Colorado
Legislative
Council
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MEMORANDUM

June 20, 2008

TO: Members of the General Assembly

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

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2008-2012*

This memorandum presents the current budget outlook based on the **June 2008 General Fund and cash fund revenue forecasts.** Table 1 presents the General Fund overview based on current law.

Executive Summary

Revenue Forecast

The five-year forecast for total revenue subject to TABOR was increased $718.4 million, or 1.3 percent, since the March forecast. The General Fund revenue forecast was increased $291.0 million and the cash fund forecast was increased $427.4 million for the period between FY 2007-08 and FY 2011-12.

- Most of the increase in **General Fund revenue** resulted from an increase in the expectations for individual income taxes. These increases were offset by declining expectations for sales, use, and insurance premium taxes. General Fund revenue will increase 2.2 percent this year and 3.1 percent in FY 2008-09.

- Changes in the **Cash Fund revenue** forecast were driven by rising energy prices. Expectations for severance taxes increased because of higher expectations for the price of natural gas. Decreases in expectations for motor fuel taxes, vehicle registration fees, and gaming taxes were either fully or partially the result of higher gasoline prices. Although not related to energy prices, expectations for unemployment insurance taxes also increased. In addition, 62 bills passed during the 2008 legislative session added a total of $227.5 million in new cash fund revenue between FY 2008-09 and FY 2011-12, or an average of $56.9 million per year. Cash Fund revenue will increase 4.6 percent in FY 2007-08.

Table 1
June 2008 General Fund Overview
(Dollars in Millions)

		FY 2006-2007	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	$291.7	$300.8	$323.0	$424.7
2	General Fund Nonexempt Revenue	6,231.8	6,646.0	6,751.9	7,184.7	7,778.0	8,322.9
3	General Fund Exempt Revenue	1,308.0	1,063.2	1,194.2	1,391.0	1,388.6	1,494.1
4	Senate Bill 97-1 Diversion to the HUTF	-228.6	-239.8	-100.3	-256.4	-270.3	-284.4
5	Paybacks to Other Funds	0.0	0.0	-2.9	0.0	0.0	0.0
6	Sales Taxes to Older Coloradans Fund and OASMCF	-3.8	-5.8	-8.8	-10.9	-10.9	-10.9
7	Total Funds Available	$7,996.0	$7,980.1	$8,125.8	$8,609.3	$9,208.4	$9,946.5
	APPROPRIATIONS AND OBLIGATIONS:						
8	**Allowable General Fund Appropriations/A**	$6,675.6	$7,087.8	$7,519.6	$7,970.8	$8,449.0	$8,956.0
9	Exceptions From the Appropriations Limit	11.1	6.1	0.0	0.0	0.0	0.0
10	Rebates and Expenditures	161.9	171.6	186.2	201.0	208.0	194.6
11	Reimbursement for Senior and Disabled Veterans Property Tax Cut	74.2	79.8	86.1	93.4	100.7	107.7
12	Funds in Prior Year Excess Reserve to HUTF	291.2	166.2	5.5	0.0	2.8	57.8
13	Funds in Prior Year Excess Reserve to Capital Construction	145.6	83.1	2.7	0.0	1.4	28.9
14	Capital Construction Transfer	145.9	93.7	24.9	21.1	21.8	20.2
15	Accounting Adjustments	-25.7	NE	NE	NE	NE	NE
16	Total Obligations	$7,479.7	$7,688.4	$7,825.0	$8,286.3	$8,783.7	$9,365.3
17	**YEAR-END GENERAL FUND RESERVE**	**$516.3**	**$291.7**	**$300.8**	**$323.0**	**$424.7**	**$581.2**
18	**STATUTORY RESERVE: 4.0% OF APPROPRIATIONS**	**267.0**	**283.5**	**300.8**	**318.8**	**338.0**	**358.2**
19	**GENERAL FUND EXCESS RESERVE**	**$249.3**	**$8.2**	**0.0**	**$4.1**	**$86.8**	**$223.0**
	TABOR RESERVE REQUIREMENT:						
20	General & Cash Fund Emergency Reserve Requirement	$289.3	$297.1	$310.9	$331.9	$346.3	$365.4
21	Appropriations Growth	$389.0	$407.3	$425.6	$451.2	$478.2	$506.9
22	Appropriations Growth Rate	6.18%	6.09%	6.00%	6.00%	6.00%	6.00%
23	Addendum: Amount Directed to State Education Fund	$395.1	$407.9	$422.2	$458.8	$495.5	$535.6

Totals may not sum due to rounding.

/A Budgeted appropriations currently equal $7,519.2 million for FY 2008-09, the number in the table for that year reflects available room under the 6% appropriations limit

- The forecast for severance taxes was increased substantially each year through FY 2011-12 because of rising energy prices. Tax collections in FY 2007-08 have accumulated at a faster pace than expected, pushing the forecast to $172.7 million. This represents a $45.5 million increase from the March forecast. In FY 2008-09, severance taxes are expected to total $356.4 million, which is a $111.0 million increase from March. The price of natural gas in Colorado is expected to increase more than 50 percent in 2008, averaging almost $7.90 per thousand cubic feet (Mcf). In subsequent fiscal years, natural gas prices are projected to rise toward $8.75 per Mcf. High oil prices, low inventories of natural gas, low imports of liquified natural gas, and continuing economic growth will keep energy prices high in the forecast period. Moreover, the opening of the first and second segments of the Rockies Express pipeline will provide pricing support for Colorado producers.

- The current estimate for the amount of revenue that will be retained by the state during the **Referendum C time-out period** is $6.1, up from $5.8 billion in the last forecast. Of this amount, $104.6 million resulted from increased fees and fines passed during the 2008 legislative session. The amount of revenue retained over the Referendum C time-out period is impacted by several factors. First, legislative and executive agency increases and decreases to fees change the revenue level. Next, changes to the projections for inflation and population affect the TABOR base from which the retained amount is calculated. Also, changes to federal tax policy impact receipts in Colorado. Finally, economic and other changes that impact revenue 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	$1,308.0
Projections	
2007-08	$1,063.2
2008-09	$1,194.2
2009-10	$1,391.0
2010-11	$1,388.6
2011-12	$1,494.1

- 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.

- The **Highway Users Tax Fund** (HUTF**) and capital construction** will share $8.2 million in FY 2008-09 and a total of $313.8 million in FYs 2010-11 through 2012-13 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 also receive $1,151.1 million through the **Senate Bill 97-1** diversion during the forecast period. In FY 2009-10, however, there is no money available for HB 02-1310 and the SB 97-1 diversion is reduced to just over $100.3 million.

National Economy

While the national economy teeters on the brink of a housing and finance-related recession, inflation has now become a serious concern as well. Record high oil prices and increasing food prices are forming the baseline for the inflationary concerns. After a nine month effort by the Federal Reserve to lower interest rates and inject money into an ailing economy, they may need to increase rates at the close of the year to stave off inflation. Economic growth is still expected to be anemic during the first half of 2008 with only slight improvement in the second half of the year. Growth will improve slightly in 2009.

Colorado Economy

Although the state's economy has slowed considerably, the state's economic diversity and recent job growth in wide-ranging industries should prevent it from falling into recession. Consumers have begun to cut back in response to tight credit conditions and rising food and gas prices. The state is wrestling with a significant correction in its housing sector and in housing-related employment. However, the correction in the housing sector appears to have begun earlier and has been more gradual than in other areas of the nation. In addition, based on population and employment growth, Colorado's economy appears to be among the most vibrant in the nation. As long as the turmoil in the financial markets is resolved as expected, the economy's healthy population and job growth should be able to absorb much of the weakness.

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. As the national economy has deteriorated, the state's economy has also shown signs of slowing due to difficulties in the housing market and financial industries and rapidly increasing food and energy costs. Thus far, however, the state's economy has managed to remain quite resilient relative to the nation as the higher energy prices have created an energy boom in the state, consumers have just begun to cut back spending, and tourism has remained strong. Also, corporations have maintained healthy profits through productivity gains and increased exports due to a weak dollar and an expanding world economy. While Colorado's economic expansion is now quite mature, it seems poised to show slow growth for the next two years while approaching, but not slipping into, a local recession.

The forecast for General Fund revenue did not change for FY 2007-08, but was *reduced* by $66.1 million for FY 2008-09. Overall, the forecast for the five-year forecast period was *increased* by $291.0 million over the five-year forecast period. While the expectations for sales taxes were lower throughout the period, the forecast for individual income taxes was increased in every year except FY 2008-09.

Individual income taxes will increase 2.0 percent in FY 2007-08 as job growth slows and investors contend with turmoil in the financial markets. While taxes withheld from employee paychecks have shown healthy growth, taxes from capital gains have slowed considerably and are expected to continue to weaken through most of 2009. Individual income taxes will continue to show slow growth in FY 2008-09. Recovery from slower growth, stabilized capital markets, and higher oil and gas royalty payments will cause individual incomes taxes to increase at the much healthier rate of 9.4 percent in FY 2009-10. The forecast for individual income taxes was increased 40.8 million in FY 2007-08 as a result of stronger-than-expected growth in taxes withheld from employee paychecks, and a total of $375.6 million over the forecast period.

Four bills passed during the 2008 session offset the increases in income tax collections. The extension of the child care and historic preservation tax credits, a new deduction for wildfire mitigation, and a new credit for hiring individuals with developmental disabilities reduced projections by a total of $21.4 million per year.

The forecast for **corporate income taxes** was reduced marginally in the current fiscal year because of lower-than-expected collections through May 2008. In FY 2007-08, corporate income taxes are expected to total $491.3 million, which represents a 1.3 percent drop from the prior year. The marginal loss year-over-year is due to the expiration of a federal tax break, which encouraged corporations to repatriate foreign-source income at a reduced federal income tax rate; the effects of a national recession; and the impact of the federal stimulus package, which is expected to cost the state about $25.0 million in corporate income taxes in FY 2007-08 and $28.5 million in FY 2009-10. The federal economic stimulus package will reduce federal taxable income by providing higher depreciation allowances and expensing limits for corporations that purchase capital equipment in 2008. Without the reduction in federal taxable income, the forecast for corporate income taxes would have registered a year-over-year gain in FY 2007-08.

While companies are facing higher energy and raw material costs, productivity gains continue to boost profit margins and the outlook for corporate profits in subsequent years.

Corporate income taxes are projected to increase 4.3 percent in FY 2008-09 and 11.1 percent in FY 2009-10, reaching $512.3 million and $569.1 million, respectively. The sizable gain in FY 2009-10 is anticipated because of the expiration of the federal stimulus package.

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 in revenue similar to income taxes. After receiving $395.1 million in FY 2006-07, it will receive $407.9 million in FY 2007-08 and $422.2 million in FY 2008-09.

After strong growth in **sales tax** revenue through much of the current fiscal year, revenue growth began to slow over the past few months. Consumers have begun to be impacted by the negative factors weighing on the economy. This trend is expected to continue into FY 2008-09 as slower employment and personal income growth will temper consumer spending. Also, since food bought at grocery stores and gasoline are not subject to the state sales tax, an increase in expenditures for these items due to their recent large price hikes will result in a decrease in expenditures on other taxable items, contributing to sluggish sales tax revenue. However, revenue should experience a temporary, though modest, boost this summer as households spend at least a portion of their economic stimulus payments from the federal government. Sales tax revenue will increase 4.8 percent in FY 2007-08 and slow to a 2.6 percent rate in FY 2008-09.

The forecast for **use tax** revenue was revised downward about $8 million in FY 2007-08 as the uncertainty in the economy appears to have finally begun to have a negative impact on both consumer and business spending. We expect use tax revenue to continue to be weak in FY 2008-09 as a slower economy and higher prices for food and gasoline continue to impact consumer and business confidence. In addition, both residential and nonresidential construction activity will be anemic over the next year. Use tax revenue will increase 4.5 percent in FY 2007-08 and be flat in FY 2008-09.

Six bills enacted in 2008 impact sales and use tax revenue to the General Fund; four of which provide sales and use tax exemptions. For FY 2008-09 through FY 2012-13, **HB08-1269** provides an exemption for sales of wood products that use wood from salvaged trees killed or infested in the state by mountain pine beetles. It is estimated that this exemption will reduce sales and use tax revenue by about $630,000 in FY 2008-09 and $680,000 in FY 2009-10. **HB 08-1013** and **HB08-1358** provide an exemption for items sold by schools, parent or teacher organizations, booster clubs, and other groups or clubs whose primary purpose is to support a school activity. It is estimated that these bills will reduce sales tax revenue by around $200,000 a year. Also, **HB 08-1261** provides a sales tax exemption for the sale of new or used aircraft in the state to nonresidents who register and primarily use the aircraft outside the state. However, the revenue impact of this bill is likely minimal, since the state is already not receiving much sales tax revenue from the transactions covered by the bill.

HB 08-1171 clarifies that the federal excise tax due on certain heavy trucks, trailers, and tractors must be excluded from the price of the vehicles – including the lease price – paid by the buyer when calculating sales and use tax due. The bill is estimated to reduce revenue by $68,000 in FY 2008-09 and $82,000 in FY 2009-10. One bill is expected to generate an increase in sales tax revenue. **SB08-082** eliminates the Sunday prohibition on sales of alcoholic beverages by liquor stores. The increase in spending from allowing Sunday sales is estimated to generate an additional $4.0 million annually in state sales tax revenue.

June 2008 General Fund Revenue Estimates
(Dollars in millions)

Category	Actual 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	$2,126.2	4.8	$2,181.9	2.6	$2,279.4	4.5	$2,404.1	5.5	$2,529.1	5.2
Use	181.6	9.4	189.7	4.5	189.6	0.0	196.5	3.6	205.8	4.7	217.3	5.6
Cigarette	47.1	-2.4	46.1	-2.1	45.5	-1.3	44.7	-1.6	44.1	-1.4	43.0	-2.5
Tobacco Products	13.0	15.5	10.3	-20.5	13.0	26.4	13.4	2.9	13.8	2.7	14.4	4.7
Liquor	34.0	3.5	35.3	4.0	37.3	5.5	37.8	1.3	38.2	1.3	39.0	1.9
TOTAL EXCISE	$2,303.6	4.0	$2,407.5	4.5	$2,467.3	2.5	$2,571.7	4.2	$2,706.0	5.2	$2,842.8	5.1
Net Individual Income	$4,870.9	11.3	$4,966.3	2.0	$5,130.3	3.3	$5,613.0	9.4	$6,090.1	8.5	$6,606.8	8.5
Net Corporate Income	497.9	11.3	491.3	-1.3	512.3	4.3	569.1	11.1	594.1	4.4	626.2	5.4
TOTAL INCOME TAXES	$5,368.8	11.3	$5,457.6	1.7	$5,642.6	3.4	$6,182.1	9.6	$6,684.2	8.1	$7,232.9	8.2
Less: Portion diverted to the State Education Fund	-395.1	10.6	-407.9	3.2	-422.2	3.5	-458.8	8.7	-495.5	8.0	-535.6	8.1
INCOME TAXES TO GENERAL FUND	$4,973.7	11.4	$5,049.7	1.5	$5,220.4	3.4	$5,723.3	9.6	$6,188.7	8.1	$6,697.3	8.2
Insurance	179.4	2.4	186.4	3.9	194.9	4.5	199.8	2.6	204.7	2.4	209.3	2.3
Pari-Mutuel	3.0	-12.8	2.8	-7.5	2.6	-6.3	2.5	-3.5	2.4	-3.6	2.3	-3.7
Investment Income	28.2	-15.3	15.6	-44.7	24.3	55.6	46.2	90.2	45.4	-1.6	45.4	0.0
Court Receipts	28.7	5.0	29.2	1.6	17.9	-38.6	13.0	-27.6	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	18.1	8.3	18.7	3.5	19.2	2.7	19.1	-0.5	19.7	3.0
TOTAL OTHER	$262.5	-7.2	$252.0	-4.0	$258.3	2.5	$280.6	8.6	$271.8	-3.1	$277.0	1.9
GROSS GENERAL FUND	**$7,539.8**	**8.3**	**$7,709.2**	**2.2**	**$7,946.0**	**3.1**	**$8,575.7**	**7.9**	**$9,166.6**	**6.9**	**$9,817.0**	**7.1**
REBATES & EXPENDITURES:												
Cigarette Rebate	$13.2	-6.3	$13.5	2.0	$13.3	-1.3	$13.1	-1.6	$12.9	-1.4	$12.6	-2.5
Old-Age Pension Fund	89.9	3.2	97.7	8.7	105.3	7.7	113.2	7.6	121.1	7.0	130.0	7.3
Aged Property Tax & Heating Credit	8.4	-14.3	8.8	5.0	9.5	7.7	9.4	-1.0	9.2	-1.9	9.0	-1.9
Interest Payments for School Loans	10.6	-6.2	11.9	11.8	18.4	55.6	35.1	90.2	34.5	-1.6	34.5	0.0
Fire/Police Pensions	38.8	33.3	38.8	0.1	38.8	0.0	29.3	-24.4	29.3	0.0	7.5	-74.3
Amendment 35 GF Expenditures	1.0	-0.1	1.0	-1.3	1.0	-1.0	1.0	-1.2	1.0	0.2	1.0	-1.3
TOTAL REBATES & EXPENDITURES	$161.9	6.9	$171.6	6.0	$186.2	8.5	$201.0	7.9	$208.0	3.5	$194.6	-6.5

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 4.6 percent in FY 2007-08 after a 4.9 percent decrease in FY 2006-07. The forecast for cash fund revenue was increased by $45.7 million in FY 2007-08 and a total of $427.4 million over the five-year forecast period. Increased expectations for oil and gas severance and unemployment insurance taxes were somewhat offset by decreased expectations for motor fuel taxes, vehicle registration fees, and gaming taxes. In addition, 62 bills passed during the 2008 legislative session added a total of $227.5 million in new cash fund revenue between FY 2008-09 and FY 2011-12, or an average of $56.9 million per year.

Revenue to the ***transportation-related*** cash funds, which include the Highway Users Tax Fund, the State Highway Fund, and several smaller cash funds, will drop 1.0 percent in FY 2007-08 and increase at an average annual rate of 1.0 percent over the five-year forecast period. Motor fuel taxes will decrease 1.6 percent in FY 2007-08 and 1.3 percent in FY 2008-09 before increasing at rates between 1.3 percent and 2.1 percent over the remainder of the forecast period. Registration fee revenue will increase at a rate of 1.4 percent in FY 2007-08 and FY 2008-09 and at rates hovering around 2 percent in FY 2009-10 through FY 2011-12.

The forecast for revenue to the transportation-related cash funds fell by $1.5 million in FY 2007-08 and a total of $35.0 million over the forecast period. The recent increase in fuel prices has caused businesses and individuals to reevaluate the size of their vehicles and their consumption of motor fuel. While this trend has been in place for several years, recent jumps in the price of energy and in expectations for future energy costs have accelerated it significantly. As a result, expectations for motor vehicle registrations and motor fuel taxes decreased by a total of $22.0 million and $51.8 million over the forecast period.

In the meantime, nine bills passed during the 2008 legislative session increased expectations for revenue to transportation-related cash funds by a total of $79.6 million over the four years between FY 2008-09 and FY 2011-12. Most of the additional revenue came from four bills. The largest impact came from **HB 08-1010**, which increased fines for motor vehicle violations by $12 million each year. **HB 08-1036** increased expectations by $3.4 million each year with a new $540 fine on motorists that drive between 20 and 24 miles per hour over the speed limit in construction zones. **HB 08-1194** increased expectations for revenue by $2.7 million in FY 2008-09 and $3.3 million each year thereafter by raising the fee to reinstate a driver's license and increasing fines for drunk drivers. Also notable, **HB 08-1257** increased expectations by $1.3 million a year by creating new permit fees for oversized motor vehicles.

Total ***unemployment insurance*** (UI) revenue, which includes UI taxes and interest earnings, will increase 6.9 percent in FY 2007-08 after decreasing 17.5 percent in FY 2006-07. 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 take a break in 2011, but will be in effect again in 2012.

The forecast for UI revenue was increased by $16.4 million in FY 2007-08 and a total of $99.3 million over the five-year forecast period. The increase was the result of higher expectations for the effective tax rate, which were driven by higher expectations for UI benefits this year and in FY 2008-09. As a result of the struggling economy, benefits will increase from $290.6 million in FY 2006-07 to $321.6 million this year and $387.0 million in FY 2008-09. Benefits will begin to decrease again as the economy recovers beginning in FY 2009-10.

Gaming revenue is experiencing its worst decline since limited gaming first began in the state in 1991. This decline can be attributed to a combination of several factors, including the higher cost to drive to gaming areas due to increases in the price of gasoline, a weakening economy, and the extension of the state smoking ban to gaming establishments in January. Total gaming revenue, which includes taxes, fees, and interest earnings, is expected to decrease 4.3 percent to $112.8 million in FY 2007-08 and decrease another 1.2 percent in FY 2008-09. Part of the FY 2008-09 decline can also be attributed to a change in the gaming tax structure that will reduce taxes for casinos with $4.0 million to $15.0 million in adjusted gross proceeds. Thus, the change will mainly impact medium-sized gaming establishments.

The forecast for ***severance taxes***, including interest earnings, was increased by more than $300 million over the five-year forecast period, in response to rising prices for natural gas and oil. Collections in FY 2007-08 and FY 2008-09 are projected to total $172.7 million and a record $356.4 million, respectively. Compared with the previous forecast, this represents an increase of $46 million in FY 2007-08 and $111 million in FY 2008-09.

The price of natural gas is projected to increased substantially in 2008 because of high oil prices, declining inventories of natural gas, low imports of liquified natural gas, and continuing global economic growth. The effects of $135 per barrel oil should cause some large energy users to switch to natural gas, putting additional upward pressure on natural gas prices. Furthermore, the first segment of the Rockies Express pipeline opened in 2008 and is pushing prices higher. The opening of the second segment is expected to cause the price differential that exists between Colorado and the national market to shrink further, putting more upward pressure on Colorado prices during 2009 and 2010. Natural gas prices are projected to average about $7.90 per thousand cubic feet (Mcf) in 2008 and 2009, which represents a 30.6 percent increase from the prior forecast and a 53.2 percent increase from 2007. In the following years, prices are expected to rise toward $8.75 per Mcf.

On a year-over-year basis, severance taxes, including interest earnings, are expected to increase 19.0 percent in FY 2007-08 and 106.4 percent in FY 2008-09. In FY 2009-10, severance taxes are projected to fall by 28.5 percent because of the claiming of more ad valorem tax credits, which are based on the value of oil and gas production in the prior fiscal year.

The forecast for *coal severance taxes* was largely unchanged. In FY 2007-08, coal severance taxes will total $9.1 million. In FY 2008-09, coal severance taxes will rise to $12.6 million. The year-over-year increase is due to 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 is based on a coal severance tax rate of approximately 75 cents per ton, which began in January 2008. By 2012, the coal severance tax rate is expected to reach 83 cents per ton.

All ***other cash fund revenue*** subject to TABOR will increase 10.6 percent in FY 2007-08 and at an annual rate of 2.9 percent over the forecast period. Much of the increase in FY 2007-08 is a result of the addition of revenue to

Western and Mesa State colleges to TABOR revenue because the schools temporarily lost enterprise status this year. Had these two colleges not lost enterprise status, revenue to this group of cash funds would have increased only 2.5 percent in FY 2007-08. Legislation passed during the 2007 and 2008 sessions also contributed to growth over the forecast period.

A total of $96.0 million in revenue to other cash funds between FY 2007-08 and FY 2011-12 is the result of 26 bills that either created or increased fees passed during the 2007 legislative session. The 2008 session produced 44 bills that will increase revenue through fees and fines by a total of $146.3 million through the end of the forecast period. The largest of these bills include **SB 08-206**, which phases in increases in civil and county court filing fees over a thee-year period. Fees will increase by $11.8 million in FY 2008-09, $12.7 million in FY 2009-10, and $14.4 million in FY 2010-11 and thereafter. Pending approval by the federal government, **HB 08-1114** will increase revenue by $6.0 million in FY 2007-08, $10.3 million in FY 2009-10, and $13.0 million in FY 2010-11 and thereafter by creating a quality assurance fee for nursing homes. **SB 08-60** creates a mandatory biannual fee from automobile insurance providers of fifty cents for every vehicle they insure, increasing revenue by $4.3 million each year. Also of note, **SB 08-55** increases fees on ozone-depleting appliances and other pollution sources by $1.8 million each year.

Federal Mineral Leasing Revenue

SB 07-253 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 2007. Table 5 presents the June 2008 forecast in comparison with March 2008. 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.

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 amount 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 recently completed 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.

A strengthening in natural gas prices has caused the current forecast to be revised upward in both the current year and in subsequent years. In March, the forecast for FML revenue was $134.3 million in FY 2007-08. The current forecast anticipates FML revenue of $143.4 million. Similar to the forecast for severance taxes, FML revenue is expected to grow strongly in FY 2008-09 because of price increases for natural gas. In FY 2008-09, FML revenue is expected to rise by 56.3 percent, reaching $223.2 million. The opening of the first segment of the Rockies Express pipeline in 2008 will allow Colorado producers to realize higher prices for natural gas. This factor and continuing production gains are expected to cause FML revenue to increase 8.5 percent in FY 2009-10 and 7.8 percent in FY 2010-11.

Table 4

Cash Fund Revenue Estimates by Category, June 2008
Millions of Dollars

	Actual 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	**$881.1**	**$872.5**	**$864.2**	**$912.0**	**$918.2**	**$935.6**	
% Change	1.3%	-1.0%	-0.9%	5.5%	0.7%	1.9%	**1.2%**
Unemployment Insurance	**$425.2**	**$454.6**	**$489.4**	**$570.6**	**$364.7**	**$357.7**	
% Change	-17.5%	6.9%	7.6%	16.6%	-36.1%	-1.9%	**-3.4%**
Employment Support Fund	**$22.3**	**$22.9**	**$24.7**	**$25.5**	**$26.5**	**$27.5**	
% Change	-0.2%	2.5%	7.7%	3.5%	3.8%	4.0%	**4.3%**
Severance Tax	**$145.1**	**$172.7**	**$356.4**	**$254.9**	**$288.0**	**$301.2**	
% Change	-38.1%	19.0%	106.4%	-28.5%	13.0%	4.6%	**15.7%**
Limited Gaming Fund	**$117.9**	**$112.8**	**$111.5**	**$120.1**	**$129.8**	**$139.4**	
% Change	6.3%	-4.3%	-1.2%	7.7%	8.1%	7.4%	**3.4%**
Insurance-Related	**$66.2**	**$62.6**	**$65.7**	**$70.7**	**$75.2**	**$31.7**	
% Change	3.5%	-5.4%	5.0%	7.6%	6.4%	-57.8%	**-13.7%**
Regulatory Agencies	**$50.8**	**$56.1**	**$59.0**	**$59.1**	**$60.6**	**$62.4**	
% Change	3.3%	10.5%	5.2%	0.1%	2.6%	2.9%	**4.2%**
Capital Construction Related - Interest /A	**$14.9**	**$20.8**	**$6.7**	**$5.6**	**$3.8**	**$1.8**	
% Change	45.7%	39.4%	-67.7%	-16.1%	-33.1%	-52.4%	**-34.5%**
Other Cash Funds /B	**$386.4**	**$432.4**	**$452.8**	**$483.3**	**$525.3**	**$517.9**	
% Change	12.7%	11.9%	4.7%	6.7%	8.7%	-1.4%	**6.0%**
Total Cash Fund Revenue	**$2,109.9**	**$2,207.4**	**$2,430.3**	**$2,501.8**	**$2,392.1**	**$2,375.3**	
Subject to the TABOR Limit	**-4.9%**	**4.6%**	**10.1%**	**2.9%**	**-4.4%**	**-0.7%**	**2.4%**

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 Mesa and Western State colleges in FY 2007-08.

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

Year	Jun-08	% Chg.	Mar-07	% Chg. From Mar
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	$142.8	16.1%	$134.3	6.3%
FY 2008-09**	$223.2	56.3%	$165.2	35.1%
FY 2009-10	$242.2	8.5%	$185.6	30.5%
FY 2010-11	$261.0	7.8%	$212.2	23.0%
FY 2011-12	$281.7	7.9%	$232.2	21.3%

*Actual revenue distributed.
**FY 2008-09 does not include any bonus payments from the Roan Plateau, which is scheduled to be auctioned on August 14, 2008

A strengthening in natural gas prices has caused the current forecast to be revised upward in both the current year and in subsequent years. In March, the forecast for FML revenue was $134.3 million in FY 2007-08. The current forecast anticipates FML revenue of $143.4 million. Similar to the forecast for severance taxes, FML revenue is expected to grow strongly in FY 2008-09 because of price increases for natural gas. In FY 2008-09, FML revenue is expected to rise by 56.3 percent, reaching $223.2 million. The opening of the first two segments of the Rockies Express pipeline will allow Colorado producers to realize higher prices for natural gas. This factor and continuing production gains are expected to cause FML revenue to increase 8.5 percent in FY 2009-10 and 7.8 percent in FY 2010-11.

It should also be noted that these estimates take into account recent legislation passed by Congress and signed by President Bush that reduces the state's share of FML revenue. Instead of receiving 50 percent of FML revenue, 2 percent of what Colorado would have received in FML revenue will be retained by the federal government. This effectively reduces the state's share from 50 percent to 49 percent. Although the change in allocation was only effective for the 2007-08 federal fiscal year, which runs from October 1, 2007 to September 30, 2008, the forecast anticipates that this reduced share will apply throughout the forecast period.

In addition, the Bureau of Land Management announced that approximately 55,000 acres on the Roan Plateau will be auctioned on August 14 for mineral leasing and production. This acreage is expected to generate one-time bonus payments of about $440 million, assuming an average bid price of $8,000 per acre. Colorado would therefore receive about $216 million in FY 2008-09 (49 percent) if restrictions pertaining to the Naval Oil Shale Reserve are resolved. Presently, all federal mineral leasing revenue from production on the Naval Oil Shale Reserve is retained by the federal government until the secretaries of the Interior and Energy Departments certify that there is sufficient revenue to cover clean-up expenses and other land costs incurred by the federal government. This certification could be received as early as this summer, allowing the revenue to flow back to Colorado, but the uncertainty of when this will happen prevents the current forecast from recognizing these additional bonus payments.

Finally, Senate Bill 08-218, which was signed by the Governor, establishes a new distribution mechanism for FML revenue. Beginning July 1, 2008 the bill modifies the allocation of the state's portion of FML revenue in several ways. First, the bill segregates FML bonus revenue and provides for reallocation of these moneys. Second, the bill specifies the reallocation of non-bonus (rent and royalty) FML revenue and it creates a new Higher Education FML Revenues Fund and a new Higher Education Maintenance and Reserve Fund, and specifies the uses of moneys in these funds. Once the Naval Oil Shale Reserve funding issues are resolved at the federal level, bonus payments from the Roan Plateau will be subject to the new distribution mechanism specified in the bill.

National Economy

While the national economy continues to be poised on the brink of a recession, there are some positive signs on the horizon. For example, some regions are showing housing sales gains over a year ago and recent announcements by Freddie Mac and Fannie Mae indicate that restrictive mortgage policies may be easing. This change alone may better position the housing market for a turnaround. However, inflation has been expanding its reach in the economy.

In the first quarter of 2008, the preliminary estimate by the Bureau of Economic Analysis shows that the economy grew at a sluggish 0.9 percent annual rate as measured by real **gross domestic product** (GDP). This followed growth in the fourth quarter of 2007 of 0.6 percent. Record oil prices, recent increases in new jobless claims, higher natural gas prices, weakness in business investment, and a sharp decline in consumer spending could prolong the slow growth in GDP.

The relatively small increase in real GDP in the first quarter reflected slower growth in personal consumption expenditures for services, exports of goods and services, federal government spending, and private inventory investment. Growth in these sectors was partly offset by negative contributions from residential fixed investment and consumption of durable goods.

Consumption and investment slowed in the first quarter over the fourth quarter of 2007. Real personal consumption expenditures (PCE) increased 1.0 percent in the first quarter, compared with an increase of 2.3 percent in the fourth quarter of 2007. Real nonresidential fixed investment decreased 0.2 percent, in contrast to an increase of 6.0 percent during the same time period. Real residential fixed investment decreased 25.5 percent, compared with a decrease of 25.2 percent.

Residential housing continues to be extremely weak and is an ongoing source of problems for the national economy. Homeowners saddled with higher mortgage payments, declining home values, and shrinking equity from which to borrow are cutting back on spending in an effort to prevent foreclosure. Also, lower income homeowners struggling to make mortgage payments are having to cut back on discretionary expenditures because of high prices for gasoline and food.

New home sales have declined significantly from the expansionary peak and the weakness in the housing market will continue through 2008 and into 2009. New residential construction has slowed considerably, but posted a small gain in April 2008. Privately-owned housing units authorized by building permits in April were up 4.9 percent from March although they were still down 34.3 percent from April 2007. April sales of new single-family houses were down one percent from March 2008 and 17.5 percent below April 2007 sales. Sales prices of existing homes nationally were 8 percent down in April 2008 over the prior year — the average sales price of an existing home in April 2007 was $219,900 compared to $202,300 in April 2008.

Total housing inventory for sale at the end of April rose 10.5 percent to 4.55 million existing homes, which represents an 11.2-month supply at the current sales pace, up from a 10.0-month supply in March.

Despite the continued slump in the housing industry, 30-year fixed-rate mortgages continue to be available at historically low interest rates. According to Freddie Mac, the national average commitment rate for a 30-year, conventional fixed-rate mortgage slipped to 5.92 percent in April from 5.97 percent in March; the rate was 6.18 percent in April 2007.

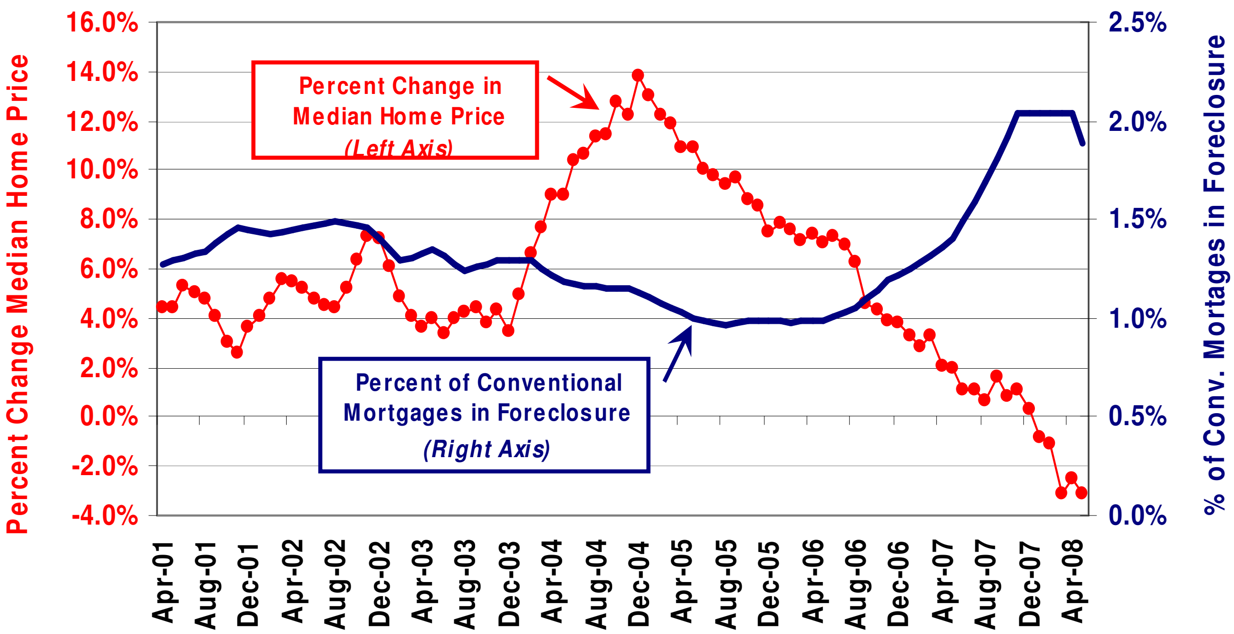
In addition to low mortgage rates, the banking industry's mortgage restrictions have just been eased. Freddie Mac and Fannie Mae announced that they were eliminating their "declining market policies" effective June 1. The result — consumers will have access to safe, affordable government-backed financing with low down-payment requirements. This change alone is resulting in some industry analysis predicting an upturn in housing sales for this summer.

Although April home sales declined 1.0 percent over March sales, a greater number of regions nationally are showing sales gains from a year ago. Also, as shown in Figure 1, there is some data showing that fewer conventional mortgages are slipping into foreclosure. Even though national median home prices fell in April, the availability of low-cost, less restrictive lending practices may better-position the nation's housing market for a turn-around in the near future.

The Conference Board's **consumer confidence** index continued its five-month downward trend in May, reaching a 16-year low. Weakening business and job conditions, coupled with growing pessimism about the short-term future have further lowered consumers' confidence in the overall state of the economy. Driven by increasing prices at the pump, consumers' inflation expectations are now at an all-time high and are likely to rise further in the months ahead. As for the short-term, the Expectations Index suggests little likelihood of a turnaround in the immediate months ahead, as many consumers are more pessimistic about finding a job, and if employed, seeing their incomes increase. The Expectations Index declined in May to 45.7 from 50.0 in April.

Consumer debt continues to remain high, which could constrain economic growth. The decline in home-refinancing is continuing to force consumers to place a reliance on credit

Figure 1
U.S. Change in Median Home Price and
Percent of Conventional Mortages in Foreclosure



card use, although for April, revolving credit card use grew at a slower rate than in March. The Federal Reserve reported that total consumer credit increased 4.3 percent in April after increasing 6.2 percent in March and 3.4 percent in February. Revolving credit, which includes credit card debt, increased at a rate of 0.4 percent in April following gains of 7.4 and 5.3 percent in the prior two months. The slowdown in the use of credit card debt may be resulting from federal money that consumers are receiving from the economic stimulus package that Congress recently adopted. The new money may be offsetting the use of credit card transactions.

In reaction to the difficulties in the financial and housing markets, and a slowing economy, the **Federal Open Market Committee** cut the target federal funds rate to 2 percent in late April 2008. The federal funds rate is the overnight rate that banks charge each other when they lend reserves. Although core inflation remains in check, oil, energy, and other commodity prices have increased. These increases are driving inflation expectations. Although the committee expects inflation to moderate in the next few quarters, uncertainty about the inflation outlook is high. The committee's recent easing of monetary policy combined with ongoing measures to enhance liquidity should promote moderate inflationary growth over time.

The **labor market** saw job reductions in May as the number of unemployed persons increased. The economy lost 49,000 jobs in May and payroll employment has declined by 324,000 jobs thus far in 2008. Job losses continued in construction, manufacturing, retail trade, and temporary help services, while health care continued to add jobs.

The **unemployment rate** rose from 5.0 percent in April to 5.5 percent in May as the number of unemployed increased by 861,000 to 8.5 million. The unemployment rate one year ago was 4.5 percent when 6.9 million persons were unemployed.

Data from the **manufacturing** sector continues to provide mixed signals. New orders for manufactured goods were up two consecutive months increasing 1.1 percent in April followed by a 1.5 percent increase in March. New orders for manufactured durable goods fell 0.6 percent in April, and were down three of the last four months. New orders for manufactured nondurable goods increased 2.8 percent to $230.8 billion. The manufacturing sector also saw increases in the shipments of both durable and nondurable goods. In addition, the number of unfilled orders for durable goods increased in April.

The rate of **inflation** shot up in May at the fastest pace in seven months, likely driven by soaring costs for gasoline. The Bureau of Labor Statistics reported that consumer prices rose 0.8 percent in May before seasonal adjustment and were 4.2 percent higher than May 2007. During the first five months of 2008, consumer prices increased at a 4.0 percent seasonally adjusted annual rate. Petroleum-based energy costs increased at a 13.9 percent annual rate. The food index increased at a 6.3 percent annual rate thus far this year, following a 4.9 percent rise for all of 2007.

The core rate of consumer inflation, less food and energy prices, increased at a more moderate pace — 0.2 percent in May. Despite the small May increase, core prices are up 2.3 percent over the past year. The producer price index for finished goods increased 1.4 percent in May, following a 0.2 percent advance in April. May's increase was the largest in six months.

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

- The nation's economy, as measured by real **GDP**, grew 0.9 percent during the first quarter of 2008. After dipping to 2.2 percent growth in 2007, GDP is expected to grow even more slowly through 2008. For all of 2008, GDP growth will average 1.6 percent. In subsequent years, the economy will increase at a faster pace, ranging from 2.3 to 3.0 percent.

- The consumer **inflation rate** will accelerate to 4.1 percent in 2008 and then drop back to 3.5 percent in 2009 and rates slightly below 3.0 percent for the next several years. Despite the recent lowering of the federal funds rate by the Federal Reserve, the central bank continues to monitor inflationary pressures. Once the threat of recession passes, the Fed may start increasing interest rates.

- **Personal income** growth is slowing as the nation is shedding jobs in the first half of 2008. Personal income is projected to increase 4.5 percent in 2008 after increasing 6.2 percent in 2007. Similarly, wage and salary growth will be 5.6 percent in 2008 and 4.2 percent in 2009.

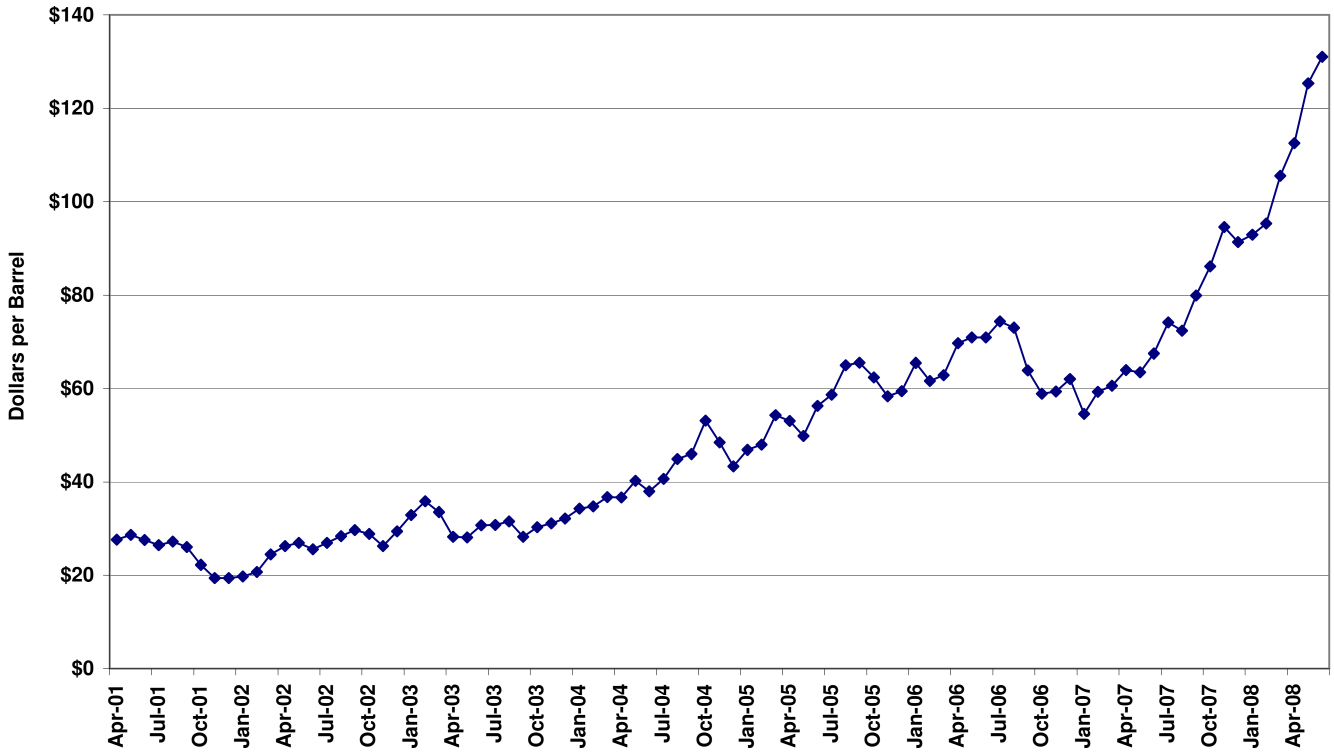
- The **unemployment rate** is expected to move upward in 2008, averaging 5.7 percent. **Job growth** in the short term is declining but is expected to stagnate for the remainder of the year. Employment growth is expected to be 0.2 percent in 2008 after growing 1.1 percent in 2007. In the following years, employment growth will range from 0.7 percent to 1.2 percent.

Risks to the forecast. During the months of September 2007 through April 2008, the Federal Reserve aggressively cut interest rates to address the national economic slowdown. But now the Fed Chairman is indicating that the Federal Reserve will strongly resist an *"erosion of longer-term inflation expectations*." The comments of the Chairman are triggering thoughts that the Central Bank may begin to raise interest rates during the final quarters of the year. The Consumer Price Index for All Urban Consumers (CPI-U) saw the largest one-month increase (0.8 percent) since last November. Inflation is being driven by:

- higher oil costs — As shown in Figure 2, West Texas Intermediate oil broke the $130 per barrel level in June 2008 — more than double the per barrel price one year ago. The soaring market price has affected gasoline prices at the retail pump and has been driving up the cost of food, construction materials, and the delivery of consumer services. The index for energy advanced at a 16.5 percent seasonally adjusted annual rate in the first five months of 2008 after advancing 17.4 percent in all of 2007.

- higher food prices — The food and beverage index rose 0.3 percent in May, following a 0.9 percent increase in April. Food prices are on pace to increase at an annual rate near 6 percent. To add to inflationary worries, the recent flooding in the Midwest has submerged valuable corn-acreage destroying future corn crops. This destruction has recently driven U.S. corn prices above $7 per bushel for the first time. This will add to the upward pressure on food prices.

Figure 2
Price of Oil; West Texas Intermediate
April 2001 through June 2008



- higher building material costs — The surge in oil prices is also leading to higher prices for steel, aluminum, copper, concrete, brick, asphalt, and other building materials. The Labor Department recently reported that the wholesale cost of building materials for new home construction rose 3.4 percent overall in April over the prior year. Many of these products are petroleum-based or transportation-intensive, meaning that rising oil prices will exert upward price-pressures on these goods.

In addition to inflation, ongoing problems in the housing and financial markets continue to be a drag on the economy. The Department of Commerce reported that the number of new housing projects started in May fell 3.3 percent to 975,000, the lowest number of starts in 17 years as builders are affected by larger inventories of unsold homes and rising foreclosures.

The inflationary and housing market risks are putting the Federal Reserve in a difficult position. Lowering interest rates may fuel inflation and raising interest rates may slow economic growth.

Table 6
National Economic Indicators, June 2008 Forecast
(Dollars in Billions)

	2002	2003	2004	2005	2006	2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012
Inflation-adjusted GDP	$10,047.8	$10,302.4	$10,675.9	$11,004.9	$11,316.2	$11,566.8	$11,754.6	$12,026.6	$12,383.8	$12,743.1	$13,112.7
percent change	1.6%	2.5%	3.6%	3.1%	2.8%	2.2%	1.6%	2.3%	3.0%	2.9%	2.9%
Nonagricultural Employment (millions)	130.3	130.0	131.4	133.7	136.1	137.6	137.9	138.8	140.5	142.2	143.9
percent change	-1.1%	-0.2%	1.1%	1.7%	1.9%	1.1%	0.2%	0.7%	1.2%	1.2%	1.2%
Unemployment Rate	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.7%	5.8%	5.4%	5.2%	5.2%
Personal Income	$8,881.9	$9,163.6	$9,727.2	$10,301.1	$10,983.4	$11,659.6	$12,184.6	$12,832.7	$13,567.4	$14,301.3	$15,073.5
percent change	1.8%	3.2%	6.2%	5.9%	6.6%	6.2%	4.5%	5.3%	5.7%	5.4%	5.4%
Wage and Salary Income	$4,980.9	$5,112.7	$5,394.5	$5,667.9	$6,018.2	$6,359.6	$6,712.8	$6,996.1	$7,395.6	$7,795.6	$8,216.6
percent change	0.8%	2.6%	5.5%	5.1%	6.2%	5.7%	5.6%	4.2%	5.7%	5.4%	5.4%
Inflation (Consumer Price Index)	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	4.1%	3.5%	2.9%	2.7%	2.7%

Colorado Economy

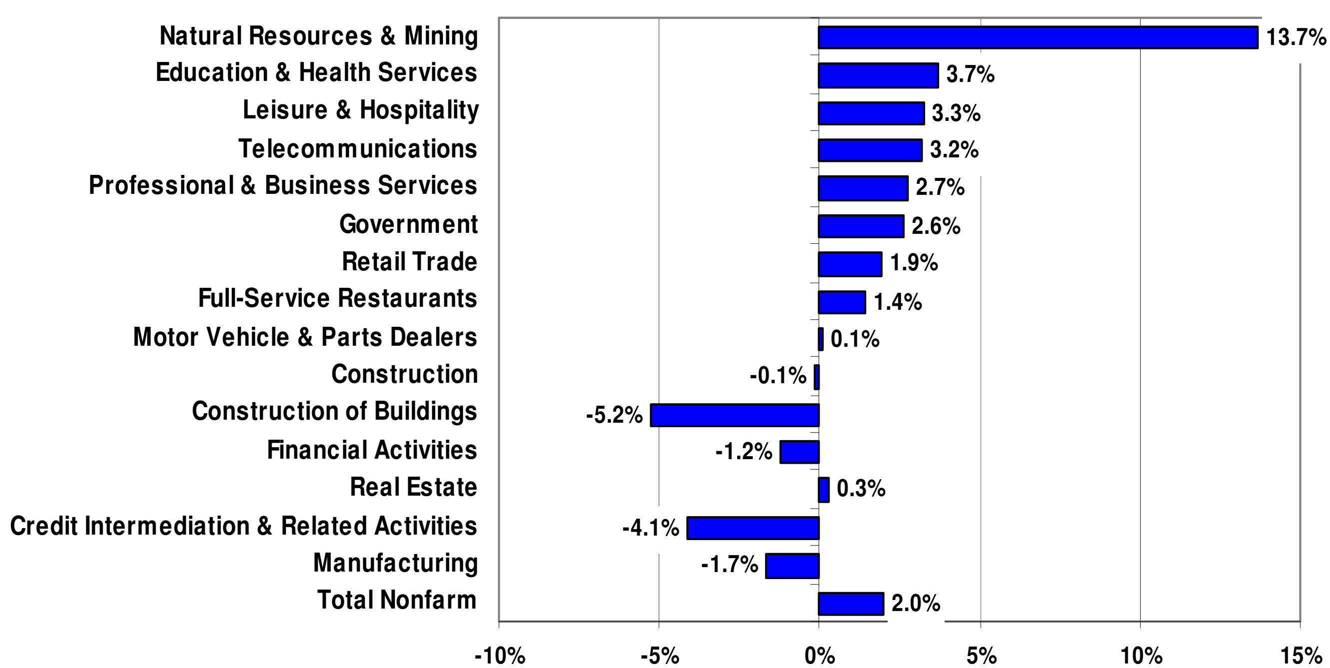
Muscling its way through the muck plaguing the nation's housing, consumer, and financial markets, Colorado's economy is keeping its head above water and appears likely to make it out of this storm without going under. Table 8 shows the forecast for major economic indicators through 2011.

As measured by population and employment growth, Colorado appears to be among the most vibrant economies in the nation. After increasing 2.3 percent in 2007, the number of jobs in Colorado increased 1.9 percent through the first four months of 2008, a rate eclipsed only by Utah, Texas, and Wyoming. Colorado's population increased 2.0 percent in 2007, buoyed by a healthy flow of migrants into the state. Table 7 shows Colorado's national rankings for population, employment, income, and housing permit growth in 2007 and, if available, year-to-date through April 2008.

Even though Colorado's economy fared worse than the rest of the nation during the last recession, Colorado remained a magnet state for people who lost their jobs and wanted to relocate regardless of whether or not a job awaited them. Net migration to the state was nearly 52,000 in 2007. While most of the net migration to the state in 2007 was the result of strong employment here, some of it continued to be individuals who relocated based on their preferences for living or starting a business rather than for a specific job.

The influx of people has caused Colorado's labor force to increase faster than employment, pushing Colorado's unemployment rate to a level relatively high compared with the rest of the nation. Colorado's labor force increased 3.1 percent thus far this year through April, the third highest rate in the nation. Meanwhile, the state's unemployment rate averaged 4.4 percent during the first four months of the year, ranking 29th in the nation.

Figure 3
Percent Change in Selected Colorado Industries
Year-To-Date Through April 2008 (BLS)



As shown in Figure 3, job growth in Colorado is concentrated in the services, government, and retail trade sectors. Much of the growth in these sectors is the result of strong population growth, but is also indicative of a relatively healthy business sector. Natural resources and mining, which has been growing at double-digit rates for several years, is also responsible for fueling some of the job growth in these sectors.

In addition, the weak dollar has attracted record numbers of international tourists to the state, which has buoyed the leisure and hospitality and retail trade sectors. Meanwhile, employees in the telecommunications sector can finally breathe a sigh of relief. After 5 years of shedding excess capacity and jobs, the sector finally added jobs in 2007 and has grown 3.2 percent thus far in 2008.

Colorado's economy may not be headed into recession, but it is still feeling a substantial drag from high food and gasoline prices, the credit market bog, and the nation's exploding housing bubble. Employment in the construction sector is down 0.1 percent through April, and those employed in the construction of buildings have experienced a deeper dip of 5.2 percent compared with the first four months of 2007. The financial activities sector is down 1.2 percent through April; real estate agents are seeing employment growth slightly higher than flat while those employed in credit intermediation suffered a 4.1 percent loss. High gasoline prices are restructuring the nation's automobile industry; here in Colorado employment at motor vehicle and parts dealers was barely more than flat through April. Meanwhile, employment in the manufacturing sector is continuing its relentless downward march.

- **Employment** will increase 1.6 percent in 2008. Population growth, continued innovation in long term growth sectors such as renewable energy, and a robust oil and gas sector will fuel growth. The housing market correction, nervous credit markets, and high food and gasoline prices will subdue growth. Employment will increase at a slightly higher pace of 1.9 percent in 2009 as the imbalances in the financial markets are resolved.

- The **unemployment rate** will increase to 4.7 percent in 2008 and 4.9 percent in 2009. Colorado's relatively healthy employment situation, natural amenities, and highly-educated workforce will continue to drive net migration to the state in numbers greater than the job market can absorb.

- The state's **population** will increase 2.0 percent in 2008 and add 56,000 net migrants to the state. Next year **net migration** should slow somewhat as the national economy recovers; net migration will add 46,600 people to the state and population will increase 1.8 percent in 2009.

Colorado's personal income increased 6.0 percent in 2007 ranking 29th nationwide. Relatively faster job growth than the rest of the nation caused growth in **wages and salaries** — which make up about 60 percent of personal income — to rank 14th at 6.1 percent. Faster job growth also caused the amount of contributions that Coloradans make to government social programs to increase at a rate relatively faster than the nation's as well. Contributions to social insurance programs increased 5.9 percent in 2007, ranking 16th nationwide. Since these contributions *subtract* from personal income, relatively faster growth among them will cause Colorado's ranking in personal income to fall relative to states with slower job growth.

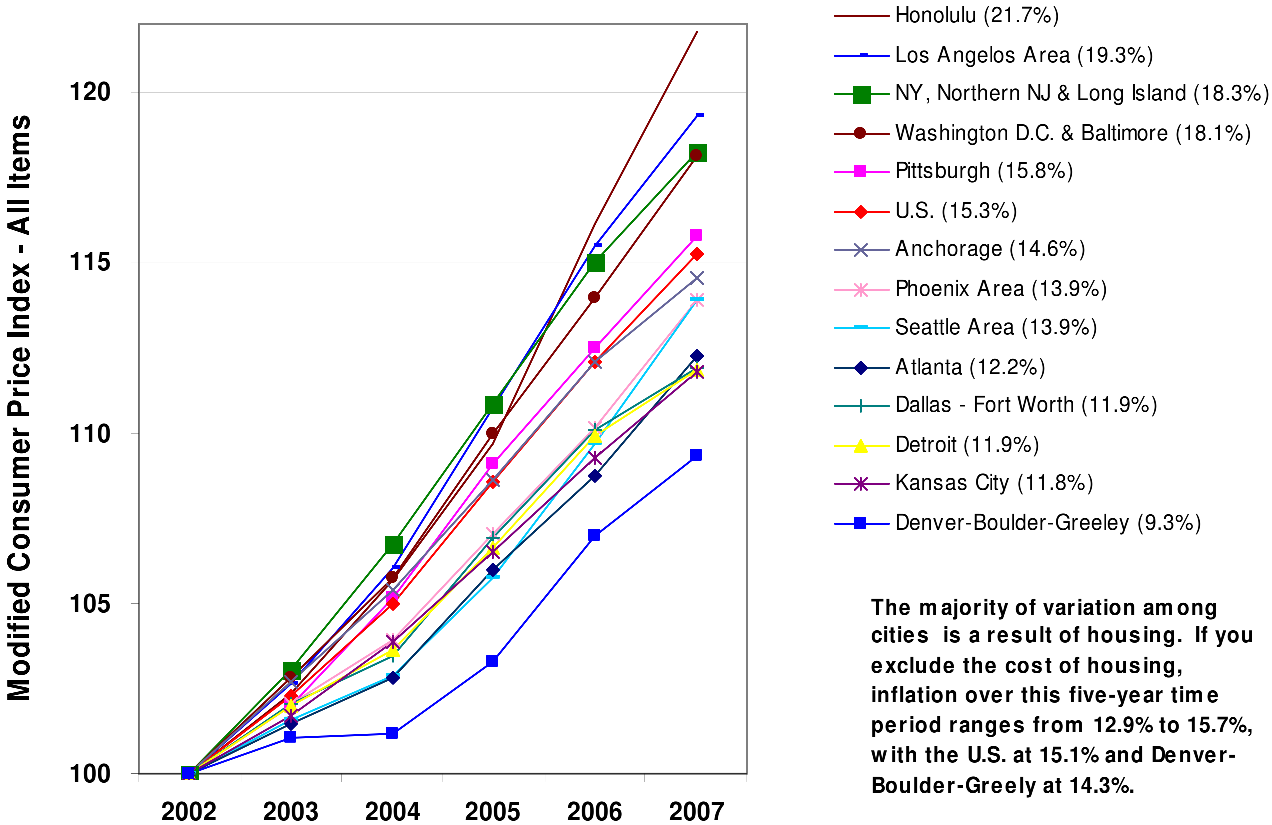
Meanwhile, the state's **per capita personal income,** the 10th highest in the nation at $41,042, increased 3.6 percent in 2007. The state's relatively low ranking in the growth of personal income — 46th — is indicative of the large number of migrants into the state, many of

Table 7
Colorado Economic Rankings
2007 & 2008 YTD Thru April

	Colorado		U.S. Average			
Indicator	**2007**	**2008 thru April**	**2007**	**2008 thru April**	**Most Healthy State**	**Least Healthy State**
Population						
Population Growth	2.0% Rank 8	NA	1.0%	NA	Nevada 2.9% in 2007	Rhode Island -0.4% in 2007
Employment						
Job Growth	2.3% Rank 9	1.9% Rank 4	1.1%	0.4%	Wyoming 3.1% 2008 YTD	Rhode Island -1.7% 2008 YTD
Unemployment Rate	3.8% Rank 34	4.4% Rank 29	4.6%	5.1%	S. Dakota 2.6% 2008 YTD	Michigan 7.1% 2008 YTD
Labor Force Growth	2.0% Rank 5	3.1% Rank 3	1.1%	0.6%	Nevada 4.6% 2008 YTD	Michigan 3.5% in 2007
Income						
Personal Income Growth	6.0% Rank 29	NA	6.2%	NA	Louisiana 10.5% in 2007	Michigan 3.5% in 2007
Per Capita Personal Income	$41,042 Rank 10	NA	$38,611	NA	Connecticut $54,177 in 2007	Mississippi $28,845 in 2007
Per Capita Personal Income Growth	3.9% Rank 46	NA	5.2%	NA	Louisiana 9.2% in 2007	Tennessee 3.4% in 2007
Wage & Salary Growth	6.1% Rank 14	NA	5.7%	NA	Wyoming 10.3% in 2007	Michigan 2.1% in 2007
Housing Permits						
Single Family Permit Growth	-32.7% Rank 40	-42.2% Rank 35	-29.5%	-40.8%	N. Dakota -11.3% 2008 YTD	Nevada -66.3% 2008 YTD
Multi Family Permit Growth	16.8% Rank 6	-6.8% Rank 21	-11.0%	-17.6%	Nebraska 281.7% 2008 YTD	Idaho -73.0% 2008 YTD

NA = Not Available
Sources: U.S. Census Bureau, Bureau of Labor Statistics, and Bureau of Economic Analysis

Figure 4
Total Inflation Between 2002 and 2007
in the U.S. and Selected Metropolitan Areas (BLS)



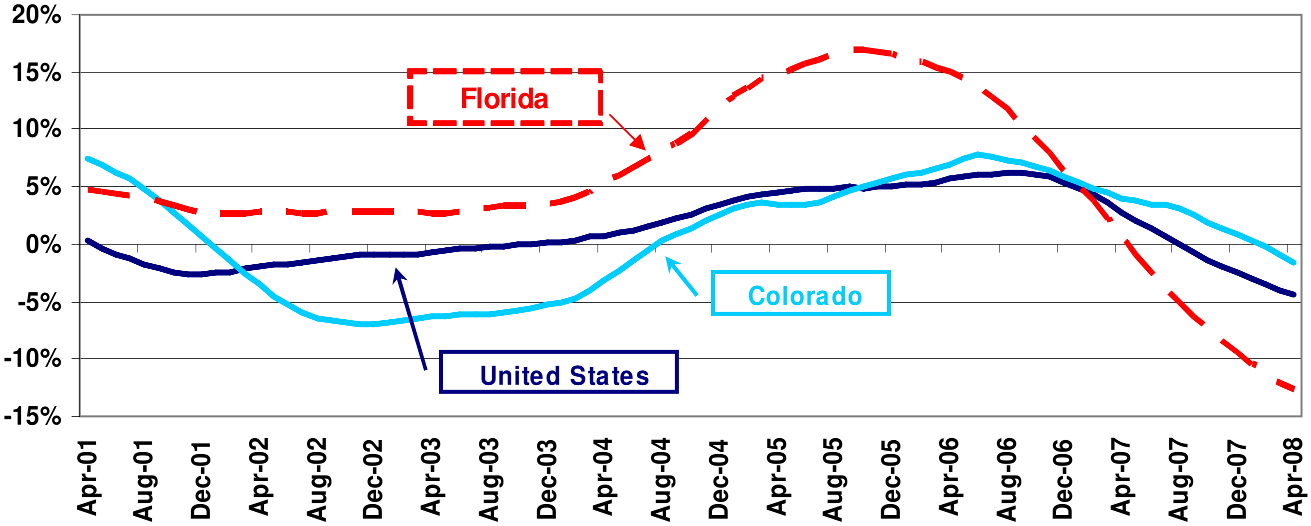
The majority of variation among cities is a result of housing. If you exclude the cost of housing, inflation over this five-year time period ranges from 12.9% to 15.7%, with the U.S. at 15.1% and Denver-Boulder-Greely at 14.3%.

which come without a job. In addition, retirees are increasingly making their home in the state. Many retirees would not have the type of income measured as part of personal income since they do not earn a wage; although rental, dividend, and interest income is included in personal income, wealth and capital gains are not.

- Personal income will increase 6.0 percent in 2008. While job growth is expected to be lower this year than in 2007, inflationary expectations should cause employers to give slightly higher raises than they did in 2007 and contributions to social insurance programs should slow down as well. Wages and salaries are expected to increase 5.8 percent in 2008. Per capita personal income will increase 3.9 percent.

Consumers have begun to cut back as a result of high food and gasoline prices and tight credit conditions. Consumer spending in Colorado, as measured by **retail trade sales**, increased 3.7 percent through the first quarter of 2008; excluding sales at grocery stores, restaurants, and gasoline stations, retail trade increased only 0.8 percent. Given that core inflation is expected to be greater than 0.8 percent, this indicates that consumers are cutting back on purchases of clothing, electronics, furniture, and other goods to finance rising gasoline and food prices. Consumers are particularly cautious in metro Denver and Colorado Springs, where total retail trade increased 2.7 percent and 1.1 percent, respectively, through the first quarter.

Figure 5
Growth in Employment in Residential Construction
12-Month Moving Average; BLS



- Consumers will continue to tighten their belts through 2008, but high food and gasoline prices should keep the overall growth rate in retail trade at 3.8 percent in 2008. Retail trade will increase at a somewhat higher pace of 4.5 percent in 2009.

While a 50-state comparison for the consumer price index (CPI) is not available, one can compare price increases among major metropolitan areas. Figure 4 shows the cumulative increase in the CPI over the last five years in the U.S., Denver-Boulder-Greeley, and 12 other major metropolitan areas. This chart seems to indicate that consumers in the Denver-Boulder-Greeley area have faced the slowest rate of inflation among the cities shown.

However, if you exclude the cost of housing, price increases over this five-year period ranged from 12.9 percent to 15.7 percent among these cities, with the U.S. at 15.1 percent and Denver-Boulder-Greeley at 14.3 percent. While most prices increased at about the same rate in the Denver area as in the nation as a whole, Denver housing prices appear to have increased at substantially slower rates than in other metropolitan areas. This helps explain why Colorado is expected to fare better than the rest of the nation. In addition, low housing costs relative to other metropolitan areas is part of why net migration to the state has been healthy.

- Inflation in 2008 is expected to be higher, posting a 3.5 percent increase, and generally remain in the low to mid-3 percent range during the forecast period.

While Colorado's overall economy appears to be treading water, the state's housing and housing-related sectors, including parts of the financial activities and construction sectors, are experiencing a major correction. **Permits** for the construction of single-family homes were down 42.2 percent year-to-date through April, ranking 35th in the nation. The number of permits issued for multi-family homes decreased 6.8 percent through April, ranking 21st in the nation.

According to the Colorado Division of Housing, there were a record 39,915 foreclosures in the state in 2007 — or one foreclosure filing for every 47 households — 40 percent more than in 2006. The number of foreclosures increased 23 percent through the first quarter of 2008 compared with the first quarter of 2007, with one foreclosure filing for every 159 households. The highest foreclosure rates were found in the Denver metro area and in Weld County.

Figure 5 shows growth in the number of residential construction jobs in the state, the nation, and in Florida — a state particularly hard-hit by the housing slowdown. Colorado's housing market slowed substantially in 2002 and 2003 as a result of the last recession, which hit Colorado harder than many other areas of the nation. Consequently, many other markets overbuilt to a greater extent and experienced substantially stronger price increases than most areas of Colorado. This has put Colorado's housing market on more stable footing to weather the effects of the turmoil in the financial markets and tighter credit.

- After decreasing 23.2 percent in 2007, the number of permits for residential construction will decrease 18.9 percent in 2008. While construction activity will continue to weather this correction through 2008, home prices are not expected to fall substantially. The market should begin to recover in 2008 as the excess supply of houses on the market lessens and the problems in the mortgage-financing market improve.

After four years of growth, the slowdown in the economy and the problems in the financial system are contributing to a decline in **nonresidential construction**. The value of construction projects decreased 33.3 percent year-to-date through May compared with the first five months of 2007. The decrease was led by a drop in commercial construction activity with particularly strong declines in the construction of hotels and motels, warehouses, office buildings, and banks. After a strong year in 2007, construction contracts for hospital and health treatment facilities and public buildings were also down significantly through May. Notable sectors experiencing strong construction contract growth were schools, colleges, and manufacturing.

- After increasing 11.3 percent in 2007, the value of nonresidential construction will decrease 6.3 percent in 2008 and increase 7.1 percent increase in 2009.

In summary, a weaker national economy, poor housing market, problems in the financial and credit markets, and high food and energy prices will slow the economy down substantially in 2008 and into 2009. However, the state's diverse economy and recent job growth in wide-ranging industries should help it weather the negative factors in the economy and avoid a major slowdown.

Table 8
Colorado Economic Indicators, June 2008 Forecast
(Calendar Years)

	2000	2001	2002	2003	2004	2005	2006	2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Population (thousands), July 1	4,328.3	4,434.0	4,507.8	4,555.2	4,609.3	4,673.7	4,766.2	4,861.5	4,958.7	5,048.0	5,143.9	5,251.9
percent change	2.4%	2.4%	1.7%	1.1%	1.2%	1.4%	2.0%	2.0%	2.0%	1.8%	1.9%	2.1%
Nonagricultural Employment (thousands)	2,213.6	2,226.8	2,184.1	2,152.9	2,179.6	2,226.0	2,279.1	2,330.5	2,367.8	2,412.8	2,468.3	2,530.0
percent change	3.8%	0.6%	-1.9%	-1.4%	1.2%	2.1%	2.4%	2.3%	1.6%	1.9%	2.3%	2.5%
Unemployment Rate	2.7	3.8	5.7	6.1	5.6	5.2	4.3	3.8	4.7	4.9	4.3	4.1
Personal Income (millions)	$144,394	$152,700	$153,066	$154,829	$163,737	$175,734	$188,222	$199,526	$211,497	$224,610	$240,108	$256,195
percent change	12.1%	5.8%	0.2%	1.2%	5.8%	7.3%	7.1%	6.0%	6.0%	6.2%	6.9%	6.7%
Wage and Salary Income (millions)	$85,909	$88,297	$86,938	$88,008	$92,095	$97,359	$104,092	$110,419	$116,823	$124,183	$132,875	$142,310
percent change	12.6%	2.8%	-1.5%	1.2%	4.6%	5.7%	6.9%	6.1%	5.8%	6.3%	7.0%	7.1%
Retail Trade Sales (millions)	$57,955	$59,014	$58,852	$58,689	$62,288	$65,492	$70,437	$75,317	$78,179	$81,697	$85,946	$91,188
percent change	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	3.8%	4.5%	5.2%	6.1%
Home Permits (thousands)	54.6	55.0	47.9	39.6	46.5	45.9	38.3	29.5%	23.9	27.5	33.3	35.9
percent change	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-16.4%	-23.2%	-18.9%	15.2%	20.9%	8.0%
Nonresidential Building (millions)	$3,476	$3,500	$2,787	$2,713	$3,291	$4,221	$4,415	$4,916	$4,602	$4,929	$5,185	$5,558
percent change	-8.1%	0.7%	-20.4%	-2.7%	21.3%	28.3%	4.6%	11.3%	-6.4%	7.1%	5.2%	7.2%
Denver-Boulder Inflation Rate	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	3.6%	2.2%	3.5%	3.2%	3.3%	3.4%

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 economic driver for the state. It compromises about 60 percent of Colorado's workforce and consumer spending. Thus, as a positive sign for the state's economic health, the region overall is not experiencing the same degree of weakness that is occurring nationally. This is especially the case with the region's job market. Nevertheless, its housing market continues to slump and consumer spending has shown signs of weakening. These negative aspects are slowing economic growth for the region and the state as a whole. Major economic indicators for the region are shown in Table 9.

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

	2006	2007	YTD thru April 2008
Employment Growth /1	2.0%	2.1%	1.9%
Unemployment Rate (2008 figure is for April)	4.4%	3.8%	4.3%
Housing Permit Growth /2	-14.5%	-20.3%	-30.5%
Growth in Value of Nonresidential Const. /3	-13.4%	23.6%	-25.5%
Retail Trade Sales Growth /4	4.1%	6.4%	2.7%

NA = Not Available.
1/ U.S. Department of Labor, Bureau of Labor Statistics. 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 March 2008.

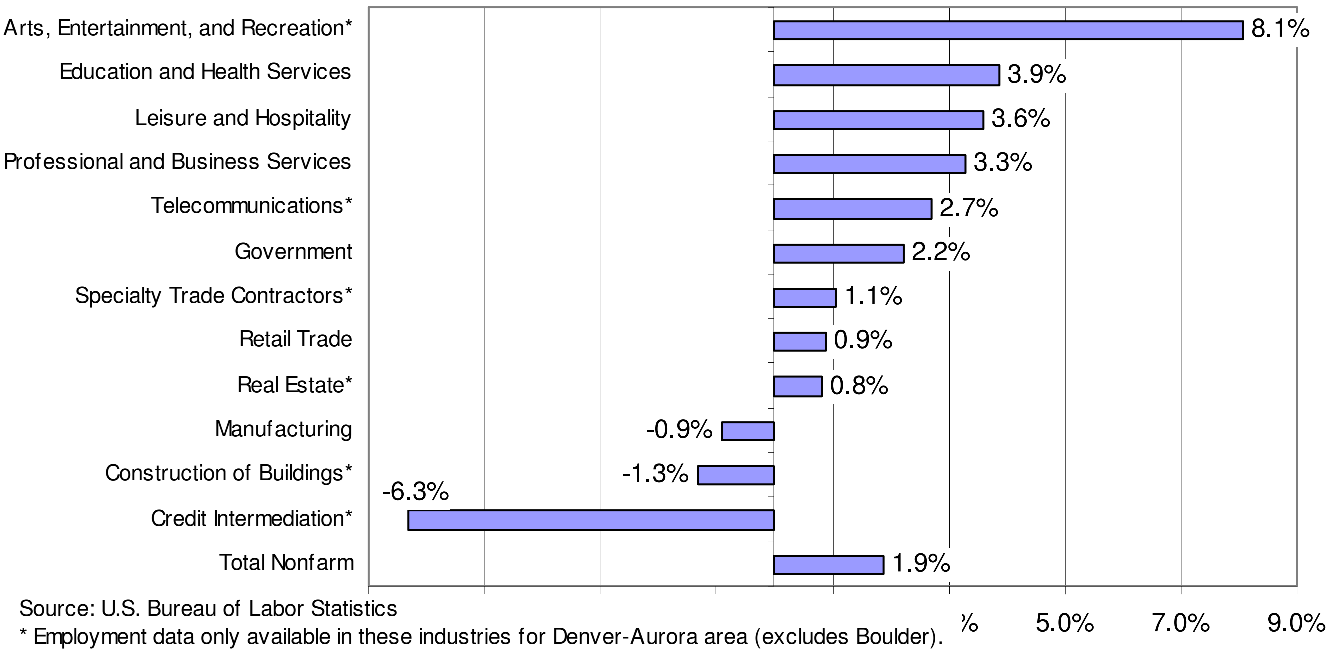
Employment, along with the rest of the state, continues to grow at only a slightly slower pace than in 2007. Jobs grew by 1.9 percent through April compared to the same period in 2007; in 2007, job growth for the region was 2.1 percent. The unemployment rate was 4.3 percent in April, after being at 4.7 percent in the first few months of the year. These relatively positive job market barometers contrast to the national labor market, which continues to shed jobs and suffered a jump in its unemployment rate to 5.5 percent in May.

Figure 6 shows the percent change in employment in selected industries in the Denver Metro region through April compared to the same time period in 2007. Some of the largest and most important job sectors for the region's economy continue to post growth, such as professional and business services, leisure and hospitality, retail trade, educational and health services, and telecommunications. The arts, entertainment, and recreation sector has experienced particularly large job growth through April, posting an 8.1 percent increase. Surprisingly, given the weak construction market, the specialty trade contractors sector added jobs. This sector includes workers such as carpenters, painters, plumbers, and electrical workers. However, the construction of buildings sector lost jobs.

Credit problems arising from losses in mortgage financing is negatively impacting workers in the financial activities industry. Most notably, employment in the credit intermediation sector, which includes workers involved directly with lending and mortgage financing, experienced a significant decline. Manufacturing was another of the region's industries that experienced job losses.

The region appears poised to continue to post employment growth overall in the face of the negative factors weighing on economic growth. This is a positive sign for the near-term trajectory of the region's economy as the nation struggles with a downturn. A recent survey of employers in the area by Manpower, Inc., an employment services firm, indicates that many employers in the region will continue to add jobs at a healthy pace in the third quarter of 2008. Thirty-two percent of surveyed companies stated that they planned to add to their workforce in the July to September period, while only 8 percent expected cuts. Remarkably, employer sentiment for the third quarter was stronger than a year ago before the national economy began to show clear

Figure 6
Percent Change in Selected
Denver Metro Industries through April



Source: U.S. Bureau of Labor Statistics
* Employment data only available in these industries for Denver-Aurora area (excludes Boulder).

signs of slowing. Sentiment in the latest survey was also greater than the survey for the second quarter of 2008.

On the negative side, however, consumer spending as measured by retail trade sales – a large driver of economic activity – has slowed in the region. Retail trade grew only 2.7 percent in the metro-Denver area in the first quarter of 2008, the slowest growth rate since the last economic downturn. Since retail trade includes spending on food and gas – goods that have taken up larger amounts of consumers' budgets due to their rising prices, the relatively low rate for retail trade signals weak consumer spending on other items. Retail trade, excluding spending at gas stations and grocery stores and restaurants, was up only 0.8% statewide through March.

Construction for new homes in the Denver Metro area is in its worst slump in almost two decades. Lack of home buyer demand, a high rate of foreclosures, and difficulty in getting loans due to the problems in the financial system are all contributing to falling prices and the slump. Further, it appears that the contraction in the construction of new homes is accelerating. Permits for single-family homes decreased 47.5 percent through April compared to the same period in 2008. This decline followed a 38.1 percent drop in 2007. The construction market for multi-family housing slowed through April after being the only positive segment of the housing market in recent years. Permits for the number of multi-family units were down 9.8 percent in the region.

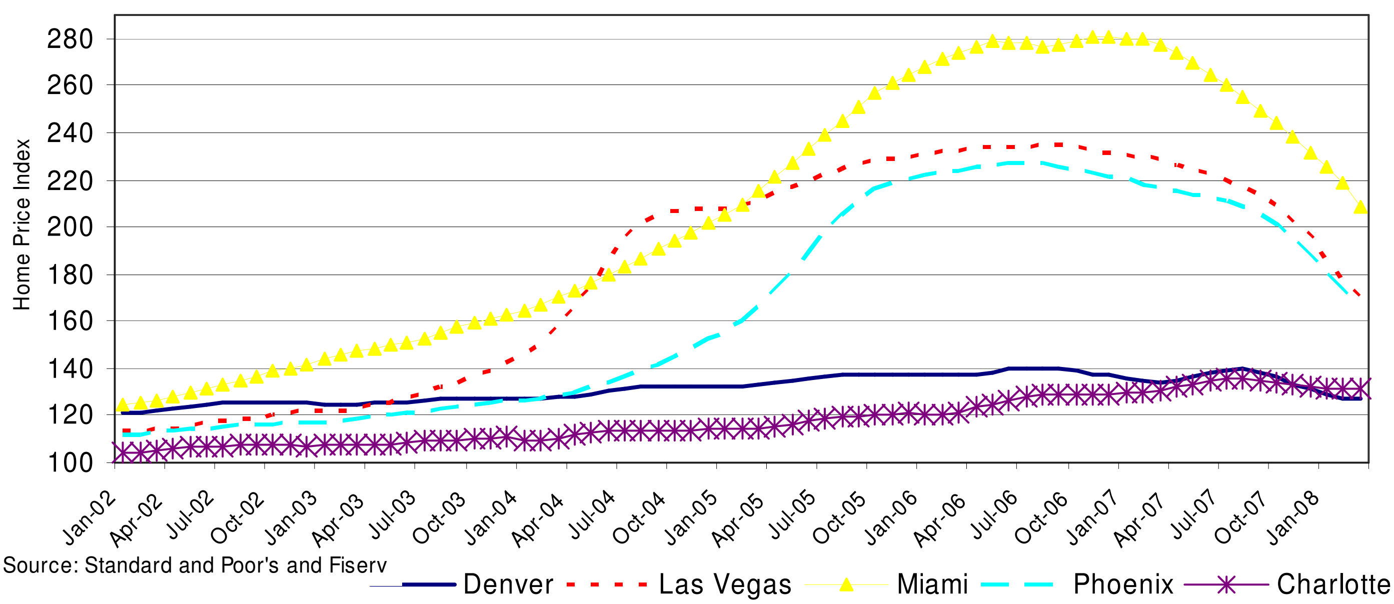
A positive aspect to this data is that the significant drop in building will help reduce the excess supply of homes on the market and eventually home buyer demand will increase allowing the market to recover. However, in the meantime, the drop in home prices is hurting homeowners and the slumping construction market is causing some home builders to consider leaving the state or to go out of business. The lack of building is also slowing other areas of the economy, such as financial services and the building materials, furniture, electronics, and appliances markets.

The excess inventory of homes and lack of home buyer demand, coupled with the high rate of foreclosures, is continuing to cause price declines in the Denver area as a whole, though there are some pockets that are having price appreciation. However, a widely-monitored gauge of home prices – the S&P/Case-Shiller Price Index – showed that Denver's prices are not declining as severely as many of the other 20 major metro areas included in the index.

Overall housing prices in the Denver area fell 5.0 percent in March from a year earlier. This ranked as the 5th lowest decline among the 20 markets in the index. In comparison, Las Vegas exhibited the worst performance with a 25.9 percent decline. Charlotte posted a 0.8 percent increase – the only metro area in the index with price appreciation. The Denver Metro area also was among the top performers in the index in 2007. Denver's relative good performance is likely attributed to a smaller real estate boom compared to other areas. Figure 5 compares Denver's home price performance as measured by the S&P/Case-Shiller Price Index compared with areas that experienced particularly large real estate booms in recent years. The absence of significant declines in home values is likely one factor contributing to the region's overall better economic performance than other areas of the country.

Nonresidential construction activity has also turned negative in 2008, likely due to concerns over the health of the economy as well as the turmoil in the credit markets, which make it more difficult and costly to finance projects. The value of projects contracted for construction in the Denver Metro area decreased 25.5 percent through April, led by a drop in commercial construction, especially among warehouses, offices, banks, and hotels and motels. The value of hospitals and health treatment facility construction contracts also posted a strong drop of 82.4 percent through April. On a positive note, the value of contracts for construction of schools and colleges, garages and service stations, and manufacturing-related facilities jumped significantly.

Figure 7
S&P/Case-Shiller Home Price Indices for Selected Metro Areas, 2002 through the 1st Qtr of 2008



Source: Standard and Poor's and Fiserv

Recent Economic News

- HealthOne broke ground recently on the Rocky Mountain Hospital for Children on the east side of Presbyterian/St. Luke's campus east of downtown Denver. Included at the new hospital will be a 22-bed emergency department, an 84-bed neonatal intensive-care unit, and a medical office building with an ambulatory surgery center. The hospital is expected to be completed in the spring of 2010.

- Kaiser Permanente, one of the area's largest employers, plans to open a national customer-service administration division next year in Denver as it is relocating a portion of its service operations from Texas. The company cited Denver's strong labor pool, central location, and increasingly large customer base as factors in its decision to relocate to Denver over other locations. The move is expected to add 200 jobs in the state next year.

- An energy subsidiary of German engineering firm Siemens AG expects to lease a facility around Boulder by August that will focus on atmospheric science research, aerodynamic wind blade design, structural dynamics, and wind turbine research. It is expected that the facility will employ 12 to 15 people in its first year and 50 people by 2013. A company spokesperson indicated that proximity to institutions such as the National Renewable Energy Laboratory, the National Center for Atmospheric Research, the Colorado Renewable Energy Collaboratory, and the University of Colorado were all factors in its location decision.

- ProLogis, the world's largest owner and developer of distribution centers, will build a 1.2 million-square-foot industrial park north of Interstate 70 on Havana Street later this year. ProLogis leases its industrial facilities to manufacturers, retailers, transportation companies, and other enterprises with large-scale distribution needs. The company currently has 3.7 million square feet of space within a mile of the new development.

- REC Solar Inc. is expanding its Colorado operations in Westminster. The company, which is based in California, currently has 12 employees in the state who mostly install residential solar energy systems. The expansion, which is expected to double the company's employees in the state this year, is occurring to allow it to work with businesses to obtain solar energy systems. REC Solar expects to see a large increase in its business in Colorado in the near future.

- Sage Hospitality Resources, a hotel-management and development company, is expanding by moving its corporate headquarters to the former Fontius Department Store building currently being renovated on the 16th Street Mall. The company will be the first tenant in the renovated building. The company has about 500 employees downtown, including 120 in its corporate headquarters. It employs about 1,000 people statewide.

- The rental vacancy rate in the Denver area is at a seven-year low. According to the state Division of Housing, the vacancy rate in the first quarter for the rental of single-family homes, condos, and other small properties dropped 36 percent from the prior year. The first quarter vacancy rate stood at 2.7 percent. The low rate can be attributed in part to the region's record number of foreclosures. The low vacancy rate is contributing to rising rental costs. The median monthly rent for all homes increased 6.1 percent to $950 from a year earlier.

Colorado Springs Region

The Colorado Springs economy sent mixed signals thus far in 2008. Home prices and sales continued their two-year decline, yet single-family building permits for the month of May proved to be the highest single-month total in over a year. Passenger traffic at the Colorado Springs Airport grew at the slowest rate in almost a year and the city's tax on hotel rooms and rental cars fell in March. Yet the U.S. Senior Open and the inaugural State Games of the West are expected to attract hundreds of athletes to the region throughout the summer. For the remainder of this year, the local economy is expected to progress slowly. Major economic indicators for the region are shown in Table 10.

Table 10
Colorado Springs Region Economic Indicators
El Paso County

	2006	2007	YTD thru April 2008
Employment Growth /1	2.2%	1.0%	1.5%
Unemployment Rate	4.7%	4.4%	5.1%
Housing Permit Growth /2	-34.3%	-29.7%	-45.4%
Growth in Value of Nonresidential Const. /3	-18.4%	7.8%	-39.3%
Retail Trade Sales Growth /4	5.1%	5.3%	1.1%

NA = Not available

1/ Colorado Department of Labor and Employment. 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 March 2008.

The number of jobs in Colorado Springs increased 1.5 percent through April of 2008. Most of the jobs added in 2008 occurred in the professional and business services, educational and health services, and mining and construction sectors. Job losses occurred in the manufacturing and retail trade sectors. However, while some industries within the manufacturing sector lost jobs during the first 4 months of 2008, other industries such as semiconductor and computer and electronic product manufacturing increased jobs in April. The unemployment rate for the region increased from an annual average of 4.4 percent in 2007 to 5.1 percent in April.

After increasing at a relatively healthy rate of at least 5.1 percent for the last three years, consumer spending in the Colorado Springs area slowed considerably during the first few months of 2008. According to the Colorado Department of Revenue, consumer spending, as measured by retail trade sales, increased by only 1.1 percent through March. The statewide average for growth in retail trade sales was 3.7 percent, with rural areas showing higher growth rates in retail sales and metropolitan areas sluggish.

The housing market continues to struggle. After decreasing by nearly 30 percent last year, the number of permits for residential home construction in El Paso County decreased 45.4 percent through April. In addition, the region had record high foreclosures in May. According to the El Paso County Public Trustee's Office, after a record 3,556 foreclosure filings last year, 2,068 foreclosure filings have already occurred year-to-date through May.

The value of nonresidential construction decreased 39.3 percent through April compared with the first four months of 2007. However, many projects are slated for development, mostly in the northeast part of El Paso County. This includes nine auto dealers that plan major construction projects and the University Village Colorado, a 275,000 square foot development of restaurants and other retailers that includes a Lowe's and a Costco.

Recent Economic News:

- With sales growing at least 20 percent per year, software developer Configuresoft moved its headquarters to a larger building on Campus Drive, allowing the company to more than double its staff as the economy picks up. This year, Configuresoft will add 10 to 15 employees to their local staff of over 100. The company plans to double total employment over the next few years.

- CarMax opened its doors for business at the beginning of June. The auto superstore, located on Tutt Boulevard in the rapidly growing northeast side of the city, employs more than 85 sales associates. Phil Long Dealership plans to match CarMax with its own superstore nearby, purchasing two acres just east of CarMax.

Pueblo Region

The economy in the five-county Pueblo region is showing less strength following mixed results in 2007. While growth in retail trade sales were healthy, residential and nonresidential construction declined and the region saw an increase in unemployment so far this year. Moreover, sluggish data in home construction activity, particularly around Pueblo, will likely slow employment growth in the region in the future. Table 11 shows annual economic indicators for the region.

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

	2006	2007	YTD thru April 2008
Employment Growth /1			
Pueblo MSA Only	2.3%	3.0%	2.0%
Unemployment Rate			
(2007 figure is for April)	5.5%	4.8%	5.3%
Housing Permit Growth /2	10.6%	-42.1%	-40.4%
Pueblo County Only			
Growth in Value of			
Nonresidential Const. /3	632.3%	-62.1%	-74.3%
Pueblo County Only			
Retail Trade Sales Growth /4	6.0%	6.5%	5.3%

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data are from the CES survey.
2/ U.S. Census.
3/ F.W. Dodge.
4/ Colorado Department of Revenue; data through March 2008.

Employment growth in Pueblo increased 2.0 percent through the first four months of 2008, compared with the same time period in 2007, down from 3.0 percent in the prior year. The unemployment rate in the region climbed to 5.3 percent in April this year, the highest rate among the state's major metro areas. The region saw an average unemployment rate of 4.8 percent in 2007. Huerfano County had the highest unemployment rate in April at 5.7 percent followed by Fremont County at 5.6 percent and Custer County at 4.6 percent. The lowest unemployment rate in the region was 3.6 percent in Las Animas County.

Consumer spending, as measured by retail sales, exceeded the statewide pace thus far in 2008, but lagged the region's retail trade sales growth for 2007. Sales grew 5.3 percent in the region through March compared with 6.5 percent growth in 2007. The region's growth in sales surpassed the statewide pace of 3.7 percent. Huerfano County led the region with a 13.4 percent increase in consumer spending followed by a strong 9.3 percent gain in Custer County. Fremont county reported an unimpressive 0.4 percent increase in consumer spending.

Falling in line with national and state trends, permits for residential construction in Pueblo declined 40.4 percent after dropping 42.1 percent in 2007. However, unlike the 23 percent overall increase in foreclosures reported for the state, the Colorado Division of Housing reported that the Pueblo Metropolitan Area saw no increase in foreclosures in the first quarter of 2008 compared with the first quarter of 2007.

Nonresidential construction displayed a similar picture in Pueblo with a 62.1 percent decrease in 2007 followed by a decrease in the first four months of 2008. Based on data from F.W. Dodge, nonresidential construction activity in Pueblo County has declined nearly 75.0 percent through April over the same period last year.

Recent Economic News

- The Hampton Inn, a new three-floor hotel on McCormick Parkway, opened in Canon City at the beginning of June. The amenities of the hotel include an indoor pool, fitness room, laundry and business center. Fourteen positions were filled locally.

- A local developer and a local builder have teamed up to create a new gated patio-home development called Bella Vista in Pueblo's Eagleridge area. The 99-home community will be located north of Eagleridge Boulevard and Ridge Drive. Home prices will range from $180,000 to $280,000 and will include a private clubhouse and swimming pool. Construction is set to begin in July.

San Luis Valley and Southwest Region

The economy in the San Luis Valley and Southwest Region continued to grow through the first quarter of 2008, but at a slower pace than occurred in 2007. The region's economy is heavily based on agriculture, retirees, and tourism. The region's agricultural industry has done well this year, but consumer spending and employment have slowed. Given the approaching tourism season, its impact on the region's economy will depend on high gasoline prices and the extent of the nation's slowdown. Table 12 shows major economic indicators for the region.

Table 12
San Luis and Southwest Region Economic Indicators

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

	2006	2007	YTD thru April 2008
Employment Growth /1	3.3%	2.2%	0.6%
Unemployment Rate	4.7%	3.8%	4.5%
Statewide Crop Price Changes /2			
Barley (U.S. average)	24.2%	31.4%	52.6%
Alfalfa Hay	37.3%	0.0%	7.1%
Potatoes	-8.0%	14.1%	32.5%
Fall Potato Production (Cwt) /2	-1.0%	-7.5%	-24.1%
Housing Permit Growth /3			
Alamosa County	-2.5%	-41.0%	100.0%
La Plata County	-25.5%	-15.5%	-72.2%
Growth in Value of Nonresidential Const. /3			
Alamosa County	-22.4%	414.1%	4.2%
La Plata County	74.4%	881.5%	-92.4%
Retail Trade Sales Growth /4	9.8%	6.0%	4.6%

NA = Not available.

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 and 2008 data are from the LAUS

2/ Colorado Agricultural Statistics Service. Compares April 2008 to April 2007. Potato Production reflects Colorado growers and commercial storage

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

4/ Colorado Department of Revenue; data through March 2008.

The region's agriculture industry has been boosted by strong growth in prices. Although the stock of potatoes in the San Luis Valley is down 24.1 percent through May compared with the first five months of 2007, prices are up 32.5 percent. Nationwide, barley prices are up 52.6 percent over the same time period and alfalfa hay is up 7.1 percent.

Employment growth and consumer spending in the region have slowed substantially in the first four months of 2008. After increasing 2.2 percent last year, the region's overall employment increased 0.6 percent through April compared with the same period in 2007. Consumer spending, as measured by retail trade sales, slowed from 6.0 percent in 2007 to 4.6 percent through March.

Counties in the southwest corner of the state, which include Dolores, Montezuma, La Plata, San Juan, Hinsdale, and Archuleta counties, have enjoyed much healthier economic growth than those in the San Luis Valley. Every county in the southwest region except San Juan and Hinsdale counties added jobs in 2008.

Meanwhile, with the exception of Mineral County, all of the counties in the San Luis Valley, including Saguache, Rio Grande, Alamosa, Costilla, and Conejos counties, have suffered job losses in the first four months of 2008.

Recent Economic News:

- The Southern Ute Indian Tribe is planning to expand its existing Sky Ute Casino, adding more slot machines, 140 hotel rooms, a 200-seat bingo hall, a bowling alley, and other amenities. The facility is scheduled to open this fall and increase employment at the casino from 300 to 500 employees.

- Construction began on a new intersection on Highway 172 in Ignacio that will serve the expanded Sky Ute Casino. The tribe is paying for the costs of the intersection, which is expected to be completed this summer.

- The Durango and Silverton Narrow Gauge Railroad announced that it would eliminate one of its four departures from Durango to Silverton because of limited demand. The railroad can add additional cars to the three daily trains if needed.

Western Region

The western region, 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 and retail trade sales. Despite these gains, residential and nonresidential construction activity has slowed considerably. Table 13 shows major economic indicators for the western region.

Table 13

Western Region Economic Indicators

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

	2006	2007	YTD thru April 2008
Employment Growth /1			
Western Region	5.9%	5.5%	4.0%
Mesa County 1/	5.1%	5.7%	4.9%
Unemployment Rate	3.6%	3.1%	3.4%
Housing Permit Growth			
Mesa County 2/	4.6%	-13.2%	-31.2%
Montrose County 3/	-5.3%	-31.0%	-57.2%
Growth in Value of Nonresidential Const. /3			
Mesa County	-44.8%	210.4%	-77.7
Montrose County	141.3%	-34.6%	NA
Retail Trade Sales Growth /4	14.2%	11.8%	7.0%

NA = Not Available

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 and 2008 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 through May 2008.

4/ Colorado Department of Revenue; data through March 2008.

Employment in first four months of 2008 registered 4.0 percent growth compared with 5.5 percent growth in 2007. While job growth decelerated, the region continued to exhibit the highest growth rate in the state. In Mesa County, nonfarm employment was up 4.9 percent in 2008, compared with 5.7 percent growth in 2007. Through April, the region's job growth was far higher than the statewide average of 1.9 percent. The region's unemployment rate stood at 3.4 percent in April.

In response to ongoing natural gas exploration, drilling, and production, job growth was the strongest in San Miguel, Garfield, Rio Blanco, and Mesa counties. In the first four months of 2008, San Miguel's job growth was 6.9 percent, followed by 6.3 percent in Garfield County, 5.3 percent in Rio Blanco County, and 4.9 percent in Mesa County.

Construction indicators were down in the first four months of 2008. In Mesa County, permits for housing units decreased 31.2 percent and in Montrose County permits decreased 57.2 percent. Despite the decline in Mesa County's housing permits, housing prices in Grand Junction have been bucking a downward trend statewide and nationally. Zillow.com, an online real estate services firm, reports that the median value of a house sold in the Grand Junction metropolitan area increased 9.6 percent to $212,836 in the year ending December 31, 2007. The firm reports that Grand Junction had the third-highest percentage gain of the 125 markets tracked by the company.

The value of nonresidential construction permits declined in both Mesa and Montrose counties in the first three months of 2008. In Mesa County, nonresidential construction permits decreased 77.7 percent. However, much of the decline was a return to normal levels after unsustainable increases in 2007.

Although other regions of the state are experiencing sluggish spending, retail sales in the western region continue to grow strongly. For the region as a whole, retail trade sales increased 7.0 percent in the first four months of 2008, after jumping 11.8 percent in 2007. Garfield and Montrose counties recorded double-digit growth rates, while Gunnison, Ouray, and San Miguel counties experienced declining retail trade sales.

Recent Economic News:

- Two new hotels are under construction in Craig. A 76-room Candlewood Inn and Suites is scheduled to open this fall and an 89-room Hampton Inn is expected to open in May 2009. The hotels are intended to serve oil and gas workers who are employed in the area temporarily.

- Glenwood Springs is planning to add two new Marriott-brand hotels. A 124-room Residence Inn and a 101-room Courtyard Inn have been proposed by Englewood-based Stonebridge Companies.

- Phillips Machine West is planning to build a 15,000-square-foot facility in North Delta. The company is primarily involved in re-building heavy equipment for the mining industry. The facility is scheduled to open in September and will employ 7-10 workers with an annual salary of $70,000 that includes benefits.

Mountain Region

Economic growth in the mountain region has been mixed thus far in 2008. Although some counties felt the housing market slowdown, record snowfall resulted in increased tourism throughout the region. Employment growth continues to advance and the regional unemployment rate remains relatively low. Consumer spending also continues to rise, although at a slower pace. In contrast, residential housing permits are declining in many counties and nonresidential construction activity is dropping. Table 14 shows major economic indicators for the mountain region.

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

	2006	2007	YTD thru April 2008
Employment Growth /1	3.5%	3.0%	1.7%
Unemployment Rate	3.6%	3.1%	3.4%
Housing Permit Growth /3			
Eagle, Pitkin, & Summit counties 3/	12.4%	-4.8%	-25.7%
Routt County 3/	-10.5%	20.3%	47.9%
Growth in Value of Nonresidential Const. /3			
Eagle, Pitkin, & Summit counties	74.3%	6.4%	-18.7%
Routt County	143.9%	80.2%	-93.4%
Retail Trade Sales Growth /4	12.6%	9.6%	5.1%

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 data are from the LAUS (household) survey.
2/ 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.
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 through April 2008.
4/ Colorado Department of Revenue; data through March 2008.

Employment growth increased 1.7 percent through April of 2008, slowing from a more robust pace of 3.0 percent in 2007. This slowdown reflects the national trend and the state's overall weakening job market as fewer people are being hired in many sectors including the construction, manufacturing, retail, information, financial, and real estate sectors. The unemployment rate stood at 3.4 percent in April 2008.

The residential construction sector has been weak throughout most of the state and the mountain region is seeing mixed results. Housing permits in Routt County increased 20.3 percent in 2007 and were up 47.9 percent through April 2008. After avoiding the downward trend in 2007, Aspen's local real estate market has come down, resulting in lower home prices. The average price of a single-family home sold in Aspen was $4.3 million, 20 percent lower than the average home sold a year ago. Housing permits in Eagle, Pitkin, and Summit counties were down 25.7 percent through May.

Nonresidential construction activity has also fallen off sharply. Through May 2008, the value of nonresidential construction permits declined 18.7 percent in Eagle, Pitkin, and Summit counties and 93.4 percent in Routt County.

Consumer spending, measured by retail trade sales, remains relatively healthy in the region. In the first three months of the year, retail trade sales were up 5.1 percent compared with the same period last year. Although several smaller counties experienced double-digit growth rates, the two largest counties in terms of retail sales–Eagle and Pitkin–saw respectable gains of 6.6 percent and 4.0 percent, respectively.

Recent Economic News:

- Aspen Valley Hospital plans to expand its current facility on Castle Creek Road from 76,000 square feet to 291,000 square feet. The project is anticipated to cost $100 million, which will be financed by savings, debt, and public tax revenue.

- A new study prepared by RRC Associates, Inc. and Elk Mountains Planning Group Inc. found that Aspen and Pitkin County have become more reliant on part-time residents than visitors. The results indicate a maturation of the ski industry and a greater reliance on real estate and construction activity, as well as second homeowners.

Northern Region

The northern region's economy continued to grow at a healthy pace through the first four months of 2008. Larimer County was one of the few counties statewide that posted a healthy gain in the growth of housing permits. The continued growth is partially a result of the oil and gas industry's boom and the region's ability to act as a bedroom community for Denver Metro area workers.

Table 15
Northern Region Economic Indicators
Weld and Larimer counties

	2006	2007	YTD thru April 2008
Employment Growth /1			
Larimer County	1.8%	2.4%	3.0%
Weld County	4.2%	3.0%	3.3%
Unemployment Rate (2008 figure is for April)			
Larimer County	4.0%	3.4%	3.7%
Weld County	4.7%	4.2%	4.5%
State Cattle and Calf Inventory Growth /2	5.0%	-4.0%	-7.0%
Housing Permit Growth /3			
Larimer County	-17.5%	-26.9%	24.2%
Weld County	-30.3%	-38.6%	-57.5%
Growth in Value of Nonresidential Const. /4			
Larimer County	6.6%	-4.1%	-48.1%
Weld County	33.7%	5.9%	128.4%
Retail Trade Sales Growth /5			
Larimer County	5.2%	6.5%	1.9%
Weld County	7.0%	7.6%	5.0%

NA = Not available

1/ U.S. Department of Labor, Bureau of Labor Statistics. Data are from the CES survey.
2/ Colorado Agricultural Statistics Service. Compares May 2008 to May 2007.
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 March 2008.

Job growth was moderately strong in the region as the number of jobs in Larimer and Weld counties increased 3.0 percent and 3.3 percent, respectively, through April 2008 after seeing slower growth in 2007. Meanwhile, high energy and food prices, tighter credit, and a relatively weak housing market are dampening consumer spending in the region. Consumer spending, as measured by retail trade sales, increased 1.9 percent in Larimer County, below the statewide average growth of 3.7 percent. In contrast, retail trade sales in Weld County increased 5.0 percent through March 2008, slightly above the statewide average.

After posting significant declines in housing permit growth for 2007, the region's housing picture may be improving in Larimer County. Housing permits increased 24.2 percent through April 2008 compared with the first four months of 2007. However, in Weld County, housing continued its declining trend as housing permits decreased by 57.5 percent over the same time period. Foreclosures are affecting housing permit growth in the region.

The Colorado Division of Housing reported that statewide, foreclosures were 23 percent higher during the first quarter of this year than last year. The foreclosure rate in Colorado was one foreclosure filing per 159 households during the first quarter of 2008. The improving housing picture in Larimer County may be partially the result of fewer foreclosures. The county had the second lowest foreclosure rate along the Front Range — one filing per 220 households. Boulder was the only county to fare better — one filing per 407 households. Larimer County may be well-situated to handle the economic storm hovering over Colorado's housing market because the county has a number of high-paying research and tech jobs.

In contrast, Weld County's ongoing decline in housing permit growth may be reflected by its high foreclosure rate — currently at a pace of one filing per 102 households. The only Front Range county that fared worse was Adams County, having one filing per 86 households.

The value of nonresidential construction in Larimer County decreased 48.1 percent through April, while Weld County saw a 128.4 percent increase. The decrease in Larimer County was the result of reduced construction of commercial and education-related buildings. The construction of a manufacturing plant was the primary reason for the increase in activity in Weld County.

Recent Economic News

- Center Partners, a call-center company headquartered in Fort Collins, will hire an additional 300 workers to complete a contract with a digital video recorder company. The company will hire workers for sales, tech, and customer-call positions. Wages for the new positions will be around $9.00 per hour.

- Leprino Foods selected Greeley as the site for the construction of a 400,000 square foot $143 million cheese production facility. The manufacturing plant will employ 260 workers when it is in full operation. Officials estimate the plant will be completed by 2012.

- Asurion Evans, a provider of wireless roadside assistance and handset insurance programs, will expand its staff by 100 new workers at its Evans facility. The company will hire workers for full-and part-time service representative positions and is responding to an increase in its business operations. The wireless provider will employ about 400 workers by the fall of 2008.

- Advance Auto Parts Inc., an automotive aftermarket retailer of parts, batteries, accessories, and maintenance items, will open up its second store in Greeley. Ten employees will be hired.

Eastern Plains

The eastern region is seeing the impact of the economic downturn that is affecting the state and other parts of the country. Economic indicators were mixed for the eastern region through April. Employment declined from 2007 figures and the unemployment rate increased. On the positive side, crop prices increased significantly and consumer spending was strong. Table 16 shows economic indicators for the region for 2006 through 2008.

Table 16
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca counties

	2006	2007	YTD thru April 2008
Employment Growth /1	-1.0%	1.8%	-2.5%
Unemployment Rate	4.1%	3.5%	4.0%
Crop Price Changes /2			
Winter Wheat	15.1%	110.8%	60.5%
Corn for Grain	32.7%	26.9%	35.6%
Alfalfa Hay	37.3%	0.0%	7.1%
Dry Beans	32.1%	57.1%	47.4%
State Crop Production Growth /2			
Sorghum production	0.9%	86.4%	N/A
Corn	-4.6%	17.4%	N/A
Winter Wheat	-24.4%	135.6%	N/A
Sugar Beets	N/A	-17.0%	N/A
2006 is estimated production for the year.			
State Cattle and Calf Inventory Growth /2	5.0%	-4.0%	-7.0%
Retail Trade Sales Growth /3	6.7%	6.0%	14.9.%

NA = Not Available

1/ Colorado Department of Labor and Employment. Data through 2006 are from the QCEW program. 2007 and 2008 data are from the LAUS (household) survey.

2/ Colorado Agricultural Statistics Service. Compares May 2008 to May 2007.
Crop production based on projections for 2007 compared to actual 2006 production.

3/ Colorado Department of Revenue; data through March 2008.

In the labor market, the unemployment rate increased to 4.0 percent in April 2008 while jobs in the region were down 2.5 percent through April. Employment expanded only in the counties of Elbert, Kiowa, Logan, Sedgwick, and Yuma, with the remaining counties showing a reduction in jobs. Unemployment in the region was up one-half percentage point over April 2007. Bent and Otero County had the highest unemployment rates in the region in April at 5.8 percent. The counties of Yuma and Cheyenne exhibited the lowest unemployment in April at 2.6 percent and 2.8 percent, respectively.

After dipping in 2007 from the 2006 average, consumer spending in the region, as measured by retail trade sales, increased 14.9 percent through April. The statewide growth in consumer spending was a modest 3.7 percent. Fifteen of the sixteen counties in the region saw increases in consumer spending. Rising energy costs are contributing to this substantial increase. Washington County experienced a slight 1.0 percent decline in retail trade sales.

Though not as exceptional as the average increases reported in May 2007, the prices of wheat, corn and dry beans accelerated at a strong pace this May, reporting increases of 60.5, 35.6, and 47.4 percent, respectively. The price of baled Alfalfa hay also increased 7.1 percent in May. The price increases in 2007 were indicative of an expected increase in demand for corn-based ethanol. Prices are expected to further increase due to rising fuel and other input costs combined with a simultaneous decline in acreage that has been converted to other commodities across the state.

Recent economic news:

- The 720-bed expansion project at the Bent County Correctional facility is complete. The estimated $44 million construction project, owned by Corrections Corporation of America, has nearly doubled the capacity of the facility and is expected to create 80 new jobs in Las Animas.

- Ringo's Shope 'n Save, a family-owned shopping center located on Colorado Avenue in La Junta closed its doors in June due to declining sales since the beginning of the year. All employees were laid off.

- Innovative Water Technologies, which provides 5,000 gallons per day of drinking water to the Lower Arkansas Valley, will hire an additional half a dozen employees when full-scale production begins by the end of the year. The company currently has seven employees in the city of Rocky Ford.

Appendix A
Historical Data

National Economic Indicators

(Dollar amounts in billions)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Gross Domestic Product	$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	$13,840.0
percent change	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%	4.9%
Real Gross Domestic Product (inflation-adjusted, chained to 2000)	$7,833.9	$8,032.7	$8,329.1	$8,704.4	$9,066.3	$9,468.9	$9,815.9	$9,892.9	$10,047.8	$10,302.4	$10,675.9	$11,004.9	$11,316.2	$11,566.8
percent change	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%	2.2%
Unemployment Rate	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%	4.6%
Inflation (Consumer Price Index)	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%	2.9%
10-Year Treasury Note	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%	4.6%
Personal Income	$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	$11,659.6
percent change	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%	6.2%
Wage and Salary Income	$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	$6,359.6
percent change	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%	5.7%
Nonfarm Wage and Salary Employment (millions)	114.3	117.3	119.7	122.8	125.9	129.0	131.8	131.8	130.3	130.0	131.4	133.7	136.1	137.6
percent change	3.2%	2.6%	2.0%	2.6%	2.5%	2.5%	2.2%	0.0%	-1.1%	-0.2%	1.1%	1.8%	1.8%	1.1%

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

Colorado Economic Indicators
(Dollar amounts in millions)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Nonagricultural Employment (thous.)	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	2,226.9	2,184.1	2,152.9	2,179.6	2,226.0	2,279.1	2,330.5
percent change	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%	2.3%
Unemployment Rate	6.0	5.3	4.3	4.0	4.2	3.4	3.5	3.1	2.7	3.8	5.7	6.1	5.6	5.2	4.3	3.8
Personal Income	$73,794	$79,697	$85,671	$92,704	$100,233	$107,873	$118,493	$128,860	$144,394	$152,700	$153,066	$154,829	$163,737	$175,734	$188,222	199,526
percent change	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%	7.1%	6.0%
Per Capita Income	$21,109	$22,054	$23,004	$24,226	$25,570	$26,846	$28,784	$30,492	$33,360	$34,438	$33,956	$33,989	$35,523	$37,600	$39,491	41,042
percent change	4.7%	4.5%	4.3%	5.3%	5.5%	5.0%	7.2%	5.9%	9.4%	3.2%	-1.4%	0.1%	4.5%	5.8%	5.0%	3.9%
Wage and Salary Income	$42,678	$45,736	$48,912	$52,782	$57,091	$62,364	$69,462	$76,283	$85,909	$88,297	$86,938	$88,008	$92,095	$97,359	$104,092	110,419
percent change	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%	6.1%
Retail Trade Sales	$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	$65,492	$70,437	75,317
percent change	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%	7.5%	6.9%
Housing Permits	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	45,891	38,343	29,454
percent change	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%	-1.3%	-16.4%	-23.2%
Nonresidential Construction	$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	4,415.4	4,916.5
percent change	-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%	4.6%	11.3%
Denver-Boulder Inflation Rate	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%	2.2%
Population (thousands, July 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	4,328.3	4,434.0	4,507.8	4,555.2	4,609.3	4,673.7	4,766.2	4,861.5
percent change	3.2%	3.4%	2.7%	2.8%	2.0%	2.0%	2.0%	2.0%	2.4%	2.4%	1.7%	1.1%	1.2%	1.4%	2.0%	2.0%

Sources: Colorado Department of Labor and Employment, U.S. Department of Commerce, Colorado Department of Revenue, U.S. Bureau of the Census, U.S. Bureau of Labor Statistics, F.W. Dodge.
NA = Not Available