has passed both houses of the state legislature. This bill reduces General Fund revenue by $24.4 million in FY 2006-07 and by an average of $33.6 million in each of the remaining years of the forecast.

Executive Summary

Revenue Forecast

The forecast for TABOR revenue was decreased by $275.7 million or 0.055 percent (55 one-thousandths of one percent) over the five-year time-out period under **Referendum C**. The decrease was almost entirely caused by a reduction in the estimate for sales tax revenue.

- The forecast for **General Fund revenue** was decreased by $231.1 million over the forecast period. It is important to note that the five-year forecast period extends one year beyond the five-year time-out period under Referendum C. Most of the decrease in revenue resulted from a small reduction in expectations for **sales tax** revenue due to a slowdown in consumer spending during the last quarter and more nationwide anxiety over the housing market. In addition, while the forecast for **individual income tax** revenue was unchanged on a *cash basis* in FY 2006-07, the mix of funds caused the *accrual basis* forecast to decline by $21.4 million. Since available money in the General Fund is dependent on the accrual forecast, this led to a reduction in the **General Fund Excess Reserve**.

Table 1
March 2007 General Fund Overview
Assumes Signing of Senate Bill 07-97
(Dollars in Millions)

		Actual 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	$335.4	$688.7	$354.1	$365.5	$411.0	$417.7
2	General Fund Nonexempt Revenue	5,848.6	6,282.4	6,636.3	7,006.3	7,628.9	8,159.1
3	General Fund Exempt Revenue	1,116.1	1,062.1	1,057.1	1,142.1	992.9	983.8
4	Senate Bill 97-1 Diversion to the HUTF	-220.4	-228.9	-237.9	-249.1	-260.6	-273.2
5	Paybacks to Other Funds	-67.1	0.0	0.0	0.0	0.0	0.0
6	Transfers from Other Funds	227.8	0.0	0.1	0.0	0.0	0.0
7	Sales Taxes to Older Coloradans Fund and OASMCF	-2.8	-3.8	-3.8	-3.8	-3.8	-3.8
8	Total Funds Available	$7,237.7	$7,800.5	$7,806.0	$8,261.1	$8,768.4	$9,283.6
	APPROPRIATIONS AND OBLIGATIONS:						
9	**Allowable General Fund Appropriations***	$6,292.7	$6,675.6	$7,084.0	$7,509.1	$7,959.6	$8,437.2
10	Exceptions From the Appropriations Limit	5.0	7.5	0.0	0.0	0.0	0.0
11	Rebates and Expenditures	153.4	169.7	165.8	172.0	178.8	189.5
12	Reimbursement for Senior and Disabled Veterans Property Tax Cut	0.0	76.6	78.6	79.7	81.0	81.7
13	Funds in Prior Year Excess Reserve to HUTF	65.3	291.3	58.0	54.8	73.8	66.2
14	Funds in Prior Year Excess Reserve to Capital Construction	32.7	145.6	29.0	27.4	36.9	33.1
15	Capital Construction Transfer	10.1	80.1	25.0	7.1	20.7	20.8
16	Accounting Adjustments	-10.1	NE	NE	NE	NE	NE
17	Total Obligations	$6,549.0	$7,446.5	$7,440.5	$7,850.0	$8,350.8	$8,828.4
18	**YEAR-END GENERAL FUND RESERVE**	**$688.7**	**$354.1**	**$365.5**	**$411.0**	**$417.7**	**$455.2**
19	**STATUTORY RESERVE: 4.0% OF APPROPRIATIONS**	**251.7**	**267.0**	**283.4**	**300.4**	**318.4**	**337.5**
20	**GENERAL FUND EXCESS RESERVE**	**$436.9**	**$87.0**	**$82.1**	**$110.7**	**$99.3**	**$117.8**
	TABOR RESERVE REQUIREMENT:						
21	General & Cash Fund Emergency Reserve Requirement	$274.8	$281.6	$295.1	$311.6	$321.6	$336.5
22	Appropriations Growth	$361.2	$385.4	$401.0	$425.0	$450.5	$477.6
23	Appropriations Growth Rate	6.08%	6.12%	6.00%	6.00%	6.00%	6.00%
24	Addendum: Amount Directed to State Education Fund	$357.2	$382.7	$401.9	$428.5	$456.5	$486.6

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, $6,675.6 million.

- The forecast for **cash fund revenue** was also changed only slightly. The estimate was reduced by $20.1 million for FY 2006-07 and by a total of $74.3 million over the forecast period. The decrease was primarily due to lower than anticipated **transportation-related** revenue. The **severance tax** forecast remained relatively unchanged, but similar to the forecast for individual income taxes, the mix of revenue was changed. Because tax revenue was decreased and interest earnings were increased, the estimate for the amount of money available in the Operational Account in the Severance Tax Trust Fund was reduced. Several programs passed last year and under consideration this year are dependent on this fund as a source of revenue.

- The current five-year forecast period extends one year beyond the time-out period associated with **Referendum C**. As noted above, the forecast for TABOR revenue was reduced slightly during this period. The current estimate of the amount of revenue that will be retained by the state during the time-out period is $5.37 billion.

- The General Fund will have sufficient revenue to fully fund **appropriations** up to the state's 6 percent limit and to fully fund the **Senate Bill 97-1** diversion throughout the forecast period.

- The **Highway Users Tax Fund** (HUTF**) and capital construction** will share $496.9 million during the next five years under the provisions of House Bill 02-1310, which requires all revenue in excess of the statutory reserve requirement to be transferred two-thirds to the HUTF and one-third to capital construction. The **HUTF** will receive $1,581 million through the Senate Bill 97-1 and House Bill 02-1310 mechanisms between FY 2006-07 and FY 2010-11. **Capital construction** will receive $165.6 million from the House Bill 02-1310 mechanism during the same period. The reduction in General Fund revenue, the passage of Senate Bill 07-97, and increases in spending on other items outside of the six percent limit, such as the senior property tax exemption, have impacted these areas by reducing funding available for House Bill 02-1310 transfers by $431.4 million.

National Economy

As the nation's housing market continues to struggle, the risks of the economy falling into recession are many. Troubles in the sub-prime mortgage market continue to make headlines, but foreign capital remains plentiful and the overall size of the problem appears to be small relative to past industry corrections that have led to economic downturns. Another concern comes from the latest gross domestic product report, which included declines in nonresidential fixed investment. If the nonresidential sector joins the residential sector in the slowdown, the nation could be dragged into recession. However, declining inventories should lead to continued business investment and solid growth in foreign economies will support exports and allow business to lead the way until the housing correction plays out. While growth has certainly slowed and some sectors are teetering on the edge, the national economy should continue down a slow growth path during the forecast period while struggling to correct for excesses in some sectors.

Colorado Economy

Colorado experienced a solid year of growth in 2006. While high consumer debt levels, nation-wide leading mortgage default levels, and a weakening housing market cause concern for the state's economy, growth should continue at a moderated pace during 2007. Colorado's labor markets remain tight and income and wage gains are solid. Nonresidential construction will remain stable, and inflation, while higher than the last several years, will remain under control. Growth in Colorado's advanced technology, defense, tourism, and natural resource industries, which will fuel growth in the important business and professional services sector, should be strong enough to override the contraction in the housing market.

General Fund Revenue

This section presents the Legislative Council Staff forecast for General Fund revenue. Table 2 illustrates revenue collections for FY 2005-06 and projections for FY 2006-07 through FY 2010-11. There are currently many risks to the economic outlook and even consumer spending, which has been supporting the economy, has shown signs of weakening. However, unless one of the risks sends a shock through the economy, Colorado would appear to be ready to continue growing, albeit on a slower growth path. While the housing market remains unstable and consumer confidence and spending have slowed, wages and salaries are growing and the stock market, despite recently experiencing a five percent drop, is still at relatively high levels. State General Fund revenue continues to increase at a rate indicative of a slowly expanding economy.

The forecast for General Fund revenue decreased by $46.8 million for FY 2006-07, over half of which was due to the aforementioned slowing in consumer spending, which resulted in reduced expectations for sales tax collections. The forecast was reduced by $231.1 million over the forecast period, again with most of the reduction coming from expectations for sales tax receipts.

After increasing 17.9 percent in FY 2005-06, **individual income taxes** will increase 7.3 percent in FY 2006-07. The strong growth in FY 2005-06 was the result of healthy job creation and robust capital gains, while this year's growth is consistent with expectations for growth in personal income. Higher interest rates and other inflationary pressures will have a slight dampening effect on job creation during the next few years, and growth in individual income taxes will moderate.

The forecast for individual income taxes was not changed on a cash accounting basis for FY 2006-07. However, because the state is receiving higher withholding taxes and distributing higher refunds than expected, on an accrual accounting basis the forecast decreased $21.4 million for the year. The forecast was increased very slightly over the rest of the five-year forecast period.

The projection for **corporate income tax** collections was little changed over the forecast period. In the first two years, the forecast was revised upward by about $20 million. In the following three years, the forecast was reduced by $27 million. In FY 2006-07, the forecast for corporate income taxes was raised by $13.6 million because collections were running ahead of the December 2006 forecast. This increase caused a marginal rise in the forecast in FY 2007-08. In the out years, the forecast was decreased due to an anticipated slowdown in economic growth. In addition, rising unit labor costs and slowing productivity growth are expected to pinch profit margins in the future.

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 $357.2 million in FY 2005-06, it will receive $382.7 million in FY 2006-07 and $401.9 million in FY 2007-08.

A slowdown in consumer spending at the end of 2006 and expectation for a continuing pullback in 2007 caused a lowering of the **sales tax** forecast by $26.2 million in FY 2006-07. The weak housing market and other risks to the economy, such as high consumer debt levels, may be starting to impact consumer confidence and spending. However, personal income and wages and salaries continue to show healthy increases. This will help partially counteract the negative influences on consumer confidence. Sales tax collections will increase 3.8 percent in the current year and 4.3 percent in FY 2007-08.

The forecast for **use taxes** was revised upward by $2.8 million for FY 2006-07 due to stronger than expected use tax receipts in recent months. However, the FY 2007-08 forecast was revised downward due to an expectation of continued weak construction activity and an overall slowdown in the economy. We expect use taxes to increase 8.2 percent in the current year and be essentially flat in FY 2007-08.

Table 2
March 2007 General Fund Revenue Estimates
(Dollars in Millions)

Category	Actual 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	$1,957.3	5.5	$2,031.0	3.8	$2,117.4	4.3	$2,220.8	4.9	$2,325.5	4.7	$2,439.7	4.9
Use	165.9	8.5	179.5	8.2	179.6	0.0	185.2	3.1	191.4	3.3	198.3	3.6
Cigarette	48.2	-6.3	46.4	-3.8	44.9	-3.3	43.9	-2.1	43.1	-1.8	42.4	-1.7
Tobacco Products	11.2	-20.8	12.9	14.9	13.4	4.2	14.0	4.3	14.6	4.0	15.4	5.5
Liquor	32.8	5.2	34.3	4.3	35.1	2.4	36.1	2.8	37.1	2.8	37.9	2.3
TOTAL EXCISE	$2,215.5	5.3	$2,304.2	4.0	$2,390.4	3.7	$2,500.0	4.6	$2,611.7	4.5	$2,733.7	4.7
Net Individual Income	$4,376.1	17.9	$4,693.7	7.3	$4,956.8	5.6	$5,308.2	7.1	$5,676.6	6.9	$6,069.0	6.9
Net Corporate Income	447.5	42.1	456.7	2.1	451.9	-1.0	462.1	2.2	473.3	2.4	498.8	5.4
TOTAL INCOME TAXES	$4,823.6	19.8	$5,150.4	6.8	$5,408.8	5.0	$5,770.3	6.7	$6,149.8	6.6	$6,567.8	6.8
Less: Portion diverted to the State Education Fund	-357.2	13.8	-382.7	7.1	-401.9	5.0	-428.5	6.6	-456.5	6.5	-486.6	6.6
INCOME TAXES TO GENERAL FUND	$4,466.4	20.3	$4,767.7	6.7	$5,006.8	5.0	$5,341.7	6.7	$5,693.4	6.6	$6,081.3	6.8
Estate	6.8	-73.9	0.5	-92.6	0.4	NA	0.3	NA	0.3	NA	0.0	NA
Insurance	175.1	-7.4	180.3	3.0	187.8	4.1	194.8	3.7	201.9	3.6	209.0	3.6
Pari-Mutuel	3.4	-10.7	3.1	-9.1	3.0	-3.3	2.9	-3.5	2.8	-3.6	2.7	-3.8
Investment Income	33.3	20.1	30.6	-8.0	36.7	19.8	37.5	2.3	38.4	2.4	39.9	3.9
Court Receipts	27.4	4.0	26.4	-3.5	28.1	6.4	28.8	2.6	28.7	-0.5	29.5	2.8
Gaming	17.6	-56.4	15.7	-10.8	23.8	52.1	25.4	6.4	27.1	6.7	28.8	6.4
Other Income	19.3	-33.2	16.0	-17.1	16.4	2.1	17.0	3.9	17.5	3.0	18.0	3.0
TOTAL OTHER	$282.9	-17.3	$272.7	-3.6	$296.1	8.6	$306.7	3.6	$316.7	3.2	$328.0	3.6
GROSS GENERAL FUND	**$6,964.7**	**13.0**	**$7,344.5**	**5.5**	**$7,693.4**	**4.7**	**$8,148.5**	**5.9**	**$8,621.8**	**5.8**	**$9,142.9**	**6.0**
REBATES & EXPENDITURES:												
Cigarette Rebate	$14.1	-2.3	$13.6	-3.7	$13.1	-3.3	$12.9	-2.1	$12.6	-1.8	$12.4	-1.7
Old-Age Pension Fund	89.1	2.8	94.3	5.8	100.2	6.3	106.5	6.3	113.2	6.3	124.1	9.6
Aged Property Tax & Heating Credit	9.8	67.4	12.5	28.2	12.2	-2.7	12.2	-0.3	12.2	0.2	11.8	-3.4
Interest Payments for School Loans	11.3	NA	10.6	-6.2	11.0	3.3	11.2	2.3	11.5	2.4	11.9	3.9
Fire/Police Pensions	29.1	664.6	38.8	33.4	29.3	-24.4	29.3	0.0	29.3	0.0	29.3	0.0
TOTAL REBATES & EXPENDITURES	$153.4	38.5	$169.7	10.7	$165.8	-2.3	$172.0	3.8	$178.8	3.9	$189.5	6.0

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. Total revenue will decrease 6.6 percent in FY 2006-07 after a 12.9 percent increase in FY 2005-06. The decrease in FY 2006-07 is due to declining unemployment insurance and severance taxes. Unemployment insurance (UI) tax rates will fall because the UI Trust Fund has begun to recover from the recession. Severance taxes will fall because of lower oil and natural gas prices in 2006 and 2007. Revenue will decrease by an annual average rate of 0.9 percent through FY 2010-11.

Relative to the December forecast, expectations for revenue to cash funds subject to TABOR decreased $20.1 million in FY 2006-07 and by a total of $74.3 million over the five-year forecast period. Most of the decrease over the five-year forecast period was the result of lower-than-expected revenue from transportation-related revenue.

Growth in revenue to the ***transportation-related*** cash funds will be minimal over the forecast period, averaging 0.7 percent annually. Following a 3.1 percent increase in FY 2005-06, growth will be 0.9 percent in FY 2006-07. An accounting change to the official gasoline tax collections created an unexpected amount of monthly volatility in the data that has only recently been corrected. Revenue collections during the past four months are consistent with assumptions made in December based on data from surrounding states. Motor fuel taxes will decrease 1.2 percent in FY 2006-07. The out-years of the forecast will be relatively flat because gas tax revenue will continue to wane due to increased usage of fuel-efficient vehicles. Meanwhile, registration fee revenue will increase 2.7 percent in FY 2006-07.

The forecast for ***unemployment insurance*** (UI) did not change substantively over the December forecast. Total UI revenue, which includes UI taxes and interest earnings, will *decrease* 14.2 percent in FY 2006-07 after increasing 10.6 percent in FY 2005-06, 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 $1.0 billion between 2004 and 2009.

After increasing 9.0 percent in FY 2005-06, total UI taxes will *decrease* 16.9 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 $286.3 million in FY 2005-06, a level consistent with a moderate economic expansion. Benefits will remain at a level consistent with moderate economic growth throughout the remainder of the forecast period.

The ***severance tax*** forecast was revised downward in FY 2006-07 and FY 2007-08, but increased in subsequent fiscal years. The net effect was minimal over the five-year forecast period. In the current year, the forecast for severance taxes and related interest earnings was relatively unchanged, at $124.4 million, as indicated in Table 4. However, the forecast for severance tax revenue alone was lowered to account for year-to-date collections, while interest earnings were increased for similar reasons. This may impact the funding of several bills from the Operational Account in the Severance Tax Trust Fund, as described below. In FY 2007-08, severance taxes and

Table 3
Cash Fund Revenue Estimates by Category, March 2007
(Dollars in Millions)

	Preliminary FY 05-06	Estimate FY 06-07	Estimate FY 07-08	Estimate FY 08-09	Estimate FY 09-10	Estimate FY 10-11	FY 05-06 to FY 10-11 CAAGR *
Transportation-Related	**$869.6**	**$877.1**	**$880.4**	**$874.0**	**$885.2**	**$898.6**	
% Change	3.1%	0.9%	0.4%	-0.7%	1.3%	1.5%	**0.7%**
Unemployment Insurance	**$515.2**	**$441.9**	**$485.4**	**$577.0**	**$383.8**	**$320.0**	
% Change	10.6%	-14.2%	9.8%	18.9%	-33.5%	-16.6%	**-9.1%**
Employment Support Fund	**$22.4**	**$22.8**	**$24.7**	**$25.6**	**$26.5**	**$27.5**	
% Change	4.1%	2.0%	8.2%	3.4%	3.8%	3.6%	**4.2%**
Severance Tax	**$234.3**	**$124.4**	**$154.7**	**$141.0**	**$140.0**	**$149.6**	
% Change	54.2%	-46.9%	24.4%	-8.9%	-0.7%	6.9%	**-8.6%**
Limited Gaming Fund	**$110.9**	**$117.6**	**$127.3**	**$133.5**	**$140.1**	**$146.8**	
% Change	7.5%	6.1%	8.2%	4.9%	5.0%	4.8%	**5.8%**
Insurance-Related	**$63.9**	**$65.8**	**$69.4**	**$72.5**	**$75.7**	**$79.3**	
% Change	20.1%	3.0%	5.4%	4.5%	4.4%	4.8%	**4.4%**
Regulatory Agencies	**$49.2**	**$52.2**	**$53.3**	**$54.3**	**$55.2**	**$56.4**	
% Change	-4.3%	6.1%	2.1%	1.9%	1.8%	2.1%	**2.8%**
Capital Construction - Interest	**$3.6**	**$15.8**	**$13.0**	**$7.9**	**$4.5**	**$2.7**	
% Change	53.0%	342.0%	-17.4%	-39.7%	-42.2%	-41.1%	**-5.6%**
Controlled Maintenance Trust Fund - Interest	**$6.7**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	
Other Cash Funds	**$342.9**	**$354.6**	**$373.0**	**$392.4**	**$412.8**	**$434.3**	
% Change	26.0%	3.4%	5.2%	5.2%	5.2%	5.2%	**4.8%**
Total Cash Fund Revenues	**$2,218.6**	**$2,072.3**	**$2,181.3**	**$2,278.1**	**$2,124.0**	**$2,115.3**	
Subject to the TABOR Limit	**12.9%**	**-6.6%**	**5.3%**	**4.4%**	**-6.8%**	**-0.4%**	**-0.9%**

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

Table 4
Severance Tax Revenue Forecast
Change from December to March
(Dollars in Millions)

	March Estimate FY 06-07	December Estimate FY 06-07	Difference	March Estimate FY 07-08	December Estimate FY 07-08	Difference
Oil/Gas	95.8	103.7	-7.9	129.5	160.2	-30.7
Coal	8.7	9.4	-0.7	9.0	9.8	-0.8
Interest/Other	19.9	11.0	8.9	16.2	12.4	3.8
TOTAL	124.4	124.1	0.3	154.8	182.4	-27.6

Totals may not sum due to rounding.

related interest earnings are projected to be $154.7 million, a 24.4 percent increase over the prior year. However, this represents a $28 million reduction in the forecast from December. Natural gas prices are expected to average $6.00 per thousand cubic feet (mcf) in 2007 and drop to $5.65 per mcf in the following two years. The December forecast assumed natural gas prices would average $6.69 per mcf in 2007. For the remainder of the forecast period, severance taxes and related interest earnings are projected to range from $140 million to $150 million annually.

The drop in the forecast for severance taxes may impact the funding of several bills that passed during the last legislative session. In particular, the following bills transferred money from the Operational Account of the Severance Tax Trust Fund, providing the ending balance of the Operational Account exceeded certain statutory reserve requirements (FY 2006-07 appropriations in parentheses):

- HB06-1200 - Low-Income Energy Assistance ($11 million);
- HB06-1322 - Clean Energy Development Fund ($2.6 million);
- HB06-1393 - Soil and Water Conservation ($450,0000);
- SB06-179 Water Projects - Colorado Water Conservation Board ($10 million);
- SB06-183 - Colorado Water Resources Research Institute ($500,000); and
- SB06-229 - National Deep Underground Science Laboratory ($1 million).

Based on the current severance tax forecast and approved appropriations, the statutory reserve requirement may not be met in FY 2006-07 or subsequent fiscal years. It has not been determined how the funding priorities for these bills will be set if the statutory reserve requirement is not be satisfied or could be satisfied by funding only some of the bills.

In addition, four other bills were passed that transferred money from the Operational Account of the Severance Tax Trust Fund regardless of the statutory reserve requirement.

These bills include:

- HB06-1311 - Species Conservation ($8.8 million)
- HB06-1313 - Water Litigation ($2.0 million)
- HB06-1400 - Interbasin Compact Charter ($931,000)
- SB06-193 - Development of Underground Water Storage ($146,000)

Total ***gaming*** revenue, which includes taxes, fees, and interest earnings, will increase

6.1 percent in FY 2006-07 and 8.2 percent in FY 2007-08. The current year forecast was reduced because of lower collections through January, some of which will be made up in the following year. It appears that poor winter weather had an adverse impact on visits to Blackhawk, Central City, and Cripple Creek. Over the entire forecast period, the forecast was reduced slightly due to an expected slowdown in the state's economy.

All ***other cash fund revenue*** will increase 4.6 percent in FY 2006-07 and at an annual rate of 4.2 percent over the forecast period. The forecast for revenue to these funds did not change materially from the December forecast.

National Economy

The growth in real **gross domestic product** (GDP) for the fourth quarter of 2006 was reduced from 3.5 percent to 2.2 percent in the latest revision provided by the Bureau of Economic Analysis. While this reduction means that the economy grew at a much slower rate than initially anticipated at the end of last year, the reasons for the downward revision are generally not worrisome. The primary cause of the downturn was a further reduction in **inventories**. Products are counted in GDP when they are made as opposed to when they are sold. Therefore, when inventories are built up they increase GDP and when they are reduced they subtract from GDP because goods are being sold rather than produced. However, reductions in inventories mean that companies are running on much leaner stocks, and with continuing consumer spending will have to produce additional goods in the future to meet demand. Other areas that were reduced in the latest report included real **consumption and net exports**. Both of these areas, however, still grew at fairly strong levels and do not indicate weakness in the economy.

The only part of the revision that warrants continued monitoring is a reduction in **fixed investment**, which extended beyond the anticipated declines in residential construction to include commercial construction and equipment and software. While the decline in the fourth quarter was low, if nonresidential investment continues to decline at the same time there is a correction in the residential market, a recession could be triggered. There are positive signs for **business investment**, however, including the previously mentioned decline in inventories, slowing, but still strong, corporate profits, a stronger dollar that is a disincentive to imports, and solid growth in foreign economies.

The **employment sector** slowed significantly during February. The nation added only 97,000 nonfarm jobs during the month after averaging about 175,000 per month during the prior three months. A large part of the slowdown was a decline in construction jobs. Since the lost construction jobs occurred over all of the construction sectors, they may have been weather related. However, another employment survey that does not count work lost to weather also showed significant weakness for the month. The **unemployment rate**, meanwhile, declined to 4.5 percent. This is clearly a positive for the economy, as workers are probably employed at the natural rate. This level of unemployment could begin to put upward pressure on wages, however, which could lead to a continued push on inflation.

While **consumers** have continued to support the economy during the past few years and consumer confidence has remained high, a variety of recent factors could impact these fundamentals. Higher inflation, coupled with recent jumps in gas prices and a slight stock market correction will weigh negatively on consumers' expectations. In addition, **consumer debt** has continued to increase and there have been problems in the sub-prime loan market. Late mortgage payments reached a three and one-half year high in late 2006. Consumer debt levels continue to increase as increased borrowing outpaces growth in income. The **savings rate** was negative in January, despite a relatively large increase in personal income. Low interest rates, wage increases, and an expanding workforce continue to leave debt levels manageable, but the high levels could become a larger problem if interest rates increase, the availability of foreign investment capital dries up, or the economy experiences a sudden downturn.

Meanwhile, **retail sales** increased only 0.1 percent during February and fell 0.1 percent when a strong increase in auto sales is factored out. Some of the slowdown may have been weather related, but any fall in consumer spending is a concern for the economy at this point as consumer spending has supported the economy while other sectors have stagnated. Retail sales were flat in January as well.

The **manufacturing** sector continues to show weakness. Wholesale sales fell during January and December's growth rate was revised down. Wholesale shipments also declined as vehicles, computers, and petroleum all saw significant declines. At the same time that shipments were falling, orders dropped 5.6 percent and production declined. Manufacturing business activity picked up during February, however, according to the ISM index. Meanwhile, **non-manufacturing** business activity declined to its lowest level since mid-2003.

The **construction** sector continues to be the weakest part of the nation's economy. New and existing home sales have declined significantly from their expansionary peaks and the weakness in the markets will remain for some time. New construction has slowed considerably and the volume of existing homes for sale has increased dramatically. The impact on prices, however, has remained modest in most markets. As consumers shy away from the single family home market, some areas have experienced increases in the construction of multi-family units. The nonresidential construction market has weakened but remains much more stable than the residential market.

Inflation has moved slowly upwards over the past year, with the core rate of consumer prices increasing at 2.7 percent over the past year. This is higher than the Federal Reserve's preferred level and could lead to further restrictions of monetary policy if prices do not begin to recede. January's numbers where helped by a decline in gasoline prices, but these prices clearly reversed themselves during February. In addition, the somewhat counter cyclical measure used for housing continued to push the index higher during January and February. Producer prices took a large jump during February, with the overall index increasing 1.3 percent and the core index increasing 0.4 percent. Producer prices have been very volatile recently, with the index registering the highest single monthly increase and the highest single monthly decrease since the index was started in 1974 during the past six month.

The National Economic Outlook. This section presents the forecast and risks for the national economy. The detailed forecast can be found in Table 5.

- The nation's economy, as measured by real **gross domestic product**, grew at a 3.3 percent level during 2006. However, the rate of growth declined significantly after the first quarter of the year. Significant risks factors and a continuing correction in the residential construction market will hold growth down to a 2.8 percent rate during 2007, before rebounding to 3.3 percent in 2008.

- The consumer **inflation rate** will remain near 3.0 percent for the next several years as the counter cyclical impact of using rental rate equivalents for the housing sector, coupled with increasing energy and food prices maintain the index. Inflation increased 3.4 percent in 2005 and 3.2 percent in 2006. Producer prices will remain slightly below consumer prices in the 2.5 percent to 3.0 percent range.

- **Personal income** growth will moderate from the 6.3 percent growth rate experienced in 2006, but will still remain solid, averaging near 6.0 percent per year during the forecast period. Wage and salary growth will be aided by a tight labor market and strong foreign economies.

- With the **unemployment rate** hovering around 4.5 percent, employment will continue to grow, but will meet some resistance as shortages of potential qualified employees occurs in some sectors. We anticipate that employment will continue to grow a little over 1.0 percent per year during the forecast period, but at slightly reduced rates from 2005 and 2006. The unemployment rate will remain low during 2007 and 2008.

Risks to the Forecast:

- The possibility that the continuing downturn in housing is not as close to the bottom as currently expected and becomes a larger drag on the economy is a risk to the forecast. The recent worries in the mortgage industry and tightening loan standards increase this risk. If defaults continue to escalate and the funds available in the mortgage credit market dry up, the slowing housing market could quickly begin to look like a bursting bubble rather than a correction. If business investment were to see further declines at the same time, the economy could suffer a serious setback. A weaker housing market would spill over into many other sectors as residential investment slows and consumer spending is diminished.

- The labor market could tighten more than anticipated, putting serious pressure on businesses and inflation. This could diminish business investment and create a high inflation situation that would cause the Federal Reserve to take more restrictive steps to fight inflation, which would slow economic growth in the short term.

- Energy prices, after suffering a recent up-tick, could continue higher causing inflation and strains on businesses similar to those caused by a tightening labor market. Increased energy prices also create a drag on consumer spending.

- Global factors such as terrorism, war, and economic and monetary policy in growing economies like India and China create a constant risk to the domestic economy. Actions by other governments and the United States can have significant impacts on the national economy. If foreign investors reduce the amount of capital they make available to our domestic markets or make other monetary policy changes, such as devaluing their currencies or changing market regulations, there can be large impacts on the U.S. economy in a short period of time.

Table 5
National Economic Indicators, March 2007 Forecast
(Dollars in Billions)

	2000	2001	2002	2003	2004	2005	2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010
Inflation-adjusted GDP	$9,817.0	$9,890.7	$10,048.8	$10,301.0	$10,703.5	$11,048.6	$11,413.6	$11,733.2	$12,118.9	$12,506.7	$12,876.3
percent change	3.7%	0.8%	1.6%	2.5%	3.9%	3.2%	3.3%	2.8%	3.3%	3.2%	3.0%
Nonagricultural Employment (millions)	131.8	131.8	130.3	130.0	131.4	133.7	136.2	138.2	140.2	142.3	144.6
percent change	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.8%	1.9%	1.5%	1.4%	1.5%	1.6%
Unemployment Rate	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.5%	4.4%	4.6%	4.7%
Personal Income	$8,429.7	$8,724.1	$8,881.9	$9,163.6	$9,731.4	$10,239.2	$10,884.0	$11,515.3	$12,206.2	$12,963.0	$13,727.8
percent change	8.0%	3.5%	1.8%	3.2%	6.2%	5.2%	6.4%	5.8%	6.0%	6.2%	5.9%
Wage and Salary Income	$4,829.2	$4,942.8	$4,980.9	$5,112.7	$5,392.1	$5,664.8	$6,022.6	$6,375.8	$6,743.5	$7,133.9	$7,533.4
percent change	8.1%	2.4%	0.8%	2.6%	5.5%	5.1%	6.3%	5.9%	5.8%	5.8%	5.6%
Inflation (Consumer Price Index)	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	3.1%	2.8%	2.9%	2.8%
10-year Treasury Note	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.9%	5.0%	5.3%	5.5%	5.6%

Colorado Economy

Colorado's economy expanded at a healthy pace in 2006. Employment, consumer spending, and nonresidential construction were all positive. However, the single-family housing market is contracting, as it is in many areas of the country. The number of single-family construction permits issued and existing home sales dropped in 2006. Also, the median sales price of single-family homes showed year-over-year declines at the end of 2006. Further, the state had the nation's highest foreclosure rate for much of 2006.

In 2007, the state's economy will continue to grow. However, the weak housing market, coupled with continued high energy prices, high consumer debt, and low savings will slow consumer spending in 2007 and moderate employment growth. However, on a positive note for workers, personal income and wages and salaries will continue their recent gains. This will partially counteract the negative factors that could impact consumer confidence and spending, allowing the economy to move forward, albeit at a slower pace.

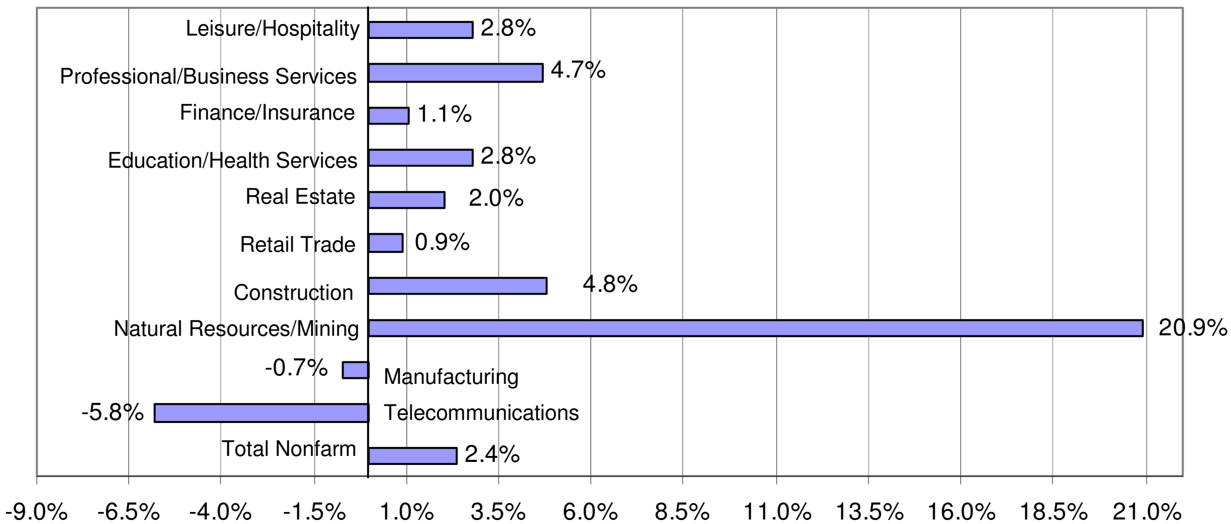
The condition of the state's employment situation is an important indicator of the economy's health. **Nonfarm employment** increased 2.4 percent in 2006, a rate higher than the national employment growth rate of 1.9 percent, and the strongest growth rate since 2000 – the end of the state's last expansion – when nonfarm employment grew by 3.8 percent. However, in comparison, job growth in the latter 1990s ranged from 3.6 percent to 4.2 percent annually.

On a seasonally adjusted basis, the state added an average of 3,700 jobs per month in 2006. Also, the labor force grew by the largest amount since 1995, indicating that more individuals who were discouraged by their job prospects in recent years have rejoined the labor force. Also, more workers may be moving to the state for jobs. Despite an increase in the labor force, Colorado's unemployment rate was a relatively low 4.3 percent, after posting a 5.1 percent rate in 2005.

Figure 1 shows the percent change in employment in 2006 over 2005 levels in important sectors in Colorado. Mirroring the national trend, Colorado continued to shed manufacturing jobs. Further, the telecommunications industry still has not rebounded from its contraction that began in 2001, losing jobs again in 2006. In contrast, natural resources and mining added jobs at a very strong pace due to the increasing demand for energy and higher energy prices driving increases in exploration and drilling. The broad professional and business services sector – a sector important to the state due its size and high wage levels – posted solid employment growth. Workers in this sector, which range from administrative assistants to research scientists, comprises over 17 percent of the state's total private, nonfarm workforce. This sector's job growth helped lead the state out of the last recession and continued growth will be important to the state's economic health. Leisure and hospitality also added jobs, reflecting a positive year for Colorado's tourism industry.

Despite the contraction in the housing market, growth in the labor market is expected to continue in most sectors – though at a lower rate. Growth in industries such as aerospace, defense, oil and gas, and advanced technology, coupled with more Coloradans starting their own businesses, will help fuel demand for workers and businesses with the expertise to support the broad professional and business services sector. The Manpower Inc. Employment Outlook Survey shows that, on average, 32 percent of employers in the major employment areas of the state intend to hire workers in the second quarter of 2007, 56 percent intend no hiring changes, and only 10 percent intend to decrease their workforces.

Figure 1. 2006 Employment Percent Change in Selected Colorado Industries



Source: Colorado Department of Labor and Employment, Current Employment Statistics

- Nonfarm employment will post a 2.1 percent growth rate in 2007.

- Colorado's unemployment rate is expected to average 4.4 percent in 2007.

After increasing 6.2 percent in 2005, **personal income** in Colorado increased 5.8 percent through the third quarter of 2006. Further, after a 5.7 percent increase in 2005 and weakness in prior years starting with the recession, **wages and salaries** – which comprises roughly 60 percent of personal income – increased 6.4 percent through the third quarter. Wages and salaries increased at double-digit rates in several industries: 21.1 percent in mining; 12.3 percent in arts, entertainment, and recreation; 11.8 percent in construction; 10.7 percent in utilities; 10.1 percent in wholesale trade; and 10.0 percent in educational services. Wages and salaries in the government sector saw the lowest increase at 0.7 percent, while wages and salaries for those in the military decreased 1.6 percent.

- Personal income will increase 6.1 percent in 2006 and 6.7 percent in 2007, while wages and salaries will increase 7.2 percent in 2006 and 6.5 percent in 2007.

Consumer spending is a major driving force of the state's economy. Consumer spending in Colorado is measured by spending at the state's retail stores and restaurants. Although **retail trade sales** make up only about one-third of consumer spending (the rest is spending on services), it still presents a useful measure of the health of the economy. Retail trade sales slowed as 2006 drew to a close and the year ended up with a 5.7 percent increase over 2005 levels. Likely due to the adverse weather conditions along the Front Range in December, retail sales increased only 1.2 percent in December of 2006 over the prior December.

- Retail sales growth will slow in 2007 to 5.4 percent, as consumers cut back due to their high debt levels and less optimism about their home values. Consumers felt wealthier in recent years due to rising home appreciation and have been tapping into their equity to fuel spending. Thus, slower appreciation of home values and a weaker housing market overall should temper spending.

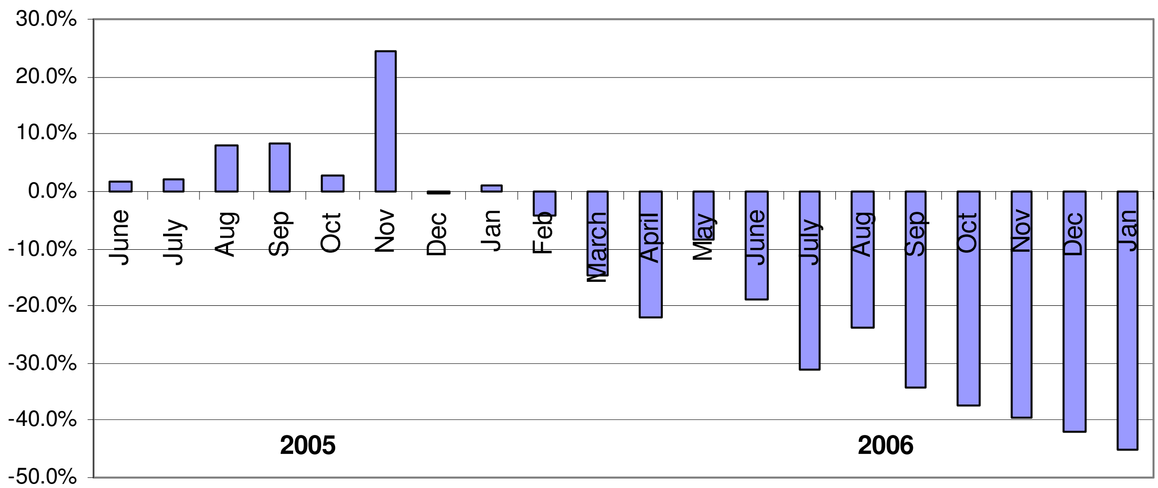
Inflation in the Denver-Boulder-Greeley area was 3.6 percent for 2006**,** the highest mark since 2001. In 2005, inflation was 2.1 percent. The core index – which excludes the more volatile food and energy prices – was even higher, posting a 4.0 percent increase. The housing component, which is based on the local rental market and makes up over 40 percent of the index, increased after experiencing declines since 2003. A sharp 25 percent jump in gasoline prices in the first half of 2006, which tempered during the second half, also contributed to the rise. Finally, prices for apparel jumped 19.3 percent.

- Inflation in 2007 is expected to be similar to 2006 due to continued higher energy prices, a rising housing component due to higher demand in the rental market, and higher wage gains. Inflation will be 3.5 percent in 2006, and fluctuate between 3.2 percent and 3.5 percent throughout the forecast period.

The number of **housing permits** issued in the state is continuing a downward trend that started at the beginning of 2006 – a telling indicator of the housing market's contraction in Colorado. Permits were down 15.0 percent in 2006, driven by a 22.6 percent decline in permits for single-family homes. Figure 2 shows the monthly decline (year-over-year) in single-family permits from June of 2005 to January of 2007, when they were down 45.1 percent from January of 2006. Housing construction deteriorated throughout the year. This trend is evident in most regions of the state. Declining permits were especially prevalent in the larger Front Range metro areas from Colorado Springs to Fort Collins. However, the smaller markets of Pueblo, Grand Junction, and some mountain areas reported increases.

For further evidence of the weakening housing market, sales of existing homes in Colo-

Figure 2. Monthly Change in Single-Family Home Permits in Colorado, June 2005 to January 2007 (Year-over-Year)



Source: U.S. Census Bureau

rado were down 12.5 percent in the fourth quarter of 2006 compared to the same period in 2005, according to the National Association of Realtors. However, this decline in sales was not as steep as in some other states, such as Arizona (-26.9 percent), California (-21.3 percent), Florida (-30.8 percent), Nevada (-36.1 percent), and Virginia (-26.2 percent).

In addition, the median sales price of single-family homes showed year-over-year declines at the end of 2006. According to data from the Colorado Association of Realtors, the median price of single-family homes sold in December was 3.7 percent lower than in December of 2005, after declining 18.1 percent in November and 2.2 percent in October. However, on a positive note, the median sales price of single-family homes in January of this year was 3.0 percent higher than in January of 2006. Overall, the median price of single-family homes sold in 2006 was 2.8 percent higher than the prior year – the slowest appreciation since 2003. Prices increased 9.9 percent in 2005.

Adding to the concern surrounding the housing market is the high foreclosure rate in the state. Colorado posted the nation's highest foreclosure rate for much of 2006. In December, there was a foreclosure filing for every 376 households. The high rate is being driven in part by rising interest rates on adjustable-rate mortgages (ARMs) and other similar types of mortgages. There has also been an increase in "sub-prime loans," which are loans with higher interest rates that are generally offered to riskier borrowers. Many sub-prime loans are also structured so that interest rates rise after a period of time. Because many of these loans have yet to require higher interest payments from borrowers, the high foreclosure rate could continue. A high rate of foreclosure increases the inventory of homes on the market, resulting in further downward pressure on prices. Also, lenders are beginning to tighten their credit requirements due to the increase in foreclosures and changes in government requirements, which could further slow the housing market.

In contrast to the single-family housing market, there is renewed interest in the multi-family housing market. Permits for multi-family homes increased 38.1 percent in 2006. The high rate of foreclosures and the relatively high cost of single-family housing in Colorado has resulted in increased demand in the apartment market. This increased demand is causing lower vacancy rates and higher rents.

- Overall, the single-family housing market is expected to undergo a correction over the next few years before recovering in 2009, while the number of multi-family permits are expected to continue to grow, albeit at a slower rate.

The value of nonresidential construction activity increased 2.1 percent in 2006, after more significant growth in the prior two years. The value of permits in the commercial sector – the largest nonresidential construction sector – was healthy overall, posting a 10.9 percent increase. Growth in this sector was driven by robust increases in garage and service stations and hotels and motels. Stores and food service facilities, office and bank buildings, and warehouses (excluding manufacturing-owned) were weaker segments of the commercial building sector, all posting declines in 2006. Growth in the value of permits for schools and colleges, as well as for public buildings, was strong, posting 37.2 percent and 115.0 percent increases, respectively, in 2006.

- The value of nonresidential construction activity will experience a slight decline in 2007 due to a lack of new projects, decreasing 1.1 percent. However, the nonresidential sector will grow moderately again in 2008, posting a 3.6 percent increase.

In summary, the state's economy is expected to continue to grow in 2007 – though at a slower rate than in 2006. Growth in Colorado's advanced technology, defense, tourism, and natural resource industries, which will fuel growth in the important business and professional services sector, should be strong enough to override the contraction in the housing market.

However, there are risks to the health of the state's economy. Declines in industries related to the housing market, such as construction, financial services, and real estate could ripple through the overall economy. Consumer confidence and spending could decline more than expected as a result of the weak housing market, especially if the high level of foreclosures persists and home values stagnate or decline. Also, consumers with high debt levels and low savings rates may reduce spending and a prolonged stock market decline would impact consumer confidence. These factors, coupled with a potential increase in long-term interest rates and higher energy prices, could dampen spending and slow the economy's growth further. However, thus far, it appears as though the contraction will mostly stay contained within housing-related industries. Thus, the economy appears to be headed for a soft landing rather than a significant downturn.

Table 6
Colorado Economic Indicators, March 2007 Forecast
(Calendar Years)

	2002	2003	2004	2005	2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Population (thousands), July 1	4,498.4	4,548.1	4,601.8	4,665.2	4,753.8	4,839.4	4,926.5	5,025.0	5,120.5	5,217.8
percent change /A	1.6%	1.1%	1.2%	1.4%	1.9%	1.8%	1.8%	2.0%	1.9%	1.9%
Nonagricultural Employment (thousands)	2,184.1	2,152.8	2,179.6	2,226.0	2,278.8	2,326.2	2,371.1	2,421.0	2,472.2	2,529.2
percent change	-1.9%	-1.4%	1.2%	2.1%	2.4%	2.1%	1.9%	2.1%	2.1%	2.3%
Unemployment Rate	5.7	6.1	5.6	5.1	4.3	4.4	4.7	4.5	4.2	4.3
Personal Income (millions)	$153,066	$154,887	$164,587	$174,754	$185,405	$197,823	$208,086	$220,444	$233,503	$247,788
percent change	0.2%	1.2%	6.3%	6.2%	6.1%	6.7%	5.2%	5.9%	5.9%	6.1%
Wage and Salary Income (millions)	$86,938	$88,008	$92,059	$97,263	$104,266	$111,070	$117,651	$125,309	$133,464	$142,245
percent change	-1.5%	1.2%	4.6%	5.7%	7.2%	6.5%	5.9%	6.5%	6.5%	6.6%
Retail Trade Sales (millions)	$58,850	$58,689	$62,288	$65,447	$69,174	$72,883	$76,527	$80,430	$84,772	$89,181
percent change	-0.3%	-0.3%	6.1%	5.1%	5.7%	5.4%	5.0%	5.1%	5.4%	5.2%
Home Permits (thousands)	47.9	39.6	46.4	46.3	39.3	39.0	39.6	43.5	46.6	48.3
percent change	-13.0%	-17.3%	17.3%	-0.2%	-15.1%	-0.9%	1.5%	10.1%	6.9%	3.7%
Nonresidential Building (millions)	$2,787	$2,713	$3,291	$4,221	$4,310	$4,261	$4,413	$4,576	$4,739	$4,907
percent change	-20.4%	-2.7%	21.3%	28.3%	2.1%	-1.1%	3.6%	3.7%	3.6%	3.5%
Denver-Boulder Inflation Rate	1.9%	1.1%	0.1%	2.1%	3.6%	3.5%	3.4%	3.2%	3.2%	3.3%

Personal income and wage and salary income for 2006 are estimates. All other data for 2006 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 performance of the metro Denver economy in 2006 was mixed. On the positive side, nonfarm employment increased 2.1 percent in 2006 after increasing 2.0 percent in 2005. The region's unemployment rate dropped to 4.4 percent in 2006, down from 5.1 percent in 2005. In addition, retail trade sales advanced 4.1 percent through 2006. On the negative side, housing permits declined considerably along with the value of nonresidential construction permits. Table 7 shows economic indicators for the region.

Table 7
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson counties

	2004	2005	2006
Employment Growth /1	0.8%	2.0%	2.1%
Unemployment Rate	5.7%	5.1%	4.4%
Housing Permit Growth /2	23.2%	-4.3%	-14.5%
Growth in Value of Nonresidential Const. /3	19.3%	6.8%	-13.4%
Retail Trade Sales Growth /4	4.6%	3.7%	4.1%

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; excludes Broomfield County.
4/ Colorado Department of Revenue; data through 2006.

On the job front, a recent Manpower Employment Outlook Survey indicates that Denver area employers are expected to hire at a vigorous pace during the second quarter of 2007. Job prospects seem best in construction, durable goods manufacturing, wholesale/retail trade, finance/insurance/real estate, and government sectors. Survey results for employment in the transportation and public utilities sector show that hiring may slow for 2007.

A large supply of homes on the resale market, combined with higher interest rates and foreclosures, may have contributed to a decline of 14.5 percent for housing permits in 2006. However, permits for multi-family housing units increased 52.9 percent. The multi-family sector has been improving because of a decline in vacancy rates and rising foreclosures. The large increase in multi-family building permits was not enough to offset a 83.2 percent decrease in permits for single-family homes.

The value of nonresidential construction permits decreased 13.4 percent in 2006 within the region. The decline is partially attributable to a 78 percent fall in construction permits for hospital facilities. This sector has been highly volatile in recent years. However, other sectors within nonresidential construction, such as commercial, manufacturing, and educational facilities, posted solid gains in 2006.

Recent Economic News:

- Sage Hospitality, a Denver-based group, will begin construction this spring on a $60 million, 15-story, 180-room Renaissance Hotel in Greenwood Village. The construction project will take 14 months to build and be open in time for the 2008 Democratic National Convention. The development will also contain 15 condominiums priced at around $650 per square foot.

- East West Partners unveiled the construction of an 18-unit condo project in the Riverfront Park neighborhood in the Central Platte Valley behind Denver Union Station. Condos will be priced from $1.0 to $1.5 million. The residences will consist of two and three bedroom units sized at about 2,000 square feet.

- Staples Inc. will lease a 300,000 square-foot building in Brighton to open a fulfillment center. Local officials expect that up to 150 jobs may be created. Staples' location along the I-76 corridor will occupy a new office building that was previously occupied by United Facilities.

- Denver-based ProLogis, a developer of industrial properties, will build a $625,000-square-foot distribution center in Aurora for the Furniture Row Co. The project is expected to bring more than 80 new jobs to the area when the construction is completed in the third quarter of 2007.

- Centennial-based Stonebridge will build a 140-room Aloft hotel at Arista in Broomfield that is scheduled for completion in spring 2008. Room prices will range from $105 to $149 per night.

- London-based Rio Tinto Minerals will move its world headquarters to a 104,500-square-foot building in Greenwood Village. The company signed a building lease estimated to be worth about $25 million.

- Washington Group International, an Idaho-based engineering company, will begin hiring up to 200 employees in March from the Denver area for the company's business units throughout the United States. The company will hire engineers, professionals, and support staff.

- McData, a Broomfield-based storage equipment company recently acquired by Brocade, will lay off 142 workers during the next few months at its Westminister location. On April 26, Brocade will lay off an additional 73 jobs at the Westminister location and on July 26, will lay off another 69 jobs at it offices in Louisville's Colorado Tech Center. Brocade has indicated that the job cuts affect higher-paid positions such as those of management and some engineers as well as lower-tier positions.

- Autotron, a manufacturer of automotive hood shields, will close its Longmont production facility and relocate to Lawrenceville, Ga. The move will cost Colorado 75 local jobs. The relocation is part of a company consolidation plan.

- Cornice Inc. a Longmont-based company that makes storage devices for consumer electronics, laid off 76 employees. The company cited financial difficulties and a shift in strategy as the reason for the job cuts.

- Albertsons will close three stores in Westminister and one in Lakewood by March 20. About 234 workers may become unemployed. The company shuttered 16 of its stores in Colorado late last summer.

- The fitness product maker, Nautilus Group Inc., will move its Louisville-based product development facility and up to 50 employees to its headquarters in Vancouver, Washington.

- Lund International, an after-market automotive parts manufacturer, will close its Autotron Accessories Division in Longmont by May 31. About 75 workers who make plastic parts for cars and light trucks may be affected by the closure. The closure is part of a broad-based strategy to cut costs.

Colorado Springs Region

The Colorado Springs area's economic welfare was mixed in 2006. Overall job growth and consumer spending was relatively strong. However, its housing market appeared to experience a larger contraction than the state overall. Table 8 shows the economic indicators for the Colorado Springs region.

Table 8
Colorado Springs Region Economic Indicators
El Paso County

	2004	2005	2006
Employment Growth /1	1.4%	1.7%	2.2%
Unemployment Rate	5.7%	5.3%	4.6%
Housing Permit Growth /2	28.8%	3.6%	-34.3%
Growth in Value of Nonresidential Const. /3	-5.7%	141.5%	-18.7%
Retail Trade Sales Growth /4	10.3%	5.2%	5.1%

NA = Not available

1/ Colorado Department of Labor and Employment. 2004 and 2005 data are from the QCEW (ES202) program. 2006 data is from the CES data and is for the Colorado Springs MSA only.

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

3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through 2006.

Nonfarm employment increased 2.2 percent and the region's unemployment rate was 4.6 percent in 2006. The manufacturing and information sectors continued to shed jobs with declines of 2.7 percent and 7.0 percent, respectively. Employment in the combined sector of natural resources, mining, and construction increased 5.9 percent. Professional and business services employment increased 4.5 percent.

The local residential construction sector suffered in 2006 after strong years in 2004 and 2005. New home permits fell 34.3 percent over 2005 levels. Residential construction is an important component of the local economy due to the large number of carpenters, framers, drywallers, plumbers, and electricians who work in the industry. In addition, the sales taxes collected on building materials account for a large amount of revenue for the City of Colorado Springs.

The pace of residential construction in the area has continued its fall during the first two months of 2007. According to the Pikes Peak Regional Building Department, single-family permits issued in the first two months of this year are down 47.4 percent from the same period in 2006. Swings in the region's military levels, a strong market pushed by low interest rates during 2004 and 2005, and the general pullback in the housing market nationally are all factoring into the contraction that should continue through 2007. However, some Colorado Springs builders believe the housing market will turn around in 2007, particularly in the latter half of the year.

Nonresidential construction dropped 18.7 percent, but comes off a high level in 2005 when a single project accounted for $562 million. Without this project, nonresidential construction would have increased 90.3 percent

Retail trade sales in El Paso County increased 5.1 percent in 2006, slightly lower than the 5.7 percent increase for the state as a whole.

Recent Economic News:

- Computer chip manufacturer Intel Corporation has put its Colorado Springs plant up for sale, and has indicated it will close it if it is not bought. If the plant closes, its 1,000 employees will face layoffs. If the plant is bought, the new owner likely would operate the plant, although with an undetermined number of workers. The plant is being sold because of the sale of Intel's communications chip business for which the plant supplied components.

- The cost of living in Colorado Springs has moved higher, putting it closer to the national average, according to a survey by the national

Council of Community and Economic Research. It was 4.6 percent below the national average during the fourth quarter of 2006, while at the end of 2005, living costs were 6.1 percent below the national average. The organization's cost-of-living index compares prices for goods and services bought by households in which middle-management executives live to help compare living costs. The survey showed that home energy costs in Colorado Springs were the fourth lowest of the 274 cities participating in the survey.

- Coast Independent Review Board LLC, which focuses on protecting patients of clinical research trials, will open an 11,000-square-foot operations center at Pikes Peak Research Park at the beginning of May. The center is expected to bring 180 jobs to Colorado Springs during the next five years.

- Quantum Corporation, a data-storage manufacturer, is consolidating its North American operations in Colorado Springs. The company plans to move its high end tape libraries and disk-based computer backup systems, customized product manufacturing, and repair operations to the city and add 70 employees to its 350-person local work force. Quantum moved to Colorado Springs in 1994 but laid off around 2,600 employees in subsequent years when it moved some of its operations to Asia.

- The hotel occupancy rate in Colorado Springs was 58.7 percent in 2006, the lowest level in 15 years, according to a Rocky Mountain Lodging Report. The low rate was attributed to higher gas prices discouraging people from visiting the area in the summer, the snowstorms at the end of the year, and a lack of new tourist attractions.

- In contrast to the residential market, the commercial real estate market in Colorado Springs is expected to be strong in 2007, according to a Colorado Springs commercial brokerage firm. Empty office and industrial buildings are being occupied at faster rates, space in shopping centers is in high demand by restaurants and retailers, and buildings and land are being bought by investors. The strong market is being attributed to strong job and population growth, expansion of the local defense industry, and because land and buildings are more affordable to buyers than in larger cities.

- The Colorado Springs Gazette has recently eliminated 33 full- and part-time employees. During the last several years, the newspaper industry has experienced advertising and circulation losses due in part to changing readership habits and competition from the Internet and 24-hour news channels. Several newspapers around the country have recently cut staffs.

Pueblo Region

Pueblo's five-county regional economic picture was healthy in 2006 after exhibiting mixed results in 2005. All indicators were positive, including residential construction which was negative in most other regions of the state. Table 9 shows annual economic indicators for the region for 2004 through 2006.

Table 9
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas counties

	2004	2005	2006
Employment Growth /1	-0.2%	1.1%	2.3%
Unemployment Rate	7.0%	6.5%	5.5%
Housing Permit Growth /2 Pueblo County Only	-4.8%	-3.4%	10.6%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	-17.5%	-48.0%	632.3%
Retail Trade Sales Growth /4	6.8%	5.3%	6.0%

1/ Colorado Department of Labor and Employment. 2004 and 2005 data are from the QCEW (ES202) program. 2006 data is from CES data and is for the Pueblo MSA only.
2/ U.S. Census.
3/ F.W. Dodge.
4/ Colorado Department of Revenue; data through 2006.

Nonfarm employment growth increased 2.3 percent over 2005. Meanwhile, the unemployment rate dropped from an average of 6.5 percent in 2005 to 5.5 percent in 2006. Pueblo, the largest county in the region, had an unemployment rate of 5.6 percent. Pueblo's improved employment picture in 2006 was due to significant construction jobs created by the Xcel Energy Comanche Plant expansion and the Pueblo Chemical Depot demilitarization program. The projects are still ramping up and thus are likely to continue to be a significant economic driver for the region. According to the Manpower Employment Outlook Survey, employers in the Pueblo area expect to hire at a reasonable pace during the second quarter of 2007, with 19 percent of employers expecting to add staff. Seventy-seven percent are expected to maintain current staff levels and four percent expect to reduce their payrolls.

The region experienced retail sales growth of 6.0 percent through 2006. The region's sales were slightly higher than the statewide pace of 5.7 percent and surpassed the region's growth rate of 5.3 percent in 2005. Growth was strongest in Huerfano County at 13.9 percent. Custer county also had double-digit growth at 11.8 percent.

Construction activity was positive overall in 2006, particularly after declines in 2004 and 2005. In contrast to national and state trends, housing permit growth in Pueblo County posted a healthy increase in 2006 – growing by 10.6 percent. Pueblo West was the center of residential construction activity. However, most of the permit activity occurred in the first eight months of 2006 and it appears that the slowing housing market seen in other regions may be starting to occur in Pueblo. Housing starts have posted declines for six consecutive months through February of this year. February's permits were 17.6 percent lower than in the prior year. However, the slowdown may be temporary due to cold temperatures in the winter months. Continued job growth should help the area's housing sector.

Recent Economic News:

- Lowe's will invest $18.5 million to build a new store on Pueblo's south side. The store – Lowe's second in Pueblo – will be the first anchor store to be built in the area since the Wal-Mart opened in 1987. The store has a targeted opening of next fall and will create up to 175 new jobs.

- There were 300,000 visitors to the Royal Gorge Bridge and Park in 2006, representing a 7.5 percent increase over 2005. Royal

Gorge park officials indicated that many visitors rated their overall park experience very positively.

- An Office Depot opened in Pueblo in January in the Regency Square shopping center. The property manager for the shopping center indicated that the Office Depot will make it easier to fill the center's remaining space. The shopping center recently has been updated with parking lot and landscaping improvements. The store is Pueblo's only Office Depot store.

- An Olive Garden opened in February in Pueblo – the first to open in southern Colorado. An estimated 150 jobs will be created with the opening of the 247 seat, 7,480 square-foot restaurant.

- The cost of living in Pueblo was 12.1 percent below the national average at the end of 2006, according to a survey by the national Council of Community and Economic Research. The organization's cost-of-living index compares prices for goods and services bought by households in which middle-management executives live to help compare living costs.

San Luis Valley and Southwest Region

The San Luis Valley and southwest region's economy grew at a moderate rate overall in 2006 despite a decline in residential construction permits in Alamosa and La Plata counties. Employment increased 5.2 percent over 2005 levels. The region's unemployment rate dropped from an average of 5.1 percent in 2005 to 4.3 percent, the same rate as the state overall. Meanwhile, the region posted strong growth in retail sales. Sales increased 9.8 percent through 2006, outpacing the state's growth rate of 5.7 percent. Table 10 shows key economic indicators for the region.

Table 10
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	2006
Employment Growth /1	2.1%	1.4%	5.2%
Unemployment Rate	5.3%	5.1%	4.3%
Statewide Crop Price Changes /2			
Barley (U.S. average)	8.0%	1.1%	21.6%
Alfalfa Hay	1.2%	18.8%	35.9%
Potatoes	2.1%	78.7%	-6.9%
Fall Potato Production (Cwt) /2	-0.7%	-6.4%	-1.0%
Housing Permit Growth /3			
Alamosa County	22.2%	-39.4%	-2.5%
La Plata County	-8.1%	-1.4%	-25.5%
Growth in Value of Nonresidential Const. /3			
Alamosa County	43.6%	-44.1%	-22.4%
La Plata County	-25.2%	-83.2%	74.4%
Retail Trade Sales Growth /4	9.3%	7.3%	9.8%

NA = Not available.

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

2/ Colorado Agricultural Statistics Service. Compares February 2007 to February 2006.

3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through 2006.

Mirroring the trend across most of the rest of the state, residential construction declined in La Plata and Alamosa counties in 2006. Housing permits decreased 25.5 percent in La Plata County and 2.5 percent in Alamosa County. Other signs of a weak housing market in La Plata County include a 30 percent decrease in the number of Durango homes sold in 2006 and homes were staying on the market longer. The weakness mostly occurred with homes costing less than $499,000 – a market that is more interest-rate sensitive. The market for homes priced at more than $500,000 was stronger, pushing the median price for a Durango home to $422,982 in 2006, up from $357,000 in 2005, an 18.5 percent increase.

The value of nonresidential construction in La Plata County grew significantly – 74.4 percent – after declining in 2004 and 2005. The increase in nonresidential construction occurred mostly with office and bank buildings and stores and food service facilities. The value of nonresidential construction in Alamosa County declined 22.4 percent in 2006, driven mostly by a decline in the value of permits for stores and food service facilities.

Recent Economic News:

- San Juan Biodiesel LLC expects to break ground on a biodiesel plant in Dove Creek north of Cortez in Dolores County in the second quarter of 2007 and start production by the first part of 2008. The plant is expected to be able to produce 5 million gallons of biodiesel a year and employ 23 people. A $100,000 grant received from the Colorado Department of Agriculture is being used to help build the project.

- Solar energy developer SkyFuel announced plans to build the world's largest solar energy park in the San Luis Valley. The $2 billion solar park, called SolarDunes, would have a total capacity of 1,000 megawatts, which would produce enough electricity for more than 300,000 homes and businesses along the Front Range. The project has been scheduled to begin construction in 2010 and could create more than 300 jobs in the valley. However, there are questions surrounding the project, such as SkyFuel's plans to use untested solar thermal technology and whether financing will be available for the project.

- The energy firm BP PLC plans to invest $2.4 billion in La Plata County over the next 13 years to accelerate oil and gas production in southwestern Colorado. Planned investments include drilling 700 wells, acquiring one more drilling rig, and adding staff and technology. BP currently accounts for more than half the gas produced in La Plata County and it hopes to increase its production in the area by 20 percent with its investments. BP's investment in southwestern Colorado is part of the firm's plans to invest $45 billion over the next decade on exploration and production in the entire United States.

- The Southern Ute Tribe has begun construction on a new casino and resort, called the Sky Ute Casino, near Ignacio. The resort is expected to have about 150 hotel rooms, 700 slot machines, and employ 400 to 600 people. The banquet and conference center portion of the casino will hold up to 1,700 people. The Southern Ute Tribe hopes to use the center to attract boxing events, rodeos, concerts, and conferences.

Western Region

The western region continues to be the fastest growing region in the state based on employment and retail trade sales growth. Employment increased 8.4 percent through 2006, compared with growth of 4.9 percent in the prior year. Ongoing exploration, drilling, and production of natural gas were primarily responsible for the strong increase. Similarly, retail trade sales were up 14.2 percent, compared with a 10.5 percent increase in 2005. Table 11 displays economic indicators for the region.

Table 11

Western Region Economic Indicators

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

	2004	2005	2006
Employment Growth /1	3.3%	4.9%	8.4%
Unemployment Rate	4.9%	4.4%	3.6%
Housing Permit Growth			
Mesa County 2/	-2.4%	-3.0%	4.6%
Montrose County 3/	34.0%	22.4%	-5.3%
Growth in Value of Nonresidential Const. /3			
Mesa County	0.1%	287.8%	-47.1%
Montrose County	109.4%	-54.9%	97.5%
Retail Trade Sales Growth /4	8.4%	10.5%	14.2%

NA = Not Available

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

2/ U.S. Census.

3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through 2006.

The region's unemployment rate dropped to 3.6 percent in 2006, down from 4.4 percent in 2005. For Mesa County, Grand Junction's unemployment rate was 3.4 percent in December 2006 over 4.7 percent in the prior December.

Construction indicators were mixed in 2006. Housing permits declined by 5.3 percent in Montrose County, and the value of nonresidential construction dropped by 47.1 percent in Mesa County. Despite these declines, housing permits grew by 4.6 percent in Mesa County in 2006 and the value of nonresidential construction nearly doubled in Montrose County.

Consumer spending in the region, as measured by retail trade sales, increased 14.2 percent through 2006. Every county in the region, except Montrose and San Miguel, experienced double-digit growth. The fastest growth rate recorded was 50.1 percent in Rio Blanco County, reflecting spending from the oil and gas boom. San Miguel County had the lowest growth rate at 5.8 percent.

Recent Economic News:

- The Peaks Resort & Golden Door Spa in Telluride's Mountain Village will spend $60 million to covert its property into a condominium hotel. The condos will range in price from $500,000 to $2.2 million and when not in use by owners, will be entered into a rental pool. Renovations are expected to be completed by December 2007.

- J. C. Penny will open a new 91,000 square-foot store on the south side of Montrose in July or August. Nearby, Target will open its 127,904 square-foot store in the summer. Both of these stores will add about 300 new jobs to the area.

Mountain Region

The mountain region's economy enjoyed healthy economic growth in 2006 as indicators for employment, construction, and consumer spending showed positive gains. Employment growth in the region saw a robust increase of 5.2 percent over 2005. The region's unemployment rate for 2006 was 3.6 percent, lower than the statewide rate. Table 12 shows the major economic indicators for the mountain region.

Table 12
Mountain Region Economic Indicators
Routt, Jackson, Grand, Eagle, Summit, Pitkin, Lake, Park, Teller, Clear Creek, Gilpin, and Chaffee counties

	2004	2005	2006
Employment Growth /1	1.5%	3.2%	5.2%
Unemployment Rate	4.9%	4.3%	3.6%
Housing Permit Growth /2			
Eagle, Pitkin, & Summit counties 2/	-26.5%	39.1%	12.4%
Routt County 3/	10.9%	34.0%	16.8%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	243.4%	11.2%	70.2%
Routt County	154.9%	-10.3%	131.7%
Retail Trade Sales Growth /4	8.6%	8.8%	12.6%

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

Mountain communities are experiencing significant construction activity. Home construction was up 12.4 percent in Eagle, Pitkin, and Summit Counties; for Routt County, housing starts were up 16.8 percent. While Aspen and Pitkin County's luxury real estate market posted record gains of $2.69 billion in sales, the standard housing market finished 2006 with $21.6 million in sales, the highest level of sales in 5 years. These real estate gains outpaced 2005 sales by nearly 19 percent. The average price for a single-family home in Aspen reached $5.44 million in 2006, up 26.5 percent from $4.3 million in 2005. The median single-family home in 2006 was $4.16 million, up 17.5 percent from $3.5 million in the prior year. In contrast to Pitkin County, Summit County's housing prices were more subdued as the average cost of a single-family home was $697,222.

In addition, nonresidential construction in the ski counties boomed. The growth in value for nonresidential construction in Eagle, Pitkin, and Summit counties was 70.2 percent while Routt County showed a 131.7 percent increase. In addition, retail sales grew 12.6 percent, far exceeding the statewide average of 5.7 percent.

Recent Economic News:

- East West Partners of Vail is developing a property for Starwood Hotel & Resorts in the town of Avon. The development will feature two new Westin resorts near the Beaver Creek ski area. The project will include a 235-room high-end hotel which may open for the 2008-09 ski season. The development will also feature the Westin Riverfront Mountain Villas, a timeshare resort of 113 two-bedroom units, expected to open in 2008.

- Vail Resorts Inc. plans to build a $1 billion resort village in Vail's West Lionshead. The 1 million square-foot development will include a hotel, 225 condos, 100,000 square feet of commercial development, a 600-plus space parking garage, and a new gondola to access Vail Mountain. Real estate sales are expected to begin on the project in 2009.

- Avon-based Dundee announced its plans to build 350 condominiums and town homes at SolVista ski area in Grand County.

Northern Region

Economic indicators point to a healthy economy in the northern region. The job market is solid, with strong employment gains in Weld County and a low unemployment rate in Larimer County. Consumer spending, measured by retail sales, also continues to be healthy. Despite the positive economic activity, the market for lower-valued single family homes continues to be poor in the region as foreclosures affect the market. Table 13 shows annual economic indicators for the region for 2004 through 2006.

Table 13
Northern Region Economic Indicators
Weld and Larimer counties

	2004	2005	2006
Employment Growth /1			
Larimer County	2.2%	2.0%	1.7%
Weld County	2.8%	2.7%	4.0%
Unemployment Rate			
Larimer County	4.6%	4.4%	3.9%
Weld County	5.4%	5.1%	4.6%
State Cattle and Calf Inventory Growth /2	4.2%	6.0%	-6.3%
Housing Permit Growth /3			
Larimer County	7.1%	-14.8%	-17.5%
Weld County	10.4%	-2.2%	-30.3%
Growth in Value of Nonresidential Const. /4			
Larimer County	197.9%	-56.4%	72.7%
Weld County	34.1%	-35.8%	-17.6%
Retail Trade Sales Growth /5			
Larimer County	3.5%	5.7%	5.2%
Weld County	14.3%	8.9%	7.0%

NA = Not available

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

2/ Colorado Agricultural Statistics Service. Compares February 2007 to February 2006.

3/ U.S. Census.

4/ F.W. Dodge.

5/ Colorado Department of Revenue; data through 2006.

Employment growth in Weld County increased 4.0 percent over 2005. Growth was not as strong in Larimer County – up 1.7 percent over the same time period. Despite strong employment growth, Weld County's unemployment rate for 2006 was 4.6 percent while Larimer County's unemployment rate was 3.9 percent. The low unemployment rates are causing some concerns of a worker shortage in the region. The Manpower Inc. Employment Outlook Survey of employers in the northern region indicates that employment growth will continue to be solid into the beginning of next year. A recent survey found that 43 percent of employers plan to add workers while only 7 percent intend to cut jobs. The remaining forty-three percent of employers intend to maintain current staff levels, while 7 percent are not certain of their hiring plans.

For the second quarter of 2007, job prospects are best in the construction, durable goods manufacturing, wholesale and retail trade, finance, insurance, real estate, and service sectors. Employers producing non-durable goods plan on reducing staffing levels.

While the overall economic health of the northern region is good, the region's housing market is weakening as is occurring in the rest of the state and the nation. After a building boom in the northern region last year, housing permits were down 17.5 percent in Larimer County and 30.3 percent in Weld County. Weld County led the nation by having the highest foreclosure rate for the fourth consecutive month through November 2006. The foreclosures continue to place a large number of homes on the real estate market.

Demand for apartments is soaring, due in part to the high foreclosure rates in the region. Multi-family permits are up 70.3 percent in Larimer County and 110.2 percent in Weld County through December.

The nonresidential construction sector of the economy in Larimer County is healthy, growing 72.7 percent in 2006. Meanwhile, the value of nonresidential construction in Weld County decreased 17.6 percent. The strong sales growth in the region indicates that consumers are continuing to spend. Retail sales were up 5.2 percent in Larimer County and 7.0 percent in Weld County in 2006.

Recent Economic News:

- Vestas Wind Systems, a Denmark-based renewable energy company, is negotiating to construct a power plant in Weld County near Windsor that would create 400 to 500 new jobs. The company supplies about 35 percent of the wind turbines in the world and is looking at the Great West Industrial Park as a potential location. Vestas will manufacture about 2,400 giant wind turbines annually at the northern Colorado plant and pay workers above the area median wage. Worldwide, Vestas employs about 12,000 workers.

- The development boom along Interstate 25 in Larimer County is moving southward along the transportation corridor. Projects awaiting approval by the Johnstown Town Council include the 402 Exchange Business Park. The 450,000 square-foot commercial center is expected to attract regional businesses as its access to Interstate 25 is important for shipping goods. Construction may begin as early as 2008. A multi-family housing development is also planned for the Great Plains Village project south of Johnson's Corner.

- Swift & Company laid off at least 50 employees at its Greeley corporate headquarters to reduce costs. The company maintains that the cost-cutting measures are resulting from a decline in the national beef industry.

- The Ferrero Chrysler-Dodge-Jeep auto dealership is expanding and moving to the Motorplex complex. The dealership hired 15 new employees and now has a total of nearly 60 employees. Ten new-hires may be added during the early summer when sales activity is expected to pick up.

- EMC Corporation of Hopkinton, Mass., a data-storage provider, will open a regional office in Loveland at the Centerra development by Interstate 25 and Highway 34. EMC has seven locations in Colorado. The company employs 31,000 employees worldwide. For the new regional office in Loveland, the company will move 30 of its employees to the Centerra office which will have room to expand its operations to employ 60 workers at the 14,000 square-foot facility.

Eastern Region

Economic indicators were generally positive for the region in 2006. Employment growth, consumer spending, and agricultural indicators all displayed significant growth over 2005 figures. Although economic indicators for 2006 were healthy, the region experienced a dismal winter after two major snowstorms in December 2006 and January of 2007. Ranchers saw significant losses to their livestock herds. Table 14 shows economic indicators for the region for 2004 through 2006.

Table 14
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	2006
Employment Growth /1	-1.4%	0.4%	3.0%
Unemployment Rate	4.7%	4.6%	4.2%
Crop Price Changes /2			
Winter Wheat	-9.2%	3.1%	18.6%
Corn for Grain	13.7%	0.9%	60.6%
Alfalfa Hay	1.2%	16.3%	35.9%
Dry Beans	1.7%	-32.9%	25.0%
State Crop Production Growth /2			
Sorghum production	25.6%	-36.9%	NA
Corn	16.8%	0.1%	NA
Winter Wheat			
Sugar Beets	30.1%	-0.6%	NA
2006 is estimated production for the year.			
State Cattle and Calf Inventory Growth /2	4.2%	6.0%	-6.3%
Retail Trade Sales Growth /3	5.4%	5.4%	6.7%

NA = Not available
1/ Colorado Department of Labor and Employment. 2004 and 2005 data are from the QCEW (ES-202) program. 2006 data is from the Current Population (household) Survey.
2/ Colorado Agricultural Statistics Service. Compares February 2007 to February 2006.
Crop production based on projections for 2006 compared to actual 2005 production.
3/ Colorado Department of Revenue; data through 2006.

Employment in the region increased 3.0 percent in 2006 and the unemployment rate was 4.2 percent, lower than the average of 4.6 percent in 2005. Yuma reported the lowest unemployment rate in the region at 2.7 percent while Crowley had the region's highest unemployment rate of 6.9 percent.

Consumer spending in the region, as measured by retail trade sales, exceeded the statewide pace of 5.7 percent, increasing 6.7 percent through November 2006. Six of the sixteen counties in the region saw double-digit increases. Yuma County's retail trade sales saw the largest increase at 22.9 percent while increases in Cheyenne county and Lincoln county were lower at 19.1 and 16.5 percent respectably. Washington and Otero counties experienced a significant decline in retail sales during the same time period. The region's retail trade sales growth was 5.4 percent in 2005.

While most state crop prices increased, corn prices accelerated dramatically, up 60.6 percent in February of this year over the prior year. The significant increase likely resulted in part from the increase in demand for corn-based ethanol. As the U. S. renewable energy goals demand that more ethanol plants come online, it is likely that corn prices and production will increase to meet energy demands. Along with corn price increases, winter wheat prices were up 18.6 percent, alfalfa hay prices were up 35.9 percent, and dry bean prices were up 25.0 percent.

Recent Economic News:

- Advanced Transportation Technologies, opened a training and assembly facility in Rocky Ford's industrial park. The firm will employ up to 40 people in the next year paying employees about $12 per hour with benefits. The company intends to expand its line of products for the transportation industry which are designed to improve worker and public safety.

- Dallas-based Panda Ethanol has signed a construction agreement with Lurgi Inc. to build a $120 million ethanol plant in Yuma County — the second such plant in the county. The construction is expected to be completed in 2009. The plant will refine an estimated 38 million bushels of corn and produce 105 million gallons of ethanol annually. The plant's production is estimated to displace 2.5 million barrels of imported oil a year. Yuma's other plant, Yuma Ethanol, will begin its operations in June and produce 50 million gallons of ethanol annually. Both plants will create up to 70 new jobs for the area.

- Western Convenience Stores, Inc., has opened a new store in Fowler, Colorado. Currently, there are 30 such stores in Colorado and Nebraska. Western is in the process of upgrading the store's water system and will have a new car wash operating in the next few months. The 24-hour operation will employ 6 part-time employees.

Appendix A
Historical Data

National Economic Indicators
(Dollar amounts in billions)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Gross Domestic Product	$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	$10,960.8	$11,712.5	$12,455.8
percent change	3.3%	5.7%	5.0%	6.2%	4.6%	5.7%	6.2%	5.3%	6.0%	5.9%	3.2%	3.4%	4.7%	6.9%	6.3%
Real Gross Domestic Product (inflation-adjusted, chained to 2000)	$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	$10,048.8	$10,301.0	$10,703.5	$11,048.6
percent change	-0.2%	3.3%	2.7%	4.0%	2.5%	3.7%	4.5%	4.2%	4.4%	3.7%	0.8%	1.6%	2.5%	3.9%	3.2%
Unemployment Rate	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)	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	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	$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	$9,163.6	$9,731.4	$10,239.2
percent change	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%	6.2%	5.2%
Wage and Salary Income	$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	$5,112.7	$5,392.1	$5,664.8
percent change	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%	5.5%	5.1%
Nonfarm Wage and Salary Employment (millions)	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	133.7
percent change	-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%	1.8%

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)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Nonagricultural Employment (thous.)	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	2,226.0	2,278.8
percent change	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%	2.4%
Unemployment Rate	5.1%	6.0%	5.3%	4.2%	4.0%	4.2%	3.4%	3.5%	3.1%	2.7%	3.8%	5.7%	6.1%	5.6%	5.1%	4.3%
Personal Income	$68,283	$73,794	$79,697	$85,671	$92,704	$100,233	$107,873	$118,493	$128,860	$144,394	$152,700	$153,066	$154,887	$164,587	$174,754	NA
percent change	5.5%	8.1%	8.0%	7.5%	8.2%	8.1%	7.6%	9.8%	8.7%	12.1%	5.8%	0.2%	1.2%	6.3%	6.2%	
Per Capita Income	$20,160	$21,109	$22,054	$23,004	$24,226	$25,570	$26,846	$28,784	$30,492	$33,371	$34,493	$34,027	$34,056	$35,766	$37,459	NA
percent change	3.0%	4.7%	4.5%	4.3%	5.3%	5.5%	5.0%	7.2%	5.9%	9.4%	3.4%	-1.4%	0.1%	5.0%	5.1%	
Wage and Salary Income	$39,548	$42,678	$45,736	$48,912	$52,782	$57,091	$62,364	$69,462	$76,283	$85,909	$88,297	$86,938	$88,008	$92,059	$97,263	NA
percent change	6.5%	7.9%	7.2%	6.9%	7.9%	8.2%	9.2%	11.4%	9.8%	12.6%	2.8%	-1.5%	1.2%	4.6%	5.7%	
Retail Trade Sales	$28,932	$31,298	$34,178	$38,100	$39,919	$42,629	$45,142	$48,173	$52,609	$57,955	$59,014	$58,852	$58,689	$62,288	$65,447	$69,174
percent change	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%	6.1%	5.1%	5.7%
Housing Permits	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	46,360	46,262	39,314
percent change	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%	17.2%	-0.2%	-15.0%
Nonresidential Construction	$1,610	$1,539	$1,578	$1,581	$1,841	$2,367	$3,274	$2,880	$3,783	$3,476	$3,500	$2,787	$2,713	3,291.0	4,221.0	4,310.0
percent change	71.4%	-4.4%	2.6%	0.2%	16.4%	28.6%	38.3%	-12.0%	31.4%	-8.1%	0.7%	-20.4%	-2.7%	21.3%	28.3%	2.1%
Denver-Boulder Inflation Rate	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%	3.6%
Population (thousands, July 1)	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	4,427.0	4,498.4	4,548.1	4,601.8	4,665.2	4,753.8
percent change	2.4%	3.2%	3.4%	2.7%	2.8%	2.0%	2.0%	2.0%	2.0%	2.4%	2.3%	1.6%	1.1%	1.2%	1.4%	1.9%

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