Colorado
Legislative
Council
Staff

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

MEMORANDUM

December 20, 2007

TO: Members of the General Assembly

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

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2007-2012*

This memorandum presents the current budget outlook based on the **December 2007 General Fund and cash fund revenue forecasts.** Table 1 presents the General Fund overview based on current law. Also presented are projections for kindergarten through twelfth grade enrollment, prison and parole populations in both the juvenile and adult offender systems, and assessed property values.

Executive Summary

Revenue Forecast

The five-year forecast for total revenue subject to TABOR was increased by 0.7 percent since the September forecast. While the housing market continues to show significant weakness, consumer spending remains unexpectedly healthy, nonresidential construction is positive, and employment growth has continued, although at a lower rate. The General Fund revenue forecast was increased by $216.9 million and the cash fund forecast was increased $164.6 million for the period between FY 2007-08 and FY 2011-12.

- **General Fund revenue** saw most of the increase, $162.7 million, in the forecast for FY 2007-08. Most of the increase was the result of higher-than-expected individual income taxes. Increases to the projections for corporate income taxes and sales and use taxes also added to the total. Under current law, increases in General Fund revenue will accrue to highways and capital construction. It is important to note that the five-year forecast period extends two years beyond the five-year timeout period under Referendum C.

- **Cash fund revenue** subject to TABOR came in $45.2 million higher in FY 2007-08 than had been expected in the September forecast. All of the change was the result of Adams, Western, and Mesa state colleges losing their enterprise status and having their revenue revert back into the TABOR calculation.

Table 1
December 2007 General Fund Overview
(Dollars in Millions)

		Preliminary FY 2006-07	Estimate FY 2007-08	Estimate FY 2008-09	Estimate FY 2009-10	Estimate FY 2010-11	Estimate FY 2011-12
1	Beginning Reserve	$688.5	$516.3	$502.3	$400.1	$386.7	$390.4
2	General Fund Nonexempt Revenue	6,228.2	6,607.5	6,880.8	7,261.3	7,891.7	8,479.5
3	General Fund Exempt Revenue	1,311.6	1,267.5	1,280.0	1,353.9	1,212.2	1,175.9
4	Senate Bill 97-1 Diversion to the HUTF	-228.6	-243.3	-253.3	-265.3	-279.2	-292.9
5	Sales Taxes to Older Coloradans Fund and OASMCF	-3.8	-5.8	-5.8	-5.8	-5.8	-5.8
6	Total Funds Available	$7,996.0	$8,142.4	$8,404.1	$8,744.2	$9,205.6	$9,747.3
	APPROPRIATIONS AND OBLIGATIONS:						
7	**Allowable General Fund Appropriations**	$6,675.6	$7,087.8	$7,519.6	$7,970.8	$8,449.0	$8,956.0
8	Exceptions From the Appropriations Limit	11.1	6.1	0.0	0.0	0.0	0.0
9	Rebates and Expenditures	160.8	169.9	171.6	176.4	184.1	199.7
10	Reimbursement for Senior and Disabled Veterans Property Tax Cut	74.2	81.0	86.2	90.0	92.6	96.0
11	Funds in Prior Year Excess Reserve to HUTF	291.2	166.2	145.9	66.2	45.2	35.0
12	Funds in Prior Year Excess Reserve to Capital Construction	145.6	83.1	72.9	33.1	22.6	17.5
13	Capital Construction Transfer	145.9	45.9	7.8	20.9	21.5	19.8
14	Accounting Adjustments	-24.7	NE	NE	NE	NE	NE
15	Total Obligations	$7,479.7	$7,640.1	$8,004.0	$8,357.5	$8,815.1	$9,324.0
16	**YEAR-END GENERAL FUND RESERVE**	**$516.3**	**$502.3**	**$400.1**	**$386.7**	**$390.4**	**$423.3**
17	**STATUTORY RESERVE: 4.0% OF APPROPRIATIONS**	**267.0**	**283.5**	**300.8**	**318.8**	**338.0**	**358.2**
18	**GENERAL FUND EXCESS RESERVE**	**$249.3**	**$218.8**	**$99.3**	**$67.9**	**$52.5**	**$65.1**
	TABOR RESERVE REQUIREMENT:						
19	General & Cash Fund Emergency Reserve Requirement	$289.4	$303.1	$315.0	$331.6	$342.8	$357.9
20	Appropriations Growth	$389.0	$407.3	$425.6	$451.2	$478.2	$506.9
21	Appropriations Growth Rate	6.18%	6.09%	6.00%	6.00%	6.00%	6.00%
22	Addendum: Amount Directed to State Education Fund	$395.1	$414.6	$429.5	$456.1	$484.5	$517.2

Totals may not sum due to rounding.

- **Severance tax** collections, including interest earnings, are projected to fall 11.0 percent in FY 2007-08, to $129.1 million. Price and production declines for natural gas are responsible for the decrease in the forecast. Severance taxes continue to be subject to cyclical variations from economic and tax structure factors and are projected to rebound to $213.9 million in FY 2008-09.

- The current estimate for the amount of revenue that will be retained by the state during the **Referendum C time-out period** is $6.3 billion, up from the $6.1 billion estimated in September. The forecast for TABOR revenue was increased during this period by $278.5 million, or 0.89 percent from the September forecast. The amount of revenue retained over the C time-out period is impacted by several factors. First, legislative and executive agency fee increases raise the revenue level. Next, changes to the projections for inflation and population change the TABOR base from which the retained amount is calculated. Finally, economic and other changes that impact collections change the retained amount. Table 2 presents the history and forecast for revenue retained by Referendum C.

Table 2
History and Projections of
Revenue Retained by Referendum C
(millions of dollars)

Actual	
2005-06	$1,116.1
2006-07	$1,311.6
Projections	
2007-08	$1,267.5
2008-09	$1,288.7
2009-10	$1,363.1
2010-11	$1,221.9
2011-12	$1,186.2

- The current five-year forecast period extends two years beyond the time-out period associated with Referendum C. We currently are not projecting a **TABOR refund** for the first two years after the end of the Referendum C time-out period. While we expect General Fund revenue to grow at a faster rate than inflation plus population, the current forecast for the volatile Unemployment Insurance Trust Fund includes a significant decline in revenue during those two years. This results from an expectation that the unemployment insurance solvency tax will be in place through the end of the time-out period and then will no longer be necessary, decreasing collections. Because growth in the economy, and, therefore, state revenue, outpaces inflation plus population over time, we do anticipate that the state will have TABOR refunds in the future. In fact, when the solvency tax goes back into effect, currently projected to be in 2013, revenue will grow at a much faster pace than inflation plus population and significant refunds could result.

- The **Highway Users Tax Fund** (HUTF) **and capital construction** will share $556.1 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 $1,669.7 million through the Senate Bill 97-1 diversion and the House Bill 02-1310 mechanism between FY 2007-08 and FY 2011-12. Capital construction will receive $167.8 million from the House Bill 02-1310 mechanism during the same period.

National Economy

The national economy expanded at a robust 4.9 percent pace in the third quarter of 2007, but we anticipate slower growth in the final quarter of the year and into the first half of 2008. Third quarter growth was led by increases in exports, personal consumption expenditures, and increased inventories. The national economy is expected to expand by 2.7 percent in 2007 and 2.4 percent in 2008.

Colorado Economy

Colorado's economy will continue to expand throughout the forecast period. Employment gains, wage and salary growth, and ongoing advances in corporate profits will push consumer spending and business investment forward. Housing market corrections will exert a partial drag on the state's economy in 2008, but these adjustments will restore growth in subsequent years of the forecast. Job growth will slow to 1.4 percent in 2008, but advance at a faster pace of 2.0 percent and 2.6 percent in the following two years, respectively.

Assessed Values

After increasing 20.9 percent during the two-year reassessment cycle ending in 2007, statewide **assessed values** will increase 12.0 percent during the two-year cycle ending in 2009 to $95.6 billion. Over the next two years, oil and gas values will grow moderately and mild economic growth will lead to gains in other nonresidential property classes. Growth in residential values will slow over the next two years as the housing market grapples with historically high foreclosure rates and tighter loan requirements, but healthy population growth and momentum from the natural resource extraction boom will prevent a downturn. The **residential assessment rate** is expected to remain at 7.96 percent throughout the forecast period.

Kindergarten to Twelfth Grade Enrollment

Kindergarten through twelfth-grade public **school enrollment** will increase 1.4 percent in the state, or by 11,142 full-time-equivalent students between the 2007-08 and the 2008-09 school years. Over the next five years, enrollment will increase at an average annual rate of 1.5 percent and the state will gain 57,678 new students. The western and north central mountain regions will experience the fastest growth, while the slowest growth will occur on the eastern plains and the San Luis Valley.

Juvenile and Adult Prison and Parole Populations

The **adult incarcerated prison population** in the Department of Corrections is expected to increase from 22,519 in June 2007 to 28,244 in June 2012, or by 5,725 inmates. This represents average annual growth of 4.6 percent, or about 1,145 inmates per year. The in-state **parole population** is projected to increase from 7,947 in June 2007 to 12,844 in June 2012, growing at an average annual rate of 10.1 percent. The total number of parolees (those supervised in-state and out-of-state) is expected to increase from 10,543 to16,676 during the forecast period.

The **juvenile commitment population** is expected to decrease from an average daily population of 1,425 in FY 2006-07 to 1,275 in FY 2007-08. By FY 2011-12, the commitment population will fall to 1,106, representing an average annual decline of 4.8 percent.

General Fund Revenue

This section presents the Legislative Council Staff forecast for General Fund revenue. Table 3 illustrates revenue collections for FY 2006-07 and projections for FY 2007-08 through FY 2011-12. Difficulties in the housing and financial sectors have caused a slowdown in the state's economy and have created significant risks for continued growth. Thus far, however, the state's economy has managed to remain quite resilient as higher energy prices have created an energy boom in the state, consumers have found other sources for borrowing and spending, and corporations have maintained profits through productivity gains and increased exports to an expanding world economy. While Colorado's economic expansion is now quite mature, it seems poised to show continued slow growth for the next two years.

The forecast for General Fund revenue increased by $162.7 million for FY 2007-08 and by $216.9 million over the five-year forecast period. The increase was attributable to faster than anticipated growth in income and sales tax revenue.

Individual income taxes will increase 4.9 percent in FY 2007-08 after increasing 11.3 percent in FY 2006-07 and 17.9 percent in FY 2005-06. The strong growth over the last two years was the result of healthy job creation, robust capital gains, and strong growth in oil and gas royalty payments. Higher interest rates, slower economic growth, and slower growth in the value of oil and gas production will reduce growth in FY 2007-08. However, primarily as a result of an increase in expectations for capital gains from profit taking during the market turmoil of recent months, the forecast for individual income taxes was increased $135.1 million in FY 2007-08 over the September forecast. The forecast was reduced slightly each year thereafter.

The forecast for **corporate income taxes** was revised upward in response to higher-than-expected collections through November and an increase in the outlook for corporate profits in the next several years. While companies are facing higher energy and raw material costs, productivity gains continue to boost profit margins. For FY 2007-08, the forecast for corporate income taxes was raised from $457.2 million to $473.7 million, or by 3.6 percent. However, compared with the prior fiscal year, the amount of corporate income taxes collected in FY 2007-08 is expected to post a year-over-year drop of 4.9 percent. The year-over-year decrease is primarily due to the expiration of a federal tax break, which allowed corporations to repatriate foreign-source income at a reduced federal income tax rate. The expiration of this incentive will reduce federal taxable income and the amount apportioned to Colorado by multinational companies. Corporate income taxes are projected to increase 3.1 percent in FY 2008-09 and 4.2 percent in FY 2009-10, reaching $488.5 million and $509.1 million, respectively.

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 $395.1 million in FY 2006-07, it will receive $414.6 million in FY 2007-08 and $429.5 million in FY 2008-09.

The state's healthy job market and wage gains in 2007 have thus far helped consumers fight off weaker home prices, increased food and gas prices, and the recent credit turmoil to a greater extent than expected. Thus, the FY 2007-08 forecast for **sales tax** revenue was revised upward, resulting in a healthy 6.7 percent growth rate for the year. This compares to a 5.0 percent growth rate forecast in September. However, the housing market problems, increased consumer prices, weaker job growth, and tighter credit conditions will begin to drag on consumer spending in 2008. This will translate into weaker, through still positive, sales tax revenue growth in FY 2008-09, when we expect a 4.1 percent increase.

The forecast for **use tax** revenue in FY 2007-08 was also revised upward as the depressed home construction market and uncertainty in the economy overall has thus far not had the negative impact on both consumer and business spending to the degree that was expected in September. After strong gains in the past few fiscal years, we expect use tax revenue to still post slower growth this fiscal year, which will continue into FY 2008-09. Use tax revenue will increase 1.9 percent in FY 2007-08 and 3.6 percent in FY 2008-09.

Table 3
December 2007 General Fund Revenue Estimates
(Dollars in Millions)

Category	Preliminary 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	Estimate FY 2011-12	Percent Change
Sales	$2,028.0	3.6	$2,164.4	6.7	$2,254.2	4.1	$2,361.3	4.8	$2,485.6	5.3	$2,607.4	4.9
Use	181.6	9.4	185.0	1.9	191.8	3.6	200.6	4.6	211.1	5.3	221.1	4.7
Cigarette	47.1	-2.4	45.9	-2.5	45.3	-1.3	44.6	-1.6	43.9	-1.4	42.8	-2.5
Tobacco Products	13.0	15.5	10.8	-16.9	13.7	27.0	14.2	3.9	14.9	5.0	15.6	4.6
Liquor	34.0	3.5	34.2	0.7	34.9	1.9	35.3	1.3	35.8	1.3	36.5	1.9
TOTAL EXCISE	$2,303.6	4.0	$2,440.4	5.9	$2,539.8	4.1	$2,656.1	4.6	$2,791.4	5.1	$2,923.4	4.7
Net Individual Income	$4,870.9	11.3	$5,110.7	4.9	$5,294.5	3.6	$5,635.0	6.4	$5,994.9	6.4	$6,413.2	7.0
Net Corporate Income	497.9	11.3	473.7	-4.9	488.5	3.1	509.1	4.2	536.7	5.4	563.1	4.9
TOTAL INCOME TAXES	$5,368.8	11.3	$5,584.3	4.0	$5,783.1	3.6	$6,144.1	6.2	$6,531.6	6.3	$6,976.3	6.8
Less: Portion diverted to the State Education Fund	-395.1	10.6	-414.6	4.9	-429.5	3.6	-456.1	6.2	-484.5	6.2	-517.2	6.7
INCOME TAXES TO GENERAL FUND	$4,973.7	11.4	$5,169.8	3.9	$5,353.6	3.6	$5,688.1	6.2	$6,047.1	6.3	$6,459.2	6.8
Insurance	179.4	2.4	189.2	5.5	195.8	3.5	202.8	3.5	209.7	3.4	216.7	3.3
Pari-Mutuel	3.0	-12.8	2.8	-5.4	2.6	-6.3	2.5	-3.5	2.5	-3.6	2.4	-3.7
Investment Income	28.2	-15.3	26.0	-7.7	31.0	19.1	32.2	4.1	32.2	0.0	32.2	0.0
Court Receipts	28.7	5.0	27.2	-5.2	17.8	-34.6	12.7	-28.5	0.3	-97.9	0.3	4.7
Gaming	6.5	-62.7	0.0	-100.0	0.0	NA	0.0	NA	0.0	NA	0.0	NA
Other Income	16.7	-13.6	19.6	17.3	20.2	3.4	20.8	2.7	20.7	-0.2	21.3	3.0
TOTAL OTHER	$262.5	-7.2	$264.8	0.9	$267.5	1.0	$271.0	1.3	$265.4	-2.1	$272.9	2.8
GROSS GENERAL FUND	**$7,539.8**	**8.3**	**$7,875.0**	**4.4**	**$8,160.8**	**3.6**	**$8,615.2**	**5.6**	**$9,103.9**	**5.7**	**$9,655.5**	**6.1**
REBATES & EXPENDITURES:												
Cigarette Rebate	$13.2	-6.3	$13.4	1.6	$13.2	-1.3	$13.0	-1.6	$12.9	-1.4	$12.5	-2.5
Old-Age Pension Fund	89.9	3.2	92.1	2.5	98.0	6.4	104.5	6.7	111.7	6.9	118.8	6.3
Aged Property Tax & Heating Credit	8.4	-14.3	14.0	67.1	17.3	23.4	15.2	-12.1	15.8	3.9	16.4	3.7
Interest Payments for School Loans	10.6	-6.2	11.6	9.4	13.8	19.1	14.4	4.1	14.4	0.0	14.4	0.0
Fire/Police Pensions	38.8	33.3	38.8	0.1	29.3	-24.4	29.3	0.0	29.3	0.0	37.6	28.4
TOTAL REBATES & EXPENDITURES	$160.8	6.3	$169.9	5.6	$171.6	1.0	$176.4	2.8	$184.1	4.3	$199.7	8.5

Totals may not sum due to rounding.

Cash Fund Revenue

Table 4 summarizes the forecast for revenue to cash funds subject to the TABOR spending limit. Total revenue will increase 6.1 percent in FY 2007-08 after a 4.7 percent decrease in FY 2006-07. The decrease in FY 2006-07 was due to declining unemployment insurance and severance taxes. Unemployment insurance (UI) tax rates fell because the UI Trust Fund began to recover from the recession. Severance taxes fell because of lower natural gas prices in 2006 and 2007. Revenue will increase by an annual average rate of 1.3 percent through FY 2011-12.

The forecast for cash fund revenue was increased by a total of $164.6 million over the five-year forecast period. Of this, $47.4 million is tuition and other revenue to Adams, Western, and Mesa State colleges in FY 2007-08 because they have temporarily lost enterprise status this year as a result of state capital spending on their campuses. Another $70.9 million is the result of an investigation by state auditors that found that a total of $22.7 million of sales tax had been mis-allocated between the General Fund and the Aviation Cash Fund during the four years between FY 2003-04 and FY 2006-07. The mis-allocation occurred because a few aviation companies did not file a return that provides information to the state on how to allocate the revenue (the firms are not legally required to file this return). The discovery increased expectations for revenue to the Aviation Cash Fund, which is included in the umbrella group of "other cash funds" in Table 4. In addition, increases in the forecast for motor fuel and gaming taxes were offset by decreases in expectations for unemployment insurance and severance taxes.

Revenue to the ***transportation-related*** cash funds, which include the Highway Users Tax Fund, the State Highway Fund, and several smaller cash funds, will increase 2.0 percent in FY 2007-08 after increasing 1.7 percent last year and will grow at an annual average rate of 1.2 percent over the five-year forecast period. Motor fuel taxes will increase 0.9 percent in FY 2007-08 and at rates between 1.4 and 1.6 percent over the remainder of the forecast period. Registration fee revenue will increase at a rate of 3.4 percent in FY 2007-08 and at a modest rate of 2.0 percent in FY 2008-09.

The forecast for revenue to the transportation-related cash funds was increased $4.9 million in FY 2007-08 and by a total of $15.6 million during the five-year forecast period. Higher expectations for motor fuel taxes and matching funds from local governments were partially offset by lower expectations for vehicle registration fees.

Total ***unemployment insurance*** (UI) revenue, which includes UI taxes and interest earnings, will increase 4.2 percent in FY 2007-08 after decreasing by 17.5 percent in FY 2006-07. UI tax rates increased in 2004 and again in 2005 because of a substantial draw-down of the fund's reserves during the recession. Tax rates are currently decreasing gradually each year as the fund balance rebuilds. The solvency tax, which has been in effect since 2004 and is levied when the fund balance falls below 0.9 percent of total private wages, will continue to be in effect through 2010. The solvency tax will generate $1.23 billion over the six-year period. After decreasing 19.8 percent in FY 2006-07, all UI taxes will increase 2.8 percent in FY 2007-08 and then increase at double-digit rates in FY 2008-09 and FY 2009-10 before decreasing in FY 2010-11, as the solvency tax ceases to be collected.

The forecast for UI revenue was decreased by a total of $38.9 million (or 1.7%) during the five year period between FY 2007-08 and FY 2011-12. The decrease was a result of lower expectations for taxable wages.

Table 4
Cash Fund Revenue Estimates by Category, December 2007
(Dollars in Millions)

	Preliminary FY 06-07	Estimate FY 07-08	Estimate FY 08-09	Estimate FY 09-10	Estimate FY 10-11	Estimate FY 11-12	FY 06-07 to FY 11-12 CAAGR *
Transportation-Related	**$884.6**	**$902.6**	**$895.6**	**$916.5**	**$930.1**	**$949.4**	
% Change	1.7%	2.0%	-0.8%	2.3%	1.5%	2.1%	**1.4%**
Unemployment Insurance	**$425.2**	**$443.3**	**$491.0**	**$565.6**	**$351.0**	**$280.5**	
% Change	-17.5%	4.2%	10.8%	15.2%	-37.9%	-20.1%	**-8.0%**
Employment Support Fund	**$22.3**	**$26.5**	**$24.4**	**$25.3**	**$26.3**	**$27.4**	
% Change	-0.2%	18.7%	-8.0%	3.7%	4.0%	4.0%	**4.1%**
Severance Tax	**$145.1**	**$129.1**	**$213.9**	**$181.8**	**$216.7**	**$214.4**	
% Change	-38.1%	-11.0%	65.6%	-15.0%	19.2%	-1.0%	**8.1%**
Limited Gaming Fund	**$117.9**	**$128.5**	**$133.9**	**$143.4**	**$152.3**	**$163.0**	
% Change	6.3%	9.0%	4.2%	7.1%	6.2%	7.0%	**6.7%**
Insurance-Related	**$66.2**	**$70.1**	**$73.2**	**$76.5**	**$80.3**	**$84.0**	
% Change	3.5%	5.9%	4.4%	4.6%	4.9%	4.7%	**4.9%**
Regulatory Agencies	**$50.8**	**$58.5**	**$57.6**	**$58.9**	**$61.8**	**$61.4**	
% Change	3.3%	15.2%	-1.6%	2.3%	5.0%	-0.7%	**3.9%**
Capital Construction - Interest	**$14.9**	**$21.1**	**$12.8**	**$7.5**	**$4.5**	**$2.9**	
% Change	45.7%	41.7%	-39.5%	-41.3%	-39.8%	-35.6%	**-27.9%**
Other Cash Funds	**$386.4**	**$463.1**	**$450.5**	**$476.3**	**$512.5**	**$505.9**	
% Change	12.7%	19.9%	-2.7%	5.7%	7.6%	-1.3%	**5.5%**
Total Cash Fund Revenues	**$2,113.4**	**$2,242.9**	**$2,352.8**	**$2,451.8**	**$2,335.4**	**$2,288.9**	
Subject to the TABOR Limit	**-4.7%**	**6.1%**	**4.9%**	**4.2%**	**-4.7%**	**-2.0%**	**1.6%**

Totals may not sum due to rounding.
* CAAGR: Compound Average Annual Growth Rate.
/A Includes interest earnings to the Capital Construction Fund and the Controlled Maintenance Trust Fund.
/B Includes revenue to Adams, Mesa, and Western State colleges in FY 2007-08.

The forecast for ***severance taxes***, including interest earnings, was lowered to $129.1 million in FY 2007-08, because of an unanticipated decline in natural gas prices in some areas of the state. In the previous forecast, severance taxes were projected to reach $171.1 million in FY 2007-08. Natural gas prices in some areas of the state this fall reached levels of less than $1 per thousand cubic feet (Mcf). The prior forecast expected natural gas wellhead prices to average about $5.90 per Mcf in FY 2007-08. Although prices have rebounded, the current forecast expects natural gas prices to average about $5.15 per Mcf in the current fiscal year. In the following year, severance taxes are expected to grow by more than 60 percent, reaching a total of $213.9 million in FY 2008-09. The gain is principally due to an increase in natural gas prices to $5.96 per Mcf. While natural gas prices nationally are expected to rise modestly in the coming year, the opening of the Rockies Express pipeline in 2008 is projected to reduce the price differential that currently exists between natural gas produced in Colorado and the rest of the country. As a result, natural gas prices in Colorado are expected to rise more rapidly as they converge toward national price levels. By the end of the forecast period, the basis differential that exists between Colorado and national gas prices is expected to shrink to about $1 per Mcf.

Although the overall severance tax forecast was lowered, coal severance taxes are expected to increase 10.3 percent this year and 31.4 percent next year because of a recent opinion by the Colorado Attorney General regarding coal severance tax rates. Before passage of TABOR in 1992, coal severance tax rates were adjusted upward or downward based on the change in the producers' price index. Following passage of TABOR, the Department of Revenue fixed the coal severance tax rate at its November 1992 level of 54 cents per ton. According to the Attorney General's opinion, the coal severance tax rate was erroneously fixed at 54 cents per ton and should have increased in accordance with the producers' price index. The current forecast, therefore, assumes that the coal severance tax rate will increase to approximately 75 cents per ton, beginning in January 2008. By 2012, the coal severance tax rate is expected to reach 83 cents per ton.

Total ***gaming revenue***, which includes taxes, fees, and interest earnings, will increase 9.0 percent to $128.5 million in FY 2007-08. In FY 2006-07, total gaming revenue increased 6.3 percent. Gaming revenue is expected to grow at a slower rate of 4.2 percent in FY 2008-09 after the significant gain in FY 2007-08 and because of slower personal income growth.

All ***other cash fund revenue*** will increase 18.3 percent in FY 2007-08 and at an annual rate of 3.9 percent over the forecast period. Much of the increase in FY 2007-08 is a result of the inclusion of TABOR revenue to Adams, Western, and Mesa State colleges, who temporarily lost enterprise status in FY 2007-08. Legislation passed during the 2007 session also contributed to the robust rate over the forecast period. A total of $96.0 million of revenue to these funds between FY 2007-08 and FY 2010-11 is the result of 26 bills from the 2007 session that either created or increased fees. Another $56.1 million of this revenue is court-related revenue that will be diverted away from the General Fund to the Judicial Stabilization Cash Fund beginning in FY 2008-09 pursuant to **HB 07-1054** and **SB 07-55**.

Federal Mineral Leasing Revenue

SB 07-253, which was signed by the Governor on June 1, 2007, requires the Legislative Council Staff to prepare a quarterly forecast of federal mineral leasing (FML) revenue. The first FML revenue forecast was prepared in June. Table 4 presents the December forecast in comparison with

September. Since FML revenue is not deposited into the General Fund and is exempt from the TABOR amendment to the state constitution, the forecast is presented separately from other sources of state revenue.

Table 5
Federal Mineral Leasing Revenue Distributions
(*millions of dollars*)

Year	Dec-07	% Chg.	Sept-07	% Chg. from Sept
FY 2001-02*	$44.6	-26.5%	$44.6	
FY 2002-03*	$50.0	12.1%	$50.0	
FY 2003-04*	$79.4	58.7%	$79.4	
FY 2004-05*	$101.0	27.2%	$101.0	
FY 2005-06*	$143.4	41.9%	$143.4	
FY 2006-07	$123.0	-14.3%	$123.0	0.0%
FY 2007-08	$128.9	4.8%	$139.0	-7.3%
FY 2008-09	$156.9	21.8%	$168.7	-7.0%
FY 2009-10	$179.7	14.5%	$196.8	-8.7%
FY 2010-11	$205.2	14.2%	$224.5	-8.6%
FY 2011-12	$226.8	10.5%	$249.2	-9.0%

*Actual revenue distributed.

When individuals or companies lease federal lands for mineral development, the federal government collects revenue from those leases, which are partially shared with the states in which the production occurred. Three forms of revenue are collected by the federal government. Lease holders competitively bid and initially pay a "bonus" to use the land. Lease holders also pay rent for the right to develop mineral production on these lands. Finally, if minerals are extracted and sold, the federal government receives a royalty (or percentage) from the production. The current forecast for FML revenue includes bonus payments as well as royalties and rents. If and when new data are received indicating a change in the pattern of bonus payments, the forecast will account for those developments.

As indicated in Table 5, FML revenue has grown from $50 million in FY 2002-03 to more than $143 million in FY 2005-06. In the most recent fiscal year, FML revenue fell by more than 14 percent, to $123 million. A near 20 percent drop in natural gas prices accounted for the reduction.

In September, the forecast for FML revenue was expected to rebound to $139.0 million in FY 2007-08, but the recent drop in natural gas prices is projected to slow FML revenue growth this fiscal year. The current forecast anticipates that FML revenue will amount to $128.9 million in FY 2007-08. This represents a $10 million drop in the forecast. In subsequent fiscal years, FML revenue is expected to grow strongly because of both production and price increases for natural gas. In FY 2008-09 and FY 2009-10, FML revenue is expected to reach $156.9 million and $179.7 million, respectively. The opening of the first segment of the Rockies Express pipeline in 2008 will allow Colorado producers to realize higher prices for natural gas and continuing production gains are expected to cause FML revenue to increase 24 percent in FY 2008-09 and 15 percent in FY 2009-10.

National Economy

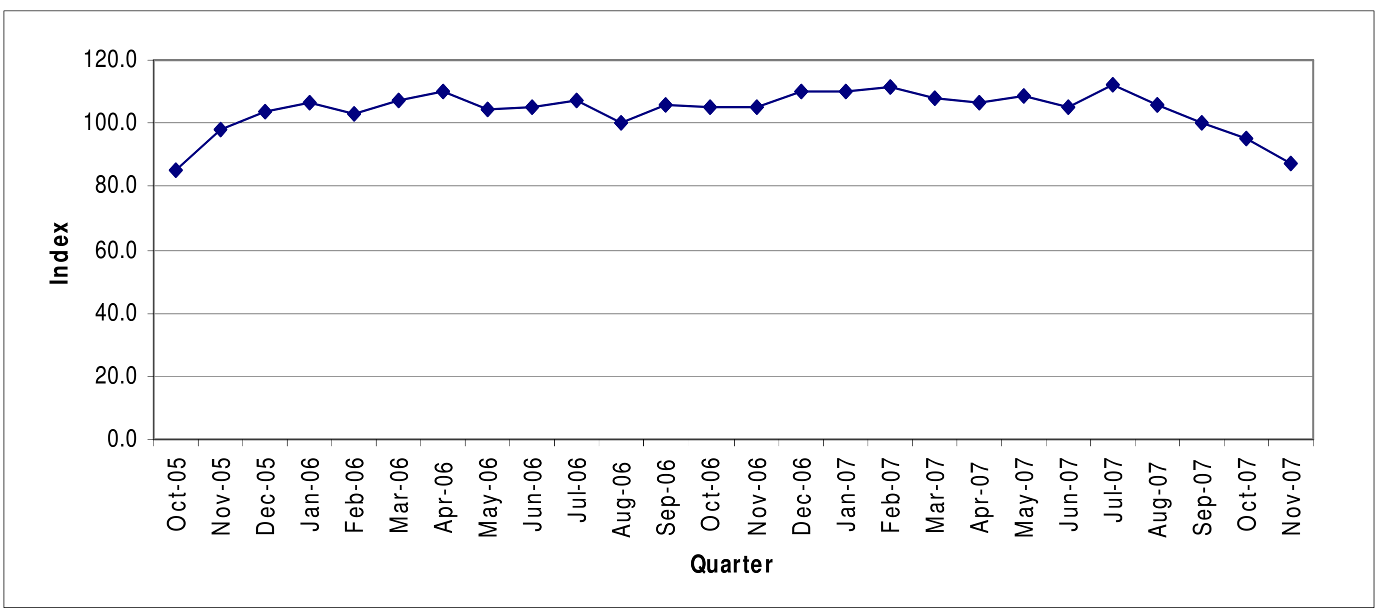
Growth in real **gross domestic product** (GDP) for the third quarter of 2007 increased 4.9 percent from 3.8 percent growth in the second quarter, according to preliminary estimates by the U.S. Bureau of Economic Analysis. Revised third quarter growth reflected more complete data than were available when preliminary estimates were released in the prior month. We expect the U.S. economy to continue to grow, albeit at a slower pace through the rest of the year. GDP will slow as the subprime lending market continues to impact the housing market and increased uncertainty in corporate and consumer markets lead to slower growth in the economy.

The increase in real GDP in the third quarter was mainly attributed to upturns in exports, personal consumption expenditures, private investment inventory, federal government spending, and growth in nonresidential investment.

Personal consumption expenditures increased 2.7 percent in the third quarter compared to an increase of 1.4 percent in more second quarter. Nonresidential fixed investment increased 9.4 percent compared with second quarter growth of 11.0 percent. Residential fixed investment also experienced continued declines, posting a 19.7 percent slide in the third quarter compared with a 11.8 percent decline in the second quarter.

A softening in business and labor market conditions along with continued concerns about the housing market dampened consumer spirits in November. The Conference Board's **consumer confidence index** continued its 4-month decline since hitting a peak of 111.9 in July, declining from 95.2 in October to 87.3 in November. Consumers continue to be less optimistic in the short-term with concern fueled by volatile financial markets, high gasoline prices, and the likelihood of higher heating bills this winter. Despite declining optimism, the Conference Board maintains that consumers anticipate spending more on holiday gifts this season than the 2006 holiday season. Figure 1 shows how consumer confidence has changed over the past 2 years.

Figure 1
Consumer Confidence Index



Consumer debt continues to remain high and may become more of a factor that affects the economy as the subprime housing market is allowing fewer consumers to use the equity in their homes as a spending source. Thus, the decline in home-refinancing and less liquidity is forcing consumers to place a heavier reliance on credit card use. Consumer borrowing rose in October at a slightly faster rate than the previous month as shoppers continued to use their credit cards to finance purchases. The Federal Reserve reported that consumer credit increased 2.3 percent in October after increasing 1.6 percent growth in September. Total consumer credit rose by $4.7 billion in October to a record $2.5 trillion. Revolving credit, which includes credit card debt, increased at a rate of 8.3 percent in October following a gain of 6.0 percent in September. Total revolving credit including credit card debt was $928.5 billion in October.

In reaction to a slowing economy and intensification of the housing market correction, the **Federal Open Market Committee** recently cut the federal funds rate to 4.25 percent. Readings on core inflation have improved modestly this year, but elevated energy and commodity prices, among other factors, may put upward pressure on inflation. In this context, the committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.

The **employment sector** saw continued increases in job activity in November as nonfarm employment increased by 94,000 jobs to 138.5 million following a gain of 170,000 jobs in October. In November, job growth continued in several service industries, while employment in construction, financial activities, and manufacturing declined. Employment in professional and technical services grew by 24,000 jobs in November and has risen by 312,000 jobs over the year. Job gains continued in computer systems design and related services and in management and technical consulting services. Health care employment continued to grow, but the gain of 15,000 jobs in November was less than half the average increase for the prior 12 months. Construction employment declined by 24,000 jobs with losses occurring in residential building and in residential specialty trade contractors. Within financial activities, employment related to mortgage lending continued to contract as credit intermediation lost 75,000 jobs since its peak in February. Real estate employment declined by 8,000 jobs in November. Also, manufacturing saw a decline of 11,000 jobs in November. The **unemployment rate**, meanwhile, remained unchanged for the third month in a row at 4.7 percent. The rate one year ago was 4.5 percent.

The **manufacturing** sector is showing some growth after weakness in 2006. New orders for manufactured goods were up 0.5 percent in October and have increased in four of the last five months to $423.5 billion. This followed a 0.3 percent increase in September. New orders for durable goods declined in October for the third consecutive month, however new orders for nondurable goods increased 1.3 percent during October. The manufacturing sector also saw increases in the shipments of durable and nondurable goods.

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. The ongoing concerns about the subprime lending industry's effect on the economy continue to be a drag on the financial markets as it is becoming more difficult to obtain home mortgages. It appears that the credit crunch will linger well into 2008.

New residential construction has slowed considerably as privately-owned housing units authorized by building permits in November were down 1.5 percent from October and 24.6 percent below the prior year.

Additionally, sales of new single-family homes in October were down 23.5 percent below the prior year's level. The volume of existing homes for sale continues to be at all-time highs as the national unsold inventory represents about an 8.5 month supply at current sales rates.

While inflation has remained moderate throughout the year there are signs that it may be inching upward. **Inflation** increased 2.7 percent through the first eleven months of the year over the prior year. In comparison, the core rate of consumer prices, less food and energy commodities, increased by 2.3 percent over the same time period. The transportation and energy components of the index increased at the highest rates, up 9.6 percent and 21.4 percent respectively — no doubt contributing to the higher inflation rate in November. The producer price index for finished goods increased 3.2 percent in November. The increase followed a 0.1 percent increase in October and a 1.1 percent increase in September.

The National Economic Outlook. This section presents the forecast and risks for the national economy. The detailed forecast can be found in Table 6.

- The nation's economy, as measured by real **gross domestic product**, grew at an accelerated pace of 4.9 percent during the third quarter of 2007. After dipping to 2.7 percent in 2007, GDP will level off at around 3.0 percent for the rest of the forecast period.

- The consumer **inflation rate** will remain near or slightly above the 3.0 percent mark for the next several years. Despite the recent lowering of the federal funds rate by the Federal Reserve, the central bank continues to consider inflation a risk. Inflation will be 2.8 percent in 2007 after coming in at 3.2 percent in 2006.

- **Personal income** growth will remain unchanged from the 6.6 percent growth rate experienced in 2006 to the mid-to-low 5.0 percent range during the forecast period. Wage and salary growth will be aided by a tight labor market and strong foreign economies, but may slow slightly over the next several years due to general weakness in the U.S. economy.

- The **unemployment rate** remained stable at 4.7 percent, for a third month in a row. The rate is up slightly from the 4.5 percent rate posted in the prior year. Job growth may meet some resistance as shortages of potential qualified employees occur in some sectors. We anticipate that employment will slow from the 1.9 percent growth in 2006 and continue to grow a little over 1.0 percent per year during the forecast period. The unemployment rate will remain low and may show little change during 2007 and 2008.

Risks to the Forecast. There are a number of rising economic risks to the national forecast. Home-mortgage delinquencies and foreclosures have surged in recent months, prompting anxiety that could spill over into the broader economy. In addition, higher crude oil prices in 2007 may have more of an effect on the economy in 2008 as record high market prices trickle down and affect gasoline prices. Despite these risks, however, we still expect the national economy to grow.

The banking industry's **tightening credit policies** in the mortgage market that are largely in response to the sub-prime mortgage crisis are intensifying as Fannie Mae and Freddie Mac have now tightened their policies for buying high-priced, high-risk home loans from lenders. Fannie Mae, which backed 41 percent of the nation's home mortgages in the third quarter, is also working with appraisers to determine whether a home is located in an area with "declining values" such as in Denver. Fannie Mae is requiring a 5 percentage-point larger down payment on loans made in declining markets beginning in January 2008. The declining market designation could put off a recovery in the housing market by making it more difficult for some people to get mortgages. The new policies may also hamper the ability of some borrowers to refinance out of existing subprime mortgage loans.

Consumer debt continues to remain high and may affect the economy more than anticipated as tightening credit policies lead to consumers paying higher interest rates on revolving credit card debt. Given the increased difficulty in obtaining home equity loans, consumers are relying more on credit-card financing. Over the past fifteen years, U.S. households have committed a rising share of their disposable income to principal and interest (P&I) payments on household debt such as mortgages, automobile loans, and credit card balances. This rising share of disposable income for P&I, often referred to a debt-service ratio, is a cause for households to cut back on spending which in turn, may contribute to a slowing economy in 2008.

Rising crude oil prices in 2007 hit a high of $99 per barrel after trading at $51 per barrel less than 12 months ago. Energy experts predict triple-digit prices in 2008. The only factor that slowed down the increases in crude oil prices in the fourth quarter of 2007 was the recent fear of an economic downturn. During 2007, as crude oil prices spiked quickly, the impact may not have fully filtered through the economy. As prices escalate in 2008, gasoline prices could increase significantly and further suppress consumer spending, thus adding further concerns to a weakening economy.

Table 6
National Economic Indicators, December 2007 Forecast
(Dollars in Billions)

	2001	2002	2003	2004	2005	2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Inflation-adjusted GDP	$9,892.9	$10,047.8	$10,302.4	$10,675.9	$11,004.9	$11,316.2	$11,621.7	$11,900.7	$12,293.4	$12,674.5	$13,042.0
percent change	0.8%	1.6%	2.5%	3.6%	3.1%	2.8%	2.7%	2.4%	3.2%	3.1%	2.9%
Nonagricultural Employment (millions)	131.8	130.3	130.0	131.4	133.7	136.2	138.1	139.8	141.9	144.2	146.4
percent change	0.0%	-1.1%	-0.2%	1.1%	1.7%	1.9%	1.4%	1.3%	1.5%	1.6%	1.5%
Unemployment Rate	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	4.8%	4.7%	4.7%	4.7%
Personal Income	$8,724.1	$8,881.9	$9,163.6	$9,727.2	$10,301.1	$10,983.4	$11,703.3	$12,382.9	$13,126.4	$13,868.3	$14,623.5
percent change	3.5%	1.8%	3.2%	6.2%	5.9%	6.6%	6.6%	5.8%	6.0%	5.7%	5.4%
Wage and Salary Income	$4,942.8	$4,980.9	$5,112.7	$5,394.5	$5,667.9	$6,018.2	$6,410.9	$6,777.8	$7,184.4	$7,590.5	$8,003.8
percent change	2.4%	0.8%	2.6%	5.5%	5.1%	6.2%	6.5%	5.7%	6.0%	5.7%	5.4%
Inflation (Consumer Price Index)	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.8%	3.0%	2.7%	2.8%	2.7%

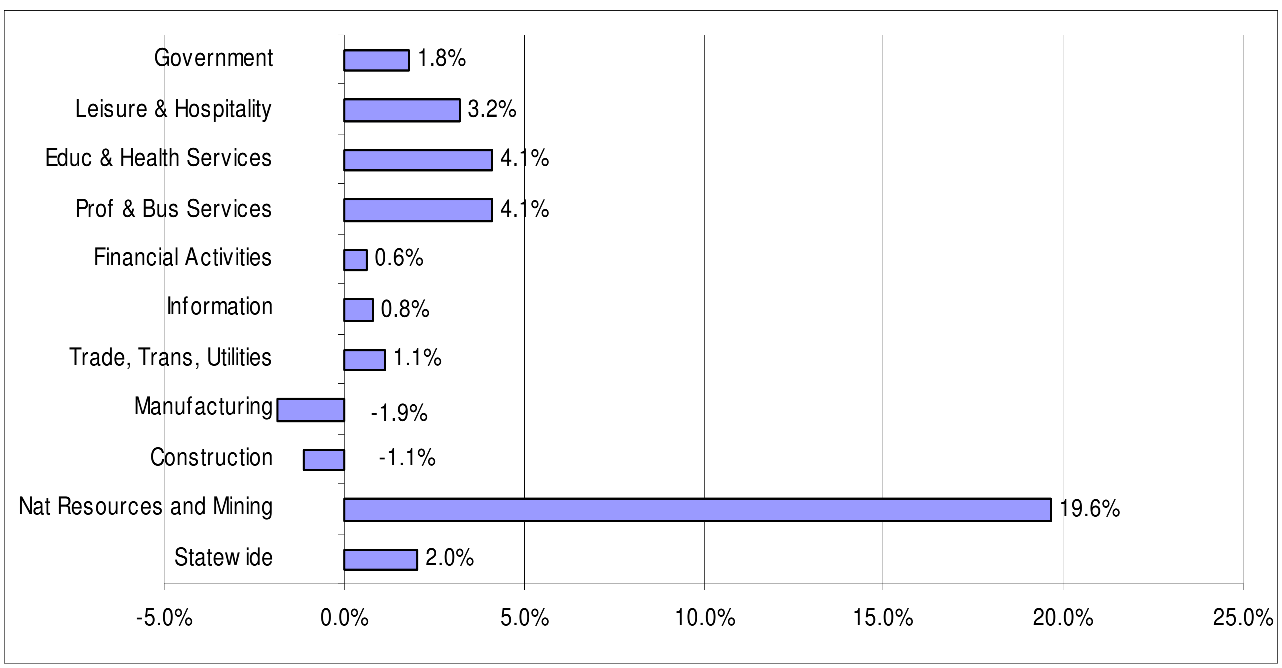
Colorado Economy

Colorado's economy continues to perform solidly in 2007. Jobs, personal income, retail sales, and nonresidential construction have registered modest gains this year. In addition, business confidence remains strong. The one negative element is Colorado's single-family housing market, which continues to exhibit problems like the rest of the country. Although a correction in the housing market is expected to persist into 2008 and slow economic growth in the state, it is not expected to trigger a downturn. Table 6 shows historical economic indicators for the state and the forecast for the next five years.

Nonfarm employment is up 2.0 percent through October of this year compared with the same period in 2006. In the first ten months of the year, Colorado has added almost 37,000 jobs. Colorado's **unemployment rate** edged lower in October, falling to 3.7 percent. In September, the unemployment rate stood at 3.9 percent. The annual unemployment rate has declined each year since it hit a high of 6.2 percent in 2003. Last year, the unemployment rate averaged 4.3 percent.

Employment gains and losses were spread unevenly across industries in the state through October, as illustrated in Figure 2. The natural resources and mining sector has grown the fastest, at 19.6 percent, followed by professional and business services, education and health services, and leisure and hospitality. The latter sectors saw healthy job growth between 3.2 percent and 4.1 percent. In addition, after six years of declining employment, the information sector has registered job gains in the first ten months of the year. On the downside, jobs related to the housing market and the manufacturing sector declined through October — construction employment fell 1.1 percent and manufacturing jobs fell 1.9 percent.

Figure 2
Nonfarm Employment Growth in 2007



- Nonfarm employment is expected to increase 2.0 percent in 2007 and 1.4 percent in 2008. Housing market difficulties related to foreclosures and adjustable rate mortgages will temper growth in 2008.

- The state's unemployment rate is expected to shrink to 3.7 percent in 2007 and rise slightly to 4.2 percent in 2008.

Colorado's **personal income** increased 6.5 percent in the second quarter, compared with the same quarter in 2006, according to estimates released by the U.S. Bureau of Economic Analysis. In the first six months of the year, personal income increased 6.0 percent compared with the same time period in 2006. **Wages and salaries** – which comprise about 60 percent of personal income – increased 7.8 percent in the second quarter compared with the same period last year. Industries with the fastest earnings growth in the second quarter were mining, professional and business services, and wholesale trade.

- Given the state's current economic performance, personal income is projected to increase 6.0 percent in 2007 and 5.1 percent in 2008. Wages and salaries are expected to increase 6.5 percent and 5.4 percent in 2007 and 2008, respectively.

Consumer spending in Colorado, as measured by **retail trade sales,** is up 5.3 percent through September. This compares with 5.5 percent growth in all of 2006. As described in the regional sections, the western and mountain areas of the state continue to outperform other areas of the state. In contrast, the eastern plains, Pueblo, and Colorado Springs areas performed worse than the statewide average.

The following economic factors are contributing to sluggish consumer spending: higher energy prices for gasoline and home-heating fuels; lackluster home equity growth; and deteriorating credit conditions.

- Retail trade sales are expected to increase 5.3 percent in 2007 and 4.4 percent in 2008. Slower employment growth accounts for the lower sales growth in 2008.

Inflation in the Denver-Boulder-Greeley area was 3.6 percent for 2006, the highest mark since 2001. In the first half of 2007, inflation increased by 2.5 percent compared with the first half of 2006. The housing component, which is based on the local rental market and makes up over 40 percent of the index, increased by 1.9 percent in the first half of 2007.

- Inflation in 2007 is expected to increase 2.9 percent and remain in the low 3 percent range during the forecast period.

The number of **housing permits** issued in the state continued a downward trend that started at the beginning of 2006. New privately-owned housing unit permits were down 23.5 percent through October 2007 compared with the same period in 2006. Single-family permits were down 31.4 percent, while multi-family permits were up 8.2 percent. Although statewide housing permit growth continues to decline in 2007, two regions in the central and northern mountains are seeing significant growth. Housing permits increased in Routt County and in the combined counties of Eagle, Pitkin, and Summit.

Adding to the concern surrounding the housing market is the high foreclosure rate in the state. The Colorado housing market is on pace to see a 27 percent increase in foreclosure filings this year, with 19,460 being filed in the first six months of the year, according to a recent state Division of Housing report. The division anticipates more than 36,000 defaults this year.

The value of **nonresidential construction** activity is up 13.4 percent through October 2007 after increasing 2.1 percent in 2006 and 30.4 percent in 2005. The increase was mostly caused by gains related to hospitals and health care facilities, commercial projects, and government buildings. Offsetting these gains in value were construction contracts for manufacturing facilities, education and science facilities, and amusement projects.

- In 2007, housing permits are projected to fall 23.7 percent. In 2008, housing permits will grow marginally at 0.7 percent. The single-family market is expected to rebound in 2009.

- Nonresidential construction is expected to expand by 11.5 percent in 2007, after which it will drop by 2.3 percent.

In summary, the state's economy is expected to continue to grow, although at a slightly slower pace than in 2006. Employment in Colorado's major job sectors continues to advance and wage and salary growth remains solid. This should fuel further gains in consumer spending and business investment in the state.

There are risks to this assessment, however. Declines in industries related to the housing market, such as the recent layoffs in the mortgage lending industry, construction sector, financial services industry, and the real estate market, could ripple through the overall economy. Further reductions in consumer confidence could slow retail sales, which could be exacerbated by rising foreclosures and stagnating home values. Moreover, a softening national economy could spillover into Colorado.

Table 7
Colorado Economic Indicators, December 2007 Forecast
(Calendar Years)

	2001	2002	2003	2004	2005	2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Population (thousands), July 1	4,428.6	4,500.1	4,546.0	4,598.5	4,663.3	4,753.4	4,848.4	4,940.6	5,039.4	5,135.1	5,232.7
percent change /A	2.3%	1.6%	1.0%	1.2%	1.4%	1.9%	2.0%	1.9%	2.0%	1.9%	1.9%
Nonagricultural Employment (thousands)	2,226.8	2,184.1	2,152.8	2,179.6	2,226.0	2,278.8	2,324.3	2,356.9	2,404.0	2,466.5	2,523.2
percent change	0.6%	-1.9%	-1.4%	1.2%	2.1%	2.4%	2.0%	1.4%	2.0%	2.6%	2.3%
Unemployment Rate	3.8	5.7	6.1	5.6	5.1	4.3	3.7	4.2	4.3	4.4	4.1
Personal Income (millions)	$152,700	$153,066	$154,829	$163,805	$175,815	$188,173	$199,464	$209,636	$224,101	$238,444	$254,419
percent change	5.8%	0.2%	1.2%	5.8%	7.3%	7.0%	6.0%	5.1%	6.9%	6.4%	6.7%
Wage and Salary Income (millions)	$88,297	$86,938	$88,008	$92,090	$97,350	$104,023	$110,784	$116,767	$124,357	$132,937	$141,844
percent change	2.8%	-1.5%	1.2%	4.6%	5.7%	6.9%	6.5%	5.4%	6.5%	6.9%	6.7%
Retail Trade Sales (millions)	$59,014	$58,852	$58,689	$62,288	$65,447	$69,174	$72,840	$76,045	$80,304	$84,962	$89,889
percent change	1.8%	-0.3%	-0.3%	6.1%	5.1%	5.5%	5.3%	4.4%	5.6%	5.8%	5.8%
Home Permits (thousands)	55.0	47.9	39.6	46.5	46.3	39.3	30.0	30.2	35.5	39.3	40.2
percent change	0.8%	-13.0%	-17.3%	17.5%	-0.5%	-15.0%	-23.7%	0.7%	17.4%	10.9%	2.2%
Nonresidential Building (millions)	$3,500	$2,787	$2,713	$3,291	$4,221	$4,310	$4,806	$4,695	$4,991	$5,156	$5,429
percent change	0.7%	-20.4%	-2.7%	21.3%	28.3%	2.0%	11.5%	-2.3%	6.3%	3.3%	5.3%
Denver-Boulder Inflation Rate	4.7%	1.9%	1.1%	0.1%	2.1%	3.6%	2.9%	3.3%	3.3%	3.4%	3.1%

Personal income and wage and salary income for 2006 are estimates. All other data for 2006 are actuals.

School Enrollment Projections

This section presents the Legislative Council Staff preliminary FTE enrollment projections for Colorado's kindergarten through twelfth grade public schools, which is shown in Table 8. FTE enrollment is forecast to help determine funding levels for Colorado's 178 school districts.

- Colorado's kindergarten to twelfth grade enrollment will increase 1.5 percent, or by 11,142 full-time-equivalent (FTE) students, in the 2008-09 school year. The following school year (2009-10) is expected to increase further by 1.6 percent, adding 11,927 FTE students statewide. Although the western region typically shows less growth in enrollment than other areas of the state, it is currently one of the fastest growing regions. The western and north central mountains regions will both experience enrollment growth rates of 2.6 percent for the 2008-09 school year. The boom in oil and gas has resulted in a significant increase in economic activity in the western region and tourism has boosted growth in the north central mountains. In absolute terms, the metro Denver and Colorado Springs regions will see the highest increase in students of 4,884 and 2,606 respectively. Colorado Springs is also one of the fastest growing regions on a percentage basis, with a projected growth rate of 2.5 percent in the 2008-09 school year.

- During the five-year forecast period, statewide school enrollment will increase at an annual average rate of 1.5 percent, adding 57,678 new students in the state. Over the previous five-year period (school years 2002-03 to 2006-07), gains in student enrollment were smaller, growing at an annual average rate of 1.3 percent, or 46,000 students. Net migration into the state continues to be strong due to the state's economy in relation to other states. Also, its amenities continue to draw in new residents.

- Enrollment in the metro Denver region is expected to increase 1.2 percent over last year. While this is low compared to the state's other larger regions, enrollment is projected to increase at a slightly faster pace for the remainder of the forecast period. The metro Denver region will add about 29,500 new students by the 2012-13 school year, an average annual increase of 1.4 percent.

Preliminary Statewide Forecast Results. Preliminary estimates of the FTE enrollment in the current school year are 743,668 students. Statewide, FTE enrollment is projected to increase by 1.5 percent in the 2008-09 school year and 1.6 percent in the 2009-10 school year.

While the metropolitan statistical areas of the Denver and Colorado Springs regions typically show the most growth in school enrollment, that title will go to the northern and western regions over the next five years. In the 2002-03 through 2007-08 school year period, the northern region, which includes Weld and Larimer counties, was showing an enrollment growth rate lower than the metro Denver and Colorado Springs areas but higher than all other Colorado regions. Enrollment in the western region has changed significantly, showing projected growth rates of less than 1.0 percent over the last five years, but now topping the charts in enrollment growth rates. This is due mostly to the oil and gas boom on the western slope.

On the eastern side of the state, families are relocating from counties on the eastern edge of Colorado to counties closer to the metropolitan areas. Consequently, the north central plains region will experience generally flat enrollment levels, with some enrollment periods slightly positive and others slightly negative. The southeast and San Luis Valley areas are experiencing similar trends with people relocating to other counties looking for better opportunities.

Net migration slowed in 2002 and 2003 following the recession but then strengthened again with the economy, adding over 52,000 people in 2006. With net migration picking up the pace, increases in school enrollment are expected to continue at a healthy pace. During the forecast period, Colorado kindergarten through twelfth grade enrollment is expected to increase at an annual average growth rate of 1.5 percent. The state will need to fund an additional 57,678 students over the next five years.

Preliminary Regional Forecast Results. Table 8 identifies the anticipated growth in FTE enrollment over the next five years for each of Colorado's regions.

The Colorado Springs, metro Denver, and northern Colorado regions will dominate gains in enrollment over the forecast period due to their larger populations and greater economic opportunities. However, the western region will experience the fastest growth rates statewide due to its booming energy economy.

Enrollment in the **Colorado Springs region** will continue to be boosted by the arrival of the 4th Infantry Division at the Fort Carson army base from Fort Hood, Texas. An estimated 7,000 troops have already moved to Fort Carson from Fort Hood and an additional 7,000 are expected to move to the base by the end of 2009. An estimated 4,300 school-age children are expected to enroll in area schools due to the move. Some of the additional students have already arrived. However, the timing of the remaining new students is difficult to pinpoint as some of the additional troops are being deployed overseas, causing their family members to choose to delay their move to the Colorado Springs area. This forecast assumes that around half of the additional students will arrive for the 2008-09 school year and the rest will arrive over each of the following two years. This influx of students, coupled with the natural growth in the number of students in the region will generate a 2.5 percent growth rate in 2008-09 for an overall increase of about 2,600 students. This represents close to a quarter of the total projected increase in students statewide. During the forecast period, the Colorado Springs region is expected to increase at a 1.8 percent annual pace, with growth slowing after the 2010-11 school year.

Enrollment in the **metro-Denver region** will increase1.2 percent in 2008-09, after increasing 1.3 percent in 2007-08. This continued slow growth is due to weakness in the economy caused by the housing market's contraction. The projected increase of around 4,880 students represents about 44 percent of the total statewide projected increase in students due to the region's large population relative to the state as whole.

The school districts on the edges of the metro area, where population growth is expected to occur, will dominate enrollment growth in the region and the state. Douglas County is expected to add 9,600 students and account for 17 percent of the total enrollment gains in the state over the next five years. Brighton, after experiencing a slowdown in student growth over the next couple years during the housing market's correction, will add 4,300 students and account for 8 percent of statewide growth over the forecast period.

The state's largest school district, Jefferson County, will continue to lose students over the forecast period. The district has been impacted by an aging population, transfers to private schools and other districts, and a loss of students to online education programs in recent years. These factors will continue to influence upcoming enrollment trends for the district. In contrast, the state's second largest district, Denver, will reverse its recent trend of declining enrollment over the forecast period. Though Denver is projected to experience declining or sluggish growth over the next couple of years, the redevelopment of Stapleton, the school's recent reform efforts, and plans to expand early child education programs should result in an increase of around 1,700 students over the forecast period.

The **northern region** includes school districts in Larimer and Weld Counties. The region has experienced population growth from families seeking more affordable housing than can be found in metro Denver. The area's economy has also been expanding, creating opportunities for new families. These trends are expected to continue during the forecast period. The region will increase at an average annual pace of 2.1 percent and represent 14 percent of the total projected student enrollment increases statewide.

The **western region** is projected to post one of the state's highest growth rates for the 2008-09 school year, at 2.6 percent. This represents an estimated increase of 1,212 new students and 11 percent of the total projected enrollment growth statewide. Enrollment is expected to increase 2.9 percent in the 2009-10 school year and 3.0 percent in the 2010-11 year before tapering off slightly during the next few years. Over the forecast period, an estimated 6,600 students will enroll in the region's schools and enrollment will increase at an average annual rate of 2.7 percent. Employment opportunities in the energy industry continue to drive the western region's growth. Workers and families continue to relocate to the western slope, attracted by the high wages offered by the energy industry as well as its many outdoor recreation amenities.

The **San Luis Valley** region will experience mixed gains in enrollment, with some school districts experiencing a decline in enrollment and others seeing increases. Overall, enrollment growth for the region will be flat over the forecast period, with a slight decrease in enrollment over the initial half of the forecast period and then stable enrollment levels for the remainder of the period. Likewise, the **southeast** region shows mixed enrollment with growth rates fluctuating slightly around zero. The average annual growth rates through the forecast period will be -0.2 percent and 0.7 percent for the San Luis Valley and southeast regions, respectively.

The **north central mountain** region will experience enrollment growth of 2.6 percent for the 2008-09 school year and will increase at an annual average rate of 2.2 percent through the forecast period. Chaffee, Grand, and Eagle counties are showing the fastest growth in enrollment as families relocate to mountain communities that offer outdoor recreation, while at the same time opening opportunities for future retirement. Eagle County also offers living arrangements for workers who are looking for employment opportunities outside of the county.

The **Pueblo region**, consisting of Pueblo, Fremont, and Custer counties, will see an increase of 0.6 percent in the 2008-09 school year. While this was an increase of only 197 students, the next two school years, 2009-10 and 2010-11 are expected to increase 0.8 percent, adding 258 and 248 additional students. Pueblo's average annual increase in enrollment over the forecast period is 0.5 percent, or a total of 834 new students.

Enrollment in the **southwest** region is expected to increase 0.9 percent in the 2008-09 school year, after decreasing 0.9 percent a year ago. The region's average annual growth rate over the forecast period will also be 0.9 percent. While most of the school districts in this region will have mild enrollment growth throughout the forecast period, enrollment in La Plata County is expected to increase by approximately 2.5 percent annually.

The enrollment growth rate for the **north central plains** region is expected to increase 0.5 percent, after declining 1.9 percent last year. The annual average growth rate is only 0.4 percent for the forecast period. Many counties around the periphery of this region continue to show decreases in population as opportunities on the eastern plains diminish. Many people are moving to counties closer to urban areas, such as Elbert and Morgan counties, where more job opportunities are available.

Risks to the forecast. The relative strength of the Colorado economy continues to be the primary risk to the forecast. If a national recession affects Colorado to a greater extent than the nation, weaker migration to the state will occur and families will leave Colorado in search of better job opportunities elsewhere. If this happens, weaker enrollment gains would occur. This forecast has been significantly driven by the rapid change in oil and gas development in the western region. A sudden drop in energy prices causing a reduction in production on the western slope would cause enrollment growth rates to decline.

Finally, the short term projection hinges on whether additional troops indeed relocate to Fort Carson. If the move is further delayed, the forecast for Colorado Springs will likely be overstated.

Table 8
Regional Growth in FTE Enrollment

Region	Prelim. 2007-08	Percent Change	Estimated 2008-09	Percent Change	Estimated 2009-10	Percent Change	Estimated 2010-11	Percent Change	Estimated 2011-12	Percent Change	Estimated 2012-13	Percent Change	Average Growth
Metro Denver	416,466	1.3%	421,350	1.2%	426,567	1.2%	432,984	1.5%	439,489	1.5%	445,957	1.5%	1.4%
Colorado Springs	102,296	0.9%	104,902	2.5%	107,954	2.9%	109,747	1.7%	110,569	0.7%	111,918	1.2%	1.8%
Northern	73,141	1.0%	74,643	2.1%	76,020	1.8%	77,637	2.1%	79,496	2.4%	81,117	2.0%	2.1%
Western	46,864	1.4%	48,076	2.6%	49,446	2.9%	50,923	3.0%	52,319	2.7%	53,436	2.1%	2.7%
Pueblo	30,983	0.4%	31,179	0.6%	31,437	0.8%	31,685	0.8%	31,834	0.5%	31,817	-0.1%	0.5%
North Central Mountains	20,438	1.4%	20,963	2.6%	21,348	1.8%	21,845	2.3%	22,299	2.1%	22,777	2.1%	2.2%
North Central Plains	17,505	-1.9%	17,589	0.5%	17,673	0.5%	17,493	-1.0%	17,700	1.2%	17,878	1.0%	0.4%
Southeast	14,583	-6.0%	14,616	0.2%	14,674	0.4%	14,451	-1.5%	14,419	-0.2%	14,458	0.3%	-0.2%
Southwest	13,879	-0.9%	14,010	0.9%	14,161	1.1%	14,106	-0.4%	14,202	0.7%	14,488	2.0%	0.9%
San Luis Valley	7,516	-1.6%	7,485	-0.4%	7,459	-0.4%	7,451	-0.1%	7,452	0.0%	7,503	0.7%	0.0%
Statewide Total	743,668	0.9%	754,810	1.5%	766,736	1.6%	778,319	1.5%	789,777	1.5%	801,346	1.5%	1.5%

Assessed Value Projections

This section provides preliminary projections of assessed values and the residential assessment rate through 2012. The projections for assessed values are a factor in determining local property taxes for Colorado's public schools and the amount of state aid provided to schools. The following projections will be finalized in early January following receipt of additional information from the Division of Property Taxation and selected counties.

Summary

The **residential assessment rate** will remain at 7.96 percent throughout the forecast period.

Total assessed values for all property classes increased 14.5 percent in 2007 to $85.4 billion and are expected to increase 1.9 percent in 2008 to a total value of $87.0 billion. Because 2008 is a non-reassessment year, the growth only reflects new construction and changes in the value of extracted resources. Slow growth is anticipated because of ongoing problems in the housing market and declining prices for natural gas in 2007. By 2012, assessed values are anticipated to total $117.9 billion, reflecting an average annual growth rate of 6.7 percent.

Nonresidential assessed values are expected to increase 1.4 percent in 2008, 11.4 percent in 2009, and at an average annual rate of 6.2 percent through 2012. Growth in the near term will be limited by a slowdown in oil and gas values.

Residential assessed values will increase 2.6 percent in 2008 and 8.1 percent in 2009. Growth will be limited in the near term by historically high foreclosure rates and tighter loan requirements; residential values will grow at healthier rates in 2010 and 2011. Over the five-year forecast period, residential assessed values will increase at an average annual rate of 7.2 percent.

Assessed Values

Remarkable expansion in natural resource extraction industries and widespread strengthening of the economy has resulted in robust growth in assessed values during the last several years. Assessed values increased 20.9 percent between 2005 and 2007 to $85.4 billion. Over the next two years, oil and gas values will slide, but remain near historic highs, while overall economic health will lead to modest gains in other property classes. We expect assessed values to total $95.6 billion in 2009, a 12.0 percent increase compared with 2007, and reach $117.9 billion by 2012.

Forecasted residential and nonresidential assessed values are shown in Table 9. Residential assessed values are expected to increase at a compound average annual rate of 7.2 percent, while nonresidential assessed values will increase at an average rate of 6.2 percent per year.

Nonresidential Assessed Values

The nonresidential sector consists of eight property classes: commercial, state assessed, vacant land, oil and gas, industrial, agriculture, natural resources, and producing mines. Assessed values in the nonresidential property classes totaled $46.0 billion in 2007, with over fifty percent in the commercial class. In the past year, assessed values for commercial property increased 19.4 percent, which was one of the strongest classes in terms of growth. Economic growth and strong corporate profits have fueled additional business investment in the state, causing commercial values to expand. This is expected to continue with the state's economic expansion. Oil and gas properties are the second largest class in terms of values and those properties decreased slightly in 2007 because of price

Table 9
Residential and Nonresidential Assessed Values
(Dollars in Millions)

Year	Residential Assessed Value	Percent Change	Nonresidential Assessed Value	Percent Change	Total Assessed Value	Percent Change
2007	$39,377	14.6%	$45,988	14.4%	$85,364	14.5%
2008	$40,390	2.6%	$46,621	1.4%	$87,011	1.9%
2009	$43,651	8.1%	$51,974	11.5%	$95,625	9.9%
2010	$45,890	5.1%	$54,193	4.3%	$100,082	4.7%
2011	$53,249	16.0%	$59,537	9.9%	$112,786	12.7%
2012	$55,781	4.8%	$62,085	4.3%	$117,867	4.5%

reductions for natural gas. Oil and gas values are expected to fall again in 2008 because of further price decreases for natural gas. Thus, nonresidential assessed values are anticipated to increase modestly in 2008, at 1.4 percent. Over the forecast period., nonresidential assessed values are projected to increase at an average annual rate of 6.2 percent, increasing to $62.1 billion by 2012.

In the past four years, the assessed value of oil and gas in Colorado has increased from $2.2 billion in 2003 to $7.2 billion in 2007. This corresponds highly with changes in the price of natural gas, which increased from $2.42 per thousand cubic feet (Mcf) to $7.39 per Mcf. Reductions in the price of natural gas last year caused a slight drop in the assessed value of oil and gas in 2007. Because additional price reductions occurred in 2007, oil and gas values are expected to drop again in 2008, to about $6.5 billion. However, a rebound in prices in subsequent years, partly due to the opening of the Rockies Express pipeline, will push oil and gas values up throughout the balance of the forecast period. In the next five years, oil and gas assessed values will increase at an average annual rate of 6.9 percent.

Residential Assessed Values

In this section, the forecast for residential market values and the determination of the residential assessment rate are discussed. The application of the residential assessment rate to residential market values determines their assessed values.

Residential Market Values. The market for most residential property reacts with a lag to the economic business cycle. Residential market values increased 22.5 percent during the two-year reassessment cycle ending in 2003, but slowed substantially to a 12.5 percent increase during the 2005 cycle. Residential market values increased 18.9 percent in the last two-year reassessment cycle ending this year. The robust growth was a result of strong economic conditions in 2005 and 2006, strong growth in tourism in the mountain communities, and the natural resource extraction boom. The impact of the slowdown in the housing market and tightening credit conditions will be felt during the next reassessment cycle, which ends in 2009. Continued employment and population growth and momentum from the natural resource extraction boom will partially offset the effect of historically high foreclosure rates and tighter loan requirements. Residential market values will increase in 2008 and 2009 by total of 10.9 percent. A recovery in the housing market, moderate economic growth, and a continuing boom in natural resource extraction will cause residential values to increase 22.0 percent in the two-year reassessment cycle ending in 2011.

Because the residential assessment rate is not expected to change, ***residential assessed values*** will increase at the same rates as residential market values over the forecast period.

Gallagher and the Residential Assessment Rate. The Gallagher Amendment to the Colorado Constitution requires that residential assessed values must be approximately 45 percent of total assessed values. When the market values of residential property increase faster than the value of nonresidential property, the residential assessment rate must decline to hold residential assessed values at 45 percent of total assessed values. Because residential market values have grown at a faster rate than nonresidential values since 1982 (or have declined at a slower pace), the residential assessment rate decreased from 21.0 percent in 1982 to 7.96 percent in 2003.

The residential assessment rate has not been reduced since 2003, after the recession caused a substantial cool down in the nonresidential markets but had not yet affected residential markets. As the economy began to recover in 2004 and 2005, the residential sector began to cool while the nonresidential markets began to see increases again as it recovered from the recession. Despite a very healthy increase in residential values during the last two years, nonresidential values continued to outpace residential values in 2006 and 2007 as a result of astonishing increases in the value of natural resources. Residential markets will continue to increase at a slower rate than nonresidential markets over the next two years. Based on the Gallagher Amendment calculation, the residential assessment rate should have increased to 8.17 percent for 2005 and 2006, 8.44 percent for 2007 and 2008, and 8.9 percent for 2009 and 2010. Because TABOR specifically prohibits assessment rates from increasing without voter approval, the residential assessment rate remained at 7.96 percent in 2005 and will remain at 7.96 percent through the remainder of the forecast period.

Regional Assessed Values

Assessed values are projected for each school district and are used in forecasting state expenditures for pre-kindergarten through 12th grade public education. The following section highlights trends for various regions in the state. Table 10 summarizes how regional assessed values will change over the forecast.

The **Denver-metro area** is expected to experience only mild economic growth in 2008. As a result, assessed values in the Denver-metro area will increase a modest 9.9 percent between 2007 and 2009. Rural communities in Adams County and established urban communities especially hard hit by rising foreclosures will see the slowest growth; the Bennet and Strasburg districts are expected to lose value over the next two years. Bedroom communities on the edges of the metro area where expansion has been occurring over the last several years, such as Brighton and Douglas County, will experience the fastest growth in the region. Over the forecast period, assessed values in the Denver-metro region will increase at an average annual rate of 6.1 percent.

The economy in the **Colorado Springs area** has slowed substantially thus far in 2007. Much of the slowdown has been fueled by a sharp slowdown in the construction and housing markets that has been exacerbated by the absence of many Fort Carson troops deployed overseas. As a result, assessed values in the area will increase at a modest rate of 9.2 percent over the two-year reassessment cycle ending in 2009. Assessed values will increase a robust 18.7 percent during the two years ending in 2011 as the economy recovers from the current housing doldrums and troops are relocated to Fort Carson. Communities near Fort Carson will be disproportionately affected by this pattern; bedroom communities in southern El Paso and Teller counties will see relatively healthy growth throughout the entire forecast period. Assessed values will increase at an average annual rate of 6.6 percent in the region over the five-year forecast period.

The **western and southwestern** regions of Colorado will be a bit of a mixed bag with respect to assessed value growth. Because an overall decline in natural gas prices will constrain growth next year, some districts with a large portion of their total value attached to oil and gas production will see small increases and some will see reductions in 2008. This includes most of Garfield, Rio Blanco, and La Plata counties. In contrast, large increases in residential value will push total values higher in many communities, particularly in Mesa County. Overall, the western region will see minimal growth in 2008, but average annual growth of 9.4 percent over the forecast period. The southwestern region will see a decline in values in 2008, but a rebound in the following years.

The northern region, containing school districts in **Larimer** and **Weld** counties, will see varied growth. Weld County has 12 school districts. Similar to El Paso County, the level of growth in each school district will depend greatly on the composition of property within the district. Districts with significant natural resource production will see slow growth next year. Residential-based communities will also see slow growth in the near term because of the housing market slowdown. Over the forecast period, assessed values in the region are expected to increase at an average annual rate of 5.3 percent

School districts in the **Eastern Plains** and **Southeast** regions are typically among the slowest growing in terms of assessed value. This is not solely because they are home to some of the least populated areas, with little demand for residential and commercial development. It is also because it is home to the bulk of Colorado's agricultural industry, whose land is valued more favorably for property tax purposes than that of other property classifications. In past years, reductions in the residential assessment rate have outpaced market value gains in the region, which helped temper growth. As in the west, those districts with significant natural resources, particularly in Las Animas, Cheyenne, and Yuma counties will experience declines in the short term. However, continuing natural resource-related development in some areas will push values higher over the forecast period. The eastern plains and southeast regions will see average annual growth of 4.2 percent and 5.1 percent, respectively.

Colorado's **north central mountain** region will see some of the highest growth in assessed values in the near term. A healthy stock market has undoubtedly helped push up values for many residential and vacation properties in the area. Much of this region saw dramatic gains in the late 1990s as expanding wealth from the booming economy created a tight market for second homes in resort areas. Average annual growth in the region is expected to be 8.7 percent over the five-year forecast period.

The **Pueblo** region, encompassing districts primarily located in Pueblo, Fremont, and Custer counties, is expected to be one of the fastest growing regions next year. The Pueblo Rural School District and districts in Fremont County saw sizeable increases in value in 2007, which are expected to continue in the near term. These areas will also benefit from the spillover of residents from El Paso County. Assessed values will increase at an average annual rate of 5.3 percent in the Pueblo region over the five-year forecast period.

The **San Luis Valley,** particularly Alamosa**,** will see healthy growth in assessed values in 2008. Parts of the valley are gaining some traction as second home opportunities due to lower costs, increasing demand for residential property. Agriculture is also an important component to the region's economy. As stated earlier with the Eastern Plains, the favorable valuation of agricultural property will work to limit growth in the region over the forecast period. Average annual growth in the region over the five-year forecast period will be 2.8 percent.

Risk Factors

Colorado's housing market has slowed substantially thus far in 2007. Foreclosures have risen to historically high levels as mortgage rates adjust to higher levels, many homeowners have maxed out the equity in their home, and lenders have tightened consumer credit and increased loan requirements. While this forecast expects values to decline in isolated instances, it does not anticipate values to decline statewide. However, the full impact of the foreclosures and tighter loan requirements has not yet been determined and there is a risk that housing values could be more adversely affected than anticipated in this forecast.

In addition, this forecast anticipates a slowdown in economic growth nationwide and in Colorado, but no recession. If a recession were to occur, nonresidential and residential values will likely increase at slower rates than currently expected.

Another component to the forecast that remains a significant driver of assessed value is the oil and gas class. Because prices for natural gas are difficult to forecast, variations in value similar to that which has occurred over the last several years could play a significant role in determining overall assessed values. This is especially noteworthy as it pertains to counties in which property values are heavily weighted toward oil and gas, such as Cheyenne, Rio Blanco, Garfield, Las Animas, and La Plata counties. A large decline in oil and gas assessed values could occur during the forecast period, which could cause the residential assessment rate to move downward.

Table 10
Assessed Value Growth by Region: 2007-2012
(Dollars in Millions)

Region	Prelim. 2007	Estimate 2008	Percent Change	Estimate 2009	Percent Change	Estimate 2010	Percent Change	Estimate 2011	Percent Change	Estimate 2012	Percent Change	Average Growth
Colorado Springs	6,919	7,183	3.8%	7,555	5.2%	7,937	5.0%	8,972	13.0%	9,513	6.0%	6.6%
Metro Denver	42,265	43,339	2.5%	46,459	7.2%	48,553	4.5%	54,641	12.5%	56,862	4.1%	6.1%
Northern	7,781	7,837	0.7%	8,638	10.2%	9,002	4.2%	9,725	8.0%	10,061	3.5%	5.3%
North Central Mountains	10,464	10,797	3.2%	12,476	15.6%	13,014	4.3%	15,259	17.3%	15,888	4.1%	8.7%
Eastern Plains	1,649	1,676	1.6%	1,803	7.6%	1,854	2.8%	1,967	6.1%	2,027	3.1%	4.2%
Pueblo	1,733	1,798	3.8%	1,925	7.1%	2,005	4.2%	2,167	8.1%	2,239	3.3%	5.3%
Southeast	1,172	1,124	-4.1%	1,249	11.1%	1,298	3.9%	1,412	8.9%	1,502	6.4%	5.1%
San Luis Valley	518	527	1.9%	546	3.6%	559	2.3%	580	3.8%	593	2.2%	2.8%
Southwest	4,971	4,828	-2.9%	5,550	14.9%	5,810	4.7%	6,465	11.3%	6,799	5.2%	6.5%
Western	7,893	7,902	0.1%	9,425	19.3%	10,052	6.7%	11,599	15.4%	12,382	6.8%	9.4%
Statewide Total	**85,365**	**87,011**	**1.9%**	**95,625**	**9.9%**	**100,082**	**4.7%**	**112,786**	**12.7%**	**117,867**	**4.5%**	**6.7%**

Adult Prison and Parole Population Projections

The Department of Corrections (DOC) inmate population is projected to increase from 22,519 in June 2007 to 28,244 in June 2012, or by 5,725 inmates. This represents average annual growth of 4.6 percent. In comparison, over the past five years, the total inmate population increased at an average annual rate of 4.1 percent.

- Over the five-year forecast period, the male population is expected to increase by 5,123 inmates, or about 1,025 inmates per year. The female population is projected to increase by 601 inmates, or about 120 inmates per year.

- Compared with the Interim 2007 forecast, the inmate projections were reduced slightly throughout the forecast period. A slowdown in male admissions in the first quarter of FY 2007-08 accounted for most of the change.

- The total in-state parole population is projected to increase from 7,947 in June 2007 to 12,844 in June 2012, growing at an average annual rate of 10.1 percent. The total number of parolees (those supervised in-state and out-of-state) is expected to increase from 10,543 to 16,676 during the forecast period. The parole forecast was increased marginally compared with the interim 2007 forecast.

This section of the forecast describes prison population trends and the forecast. It also discusses factors in prison commitments and presents an overview of recent legislation affecting the prison population. The last segment presents the parole population projections and describes some of the primary risks to the forecast.

Adult Prison Population Trends. From June 1990 to June 2007, the prison population grew at an average annual rate of 6.5 percent. During this seventeen-year period, the male and female prison populations grew at average rates of 6.2 percent and 10.2 percent per year, respectively. In FY 2006-07, the inmate population grew by 2.3 percent. This reduced rate of inmate growth was due to a reduction in felony filings, slower admissions into prison, and faster releases from prison. In FY 2006-07, prison admissions increased an estimated 3.4 percent, while prison releases increased by 12.9 percent. In the two prior fiscal years when the state saw stronger growth in the prison population, admissions grew at an average annual rate of 11.8 percent, while releases grew by 9.4 percent. Table 11 shows the historical prison population by gender.

Adult Prison Forecast. Table 11 also illustrates the projected inmate population over the next five years. Between June 2007 and June 2012, the prison population is expected to increase at an average annual rate of 4.6 percent. This growth is slightly faster than the prior five-year period in which the prison population grew at an average rate of 4.1 percent per year.

The interaction between inmate admissions and releases is responsible for the net change in the prison population. Since there does not appear to be any major changes in economic conditions, sentencing laws, or demographic factors that would cause the long term rate of growth in admissions to decline, the slower growth experienced in FY 2006-07 is expected to be temporary. Prison admissions are therefore expected to grow 10.6 percent and 8.7 percent in the next two fiscal years, respectively. Similarly, the rapid pace of prison releases in FY 2006-07 is not expected to continue. In fact, in the first five months of the year, inmate releases have slowed compared with the prior year, growing by 7.4 percent. The forecast anticipates prison releases to increase by 8.2 percent and 7.5 percent in the next two fiscal years, respectively.

Table 12 illustrates the change in the inmate population forecast from the projection issued in August 2007. In the current fiscal year, the interim forecast expected the inmate popula-

Table 11
History and Forecast of Adult Prison Population, by Gender*

FY	Males	% Change	Females	% Change	Total	% Change
1990	7,215		451		7,666	
1991	7,598	5.3%	445	-1.3%	8,043	4.9%
1992	8,269	8.8%	505	13.5%	8,774	9.1%
1993	8,712	5.4%	530	5.0%	9,242	5.3%
1994	9,382	7.7%	623	17.5%	10,005	8.3%
1995	10,000	6.6%	669	7.4%	10,669	6.6%
1996	10,808	8.1%	769	14.9%	11,577	8.5%
1997	11,681	8.1%	909	18.2%	12,590	8.8%
1998	12,647	8.3%	1,016	11.8%	13,663	8.5%
1999	13,547	7.1%	1,179	16.0%	14,726	7.8%
2000	14,733	8.8%	1,266	7.4%	15,999	8.6%
2001	15,439	5.2%	1,340	5.8%	16,833	5.2%
2002	16,539	6.8%	1,506	12.4%	18,045	7.2%
2003	17,226	4.2%	1,620	7.6%	18,846	4.4%
2004	17,814	3.4%	1,755	8.3%	19,569	3.8%
2005	18,631	4.6%	2,073	18.1%	20,704	5.8%
2006	19,792	6.2%	2,220	7.1%	22,012	6.3%
2007	20,178	2.0%	2,341	5.5%	22,519	2.3%
2008	20,926	3.7%	2,396	2.3%	23,322	3.6%
2009	21,863	4.5%	2,464	2.8%	24,327	4.3%
2010	22,850	4.5%	2,561	3.9%	25,410	4.5%
2011	23,995	5.0%	2,722	6.3%	26,717	5.1%
2012	25,301	5.4%	2,942	8.1%	28,244	5.7%

*Actual population through 2007.

tion on June 30, 2008 to reach 23,475, representing monthly growth of about 80 inmates. Through the first five months of FY 2007-08, the prison population has advanced at a slower pace, adding 55 inmates per month. This resulted in a modest reduction in the current forecast of 0.7 percent, or 153 inmates in FY 2007-08. The forecast for subsequent years was reduced slightly because of this change.

Factors in Adult Prison Commitments. The external factors that drive prison admissions can be classified into three groups: demographic variables, economic variables, and legislative changes. The following paragraphs describe these factors and how they influence prison commitments.

- ***Population.*** All other things being equal, a larger population results in a greater number of criminal offenses, arrests, criminal felony filings, and prison commitments. Colorado's adult population between the ages of 20 and 49 increased at an average annual rate of 2.5 percent between 1990 and 2000. Correspondingly, the 1990s were a decade of

Table 12
Adult Inmate Population, Forecast to Forecast Comparison
(June 30th Population)

FY	December 2007 Forecast	Interim 2007 Forecast	Forecast Difference	% Difference
2007*	22,519	22,519	-	0.0%
2008	23,322	23,475	(153)	-0.7%
2009	24,327	24,619	(292)	-1.2%
2010	25,410	25,586	(176)	-0.7%
2011	26,717	26,762	(45)	-0.2%
2012	28,244	28,336	(93)	-0.3%

*Actual population.

strong prison population growth, with an average annual rate of growth of 7.6 percent between June 1990 and June 2000. As Colorado's population is projected to continue to grow, we expect this to contribute to an increase in the total number of new admissions to prison.

- ***Economic factors.*** When the economy is strong and job opportunities are available, income and earnings rise. The prospect of a job and increased wages raises the opportunity cost of committing a crime. This means that people will be less likely to resort to crime, particularly nonviolent property crimes, if legitimate economic prospects are available. Several studies suggest that weak earnings and slow employment growth cause an increase in prison admissions. There is a lag time of one or more years for poor economic conditions to translate into increased crime, criminal filings, convictions, and ultimately, prison admissions.

- ***Legislation.*** While demographic and economic factors are important factors in forecasting the prison population, modifications to the Colorado Criminal Code can also have an impact on the inmate population. Recent legislation affecting the prison population includes *Senate Bill 03-252* and *Senate Bill 03-318*. *Senate Bill 03-252* eliminated the mandatory 12-month revolving supervision period created by *House Bill 98-1160* and limited the time a parolee could be revoked to six months if the revocation was for a technical violation. *Senate Bill 03-252* is expected to lower the prison population and raise the parole population. *Senate Bill 03-318* reduced the penalty for the possession of small amounts (one gram or less) of controlled substances from a class 3, class 4, or class 5 felony to a class 6 felony. This is also expected to reduce the prison population.

Other factors impacting inmate population. Besides the external variables described above, other factors within the criminal justice system affect the inmate population. First, the actions of the Parole Board can have an impact on the prison population. For example, Parole Board policies or guidelines that increase parole revocations and/or reduce prison releases to parole will result in higher inmate population growth, all other things constant. Conversely, Parole Board policies that decrease parole revocations and/or increase prison releases to parole will result in lower inmate population growth. Second, the actions of the judicial system can affect inmate population growth. In particular, the commitment of more offenders than average to prison and the imposition of stricter sentences by judges will increase both admissions to prison as well as the length of stay within prison. Finally, the mix of crimes committed and prosecuted can impact prison population growth. Prosecutors may prioritize the most serious offenses, which usually carry longer prison sentences if a conviction is reached. Consequently, the mix of inmates within prison can shift to more violent offenders who have longer prison sentences. For example, persons convicted of a felony sex offense could be sentenced to a maximum of the offender's lifetime. The population of these offenders has grown significantly in the past few years, which will exert upward pressure on the inmate population.

Adult Parole Population Trends and Forecast. From June 1993 until June 2007, the parole population supervised in-state grew at an average annual rate of 9.9 percent. In the most recent fiscal year, the in-state parole population grew by 21.3 percent. Much of this increase was due to an acceleration in prison releases, as described above. Table 13 provides a history of the parole population supervised in-state and out-of-state. Table 13 also provides the parole population forecast through June 2012. The forecast estimates the parole population *supervised in Colorado* as well as the parole population *served out of state* (including parole *absconders* — pa-

Table 13
June 30th Parole Population, In-State and Out-of-State Parolees*

	In-State Parolees	% Change	Out-of-state Parolees	% Change	Total	% Change
1993	2,116		657		2,773	
1994	1,958	-7.5%	690	5.0%	2,648	-4.5%
1995	2,026	3.5%	744	7.8%	2,770	4.6%
1996	2,322	14.6%	924	24.2%	3,246	17.2%
1997	2,695	16.1%	1,155	25.0%	3,850	18.6%
1998	3,219	19.4%	1,433	24.1%	4,652	20.8%
1999	3,722	15.6%	1,569	9.5%	5,291	13.7%
2000	3,685	-1.0%	1,537	-2.0%	5,222	-1.3%
2001	4,192	13.8%	1,646	7.1%	5,838	11.8%
2002	4,037	-3.7%	1,680	2.1%	5,717	-2.1%
2003	4,858	20.3%	1,906	13.5%	6,764	18.3%
2004	5,244	7.9%	1,994	4.6%	7,238	7.0%
2005	5,714	9.0%	2,097	5.2%	7,811	7.9%
2006	6,551	14.6%	2,291	9.3%	8,842	13.2%
2007	7,947	21.3%	2,569	13.3%	10,543	19.2%
2008	8,871	11.6%	2,877	10.8%	11,747	11.4%
2009	9,765	10.1%	3,127	8.7%	12,892	9.7%
2010	11,045	13.1%	3,383	8.2%	14,428	11.9%
2011	11,905	7.8%	3,599	6.4%	15,505	7.5%
2012	12,844	8.3%	3,832	6.5%	16,676	7.6%

*Actual parole population through 2007.

rolees who have not reported and are considered fugitives). The number of parolees *supervised in Colorado* is expected to increase at an annual rate of 10.1 percent throughout the forecast period — from 7,947 parolees as of June 2007 to 12,844 parolees as of June 2012. The *total* number of parolees will increase at an average annual rate of 9.6 percent over the forecast period, from 10,543 parolees as of June 2007 to 16,676 parolees as of June 2012.

The current forecast reflects on-going increases that are anticipated in prison releases, albeit at a slower pace than experienced in the past two years. In addition, SB03-252 will continue to put upward pressure on the parole population. SB03-252 imposed limits on the length of time a parolee could be revoked to prison for a technical violation. Lastly, mandatory parole will cause further increases in the parole population as an increasing proportion of inmates become subject to mandatory parole upon release from prison.

Table 14
Adult In-State Parole Population, Forecast to Forecast Comparison
(June 30th Population)

FY	December 2007 Forecast	Interim 2007 Forecast	Forecast Difference	% Difference
2007*	7,947	7,947	-	0.0%
2008	8,871	8,830	40	0.5%
2009	9,765	9,742	23	0.2%
2010	11,045	11,014	31	0.3%
2011	11,905	11,882	23	0.2%
2012	12,844	12,833	11	0.1%

*Actual parole population.

Table 14 illustrates the change in the in-state parole forecast from the interim 2007 projection. Overall, there was little change compared with the interim forecast. In the current fiscal year, the interim forecast anticipated in-state parole growth of approximately 74 parolees per month, with the total reaching 8,830 in June 2008. In the first five months of this year, the number of parolees has grown by about 50 per month. By itself, this would suggest a slight reduction in the parole forecast. However, the pace of prison releases remains strong and was revised upward in the current forecast, thereby causing the parole forecast to increase slightly.

Factors in adult parole population growth. The following discusses four factors that affect the parole population: prison commitment trends, the implementation of mandatory parole, changes in the number of releases to parole, and recent legislation.

- ***Prison commitments.*** An increase in prison commitments will have a direct lagged impact on the parole population. When the rate of growth in prison commitments decreases (or increases), growth in the parole population will be expected to eventually decelerate (or accelerate). Moreover, the types of prison commitments can alter the rate of growth of the parole population. Prison commitments with longer sentences can cause parole deferrals to rise, thereby reducing the rate of growth of the parole population. Conversely, prison commitments with shorter sentences can accelerate the growth rate of the parole population.

- ***Mandatory parole.*** House Bill 93-1302 created mandatory parole for all inmates released from prison who committed a crime after June 1993. The implementation of mandatory parole drove up the parole population by sending more inmates to parole supervision and by increasing the average length of stay on parole. As a result of more prison releases to parole and longer parole periods, technical parole revocations (such as failing a drug test or not contacting one's parole officer, as opposed to committing a new crime) have increased significantly since FY 1992-93.

- ***Parole Board release and revocation decisions.*** The Parole Board is a key influence on the growth in the parole population and the prison population (as described above). Parole Board decisions to revoke parole directly reduce the parole population, but increase the prison population. Discretionary decisions to release inmates to parole increase the parole population, but reduce the prison population. Moreover, the Parole Board directly influences the parole population by determining when parolees are released from parole.

- ***Recent legislation***. As mentioned earlier, legislative changes can have an impact on the number of inmates released to parole. Recent legislation affecting the parole population includes *Senate Bill 03-252*, which eliminated the mandatory 12-month revolving supervision period created by *House Bill 98-1160* and limited the time a parolee could be revoked to six months if the revocation was for a technical violation. *Senate Bill 03-252* appears to be exerting upward pressure on the parole population and increasing the number of releases from prison.

Risks to the forecast. Prison sentences depend upon the discretion of the courts. If a new alternative becomes available (for example, if drug courts are expanded), judges may shift their sentencing decisions to place more offenders in alternative placements. The prison forecast assumes that no new alternatives will become available and the sentencing decision process will be consistent with current practices.

The Parole Board has a tremendous influence upon the parole population and the population of parole revocations in prison. The parole and prison forecasts assume that the Parole Board will not change its present practices regarding release or revocation decisions.

The economy can also have a significant influence on the prison and parole populations. If another recession occurs, prison admissions could rise at a faster rate than anticipated. Conversely, a booming economy could result in a slowdown in the rate of prison admissions.

Finally, legislation passed by the General Assembly (i.e. criminal penalties, mandatory sentences, or funding for prison alternatives) can have a significant impact upon the prison and parole populations. This forecast assumes that current state law will not change.

Youth Corrections Population Projections

- The Division of Youth Corrections (DYC) **commitment population** will decrease from an average daily population of 1,425 in FY 2006-07 to 1,275 in FY 2007-08. By FY 2011-12, the commitment population will fall to 1,106, representing an average annual decline of 4.9 percent.

- The average daily **parole population** will correspondingly decrease from 517 in FY 2006-07 to 505 in FY 2007-08.

This section of the forecast provides an overview of juvenile offender sentence placements, recent trends in the juvenile offender population, a discussion of the factors driving the juvenile offender population, and estimates for the commitment and parole populations from FY 2007-08 to FY 2011-12. Table 15 presents the juvenile commitment population forecast, while Table 16 provides the juvenile parole forecast.

Juvenile Offender Sentencing Options

There are several placements available for juvenile offenders. Juveniles that are not prosecuted as adults are managed through the juvenile courts. If the court determines that the defendant committed a crime, the juvenile is *adjudicated* a delinquent. Upon determination of guilt, the court may sentence a juvenile to any one or a combination of the following:

- ***Commitment.*** Depending on the juvenile's age and offense history, a juvenile offender may be committed to the DYC custody for one to seven years if the juvenile committed an offense that would be a felony or misdemeanor if committed by an adult.

- ***Detention.*** The court may sentence a juvenile to a detention facility if he or she is found guilty of an offense that would be a lower class felony or misdemeanor if committed by an adult. A sentence to detention may not exceed 45 days. Detention services are managed by DYC.

- ***County jail or community corrections.*** Juveniles between 18 and 21 who have been adjudicated delinquents prior to their 18th birthday may be sentenced to county jail for up to six months or to a community correctional facility or program for up to one year.

- ***Probation or alternative legal custody.*** The court may order the juvenile to be supervised by the judicial district and must report to a probation officer. Conditions of probation may include participation in public service, behavior programs, restorative justice involving the victim, or restitution. The court may also place the juvenile in the custody of a county department of social services, a foster care home, a hospital, or a child care center.

- ***Imposition of a fine or restitution.*** The court may impose a fine of no more than $300 and order the juvenile to pay restitution to the victims for damages caused.

The remainder of this section discusses the juvenile offenders who are sentenced to the custody of DYC. The three major categories of services provided by the DYC include commitment, detention, and community parole.

Division of Youth Corrections Sentencing Placements and Population Overview

Detention. Detention facilities house youths who are awaiting trial and youths who receive a short-term sentence of up to 45 days. The DYC manages eight secure detention centers and contracts for additional detention beds.

In May of 2003, a legislative cap was placed on detention, mandating a population of no more than 479 youths. *As a result, Legislative Council Staff continues to track detention popu-*

lation trends, but no longer forecasts detention bed need.

Commitment. The commitment population consists of juveniles who have been adjudicated for a crime and committed to the custody of the Department of Human Services. A juvenile may be sentenced to DYC for a period between one and seven years, depending on the nature of the crime and the juvenile's criminal history.

In FY 2006-07, the average daily commitment population was 1,418, representing a 1.9 percent decrease from the prior year. In the prior two fiscal years, the average daily commitment population was relatively flat.

Influences on the Juvenile Offender Population

The decline in the juvenile offender population is related to a combination of factors. Demographic factors, juvenile delinquency trends, and policy changes can all affect the juvenile offender projections.

Population growth. The growth in the Colorado population of juveniles age 10 to 17 increased 40 percent between 1990 and 2000. Likewise, the commitment population increased 30 percent in that ten-year period. However, from 2000 to 2010, this population cohort is expected to increase only 9 percent. The slower growth of the juvenile population through the forecast period will translate to a slower growth in the commitment population over the decade.

State and local policy changes. Policies that change the capacity of facilities or sentencing alternatives for delinquent juveniles can affect the youth corrections population. These include the creation of diversionary programs as alternatives to incarceration, juvenile handgun legislation, mandated caps on sentence placements, and changes to the length of stay on parole.

Legislative Impact upon the DYC Population

Several recent measures have influenced the juvenile offender population. The following paragraph discusses the most recent significant legislative measure and its impacts on the DYC population.

Continuum of Care Initiative Funding. A footnote in the FY 2005-06 long bill allowed for the Division of Youth Corrections to divert a portion of their funding to develop, implement, and expand a program for the purpose of providing transition, treatment, and other services to youths under their care. The Continuum of Care Initiative uses risk analysis to examine which committed youth would most likely benefit from the program. Preliminary information from DYC shows that those participating in the program have a shorter length of stay than those not in the program. As a result, continued and consistent funding of the initiative is expected to reduce growth in commitments, particularly in the near-term.

DYC Commitment Population Projections

In FY 2007-08, the commitment population is expected to average 1,275, representing a 10.5 percent decrease over last year. In the past three months, the average daily population has fallen by 50 offenders, reaching a level of 1,309 in September. By FY 2011-12, the commitment population will fall to 1,106, representing an average decline of 4.9 percent per year. A decrease in the forecast for the number of 14 to 17 year olds in Colorado, the on-going impact of the Continuum of Care Initiative, and a reduction in juvenile delinquency filings have served to lower the forecast from a year ago. Table 15 provides the average commitment population estimates from FY 2007-08 to FY 2011-12.

Table 15
Commitment Average Daily Population

	Actual					Forecast				
	2002-03	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*
Commitment Population										
	1,328	1,386	1,454	1,453	1,425	1,275	1,210	1,172	1,137	1,106
Annual Growth		*4.4%*	*4.9%*	*-0.1%*	*-1.9%*	*-10.5%*	*-5.1%*	*-3.1%*	*-3.0%*	*-2.7%*
FY 2006-07 to FY 2011-12 Average Annual Growth Rate										*-4.9%*

Juvenile Parole Population Projections

Table 16 reports the juvenile parole average daily population projections. With passage of Senate Bill 01-077, the minimum parole period was reduced from twelve months to nine months for nonviolent offenders. In FY 2001-02, the parole population decreased 3.9 percent, the first decline in five years. In FY 2002-03, nearly all parolees were eligible for a nine-month parole period and the population dropped an additional 18.1 percent. In order to reduce budgetary costs, the minimum parole period was again lowered from nine months to six months (Senate Bill 03-284). As a result, the parole population dropped again in FYs 2003-04 and 2004-05 by a total of 14 percent.

The recent parole period reductions and lower commitment levels will serve to lessen parole demands below what was previously forecast. In FY 2005-06, the population ended its string of four consecutive years of decrease, as the reductions in the mandatory parole period were fully implemented. Given that all parolees are subject to the shorter minimum parole period, the parole population temporarily stabilized. However, anticipated reductions in the commitment population in the forecast period is expected to push parole populations lower. In the next five years, the parole population will decrease to 427 by FY 2011-12, shrinking at an average rate of 3.8 percent per year. This roughly corresponds with the expected decrease in the commitment population.

Table 16
Division of Youth Corrections Parole Population, Historical and Projected

	Actual					Forecast				
	2002-03	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*
Parole Population										
	567	532	495	500	517	505	482	458	441	427
Annual Growth		*-6.2%*	*-7.0%*	*1.0%*	*3.4%*	*-2.3%*	*-4.6%*	*-5.0%*	*-3.7%*	*-3.2%*
FY 2006-07 to FY 2011-12 Average Annual Growth Rate										*-3.8%*

Risks to the forecast

The impact of the Continuum of Care Initiative will continue to be monitored. While DYC believes that it has contributed significantly to the first decrease in average daily commitment population in at least 12 years, its impact is still being evaluated. Furthermore, the funding for the initiative is somewhat tenuous and any change in the funding could impact the forecast for commitments. Also, commitment sentences are at the discretion of the courts. If a new alternative becomes available, judges may decide to place more offenders in alternative placements. The youth corrections forecast assumes that no new alternatives will become available and the sentencing decision process will be consistent with present practices.

Similarly, the Parole Board has a tremendous influence upon the parole population and the population of revocations and re-commitments. Because the parole board has the discretion to extend parole beyond the six-month mandatory period in a majority (up to 55 percent) of the cases, the parole population could fluctuate significantly depending on the inclination of the board.

Population changes significantly impact the youth corrections population. If the state were to experience a population boom similar to that in the late 1990s, we would expect to see similar increases in the youth corrections population. Also, economic conditions can have a significant impact. If the state's economy begins to sour resulting in more unemployment and stagnant wages, admissions may rise at a faster pace.

Finally, legislation passed by the General Assembly (i.e. penalties, length of parole, funding for alternatives to commitment) can have a significant impact upon the youth corrections populations. This forecast assumes that current state law will not be changed in the future.

Colorado Economic Regions

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

Metro Denver

Metro Denver is an important region to the economic health of Colorado. With the exception of continuing weakness in the single-family housing market, the region's economy has performed solidly in 2007, as shown by the indicators in Table 17.

Table 17
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson counties

	2005	2006	YTD thru October 2007
Employment Growth /1	1.9%	2.0%	1.7%
Unemployment Rate (2007 figure is for October)	5.1%	4.4%	3.5%
Housing Permit Growth /2	-4.3%	-14.5%	-20.5%
Growth in Value of Nonresidential Const. /3	6.8%	-13.4%	31.7%
Retail Trade Sales Growth /4	3.7%	4.1%	4.1%

NA = Not Available.
1/ U.S. Department of Labor, Bureau of Labor Statistics. Data through 2006 are from the QCEW program. 2007 data are from the CES survey.
2/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction.
3/ F.W. Dodge; excludes Broomfield County.
4/ Colorado Department of Revenue; data through September 2007.

Although employment growth for metro Denver of 1.7 percent through October has been slower than the statewide average, the unemployment rate continued to remain low at 3.5 percent in October. Further, two important job sectors for the region's economy – professional and business services and leisure and hospitality – posted strong growth of 4.3 percent and 4.1 percent, respectively. In addition, consumer spending – a large driver of economic activity – was up 4.1 percent in the metro-Denver area through September as measured by retail trade sales, the same growth rate recorded in 2006.

In contrast to the housing market, nonresidential construction activity is also positive overall for the region. The value of nonresidential construction contracts increased 31.7 percent through October. Though Boulder continues to experience a decrease in the value of nonresidential construction contracts this year – down 30.5 percent through October, the rest of the metro Denver area pulled up the total with a 40.3 percent increase. All of this data indicates that the region's economy overall has thus far fought off the negative impacts of the slump in the housing market and the recent turmoil in the credit markets.

On the negative side, the number of new single family housing units authorized continues to fall, recording a 36.4 percent decline through October. However, permits for multi-family units increased 23.9 percent. The drop in single family permits is impacting construction-related jobs as employment in both the construction of buildings sector and the specialty trade contractors sector, which includes workers such as carpenters, painters, plumbers, and electrical workers, were both down through October at 1.4 percent and 2.8 percent, respectively. However, despite the poor housing market, it is notable that employment in real estate in the metro area posted a 1.8 percent increase.

Both home prices and sales dropped in November in the Denver area according to Metrolist data. Sales were down 3.2 percent from November 2006. The median price of a condo sold in November ($139,000) was down 10.8 percent from last year, while the median price of a single-family home ($229,500) declined 4.4 percent. Another widely-monitored gauge of home prices – the S&P/Case-Shiller Price Index – showed that overall housing prices in the Denver area fell by 0.9 percent in September from August. Prior to September, the metro area led the 19 other metro area markets tracked in the index in home appreciation this year.

Also, the number of foreclosures in the metro area increased 3.6 percent in the third quarter from the second quarter and 28 percent from a year earlier, according to a report published by RealtyTrac. However, the metro area no longer is among the top ten cities with the highest foreclosure rates. RealtyTrac reported one foreclosure filing for every 77 households, giving the metro area the country's 12th highest foreclosure rate.

Recent Economic News:

- The financial problems related to the housing market are affecting the Denver metro area's commercial real estate market according to a recent commercial real estate report. After a record year in 2006 and a strong start in 2007, the sale of office, retail, and industrial properties are projected to drop about 57 percent in the second half of 2007. Although there are a large number of buyers seeking commercial property investments in the area, the recent turmoil in the credit markets has made it more difficult and costly to access the credit necessary for such transactions.

- The high number of foreclosures is causing the metro area's vacancy rate for rental properties to drop. The rate was 3.9 percent during the third quarter, down from 6.4 in the third quarter of 2006, according to a report released by the Colorado Division of Housing. Adams County, which has particularly experienced significant foreclosure activity, recorded the largest decline in vacancies – dropping from 9.3 percent to 3.3 percent. Vacancy rates below 3 percent indicate a tight rental market. Despite the drop in the vacancy rate in the metro area, average rents have increased only slightly according to the report. The average monthly rental rate was $967.29 during the third quarter of 2007, up from $957.28 in the same period in 2006.

- Kaiser Permanente plans to open a new medical office in Parker to serve the city's growing population. The facility will have up to eight primary care physician practices, a pharmacy, and laboratory services. Construction is expected to begin next summer and the office could open by 2009.

- Replidyne Inc., a biotech company based in Louisville, laid off 27 of its 81 employees as part of its restructuring plan to stay in business. According to a company spokesperson, the restructuring is due to the FDA's denial of fast-track approval of its antibiotic drug to treat respiratory infections.

- The redevelopment of the former Gates Rubber plant near Broadway and I-25 is underway with both renovation and new construction projects. The redevelopment site, which is anchored by the Broadway light-rail station, sits on 83 acres and will include residential units, including over 3,000 apartments, around 800,000 square feet of office space, 500,000 square feet of retail space, two hotels, and a movie theater. The entire development is expected to take 12 to 15 years to complete.

- Rock Bottom Restaurants Inc., which operates 100 restaurants nationwide, laid off 36 support office employees – about one-third of its office workforce – at its Louisville headquarters. The company indicated that the layoffs resulted from less restaurant spending by consumers and higher food, energy, and labor prices. The restaurant company is also cutting back on its expansion plans.

- Sprouts Farmers Market, a natural and organic foods store, plans to enter the Denver food market by opening stores in Westminster and Parker next year. The Organic Trade Association projects that the natural and organic foods market will grow by 20 percent this year. Conventional supermarkets, such as Safeway and SuperTarget, are also increasing their supply of organic foods.

- Cabela's, a hunting, fishing, and outdoor gear retailer, is breaking ground in Wheat Ridge in

December for its first Colorado store. The 185,000-square-foot store's opening was delayed two years due to the need for significant road and infrastructure improvements around the store's location. Wheat Ridge officials expect the store to increase city sales tax collections by around $1 million in its first year and generate about 400 jobs.

Colorado Springs Region

The Colorado Springs economy has slowed substantially thus far in 2007. Much of the slowdown has been fueled by a sharp slowdown in the construction and housing markets that has been exacerbated by the absence of many Fort Carson troops deployed overseas. Economic indicators for Colorado Springs are shown in Table 18.

Table 18
Colorado Springs Region Economic Indicators
El Paso County

	2005	2006	YTD thru October 2007
Employment Growth /1	1.7%	2.3%	0.7%
Unemployment Rate (2007 figure is for October)	5.3%	4.6%	4.0%
Housing Permit Growth /2	3.6%	-34.3%	-30.5%
Growth in Value of Nonresidential Const. /3	141.5%	-27.5%	-0.2%
Retail Trade Sales Growth /4	5.2%	5.1%	3.7%

NA = Not available

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 data are from the CES survey.

2/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction in the Colorado Springs metropolitan area.

3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through September 2007.

Nonfarm employment increased at the anemic pace of 0.7 percent in the Colorado Springs metropolitan area through October, a rate substantially slower than that which occurred in every other metropolitan area in Colorado. A shortage of labor is partially responsible for the slow growth; the labor force in El Paso County increased a scant tenth of a percent during the first 10 months of 2007, compared with the same time period in 2006. The unemployment rate was 4.0 percent in October, down from an average 4.6 percent rate for 2006.

Retail trade has increased only 3.7 percent year-to-date through September compared with the first three quarters of 2006. Although there is no consumer price index calculated for the Colorado Springs area, it is likely that retail trade in El Paso County, once adjusted for inflation, is growing at a rate less than one percent.

The entire nation is having to contend with tighter credit conditions and an ailing housing market as a result of a credit bubble in mortgages over the last few years. The absence of many Fort Carson troops has exacerbated the impact of this on the Colorado Springs economy. The Colorado Springs economy has slowed to a much greater extant than other metropolitan areas in the state grappling with a high foreclosure rate. A total of 3,106 homes were foreclosed on this year in El Paso County through November, one out of every 123 homes in the county.

According to the U.S. Census Bureau, the number of permits for residential construction in El Paso County decreased 30.5 percent year-to-date through October, compared with the first ten months of 2006. The Pikes Peak Regional Building Department reported that home prices fell for the fourth month in a row in November, when he median price of a single-family home was $207,500, 3.5 percent lower than in November 2006. Home sales decreased 17.7 percent during the same time period, and the supply of homes for sale increased 10.5 percent.

Meanwhile, people are moving from single-family homes to apartments. According to the Division of Housing, the apartment vacancy rate was 8.6 percent in the third quarter of 2007, the lowest level in five years. Apartment complexes in Fountain and the unincorporated Security and Widefield areas near Fort Carson had a vacancy rate of 22.1 percent in the third quarter.

Recent Economic News:

- Intel Corp. will no longer manufacture computer chips in Colorado Springs after this month. About half of the plant's 400 employees will lose their jobs when that occurs. Those remaining will work until mid-2008 to complete the plant's shutdown. The plant employed 1,000 people as recently as January 2007.

- Frontier Airlines announced that it will start service to Colorado Springs in 2008 and build a 100,000-square-foot, $25 million, maintenance facility at the Colorado Springs Airport. The company plans to employ 225 people in Colorado Springs, some of which will be relocated from Denver.

Pueblo Region

Table 19 shows economic indicators for the Pueblo and southern mountains region. Economic indicators were mixed through October. Employment increased 3.7 percent in Pueblo, following increases of 0.9 and 2.6 percent in 2005 and 2006. The unemployment rate is low in the region as a whole, though it is slightly higher than the state average. Following an unemployment rate of 5.5 percent last year, the region recorded a 4.1 percent rate in October.

Table 19
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas counties

	2005	2006	YTD thru October 2007
Employment Growth /1 Pueblo MSA Only	0.9%	2.6%	3.7%
Unemployment Rate (2007 figure is for October)	6.5%	5.5%	4.1%
Housing Permit Growth /2 Pueblo County Only	-3.4%	10.6%	-46.3%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	-46.6%	632.3%	-63.9%
Retail Trade Sales Growth /4	5.3%	6.0%	5.0%

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data through 2006 are from the QCES program. 2007 data are from the CES survey.

2/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction.

3/ F.W. Dodge.

4/ Colorado Department of Revenue; data through September 2007.

The value of nonresidential construction projects in Pueblo County was down 63.9 percent through October, following an increase of 632.3 percent in 2006. The large increase for 2006 was primarily due to a single, $250 million permit filed in November 2006 for a manufacturing facility. Absent that permit, nonresidential construction would be up 76 percent so far in 2007. The strongest growth was in the construction of stores and food service facilities, garages and service stations, hotels and motels, libraries and museums, hospital and health treatment facilities, and government buildings.

On the residential housing front, the Pueblo region is experiencing a substantial contraction in home construction, keeping with the state and national trend. Pueblo County sustained a housing permit decline of 46.3 percent. For the prior year, Pueblo County recorded housing permit gains of 10.6 percent through October.

Consumer spending, measured by retail trade sales, recorded healthy growth of 5.0 percent in the region through September, similar to the state average. Pueblo County, the most populous county in the region, recorded a 7.6 percent increase in retail sales. Fremont County, which represents the second largest portion of the region's sales, reported a 2.6 percent increase through September. Custer and Huerfano counties reported gains of 13.7 and 5.6 percent, respectively, while Las Animas County saw a 12.7 percent decline.

Recent Economic News:

- A new YMCA community campus recently broke ground in Pueblo. Over the next year and a half a $16 million, 150-acre campus will be built, which will include sports fields, jogging trails, an environmental day camp area, and picnic areas.

- Xcel is currently building the largest power plant in Colorado, which is expected to open in the fall 2009. Comanche 3 will generate enough energy to supply 750,000 households. Xcel's business in Colorado will include renewable energy, power conservation, and pollution controls, resulting from an agreement between Xcel and environmental groups.

- A new Lowe's store on the south side of Pueblo opened in November. The store includes 117,000-square-feet and an adjacent 40,000-square-foot garden center.

San Luis Valley and Southwest Region

The economic performance of the San Luis Valley and southwest region is mixed. Employment growth is strong and the unemployment rate is low. Consumer spending is modest and similar to the rest of the state. There is significant growth in the value of nonresidential construction. However, there are losses in residential housing permits. Table 20 shows economic indicators for the San Luis and Southwest region.

Table 20

San Luis and Southwest Region Economic Indicators

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

	2005	2006	YTD thru October 2007
Employment Growth /1	1.4%	3.3%	6.1%
Unemployment Rate (2007 figure is for October)	5.1%	4.3%	3.0%
Statewide Crop Price Changes /2			
Barley (U.S. average)	1.1%	24.2%	60.6%
Alfalfa Hay (baled)	18.8%	37.3%	1.4%
Potatoes	78.7%	-8.0%	-6.5%
Potato Production (Cwt) /2	-6.4%	-1.0%	-8.3%
Housing Permit Growth /3			
Alamosa County	-39.4%	-2.5%	-40.0%
La Plata County	-1.4%	-25.5%	-28.4%
Growth in Value of Nonresidential Const. /3			
Alamosa County	-44.1%	-22.4%	414.1%
La Plata County	-82.8%	74.4%	879.1%
Retail Trade Sales Growth /4	7.3%	9.8%	5.3%

NA = Not available.

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 data are from the LAUS (household) survey.

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

3/ F.W. Dodge. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) contracted for construction.

4/ Colorado Department of Revenue; data through September 2007.

Employment growth is a strong 6.1 percent through October, based on a survey of households by the state labor department. This figure is compared with the 3.3 percent growth of last year and the 1.4 percent in 2005, according to a different survey by the state labor department. The unemployment rate was a low 3.0 percent in October, following 4.3 percent in 2006 and 5.1 percent in 2005.

The potato industry, an important part of the economy of the San Luis Valley, showed weakness. Potato prices were down 6.5 percent in November over a year ago. Further, summer and fall potato production was down 8.3 percent.

Strong growth was reported in the value of nonresidential construction. Alamosa County reported a 414.1 percent gain through October, up from a decrease of 22.4 percent recorded in 2006. Alamosa County saw the most significant gains in the construction of schools and colleges, libraries and museums, hospital and health treatment centers, religious facilities, and amusement structures. La Plata County recorded a remarkable 879.1 percent growth in the value of nonresidential construction during the same period, a large increase from the 74.4 percent increase in 2006. La Plata County saw the most significant gains in the value of garages and service stations, hotels and motels, libraries and museums, governments buildings, and amusement structures.

Consumer spending, measured by retail trade sales, was up 5.3 percent through September, compared with a 9.8 percent gain in 2006. Representing nearly half of the regions retail sales, La Plata County's sales increased a modest 4.5 percent. The two other large contributors to the region's retail sales, Alamosa and Montezuma counties, saw more significant growth of 8.5 percent and 6.5 percent, respectively. Retail trade sales were best in Conejos County, which reported the highest growth of 9.5 percent.

Recent Economic News:

- SunEdison activated its 8.22-megawatt photovoltaic solar plant in Alamosa that will generate power for Xcel Energy. The plant will deliver enough energy to power 1,500 homes and Xcel Energy will buy renewable energy credits and solar power generated by the plant for 20 years. Construction of the 80-acre facility created about 50 jobs and the plant employs a small maintenance crew.

Western Region

The western region's economy driven by the boom in the oil and gas industry, continues to be one of the fastest growing regions in the state based on employment, retail trade sales, and non-residential construction. Table 21 displays economic indicators for the region.

Table 21

Western Region Economic Indicators

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

	2005	2006	YTD thru October 2007
Employment Growth /1			
Western Region	4.9%	5.9%	6.2%
Mesa County 1/	2.8%	4.4%	5.0%
Unemployment Rate (2007 figure is for October)	4.4%	3.6%	2.6%
Housing Permit Growth			
Mesa County 2/	-3.0%	4.6%	-11.5%
Montrose County 3/	22.4%	-5.3%	-30.4%
Growth in Value of Nonresidential Const. /3			
Mesa County	287.8%	-53.2%	261.3%
Montrose County	-54.9%	82.7%	-44.0%
Retail Trade Sales Growth /4	10.5%	14.2%	11.5%

NA = Not Available

1/ Colorado Department of Labor and Employment. 2005 and 2006 data are from the QCEW program. 2007 data are from the CES survey for Mesa County and the LAUS survey for the region.

2/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction.

3/ F.W. Dodge. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) contracted for construction.

4/ Colorado Department of Revenue; data through September 2007.

Employment in the region expanded by 6.2 percent in the first ten months of 2007, which outpaced the 5.9 percent growth recorded in 2006. In Mesa County, employment increased 5.0 percent through October, compared with 4.4 percent growth in all of 2006. The region's unemployment rate dropped to a low of 2.6 percent in October, down from 2.8 percent in September 2007 and down from an average of 3.6 percent in 2006. Fueled by mining activity and natural gas production, Rio Blanco experienced the fastest job growth in the region at 14.3 percent. Only one of the nine counties in the region, Ouray County, saw a 5.6 percent decline in job growth.

Construction indicators were mixed in the first ten months of 2007. In Mesa County, permits for housing units decreased 11.5 percent, and in Montrose County permits decreased 30.4 percent. The Grand Junction housing market, which has posted a 65 percent gain in home prices over the past five years may soon see a change. Housing price data by the Colorado Association of Realtors projects that the median price of a home will decrease 9.9 percent next year, as reported by Money magazine. The median price of a home in Grand Junction was $217,000 in June 2007 and is expected to drop $22,000 in the upcoming year.

The value of nonresidential construction permits is up in 2007. In Mesa County, nonresidential construction permits increased from $75.3 million to $272.2 million in the first ten months of the year. In Montrose County, nonresidential construction permits were down 44.0 percent.

Consumer spending in the region continues to grow strongly, as measured by retail trade sales. Through September, retail sales were up 11.5 percent, more than double the 5.3 percent statewide average growth rate. Ouray County saw the largest increase in retail trade sales at 25.5 percent through September, while the slowest growth was in Gunnison County at 3.0 percent.

Recent Economic News:

- Wal-Mart opened its new SuperCenter store in Craig on November 7. The store is nearly 100,000 square feet and employs 265 employees.

- Total Merchant Services, a firm that supplies the machines that businesses use to process credit cards, will move its Basalt office to

Glenwood Springs. The firm will build a new 70,000 square-foot building. Total Merchant Services employs 150 and is adding 50 full-and part-time positions this month to its current operations.

- The city of Rifle will grant $80,000 in incentives to bring Grand Junction Pipe and Supply to its town. The pipe and supply company will employ 19 people with average annual salaries of $49,000.

- Chacos sandals, a company headquartered in Paonia that makes footwear for river runners and hikers, will move its sandal manufacturing operation to China. The company will maintain its headquarters in Paonia but about 50 jobs will be eliminated. By 2009, the entire manufacturing operation will be in China.

- In response to the energy industry's demand for lodging in Garfield County, Silt-based builder Jack Wright recently broke ground for a 80-room Holiday Inn Express Hotel & Suites in Silt. The hotel is expected to open in June 2008.

- Xcel Energy is proposing to shutter its 73-megawatt Cameo Station in De Beque Canyon by December 2010 and lay off 35 people in the process. The proposed closure is part of Xcel's Colorado Resource Plan to reduce greenhouse gas emissions by at least 10 percent by 2017.

Mountain Region

The mountain region's economy has continued its healthy progression thus far in 2007. Employment growth remains robust, growing at more than double the statewide rate. Housing construction is also increasing throughout the region. Table 22 shows the major economic indicators for the mountain region.

Table 22
Mountain Region Economic Indicators
Routt, Jackson, Grand, Eagle, Summit, Pitkin, Lake, Park, Teller, Clear Creek, Gilpin, and Chaffee counties

	2005	2006	YTD thru October 2007
Employment Growth /1	3.2%	3.5%	4.8%
Unemployment Rate (2007 figure is for October)	4.3%	3.6%	3.0%
Housing Permit Growth /2			
Eagle, Pitkin, & Summit counties	20.9%	12.4%	18.4%
Routt County	34.0%	-10.5%	58.7%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	11.2%	70.4%	8.0%
Routt County	-10.3%	102.9%	116.6%
Retail Trade Sales Growth /3	8.8%	12.6%	9.6%

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 data are from the LAUS (household) survey.
3/ F.W. Dodge. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) contracted for construction.
4/ Colorado Department of Revenue; data through September 2007.

Employment increased from an already robust pace of 3.5 percent in 2006 to a 4.8 percent rate through October 2007, compared with the same period in 2006. The fast rate of employment growth has squeezed the labor force, bringing the unemployment rate down to 3.0 percent in October. The unemployment rate has dropped from 3.6 percent in 2006 and 4.3 percent in 2005.

While the residential construction sector has been week throughout most of the state, the mountain region has experienced significant growth. In the first ten months of the year, permits increased 18.4 percent in the I-70 ski counties and 58.7 percent in Routt County, compared with the first 10 months of 2006. In both cases, the growth was driven by the construction of new apartment units. Nonresidential construction has also experienced strong growth this year, with construction values increasing 8.0 percent in Eagle, Pitkin, and Summit counties and over 100 percent for the second year in a row in Routt County. Stores and restaurants have driven the nonresidential construction.

Consumer spending has also remained strong in the mountain region, pushed by the strong job growth and continuing strength in tourism.

Recent Economic News:

- Vista AutoGroup opened the largest automotive dealership in Summit County in Silverthorne. The dealership will sell new Jeep, Chrysler, Dodge, and Subaru vehicles as well as used cars and trucks. The dealership employs 42 people on its 4.2 acre site with a 38,000-square-foot showroom.

- Avon will see construction of a Westin Resort and Spa on a 19-acre site on the banks of the Eagle River. A gondola will take visitors directly from the resort to Beaver Creek Mountain. The resort is scheduled to open in July, 2008. The hotel will also feature a spa, on-site physicians, a restaurant, and a five-acre park.

- The previously reported reopening of the Climax mine near Leadville will initially employ 150 construction workers and will increase to over 500 construction workers before the mine reopens in 2010. The restart will cost $500 million. The mine will employ about 350 miners when is reopens. In addition, a water treatment plant for the water leaving the Climax mine site was recently completed at a cost of $23 million.

Northern Region

Table 23 shows the economic indicators for the northern region. Employment growth has been mixed with Larimer County recording job increases similar to the state average and Weld County showing healthy job growth. The unemployment rate remains low and has steadily declined since 2005. Consumer spending, as measured by retail sales, was healthy. Meanwhile, the residential construction market displayed mixed results.

Table 23
Northern Region Economic Indicators
Weld and Larimer counties

	2005	2006	YTD thru October 2007
Employment Growth /1			
Larimer County	2.1%	1.9%	1.9%
Weld County	2.9%	4.4%	3.1%
Unemployment Rate (2007 figure is for October)			
Larimer County	4.4%	3.9%	2.9%
Weld County	5.1%	4.6%	3.6%
State Cattle and Calf Inventory Growth /2	6.0%	-8.8%	-8.8%
Housing Permit Growth /3			
Larimer County	-14.8%	-17.5%	-36.4%
Weld County	-2.2%	-30.3%	-38.1%
Growth in Value of Nonresidential Const. /4			
Larimer County	-56.4%	72.7%	-7.3%
Weld County	-35.8%	-17.6%	26.6%
Retail Trade Sales Growth /5			
Larimer County	5.7%	5.2%	5.2%
Weld County	8.9%	7.0%	6.4%

NA = Not available

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data through 2006 are from the QCEW program. 2007 data are from the CES survey.

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

3/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction.

4/ F.W. Dodge.

5/ Colorado Department of Revenue; data through September 2007.

Employment grew 1.9 percent in Larimer County and 3.1 percent in Weld County in the first ten months of the year. Jobs grew in Larimer County at the same rate recorded in 2006, and Weld County's growth follows even larger gains of 4.4 percent in 2006. The unemployment rate was a low 2.9 percent in Larimer County and 3.6 percent in Weld County in October. Both Larimer and Weld County have seen their unemployment rates decline in the last few years, recording rates of 3.9 and 4.6 percent respectively in 2006. The low unemployment rates are partially a result of a shortage of labor; the labor force is growing at a rate slower than employment in both counties.

For the first ten months of 2007, the value of nonresidential construction declined 7.3 percent in Larimer County, while Weld County saw value gains of 26.6 percent. The nonresidential construction picture has reversed for both counties. Weld County recorded losses in value of 17.6 percent in 2006, while Larimer County recorded an increase of 72.7 percent. Both counties share gains in the value of libraries and museums and in schools and colleges.

The northern region recorded losses in residential construction through October, reflecting a statewide and national trend. Housing permits declined 36.4 percent in Larimer County and 38.1 percent in Weld County. After the construction boom of 2004, the northern region has gone through a housing construction correction with housing permit declines steadily worsening. This circumstance is coupled with a deterioration of the residential real estate market and rising foreclosures.

Recent Economic News:

- Vestas Wind Systems plans to double the size of its 200,000-square-foot plant in Windsor because of unexpectedly strong demand for wind turbine blades. The expansion will bring an additional 250 jobs to the area, which pay between $45,000 and $60,000 annually. The company will fill the positions before production begins in 2008.

- TerraVisions LLC plans to build a maximum of 100,000-square-feet of commercial space and as many as 1,804 single-family homes and multi-family residential units on a property located near Weld County Road 7. Construction is expected to begin this upcoming spring.

Eastern Plains

Economic indicators for the Eastern Plains shown in Table 24 present a moderately healthy economic picture that is posting economic gains over 2006. Unemployment was a low 3.1 percent in October and employment growth saw a 1.7 percent increase in the first ten months of 2007 after declining 1.0 percent in 2006. The unemployment rate has improved from last year when it was 4.2 percent and employment growth is well above the 0.4 percent rate posted in 2005 and the 1.0 percent decline at the close of 2006.

Table 24
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca counties

	2005	2006	YTD thru October 2007
Employment Growth /1	0.4%	-1.0%	1.7%
Unemployment Rate	4.6%	4.2%	3.1%
(2007 figure is for October)			
Crop Price Changes /2			
Winter Wheat	3.1%	15.1%	42.2%
Corn	0.9%	32.7%	25.4%
Alfalfa Hay (baled)	16.3%	37.3%	1.4%
Dry Beans	32.9%	32.1%	37.6%
State Crop Production Growth /2			
Sorghum production	-36.9%	0.9%	86.4%
Corn	0.1%	-4.6%	17.4%
Winter Wheat	NA	-24.4%	135.6%
Sugar Beets	-0.6%	NA	-17.0%
2006 is estimated production for the year.			
State Cattle and Calf Inventory Growth /2	6.0%	0.0%	-8.8%
Retail Trade Sales Growth /3	5.4%	6.7%	4.1%

NA = Not Available

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 data are from the LAUS (household) survey.

2/ Colorado Agricultural Statistics Service. Compares November 2007 to November 2006. Crop production based on projections for 2007 compared to actual 2006 production.

3/ Colorado Department of Revenue; data through September 2007.

November crop prices in the region and Colorado continue to show healthy gains. Colorado's agricultural producers saw price increases for winter wheat, corn, alfalfa hay, and dry beans over prior year's prices. In regard to corn, Colorado saw a larger increase in prices (25.4 percent) than the national average price increase (21.2 percent). Corn prices in Colorado also increased dramatically in 2006 (32.7 percent). The large increases are being driven by the expansion of ethanol production in the state. Crop production was up for sorghum, corn, and winter wheat but declined for sugar beets. Winter wheat production more than doubled through November over the prior year's production.

Consumer spending in the Eastern Plains, measured by retail trade sales, was up 4.1 percent through September, though spending continues to lag behind other areas of the state. The area recorded an increase of 6.7 percent in 2006. Eleven of 16 counties in the region recorded gains in retail trade with Yuma County showing the largest increase at 9.5 percent and Washington County recording the largest double-digit decline at 19.8 percent, depressing the regional average.

The state inventory of all cattle and calves in Colorado feedlots was down 8.8 percent through November 2007. It is likely that ranchers have not yet built up the cattle and calf inventory that was lost to the winter storms in 2007.

Recent Economic News:

- Xcel Energy has canceled its plans to build a 600-megawatt, $300 million, coal-fired power plant in Bent County. Xcel officials declined to go ahead with the plant's construction because the company's power needs were not aligned with the proposed new plant and Xcel lacked partners that would work to defray costs. Aside from any property tax credits that the county would offer to Xcel, county officials estimated that Bent County's property tax collections would have increased from the current $1.6 million to $18.0 million.

Appendix A
Historical Data

National Economic Indicators

(Dollar amounts in billions)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross Domestic Product	$6,336.6	$6,658.9	$7,071.0	$7,398.6	$7,817.2	$8,304.4	$8,746.9	$9,268.3	$9,815.8	$10,129.0	$10,469.8	$10,962.7	$11,686.5	$12,435.4	$13,191.9
percent change	5.7%	5.1%	6.2%	4.6%	5.7%	6.2%	5.3%	6.0%	5.9%	3.2%	3.4%	4.7%	6.6%	6.4%	6.1%
Real Gross Domestic Product (inflation-adjusted, chained to 2000)	$7,336.6	$7,532.7	$7,835.5	$8,031.7	$8,328.9	$8,703.5	$9,066.9	$9,468.9	$9,815.9	$9,892.9	$10,047.8	$10,302.4	$10,675.9	$11,004.9	$11,316.2
percent change	3.3%	2.7%	4.0%	2.5%	3.7%	4.5%	4.2%	4.4%	3.7%	0.8%	1.6%	2.5%	3.6%	3.1%	2.8%
Unemployment Rate	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%	4.6%
Inflation (Consumer Price Index)	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%	3.2%
10-Year Treasury Note	7.0%	5.9%	7.1%	6.6%	6.4%	6.4%	5.3%	5.7%	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%
Personal Income	$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	$9,727.2	$10,301.1	$10,983.4
percent change	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%	5.9%	6.6%
Wage and Salary Income	$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	$5,394.5	$5,667.9	$6,018.2
percent change	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%	6.2%
Nonfarm Wage and Salary Employment (millions)	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	136.2
percent change	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%	1.9%

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	$154,829	$163,805	$175,815	$188,173
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%	5.8%	7.3%	7.0%
Per Capita Income	$20,160	$21,109	$22,054	$23,004	$24,226	$25,570	$26,846	$28,784	$30,492	$33,367	$34,481	$34,014	$34,059	$35,621	$37,702	$39,587
percent change	3.0%	4.7%	4.5%	4.3%	5.3%	5.5%	5.0%	7.2%	5.9%	9.4%	3.3%	-1.4%	0.1%	4.6%	5.8%	5.0%
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	$92,090	$97,350	$104,023
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%	6.9%
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%	5.5%
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	46,499	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%	17.5%	-0.5%	-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%	2.0%
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	4,327.4	4,428.6	4,500.1	4,546.0	4,598.5	4,663.3	4,753.4
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%	1.0%	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