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MEMORANDUM

September 22, 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 **September 2008 economic, General Fund, and cash fund revenue forecasts.**

Executive Summary

General Fund Overview

Table 1 presents the General Fund overview based on current law. Revenue available for spending in the General Fund is sufficient to allow **General Fund appropriations** to increase 4.21 percent in FY 2008-09, $99.4 million below the amount budgeted in the FY 2008-09 Long Bill and $127.1 million below the amount allowed by the Arveschoug-Bird 6 percent limit. Revenue is expected to be sufficient to allow General Fund appropriations to increase by the 6 percent limit each year thereafter until the end of the forecast period.

The **Highway Users Tax Fund** (HUTF**) and capital construction** will share $41.9 million in FY 2008-09 and a total of $115.0 million in FYs 2011-12 and 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 $642.1 million through the **Senate Bill 97-1** diversion during the forecast period. In FY 2008-09, there is no money for either the SB 97-1 or HB 02-1310 diversions, and in FY 2009-10 there is no money available for HB 02-1310 and the SB 97-1 diversion is reduced to $107.3 million.

Revenue Forecast

The four-year forecast for total revenue subject to TABOR was decreased $887.4 million, or 2.0 percent, since the June forecast. The General Fund revenue forecast was decreased by $906.8 mil-

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

		Preliminary FY 2007-08	Estimate FY 2008-09	Estimate FY 2009-10	Estimate FY 2010-11	Estimate FY 2011-12
1	Beginning Reserve	$516.3	$325.4	$296.8	$314.6	$343.1
2	General Fund Nonexempt Revenue	6,571.3	6,721.6	7,216.7	7,837.6	8,353.2
3	General Fund Exempt Revenue	1,171.5	1,020.9	1,099.7	1,128.2	1,220.6
4	Senate Bill 97-1 Diversion to the HUTF	-238.1	0.0	-107.3	-260.3	-274.4
5	Paybacks to Other Funds	0.0	-2.9	0.0	0.0	0.0
6	Sales Taxes to Older Coloradans Fund and OASMCF	-5.8	-8.8	-10.9	-10.9	-10.9
7	TABOR Surplus Liability (refunded in following year)	0.0	0.0	0.0	0.0	-5.4
8	Total Funds Available	$8,015.4	$8,056.2	$8,495.0	$9,009.2	$9,626.2
	APPROPRIATIONS AND OBLIGATIONS:					
9	Allowable General Fund Appropriations	$7,087.8	$7,546.9	$7,865.0	$8,336.9	$8,837.1
10	*Available revenue will restrict allowable appropriations by:*	*0.0*	*-127.1*	*0.0*	*0.0*	*0.0*
11	**Actual Appropriations**	**$7,087.8**	**$7,419.8**	**$7,865.0**	**$8,336.9**	**$8,837.1**
12	Exceptions From the Appropriations Limit	31.9	0.0	0.0	0.0	0.0
13	Rebates and Expenditures	173.8	186.8	201.0	206.8	192.8
14	Reimbursement for Senior and Disabled Veterans Property Tax Cut	79.8	86.1	93.4	100.7	107.7
15	Funds in Prior Year Excess Reserve to HUTF	166.2	27.9	0.0	0.0	6.4
16	Funds in Prior Year Excess Reserve to Capital Construction	83.1	14.0	0.0	0.0	3.2
17	Capital Construction Transfer	93.7	24.9	21.1	21.8	20.2
18	Accounting Adjustments	-26.3	NE	NE	NE	NE
19	Total Obligations	$7,690.0	$7,759.4	$8,180.4	$8,666.2	$9,167.4
20	**YEAR-END GENERAL FUND RESERVE**	**$325.4**	**$296.8**	**$314.6**	**$343.1**	**$458.8**
21	**STATUTORY RESERVE: 4.0% OF APPROPRIATIONS**	**283.5**	**296.8**	**314.6**	**333.5**	**353.5**
22	**GENERAL FUND EXCESS RESERVE**	**$41.9**	**$0.0**	**$0.0**	**$9.6**	**$105.3**
	TABOR RESERVE REQUIREMENT:					
23	General & Cash Fund Emergency Reserve Requirement	$300.0	$306.3	$323.2	$339.5	$358.7
24	Appropriations Growth	$433.1	$300.1	$445.2	$471.9	$500.2
25	Appropriations Growth Rate	6.48%	4.21%	6.00%	6.00%	6.00%
26	Addendum: Amount Directed to State Education Fund	$407.9	$409.9	$441.9	$483.7	$520.1

Totals may not sum due to rounding.

lion and the cash fund forecast was increased by $19.4 million for the period between FY 2008-09 and FY 2011-12.

- Most of the decrease in the **General Fund revenue** forecast resulted from a decrease in the expectations for sales taxes, individual income taxes, and corporate income taxes. General Fund revenue is expected to be flat in FY 2008-09, which is a $203.5 million reduction from the June forecast.

- Cash fund revenue will increase 10.0 percent in FY 2008-09. The forecast for FY 2008-09 is $50.2 million higher than June's forecast. Of this increase, $27.0 million is the result of the addition of revenue to Fort Lewis and Adams State colleges to TABOR revenue because the schools are expected to temporarily lose their enterprise status this year. The remainder of the increase is a result of increased expectations since the June forecast for unemployment insurance taxes, motor fuel taxes, and fees collected in the umbrella group of "other cash funds." These increases offset decreases in expectations for gaming and severance tax revenue.

- The current estimate for the amount of revenue that will be retained by the state during the **Referendum C time-out period** is $5.7 billion, down from $6.1 billion in the last forecast. 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
2007-08*	$1,171.5
Projections	
2008-09	$1,020.9
2009-10	$1,099.7
2010-11	$1,128.2
2011-12	$1,220.6

*Preliminary

- The current four-year forecast period extends two years beyond the time-out period associated with Referendum C. We are currently projecting a $5.4 million **TABOR surplus** in FY 2011-12, the second year after the end of the Referendum C time-out period. This is occurring because TABOR revenue is growing faster than population and income, despite a significant decline in revenue to the Unemployment Insurance Trust Fund in FY 2010-11 and FY 2011-12. 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. However, if the timing of the solvency tax were to shift such that it was no longer necessary a year earlier, TABOR refunds would begin in FY 2010-11, based on current projections.

National Economy

The national economy continues to see growth stagnate while the central bank is caught between concerns over a weak economy, financial instability, and inflationary pressures. Second quarter growth was moderately healthy but driven by a strong export market and the government's tax rebates that boosted consumer and business spending. The national economy is expected to register no growth in the next two to three quarters as consumers and businesses restrain spending due to weak employment conditions, declines in household net worth, and eroding confidence. Economic growth is expected to improve in the second half of 2009 assuming that conditions in the financial markets and housing sector stabilize.

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 tighter credit conditions, declining home equity, and rising food and gas prices. The state is wrestling with a significant correction in its housing sector and in housing- and home finance-related employment. However, the correction in the housing industry appears to have begun earlier and been more gradual than in other areas of the nation. In addition, based on population, employment, and income growth, Colorado's economy is among the strongest in the nation. As long as the turmoil in the financial markets is resolved, the state's economy 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 2007-08 and projections for FY 2008-09 through FY 2011-12. The deteriorating national economy is causing the state's economy to grow more slowly because of difficulties in the housing market and financial industries and increasing food and energy costs. The state has managed to remain resilient relative to the nation thus far, but with Colorado's economic expansion now quite mature, the state seems poised to show slow growth for the next two years while approaching, but not slipping into, a local recession.

In FY 2008-09, the General Fund revenue forecast was *reduced* by $**203.5 million** and in the entire four-year forecast period it was *decreased* by a total of **$906.8 million**. Expectations for sales and income taxes were lowered throughout the period, primarily because of projected reductions in the current year, which lowered the forecast in the following three years.

After increasing 2.1 percent in FY 2007-08, **individual income taxes** will increase 1.7 percent in FY 2008-09 as job growth slows and investors contend with turmoil in the financial markets. While taxes withheld from employee paychecks have begun to show some slowing, taxes from capital gains have decreased considerably and are expected to continue to weaken through most of 2009. A recovery in the economy, stabilized capital markets, and higher oil and gas royalty payments will cause individual incomes taxes to increase at a healthier rate of 8.0 percent in FY 2009-10.

Individual income taxes came in $7.4 million higher than expected in FY 2007-08, only 15 one thousandths of a percent above the June estimate. The forecast for individual income taxes was reduced $72.8 million in FY 2008-09 as a result of lower expectations for growth in taxes withheld from employee paychecks, and a total of $408.3 million over the forecast period. Two bills passed during the 2008 session and a new federal law will reduce income tax collections over the forecast period. The extension of the child care and historic preservation tax credits reduced projections by a total of $20.3 million a year. In addition, the Housing and Economic Recovery Act of 2008 (H.R. 3221) will reduce income tax collections by a total of $47.7 million over the four-year forecast period. Beginning with tax year 2008, homeowners who claim the standard deduction will be able to receive an additional deduction of $500 for single filers and $1,000 for joint filers for state and local property taxes. This will affect state income taxes since state taxable income is based on federal taxable income.

The forecast for **corporate income taxes** was reduced in the current fiscal year because of an anticipated drop in corporate profits. Declining demand domestically and internationally will constrain sales growth, while higher energy and raw materials costs will squeeze profit margins. In addition, the federal stimulus package is expected to cost the state about $28.5 million in corporate income taxes in the upcoming fiscal year. The federal tax package will reduce federal taxable income by providing higher depreciation allowances and expensing limits for corporations that purchase capital equipment in 2008. In FY 2008-09, corporate income taxes are expected to total $444.5 million, which represents a 12.5 percent drop from the prior year.

In FY 2009-10, corporate income taxes are projected to rebound to $517.7 million, an increase of 16.5 percent. The sizable gain is anticipated because of the expiration of the federal stimulus package and a turnaround in the nation's economy.

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 $407.9 million in FY 2007-08, it will receive $409.9 million in FY 2008-09 and $441.9 million in FY 2009-10.

In FY 2007-08 **sales tax revenue** posted relatively strong growth despite the record number of foreclosures hitting the state, the contracting housing market, and higher energy costs. However, revenue has begun to weaken as the state's households, which pay around half of state sales taxes, are being impacted by higher costs for necessities and rising unemployment. 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 higher prices is resulting in a decrease in expenditures on other taxable items. In addition, since businesses pay around 40 percent of state sales taxes, a reduction in business spending due to the soft economy will negatively impact sales tax revenue.

Sales tax revenue will decrease 1.3 percent to $2.1 billion in FY 2008-09 and then rebound moderately in FY 2009-10, with growth of 4.4 percent. Weaker sales tax revenue is expected to continue into FY 2009-10 as the effects of the slow housing market and the problems in the financial system continue to linger in the economy. Also, the change in spending patterns will be somewhat prolonged as consumers and the economy adjust to the higher costs of necessities and home values remain relatively stagnant.

Use tax revenue was surprisingly strong in FY 2007-08, growing 5.4 percent. Use tax revenue has continued to come in at higher levels than anticipated in the first few months of FY 2008-09 even as the state's economy weakens. However, the uncertainty and negative factors in the economy should impact business spending, which contributes the bulk of use taxes. In addition, construction activity will be anemic over the next year, which should dampen revenue. Thus, we expect use tax revenue to weaken for the remainder of this fiscal year. Use tax revenue will be essentially flat in FY 2008-09 and post growth of 3.1 percent in FY 2009-10 as the economy begins to perform better.

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 reduces 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.

Table 3
September 2008 General Fund Revenue Estimates
(Dollars in Millions)

Category	Preliminary 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	$2,126.9	4.9	$2,099.0	-1.3	$2,191.5	4.4	$2,306.6	5.3	$2,431.7	5.4
Use	191.3	5.4	192.1	0.4	198.0	3.1	207.4	4.8	218.4	5.3
Cigarette	45.2	-4.0	45.7	1.1	45.3	-0.8	44.7	-1.4	43.6	-2.5
Tobacco Products	12.4	-4.4	13.8	11.2	14.1	2.5	14.5	2.7	15.0	3.5
Liquor	35.7	5.0	36.7	2.8	37.8	3.1	38.3	1.3	39.0	1.9
TOTAL EXCISE	$2,411.5	4.7	$2,387.2	-1.0	$2,486.7	4.2	$2,611.5	5.0	$2,747.8	5.2
Net Individual Income	$4,973.7	2.1	$5,057.5	1.7	$5,464.1	8.0	$6,015.9	10.1	$6,494.3	8.0
Net Corporate Income	507.9	2.0	444.5	-12.5	517.7	16.5	543.4	5.0	566.2	4.2
TOTAL INCOME TAXES	$5,481.6	2.1	$5,502.1	0.4	$5,981.7	8.7	$6,559.4	9.7	$7,060.5	7.6
Less: Portion diverted to the State Education Fund	-407.9	3.2	-409.9	0.5	-441.9	7.8	-483.7	9.5	-520.1	7.5
INCOME TAXES TO GENERAL FUND	$5,073.7	2.0	$5,092.2	0.4	$5,539.9	8.8	$6,075.6	9.7	$6,540.4	7.6
Insurance	187.8	4.7	190.9	1.6	197.8	3.6	204.5	3.4	211.2	3.3
Pari-Mutuel	2.7	-9.2	0.9	-67.5	1.2	35.7	1.1	-7.8	1.0	-6.4
Investment Income	17.9	-36.5	27.3	52.7	52.6	92.4	51.0	-3.1	51.0	0.0
Court Receipts	29.6	3.0	23.1	-21.9	16.7	-27.9	0.2	-98.6	0.2	4.7
Gaming	0.0	-100.0	0.0	NA	0.0	NA	0.0	NA	0.0	NA
Other Income	19.5	16.9	21.0	7.5	21.5	2.8	21.8	1.4	22.2	1.5
TOTAL OTHER	$257.6	-1.9	$263.1	2.2	$289.8	10.1	$278.7	-3.8	$285.6	2.5
GROSS GENERAL FUND	**$7,742.8**	**2.7**	**$7,742.5**	**0.0**	**$8,316.4**	**7.4**	**$8,965.8**	**7.8**	**$9,573.8**	**6.8**
REBATES & EXPENDITURES:										
Cigarette Rebate	$12.7	-3.9	$13.4	5.3	$13.3	-0.8	$13.1	-1.4	$12.8	-2.5
Old-Age Pension Fund	99.0	10.1	105.8	6.9	113.8	7.6	121.8	7.0	130.6	7.3
Aged Property Tax & Heating Credit	10.4	24.1	9.6	-7.3	8.7	-10.0	7.8	-10.0	7.0	-10.6
Interest Payments for School Loans	11.9	12.2	18.2	52.7	35.0	92.4	33.9	-3.1	33.9	0.0
Fire/Police Pensions	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	-1.3	1.0	-1.0	1.0	-1.2	1.0	0.2	1.0	-1.3
TOTAL REBATES & EXPENDITURES	$173.8	7.4	$186.8	7.5	$201.0	7.6	$206.8	2.9	$192.8	-6.8

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 10.0 percent in FY 2008-09 after increasing 6.9 percent in FY 2007-08. Some 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 in FY 2007-08. Had these two colleges not been disqualified for enterprise status, revenue to cash funds subject to TABOR would have increased 5.1 percent in FY 2007-08. Strong growth in oil and gas severance taxes also contributed to growth in FY 2007-08.

The forecast for cash fund revenue was increased by $50.2 million in FY 2008-09. Of this increase, $27.0 million is the result of the addition of revenue to Fort Lewis and Adams State colleges to TABOR revenue because the schools are expected to temporarily lose their enterprise status under TABOR this year. The remainder of the increase is a result of increased expectations for unemployment insurance taxes, motor fuel taxes, and fees collected in the umbrella group of "other cash funds." These increases offset decreases in expectations for gaming and severance tax revenue. Expectations for revenue were reduced for FY 2009-10 and FY 2010-11, primarily as a result of lower expectations for gaming and severance taxes.

Revenue to the ***transportation-related*** cash funds, which include the Highway Users Tax Fund, the State Highway Fund, and several smaller cash funds, will drop 2.1 percent in FY 2008-09 after increasing 4.5 percent in FY 2007-08. Motor fuel taxes increased 4.8 percent in FY 2007-08 and will be flat through FY 2009-10. Registration fees will increase 1.5 percent in FY 2008-09 and at rates just over 2 percent over the next few years.

Persistent and significant increases in fuel prices appear to be slowing but individuals and businesses are expected to continue to switch to more fuel-efficient automobiles. In addition, concerns about the national economy have most individuals and businesses cutting back on non-essential uses of motor vehicles. Consequently, growth in motor fuel taxes and vehicle registrations are expected to increase slowly, increasing in the 2 percent range over the forecast period.

Total ***unemployment insurance*** (UI) revenue, which includes UI taxes and interest earnings, will increase 19.8 percent in FY 2008-09 after edging up 0.3 percent in FY 2007-08. 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 not be in place for 2011, but will be in effect again in 2012. With the fund balance estimated to be very close to the 0.9 percent trigger in FY 2008-09, there is a possibility the solvency tax could trigger off in 2010, a year earlier than expected.

While the forecast for UI revenue is increasing in FY 2008-09 and FY 2009-10, a decrease is expected in 2010. Consequently, UI revenue will decline 4.9 percent over the four-year forecast period. As the economy continues to struggle, benefits will increase. After increasing 13.2 percent in FY 2007-08, benefits are expected to increase another 17.3 percent in FY 2008-09 before trending downward. Benefits will begin to decrease again as the economy recovers starting in FY 2010-11.

The forecast for ***severance taxes***, including interest earnings, was reduced by $136 million over the four-year forecast period. Collections in FY 2008-09 are projected to total $313.6 million, which was revised down by $42 million in response to lower expectations for natural gas prices.

On a year-over-year basis, the price of natural gas is projected to increase substantially

Table 4
Cash Fund Revenue Estimates by Category, September 2008
(Dollars in Millions)

	Preliminary FY 07-08	Estimate FY 08-09	Estimate FY 09-10	Estimate FY10-11	Estimate FY 11-12	FY 07-08 to FY 11-12 CAAGR *
Transportation-Related	$920.7	$901.8	$933.9	$956.9	$981.0	
% Change	4.5%	-2.1%	3.6%	2.5%	2.5%	1.6%
Unemployment Insurance	$426.6	$510.9	$575.3	$362.8	$348.4	
% Change	0.3%	19.8%	12.6%	-36.9%	-4.0%	-4.9%
Employment Support Fund	$21.5	$25.0	$25.7	$26.7	$27.7	
% Change	-3.7%	16.3%	2.9%	3.6%	3.7%	6.5%
Severance Tax	$170.1	$313.6	$220.2	$250.1	$280.6	
% Change	17.2%	84.4%	-29.8%	13.6%	12.2%	13.3%
Limited Gaming Fund	$113.6	$98.5	$105.3	$113.0	$120.2	
% Change	-3.6%	-13.3%	6.9%	7.3%	6.4%	1.4%
Insurance-Related	$64.7	$53.7	$57.8	$61.5	$28.5	
% Change	-2.1%	-17.1%	7.7%	6.4%	-53.7%	-18.6%
Regulatory Agencies	$57.3	$60.2	$60.3	$61.9	$63.5	
% Change	12.8%	5.0%	0.3%	2.6%	2.6%	2.6%
Capital Construction - Interest /A	$19.3	$7.2	$0.7	$0.5	$0.3	
% Change	29.2%	-62.9%	-90.4%	-29.9%	-43.1%	-65.5%
Other Cash Funds /B	$460.8	$509.8	$492.4	$530.1	$553.1	
% Change	19.3%	10.6%	-3.4%	7.7%	4.3%	4.7%
Total Cash Fund Revenues	$2,254.6	$2,480.7	$2,471.6	$2,363.4	$2,403.2	
Subject to the TABOR Limit	6.9%	10.0%	-0.4%	-4.4%	1.7%	1.6%

Totals may not sum due to rounding.

*CAAGR: Compound Average Annual Growth Rate.

/A Includes interest earnings to the Capital Construction Fund and the Controlled Maintenance Trust Fund.

/B Includes revenue to Mesa and Western State colleges in FY 2007-08 and to Fort Lewis and Adams State colleges in FY 2008-09.

in 2008 because of high oil prices, low imports of liquified natural gas, and continuing economic growth globally. In addition, the first segment of the Rockies Express pipeline opened in 2008 and is expected to push prices higher. The opening of the second segment of the Rockies Express pipeline in 2009 is expected to cause the price differential that exists between Colorado and the national market to shrink further. Natural gas prices are projected to average about $7.30 per thousand cubic feet (Mcf) in 2008 and drop to $7.00 per Mcf in 2009 in response to slowing economic conditions.

In FY 2009-10, severance taxes are projected to drop to $220.2 million, a decrease of 30 percent. Declining natural gas prices in conjunction with the claiming of higher property tax credits, which are based on the value of oil and gas production in the prior year, accounts for the shift. In the following two fiscal years, severance taxes are expected to grow to $250 million and $280 million as natural gas prices rebound modestly.

Gaming revenue continues to experience its worst decline since limited gaming began in Colorado in 1991. The decline can be attributed to a combination of factors including the higher cost to drive to gaming areas, a weaker economy with rising unemployment, and the smoking ban that took effect in January. Some of the other states with gaming are also experiencing declining gaming revenue.

Total gaming revenue, which includes taxes, fees, and interest earnings, decreased 3.6 percent to $113.6 million in FY 2007-08 and is projected to decrease another 13.3 percent in FY 2008-09. However, we expect gaming revenue to rebound in FY 2009-10 and post a more normal growth rate as the economy and the gaming industry recover. A relatively minimal part of the FY 2008-09 decline can 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. This change will mainly impact medium-sized gaming establishments.

The current General Fund revenue forecast indicates that revenue will be insufficient to increase General Fund appropriations by the 6 percent limit during FY 2008-09. Current law requires the Joint Budget Committee to run a bill to determine the amount of gaming revenue scheduled to be transferred to certain programs at the end of FY 2008-09 if the March 2009 forecast continues to indicate that revenue will not be sufficient to allow for 6 percent appropriations growth. Reducing the transfers would provide additional revenue to the General Fund. The programs funded with gaming revenue that the bill would address include film incentives, new jobs incentives, tourism promotion, and the State Council on the Arts. These programs are projected to receive $26 million in gaming revenue at the end of FY 2008-09.

Current law also states that if legislation is not run to address the transfers to these programs and if the June revenue forecast indicates that the amount of General Fund revenue will be insufficient to allow for 6 percent appropriations growth, the State Treasurer *must transfer* to the General Fund either the entire amount allocated to the aforementioned programs or the amount necessary to allow for 6 percent appropriations growth, whichever is less.

In addition to the transfers to economic development-related programs, the annual transfer of gaming revenue to the Clean Energy Fund, which is administered by the Governor's Energy Office to fund energy efficiency and renewable energy projects, is subject to reduction by the State Treasurer if the June revenue forecast indicates there is insufficient revenue to allow for 6 percent General Fund appropriations growth. However, it is important to note that the current gaming revenue forecast for FY 2008-09 indicates that there will be insufficient revenue to fund all of the aforementioned scheduled transfers of gaming revenue, as well as the transfers to the Local Government Limited Gaming Impact Fund, the State Highway Fund, and the Bioscience Discovery Evaluation Cash Fund. Thus, there may not be any gaming revenue to transfer to the Clean Energy Fund at the end of this fiscal year since this fund receives the remaining amount of gaming revenue after all the other transfers are made. Also, the transfers to the other programs may need to be reduced. It is currently projected that gaming revenue will be about $3 million below the amount needed to fund all the transfers.

All ***other cash fund revenue*** subject to TABOR will increase 5.2 percent in FY 2008-09 and at an annual rate of 1.9 percent over the forecast period. A total of $96.0 million of 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 during the 2007 legislative session. The 2008 session produced 44 bills that increased revenue collected through fees and fines by a total of $146.3 million between FY 2008-09 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 September 2008 forecast in comparison with June 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.

As indicated in Table 5, FML revenue has grown from $50 million in FY 2002-03 to nearly $154 million in FY 2007-08. 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. FML revenue is expected to increase 45 percent in FY 2008-09, reaching $223 million.

The opening of the first and second segments of the Rockies Express pipeline in 2008 and 2009 will allow Colorado producers to realize higher prices for natural gas and continuing production gains will cause FML revenue to increase further in FY 2009-10. However, some of the gains in FY 2009-10

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

Year	Sept-08	% Chg.	Jun-08	% Chg. From June
FY 2001-02*	$44.6	-26.5%	$44.6	N/A
FY 2002-03*	$50.0	12.1%	$50.0	N/A
FY 2003-04*	$79.4	58.7%	$79.4	N/A
FY 2004-05*	$101.0	27.2%	$101.0	N/A
FY 2005-06*	$143.4	41.9%	$143.4	N/A
FY 2006-07*	$123.0	-14.3%	$123.0	0.0%
FY 2007-08*	$153.6	25.9%	$142.8	7.6%
FY 2008-09	$223.4	45.4%	$223.2	0.1%
FY 2009-10	$300.9	34.7%	$242.2	24.3%
FY 2010-11	$265.4	-11.8%	$261.0	1.7%
FY 2011-12	$288.9	8.9%	$281.7	2.6%

*Actual revenue distributed.

represent one-time money from the auction of the Roan Plateau in western Colorado. On August 14, 2008, the federal Bureau of Land Management auctioned 55,000 acres on the Roan Plateau for mineral leasing and production. This acreage generated one-time bonus payments of about $114 million, of which the state will receive $56 million (49 percent). Several protests have been filed regarding the auction and an outstanding lawsuit is seeking to overturn the results of the auction. Due to these uncertainties, the current forecast expects receipt of this revenue to be delayed until FY 2009-10.

It should also be noted that the FML projections take into account recent legislation passed by Congress and signed by President Bush, which 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.

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, creates a new Higher Education FML Revenues Fund and a new Higher Education Maintenance and Reserve Fund, and specifies the uses of money in these funds. Bonus payments from the Roan Plateau will be subject to the new distribution mechanism specified in the bill.

National Economy

Despite the recent acceleration of economic growth in the second quarter of 2008, the national economy continues to exhibit signs of weakness. Employment has declined for eight consecutive months, the housing market continues to stagnate, and the financial sector is poised for more bank failures.

Immediate concerns focus on the financial stability of the banking sector. Investor and consumer confidence has been shaken as the government takeover of Fannie Mae and Freddie Mac, the bankruptcy of Lehman Brothers, Bank of America's acquisition of Merrill Lynch, and the government bailout of insurance giant AIG have shed light on the uncertainty surrounding the value of housing-related assets held by those companies and other financial institutions. It is clear that economic health cannot be restored without a resolution of this uncertainty. In order for this to occur, not only does the housing market need to stabilize but investor and consumer confidence must be restored. This is expected to happen some time during the middle of 2009.

For the second quarter of 2008, the Bureau of Economic Analysis indicated that the economy grew at a healthy 3.3 percent annual rate as measured by real **gross domestic product** (GDP). This followed sluggish first quarter growth of 0.9 percent and a decline of 0.2 percent for the fourth quarter of 2007.

The relatively strong boost in real GDP in the second quarter reflected stronger growth in exports, consumer spending that was tied to the federal stimulus package, federal, state, and local government spending, and nonresidential construction growth. Growth in these sectors was partly offset by negative contributions from private inventory investment and residential fixed investment (home building).

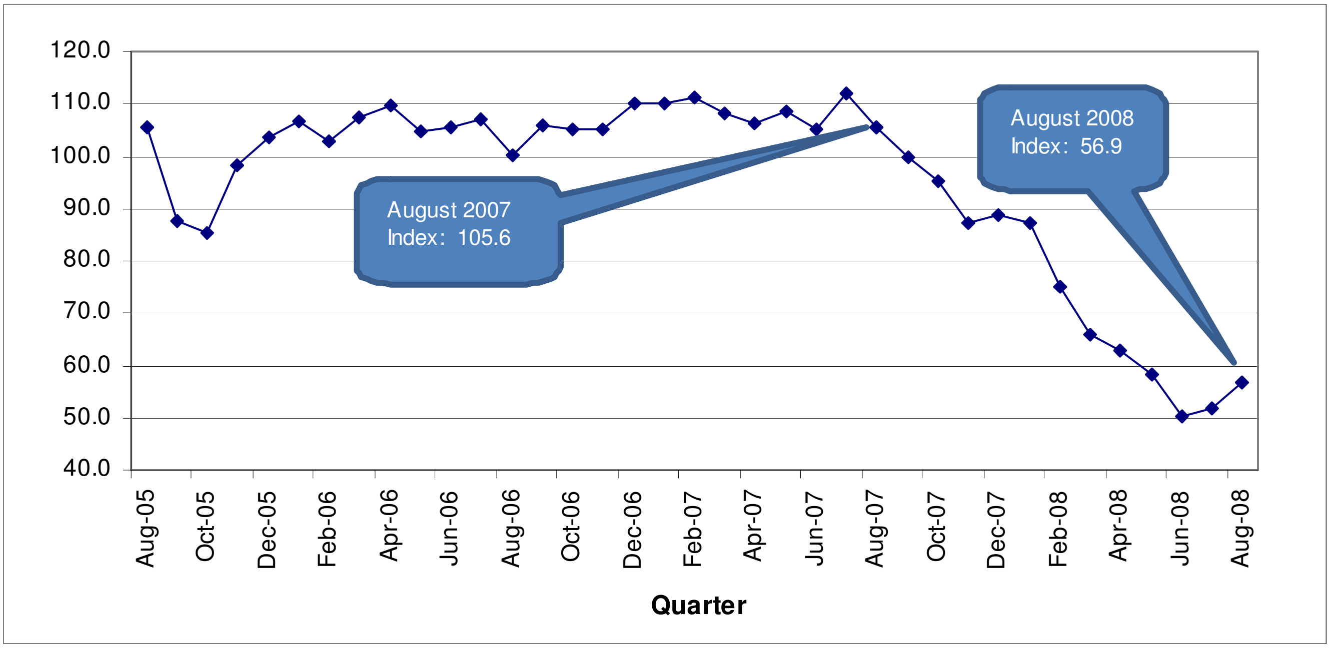
Consumption increased 1.7 percent in the second quarter after growing 0.9 percent in the first quarter. Nonresidential investment in plant and equipment increased 2.2 percent, compared with an increase of 2.4 percent in the prior quarter. Residential investment decreased 15.7 percent, compared with a decrease of 25.1 percent in the first quarter.

Residential housing starts continued to be extremely weak. In July, new home and apartment starts decreased 10.6 percent to the lowest level in 17 years. The U.S. Commerce Department reported that builders broke ground on 965,000 housing units, down from 1.1 million units in June. It was the lowest amount since November 1991. Single-family home construction declined 2.9 percent in July from June to a level of 641,000 homes.

On a positive note, the decline in housing starts is helping reduce the glut of unsold homes nationwide, which may be a step toward turning around the depressed housing market. However, there may be a lag before inventory drops as the supply of unsold homes at the end of July rose 3.9 percent to 4.67 million existing homes. This represents a 11.2-month supply at the current sales pace, up from a 11.1-month supply in June — the second-highest inventory level in 24 years. The national median price for a home was $212,400 in July, down 7.1 percent from the prior year when the median was $228,600, according to the National Association of Realtors.

Existing-home sales increased 3.1 percent in July to the highest level in five months. Sales of single-family homes, townhomes, and condominiums were 5 million units in July, up 3.1 percent from 4.85 million in June. July sales were 13.2 percent lower than the 5.76 million-unit pace in the prior year.

Figure 1
Consumer Confidence Index (August 2008+ 56.9)
(Cycle Lows: May 1980+ 50.1 and February 1992 = 47.3)



The national economy lost another 84,000 jobs in August. Payroll employment has declined by 605,000 jobs thus far in 2008, an average of 76,000 per month. Job losses continued in manufacturing, professional and business services, and construction, while health care and mining added jobs. The manufacturing sector shed 61,000 jobs in August, with the largest decline in the motor vehicles and parts sector (-39,000). This sector of the economy has lost 128,000 jobs over the past 12 months. Within the business and professional sectors, employment services lost 53,000 jobs in August, of which two-thirds occurred in the temporary help services sector. Employment in the construction industry was down 14,000 jobs in August. In contrast, health care employment continued to grow, adding 27,000 jobs in August. Most of the gain came from hospital employment. Employment in mining saw 12,000 new jobs in August.

The **unemployment rate** rose from 5.7 percent in July to 6.1 percent in August as the number of unemployed increased by 592,000 to 9.4 million. The unemployment rate one year ago was 4.7 percent, when 7.1 million persons were unemployed.

Despite continued job losses, the **manufacturing** sector saw economic gains in July. New orders for manufactured goods were up for the fifth consecutive month, increasing 1.3 percent in July, which followed a 2.1 percent increase in June. New orders for manufactured durable goods also increased 1.3 percent in July after posting a 1.4 percent increase in June. July's increase was the third consecutive month new orders increased. New orders for manufactured nondurable goods increased 1.2 percent to $245.9 billion in July. 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 July.

Also, on a positive note, the Conference Board's **consumer confidence** index reversed its six-month downward trend when it increased to 56.9 in August from 51.9 in July. This is the largest gain in the index since July 2007. Despite the fact that the national economy is stuck in a slow-growth mode, consumers' optimism for the second month in a row may be fueled by declining gas prices from the summer's record highs. Figure 1 shows a three-year history of the index and the recent two-month improvement in consumer sentiment.

Consumer debt slipped in July to the weakest pace in seven months, likely due to a slowdown in the demand for car loans. Automakers reported that July's demand for cars fell to the lowest level in 16 years. Consumer debt increased at an annual rate of 2.1 percent in July, the most sluggish growth since a 1.9 percent increase in December.

The Federal Reserve reported that revolving credit, which includes credit card debt, increased 4.8 percent in July after increasing 3.5 percent in June and 7.1 percent in May. Many consumers seem to be overburdened with too much credit card debt. Recent reports filed by the major banks that issue credit cards found that the percentage of credit-card debt that was unpaid after at least 30 days rose 22 percent this June over the prior June.

The rate of **inflation** decreased 0.1 percent after increasing 0.8 percent in July, bringing the annual inflation rate to 5.4 percent. The annual increase was primarily due to rising energy, transportation, and food costs. The Bureau of Labor Statistics reported that the energy index advanced 27.2 percent while transportation increased 12.1 percent and food increased 6.1 percent over the same time period. The core rate of consumer inflation, less food and energy prices, increased at a more moderate pace — 2.5 percent.

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 at a moderately healthy 3.3 percent rate during the second quarter of 2008. After 2.0 percent growth in 2007, GDP is expected to grow even more slowly in 2008. For all of 2008, GDP will grow 1.7 percent, with the second half of the year forecast to have almost no growth. GDP is expected to grow 1.9 percent in 2009.

- The consumer **inflation rate** will accelerate to 4.3 percent in 2008 and then drop back to 3.5 percent in 2009. The inflation rate is expected to be lower as the effect of fuel increases is moderated in the future. It is expected that the Federal Reserve will continue to monitor inflationary pressures. During its September meeting, the central bank decided to leave the federal funds rate at 2 percent.

- **Personal income** growth is slowing as the nation continues to shed jobs. Personal income is projected to increase 4.6 percent in 2008 after increasing 6.1 percent in 2007. Similarly, wage and salary growth will grow at a sluggish rate of 3.0 percent in 2008 after growing 5.6 percent in 2007. Wage and salary growth is expected to grow 3.6 percent in 2009.

- The **unemployment rate** is expected to average 5.6 percent in 2008 and climb to 5.9 percent in 2009. Employment growth is expected to be flat in 2008 after growing 1.1 percent in 2007. In the following years, employment growth will range from 0.4 percent to 1.2 percent.

Risks to the forecast. Ongoing problems in the financial markets and the housing sector will continue to be a drag on the economy and pose the greatest threat for a worsening downturn. The current forecast expects that the federal government and

Federal Reserve will find a mechanism to restore stability and confidence in the nation's financial system. The principal risk to the forecast is that this mechanism is not developed or successful. A further deterioration in business and consumer confidence would exacerbate the current credit crisis, causing the national economy to decline more than anticipated.

Table 6
National Economic Indicators, September 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	$10,675.8	$10,990.9	$11,291.3	$11,524.6	$11,722.6	$11,922.7	$12,267.3	$12,623.2	$12,989.3
percent change	1.6%	2.5%	3.6%	3.0%	2.7%	2.0%	1.7%	1.9%	2.9%	2.9%	2.9%
Nonagricultural Employment (millions)	130.3	130.0	131.4	133.7	136.1	137.6	137.6	138.1	139.7	141.4	143.1
percent change	-1.1%	-0.2%	1.1%	1.7%	1.9%	1.1%	0.0%	0.4%	1.2%	1.2%	1.2%
Unemployment Rate	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.6%	5.9%	5.8%	5.8%	5.8%
Personal Income	$8,881.9	$9,163.6	$9,727.2	$10,269.7	$10,993.9	$11,663.2	$12,201.8	$12,825.4	$13,566.5	$14,301.0	$15,073.3
percent change	1.8%	3.2%	6.2%	5.6%	7.1%	6.1%	4.6%	5.1%	5.8%	5.4%	5.4%
Wage and Salary Income	$4,980.9	$5,112.7	$5,394.5	$5,671.7	$6,027.3	$6,362.0	$6,550.6	$6,788.6	$7,181.0	$7,569.8	$7,978.6
percent change	0.8%	2.6%	5.5%	5.1%	6.3%	5.6%	3.0%	3.6%	5.8%	5.4%	5.4%
Inflation (Consumer Price Index)	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	4.3%	3.5%	3.0%	2.7%	2.7%

Colorado Economy

Colorado's economy appears likely to make it out of the nation's storm of sagging housing, consumer, and financial markets without going under. However, the risk of getting dragged down by a national recession has been elevated by recent events in the financial markets. Table 8 shows the forecast for major economic indicators through 2012.

Although Colorado's economy has slowed significantly this year, it has also revealed its strength. The advantages Colorado's economy enjoys is becoming more apparent, as the gap between its health and that of the rest of the nation continues to widen. Table 7 shows Colorado's national rankings for population, employment, income, and housing permit growth in 2007, and year-to-date through July 2008. As measured by population, employment, and income growth, Colorado appears to be one of the strongest economies in the nation.

There is, however, substantial variation between the health of regional economies throughout the state. Areas in the mountains and along the front range between Pueblo and Boulder are exhibiting sluggish growth. Areas on the western slope and in the north-central counties of Larimer and Weld not only boast the strongest employment growth in the state but are among the healthiest regional economies in the nation. Employment losses and decreases in construction activity suggest that portions of the eastern counties and the San Luis Valley may be in recession.

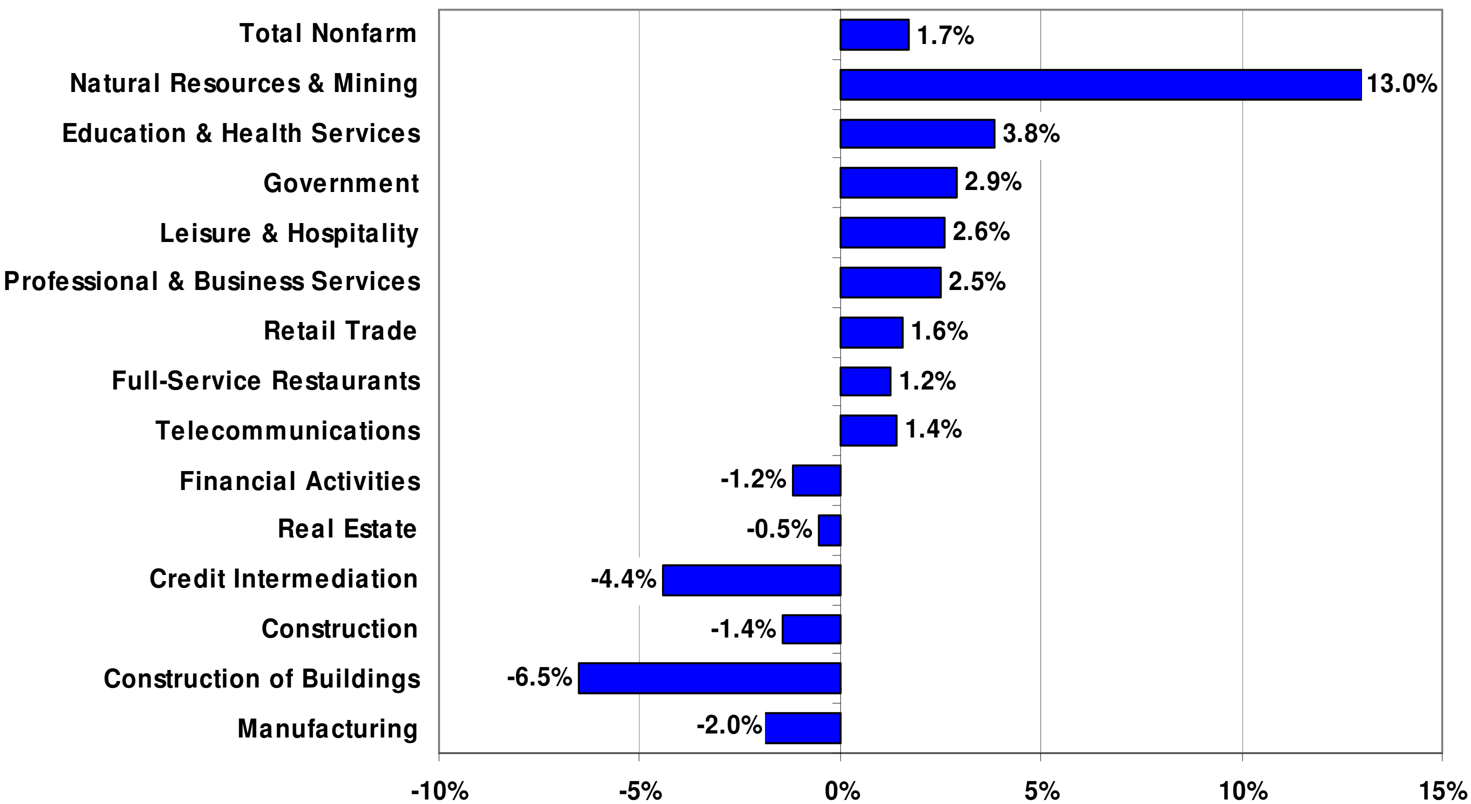
After increasing 2.3 percent in 2007, **employment** in Colorado increased 1.7 percent year-to-date through July compared with the same time period last year, ranking fifth in the nation. Colorado's unemployment rate was 4.7 percent in July, ranking 28th in the nation. Colorado's rank for its unemployment rate is indicative of the strong population growth our state continues to experience. While most of the net migration to the state is a result of the relative strength of our labor market, many people continue to relocate here based on their preferences for living or starting a business rather than for a specific job.

As shown in Figure 2, job growth in Colorado is concentrated in the services, government, and — to a smaller extent — 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 international tourists to the state, which has buoyed the leisure and hospitality and retail trade sectors. In addition, the telecommunications sector has begun to show job growth after five years of shedding excess capacity and jobs.

Colorado's economy may be escaping recession, but it is still feeling a substantial drag from high food and gasoline prices, the credit crisis, and the nation's exploding housing bubble. Employment in the construction sector is down 1.4 percent through July, and those employed in the construction of buildings have experienced a deeper dip of 6.5 percent compared with the same time period in 2007. The financial services sector is down 1.2 percent through July; real estate agents and those involved in credit intermediation suffered a 0.5 percent and 4.4 percent loss, respectively.

Employment will increase 1.5 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 inflationary pressure will subdue growth. Employment will increase 1.6 percent in 2009.

Figure 2
Percent Change in Selected Colorado Industries
Year-to-Date through July 2008 (BLS)



- The **unemployment rate** will increase to 5.0 percent in 2008 and 5.2 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 begins to recover; net migration will add 46,600 people to the state and population will increase 1.8 percent in 2009.

Colorado's **personal income** held its own through the first quarter of 2008, performing better than in most areas of the country. After increasing 6.5 percent in 2007, personal income increased 6.5 percent again during the first quarter of 2008. The 6.5 percent growth rate ranked 22nd in 2007 and ninth in the nation in the first quarter of 2008. Much of the growth in personal income thus far in 2008 is due to strong growth in **wages and salaries**, which increased at a healthy rate of 7.2 percent during the first quarter of 2008, the fourth fastest growth rate in the nation.

- Personal income will increase 5.9 percent in 2008. Since the pace of employment has slowed throughout 2008, it is reasonable to expect that the pace of personal income and wages and salary growth will slow throughout 2008 as well. Wages and salaries are expected to increase 5.8 percent in 2008. While job growth is expected to be lower this year than in 2007, some of the effect of this on

- wages and salaries will be offset by higher raises as employees turn their inflationary expectations into demands for more money.

Consumers have cut back as a result of shrinking home equity, tighter credit conditions, and high food and gasoline prices. Consumer spending in Colorado, as measured by **retail trade sales**, increased 3.4 percent through the first half of 2008. If you exclude sales at food stores and gas stations, however, consumer spending increased 0.9 percent over the same time period. Given that core inflation is expected to be greater than 0.9 percent, it is clear that consumers have cut back on purchases of clothing, electronics, furniture, and other goods. Consumers in the state's rural areas where people have to drive further distances to work, shop, and receive medical care have been particularly hard hit by higher prices. Although retail trade appears to be growing at healthy rates in these areas, retail trade excluding food and gasoline sales is negative in many rural counties.

- Consumers will continue to tighten their belts through 2008 and loosen them only slightly in 2009. Retail trade will increase 3.5 percent in 2008 and 4.3 percent in 2009.

Inflation in the Denver-Boulder-Greeley area was 3.7 percent in the first half of 2008, compared with the first half of 2007. The housing component, which has the largest influence on the price index, increased only 1.7 percent. However, the components for food consumed at home and motor fuel increased 5.7 percent and 24.8 percent, respectively. Inflationary pressure has begun to show in other types of goods; the index for apparel increased 4.1 percent, while the index for recreation and services both increased 3.1 percent.

- Inflation will grow 3.6 percent in 2008. Though still much higher than a year ago, motor fuel prices are not expected to post as high an increase in the second half of the year as prices did in the first half. Inflation will remain in the mid-3 percent range during the remainder of 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 44.2 percent year-to-date through July, ranking 40th in the nation. The number of permits issued for multi-family homes decreased 7.5 percent through July, ranking 21st in the nation.

A foreclosure is usually filed on a home once the homeowner is about three months late on their mortgage payment. According to the Colorado Division of Housing, there were a record 39,915 foreclosure filings in the state in 2007 — or one foreclosure filing for every 47 households. Of these, 25,320 resulted in a foreclosure sale. The number of foreclosure filings increased 16 percent through the first half of 2008 compared with the first half of 2007. However, the tide may have finally turned; foreclosure filings decreased between the first and second quarters of 2008. The number of filings in Denver and Pueblo counties decreased four and six percent, respectively, through the first half of the year. Boulder, Broomfield, Douglas, and El Paso counties, however, fared worse than they had in the past, with increases in filings of between 35 percent and 49 percent during the same time period.

Colorado's housing market is on a more stable footing to weather the effects of the turmoil in the financial markets and tighter credit conditions than much of the rest of the nation. 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 in most

Table 7
Colorado Economic Rankings
2007 & 2008 Year-to-Date

Indicator	Colorado		U.S. Average		Most Healthy State	Least Healthy State
	2007	2008 YTD	2007	2008 YTD		
Population						
Population Growth	2.0 Rank 8	NA	1.0%	NA	Nevada 2.9% in 2007	Rhode Isld. -0.4% in 2007
Employment (2008 YTD is through July)						
Job Growth	2.3% Rank 9	1.7% Rank 5	1.1%	0.3%	Wyoming 2.9% 2008 YTD	Rhode Isld. -2.0% 2008 YTD
Unemployment Rate	3.8% Rank 34	4.7% Rank 28	4.6%	5.2%	S. Dakota 2.7% 2008 YTD	Michigan 7.7% 2008 YTD
Labor Force Growth	2.0% Rank 5	2.7% Rank 2	1.1%	1.0%	Nevada 4.6% 2008 YTD	Michigan -0.8% 2008 YTD
Income (2008 YTD is through March)						
Personal Income Growth	6.5% Rank 22	6.5% Rank 9	6.2%	4.8%	N. Dakota 13.9% 2008 YTD	Rhode Isld. 2.3% 2008 YTD
Per Capita Personal Income	$41,042 Rank 10	NA	$38,611	NA	Connecticut $54,117 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	6.9% Rank 10	7.2% Rank 4	5.8%	4.2%	Wyoming 9.7% 2008 YTD	Rhode Isld. -0.5% 2008 YTD
Housing Permits (2008 YTD is through July)						
Single Family Permit Growth	-32.7% Rank 40	-44.2% Rank 40	-29.5%	-40.6%	S. Dakota -8.2% 2008 YTD	Utah -57.2% 2008 YTD
Multi Family Permit Growth	16.8% Rank 6	-7.8% Rank 21	-11.0%	-9.0%	W. Virginia 282.9% 2008 YTD	Alaska -73.6% 2008 YTD

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

areas of Colorado. In addition, it appears that Colorado led other areas of the nation into the residential construction correction and in the ramp-up in foreclosures. While not out of the woods yet, Colorado's residential construction market should be one of the first to recover in the nation.

- After decreasing 23.2 percent in 2007, the number of permits for residential construction will decrease 24.1 percent in 2008 before beginning to grow again at an 8.9 percent rate in 2009. While construction activity will continue to weather this correction into 2009, home prices are not expected to fall substantially. The market should begin to recover in 2009 as the excess supply of homes 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 13.1 percent year-to-date through August compared with the same time period in 2007. The decrease was led by a drop in commercial construction activity. The value of construction decreased in every category of commercial construction including stores and food service, bank and office buildings, warehouses, garages and service stations, and hotels and motels. Notable sectors experiencing strong growth were schools, colleges, manufacturing and hospital and health treatment facilities.

- After increasing 11.3 percent in 2007, the value of nonresidential construction will decrease 15.3 percent in 2008 and remain flat in 2009.

In summary, a struggling national economy, poor housing market, problems in the financial and credit markets, and inflationary pressure will slow the economy 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 storm and avoid recession.

The primary **risk** to Colorado's economy continues to be the impact of the crisis in the financial markets and the slowdown in the housing markets on the national economy. Should the national economy be affected to a greater extent than currently expected, Colorado's economic performance will be adversely impacted. In addition, there is a risk that the sub-prime mortgage crisis will begin to affect nonresidential real estate markets to a greater extent than currently anticipated.

Table 8
Colorado Economic Indicators, September 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	2,226.9	2,184.1	2,152.9	2,179.6	2,226.0	2,279.1	2,330.5	2,365.4	2,403.3	2,451.4	2,507.7
percent change	3.8%	0.6%	-1.9%	-1.4%	1.2%	2.1%	2.4%	2.3%	1.5%	1.6%	2.0%	2.3%
Unemployment Rate	2.7	3.8	5.7	6.1	5.6	5.2	4.3	3.8	5.0	5.2	4.9	4.5
Personal Income (millions)	$144,394	$152,700	$153,066	$154,829	$163,737	$175,734	$188,222	$200,483	$212,312	$225,900	$242,390	$258,388
percent change	12.1%	5.8%	0.2%	1.2%	5.8%	7.3%	7.1%	6.5%	5.9%	6.4%	7.3%	6.6%
Wage and Salary Income (millions)	$85,909	$88,297	$86,938	$88,008	$92,095	$97,359	$104,092	$111,297	$117,752	$124,935	$133,681	$142,771
percent change	12.6%	2.8%	-1.5%	1.2%	4.6%	5.7%	6.9%	6.9%	5.8%	6.1%	7.0%	6.8%
Retail Trade Sales (millions)	$57,955	$59,014	$58,850	$58,689	$62,288	$65,492	$70,437	$75,329	$77,966	$81,319	$85,547	$90,851
percent change	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	3.5%	4.3%	5.2%	6.2%
Home Permits (thousands)	54.6	55.0	47.9	39.6	46.5	45.9	38.3	29.5	22.4	24.3	27.6	29.8
percent change	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-16.4%	-23.2%	-24.1%	8.9%	13.3%	8.2%
Nonresidential Building (millions)	$3,476	$3,500	$2,787	$2,713	$3,291	$4,221	$4,415	$4,916	$5,669	$5,674	$6,247	$6,966
percent change	-8.1%	0.7%	-20.4%	-2.7%	21.3%	28.3%	4.6%	11.3%	15.3%	0.1%	10.1%	11.5%
Denver-Boulder Inflation Rate	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	3.6%	2.2%	3.6%	3.5%	3.5%	3.4%

Colorado Economic Regions

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

Metro Denver

The Metro Denver economy has stalled with the national economy, and although the region is faring better than the nation, economic recovery will be slow. Economic indicators for the region are exhibiting mixed results so far in 2008, as illustrated in Table 9. Employment increased in many industries and the unemployment rate is up, but construction activity is declining and retail sales are slowing.

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

	2006	2007	2008 YTD thru July
Employment Growth /1	2.1%	2.1%	1.5%
Unemployment Rate (2008 figure is for July)	4.4%	3.8%	5.2%
Housing Permit Growth /2	-14.5%	-20.3%	-35.7%
Single-Family Permit Growth (Denver-Aurora) /2	-26.6%	-38.7%	-50.2%
Single-Family Permit Growth (Boulder) /2	-41.8%	-20.6%	-45.4%
Growth in Value of Nonresidential Const. /3	-13.4%	23.6%	-7.7%
Retail Trade Sales Growth /4	4.1%	6.4%	3.1%

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 June 2008.

Total nonfarm employment in the region slowed from 2.1 percent in 2007 to 1.5 percent through July of 2008. As shown in Figure 3, job growth in the region remains strongest in the education and health services sector and in state and local government. Leisure and hospitality pulled through another season with healthy growth despite the fact that gas prices increased to unprecedented highs and people were expected to remain close to home. Growth also continued in professional and business services. On the down side, the housing market contraction and the troubled banking industry are slowing employment growth in financial services. The manufacturing and federal government sectors also saw employment losses.

After declining the last four years, the unemployment rate increased to 5.2 percent in July 2008 from an average rate of 3.8 percent in 2007. Since July of 2007, the labor force has grown faster than jobs, resulting in the higher unemployment rate.

Metro Denver's housing sector continues to adjust to rising foreclosures and tightening credit markets. Surprisingly, home prices have increased for three consecutive months (April through June) in the area — an event that has only occurred in one other major metro area in the nation over the same time period. Those who cannot secure credit for purchasing a house are quickly filling up apartments and other rentals, lowering the vacancy rates of multifamily units. Table 10 shows multifamily vacancy rates for counties in the region.

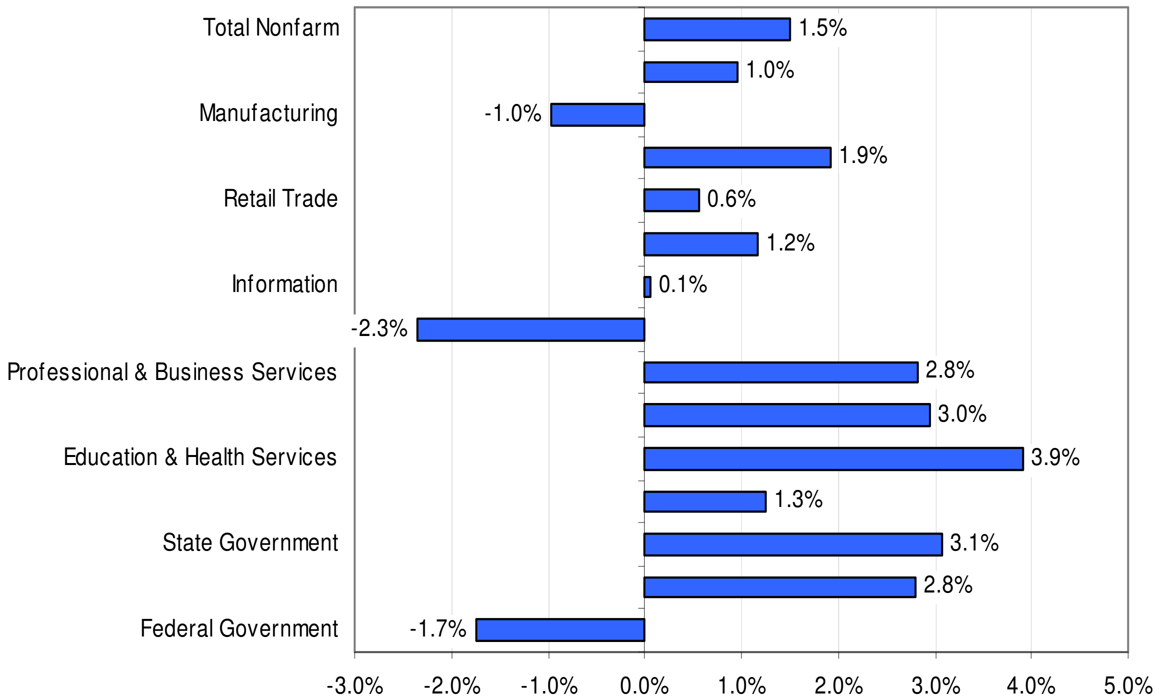
Table 10
Metro Denver Multifamily Vacancy Rates

County	1st Quarter 2007	1st Quarter 2008
Adams	7.8	6.4
Arapahoe	7.8	6.5
Boulder/Broomfield	4.7	5.7
Denver	7.2	5.1
Douglas	6.4	6.1
Jefferson	6.3	5.6

Source: Colorado Division of Housing, Denver Metro Area Multifamily Vacancy and Rent Survey, August 5, 2008.

Despite slower investment activity, nonresidential construction may be on the rebound. Developers are continuing with many planned projects and investors continue to purchase premium office properties. Callahan Capital Part-

Figure 3
Percent Change in Selected Denver Metro Industries
Year-To-Date Through July 2008 (BLS)



ners, owner of downtown's Tabor Center office/retail complex, has arranged to begin the construction of a second Tabor skyscraper that has been anticipated since 2007 that includes 38 stories of prime office space. Brookfield Properties has downtown's Seventeenth Street Plaza under contract for $225 million. Brookfield already owns Republic Plaza and is planning a new office building project behind the Denver Pavilions Mall. The downtown area plus the north, southeast and west areas of the Metro Denver region have a total of over 2.5 million square feet of office space currently under construction.

Due to the slowdown in retail sales, fewer new projects for retail space have been announced. By mid-year, 4.2 million square feet of retail space was under construction — slightly less than the beginning of 2008. On the west end of the Metro Denver region, Cabela's outdoor store has once again delayed construction plans. Like the west end, Boulder also does not have any new retail space under construction. But all other areas in the region either have new retail space in the pipeline or are currently proceeding with ground-breaking.

Growth in consumer spending as seen in retail trade has slowed from 6.4 percent in 2007 to 3.1 in the first half of 2008. Although consumers are cutting back on spending, they have not completely closed their wallets as some are taking advantage of discounted goods. Others are investing in upgrades for their houses. In addition, downtown Denver enjoyed a boost in sales from the Democratic National Convention in August.

Recent Economic News

- Surrey Satellite Technology US, a British company that builds small satellites, has begun work in Douglas County. The company plans to build small communications and earth-observing satellites for commercial and government customers. Over the next few years, Surrey Satellite will employ up to 250 people with the majority doing engineering, program managing, and satellite manufacturing work.

- According to data released from the Census Bureau, Colorado ranked 12th for median household income ($55,212) and 30th for the poverty rate (12.0 percent). Douglas County had one of the lowest poverty rates in the nation compared to other counties of its size last year. Among smaller cities, Highlands Ranch had one of the lowest poverty rates (0.8 percent) in the nation.

- The Denver area housing market has shown an increase in housing values for three consecutive months, with housing appreciating by 1.5 percent from May to June. According to the S&P/Case-Shriller home price index, Boston was the only metropolitan area besides Denver to show an increase. The average percent change from May to June for all 20 metropolitan cities together fell by 0.5 percent. Denver homes showed a 4.7 percent decline in home values from June 2007 to June 2008, the third best of the 20 cities that are tracked.

- The 25th anniversary of a Taste of Colorado festival brought over 500,000 people to Denver over the four-day event. Although not reflected in the data through June, the region should see some improvement in retail sales when the August figures are released.

- Recent layoffs in the region include 265 workers at Butterball, LLC in Longmont, 75 workers at Crocs, Inc. in Niwot, 30 workers at McClain Finlon Advertising's Denver ad agency, and 19 workers at the biotech company Replidyne, Inc. in Louisville.

Colorado Springs

The economy in the Colorado Springs region, which accounts for about 11 percent of Colorado's jobs, is hurting more than the state's other major regional economies during the current economic slowdown. Consumer spending and employment are being hit especially hard by the poor housing market – a sector that the region's economy is more dependent on than other areas in the state. Table 11 shows economic indicators for the region.

Table 11
Colorado Springs Region Economic Indicators
El Paso County

	2006	2007	2008 YTD thru July
Employment Growth /1	2.2%	1.0%	1.1%
Unemployment Rate (2008 figure is for July)	4.7%	4.4%	6.2%
Housing Permit Growth /2	-34.3%	-29.7%	-34.9%
Single-Family Permit Growth /2	-33.4%	-34.3%	-41.1%
Growth in Value of Nonresidential Const. /3	-18.4%	7.8%	-44.1%
Retail Trade Sales Growth /4	5.1%	5.3%	1.2%

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 June 2008.

The region is also being impacted by the loss of high-paying jobs from the closures of computer and electronics-related manufacturing plants. Further, the region's economy is heavily dependent on the military. Thus, it is being affected by the troop deployments from Fort Carson. The Colorado Springs region also lacks the research capabilities the Denver, Boulder, and Fort Collins areas can offer to attract high-tech industries with high paying jobs, such as renewable energy, biotechnology, and information technology.

Job growth in the Colorado Springs metropolitan area increased a meager 1.1 percent through July – the slowest rate of increase of the state's major economic centers. The region's unemployment rate stood at 6.2 percent in July – compared to 5.2 percent for the state as a whole and spiking from 4.4 percent in July of last year.

Colorado Springs' industries most directly impacted by the depressed housing market – financial activities and construction – continue to experience job losses. For example, jobs in the specialty trade contractors sector, which includes carpenters, painters, plumbers, and electrical workers, were down 2.5 percent through July.

Continued job losses in the region's manufacturing sector, which has lost nearly 40 percent of its jobs since the end of 2000, is hurting the region's economy. Most notably, jobs in computer and other electronic-related manufacturing sectors were down 15.6 percent through July.

About 1,300 jobs have been lost due to the closures of the Intel computer chip plant in Colorado Springs and the Sanmina-SCI electronic component manufacturing plant in Fountain. The loss of business for other employers that supported these plants, such as suppliers, restaurants, and other services, is also hurting the economy and causing further job market weakness. Also, in contrast to the Denver area, the region's telecommunications sector has not rebounded from the bursting of the tech bubble in 2001. Jobs in this sector were down another 6.8 percent through July.

Some of the region's larger sectors that added jobs through July were wholesale and retail trade, government, professional and business services, leisure and hospitality, and educational and health services. The professional, scientific, and technical services sector, which consists of accounting and legal services firms, as well as computer and other technical consulting firms, had strong job growth of 5.5 percent. It is possible that this job growth is due to technological workers that have been laid off in recent years moving into smaller firms to perform consulting work.

New residential construction continues to drop substantially in the region. The number of single-family home permits issued have declined 72 percent from three years ago, with permits down another 41.1 percent through July. Permits are at their lowest level since 1991.

Other evidence of the depressed housing market is the number of foreclosures in the region. According to statistics from the Colorado Division of Housing, there were 2,531 foreclosure filings in El Paso County through the first half of 2008, an increase close to 50 percent over the same period in 2007. The region's foreclosure rate was 1 in 85 households.

The high number of foreclosures are causing home values to decline. The median sales price of a single-family home was down 5.2 percent in the 2nd quarter of 2008 compared to a year ago, according to data from the Colorado Association of Realtors. It is likely that the region's housing market will be slow to rebound, with continued foreclosures and weak construction activity continuing for at least another year.

Nonresidential construction is also suffering from the downturn in the region's economy. The value of nonresidential construction contracts decreased 44.1 percent through July. The drop was led by construction contracts for government service buildings, schools and colleges, stores and food service buildings, amusement-related facilities, and hospitals and health treatment facilities. On the positive side, the value of construction contracts for offices, banks, garages and service stations, and hotels and motels exhibited strong growth.

Consumer spending, as measured by retail trade sales, is particularly weak in the Colorado Springs region due to anemic income growth, higher unemployment, the deployment of troops from Fort Carson, and the poor housing market.

Retail trade sales increased only 1.2 percent through June. However, the percentage increase can be attributed entirely to higher prices for food and gas. Excluding spending on these necessities, sales *decreased* 1.6 percent. Further, sales of durable goods, or "big ticket" items, such as cars, furniture, and appliances, were down 6.1 percent. The lack of spending is hurting local governments in the region that depend on sales taxes as a revenue source. For example, sales tax collections for Colorado Springs declined for the sixth time in the past seven months in August.

Recent Economic News

- Colorado Springs per capita income ranked 126th in the nation at $35,550, according to the federal Bureau of Economic Analysis; the national average was $38,632. Incomes in the region have fallen further below the national average every year but one since 2000, mostly due to the loss of higher-paying manufacturing and technology jobs.

- The Colorado Springs area's apartment vacancy rate increased to 10.2 percent in the second quarter, up from 9 percent in the first quarter and 9.6 percent a year earlier. The higher vacancy rate is occurring despite the high number of foreclosures because the difficulty in selling homes is creating a large inventory of homes for rent. Also, troop deployments from Fort Carson are making more rental units available. Despite the higher vacancy rate, the average monthly rent increased to $706.51 in the second quarter, up from $689.65 in the first quarter and $683.06 in the second quarter of 2007. Apartment owners have sought higher rents to cover increasing costs for maintenance, repairs, and upgrades.

- Western Forge, a hand-tool manufacturing company that has been in the Colorado Springs area for over 40 years, laid off 40 of its 580 workers. Company officials stated that the layoffs were due to slowing sales and to help the company better compete with overseas tool manufacturers. Laid-off employees included both management and production workers.

- The Colorado Springs Airport is being hit especially hard with cuts in flights by the struggling airline industry. According to an analysis by an economic consulting firm, the number of seats available is expected to be reduced by 16 percent – or 1,154 a day – by November. The airport's most pessimistic projection is that passenger traffic will decline by 2 percent from a year ago, the lowest level since 2003.

- Rivada Networks LLC, a Washington D.C. -based company that sells emergency communications equipment used in disasters to the federal Department of Defense and other government agencies, plans to increase its 45-person Colorado Springs work force to about 300 employees. The expansion is due to the company receiving new government contracts. Most workers are expected to earn salaries between $60,000 and $120,000.

Pueblo — Southern Mountains

The five-county regional economy around Pueblo has weakened along with the rest of the state and the nation. Though Pueblo is still adding a modest amount of jobs in many industries, unemployment has increased and consumer spending and construction have slowed considerably. Table 12 shows economic indicators for the region.

Table 12
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas counties

	2006	2007	2008 YTD thru July
Employment Growth /1 Pueblo MSA	2.3%	3.0%	1.6%
Unemployment Rate (2008 figure is for July)	5.5%	4.8%	6.5%
Housing Permit Growth /2			
Pueblo County /2	10.6%	-42.1%	-44.4%
Single-Family Permit Growth for Pueblo County /2	7.4%	-47.3%	-45.5%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	632.3%	-62.1%	-62.4%
Retail Trade Sales Growth /4	6.0%	6.5%	3.4%

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

Job growth in Pueblo, which accounts for about 70 percent of the region's labor force, has slowed to a 1.6 percent rate through July 2008 after strong growth of 3.0 percent in 2007. In contrast to the state and national economies, the area's manufacturing sector is adding jobs, with employment up 1.0 percent through July. Other large, important sectors that have added jobs this year are retail trade, professional and business services, leisure and hospitality, educational and health services, and government. However, like the state and national economies, the problems in the financial system stemming from the home mortgage fallout are resulting in a loss of jobs in Pueblo's financial services sector.

Despite modest job growth across a wide variety of industries, unemployment in Pueblo County remains elevated at 6.7 percent in July. Though unemployment has not increased as significantly as in other areas of the state; the rate was 5.0 percent a year ago. Fremont County, the second largest county in the region in terms of labor force, also had an unemployment rate of 6.7 percent in July. The region's lowest rates were 4.5 percent in Custer and 4.7 in Las Animas counties. Huerfano County had the region's highest unemployment rate at 7.1 percent.

The downturn in single-family home construction occurred later in Pueblo County than in other areas of the state. The decline in construction activity in most areas of the state began in 2005, while permits for single-family homes in Pueblo continued to grow into 2006. However, since July of 2006, permits are down close to 70 percent, and 45.5 percent in the first seven months of 2008.

Meanwhile, although the number of nonresidential projects contracted for construction in Pueblo County is up through July compared to last year, they appear to be smaller projects as the value of projects decreased 62.4 percent. The drop in value was led by declines in stores, food service, and health-care facilities. On the positive side, the value of construction projects for offices and banks was up substantially.

Consumer spending in the region, as measured by retail sales, continues to slow due to higher unemployment, lower consumer confidence, and increased prices. Sales posted a 3.4 growth rate through the first half of 2008.

Retail sales in Pueblo County excluding gas stations and food stores have fared better than the state as a whole, increasing 2.0 percent through June. This increase in sales is part of the reason why sales tax revenue for Pueblo continues to grow, in contrast to many other local governments in the state. City officials have also indicated that much of the sales tax growth appears to be from construction spending. However, this spending is not likely to continue due to the drop in housing permits and larger nonresidential construction contracts.

Retail sales excluding food and gas were flat for the rest of the region. Such sales were worst in Custer and Las Animas counties, declining 3.3 and 3.9 percent, respectively. It is possible that consumers in these counties are spending more of their income on gas due to the longer driving distances, leaving less to spend on other items.

Recent Economic News

- Vestas Wind Systems, a company based in Denmark that makes turbines for wind farms, plans to build a $240 million plant south of Pueblo for constructing the towers that support its wind turbines. The plant is expected to be the largest of its kind in the world, employing up to 550 workers, with the potential for further expansions in the future. The company cited the area's stable work force, history of steel-making, and its rail access as reasons it chose to build the plant near Pueblo. Vestas already has a plant that makes wind turbine blades in Windsor and plans to build two wind turbine equipment plants in Brighton. The Pueblo plant is scheduled to open in the fall of 2009.

- The 2008 11-day Colorado State Fair near Pueblo ended on September 1st. Estimated attendance was up slightly from last year's fair.

- Pueblo County had the highest poverty rate among the state's 11 largest counties in 2007. According to the U.S. Census Bureau, an estimated 18.2 percent of Pueblo County's population lived below the federal poverty level last year, which is $21,203 for a family of four. Denver County's poverty rate, which ranked second highest, was 17.7 percent, and the statewide average was 12 percent. Pueblo County's median family income was also the lowest of the state's large counties at $49,634.

- Much of the foundation work for the state's newest prison near Canon City – the Colorado State Penitentiary II – has been completed. The prison is expected to be finished in the spring of 2010 and create over 500 jobs, adding to the 1,200 state corrections jobs that already exist in Fremont County. The prison is being built to accommodate the increase in the state's prison population.

San Luis Valley Region

The San Luis Valley region's economic welfare was mixed through July. Housing permit growth and the value of nonresidential construction increased, and crop prices surged. Meanwhile, consumers and businesses reacted to higher consumer prices by shifting purchases to food and fuel. Concern about the state of the economy has contributed to a decline in employment and an increase in the unemployment rate. Table 13 shows the economic indicators for the San Luis Valley.

Table 13

San Luis Valley Region Economic Indicators

Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties

	2006	2007	2008 YTD thru July
Employment Growth /1	1.0%	1.0%	-1.1%
Unemployment Rate (2008 figure is for July)	5.4%	4.7%	6.7%
Statewide Crop Price Changes /2			
Barley (U.S. average for all)	24.2%	31.4%	40.8%
Alfalfa Hay (baled)	37.3%	0.0%	21.4%
Potatoes	-8.0%	14.1%	NA
Fall Potato Production (Cwt) /2	-1.0%	-7.5%	NA
Housing Permit Growth /3			
Alamosa County	-22.7%	11.8%	100.0%
Single-Family Permit Growth	41.7%	3.9%	14.3%
Growth in Value of Nonresidential Const. /4			
Alamosa County	-22.4%	414.1%	73.1%
Retail Trade Sales Growth /5	10.0%	6.6%	7.2%

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 August 2008 prices to August 2007. Potato production reflects Colorado growers and commercial storage facilities in the San Luis Valley.

3/ Data through 2007 are from the U.S. Census Bureau. 2008 data is from F.W. Dodge. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) contracted for construction.

4/ F.W. Dodge.

5/ Colorado Department of Revenue; data through June 2008.

The number of jobs decreased 1.1 percent through July, based on a survey of households by the state labor department. This compares with the 1.0 percent growth last year and 1.0 percent in 2006, according to a different survey by the state labor department. In July, the region's unemployment rate stood at 6.7 percent, an increase from 4.7 percent for 2007. Costilla County had the highest unemployment rate at 8.6 percent in July, while Mineral County had the lowest at 5.3 percent.

The area's agriculture industry has been given a boost with strong growth in prices. The price of alfalfa hay was 21.4 percent higher in August than a year ago. Moreover, the price of barley was up 40.8 percent nationwide over the same time period.

The pace of nonresidential construction in Alamosa County was stronger than in other parts of the state. The county reported a 73.1 percent gain through July, following a remarkable 414.1 percent increase in 2007. Alamosa County saw the most significant gains in the construction of school and college facilities, stores, and food service buildings.

Residential construction activity is healthy in the region. The total number of housing permits increased 100.0 percent through July. This large increase in residential construction permits occurred largely as a result of greater demand for multi-family units. Single-family permits grew 14.3 percent over the same period.

Consumer spending in the region, measured by retail trade sales, increased 7.2 through June 2008, after increasing 6.6 percent in 2007. However, with fuel and food purchases removed from this calculation, consumer spending decreased 1.1 percent. Costilla and Rio Grande counties reported an increase in consumer spending despite the removal of fuel and food purchases from the calculations.

Recent Economic News

- The Rio Grand Basin Roundtable approved a request to complete testing on a model to rehabilitate the Rio Grande Reservoir, 20 miles southwest of Creede. The planned improvements aim to reduce seepage, create more storage, and meet the needs of domestic and commercial water users simultaneously during the growing season.

Southwest Mountain Region

The economy in the five-county southwest mountain region has slowed considerably in 2008. Job growth has been flat compared with 2007 and the construction sector has been declining. However, the tourism season appears to have been healthier than expected, and consumer spending, though slower than in 2007, is growing at a faster rate than experienced statewide. Table 14 shows economic indicators for the region.

Table 14

Southwest Mountain Region Economic Indicators

Archuleta, Dolores, La Plata, Montezuma, and San Juan counties

	2006	2007	2008 YTD thru July
Employment Growth /1	4.3%	2.9%	0.6%
Unemployment Rate (2008 figure is for July)	3.8%	3.3%	4.2%
Housing Permit Growth /2			
La Plata County	-19.8%	0.3%	-60.1%
Single-Family Permit Growth	-23.5%	-13.0%	-36.0%
Growth in Value of Nonresidential Const. /3			
La Plata County	74.4%	881.5%	-91.0%
Retail Trade Sales Growth /4	9.3%	5.7%	4.3%

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/ Data through 2007 are from the U.S. Census Bureau. 2008 data is from 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/ F.W. Dodge.

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

Employment in the region slowed to a 0.6 percent rate in the first seven months of 2008, after increasing 2.9 percent in 2007. Employment increased in every county in the region except San Juan. As a result of the slower job growth, the region's unemployment rate increased to 4.2 percent in July from an average of 3.3 percent in 2007.

After essentially no growth in 2007, the number of permits issued for residential construction in La Plata County decreased 60.1 percent through July. Permits for multi-family homes fell off faster than those for single-family homes. According to the Durango Area Association of Realtors, sales of single-family homes in La Plata County decreased 31 percent between the second quarter of 2007 and the second quarter of 2008. The median price for a single-family home in La Plata County, however, increased 1.6 percent, from $379,000 to $385,000 during the same time period.

The value of nonresidential construction contracts also decreased. Nonresidential construction contracts decreased 91.0 percent through July in La Plata County, after an increase of nearly 900 percent in 2007. The decrease appears to be fairly broad-based; large decreases occurred in both the commercial and public building sectors.

Consumer spending, as measured by retail trade sales, slowed to a growth rate of 4.3 percent through June from an increase of 5.7 percent last year. Although strong agriculture prices and a better-than-expected tourism season have buoyed spending at the region's retail stores, the slowdown in construction activity coupled with high food and gas prices, have slowed the pace of spending.

Recent Economic News

- Durango is experiencing a paradox in its tax collections. Sales tax revenue is down, but lodging tax revenue is up. It appears that more people are traveling to Durango, but they are spending less while they are in the city. The higher cost of gasoline may be absorbing a larger amount of the discretionary income of vacationers, leaving less available for other items.

- The Durango-La Plata County Airport is seeing a banner year in 2008. More people were flying in July as the airport saw a 40 percent increase in air travelers. However, the growth is because of additional flights added by Frontier Airlines in May of this year. Durango ranks sixth among the state's 14 commercial airports, behind Grand Junction, Eagle, Aspen, Colorado Springs and Denver.

- La Plata County is considering a proposal to reopen a gold mine north of Hesperus. Wildcat Mining Corporation wants to reopen the Idaho Mine in La Plata Canyon west of Durango and mill ore from the adjacent Mayday Mine. High gold prices have spurred interest in reopening area mines.

Mountain Region

The economic performance of the mountain region mirrored the state in many categories. Job growth matched the statewide average and retail sales advanced at about the same rate as the state. Construction activity also declined in the region similar to many other areas of the state. Table 15 shows major economic indicators for the region.

Table 15
Mountain Region Economic Indicators
Routt, Jackson, Grand, Eagle, Summit, Pitkin, Lake, Park, Teller, Clear Creek, Gilpin, and Chaffee counties

	2006	2007	2008 YTD thru July
Employment Growth /1	3.5%	3.0%	1.7%
Unemployment Rate (2008 figure is for July)	3.6%	3.1%	3.9%
Housing Permit Growth /2			
Eagle, Pitkin, & Summit counties /2	12.4%	-4.8%	-39.9%
Single-Family Permit Growth /2	-7.2%	-18.6%	-44.1%
Routt County /3	-10.5%	40.0%	11.7%
Single-Family Permit Growth /3	-10.8%	-11.4%	-22.2%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	74.3%	6.4%	-13.9%
Routt County	143.9%	80.2%	-56.6%
Retail Trade Sales Growth /4	12.6%	9.6%	3.6%

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 July 2008.

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

Employment growth increased 1.7 percent through July of 2008, slowing from a stronger pace of 3.0 percent in 2007. This deceleration reflects the national trend and the state's overall weakening of the job market as fewer people are being hired in many sectors including construction, manufacturing, retail, information, financial, and real estate. Routt County had the highest job growth at 2.8 percent, while several other counties recorded job losses, including Chaffee, Pitkin, and Jackson counties. In addition, the unemployment rate has been increasing throughout the year and was 3.9 percent in July.

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 were up 11.7 percent through July, after increasing 40.0 percent in 2007. However, this growth is due to multi-family permits, as single-family permits dropped 22.2 percent in the first seven months of the year. Housing permits in Eagle, Pitkin, and Summit counties were down 39.9 percent through July.

Nonresidential construction activity has also fallen off. Through July 2008, the value of nonresidential construction contracts declined 13.9 percent in Eagle, Pitkin, and Summit counties and 56.6 percent in Routt County.

Consumer spending, measured by retail trade sales, grew modestly in the region. In the first six months of the year, retail trade sales were up 3.6 percent compared with the same period last year. Two of the larger counties in terms of retail sales – Eagle and Pitkin – saw gains of 4.5 percent and 2.5 percent, respectively. Two other large counties – Routt and Summit – saw almost no growth. However, if gas and food sales are excluded, consumer spending in the region increased by a modest 1.3 percent.

Recent Economic News

- The town of Kremling approved plans for Colorado's first pellet mill. Confluence Energy plans to hire 25 people to produce wood pellets for home-heating wood stoves. The plant will also create an additional 50 logging and truck driving jobs. The plant uses beetle-killed tress to make the wood pellets. The company has invested $8 million to $10 million in the operation.

- Developers recently broke ground in Breckenridge on a $70 million luxury condominium project at the base of Peak 9. Water House on Main Street will include 55 luxury one- to four-bedroom condos with amenities such as ski valet, underground parking, a fitness facility, hot tubs, a heated outdoor pool, and direct access to the ski area.

Western Region

The western region continues to grow at a relatively healthy pace. Driven by the boom in the oil and gas industry, employment growth is especially strong. Despite these employment gains, residential and nonresidential construction activity has slowed considerably as the region grapples with the same pressures responsible for the statewide and national mortgage crisis. Table 16 shows major economic indicators for the western region.

Table 16

Western Region Economic Indicators

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

	2006	2007	2008 YTD thru July
Employment Growth /1			
Western Region	5.9%	5.5%	3.1%
Mesa County /1	2.9%	5.1%	5.7%
Unemployment Rate (2008 figure is for July)	3.7%	3.1%	4.0%
Housing Permit Growth			
Mesa County /2	4.6%	-13.2%	-42.3%
Single-Family Permit Growth /2	-3.1%	-8.1%	-48.3%
Montrose County /3	-5.3%	-31.0%	-60.4%
Single-Family Permit Growth /3	-9.1%	-28.8%	-61.8%
Growth in Value of Nonresidential Const. /3			
Mesa County	-44.8%	210.4%	-71.9%
Montrose County	141.3%	-34.6%	-90.2%
Retail Trade Sales Growth /4	13.6%	11.8%	5.2%

NA = Not available

1/ Colorado Department of Labor and Employment. 2005 and 2006 data 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 July 2008.

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

In the first seven months of 2008, the number of jobs in the western region increased 3.1 percent, a rate lower than the 5.5 percent rate seen in 2007. Within the region, Mesa, Garfield, and San Miguel counties reported the strongest employment growth of 5.7 percent, 5.2 percent, and 7.1 percent, respectively. In response to natural gas exploration, drilling, and production in the region, job growth in these counties significantly outpaced the 1.7 percent employment growth experienced statewide during the same time period. The presence of the mineral extraction industry also contributed to the region's low unemployment rate, which stood at 4.0 percent in July, compared to the 5.2 percent unemployment rate reported for the state.

Reflecting the construction sector contraction that has swept through other parts of the state and nation, construction indicators were down through July of 2008. In Mesa County, permits for housing units decreased 42.3 percent, and in Montrose County, permits decreased 60.4 percent.

The value of nonresidential construction contracts also declined both in Mesa and Montrose counties in the first seven months of 2008. In Mesa County, nonresidential construction contracts declined 71.9 percent. However, much of the decline was a return to normal levels after unsustainable increases in 2007, largely due to the Saint Mary's Hospital project in Grand Junction. Montrose County reported a 90.2 percent drop in the value of nonresidential construction projects.

Retail trade sales in the western region continues to report moderate growth. However, the growth is entirely due to purchases of gas and food. When gas and food purchases are excluded, consumer spending was flat through June. However, some counties in the region reported growth in sales excluding food and gas. Most notably, Moffat County recorded an increase in such sales of 20.4 percent.

Recent Economic News

- Lignol Corporation, a Vancouver-based cellulosic ethanol plant, will move its operations from Commerce City to Grand Junction.

Construction on the plant will begin in 2010 and will cost between $85 and $90 million. The company converts beetle-killed trees and other wood products into ethanol biofuel.

- Pyramid Printing, which was one of the largest printing companies in the Grand Valley, closed its doors in August. After plans to sell the business fell through, the company announced its closure and the loss of 35 jobs.

Northern Region

The northern region's economy is holding steady with mixed results through the first half of 2008. Larimer and Weld counties both experienced growth in the labor market, with employment increasing at a rate well above the state average. Larimer County posted a gain in the growth of housing permits, however, this was due to growth in multi-family homes rather than single-family homes. Foreclosure filings are up but fewer homeowners are actually losing their homes. Table 17 shows the economic indicators for the Northern Region.

Table 17
Northern Region Economic Indicators
Weld and Larimer counties

	2006	2007	2008 YTD thru July
Employment Growth /1			
Larimer County	1.8%	2.4%	2.4%
Weld County	4.2%	3.0%	2.9%
Unemployment Rate (2008 figure is for July)			
Larimer County	4.0%	3.4%	4.5%
Weld County	4.7%	4.2%	5.5%
State Cattle and Calf Inventory Growth /2	5.0%	-4.0%	-14.0%
Housing Permit Growth /3			
Larimer County	-17.5%	-26.9%	2.7%
Single-Family Permit Growth /3	-36.7%	-12.7%	-38.9%
Weld County	-30.3%	-38.6%	-48.3%
Single-Family Permit Growth /3	-36.6%	-40.5%	-45.3%
Growth in Value of Nonresidential Const. /4			
Larimer County	6.6%	-4.1%	-14.2%
Weld County	33.7%	5.9%	24.5%
Retail Trade Sales Growth /5			
Larimer County	5.2%	6.5%	1.9%
Weld County	7.0%	7.6%	3.3%

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 July 2008 to July 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 June 2008.

Job growth was positive through July with the number of jobs in Larimer and Weld counties increasing 2.4 percent and 2.9 percent, respectively. Over-the-year job growth was the strongest in state government, followed by the education and health services sector. Job growth in the other services sector also remained strong. Employment in this sector includes jobs in repair and maintenance, barber and beauty shops, dry cleaning and laundry services, and pet care services. Employment fell in the manufacturing and the leisure and hospitality sectors, and was relatively unchanged in financial activities, information, and natural resources and mining.

Consumer spending, as measured by growth in retail trade sales, increased 1.9 percent in Larimer County and 3.3 percent in Weld County, only slightly below the statewide average of 3.4 percent.

The region's housing picture is currently mixed with foreclosure filings still up 25 percent from last year. However, only 373 homeowners actually lost their homes as a result of a foreclosure during the first half of 2008, compared to 548 people who lost their homes during the first half of 2007. In Larimer County, housing permits increased 2.7 percent year-to-date in July. In Weld County, housing permits continued to decline 48.3 percent over the same time period. The drop in housing permits was the greatest for single-family homes. Meanwhile, the average selling price decreased 0.2 percent year-to-date. The median price of a home was $210,000, down from $215,000 last year.

The value of nonresidential construction contracts in Larimer County decreased 14.2 percent, a significant improvement from early in the year when the decline was more substantial. In Weld County, growth in the value of nonresidential construction contracts grew 24.5 percent.

Recent Economic News

- Cargill Inc, a global company that grows canola plants and supplies canola oil to companies such as McDonald's, announced plans to expand current operations. The 20,000 square foot expansion will accommodate research on growing plants in Colorado's dry climate and laboratory space for plant testing and seed handling. While the expansion will benefit the company's clients, including farmers, growers, and food manufacturers, it will also allow the company to increase research on canola oil as a biofuel.

- StarTek Inc. will add 100 new positions at its call-center in Greeley. StarTek provides call-center support for large telecommunications companies such as Qwest, Comcast, and AT&T. StarTek, a Colorado company, started in 1987 and has 20 facilities in the United States and Canada. Two other StarTek sites in Greeley employ a total of 295 employees.

- DCP Midstream, LLC, a Denver-based company, plans to expand its natural gas processing operations in northern Colorado. The expansion will include a plant in Lucerne, north of Greeley, and should be complete by year-end 2009. The company employs about 2,500 workers in 16 states.

- Toys "R" Us and Babies "R" Us are combining into a new 65,000 square foot superstore in Fort Collins. The new store will employ 111 full- and part-time workers and plans to offer additional part-time positions for the holidays.

Eastern Plains

The eastern region is still experiencing the impact of the economic slowdown that is affecting the state and other parts of the country but is showing some economic gains. Employment continues to see declines, but at lower rates. Also for July, the unemployment rate in the region was actually lower than in June. On another positive note, the agricultural sector which is the primary economic driver of the region, is doing well as crop prices continue to remain at high levels. In addition, consumer spending is growing the fastest in the state as high gas prices may be resulting in more consumers shopping locally within the region rather than traveling to larger cities outside of the region to make purchases. Table 18 shows economic indicators for the region.

Table 18
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	2008 YTD thru July
Employment Growth /1	-1.0%	1.8%	-1.6%
Unemployment Rate	4.1%	3.5%	4.3%
Crop Price Changes /2			
Wheat	15.1%	110.8%	43.9%
Corn	32.7%	26.9%	29.9%
Alfalfa Hay (baled)	37.3%	0.0%	21.4%
Dry Beans	32.1%	57.1%	33.0%
State Crop Production Growth /2			
Sorghum production	0.9%	86.4%	-19.6%
Corn	-4.6%	17.4%	16.6%
Winter Wheat	-24.4%	135.6%	-38.3%
Sugar Beets	N/A	-17.0%	-9.9%
2006 is estimated production for the year.			
State Cattle and Calf Inventory Growth /2	5.0%	-4.0%	-14.0%
Retail Trade Sales Growth /3	6.7%	6.0%	11.8%

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 August 2008 to August 2007.

Crop production based on projections for 2007 compared to actual 2006 production.

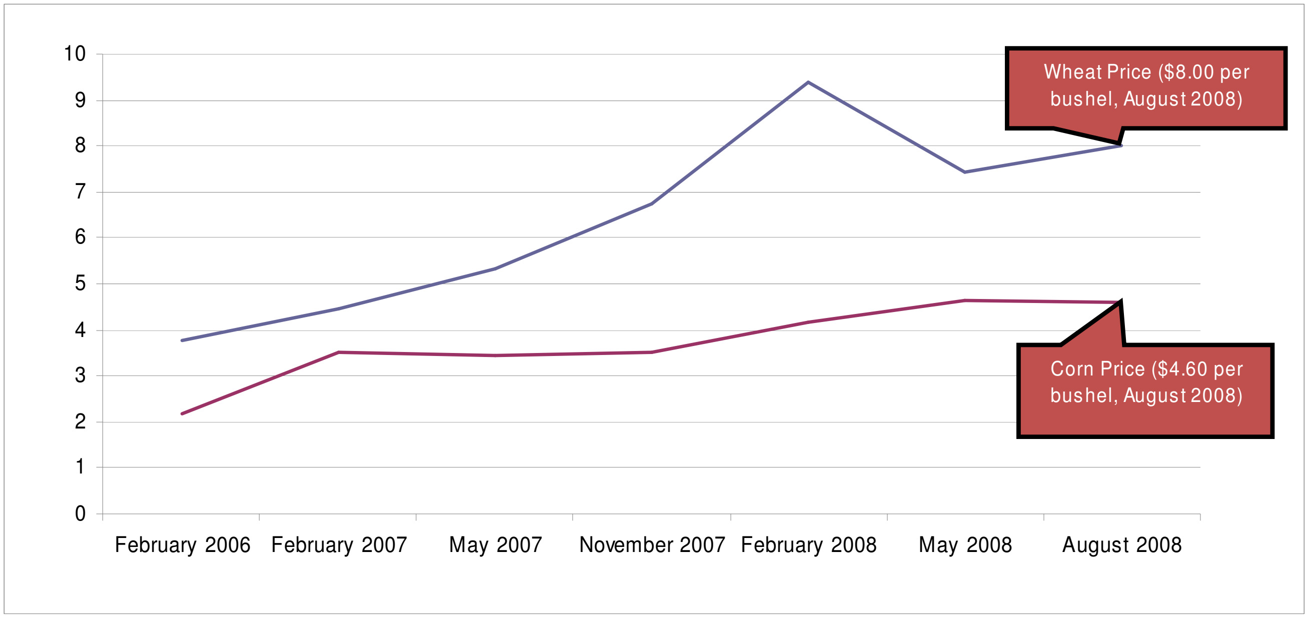
3/ Colorado Department of Revenue; data through June 2008.

In the labor market, indicators are looking up as job losses have slowed. Jobs were down 1.6 percent through July after decreasing 2.2 percent through June. In turn, the unemployment rate in July was 4.3 percent as compared to 4.6 percent in June. However, the current rate continues to be above the 3.5 percent rate in 2007. Elbert and Logan counties, where employment increased at 1.5 percent and 0.6 percent respectively, were the only counties in the region that saw employment expand. All other counties saw decreases that ranged from 7.9 percent in Sedgwick County to 0.7 percent in Yuma County. Crowley County posted the highest unemployment rate in the region at 7.4 percent. Sedgwick County posted the lowest unemployment rate at 2.4 percent.

Consumer spending in the region, as measured by retail trade sales, increased 11.8 percent through July after increasing 6.0 percent in 2007. Retail trade sales grew faster than any other region in the state, outpacing the state's modest 3.4 percent growth. Some officials have noted that the high price of fuel is changing consumer behavior in the region. It is possible that more retail trade sales are occurring locally as consumers are no longer driving out of the region to Pueblo and other Front Range centers to shop due to high gas prices.

High retail sales growth may also be affected by other factors such as the significant number of truck stops and feed stores in the region that are seeing higher sales activity because of higher fuel and feed prices. Changes in the filing of some retailers' sales activity may also be impacting the growth rate. Such changes can have a larger influence on retail trade data in rural areas of the region due to their lower amount of sales compared with other areas. Also, large one-time sales in energy-producing counties may be another factor affecting sales growth. In total, all sixteen counties in the region saw increases in consumer spending through June ranging from a high of 48.6 percent in Lincoln County to a low of 1.3 percent in Otero County.

Figure 4
Colorado's Agricultural Prices
February 2006 through August 2008
(per bushel prices)



The outlook for farmers in the region's agricultural sector looks positive as grain and crop prices remain high although higher costs are offsetting some of the price gains. Crops prices for wheat, corn, alfalfa hay, and dry beans accelerated at a strong pace through August. Wheat and corn prices increased 43.9 percent and 29.9 percent respectively through August over prior year prices. August 2008 wheat prices were at $8.00 per bushel, which was $2.44 above the price in August 2007. Corn prices rose at a slightly lower rate than wheat. In August 2008, corn was at $4.60, $1.04 above prices a year ago. Alfalfa hay prices increased 21.4 percent, while dry beans increased 33.0 percent over the same time period.

Figure 4 shows how the prices of wheat and corn have changed since early 2006. Farmers have seen more than a doubling of prices over this time period. For instance, Colorado's farmers received $3.76 per bushel of wheat in early 2006 as compared to a price of $8.00 per bushel in August 2008. For corn, the price increased from $2.18 per bushel to $4.60 per bushel over this same time period.

While grain and corn yields are above average levels, farmers can expect the cost of growing these crops to continue to be high as the price of oil, electricity, fertilizer, chemicals, and seed continues to rise. Thus, farmers may continue to see somewhat lower-than-expected profits despite higher crop prices. It is interesting to note that the price of corn is slipping, a potential indication that the corn bubble resulting from the ethanol boom may be ending. One company in the region, LiquidMaize, has already delayed the construction of a $24 million ethanol facility north of Pueblo.

Recent Economic News

- Colorado Mills has established a joint venture with SunOpta Inc., a Toronto-based company, to build and operate a $5 million organic and natural vegetable oil refinery in

Lamar. The processing plant will employ 15 full-time workers with average annual wages of $32,000. The facility is expected to refine about 35 million pounds of natural and organic sunflower, soybean, and canola oils annually and be operational in March of 2009.

- Liqcrytech, a Nevada-based manufacturer, will open up a plant in La Junta's industrial park to manufacture energy-efficient windows. The company will manufacture an adjustable tint window to control the passage of light and energy. Initially, the company will manufacture commercial windows and employ five workers. Liqcrytech plans to grow and employ 15 workers within the first year.

Appendix A
Historical Data

National Economic Indicators
(Dollar amounts in billions)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Gross Domestic Product	$6,658.9	$7,071.0	$7,398.6	$7,817.2	$8,304.4	$8,746.9	$9,268.3	$9,815.8	$10,129.0	$10,469.8	$10,962.7	$11,686.5	$12,435.4	$13,191.9	$13,825.5
percent change	5.1%	6.2%	4.6%	5.7%	6.2%	5.3%	6.0%	5.9%	3.2%	3.4%	4.7%	6.6%	6.4%	6.1%	4.8%
Real Gross Domestic Product (inflation-adjusted, chained to 2000)	$7,534.6	$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	$10,675.8	$10,990.9	$11,291.3	$11,524.6
percent change	2.7%	4.0%	2.5%	3.7%	4.5%	4.2%	4.4%	3.7%	0.8%	1.6%	2.5%	3.6%	3.0%	2.7%	2.0%
Unemployment Rate	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%
Inflation (Consumer Price Index)	3.0%	2.6%	2.8%	3.0%	2.3%	1.6%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%
10-Year Treasury Note	5.9%	7.1%	6.6%	6.4%	6.4%	5.3%	5.7%	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.6%
Personal Income	$5,558.5	$5,842.5	$6,152.3	$6,520.6	$6,915.1	$7,423.0	$7,802.4	$8,429.7	$8,724.1	$8,881.9	$9,163.6	$9,727.2	$10,269.7	$10,993.9	$11,663.2
percent change	3.7%	5.1%	5.3%	6.0%	6.1%	7.3%	5.1%	8.0%	3.5%	1.8%	3.2%	6.2%	5.6%	7.1%	6.1%
Wage and Salary Income	$3,082.7	$3,232.1	$3,419.3	$3,619.6	$3,877.6	$4,183.4	$4,466.3	$4,829.2	$4,942.8	$4,980.9	$5,112.7	$5,394.5	$5,671.7	$6,027.3	$6,362.0
percent change	3.4%	4.8%	5.8%	5.9%	7.1%	7.9%	6.8%	8.1%	2.4%	0.8%	2.6%	5.5%	5.1%	6.3%	5.6%
Nonfarm Wage and Salary Employment (millions)	110.8	114.3	117.3	119.7	122.8	125.9	129.0	131.8	131.8	130.3	130.0	131.4	133.7	136.1	137.6
percent change	1.9%	3.2%	2.6%	2.0%	2.6%	2.5%	2.5%	2.2%	0.0%	-1.1%	-0.2%	1.1%	1.8%	1.8%	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	200,483
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%	6.5%
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	41,239
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%	4.4%
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	111,297
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%	6.9%
Retail Trade Sales	$31,298	$34,178	$38,100	$39,919	$42,629	$45,142	$48,173	$52,609	$57,955	$59,014	$58,850	$58,689	$62,288	$65,492	$70,437	75,329
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