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Legislative
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MEMORANDUM

June 22, 2009

TO: Members of the General Assembly

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

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

This memorandum presents the current budget outlook based on the **June 2009 economic, General Fund revenue, and cash fund revenue forecasts.**

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Executive Summary

General Fund Overview

Table 1 presents the General Fund overview based on current law. Figure 1 illustrates the forecast's implications for the budget.

Revenue available for spending in the General Fund is $249 million below the amount budgeted for expenditure in **FY 2008-09**. **Senate Bills 09-219 and 09-279** authorize the Governor to address this shortfall by reducing the reserve, transferring money from cash funds to the General Fund for a single day at the close of the fiscal year, or doing a combination of the two. Because both of these actions borrow from FY 2009-10, any combination of the two will shift the entire shortfall from FY 2008-09 to FY 2009-10.

There is not enough revenue in **FY 2009-10** to absorb this, and revenue available for spending in the General Fund is $384.0 million below the amount budgeted for expenditure in FY 2009-10. This amount includes the $249.0 million shortfall for FY 2008-09.

Although General Fund revenue is expected to *increase* 6.8 percent in **FY 2010-11**, revenue available for spending in the General Fund will *decrease* 2.4 percent because several one-time sources of revenue will either be reduced or will no longer be available. Table 1 and Figure 1 show the amount of revenue available in FY 2010-11 and FY 2011-12 relative to FY 2008-09 operating appropriations plus current-year estimates for other obligations. The cumulative shortfall over the forecast period is shown by assuming each year's shortfall is filled with one-time sources of money and thus carried forward into the following fiscal year. Table 2 shows the resulting cumulative shortfall over the forecast period.

Table 2
Cumulative Shortfall over the Forecast Period

Year	Cumulative Shortfall
FY 2008-09	-$249.o million
FY 2009-10	-$384.0 million
FY 2010-11 /A	-$873.1 million
FY 2011-12 /A	-$838.0 million

/A Figures in FY 2010-11 and FY 2011-12 illustrate revenue available relative to FY 2008-09 operating appropriations plus current-year estimates for other obligations. The cumulative shortfall is shown by assuming each year's shortfall is filled with one-time sources of money and thus carried-forward into the following fiscal year.

Please note that operating appropriations were held constant at the budgeted amount for FY 2008-09 in order to calculate the shortfalls for FY 2010-11 and FY 2011-12. Thus, caseload or inflationary increases are not incorporated into the estimate for these shortfalls.

Table 3 on page 5 summarizes the impacts of bills affecting the General Fund overview. The total impact of these bills exceeds $1 billion in FY 2008-09 and $685 million in FY 2009-10. These impacts reflect the shift of $249.0 million from FY 2009-10 to balance the FY 2008-09 budget.

Table 1
June 2009 General Fund Overview
(Dollars in Millions)

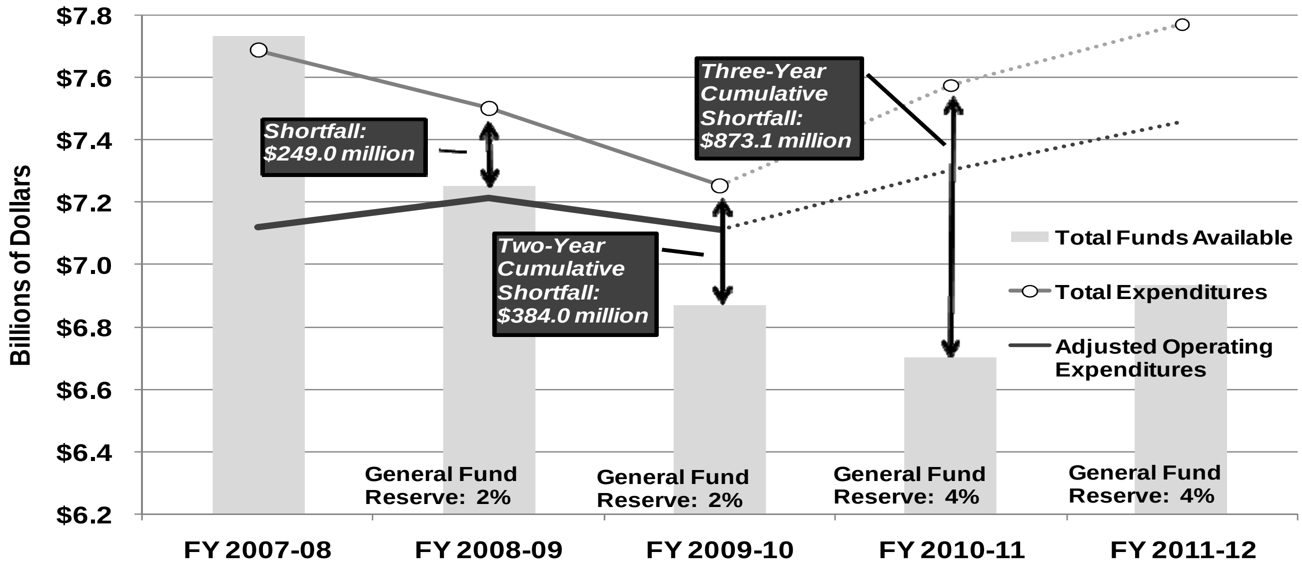
		FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
FUNDS AVAILABLE		**Actual**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve	$516.3	$328.2	-$100.8	-$234.9	-$574.8
2	General Fund Nonexempt Revenue	6,573.5	6,681.0	6,766.1	6,764.5	6,876.2
3	General Fund Exempt Revenue (Referendum C)	1,169.4	0.0	0.0	464.3	937.7
4	Senate Bill 97-1 Diversion to the HUTF	-238.1	NA	NA	NA	NA
5	Paybacks to Other Funds	0.0	-2.9	0.0	0.0	0.0
6	Transfers from Other Funds	0.1	358.1	280.8	2.6	1.5
7	Medicaid ARRA and Governor's Discretionary ARRA Funds /A	0.0	44.5	81.9	13.3	0.0
8	Sales Taxes to Older Coloradans Fund and OASMCF	-5.8	-8.8	-10.9	-10.9	-10.9
9	**Total Funds Available**	**$8,015.5**	**$7,400.2**	**$7,017.1**	**$6,999.0**	**$7,229.8**
10	Percent Change	0.2%	-7.7%	-5.2%	-0.3%	3.3%
EXPENDITURES		**Actual**	**Budgeted**	**Budgeted**	**Estimate /B**	**Estimate /B**
11	Operating Appropriations	$7,087.8	$7,410.7	$7,456.5	$7,456.5	$7,456.5
13	Exceptions to the Appropriations Limit	31.9	0.0	NA	NA	NA
14	Federal Medicaid Assistance	0.0	-196.7	-345.4	-152.9	0.0
16	Rebates and Expenditures	168.0	129.6	137.8	149.1	187.7
17	Reimbursement for Senior and Disabled Veterans Property Tax Cut	79.8	87.7	1.1	99.4	105.1
18	Funds in Prior Year Excess Reserve to HUTF	166.2	29.8	NA	NA	NA
19	Funds in Prior Year Excess Reserve to Capital Construction	83.1	14.9	NA	NA	NA
20	Capital Construction Transfer	93.7	24.9	2.0	21.8	20.2
21	Accounting Adjustments	-23.2	NE	NE	NE	NE
22	**Total Expenditures**	**$7,687.3**	**$7,501.0**	**$7,252.0**	**$7,573.8**	**$7,769.5**
23	Percent Change	2.8%	-2.4%	-3.3%	4.4%	2.6%
BUDGET SUMMARY		**Actual**	**Estimate**	**Estimate**	**Estimate /B**	**Estimate /B**
24	**Amount Available for Expenditure**	**$7,730.7**	**$7,251.9**	**$6,868.0**	**$6,700.7**	**$6,931.5**
25	Dollar Change	$1.8	-$478.8	-$384.0	-$167.3	$230.8
26	Percent Change	0.0%	-6.2%	-5.3%	-2.4%	3.4%
27	***Available Revenue will Restrict Expenditures by A Cumulative:***	***$0.0***	***-$249.0***	***-$384.0***	***-$873.1***	***-$838.0***
RESERVE		**Actual**	**Budgeted**	**Budgeted**	**Estimate /B**	**Estimate /B**
28	Year-End General Fund Reserve	$328.2	-$100.8	-$234.9	-$574.8	-$539.7
29	Year-End Reserve as a Percent of Appropriations	4.6%	-1.4%	-3.2%	4.0%	4.0%
30	Statutory Reserve	284.8	148.2	149.1	298.3	298.3
31	General Fund Excess Reserve	$43.4	-$249.0	-$384.0	-$873.1	-$838.0
TABOR RESERVE REQUIREMENT:						
32	General & Cash Fund Emergency Reserve Requirement	$300.0	$270.3	$265.5	$284.6	$307.9
33	Addendum: Arveschoug-Bird Appropriations Limit	$7,087.8	$7,546.8	$9,974.2	$10,466.1	$10,288.1
34	Addendum: Amount Directed to State Education Fund	$407.9	$339.9	$340.0	$369.7	$412.2

Totals may not sum due to rounding. NE = Not estimated. NA= Not applicable.

/A A total of $70 million, $25.6 million in FY 2008-09 and $45.4 million in FY 2009-10, are assumed to be provided from the Governor's discretionary ARRA funds. Although it is unknown whether these moneys will be deposited into the General Fund or directly appropriated, the Governor has indicated that they will be used to reduce General Fund obligations.

/B Figures in FY 2010-11 and FY 2011-12 illustrate revenue available relative to FY 2008-09 operating expenditures plus current-year estimates for other obligations. To show the cumulative shortfall, each year's shortfall is assumed to be filled with one-time money and carried forward into the following fiscal year.

Figure 1
General Fund Budget Summary
June 2009



To show the cumulative shortfall, each year's shortfall is assumed to be filled with one-time money and carried forward into the following fiscal year.

Dotted lines represent FY 2009-10 budgeted operating expenditures plus estimates for other General Fund obligations. Operating expenditures are adjusted for temporary increases in the Federal Medicaid Assistance Percentage.

Revenue Forecast

The FY 2008-09 forecast for total revenue subject to TABOR was decreased $281.8 million, or 3.0 percent, since the March forecast. The General Fund revenue forecast was decreased $250.4 million, while the cash fund forecast was decreased $35.2 million. The sum of the changes in General Fund and cash fund revenue does not equal the change in TABOR revenue because of changes in the distribution of revenue between the General Fund and cash funds.

- Nearly all of the decrease in the **General Fund revenue** forecast resulted from a decrease in expectations for income taxes and sales taxes. Individual and corporate income taxes collected in April were lower than had previously been expected. In addition, sales taxes have fallen sharply as consumers struggle with the recession. In FY 2008-09, General Fund revenue will fall $1.06 billion, or 13.7 percent, from the prior year. In FY 2009-10, revenue will increase $85 million, or 1.3 percent due to 2009 legislation that generates an increase in General Fund revenue and as the economy begins to stabilize.

- **Cash Fund revenue** will increase 3.7 percent in FY 2008-09. The cash fund sources with the largest revenue gains this fiscal year are severance taxes and unemployment insurance. These gains will offset losses in workers' compensation insurance-related revenue, transportation-related reve-

Table 3
Budgetary Measures Affecting the June 2009 General Fund Overview
(Dollars in Millions)

		FY 2008-09	FY 2009-10	FY 2010-11
Cash Fund Transfers				
SB 09-208	Cash Fund Transfers	224.0	0.0	0.0
SB 09-279	Cash Fund Transfers	114.1	209.4	0.0
SB 09-210	Tobacco Master Settlement Transfers	1.2	2.4	0.0
SB 09-269	Tobacco Master Settlement Transfers	12.5	65.0	0.0
SB 09-270	Amendment 35 Tobacco Transfers - Interest	6.3	3.9	2.6
Total Cash Fund Transfers		$358.1	$280.8	$2.6
General Fund Revenue Changes				
Total Revenue Change (See Table 7 on page 13)		$12.4	$108.4	$117.7
Reduced Expenditures				
SB 09-227	Fire and Police Pension Assn. Postponement	-25.3	-25.3	-25.3
SB 09-228	Eliminate SB-1 Diversions & HB-1310 Transfers		*Not Estimated*	
SB 09-259	Reduce Volunteer Firefighter Pensions	-0.1	0.0	0.0
SB 09-276	Suspend Senior Property Tax Exemption	0.0	-91.5	0.0
SB 09-278	Suspend SB-1 Diversion & HB-1310 Transfers	0.0	0.0	0.0
Total Expenditure Reductions		$-25.4	$-116.8	$-25.3
Reduced Statutory Reserves				
SB 09-219	FY 08-09 Statutory Reserve Reduction	-148.2	0.0	0.0
SB 09-277	FY 09-10 Statutory Reserve Reduction /A	0.0	-0.9	0.0
Total Statutory Reserve Reductions		$-148.2	$-0.9	$0.0
Federal Funds Increases				
ARRA	FMAP Increase	196.7	345.4	152.9
SB 09-264	Maximize FMAP Increase	18.9	36.5	13.3
ARRA	Governor's Discretionary ARRA Funds /B	25.6	45.4	0.0
Total Increases from Federal Funds		$241.2	$427.3	$166.2
Governor's Actions to Balance FY 2008-09 Budget				
SB 09-219 SB 09-279	Combination of Reduced Statutory Reserve and One-Day Transfers /C	249.0	-249.0	0.0
Total Impact of All Actions		**$1,034.3**	**$685.2**	**$311.8**

/A The impact shown for SB 09-277 represents the net change in the statutory reserve between FYs 2008-09 and 2009-10.

/B Although it is unknown whether these moneys will be deposited into the General Fund or directly appropriated, the Governor has indicated that they will be used to reduce General Fund obligations.

/C These actions shift money from FY 2009-10 to FY 2008-09.

nue, and revenue from limited gaming. Cash fund revenue will drop 10.7 percent in FY 2009-10, mostly due to a sharp decline in severance tax revenue and the removal of unemployment insurance revenue from TABOR. These losses will offset the increase in transportation-related revenue from Senate 09-108 (FASTER) and new revenue generated from the hospital provider fee created by Senate Bill 09-1293.

- The current estimate for the amount of revenue that will be retained by the state during the **Referendum C time-out period** is $3.6 billion, down from $3.7 billion in the last forecast. The amount of revenue retained over the 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 expectations 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 affect revenue collections change the retained amount. Table 4 presents the history and forecast for revenue retained by Referendum C.

Table 4
History and Projections of Revenue Retained by Referendum C

Actual	
2005-06	$1,116.1
2006-07	$1,308.0
2007-08	$1,169.4
Projections	
2008-09	$0.0
2009-10	$0.0
2010-11	$464.3
2011-12	$937.7

- Figure 2 on page 8 shows TABOR Revenue and the Referendum C cap through the end of the forecast period, which extends two years beyond the five-year time-out period associated with Referendum C. After adjustments for changes in enterprise status for the Unemployment Insurance Program (House Bill 09-1363) and higher education institutions, it is expected that the Referendum C cap will equal $10.7 billion in FY 2010-11. Revenue will not be sufficient to produce a **TABOR refund** in FY 2010-11 or FY 2011-12. Table 5 shows TABOR revenue, the estimated TABOR limit, the voter-approved revenue retained under Referendum C, and the revenue projected to be refunded to taxpayers in the four-year forecast horizon.

National Economy

The national economy continues to suffer in a recession that began nearly 18 months ago and is expected to last through at least another six months. Indications that the housing market, business activity, and consumer spending may have bottomed are positive signs that the worst may be over. Despite this, continued problems in the financial system, continued large job losses, and rising mortgage

Table 5
June 2009 Forecast for the TABOR Revenue Limit and Retained Revenue
(Dollars in Millions)

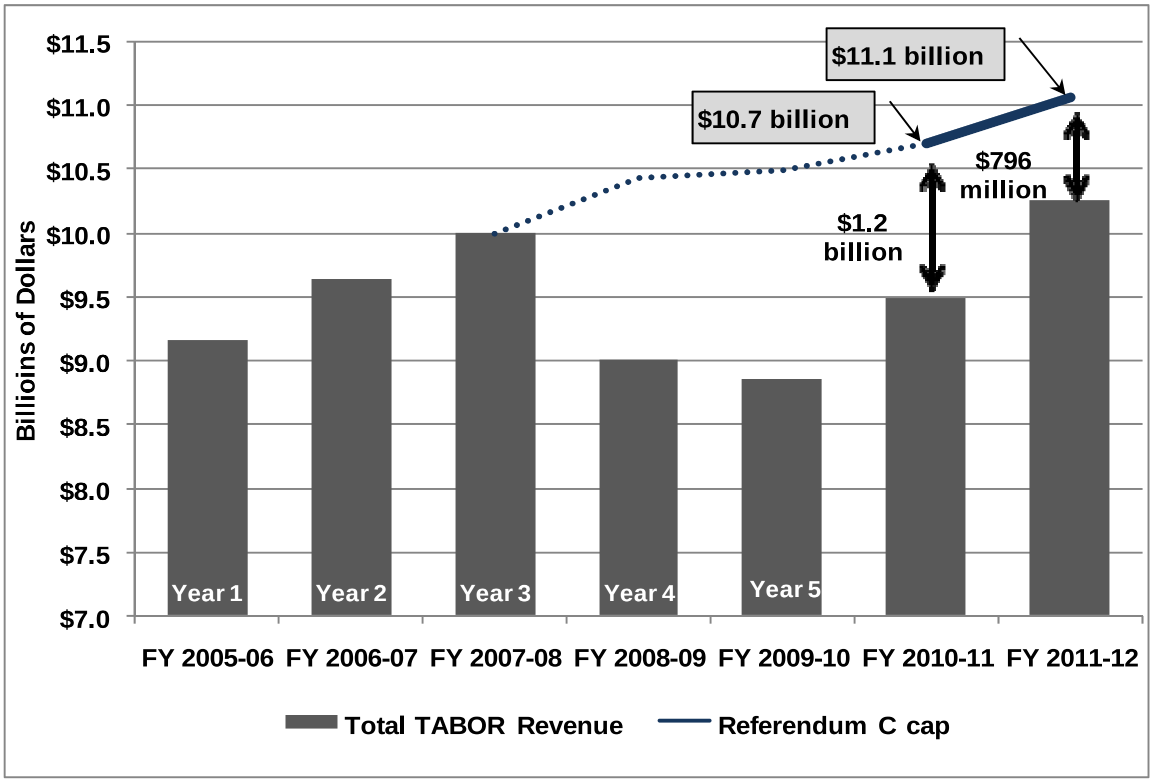
		Actual FY 2007-08	Estimate FY 2008-09	Estimate FY 2009-10	Estimate FY 2010-11	Estimate FY 2011-12
	TABOR Revenue:					
1	General Fund /A	$7,738.8	$6,667.4	$6,757.3	$7,220.1	$7,805.2
2	Cash Funds	2,259.8	2,343.1	2,093.1	2,267.3	2,458.7
3	**Total TABOR Revenue**	**$9,998.6**	**$9,010.5**	**$8,850.4**	**$9,487.3**	**$10,263.9**
	Revenue Limit					
4	Allowable TABOR Growth Rate	5.5%	4.2%	5.9%	2.0%	3.4%
5	Inflation (from prior calendar year)	3.6%	2.2%	3.9%	0.4%	1.6%
6	Population Growth (from prior calendar year)	1.9%	2.0%	2.0%	1.6%	1.8%
7	Allowable TABOR Limit /B	$8,829.1	$9,200.0	$8,987.6	$9,023.0	$9,326.2
8	Voter Approved Revenue Change (Referendum C)	$1,169.4	$0.0	$0.0	$464.3	$937.7
9	Total Allowable Revenue	NA	NA	NA	$10,700.2	$11,059.8
	Retained/Refunded Revenue					
10	Retained Revenue (General Fund Exempt)	$1,169.4	$0.0	$0.0	$464.3	$937.7
11	Revenue to be Refunded to Taxpayers	$0.0	$0.0	$0.0	$0.0	$0.0

Totals may not sum due to rounding.

/A These figures differ from the General Fund revenue reported in other tables because they net out revenue that is already in the Cash Funds to avoid double counting.

/B The TABOR Limit was adjusted for changes in TABOR enterprise status in FY 2007-08, FY 2008-09, and FY 2009-10.

Figure 2
TABOR Revenue and the Referendum C Cap



rates and energy prices could threaten the nascent economic recovery. The strategic goal for the nation's policymakers is to use monetary and fiscal policy to shore-up the financial industry, promote jobs, and buoy consumer confidence without causing undue inflationary pressure when the economy begins to recover in earnest.

Colorado Economy

Colorado's economy continues to suffer through one of its worst downturns in over 50 years. The state has experienced major declines in economic activity, resulting in large and rapid job losses. The rising number of unemployed – in May there was a reported 206,000 Coloradans looking for work, 60 percent more than a year ago – has further weakened consumer spending which makes it harder for the economy to recover.

Fortunately, there are signs that the major contractions in the economy are beginning to abate and conditions are expected to gradually improve toward the end of 2009 and during 2010. The recovery, however, will most likely be a slow, long process as the economy searches for new sources of growth. Also, there are risks that lingering problems in the financial system could forestall a recovery. However, on the positive side, Colorado has many of the elements in place to resume economic growth, such as an entrepreneurial and skilled workforce, a good business climate, and a diverse economy.

General Fund Revenue

This section presents the Legislative Council Staff forecast for General Fund revenue. Table 6 illustrates revenue collections for FY 2007-08 and projections for FY 2008-09 through FY 2011-12. General Fund revenue will decrease $1.06 billion in FY 2008-09, or 13.7 percent, from the prior year. In FY 2009-10, revenue will increase $85.1 million.

April individual and corporate income tax collections came in at lower-than-expected levels, indicating that economic conditions in 2008 were worse than we had estimated in March. Income taxes collected for more recent economic activity, including those on recent capital gains and taxes withheld from paychecks, are holding up well relative to March's expectations. While this would seem to indicate that the current economy may not be worse than had been expected, slumping sales tax collections reveal that consumers are currently far more reticent than previously anticipated. The forecast for General Fund revenue in FY 2008-09 decreased $250.4 million from the amount expected in the March forecast. Close to three quarters of the decrease came from lower expectations for tax year 2008 individual income taxes, with most of the remainder resulting from lower expectations for sales taxes.

The forecast for General Fund revenue was also reduced for FY 2009-10. While expectations that the recession will subside to a snail-paced recovery some time in early 2010 has not changed since March, it appears the recession was a little more severe than previously expected. Therefore, expectations for General Fund revenue in FY 2009-10 were reduced by $67.1 million, or 1.0 percent, relative to the March forecast. However, while March's forecast had anticipated a slight *decrease* in revenue over FY 2008-09 levels, this forecast anticipates a slight *increase*. The entire increase in FY 2009-10 can be attributable to legislation passed in the 2009 session.

As shown in Table 7 on page 13, 2009 legislation increased expectations for General Fund revenue by $12.4 million in FY 2008-09, $108.1 million in FY 2009-10, and $117.3 million in FY 2010-11. Most of the increased revenue came as the result of legislation temporarily eliminating the sales tax exemption for cigarettes and reducing the "vendor discount" fee that merchants are allowed to claim for their expenses in collecting and remitting sales taxes to the state.

Individual income taxes will decrease $735.1 million in FY 2008-09 from the prior year, or 14.8 percent, before increasing $42.6 million, or 1.0 percent, in FY 2009-10. More than two-thirds of the decrease in FY 2008-09 is attributable to lower revenue from capital gains, royalties, and rents, with the remainder attributable to lower revenue from wages, salaries, and other income. Individual income taxes will recover slowly along with the economy in FY 2010-11, and at a more healthy growth rate in FY 2011-12.

The forecast for individual income taxes was reduced $185.1 million in FY 2008-09 compared with the March forecast. All of the decrease was the result of lower-than-expected collections in April from tax year 2008, which decreased on a cash accounting basis by a combined $167.7 million. Expectations for taxes withheld from paychecks and estimated income taxes increased slightly relative to March. Estimated income taxes come from a variety of sources, the largest of which are capital gains, taxes from independent contractors and sole proprietorships, and rent and royalty payments.

The largest contributor to the $185.1 million decrease in the forecast for FY 2008-09 was a change in the anticipated accrual for individual income taxes of a negative $70.2 million. Of the total decrease in individual income taxes of $735.1 million for FY 2008-09,

$190.9 million is the result of a negative accrual. While cash accounting records revenue during the time period it is collected, accrual accounting records revenue in the time period in which the economic activity that generated the revenue occurred. An accrual is an accounting adjustment required by the Governmental Accounting Standards Board.

The forecast for individual income taxes was also reduced for FY 2009-10 relative to the March forecast. Increased estimates for the depth of the recession in 2008 combined with continued expectations for a weak recovery reduced the forecast. The projection for individual income taxes was reduced by $59.3 million. As shown in Table 7, **House Bill 09-1331** and **House Bill 09-1366** increased individual income tax revenue by a total of $9.8 million in FY 2009-10. The bulk of impact of House Bill 09-1001 will be felt in corporate income taxes.

The forecast for **corporate income taxes** was reduced to reflect lower-than-expected collections due to the economic downturn and tax breaks provided through the economic stimulus packages of 2008 and 2009. Domestic and international demand for goods and services dropped considerably in the first half of the fiscal year and is continuing in the second half, depressing corporate profits. Tax credits from the Economic Stimulus Act of 2008 further reduced tax revenue. In FY 2008-09, corporate income taxes are expected to total $331.3 million, a 34.8 percent drop from the prior year and a $19.4 million reduction from the March forecast. In FY 2009-10, corporate income taxes are expected to decline an additional 13.9 percent to $285.2 million. The decline in FY 2009-10 reflects a slow economic recovery and the impact of federal tax credits from the American Recovery and Reinvestment Act. Corporate income taxes will rebound modestly in FY 2010-11 and more strongly in the following year, in conjunction with the economic recovery that is expected to start in 2010. As shown in Table 7, **House Bill 09-1001** will reduce corporate income taxes by $2.9 million in FY 2009-10 and $8.6 million in FY 2010-11.

The **State Education Fund** receives one-third of one percent of the 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 $339.9 million in FY 2008-09, a decline of 16.7 percent, and $340.0 million in FY 2009-10.

The forecast for **sales tax** revenue for FY 2008-09 was lowered from the March forecast because collections deteriorated more than expected. As both consumers and businesses sharply cut their spending, sales tax collections on a cash basis fell by 14.5 percent in the February through May period compared with the same period in FY 2007-08, equating to a $100 million drop in revenue, or a decline in taxable sales of $3.4 billion.

The drop in automobile purchases and other durable goods, which typically account for about a quarter of sales tax collections, has particularly depressed tax revenue. Sales of durable goods dropped by 34 percent since their peak level before the recession on a seasonally adjusted basis, amounting to about $736 billion in decreased sales. Sales tax revenue is now expected to decrease 9.3 percent in FY 2008-09.

Legislation temporarily eliminating both the vendor discount fee that retailers can retain to offset their costs of collecting sales taxes and the sales tax exemption on purchases of cigarettes will increase revenue to the state by about $100 million in both FY 2009-10 and FY 2010-11. Thus, the enactment of these bills has caused the revenue forecast for both years to increase compared with the March forecast.

Table 6
June 2009 General Fund Revenue Estimates
(Dollars in Millions)

Category	Actual 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	$2,126.6	4.9	$1,928.5	-9.3	$2,030.7	5.3	$2,117.3	4.3	$2,134.8	0.8
Use	191.3	5.3	174.2	-9.0	161.7	-7.1	168.3	4.0	178.2	5.9
Cigarette	45.2	-4.0	44.3	-2.1	41.9	-5.4	41.4	-1.0	40.9	-1.3
Tobacco Products	12.4	-4.2	14.0	13.0	14.0	-0.4	14.1	1.0	14.5	2.6
Liquor	35.7	5.0	35.4	-0.8	37.1	4.9	37.6	1.3	38.2	1.6
TOTAL EXCISE	$2,411.1	4.7	$2,196.4	-8.9	$2,285.4	4.1	$2,378.7	4.1	$2,406.7	1.2
Net Individual Income	$4,973.7	2.1	$4,238.7	-14.8	$4,281.2	1.0	$4,689.4	9.5	$5,222.4	11.4
Net Corporate Income	507.9	2.0	331.3	-34.8	285.2	-13.9	285.8	0.2	338.5	18.5
TOTAL INCOME TAXES	$5,481.6	2.1	$4,570.0	-16.6	$4,566.4	-0.1	$4,975.2	9.0	$5,561.0	11.8
Less: Portion diverted to the SEF	-407.9	3.2	-339.9	-16.7	-340.0	0.0	-369.7	8.7	-412.2	11.5
INCOME TAXES TO GENERAL FUND	$5,073.7	2.0	$4,230.0	-16.6	$4,226.5	-0.1	$4,605.5	9.0	$5,148.8	11.8
Insurance	188.3	5.0	190.9	1.4	197.0	3.2	201.8	2.4	208.1	3.1
Pari-Mutuel	2.7	-8.6	0.6	-77.5	0.6	3.8	0.6	-3.4	0.6	-3.4
Investment Income	17.9	-36.4	10.4	-41.8	12.7	21.8	16.5	29.8	22.9	38.8
Court Receipts	29.6	3.0	23.8	-19.4	17.2	-27.9	0.2	-98.6	0.3	4.7
Gaming	0.0	-100.0	4.9	NA	0.0	NA	0.0	NA	0.0	NA
Other Income	19.5	17.0	24.0	22.8	26.7	11.4	25.4	-4.7	26.6	4.7
TOTAL OTHER	$258.1	-1.7	$254.6	-1.3	$254.2	-0.1	$244.6	-3.8	$258.5	5.7
GROSS GENERAL FUND	$7,742.9	2.7	$6,681.0	-13.7	$6,766.1	1.3	$7,228.8	6.8	$7,813.9	8.1
REBATES & EXPENDITURES:										
Cigarette Rebate	$12.7	-3.9	$12.9	2.0	$12.2	-5.4	$12.1	-1.0	$12.0	-1.3
Old-Age Pension Fund	93.3	3.7	97.5	4.6	105.6	8.3	115.1	9.0	125.5	9.1
Aged Property Tax & Heating Credit	10.4	24.1	8.6	-17.4	8.2	-4.6	7.7	-6.0	7.2	-6.0
Interest Payments for School Loans	11.9	12.2	5.5	-53.6	6.7	21.8	8.7	29.8	12.1	38.8
Fire/Police Pensions	38.8	0.1	4.0	-89.6	4.1	2.4	4.5	9.6	29.9	561.3
Amendment 35 GF Expenditures	1.0	-3.1	1.0	-0.9	0.9	-4.9	0.9	0.1	0.9	-0.9
TOTAL REBATES & EXPENDITURES	$168.0	3.8	$129.6	-22.9	$137.8	6.4	$149.1	8.2	$187.7	25.9

Totals may not sum due to rounding.

Without the increased revenue from these bills, sales tax revenue is projected to decline slightly in FY 2009-10, with most of the decreases occurring in the first half of the fiscal year. Slight increases in revenue are expected over the last half as spending slowly begins to recover. Despite the continued weakness in consumer and business spending, the increased revenue to the state from the aforementioned legislation will result in sales tax revenue growth of 5.3 percent in FY 2009-10.

The forecast for FY 2008-09 **use tax** revenue, which comes mostly from business spending, was lowered by $3.7 million as collections were worse than anticipated in March. Use tax revenue has deteriorated rapidly since November with the increase in economic uncertainty and further tightening in the credit markets that occurred around that time. Collections during the November through May period fell 14 percent on a cash basis compared to the same period a year prior.

Due to the weak financial condition of the state's businesses from strained credit markets and lower demand for their goods and services, the use tax revenue forecast for FY 2009-10 was lowered by $6.5 million, or 3.8 percent. Use tax revenue is expected to decline 9.0 percent in FY 2008-09 and 7.1 percent FY 2009-10 and then rebound in FY 2010-11 as business conditions finally begin to improve.

As shown in Table 7, seven bills enacted in 2009 impact sales and use tax revenue to the General Fund over the forecast period, three of which increase revenue. Noted above, **Senate Bill 09-212** and **Senate Bill 09-275** affect the "vendor discount" fee that merchants are allowed to claim for their expenses in collecting and remitting sales tax to the state. Senate Bill 09-212 temporarily reduced the vendor fee rate from 3 1/3 percent to 1.35 percent of sales taxes collected for monthly tax filers, while Senate Bill 09-275 eliminated the fee through FY 2010-11 for all filers. However, if the September 2010 Legislative Council Staff forecast indicates that there is sufficient revenue to grow General Fund appropriations by 6 percent in FY 2010-11, the vendor fee will return to its 3 1/3 percent level on January 1, 2011, six months earlier than scheduled. These bills are estimated to increase General Fund revenue by $12.4 million in FY 2008-09, $68.2 million in FY 2009-10, and $71.3 million FY 2010-11.

House Bill 09-1342 eliminates the state sales and use tax exemption on purchases of cigarettes for fiscal years 2009-10 and 2010-11, increasing General Fund revenue by an estimated $31 million and $32 million, respectively, in those years.

Table 7
2009 Bills Affecting General Fund Revenue
(Dollars in Millions)

		FY 2008-09	FY 2009-10	FY 2010-11
Sales Taxes				
SB 09-212	Sales Tax Vendor Fee - Part 1	12.4	37.6	39.6
SB 09-275	Sales Tax Vendor Fee - Part 2	0.0	30.6	31.7
HB 09-1035	Clean Technology / Medical Device Refund /A	0.0	0.0	0.0
HB 09-1126	Exemption for Solar Thermal Installation	0.0	-0.3	-0.3
HB 09-1298	Refund for Trucking Industry	0.0	0.0	-0.04
SB 09-121	Taxation of Restaurant Employee Meals	0.0	-0.4	-0.4
HB 09-1342	Cigarette Exemption	0.0	31.0	32.0
Total Sales Taxes	Total Sales Taxes	$12.4	$98.5	$102.6
Income Taxes				
HB 09-1001	Tax Credit for Job Growth	0.0	-2.9	-8.6
HB 09-1105	Colorado Innovation Investment Tax Credit /B	0.0	0.0	0.0
HB 09-1067	In-Stream Flow Tax Credit /A	0.0	0.0	0.0
HB 09-1298	3 Percent Investment Tax Credit for Big Rigs	0.0	0.0	0.3
HB 09-1331	Tax Incentives For Fuel Efficient Vehicles	0.0	1.8	5.2
HB 09-1366	Capital Gains Deduction	0.0	8.0	17.6
Total Income Taxes	Total Income Taxes	$0.0	$6.9	$14.5
Pari-mutuel Taxes				
SB 09-174	Horse & Greyhound Racing Regulation	$0.0	$0.2	$0.2
Insurance Premium Taxes				
SB 09-259	Cash Fund the Division of Insurance	$0.0	$2.5	$0.0
Total Impact of All Bills		**$12.4**	**$108.1**	**$117.3**

/A These bills are effective only during years in which General Fund revenue is sufficient to allow General Fund appropriations to increase 6%. This is not expected to occur until FY 2011-12.

/B HB 09-1105 has a net impact of $0 to the General Fund.

Cash Fund Revenue

Table 8 summarizes the forecast for revenue to cash funds subject to TABOR. Total cash fund TABOR revenue is expected to increase 3.7 percent in FY 2008-09. A large increase in severance tax revenue due to record high energy prices in 2008 and an increase in unemployment insurance revenue reflecting the steep and rapid job losses the state has experienced are offsetting declines in transportation-related revenue, workers' compensation insurance-related revenue, and limited gaming revenue. Gaming and transportation-related revenue, in particular, are being negatively impacted by the recession.

Cash fund revenue is projected to decline 10.7 percent in FY 2009-10. A sharp decline in severance tax revenue due to depressed natural gas prices and the removal of unemployment insurance revenue from TABOR will offset the increase in transportation-related revenue from the higher registration fees enacted by **Senate Bill 09-108** (FASTER) and the new revenue generated from the Hospital Provider Fee created by **Senate Bill 09-1293** (Health Care Affordability Act) that is intended to increase the number of persons covered by federal and state medical assistance programs.

A total of 50 bills enacted during the session increased cash fund fee revenue subject to TABOR by about $500 million in FY 2009-10. This includes the new Hospital Provider Fee and the FASTER bills. The Hospital Provider Fee is expected to bring in $336.4 million in FY 2009-10. The FASTER bills, **Senate Bill 09-108** and **House Bill 09-1318**, will generate a combined total of $151.1 million.

Revenue to the ***transportation-related*** cash funds, which include the Highway Users Tax Fund, the State Highway Fund, and several smaller cash funds, will decrease 5.1 percent in FY 2008-09, after increasing 4.5 percent last year, and will grow at an annual average rate of 4.7 percent over the four-year forecast period. Revenue to these cash funds will increase 18.3 percent in FY 2009-10. The boost in FY 2009-10 is due to an additional $151.1 million expected to be collected as a result of **Senate Bill 09-108** (FASTER) and **House Bill 09-1318**, which increased registration fees and other transportation-related revenue. Table 9 summarizes the forecast for transportation-related revenue.

In addition to FASTER and House Bill 09-1318, a number of other transportation-related bills will impact revenue in the coming fiscal years, including **Senate Bill 09-002,** which increases revenue from motor vehicle registrations for Emergency Medical Services by $4.9 million a year starting in FY 2009-10. Additionally, revenue will decrease as a result of the passage of **House Bill 09-1266**, which eliminates a $95 fee for suspended drivers' licenses starting in FY 2009-10, and **Senate Bill 09-274**, which diverts revenue generated from drivers' license fees to the Division of Motor Vehicles in FY 2009-10 and each year thereafter.

Motor fuel taxes will fall 5.7 percent in FY 2008-09 and grow at a modest pace of 0.8 percent in FY 2009-10. The severity of the economic downturn resulted in declining gasoline purchases, which depressed revenue in FY 2008-09. Demand for motor fuel is expected to remain weak until the economic recovery boosts both leisure and work-related transit in FY 2009-10.

Vehicle registration fees will decline 1.5 percent in FY 2008-09. Despite the increase in registration fees resulting from legislation enacted in 2008, economic conditions resulted in reduced car purchases, which depressed revenue. FASTER will boost registration fee revenue by $125.9 million in FY 2009-10 and each year thereafter. FASTER will also

Table 8
Cash Fund Revenue Subject to TABOR, June 2009
(Dollars in Millions)

	Actual FY 07-08	Estimate FY 08-09	Estimate FY 09-10	Estimate FY 10-11	Estimate FY 11-12	FY 07-08 to FY 11-12 CAAGR *
Transportation-Related	$920.5	$873.8	$1,033.4	$1,060.8	$1,087.9	
% Change	4.5%	-5.1%	18.3%	2.6%	2.6%	4.3%
Unemployment Insurance /A	$426.6	$448.2	*Not Applicable*			
% Change	0.3%	5.1%				
Employment Support Fund /A	$21.5	$19.8	*Not Applicable*			
% Change	-3.7%	-8.0%				
Hospital Provider			$336.4	$389.4	$487.8	
% Change				15.8%	25.3%	
Severance Tax	$170.1	$303.2	$54.8	$141.5	$173.3	
% Change	17.2%	78.3%	-81.9%	158.1%	22.5%	0.5%
Total Gaming Revenue	$113.6	$98.0	$103.8	$109.8	$117.4	
% Change	-3.6%	-13.7%	5.9%	5.9%	6.9%	0.8%
Insurance-Related	$64.7	$50.7	$45.9	$35.6	$35.9	
% Change	-2.1%	-21.7%	-9.5%	-22.3%	0.8%	-13.7%
Regulatory Agencies	$56.8	$74.9	$57.7	$58.2	$59.4	
% Change	11.9%	31.8%	-22.9%	0.9%	2.0%	1.1%
Capital Construction - Interest /B	$19.3	$10.1	$1.2	$1.5	$1.3	
% Change	29.2%	-47.7%	-88.2%	26.2%	-10.7%	-48.7%
Other Cash Funds /C	$466.7	$464.6	$459.9	$470.4	$495.7	
% Change	20.8%	-0.4%	-1.0%	2.3%	5.4%	1.5%
Total Cash Fund Revenues	$2,259.8	$2,343.1	$2,093.1	$2,267.3	$2,458.7	
Subject to the TABOR Limit	7.1%	3.7%	-10.7%	8.3%	8.4%	2.1%

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

/A Pursuant to HB 09-1363, the Unemployment Insurance Program will be a TABOR enterprise beginning in FY 2009-10.

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

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

Table 9
Transportation Funds Revenue Subject to TABOR, June 2009
(Dollars in Millions)

	Actual FY 07-08	Estimate FY 08-09	Estimate FY 09-10	Estimate FY 10-11	Estimate FY 11-12	FY 07-08 to FY 11-12 CAAGR *
Highway Users Tax Fund (HUTF)						
Motor Fuel and Special Fuel Taxes	$577.4	$544.5	$549.1	$567.8	$582.5	0.2%
% Change	4.8%	-5.7%	0.8%	3.4%	2.6%	
Registrations	$185.3	$182.6	$304.9	$308.8	$315.3	14.2%
% Change	-0.8%	-1.5%	67.0%	1.3%	2.1%	
Daily Rental Fee	$0.0	$0.0	$24.3	$24.4	$24.6	
% Change				0.3%	1.2%	
Other Receipts /A	$41.4	$49.8	$37.1	$34.3	$35.1	-4.0%
% Change	-1.5%	20.4%	-25.5%	-7.4%	2.3%	
Total HUTF	**$804.0**	**$776.9**	**$915.3**	**$935.3**	**$957.6**	**3.6%**
% Change	3.1%	-3.4%	17.8%	2.2%	2.4%	
State Highway Fund	$88.5	$69.8	$84.7	$91.1	$94.9	1.8%
% Change	23.4%	-21.2%	21.4%	7.6%	4.2%	
Other Transportation Funds /B	$28.0	$27.1	$33.5	$34.4	$35.4	6.1%
% Change	-5.0%	-3.0%	23.4%	2.9%	2.9%	
Total Transportation Funds	**$920.5**	**$873.8**	**$1,033.4**	**$1,060.8**	**$1,087.9**	**4.3%**
% Change	4.5%	-5.1%	18.3%	2.6%	2.6%	

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

/A Includes interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.

/B Includes Emergency Medical Services, emissions registration and inspections, motorcycle license, license plate, and P.O.S.T. Board revenues.

increase revenue to the Highway Users Tax Fund by $24.3 million in FY 2009-10 as a result of a new $2 *daily fee on rental vehicles*. Revenue from this fee will increase at an average annual rate of 1.0 percent between FY 2009-10 and FY 2011-12.

Revenue to the *State Highway Fund* will decline 21.2 percent in FY 2008-09, but is expected to see an increase of 21.4 percent in FY 2009-10 from additional revenue generated by changes in permit fees for overweight vehicles from House Bill 09-1318.

Forecasts for ***unemployment insurance*** (UI) revenue, benefit payments, and the UI Trust Fund balance are shown in Table 10. As a result of **House Bill 09-1363**, revenue to the UI Trust Fund and the Employment Support Fund will no longer be subject to TABOR beginning in FY 2009-10, and are therefore excluded from Table 8.

The prolonged recession, accompanied by plummeting employment and declining wages, led to numerous changes to the UI Trust Fund. Accelerating benefit payments as a result of mass layoffs are expected to continue in FY 2009-10. Lower surcharge revenue combined with increased benefit payments will put enough downward pressure on the balance of the UI Trust Fund to require the solvency surcharge to remain in effect through the forecast period. Surcharge rates are expected to adjust upward through FY 2010-11 as a result of the escalating benefit payments.

The rapid pace at which employment declined in the state continues to put considerable pressure on the UI Trust Fund, and a negative balance is expected in FY 2009-10. When the balance of the UI Trust Fund falls below zero, the federal government requires the state to borrow money from the Federal UI Trust Fund to meet benefit payments. The combined effects of increasing surcharge rates, legislation, and economic recovery will cause the balance to return to positive territory in FY 2010-11. **Senate Bill 09-247** utilizes the federal UI modernization incentive program to add $134.8 million to the fund balance in FY 2009-10. While this will not prevent a negative fund balance in FY 2009-10, it will aid in the recovery of the fund balance the following fiscal year.

Senate Bill 09-1293 (Health Care Affordability Act) created the ***Hospital Provider Fee,*** which is contingent upon federal approval, is expected to generate $336.4 million in revenue in FY 2009-10. This revenue will be used to increase the number of persons covered by federal and state medical assistance programs. The hospital provider fee will be paid by hospitals based upon their net revenue. The revenue from the fees will be matched with federal funds and redistributed to hospitals based upon medical assistance program caseloads. The State Medical Services Board is authorized to change the fee over time to expand eligibility for those covered by medical assistance programs. Revenue from the fee and matching funds is expected to increase 15.8 percent to $389.4 million in FY 2010-11.

The forecast for ***severance taxes*** in FY 2008-09, including interest earnings, was increased due to higher-than-expected tax receipts from oil and natural gas production, which makes up over 90 percent of severance taxes in most years. Most of this comes from natural gas. After taxes from oil and natural gas, the second largest source of severance taxes is from coal production in the state, which produces revenue at a much more stable level over time than taxes from oil and natural gas.

Severance tax revenue in FY 2008-09 is projected to total $303.2 million. Though natural gas prices have been at low levels since the end of 2008, producers continue to have tax liabilities tied to higher income levels from when prices reached record levels through much of last year. The sharp decline in energy prices

Table 10
Unemployment Insurance Trust Fund Forecast, June 2009*
Revenues, Benefits Paid, The UI Fund Balance, and Solvency
(Dollars in Millions)

	Actual FY 07-08	Estimate FY 08-09	Estimate FY 09-10	Estimate FY 10-11	Estimate FY 11-12
Beginning Balance	$601.8	$699.8	$332.2	($36.3)	$33.7
Plus Income Received					
Regular Taxes /A	$192.3	$211.1	$295.1	$619.3	$516.5
Solvency Taxes	$203.1	$211.0	$271.8	$286.1	$260.4
Interest	$31.2	$26.1	$5.1	$0.4	$7.4
Plus Federal Payment	$0.0	$0.0	$134.8	$0.0	$0.0
Total Revenues	**$426.6**	**$448.2**	**$571.9**	**$905.8**	**$784.3**
% Change	0.3%	5.1%	57.7%	28.2%	-13.4%
Less Benefits Paid	($329.0)	($796.0)	($1,055.9)	($816.3)	($542.1)
% Change	13.2%	141.9%	32.7%	-22.7%	-33.6%
Federal Reed Act Transfer	$0.0	$0.0	$0.0	$0.0	$0.0
Accounting Adjustment	$0.5	($19.8)	($19.4)	($19.5)	($19.9)
Ending Balance	**$699.8**	**$332.2**	**($36.3)**	**$33.7**	**$255.9**
Solvency Ratio:					
Fund Balance as a Percent of Total Annual Private Wages	0.83%	0.38%	-0.04%	0.04%	0.29%

Totals may not sum due to rounding.

NA: Not applicable.

/A This includes regular UI taxes, 30% of the UI surcharge, penalty receipts, and the accrual adjustment on taxes.

** The Unemployment Insurance Trust Fund is no longer subject to TABOR starting in FY 09-10.*

in conjunction with large severance tax credits based on the higher value of natural gas and oil sold in 2008 will serve to significantly reduce revenue in FY 2009-10. In FY 2009-10, total severance tax revenue is projected to drop to $54.8 million, a decrease of 81.9 percent from FY 2008-09.

Natural gas prices for Colorado producers averaged $7.00 per thousand cubic feet (Mcf) in 2008, but are averaging around $2.75 per Mcf in June. The average price for all of 2009 is expected to be $3.05, a steep 56 percent decline from 2008 due to the deep recession and reduced energy consumption. Industrial production, which accounts for around 30 percent of natural gas consumption in the United States, has declined for seven straight months, and the industrial capacity utilization rate, a measure of the slack in the economy, is at its lowest level (68.3 percent) on record dating back to 1967. Because demand for gas is low, the increased supply resulting from the jump in energy production in recent years has created an over-supply of natural gas, resulting in depressed prices. Natural gas in storage in the western United States, including Colorado, is 33 percent above the average level over the last five years.

The low price environment is impacting producers in Colorado particularly hard since the prices they are able to receive are lower than producers in other areas of the nation due to the state's restricted natural gas pipeline capacity. As a result of the weak economy and low prices, energy producers on the western slope have curtailed their drilling activities. For example, the number of drilling rigs in operation in Garfield County was 18 in the middle of June, a drop from 63 at the same time a year ago, according to Baker and Hughes, an oil and gas services firm. Production in this area is particularly sensitive to price movements because it is more expensive to operate there.

Severance taxes are expected to post a moderate rebound in the last two fiscal years of the forecast period with an increase in economic activity. However, the large supply of natural gas is expected to continue to outpace demand over the next few years, which will limit upward price movements and prevent severance taxes from reaching the high levels seen in FY 2008-09. However, the likely addition of a major new gas pipeline around the middle of 2011 will enable Colorado producers to sell more of their product to other markets, helping bolster natural gas prices in the region. Also, it is possible that the declines in drilling activity that will limit natural gas supplies and an increase in the use of natural gas for electric power generation as a substitute for coal will put more upward pressure on prices than projected, causing severance tax revenue to recover stronger than expected.

The recession, job losses, and high gas prices in 2008 caused **gaming revenue** to see its worst decline since Colorado limited gaming began in 1991. After decreasing 3.6 percent in FY 2007-08, total gaming revenue, which includes taxes, fees, and interest earnings, will decrease another 13.7 percent in FY 2008-09.

Gaming revenue will increase substantially in FY 2009-10 and FY 2010-11. The increase is attributed to an economy that will gradually improve and the recent approval of expanded gaming authorized by Amendment 50. Each of the three gaming towns held elections to decide whether bet limits can be raised from $5 up to $100, whether casinos can stay open 24 hours per day, and whether to add craps and roulette to the current mix of games. By late January 2009, voters in all three towns approved the expanded gambling limits. Gaming revenue resulting from Amendment 50 will equal $30.6 million FY 2009-10, $33.8 million in FY 2010-11, and $48.1 million in FY 2011-12.

Gaming revenue transfers and the budget. Current law provides the Joint Budget Committee authority to run a bill to adjust the transfer of gaming revenue to certain state economic development programs if the forecast indicates that revenue will not be sufficient to allow for 6 percent appropriations growth. Under **Senate Bill 09-217**, the Colorado Travel and Tourism Promotion Fund, the State Council on the Arts Cash Fund, the New Jobs Incentives Cash Fund, and the Film Incentives Cash Fund will receive a total of $18.7 million. If not for Senate Bill 09-217, the statutes would have required the programs to lose the entire amount of their transfer. Also, because revenue is forecast to be insufficient to fund 6 percent appropriations growth, the General Fund is expected to receive $4.9 million in FY 2008-09. This money would have otherwise been credited to the Clean Energy Fund in the Governor's Energy Office.

All ***other cash fund revenue*** subject to TABOR, which includes revenue from a large number of various cash funds, will decline slightly in FY 2008-09 and again in FY 2009-10. Part of the FY 2008-09 revenue to these funds comes from the temporary loss of TABOR enterprise status by Adams State College, Mesa State College, and Fort Lewis College, which is estimated to generate $55.7 million in TABOR revenue.

Federal Mineral Leasing Revenue

Table 11 presents the June 2009 forecast for federal mineral leasing (FML) revenue in comparison with March of 2009. FML revenue is the portion of revenue the state receives from the money the federal government collects for mineral production on federal lands. 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.

As indicated in Table 11, FML revenue has grown from $44.6 million in FY 2001-02 to $153.6 million in FY 2007-08 as a result of

Table 11
Federal Mineral Leasing Revenue Distributions
(Millions of Dollars)

Year	June 2009 Forecast	% Chg.	March 2009 Forecast	% Chg. from last forecast
FY 2001-02*	$44.6		$44.6	
FY 2002-03*	$50.0	12.1%	$50.0	
FY 2003-04*	$79.4	58.7%	$79.4	
FY 2004-05*	$101.0	27.2%	$101.0	
FY 2005-06*	$143.4	41.9%	$143.4	
FY 2006-07*	$123.0	-14.3%	$123.0	
FY 2007-08*	$153.6	25.0%	$153.6	
FY 2008-09	$228.7	48.8%	$230.9	-1.0%
FY 2009-10	$118.6	-48.1%	$125.3	-5.3%
FY 2010-11	$133.1	12.2%	$148.5	-10.3%
FY 2011-12	$154.3	15.9%	$192.1	-19.7%

**Actual revenue distributed.*
Source: State Treasurer's Office.

increasing production on the state's federal lands, mostly in western Colorado. Similar to severance taxes, FML revenue has increased in FY 2008-09 because of the strong price increases for natural gas during much of 2008. FML revenue is also being bolstered in FY 2008-09 by one-time money from the auction of federal land for mineral production on the Roan Plateau in western Colorado. This generated one-time payments of about $114 million, of which the state received $56 million in November. FML revenue is expected to total $228.7 million in FY 2008-09.

The fall in energy prices has reduced the amount of FML revenue the state receives considerably over the past several months and the revenue forecast for FY 2008-09 and FY 2009-10 was lowered slightly since the March forecast to reflect this trend. As with severance tax revenue, FML revenue in FY 2009-10 will drop due to low natural gas prices, reduced demand for energy during the recession, and reduced energy production activity on the western slope. The reduction will not be as pronounced as with severance tax revenue because FML revenue is not affected by the tax credit that is allowed against severance taxes. FML revenue will come in at $118.6 million in FY 2009-10. As with severance taxes, FML revenue is expected to resume moderate growth in the latter two years of the forecast as the economy recovers and energy prices begin to improve.

National Economy

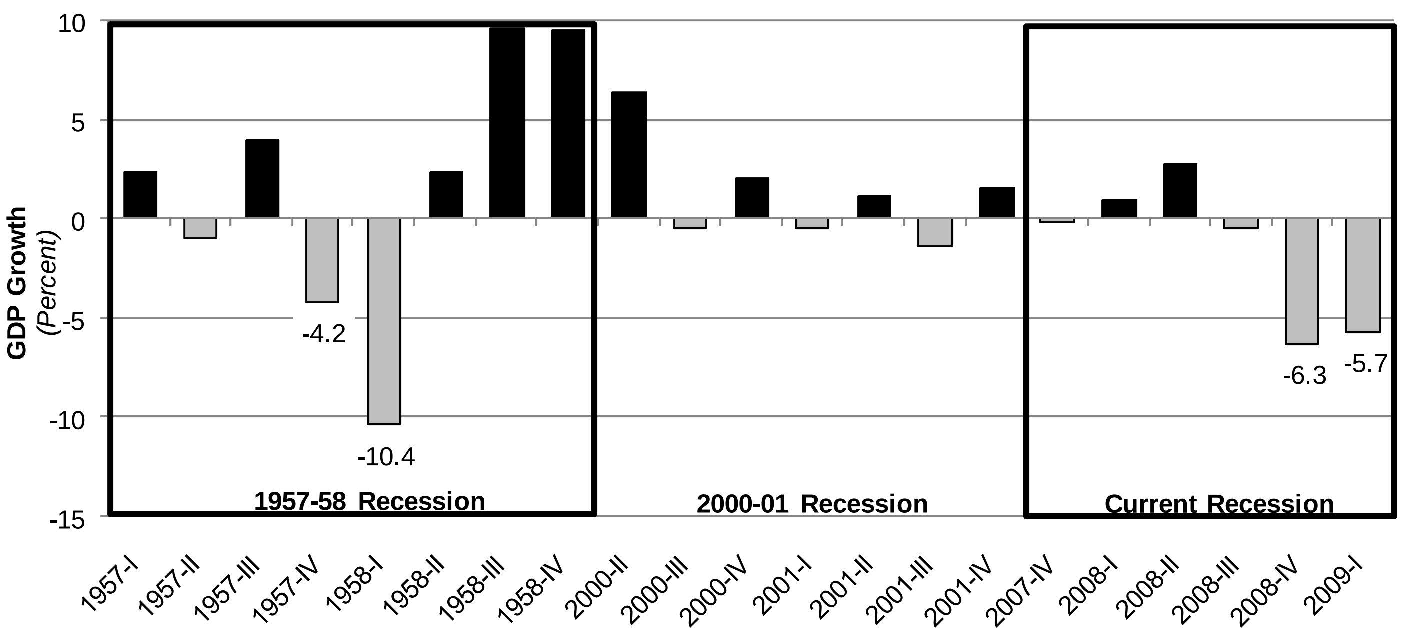
The national economy continues to suffer in a recession that began nearly 18 months ago. That said, the sharp downhill slide appeared to slow in the second quarter. Although the recession is expected to continue into 2010, some economic signs indicate that the worst may have passed.

As the economy heads toward the close of the second quarter, the **Federal Reserve's** evaluation of economic conditions indicated that in five of the Fed's 12 regions, downward trends are moderating, business activity is improving, and some sectors of the economy are stabilizing. Since the recession began in December 2007, there are six million fewer jobs. But after six months of horrific job losses, the employment report for May is showing that the number of job cuts is declining. The strategic goal for the nation's policymakers is to use monetary and fiscal policy to shore-up the banking industry, promote jobs, and buoy consumer confidence without causing undue inflationary pressure when the economy begins to recover.

For the first quarter of 2009, the Bureau of Economic Analysis indicated that the economy declined 5.7 percent after decreasing 6.3 percent in the fourth quarter and 0.5 percent in the third quarter of 2008, as measured by real **gross domestic product** (GDP). The last time the nation saw declines in GDP this large was during the 1957-1958 recession. Figure 3 compares GDP declines for the current, most recent prior, and 1957-1958 recession.

The decrease in real GDP in the first quarter was primarily driven by a decline in exports, private inventory investment,

Figure 3
Declines in Real GDP During Three Recessions
1957-1958, 2000-2002, and 2007-2009



Source: Bureau of Economic Analysis.

equipment and software, consumer spending on durable goods and automobiles, and home building. The decline was partially offset by personal consumption expenditures on nondurable goods. Consumer spending increased 1.5 percent in the first quarter after decreasing 4.3 percent in the fourth quarter of 2008. Nonresidential construction decreased 36.9 percent, compared with a decrease of 21.7 percent in the prior quarter. Home construction decreased 38.7 percent, compared with a decrease of 22.8 percent in fourth quarter.

The housing industry is seeing a spike in home **mortgage rates** that may further dampen new home construction and refinancing opportunities for many homeowners. A weekly rate survey from Freddie Mac reported that mortgages averaged 5.6 percent in mid-June, up from rates below 5 percent in late May. The Mortgage Bankers Association reported that refinancing activity dropped 19.6 percent on a four-week moving average through mid-June. Currently, refinancing makes up about 54 percent of all mortgage applications.

The nation's **manufacturing** sector continues to post grim declines. In April, new orders for manufactured goods were up for the second consecutive month, increasing 0.7 percent in April. But April year-to-date new orders declined 23.1 percent over the prior year period. When transportation is excluded, new orders increased 0.1 percent in April over the prior month but declined 20.8 percent through the first four months of 2009 over the prior year. The largest decline for new orders was seen in the construction machinery sector. Through the first four months of 2009, the value of manufacturer's new orders declined 70.8 percent over the prior year period. The value for iron and steel mills new orders also dropped precipitously, falling 57.5 percent over the same time period.

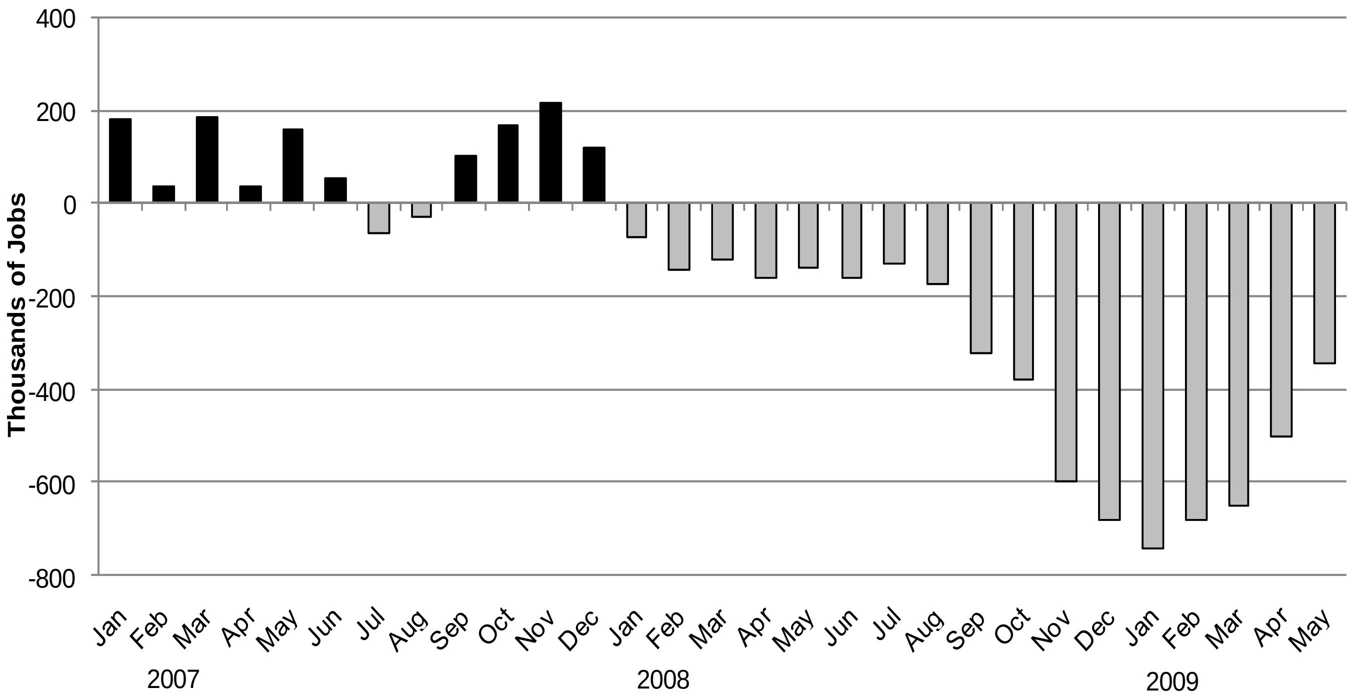
Shipments were down for nine consecutive months, decreasing $0.8 billion, or 0.2 percent, in April. This is the longest streak of consecutive monthly declines since 1992. The total value of manufacturer's shipments fell 18.9 percent through April over the first four months of 2009. Shipments to petroleum refineries and iron and steel mills led the declines, falling 51.4 percent and 49.3 percent respectively.

Despite the tempering of layoffs in May, about 6.0 million nonfarm **jobs** were lost since the recession officially began in December 2007, with nearly one-half (2.9 million) of these losses occurring in 2009. The national economy lost 345,000 jobs in May — about half of the average monthly losses in the prior six months and the lowest number of reported monthly job losses in the past eight months. Despite the easing of job losses in May, the 345,000 jobs exceeded the highest level of job losses in a single month in any of the three prior U.S. recessions. Nearly one-third of the job sectors added jobs in May, the highest percentage in seven months. Job losses moderated in construction, professional and business services, and retail trade. Figure 4 compares current and past job losses from 2007.

Manufacturing employment fell by 156,000 jobs in May as durable goods industries accounted for about half of the overall decline in factory employment. In the auto and parts industries, 30,000 jobs were cut. Auto industry employment peaked in February 2000 and has since shed about 50 percent of the industry's jobs. Also, machine manufacturing jobs declined by 30,000 jobs while the fabricated metal products sector shed 19,000 jobs. In addition, the mining sector lost 11,000 jobs in May, unchanged from job losses in the prior month.

Job losses are moderating in some sectors of the economy. For example, in May, the construction sector lost 59,000 jobs, compared with an average monthly loss of 117,000 jobs over the prior six months.

Figure 4
U.S. Nonfarm Employment Change
Seasonally Adjusted



Source: Bureau of Labor Statistics.

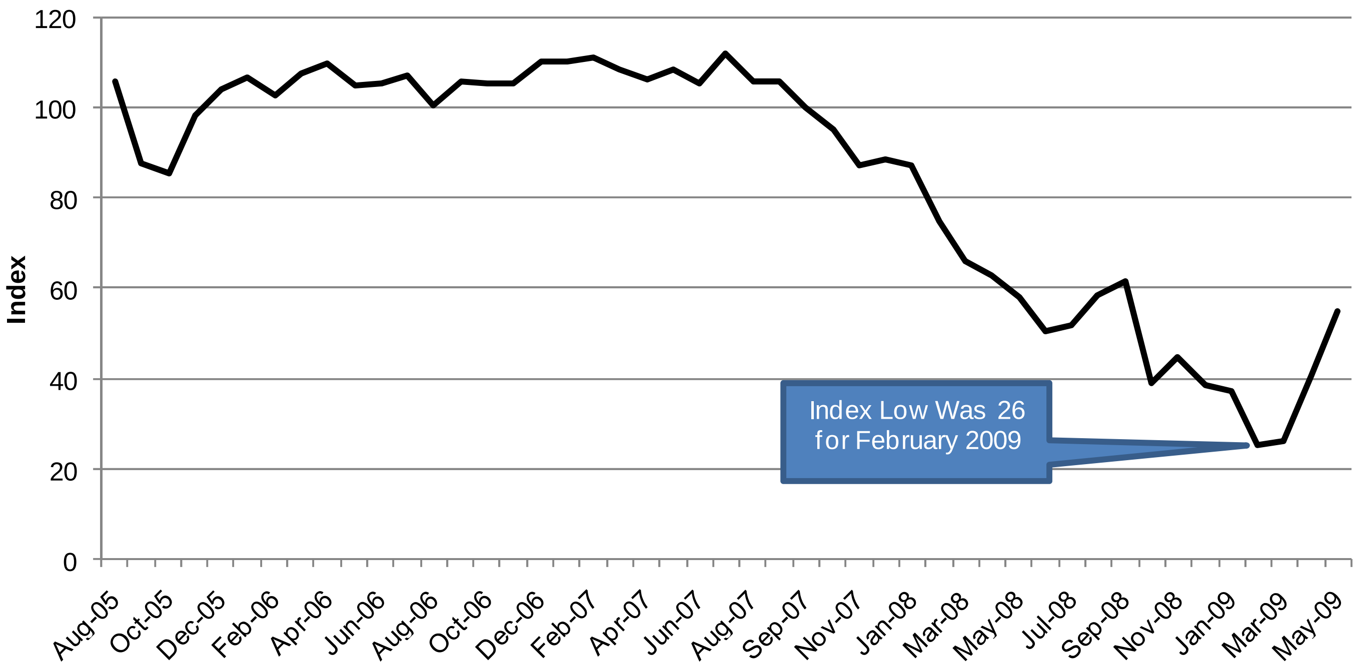
Employment fell in the nonresidential specialty trade contractors by 30,000 jobs while the residential construction of buildings sector lost 11,000 jobs in May. Similarly, the professional and business services sector moderated as 51,000 jobs were shed, compared with an average monthly loss of 136,000 jobs over the prior six months. Finally, employment in retail trade declined by 18,000 jobs as consumers continued to spend cautiously. However, the sector may be stabilizing as it shed 202,000 jobs in the first five months of 2009.

One industry that has not lost jobs is health care. Health care employment continued to grow in May — adding 24,000 jobs — slightly above the average monthly growth for 2009. The health care sector added about 20,000 per month or about 102,000 jobs since the start of the year. This is likely partially a result of increasing demand from the nation's aging population

The **unemployment rate** rose from 8.9 percent in April to 9.4 percent in May as the number of unemployed increased to 14.5 million. Since the start of the recession, the number of unemployed has increased by 6.0 million and the unemployment rate has risen by 4.8 percentage points to a 26-year high. The unemployment rate in the construction sector for May was the highest of all occupations, as nearly one-of-five workers (19.2 percent) were unemployed. High unemployment was also seen in the durable goods (auto industry) and energy sectors (13 percent).

The Conference Board's **consumer confidence** index moved up for the second consecutive month to 54.9 in May, up from 40.8 in the prior month after plunging in February to a record low of 26. The February low was the lowest level of confidence

Figure 5
Consumer Confidence Index



Source: Conference Board.

expressed by consumers since the board began collecting data in the 1960s. The two-month rise in consumer confidence places the index at an eight-month high. While this indicates that consumers are feeling better about the economy, it may not result in an immediate increase in consumer spending. Figure 5 shows a three-year history of the index and the recent two-month uptick in consumer sentiment since the index hit its low in February 2009.

Consumer debt decreased in April as consumers continue to pay off credit cards and save money. U.S. consumers paid down more debt than they took on in April for the seventh time in the past nine months. Total consumer credit fell 7.4 percent ($15.7 billion), to $2.52 trillion. April's decline was the second-largest in outstanding debt on record, exceeded only by March's $16.6 billion drop. Revolving debt, or credit card debt, fell $8.6 billion, or 11.0 percent, while nonrevolving debt, such as auto loans, fell $7.1 billion, or 5.3 percent. The declines in debt do not include debt backed by real estate, such as mortgages or home equity lines of credit, but do include debt that is written off by banks.

The rate of **inflation**, as measured by the seasonally adjusted **Consumer Price Index** for All Urban Consumers (CPI-U), increased 0.1 percent over the prior month, but was 1.0 percent lower than May 2008 and has averaged 1.9 percent over the last full twelve-month period. The energy index, which declined in each of the past two months, rose 0.2 percent in May as the increase in the gasoline index more than offset declines in other energy indexes. Core inflation, which excludes food and fuel, increased 0.1 percent following a 0.3 percent increase in April. The smaller increase in May was partly due to decreases in tobacco product prices.

The role of the **Federal Reserve** has expanded as it has implemented new ways to lend to banking institutions to stabilize the nation's financial systems. Mainly, the institution is pumping more money into the financial system to help provide credit to businesses and consumers and help invigorate the economy. There are, however, ongoing concerns about whether the Fed's monetary policy, combined with stimulative fiscal policy, is laying the groundwork for higher inflation when the economy recovers. However, the immediate threat is **deflation,** or a broad decline of prices that could ultimately deepen the recession.

The National Economic Outlook. As the economy recovers and job-markets improve, more people will be put back to work, consumer confidence will be higher, and the economy will recover. This is not expected to happen, however, until some time in 2010. The detailed forecast can be found in Table 12.

- The nation's economy, as measured by real **GDP**, declined at an annualized rate of 5.7 percent during the first quarter of 2009 after declining 6.5 percent in the prior quarter. GDP is expected to fall 2.6 percent in 2009 and increase 0.9 percent in 2010.

- **Consumer inflation** will decrease slightly in 2009, at 0.2 percent, and increase 1.7 percent in 2009. As the economy begins to recover in 2011 and 2012, the money the Federal Reserve and Federal Government is currently pumping into the economy is expected to create some inflationary pressure. Inflation will ramp up to 4.3 percent in 2012.

- **Personal income** growth is declining as the nation continues to shed jobs. After increasing 3.9 percent in 2008, personal income will fall 0.2 percent in 2009 and recover to a more moderate increase of 3.1 percent in 2010. Similarly, wage and salary growth will decline 0.4 percent in 2009 and increase 2.9 percent in 2010 as more people find jobs.

- The **unemployment rate** is expected to increase to 9.4 percent in 2009 from 5.8 percent in 2008. The unemployment rate will continue to increase even as the economy recovers because discouraged workers are expected to reenter the workforce with improved job prospects. The unemployment rate will increase to an average rate of 10.0 percent in 2010 before beginning to gradually decrease as the economic recovery matures in 2011 and 2012.

Risks to the forecast. The national economy continues to struggle in a recession that appears to be bottoming out and will likely subside some time during the first half of 2010. However, if there are further shocks to the financial system, the economy could languish in recession for a longer period of time. One of these shocks could result from an increased level of foreclosures in the nonresidential real estate market. In addition, nascent signs of life in the residential real estate market could be quelled if mortgage rates continue to increase.

Table 12
National Economic Indicators, June 2009 Forecast
(Dollars in Billions)

	2003	2004	2005	2006	2007	2008	Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012
Inflation-adjusted GDP /A	$10,301.0	$10,675.8	$10,989.5	$11,294.8	$11,523.9	$11,652.0	$11,349.0	$11,451.2	$11,737.5	$12,042.6
percent change	2.5%	3.6%	2.9%	2.8%	2.0%	1.1%	-2.6%	0.9%	2.5%	2.6%
Nonagricultural Employment (millions) /B	130.0	131.4	133.7	136.1	137.6	137.0	$132.1	$132.6	$134.3	$136.3
percent change	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.4%	-3.6%	0.4%	1.3%	1.5%
Unemployment Rate /B	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.4%	10.0%	8.9%	8.2%
Personal Income /A	$9,150.3	$9,711.4	$10,253.0	$10,978.1	$11,634.3	$12,086.5	$12,062.4	$12,436.3	$13,083.0	$13,789.5
percent change	3.1%	6.1%	5.6%	7.1%	6.0%	3.9%	-0.2%	3.1%	5.2%	5.4%
Wage and Salary Income /A	$5,107.3	$5,388.7	$5,665.4	$6,020.8	$6,355.8	$6,544.0	$6,517.8	$6,706.8	$7,069.0	$7,479.0
percent change	2.6%	5.5%	5.1%	6.3%	5.6%	3.0%	-0.4%	2.9%	5.4%	5.8%
Inflation (Consumer Price Index) /B	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.2%	1.7%	3.8%	4.3%

Data Sources through 2008 Include:

/A U.S. Bureau of Economic Analysis

/B U.S. Bureau of Labor Statistics

Colorado Economy

Colorado's economy continues to suffer through one of its worst downturns in over 50 years. The conditions fostering economic growth in recent years – easy access to credit, rising wealth, and high levels of consumer confidence – have disappeared, causing major declines in economic activity. Table 13 shows the forecast for the Colorado economy.

The drop in consumer spending that began last fall is persisting as a result of the poor job market, lost wealth, and high debt levels. Meanwhile, businesses continue to reduce investment and slash payrolls to cut costs in order to survive. Further, the housing market and construction sector remain weak. Although the major contractions in economic activity are moderating, the recovery will be a slow, long process as the economy searches for new sources of growth.

Broad Measures of the State Economy

The U.S. Bureau of Economic Analysis recently released preliminary estimates of **state Gross Domestic Product** (GDP) for 2008, which measures the value of all goods and services produced in the state. The estimates showed that Colorado had the 5th-fastest growing economy in 2008 and that its per capita GDP was the 10th-highest in the nation. The largest industry contributors to Colorado's GDP were real estate, information, professional and technical services, government, manufacturing, and retail trade.

Mining was the fastest growing industry in 2008 due to the rapid development of oil and gas production in the state as energy prices reached record levels. The information, professional and technical services, and health care and social assistance industries also posted healthy growth rates. Not surprisingly, the state's construction industry declined 4 percent in 2008.

One relatively small, but important, part of the Colorado economy is **exports**. Though the export of goods produced by Colorado businesses represents about 3 percent of the state's GDP, around 4,000 Colorado businesses export goods to other countries, according to the U.S. Commerce Department. Further, exports bring in new money to the state and help market Colorado to the global economy. However, the global recession is cutting demand for Colorado products in key foreign markets, such as Canada, Mexico, and China. The value of all goods exported by Colorado businesses is down 23.3 percent through April compared to the same period in 2008.

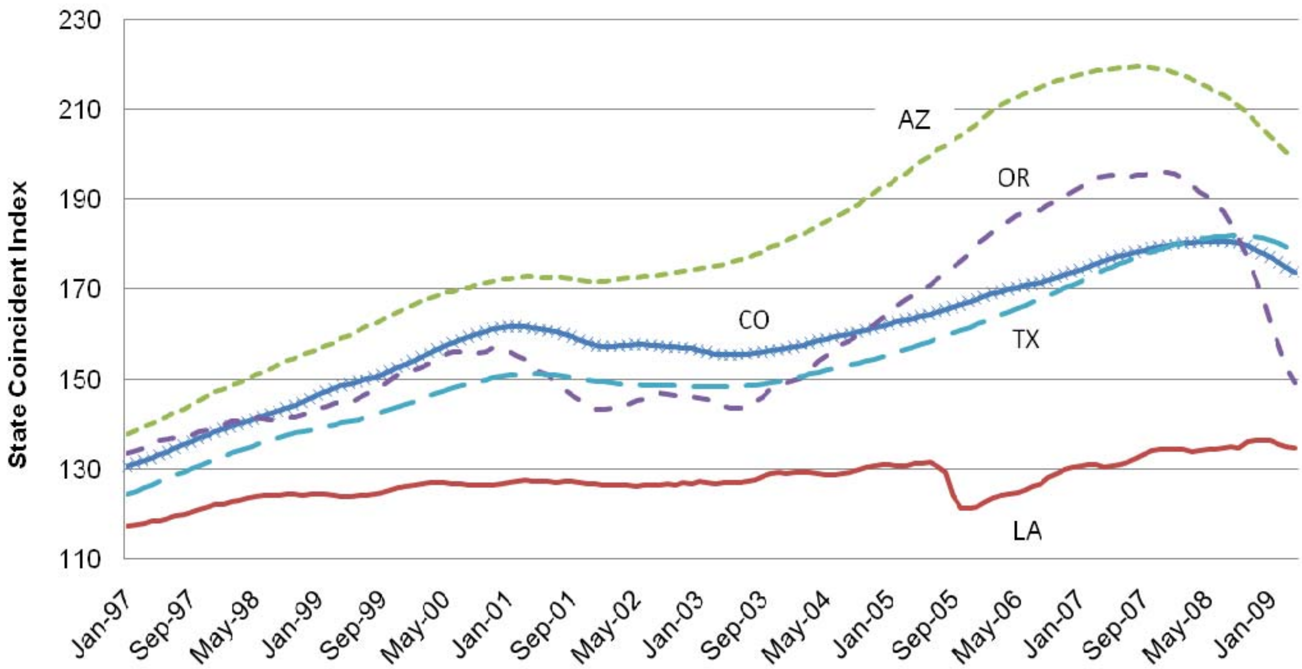
The Federal Reserve provides a monthly **state coincident index** which measures the condition of each state's economy using data on the job market, manufacturing hours worked, and wages. The index generally matches the growth trend for a state's GDP. Colorado's economic activity as measured by the index was down 3.7 percent in April compared to a year ago – the worst 12-month drop in the index's history for Colorado, which goes back to January 1980.

Colorado's index has been contracting since June of 2008. The state's economic performance as gauged by the index through April was 16th best among the 50 states. The largest 12-month declines in the index occurred in Oregon (-22.1 percent), Michigan (-15.5 percent), and Washington (-15.0 percent). North Dakota, Louisiana, and Alaska were the only states to post slight gains. Figure 6 shows Colorado's and other selected states' coincident index since 1997.

Job Market

One of the best and most current indicators of the health of the state's economy is the condition of its job market. Job losses during this recession have been larger and more

Figure 6
Federal Reserve Coincident Index for Colorado and Selected States, 1997 to April 2009



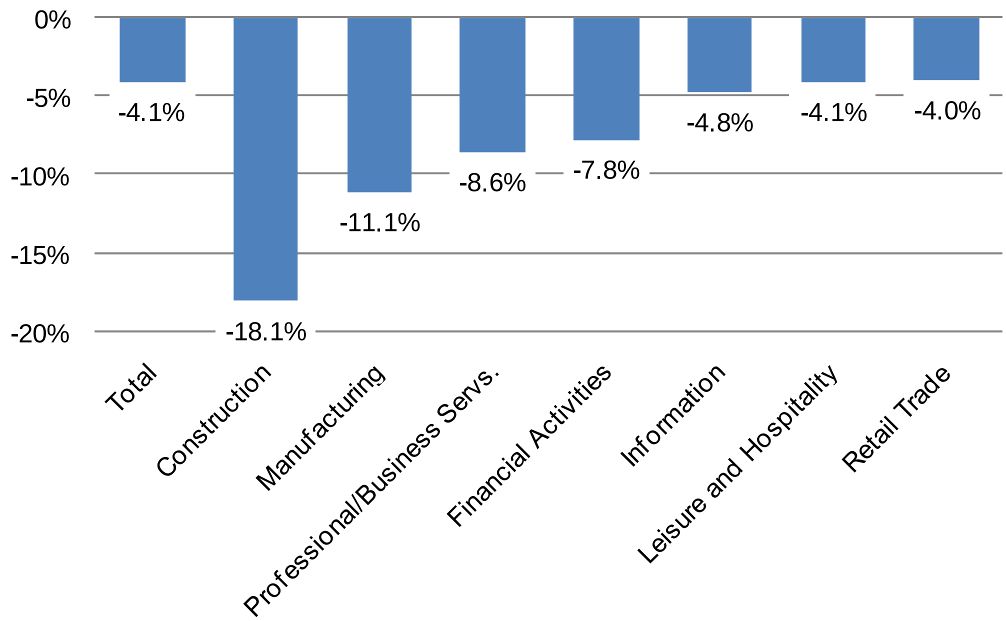
Source: Federal Reserve Bank of Philadelphia.

rapid than in past downturns. Since the peak level of employment in May 2008, the state's **nonfarm employment** level has dropped 4.1 percent, equating to a loss of 1 in every 25 jobs in the state, or close to 100,000 jobs. These job losses have flooded the market with job seekers who are competing with larger numbers of applicants for each job opening. However, as a potential sign that the major contractions in the state's economy are diminishing, the string of large drop losses mitigated in May when the state lost 5,100 jobs. This compares to monthly job losses ranging from 9,000 to up to 19,000 a month since October.

The job losses have been spread across most industries. However, the hardest hit have been: construction, which lost 18.1 percent of its jobs, or about 1 out of 5, since its peak level of employment; manufacturing, which lost 11.1 percent, or 1 out of 9, since its peak level, and the well-paying financial activities and business and professional services sectors, which contain over 20 percent of the state's jobs. These sectors' employment levels have declined by 7.8 percent and 8.6 percent, respectively, since their peak, which equates to about 1 out of every 12 jobs in the sectors. Figure 7 shows job losses in selected industries in Colorado since their peak employment levels before the downturn began. On a positive note, some of the state's important sectors have seen their job losses mitigate, such as the professional and business services sector. Further, the financial services industry broke its 15-month streak of job losses by adding jobs in May. Similarly, the retail trade industry ended its monthly string of job losses in May, posting its largest monthly increase since January 2008.

Job levels in the employment services industry can be a telling indicator of the future condition of the job market as companies tend to let temporary workers go before full-time employees if they need to cut costs and are subse-

Figure 7
Percent Job Loss Since Peak Employment Level Before Downturn
(through April 2009)



Source: U.S. Bureau of Labor Statistics.

quently likely to hire temporary workers first before permanent ones when business conditions begin to improve. Temporary employees can be engaged in a number of different professions, ranging from clerical and administrative workers to engineers. This is another reason why the sector can be a useful gauge of the broader job market. The industry has lost jobs at a rapid pace – employment levels in this sector through May were down 25.5 percent compared with the same period a year ago.

The mining industry has recently begun to shed jobs in response to the sharp drop in energy prices and the slowdown in energy exploration in the state. According to Baker Hughes, an oil and gas services firm, the number of drilling rigs operating in the state was 41 in the middle of June, down from 100 a year ago. The industry lost 3,300 jobs since January, an 11.1 percent decline.

The broad health and educational services industry continues to be one of the lone bright spots for jobs in the state. There continues to be demand for medical workers and educational establishments are expanding their payrolls in response to increasing numbers of individuals seeking to improve their job skills while jobs are in short supply. Jobs in this sector have increased 3.3 percent through May compared to a year ago, an increase of 8,000 jobs.

The state's **unemployment rate** was 7.6 percent in May when there was a reported 206,000 Coloradans looking for work. The number of unemployed in May was 60 percent higher than in May 2008 and more than double the number in May 2007.

An alternative measure of the state's job market from the U.S. Bureau of Labor Statistics provides further information on the current level of labor underutilization. The measure, commonly called the "underemployment" rate, includes the unemployed counted in the official unemployment rate, as well as "discouraged" workers who have stopped looking for work and left the labor force (and are thus not counted in the unemployment rate), and workers who are employed part time who would prefer to work full-time. The underemployment rate for Colorado averaged 10.4 percent during the 12-month period beginning in April 2008, up from an annual average of 7.3 percent in 2007. The rate is likely much higher now since the 10.4 percent represents the rate averaged over the full 12-month period. The national underemployment rate was 16.4 percent in May.

- The state's economy is expected to lose 85,000 jobs during 2009, a drop of 3.6 percent from 2008, bringing the unemployment rate up to an average 8.3 percent for the year. Though job losses will begin to moderate in the last part of 2009, the state will also experience a slight drop in employment in 2010 of 0.4 percent as businesses remain wary of hiring workers amidst a slow recovery. The state's unemployment rate will go higher in 2010, averaging 9.6 percent.

Personal Income and Wages

Personal income includes wages and salaries, small business income, dividends, interest, rental income, and government assistance payments, such as Social Security and unemployment insurance paid to, or earned by, Coloradans. Colorado's 2008 per capita personal income level of $42,377 was 13th highest in the nation, excluding the District of Columbia, according to the Bureau of Economic Analysis.

Colorado's personal income grew 4.9 percent in 2008, the 10th highest growth rate in the nation. However, the state's income began to decline in fourth quarter of 2008 as the recession hit hard, and declined again in the first quarter of 2009. The state's level of personal income shrank by 1.0 percent in the fourth quarter of last year and by another 0.7 percent in the first quarter of 2009 – dropping its ranking to 35th among states for income growth – due to large job losses, lower interest rates, and smaller corporate dividend payments. The decline would have been more severe were it not for rising unemployment insurance benefits for unemployed Coloradans and a cost of living adjustment for Social Security payments.

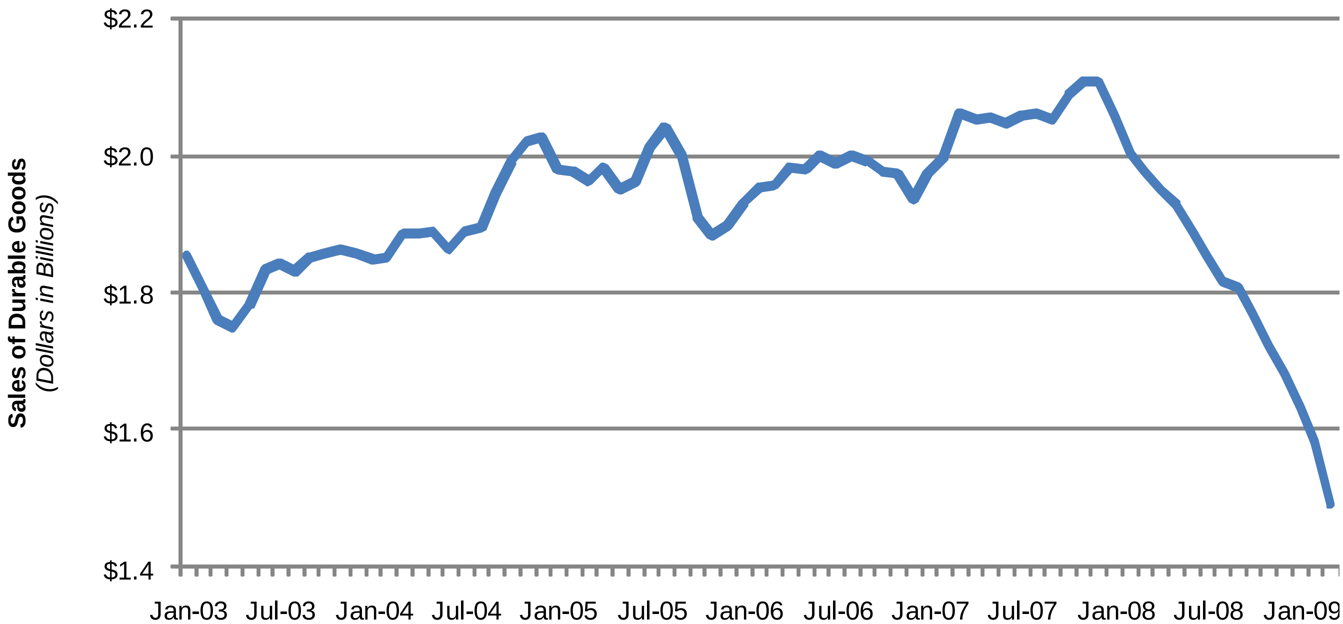
After rising 4.7 percent in 2008, the amount of ***wages and salaries*** paid to Colorado's workers – which comprises about 60 percent of personal income – also began to decline in the fourth quarter of last year. Wages and salaries declined 1.4 percent in the fourth quarter and another 0.9 percent in the first quarter of 2009. Finance, manufacturing, construction, and administrative and waste services were the major contributors to the decline. Notably, after experiencing substantial wage increases in recent years due to the energy boom, the mining industry also posted a decline in wages paid in the first quarter of 2.7 percent due to the slowdown in energy production in the state. The management of companies and enterprises, forestry and fishing, government, utilities, educational services, and health care sectors provided the largest increases in wages in the first quarter.

- Personal income will decline 0.3 percent in 2009 – marking the first annual decline since the Depression era in 1938 – and wages and salaries will decline 3.8 percent as a result of the state's elevated level of unemployment. However, both of these measures will experience slight growth in 2010 as the economy slowly begins to recover.

Consumer Spending

Colorado consumers have cut spending dramatically in response to diminished job prospects, a loss of wealth, and lower confidence. Consumers are also saving more and paying

Figure 8
Monthly Colorado Sales of Durable Goods, 2003 to March 2009
(3-month moving average, seasonally-adjusted)



Source: Colorado Department of Revenue.

down debt, thus limiting the amount of money spent. Further, purchases are mostly being limited to necessities rather than discretionary items and consumers are trading down to buy less expensive goods and services. Curtailed spending is one of main causes of the persistence of the economic downturn.

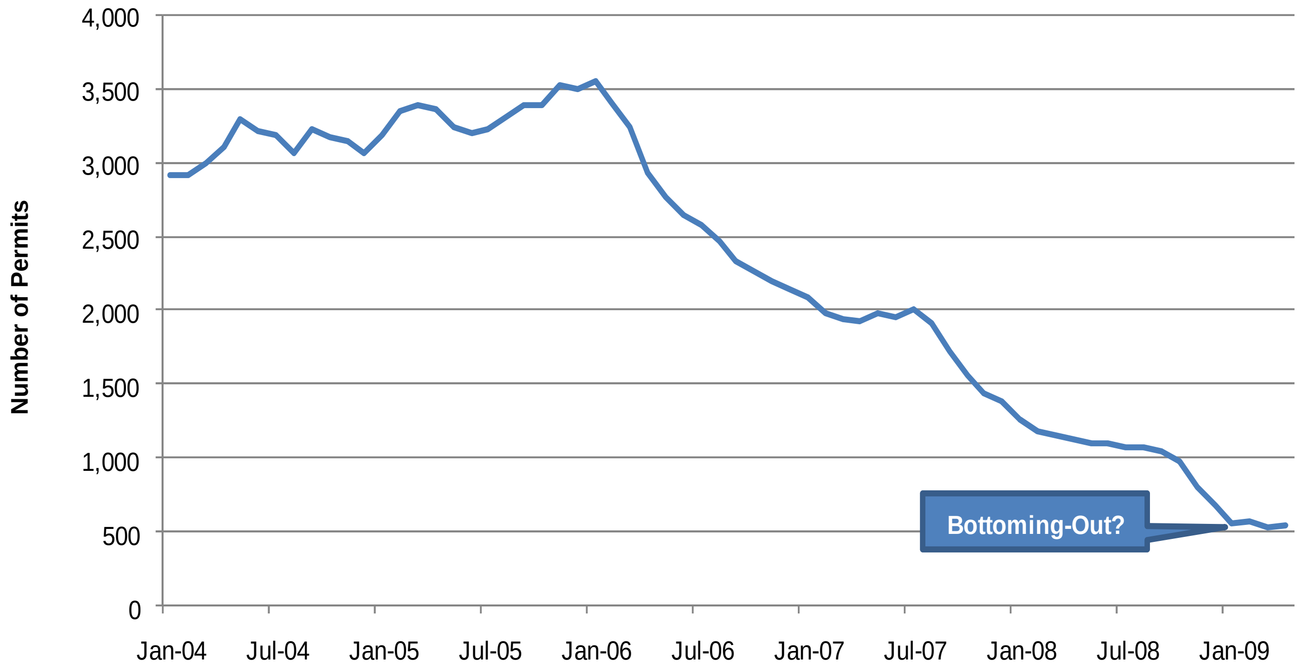
The most recent data on ***retail trade*** sales from the Colorado Department of Revenue provides a clear picture of the decline in consumer spending. Retail sales were down 14.5 percent statewide in the first quarter this year compared to the first quarter of 2008. The cut in spending on discretionary items is particularly evident in purchases of durable goods, or big-ticket items, including cars, furniture, electronics and appliances, and building materials. Figure 8 shows seasonally adjusted sales of durable goods in Colorado through March of this year. Sales of durable goods typically comprise about a third of all retail sales and a quarter of state sales tax collections.

- Retail trade sales will drop 7.8 percent in 2009 as consumers continue to limit purchases, pay down debt, and rebuild their savings. Sales in 2010 will experience an anemic rebound from 2009's depressed levels, with a growth rate of 2.1 percent, as the hangover from the consumer spending boom of the past years will likely persist.

Inflation

The state's inflation rate, as measured by the Denver-Boulder-Greeley consumer price index, increased 3.9 percent in 2008. The 2008 inflationary pressures, especially from rises in energy and food prices, lessened toward the end of the year, which helped the purchasing power of the state's consumers and businesses. However, gas prices have increased by about $1 a gallon in the state since their lows in January. Higher gas prices will make it harder for the economy to recover.

Figure 9
Permits for Single-Family Home Construction in Colorado, 2004 through April of 2009
(3-month moving average, seasonally-adjusted)



Source: F.W. Dodge.

- Overall inflation is expected to remain flat at 0.4 percent in 2009 compared to 2008 due to weak demand in the housing and retail markets. Inflation will remain low in 2010 due to the slow and protracted economic recovery.

Construction and Housing Market

The construction industry represented 3.4 percent of the state's economy in 2008, falling from 6.1 percent in 2000 as the ***residential construction*** sector has come to a near standstill. The weak housing market is causing hardship for homebuilders and the industries that benefit from home construction, such as heating and ventilation, real estate, and retailers. Single-family housing permits have declined about 85 percent since their peak at the end of 2005. However, there are indications that the single-family construction market is finding a bottom. Figure 9 shows monthly permits issued since 2004.

Permits for multi-family structures are down as well due to the weak economy; they decreased 64.9 percent through April compared with the first four months of 2008.

- Single-family permits will drop another 42.3 percent in 2009 after similar declines in the prior two years. Permits will finally stop their decline in 2010, though the number of permits will remain depressed as the state continues to work off its extra inventory of homes. Multi-family permits will fall from around 7,400 in 2008 to 1,600 in 2009, but will begin to show growth again as the economy starts to recover in 2010.

One positive note about Colorado's economy is that the housing market is not as bad as in other states. Though the state's median price of single-family homes dropped 10.1 percent in the first quarter compared to a year earlier based on data from the Colorado Association of Realtors, other states have experienced even greater home depreciations.

According to data from the National Association of Realtors, sales of existing homes in Colorado declined at an annual rate of 2.9 percent in the first quarter of 2009. As another indicator of the relative performance of the state's housing market, sales of existing homes in Colorado posted the 11th smallest drop since 2005 among all states.

Nonresidential construction continues to fall as businesses halt expansion and, in some cases, downsize. Further, there are more vacancies in commercial properties and thus less need for new facilities. The transaction volume of commercial real estate is also plummeting due in part to the credit crunch, and there are concerns that souring commercial loans will add to the financial sector's problems.

The value of nonresidential construction projects dropped 17.2 percent statewide through May compared to a year ago. The largest declines occurred for commercial projects, such as offices, banks, hotels, retail stores, and restaurants, due to the weak economy and difficulty obtaining financing for new projects. The value of commercial projects was down 50.4 percent through May. Increases in the value of manufacturing projects and education and science-related facilities helped to offset declines in construction.

- The value of nonresidential construction projects will drop from $4.1 billion in 2008 to $3.0 billion in 2009, a 27.0 percent decline.

Summary

Weaknesses will continue across all sectors of the economy throughout much of 2009 as the economy corrects itself from the excesses of recent years and the financial system remains constrained. This weakness is being felt most by the unemployed, the underemployed, and businesses struggling with reduced sales and limited credit. Because the causes of the recession are rooted in a breakdown in the economic foundation that spurred economic growth and the downturn has become global, the economy will not quickly turn around. Conditions will gradually improve toward the end of 2009 and during 2010.

Though the economy is expected to start to improve, the recovery will be halted if the financial system does not improve or if it experiences an unexpected shock that further hinders its ability to provide credit and if consumer and business confidence continues to falter. Also, unless the economy finds new sources of economic growth, such as increased demand for exports from growing foreign economies or increased income from new and expanding industries, the state may just muddle along for some time with higher unemployment and lower income levels.

Colorado has many of the elements in place to resume economic growth. One of the most important of these elements is the drive to innovate and produce new products and services that will help the economy expand. It also has a well-educated workforce and diverse economy. In fact, Moody's Economy.com, a national economic analysis and forecasting firm, recently predicted that Colorado will be among the first states to emerge from the recession.

Companies that survive the current difficult business conditions will emerge more efficient and in a better position to compete. The return of confidence and the drive to produce and earn income could then become a self-reinforcing cycle, which could foster a stronger-than-expected recovery.

Table 13
Colorado Economic Indicators, June 2009 Forecast
(Calendar Years)

	2002	2003	2004	2005	2006	2007	2008	Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012
Population (thousands), July 1 /A	4,503.2	4,548.3	4,600.1	4,662.7	4,751.5	4,842.8	4,939.5	5,016.0	5,104.3	5,191.1	5,280.9
percent change	1.6%	1.0%	1.1%	1.4%	1.9%	1.9%	2.0%	1.6%	1.8%	1.7%	1.7%
Nonagricultural Employment (thousands) /B	2,184.2	2,152.8	2,179.6	2,226.0	2,279.1	2,331.3	2,349.3	2,264.7	2,256.1	2,278.7	2,317.4
percent change	-1.9%	-1.4%	1.2%	2.1%	2.4%	2.3%	0.8%	-3.6%	-0.4%	1.0%	1.7%
Unemployment Rate /B	5.7	6.1	5.6	5.1	4.4	3.9	4.9	8.3	9.6	8.7	7.9
Personal Income (millions) /C	$153,066	$154,829	$163,736	$175,371	$188,214	$199,483	$209,321	$208,693	$214,954	$225,487	$236,536
percent change	0.2%	1.2%	5.8%	7.1%	7.3%	6.0%	4.9%	-0.3%	3.0%	4.9%	4.9%
Wage and Salary Income (millions) /C	$86,938	$88,008	$92,095	$97,399	$104,084	$110,858	$116,057	$111,647	$112,875	$118,293	$125,272
percent change	-1.5%	1.2%	4.6%	5.8%	6.9%	6.5%	4.7%	-3.8%	1.1%	4.8%	5.9%
Retail Trade Sales (millions) /D	$58,850	$58,689	$62,288	$65,492	$70,437	$75,329	$74,760	$68,929	$70,376	$73,191	$77,070
percent change	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	-0.8%	-7.8%	2.1%	4.0%	5.3%
Home Permits (thousands) /E	47.9	34.1	45.6	46.3	39.3	30.4	19.1	8.3	11.3	25.6	17.6
percent change	-12.1%	-28.9%	33.8%	1.5%	-15.0%	-22.6%	-37.3%	-56.4%	36.3%	61.7%	55.5%
Nonresidential Building (millions) /F	$2,787	$2,713	$3,291	$4,221	$4,415	$5,251	$4,134	$3,018	$3,175	$3,963	$3,533
percent change	-20.4%	-2.7%	21.3%	28.3%	4.6%	18.9%	-21.3%	-27.0%	5.2%	13.9%	11.3%
Denver-Boulder Inflation Rate /G	2.0%	1.0%	0.1%	2.1%	3.6%	2.2%	3.9%	0.4%	1.6%	2.6%	3.3%

Data Sources through 2008:

/A State Demographers office and U.S. Census Bureau.

/B U.S. Bureau of Labor Statistics.

/C U.S. Bureau of Economic Analysis.

/D Colorado Department of Revenue.

/E U.S. Census Bureau.

/F F.W. Dodge.

Colorado Economic Regions

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

Metro Denver

The Metro Denver economy is struggling to pull out of a stagnant economic situation. Through April of 2009, persistent job losses fed an increasing unemployment rate. Retail sales have plummeted and the region continues to see significant declines in new housing starts. Table 14 shows economic indicators through April 2009.

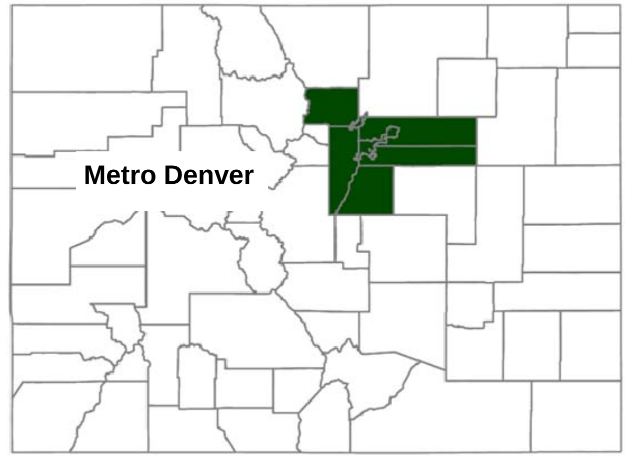


Table 14
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson counties

	2007	2008	2009 YTD thru April
Employment Growth /1	2.2%	0.9%	-3.3%
Unemployment Rate /1 (2009 figure is for April)	3.8%	4.9%	7.3%
Housing Permit Growth /2	-21.1%	-38.4%	-55.5%
Single-Family Permit (Denver-Aurora) /2	-40.3%	-49.8%	-51.3%
Single-Family Permit (Boulder) /2	-12.4%	-63.5%	-24.1%
Growth in Value of Nonresidential Const. /3	33.2%	-11.4%	-16.9%
Retail Trade Sales Growth /4	6.4%	-1.0%	-14.8%

NA = Not available.

1/ U.S. Department of Labor, Bureau of Labor Statistics. Employment data are from the CES survey for all years reported. Unemployment data are from the LAUS survey for all years reported.

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

3/ F.W. Dodge; excludes Broomfield County.

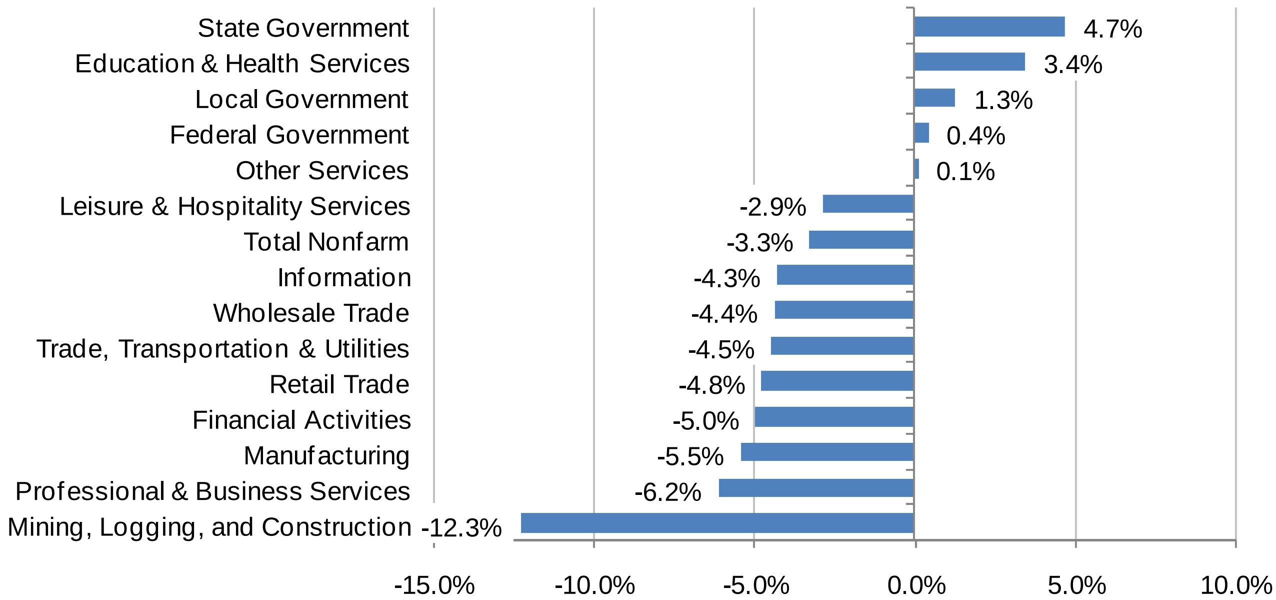
4/ Colorado Department of Revenue. Data through March.

Total nonfarm employment declined 3.3 percent through April after growing 0.9 percent in 2008. As shown in Figure 10, job growth remained strongest in state government and in the education and health services sector. Job losses were seen in all remaining industries except the federal and local government sectors. Mining, logging, and construction showed the greatest year-to-date loss of 12.3 percent, with the bulk of the job losses in construction. While employment in the construction of buildings subsector continues to edge downward, employment among specialty trade contractors has been increasing since February 2009. These include occupations such as plumbers, electricians, roofers, painters, and other finishing occupations. Many electricians have found jobs in the renewable energy industry installing solar panels. Other tradesmen have found work in the remodeling industry, upgrading homes that may be difficult to sell.

While employment in the wholesale trade of durable goods has been decreasing, employment in the wholesale trade of nondurable goods has increased slightly since February 2009. Other positive signs in employment can be found in the real estate, professional and business services, and leisure and hospitality industries. Although these sectors show year-to-date job losses compared to the same time period of 2008, employment levels have edged up slightly over the last few months. More data is needed, however, before the economy can be considered to be rebounding.

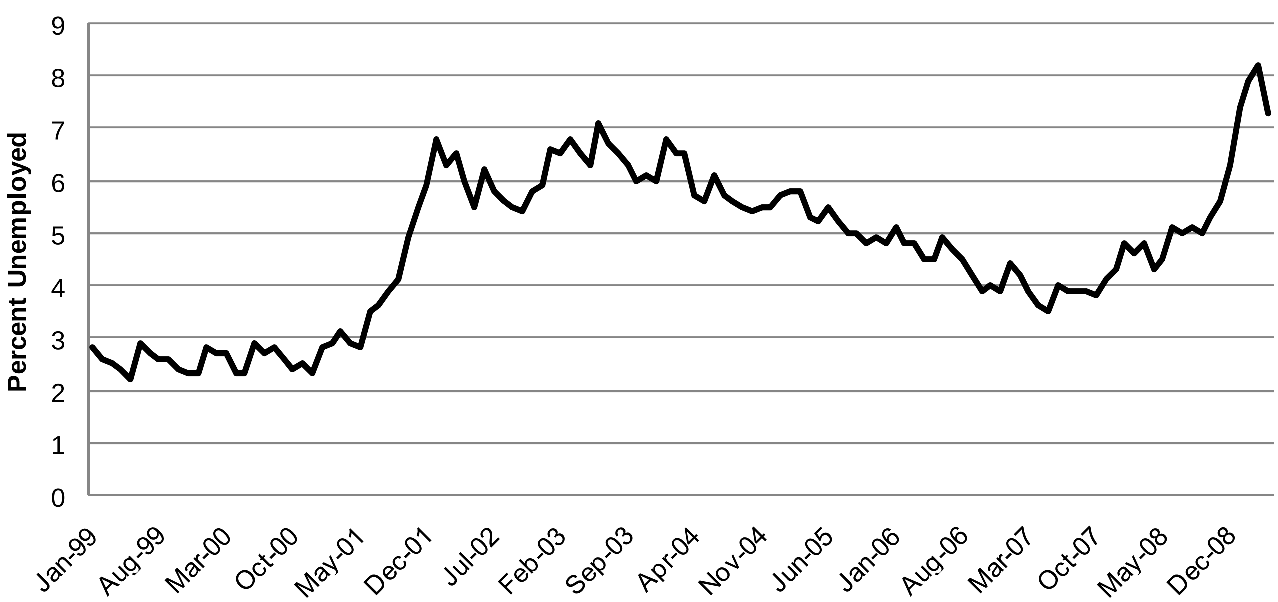
With a few industries showing positive gains in employment, Metro Denver's unemployment rate dropped to 7.3 percent in April, down from 8.0 percent in March, matching the statewide average. Figure 11 shows unemployment rates for the region since January 2000. The region's current rate exceeds the 7.1 percent previous peak unemployment rate that was seen in June 2003.

Figure 10
2009 First Quarter Metro Denver Employment Growth
Current Employment Statistics (BLS)



Source: U.S. Bureau of Labor Statistics.

Figure 11
Unemployment Rates in Metro Denver Region
(January 2000 - April 2009)



Source: U.S. Bureau of Labor Statistics.

The region's housing sector continues to deteriorate as more workers lose jobs, further decreasing the demand for new residential construction. In April 2009, sales of new homes in Colorado and 12 other western states dropped 40 percent since the same time last year. Permits for residential housing were down 55.5 percent year-to-date through April for the Denver Metro Region. Single-family home permits decreased 51.3 percent in the Denver-Aurora area and 24.1 percent in Boulder.

Most home buyers are looking at existing homes for lower-priced homes. According to Metrolist, Inc. market-area data, northeast Denver and southern Aurora had the most single-family home resales in the metro area through May 2009. South Denver and some northern metro-area suburbs also showed strong numbers in home resales. The mountain areas of Jefferson and Boulder counties were the slowest-selling areas. According to a Standard & Poor survey of 20 U.S. cities, the growing demand for existing homes has fueled a slight rise in prices of a tenth of a percent in March over February, making Denver one of just two U.S. cities to see a month-to-month price rise.

Nonresidential construction decreased 16.9 percent through April 2009. Most new nonresidential construction contracts were for commercial offices and banks in Jefferson and Douglas counties. A small number of warehouses, food stores, and other small scale projects were being slated for construction in Arapahoe County while Jefferson County hosted the construction of a new hospital.

The commercial office market had one of the biggest declines in sales of existing properties among all nonresidential property types, with no sales of more than $2.5 million during the first quarter. Sales totaled $380 million in first quarter 2008, according to LoopNet, an information provider of commercial, industrial, and retail space. Since April of 2008, the two largest sales were in the downtown area with the two-building World Trade Center and Millennium Financial Center both selling last fall.

Growth in consumer spending, as measured by retail trade sales, have slowed considerably. Consumer sales decreased only 1.0 percent in 2008, but through March 2009, retail trade sales were down 14.8 percent. Wages and salaries are also down from this time last year. With ongoing job cuts and prices edging up, wary consumers may continue to cut back on spending.

Recent Economic News

- Schuck Corp, the developer of TransPort, announced plans to create a $200 million auto racetrack and entertainment complex on 1,500 acres in Aurora near DIA. TransPort is negotiating with national and regional tourism attractions and retailers to locate on the site. The project has the potential to bring thousands of new jobs including those in construction, numerous economic development possibilities, entertainment, and retail.

- Kidney-care giant DaVita is moving its corporate headquarters to metro Denver from El Segundo, California, adding positions to the 800 already existing jobs in its dialysis clinics in Colorado. Senior executives will relocate and all other 250 corporate headquarter workers will be given the option to transfer. The company is also expecting to fill positions from the local workforce.

- Whole Foods Market will open its newest Denver area store at the Streets at South-Glenn complex in Centennial. The 58,000 square-foot store will employ 185 people.

- In order to cut costs at the Boulder campus, the University of Colorado will eliminate 75 faculty and staff positions, trim long-term investments, and slow down the pace at which it replaces computers and campus technology. In order to keep layoffs to a minimum, the campus will leave positions vacant when employees retire or quit.

- The town of Castle Rock has laid off six people, bringing the total number of layoffs since 2007 to 38 positions, or 11 percent of its workforce. In addition to the recent layoffs, the town set a pay freeze for 2010 and mandated three furlough days to offset declining sales tax revenue.

- Broomfield-based biotechnology company ARCA Biopharma Inc. cut approximately 40 employees as part of a restructuring move.

- Although employment in low-cost air carriers rose in April for the first time in 18 months, air travel through DIA is down 3.3 percent. Denver-based Frontier carried 12.3 percent fewer travelers in May than the same month a year ago, although its passenger counts for Lynx Aviation, its short-haul subsidiary, was up 8.7 percent in May 2009 from May 2008. Due to declining airline revenue, DIA will try to increase non-airline revenue. Air travelers may see an increase in parking fees, more shops and restaurants, and a new 500-room hotel.

- Crocs Inc. is closing its Aurora distribution center in July as part of a move to cut costs. The move will eliminate 37 jobs at the distribution center but will not affect the 390 positions at its headquarters in Niwot.

Colorado Springs Region

The Colorado Springs region continues to be hit hard by the economic downturn. Since employment peaked in November 2007, the region has lost 12,000 jobs, a decline of 4.6 percent. This has had an adverse impact on numerous sectors, including housing, retail trade, and business services. Table 15 shows economic indicators for the region.

Table 15
Colorado Springs Region Economic Indicators
El Paso County

	2007	2008	2009 YTD for April
Employment Growth /1	1.0%	-0.8%	-3.2%
Unemployment Rate /1 (2009 figure is for April)	4.4%	5.8%	7.7%
Housing Permit Growth /2	-30.3%	-35.7%	-48.1%
Single-Family Permit Growth /2	-35.1%	-42.1%	-48.5%
Growth in Value of Nonresidential Const. /3	8.1%	-45.9%	-51.8%
Retail Trade Sales Growth /4	5.3%	-2.9%	-10.4%

NA = Not available.

1/ Colorado Department of Labor and Employment. Employment data are from the CES survey for all years reported. Unemployment data are from the LAUS survey for all years reported.

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

3/ F.W. Dodge.

4/ Colorado Department of Revenue. Data through March.

Jobs in the Colorado Springs metropolitan area declined 3.2 percent in the first four months of 2009 compared with a year ago. Though job losses occurred across most sectors, the region's heaviest job losses were in construction, manufacturing, professional and business services, and tourism. Employment dropped 10.2 percent in manufacturing and 6.5 percent in the leisure and hospitality sector as a result of the cutback in consumer and business spending. Jobs in the professional and business services sector, which includes a diverse set of fields, such as accounting, architecture, engineering, and company management, declined 5.6 percent. The only two sectors to experience job growth through April were education and health services (3.0 percent) and government (1.8 percent).

The region's unemployment rate stood at 7.7 percent in April, which was slightly higher than the statewide average of 7.3 percent.

Construction activity has continued to slide in the region as measured by residential and nonresidential permits. Single-family housing permits through April were down 48.5 percent from last year's levels. This follows decreases of 42.1 percent in 2008 and 35.1 percent in 2007. The area's housing market shows few signs of recovery with mortgage foreclosures continuing to rise. There were a record 539 mortgage foreclosures in April in El Paso County, up 12.3 percent from April 2008. Rising unemployment will make it increasingly difficult for families and individuals to meet mortgage payments, putting more downward pressure on housing prices and construction activity.

Investment in nonresidential construction in the first four months of 2009, especially in the commercial sector, has slowed in the face of economic uncertainty, difficulties accessing credit, and decreased demand for goods and services. Although the number of construction projects has declined only modestly, the value of nonresidential construction projects dropped 51.8 percent, indicating that companies are not investing in larger, more costly projects.

Low consumer confidence and the continued credit crunch, coupled with the lack of home construction, have contributed to a decline in consumer spending in the region. Retail sales were 10.4 percent lower through March compared with the same period last year. Spending on durable goods, or "big ticket" items, such as cars, furniture, appliances, and electronic goods declined at a faster pace as consumers pay down debt and increase saving.

Although it has not yet been realized in the local sales tax figures, the return of the 3rd Brigade from its deployment in Iraq and the transfer of additional troops from Fort Hood in Texas to Fort Carson is expected to boost local sales taxes.

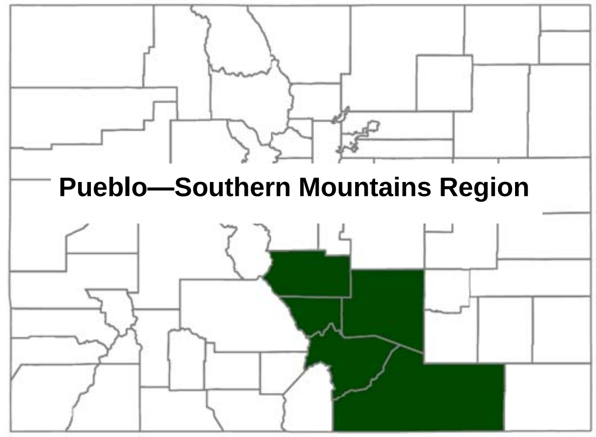
Recent Economic News

- Hotel occupancy rates in Colorado Springs fell to 52.0 percent in April, compared with 57.5 percent in April last year. Average room rates also fell by about $6, averaging $82 per night.

- Chick-fil-A is expected to open six new restaurants in Colorado, with one opening in the Colorado Springs region. The privately-owned chain has been able to expand because of strong cash balances.

- Vacancy rates for commercial properties, such as offices, shopping centers, and industrial sites increased in the region, which partly contributed to the decline in nonresidential construction activity. The vacancy rate for commercial space rose to 11.1 percent in the first quarter of 2009. This compared to an 8.9 percent vacancy rate in the first quarter of 2008.

Pueblo — Southern Mountains Region



Pueblo's five-county regional economy remains in recession like the rest of the state and nation. The region is shedding jobs, residential construction remains slow, and consumer spending is down. Table 16 shows economic indicators for the region.

Table 16
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas counties

	2007	2008	2009 YTD thru April
Employment Growth /1 Pueblo MSA	3.2%	0.5%	-1.7%
Unemployment Rate /1 (2009 figure is for April)	4.8%	6.1%	8.3%
Housing Permit Growth /2			
Pueblo County /2	-48.1%	-38.6%	-66.1%
Single-Family Permit Growth for Pueblo County /2	-47.3%	-40.1%	-67.3%
Growth in Value of Nonresidential Const. /3			
Pueblo County	-60.7%	48.1%	79.6%
Retail Trade Sales Growth /4	6.5%	-1.9%	-8.7%

1/ U.S. Department of Labor, Bureau of Labor Statistics. Employment data are from the CES survey for all years reported. Unemployment data are from the LAUS survey for all years reported.
2/ U.S. Census MSA data. 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 March.

In the Pueblo metro area, which accounts for about 70 percent of the region's workforce, nonfarm employment declined 1.7 percent in the first four months of 2009 compared with the same period last year. Consistent with the state and nation, Pueblo saw declines in employment across most industries with small gains in the educational and health services sector.

Preliminary estimates of the unemployment rate for the region was 8.3 percent in April, up from 6.0 percent a year ago. The unemployment rate for the region exceeds the 7.3 percent statewide rate. Fremont County, which holds 20 percent of the region's labor force, had the highest unemployment rate of 8.8 percent, down from a high of 9.8 in January. Huerfano and Pueblo counties had slightly lower rates of 8.7 and 8.1 percent, respectively. Las Animas County, the fourth-largest natural gas producing county in the state, has been hurt by the slowdown in the energy industry. Consequently, the unemployment rate jumped from 3.7 percent in April of 2008 to 8.7 percent this April. Custer County had the region's lowest unemployment rate of 7.3 percent.

Retail sales declined 8.7 percent through April, contributing to local government budget problems resulting from lower-than-expected sales tax revenues. Consistent with state and national trends, consumers in the region have sharply curtailed spending on discretionary, higher-priced items such as cars, furniture, appliances, building materials, and electronic goods.

Like the state, single-family home construction continues to slow. Single-family permits in Pueblo County fell 52.9 percent through April, continuing two prior years of double digit declines. Pueblo County saw 58 residential permits through April compared to 171 last year over the same period. The value of nonresidential construction in Pueblo County increased 79.6 percent in the through April. However, the increase was due to a new student housing project at Colorado State University - Pueblo, without which the value of construction would have declined 46.5 percent. Large drops in commercial construction are primarily responsible for declines in nonresidential construction. There were only 7 commercial construction projects through April of this year, compared with 24 over the same period last year.

Recent Economic News

- Fremont County is facing declining revenues from sales tax and other sources, causing Commissioners to rethink the county budget. According to the county clerk, revenues to date are 15 percent lower this year compared to last year.

- Trane, a Pueblo commercial air conditioner manufacturing plant, plans to accelerate layoffs. Trane projected 270 job losses by 2011 but now expects 320 job losses by August of this year. The company has already laid off 195 workers.

- Pueblo expects an increase in employment this fall with the opening of a 550-worker Vestas Wind Towers plant and increased activity at the Pueblo Chemical Depot weapons destruction plant.

San Luis Valley Region

The San Luis Valley region's economy has worsened as the impacts of the recession affected the area. Non-farm employment declined and unemployment increased from last year. On the bright side, prices for the region's primary agricultural commodities have remained strong. Construction activity was mixed, with a decrease in residential building permits and an increase in the value of nonresidential construction in Alamosa County through April 2009. Table 17 shows the economic indicators for this region.

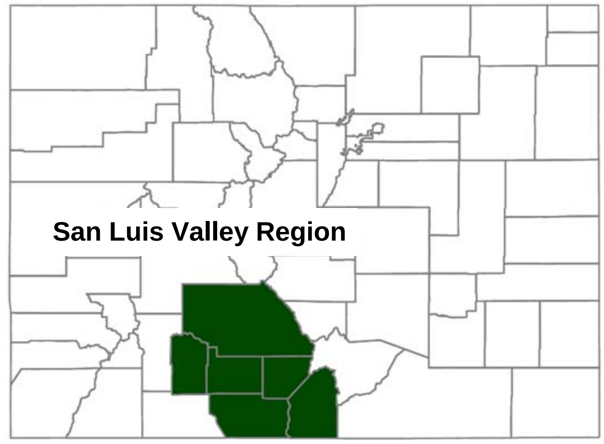


Table 17
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties

	2007	2008	2009 YTD thru April
Employment Growth /1	-0.1%	-3.9%	-1.7%
Unemployment Rate /1 (2009 figure is for April)	4.7%	6.2%	7.6%
Statewide Crop Price Changes /2			
Barley (U.S. average for all)	31.4%	48.1%	4.8%
Alfalfa Hay (baled)	0.0%	18.0%	12.2%
Potatoes	14.1%	47.7%	2.6%
SLV Potato Inventory /2	-7.5%	11.6%	17.8%
SLV Potato Production (Acres Harvested)	-1.0%	-1.6%	NA
Housing Permit Growth /3			
Alamosa County	0.0%	0.0%	-82.4%
Single-Family Permit Growth	0.0%	0.0%	-40.0%
Growth in Value of Nonresidential Const. /4			
Alamosa County	414.1%	-88.0%	326.4%
Retail Trade Sales Growth /5	6.6%	3.3%	-3.2%

NA = Not available.

1/ Colorado Department of Labor and Employment. 2007 are from the QCEW program. 2008 and 2009 data are from the LAUS (household) survey. Unemployment data is from the LAUS program for all years reported.

2/ Colorado Agricultural Statistics Service. Data compares April 2009 to April 2008. For potato production, fall potato stock inventory compares May 2009 to the prior year. 2008 production data are preliminary for the SLV.

3/ Data through 2008 are from the U.S. Census Bureau. 2009 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 March.

Regional employment decreased 1.7 percent in the first quarter compared with the first quarter of 2008. The regional unemployment rate increased to 7.6 percent in April after averaging 6.2 percent in 2008 and 4.7 percent in 2007. The region's highest unemployment rate in April was in Costilla County at 10.2 percent, while the lowest was in Rio Grande County at 7.0 percent.

Crop prices in the region increased in 2009. In April, prices for barley and alfalfa hay increased 4.8 percent and 12.2 percent, respectively, compared with the prior year, while potato growers saw prices increase 2.6 percent.

The San Luis Valley produces about 95 percent of all potatoes grown, harvested, and sold in the state. Potato inventory rose in the San Luis Valley by 17.8 percent in May over the prior year. Meanwhile, total acres harvested by growers in the region declined 1.6 percent, based on preliminary data for 2008, over total acres harvested in 2007. It is likely that inventory is increasing because the market price of potatoes may rise in the near future, and growers are holding inventory until that time.

Housing permit growth slowed considerably in the beginning of 2009. Single-family permit growth declined 82.4 percent in Alamosa County year-to-date through April. The value of nonresidential construction in the region rose, with Alamosa County reporting a 326.4 percent-increase over the same period. This can be attributed to projects recently contracted for construction of commercial food stores.

Consumer spending, as measured by retail trade sales, declined 3.2 percent through March. On a seasonally-adjusted basis, consumer spending declined 11.7 percent in March 2009 compared with March 2008.

Recent Economic News

- Xcel Energy announced in April that it had selected Sun Power Corp. to build North America's second-largest photovoltaic solar power plant in Alamosa. The 17-megawatt plant will come online by the end of 2010 and is expected to create about 200 jobs during construction.

- In late March, Renewable Energy Systems (RES) Americas announced preliminary plans to build two 100-megawatt solar power plants northeast of Center. Fifty permanent jobs will generated by the project in addition to temporary construction jobs.

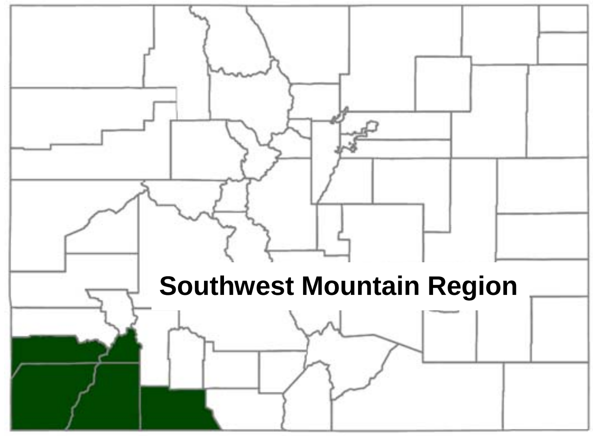
- Iowa Pacific Holdings, which operates the San Luis & Rio Grande Railroad and the Rio Grande Scenic Railroad, is preparing a stimulus request to the U.S. Department of Transportation to upgrade 149 miles of track and crossings. The plan also proposes to build a shipping hub at Antonito and expand commuter service. The plan would require \$50-\$100 million from the federal government and could create up to 200 short-term construction jobs and up to 100 permanent jobs.

- Antonito Pharmacy, located in the town's downtown historic 1911 building, opened its doors on Monday, May 25. According to the store's owner, this is the only pharmacy in Antonito.

- As part of the Troubled Asset Relief Program (TARP), in late March, the U.S. Treasury purchased \$5.5 million in stock from First Southwest Bank in Alamosa. First Southwest Bank currently operates nine branches across southwestern Colorado, with total assets valued at \$240 million, and loans valued at \$200 million.

- Stock Building Supply, a company that supplies building products to professional builders, announced that it will be closing the doors of its Alamosa location at the end of June. The announcement came after its corporate headquarters decided to discontinue serving the San Luis Valley area. The company will lay off eight employees.

Southwest Mountain Region



The economy of the five-county Southwest Mountain Region worsened through April 2009. Employment decreased and the unemployment rate increased. Residential construction and overall consumer spending also declined. The value of nonresidential construction was one bright spot in the region that showed an increase. Table 18 presents the economic indicators for the Southwest Mountain Region.

Table 18
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan counties

	2007	2008	2009 YTD thru April
Employment Growth /1	2.3%	-2.3%	-3.4%
Unemployment Rate /1 (2009 figure is for April)	3.3%	4.3%	6.5%
Housing Permit Growth /2			
La Plata County	-25.7%	-43.1%	-33.9%
Single-Family Permit Growth	-28.7%	-40.3%	-33.9%
Growth in Value of Nonresidential Const. /3			
La Plata County	907.3%	-83.8%	4022.4%
Retail Trade Sales Growth /4	5.7%	-1.0%	-13.4%

NA = Not available.

1/ Colorado Department of Labor and Employment. 2007 data are from the QCEW program. 2008 and 2009 employment data are from the LAUS (household) survey. Unemployment data are from the LAUS program for all years reported.

2/ Data through 2007 are from the U.S. Census Bureau. 2008 and 2009 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 March.

Regional employment continued its sharp decline. Employment was down 3.4 percent in the first four months of 2009, compared with the same time period in 2008. Unemployment increased to 6.5 percent in April, up from a 4.3 percent average in 2008 and 3.3 percent for 2007. The highest April unemployment rate was 14.9 percent in Dolores County, while the lowest unemployment rate in the region was 5.3 percent in La Plata County.

The region's residential construction industry continued to slow through April. The number of overall permits for residential construction in La Plata County fell 33.9 percent through April 2009, compared with April of 2008. This followed a decline of 43.1 percent in 2008. Permits for single-family houses fell 33.9 percent in April.

The value of permits granted for nonresidential construction in La Plata County increased substantially through April 2009. The increase can be attributed to two large education and museum contracts, without which the value of construction would have declined 83.9 percent. The first contract was for the student union building at Fort Lewis College. The other was for the Southern Ute Cultural Center and Museum located in Ignacio, the completion of which is scheduled around December 2010.

Consumer spending overall in the region, as measured by retail trade sales, declined 13.4 percent year-to-date through March after declining 1.0 percent in 2008. On a seasonally-adjusted basis, consumer spending declined 13.9 percent in March of this year over the same period last year.

Recent Economic News

- Boot Barn, a Western clothing store, opened its doors at the Durango Mall on May 29. The store will employ between 10 and 12 workers when fully staffed.

- Hermosa County Market opened on May 11 in the space once occupied by Mac's Hermosa Market, which closed in October. Located 10 miles north of Durango, the store has a full line of groceries and some specialty foods.

- Building is currently underway for a new 40,000-square-foot retail space, located at Highway 550 and Trimble Lane. The space will include a hardware store, grocery store, and attached liquor store. According to news reports, Trimble True Value Hardware, as the store is to be called, is on track to open in mid-August. The store plans to hire seven to eight employees at first, and eventually a dozen, according to the owner.

- Natural Grocers by Vitamin Cottage opened a store in Durango in March. The store offers produce, organic, and free-range meat, and other groceries in addition to vitamins and supplements.

- A recently-released Economic Impact Study for the Durango Discovery Museum estimated that 65,000 local citizens and tourists will visit the museum annually after the project is completed in five years.

Western Region

Until recently, this region was the strongest growing regional economy in the state, mainly due to the boom in energy production. The western region, however, has succumbed to many of the same forces pulling down the economy elsewhere. The drop in natural gas and oil prices has caused energy companies in the region to substantially scale back their activities. Now some parts of the region, particularly where the energy boom was focused, appear to be slowing more than in most of the rest of the state. Table 19 shows economic indicators for the region.

Table 19

Western Region Economic Indicators

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

	2007	2008	2009 YTD thru April
Employment Growth /1			
Western Region	6.1%	0.7%	-0.4%
Mesa County	6.1%	4.6%	2.2%
Unemployment Rate /1 (2009 figure is for April)	3.1%	3.9%	7.6%
Housing Permit Growth			
Mesa County /2	-13.2%	-42.6%	-67.3%
Single-Family Permit Growth	-8.1%	-47.2%	-57.1%
Montrose County /3	-33.2%	-58.6%	-52.0%
Single-Family Permit Growth	-28.8%	-61.8%	-50.0%
Growth in Value of Nonresidential Const. /3			
Mesa County	213.6%	-54.2%	-30.1%
Montrose County	-34.6%	-85.2%	-84.5%
Retail Trade Sales Growth /4	11.8%	1.0%	-18.8%

1/ Colorado Department of Labor and Employment. Employment data are from the CES survey for Mesa County. For the region, employment data are from the QCEW program through 2007 and the LAUS survey for 2008. Unemployment data are from the LAUS survey for all years reported.

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 January 2009.

4/ Colorado Department of Revenue. Data through March.

After leading the state in job growth in recent years, nonfarm employment growth in the Grand Junction area slowed to 2.2 percent through April compared to the first four months of 2008. Many of the area's major industries have either slowed their pace of hiring or begun shedding jobs. Manufacturing, retail trade, information, and leisure and hospitality were among the sectors that lost jobs through April. However, on a positive note, hiring by the transportation and utilities, educational and health services, other services, and government sectors did not see a slowdown through April.

The region's unemployment rate hit a nonseasonally-adjusted 7.6 percent in April, up from 3.4 percent in April 2008. This was the largest year-over-year increase in the unemployment rate of all the state's regions. All the western region's counties had their unemployment rate increase, expect Hinsdale, as its labor force shrank. The counties most impacted by the jump in energy production in recent years – Garfield, Mesa, and Rio Blanco – are being most affected by the slumped natural gas prices; these counties experienced the largest jumps in unemployment. The number of drilling rigs in operation in Garfield County was 18 in the middle of June, dropping from 63 at the same time a year ago, according to Baker and Hughes, an oil and gas services firm.

Consumer spending, as measured by retail trade sales, has dropped precipitously in the region. Sales were down 18.8 percent through the first quarter of 2009 compared to 2008's first quarter, representing the largest decline of the state's regions. Sales in March, the latest data available from the Department of Revenue, dropped 23.3 percent from June 2008 on a seasonally-adjusted basis. This equates to a drop in sales of $112 million for the region's retailers. Retail sales fell the furthest in Rio Blanco and Garfield counties, reflecting the impact of the decline in energy production and related employment in those counties. Sales there dropped 30.8 and 25.3 percent, respectively, in the first quarter compared to a year ago.

Residential construction activity is faring no better. Permits for home construction in Mesa County were down 67.3 percent through April compared to a year ago, and were down 52.0 percent in Montrose County.

The number of commercial projects in Mesa County, such as stores, restaurants, offices, and banks, fell from 26 to 12 through April, resulting in a drop in value of 36.7 percent. A couple of projects for educational facilities, however, caused the value of all nonresidential construction in the county to rise 30.1 percent through April. There has been little nonresidential construction activity in Montrose County. The only project contracted for construction through April was one store and food service-related project.

Recent Economic News

- Grand Junction's Main Street has enjoyed a 0 percent vacancy rate the past few years due to the economic boom. However, the slowdown in the economy has recently caused eight area businesses to close their shops. Grand Junction area economic development officials indicated that the recent low vacancy rate was atypical and that businesses normally move in and out. The officials cited prospects for new businesses to move in to fill some of the vacancies.

- The number of homes sold in the Grand Junction area dropped from 1,055 in the first quarter of 2008 to 509 in the first quarter of 2009, according to the Grand Junction Area Realtors Association. Further, according to the Federal Housing Finance Agency, single-family home prices in the area dropped about one percent in the first quarter compared to the first quarter of 2008 – the first year-over-year drop measured by the agency since 1986. However, other measures of home prices showed larger drops; Zillow.com estimated that the price of an average home dropped eight percent.

- Natural Soda, a company that produces baking soda in Rio Blanco County, is planning an expansion of its plant to double its output. Natural Soda is the second-largest producer of sodium bicarbonate in North America and serves the food, pharmaceutical, industrial, and animal feed markets.

- Hotel bookings in the Grand Junction area are down 8 percent compared to last year, according to the Grand Junction Visitor and Convention Bureau. However, the area experienced record years in 2007 and 2008 and tourism officials are positive about the summer travel season despite the national recession. Further, a few conventions are scheduled to be held in the area in coming months.

- Montrose Taxi ended its taxi service at the end of May as a result of the economic downturn. At its peak, the company had four vehicles and nine drivers.

Mountain Region

Hard hit by a substantial reduction in tourism, the mountain region's economy is suffering. Job losses and a deep contraction in retail sales have combined with a sharp pullback in both residential and nonresidential construction. Table 20 shows major economic indicators for the region.

Table 20
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller counties

	2007	2008	2009 YTD thru April
Employment Growth /1	2.4%	-1.5%	-1.4%
Unemployment Rate /1	3.6%	4.0%	7.0%
Housing Permit Growth			
Eagle, Pitkin, & Summit Counties /2	-20.5%	-42.0%	-86.5%
Single-Family Permit Growth	-19.4%	-46.4%	-65.1%
Routt County /3	40.0%	-38.0%	-76.5%
Single-Family Permit Growth	-11.4%	-38.0%	-62.1%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	24.6%	-15.6%	-96.6%
Routt County	83.1%	-58.7%	91.5%
Retail Trade Sales Growth /4	9.6%	-1.4%	-18.3%

1/ Colorado Department of Labor and Employment. 2007 employment data are from the QCEW program. 2008 and 2009 employment data are from the LAUS (household) survey. Unemployment data are from the LAUS survey for all years reported.

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 December 2008. For 2009, F.W. Dodge data is used.

4/ Colorado Department of Revenue. Data through March.

Employment decreased 1.4 percent through April 2009 compared with the first 4 months of 2008 after decreasing 1.5 percent last year. Grand, Jackson, Pitkin, and Routt counties experienced employment growth, while every other county in the region experienced job losses. Counties with the deepest job losses included Teller (-4.0 percent), Clear Creek (-3.7 percent), Gilpin (-3.7 percent), and Park (-3.7 percent).

Reflecting job losses, the unemployment rate increased from an average of 4.0 percent in 2008 to 7.0 percent in April. Counties with the highest unemployment rates in April included Lake (8.4 percent), Grand (7.7 percent), Routt (7.6 percent), and Teller (7.3 percent). Counties with the lowest unemployment rates included Jackson (6.3 percent), Gilpin (6.1 percent), and Summit (5.8 percent.) With the exception of Summit county, the unemployment rate in all counties increased to at least 6 percent in April.

Consumer spending, as measured by retail trade sales, has slowed substantially. Consumer spending declined 18.3 percent through March 2009, compared with the first quarter of 2008. Heavily dependent on tourists from other parts of the nation and the world, consumer spending in the mountain region peaked in November 2007 on a seasonally adjusted basis, and has since declined 20.6 percent through March.

The region's tourism industry has been significantly impacted by the downtown. For example, the hotel occupancy rate in Aspen and Snowmass was at 61 percent in March, a 23 percent decline from last March. Vail Resorts reported that its earnings dropped 29 percent in its third fiscal quarter through the end of April, as visits by out-of-state guests remain weak.

Anecdotal evidence suggests that fewer tourists have spent fewer dollars per transaction in the resort areas. Aspen sales tax collections were down 14 percent in April and 24 percent in

March, compared with the same months in 2008. Nearby Snowmass Village suffered a 27.6 percent decrease in March, and sales tax collections were down 22.5 percent in Steamboat Springs. Additionally, Basalt and Avon experienced declines in sales tax revenues, with collections declining 5 percent and 10 percent in March, respectively. While these cities saw declines, Vail reported an increase in sales tax revenues in April of 12 percent. Local officials attributed the increases in spending on Easter-related purchases. Despite the increase in April, Vail's year-to-date sales tax collections have showed an overall decline.

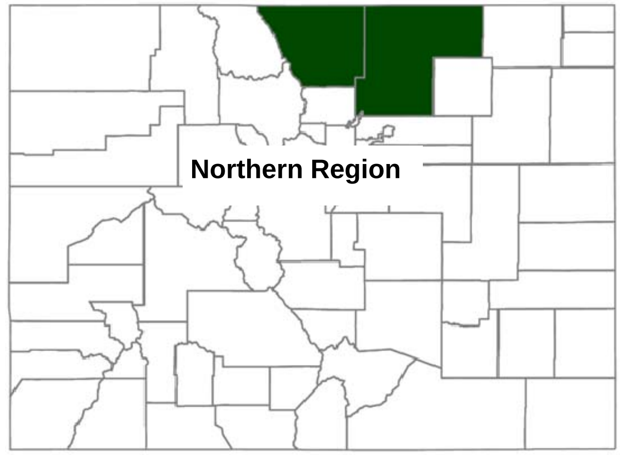
The region's residential construction sector is into its fourth year of contraction. Housing permits were down 76.5 percent in Routt County and 86.5 percent in the ski counties of Eagle, Pitkin, and Summit through April over the same period last year. Similarly, the value of permits granted for nonresidential construction decreased 96.6 percent in Eagle, Pitkin, and Summit counties and increased 91.5 percent in Routt County during the same period. The large percent increase in Routt County resulted from two commercial projects, up from one project last year.

Recent Economic News

- Smashburger, a retro-style burger restaurant, opened in Dillon in April, hiring 30 people.

- About $2.2 million in federal stimulus money was awarded to the Routt National Forest in April. The funds are expected to be spent on forest related contracts. According to news reports, the work will focus primarily on fire mitigation and hazard tree removal. The majority of the work is expected to be subcontracted to local logging contractors.

Northern Region



The economic performance of the northern region continues to show sluggish growth through the first four months of 2009. As with other regions in the state, employment shrank as jobs disappeared. Job losses have steered many toward college for retraining in other occupations. Retail sales tanked in March, with most consumer spending directed toward necessities only. The residential construction sector is very weak as new home building permits continue to fall. Despite the bleak economic picture, Weld County is seeing the value of commercial construction projects in the manufacturing sector grow. Table 21 presents information on economic indicators for the northern region.

Table 21
Northern Region Economic Indicators
Weld and Larimer counties

	2007	2008	2009 YTD thru April
Employment Growth /1			
Larimer County	2.1%	1.0%	-0.3%
Weld County	2.9%	1.4%	-0.9%
Unemployment Rate /1			
Larimer County	3.4%	4.3%	6.1%
Weld County	4.2%	5.3%	8.1%
State Cattle and Calf Inventory Growth /2	-4.0%	1.9%	6.3%
Housing Permit Growth /3			
Larimer County	-41.3%	-1.0%	-80.1%
Single-Family Permit Growth /3	-22.2%	-36.4%	-66.4%
Weld County	-38.6%	-46.8%	-40.2%
Single-Family Permit Growth /3	-40.5%	-45.1%	-44.4%
Growth in Value of Nonresidential Const. /4			
Larimer County	8.8%	-18.2%	-23.3%
Weld County	19.5%	24.3%	363.4%
Retail Trade Sales Growth /5			
Larimer County	6.5%	-0.9%	-11.8%
Weld County	7.6%	2.1%	-15.8%

1/ U.S. Department of Labor, Bureau of Labor Statistics. Employment data are from the CES survey for all years reported. Unemployment data are from the LAUS survey for all years reported.

2/ Colorado Agricultural Statistics Service. Compares cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger as of May 1, 2009 to the prior year period.

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

4/ F.W. Dodge.

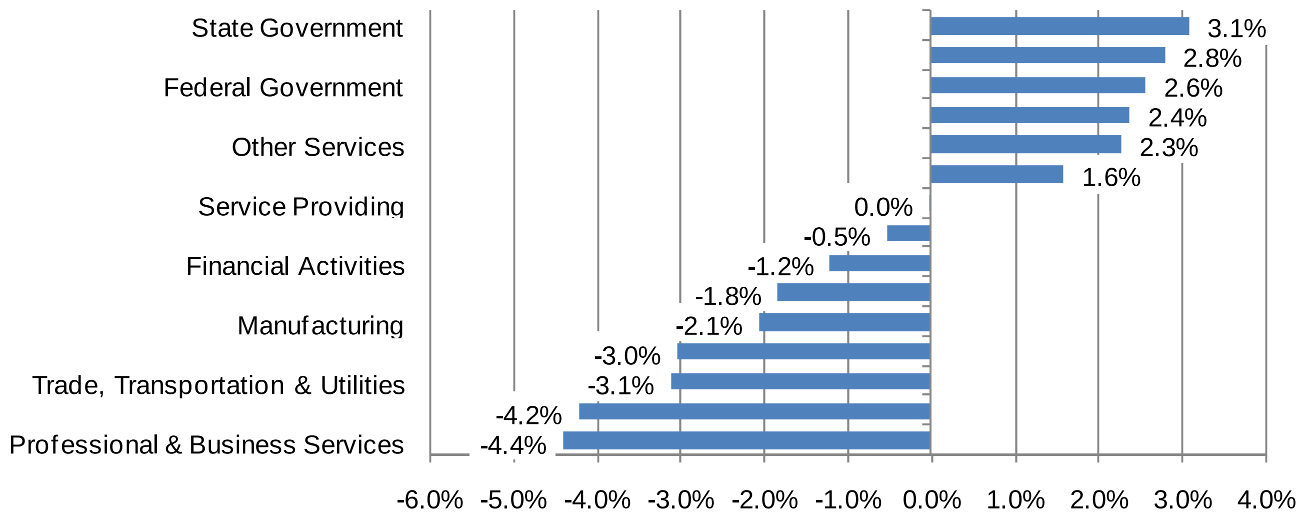
5/ Colorado Department of Revenue. Data through March.

Through the first four months of 2009, employment growth in the northern region declined 0.5 percent as more jobs were lost to the ongoing recession. Employment growth decreased 0.3 percent in Larimer County and 0.9 percent in Weld County. Both counties fared better than the state's decline of 2.9 percent.

As shown in Figure 12 below, job growth in the region was strongest in state government (3.1 percent growth) followed by the education and health services sector (2.8 percent growth). The professional and business services sector saw the largest decline of 4.4 percent. The retail trade job sector was also hit hard as consumers cut back spending — jobs declined 4.2 percent in this sector. In response to job declines, the unemployment rate continued to climb in April jumping to 6.1 percent in Larimer County and 8.1 percent in Weld County. But the region's unemployment rate of 6.9 percent continues to remain slightly below the 7.3 percent statewide rate.

Consumer spending through March, as measured by retail sales within the region, fell sharply and mirrored the statewide trend that saw a 14.5 percent decline in Colorado, compared with the first quarter of 2008. In Larimer County, retail sales were down 11.8 percent while Weld County saw a decline of 15.8 percent.

Figure 12
Employment Growth by Sector for the Northern Region



Source: U.S. Bureau of Labor Statistics.

The region's housing market is showing signs of recovery and is holding up better than most major cities. The recent Standard and Poor/ Case-Shiller national price index showed that home prices for 20 major cities tumbled 19.1 percent in the first quarter, the largest decline in its 21-year history. In the northern region for Fort Collins, home prices dropped only 5.4 percent to $243,408 for the first quarter. During March, home prices hit a low of $235,326 and have since increased to $248,418 in April. There were only 459 home sales in the region in the first quarter compared with 600 sales in the prior year over the same period.

Growth in new residential building permits within the region continues to deteriorate, especially in Larimer County. Through April, the total number of authorized housing permits (single- and multi-family) in Larimer County fell 80.1 percent compared with the same period in 2008. Single-family permits also fell 66.4 percent. Permit authorizations in Weld County dropped 40.2 percent, with single-family permits falling 44.4 percent.

Meanwhile, nonresidential construction activity in the two counties was mixed. The value of construction permits decreased 23.3 percent in Larimer County while increasing 363.4 percent in Weld County. The large increase is attributed to manufacturing sector construction contracts.

Recent Economic News

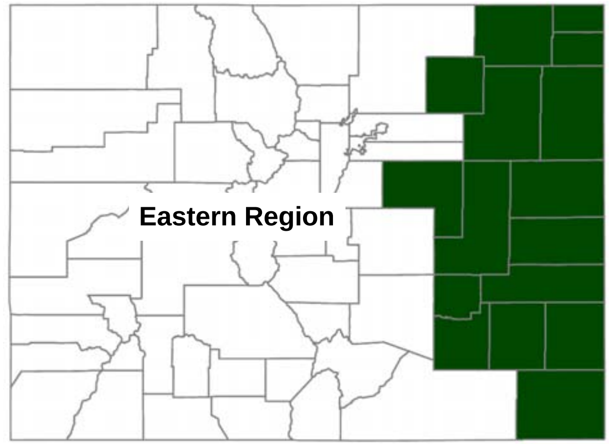
- Agrium, a Calgary, Alberta-based retail distributor of agricultural products, will move its Greeley operation to a new location in Loveland. The company also plans to relocate 21 jobs from Canada to its new office site in Loveland. The new jobs are expected to pay up to $80,000 per year.

- Panera Bread opened another bakery-café in Fort Collins. The new 4,000 square-foot store will employ 50 full-time and part-time workers.

- In Windsor, Vestas Blades America will increase its manufacturing capacity by adding a waste disposal area and fuel station. Construction is expected to add 9.5 acres to the 80-acre site and be complete by spring 2010.

- Fort Collins-based Woodward Co., a manufacturer for controls for turbine, engine, and electrical power systems, laid off a dozen workers to reduce costs. The company employs 950 people at its Loveland and Fort Collins facilities and over 5,650 worldwide.

Eastern Region



In 2009, economic indicators varied for the eastern region through April. While growth in employment declined, the drop was only slight compared to the decrease seen in 2008. The unemployment rate continued to climb but is far below the state's average rate. Crop prices are mixed, and state cattle and calf inventory levels are growing. Table 22 shows the major economic indicators for the region.

Table 22
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca counties

	2007	2008	2009 YTD thru April
Employment Growth /1	0.5%	-4.8%	-0.2%
Unemployment Rate /1 (2009 figure is for April)	3.5%	4.3%	5.9%
Crop Price Changes /2			
Wheat	110.8%	8.2%	-31.0%
Corn	26.9%	-0.3%	-19.1%
Alfalfa Hay (baled)	0.0%	18.0%	12.2%
Dry Beans	57.1%	21.5%	-15.3%
State Crop Production Growth /2			
Sorghum production	86.4%	-18.9%	NA
Corn	17.4%	-0.3%	NA
Winter Wheat	135.6%	-37.8%	29.1%
Sugar Beets	-17.0%	-0.9%	NA
State Cattle and Calf Inventory Growth /2	-4.0%	1.9%	6.3%
Retail Trade Sales Growth /3	6.0%	6.0%	-16.9%

NA = Not available

1/ Colorado Department of Labor and Employment. 2007 employment data are from the QCEW program. 2008 and 2009 employment data are from the LAUS (household) survey. Unemployment data are from the LAUS survey for all years reported.

2/ Colorado Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares May 1, 2009 to May 1, 2008.

3/ Colorado Department of Revenue. Data through March.

Total nonfarm employment in the region declined 0.2 percent through April, and although still decreasing, it was an improvement over the 1.1 percent drop seen through March. In addition, the drop in employment in the eastern region is smaller than declining employment in any other region of the state. Baca, Bent, Kiowa, Kit Carson, Phillips, Prowers, Sedgwick, Washington, and Yuma counties saw employment gains. The remaining 7 counties in the region experienced job losses. In April, Crowley and Otero counties continue to post the highest unemployment rates in the region at 9.1 and 7.7 percent, respectively. Cheyenne County had the lowest unemployment rate at 3.3 percent.

Winter wheat production increased 29.1 percent over the first quarter of 2001 after suffering a loss of production in 2008. With the exception of alfalfa hay, where prices are holding, other grain and crop prices are down.

After a dry growing season in 2008 that stretched into early 2009, the region's wheat farmers were treated to a late winter snowstorm that drenched the eastern plains. Winter wheat crops, stressed from a lack of moisture, were relieved with nearly a measurable inch of moisture. While the snow was good to other early crops, such as onions and beets, the cold temperatures were not good for the early blossoms on eastern peach, apricot, or apple trees. Some small apricot orchards were completely lost but apple orchards may recover in time for the later crop.

Continued spring rains fed wheat crops, turning them into lush fields. Farmers in western Morgan County who were spared from recent hail storms have healthy yields not seen in over 15 years. On the down side of wheat production, Russian wheat aphids are infesting fields in Logan, and Washington counties as well as in other nearby regions.

Recent rains came at an unfortunate time to alfalfa farmers just completing the first cutting. With only a small percent of alfalfa baled, most of the cut crops remained on the ground when the rains arrived, reducing the quality of the cut alfalfa remaining in the fields. In addition, the front range and northeastern farms are subject to the alfalfa weevil, the most destructive insect of alfalfa hay in the inter-mountain western region of the United States. While damage usually remains with the first cutting, more rain can delay baling and larvae can continue to damage the regrowth of alfalfa fields.

On the positive side, the state cattle and calf inventory increased 6.3 percent, surpassing the positive 1.9 percent growth in 2008. Colorado beef exports surged 55 percent in 2008 and healthy inventory growth is lending to competitive beef exports in 2009. Morgan, Logan, and Yuma counties have the highest market value of livestock production among the eastern region counties, according to the most recent 2007 Census of Agriculture. Yuma County had the highest value of over $500 million in 2007.

After seeing healthy consumer spending in 2008, consumer spending, as measured by growth in retail trade sales, plummeted 16.9 percent in March. The Sales Tax Comparison Report for the city of La Junta shows a significant decline in automobile purchases since April 2008. Another local trend shows an increase in purchases at automobile parts stores, suggesting people are keeping their cars longer and spending more on repairs now than in the past. Also in Otero County, general merchandise and food store sales were down 3.0 and 1.0 percent, respectively. However, sales in apparel and accessories, furniture, and eating places were up. Likewise bars and liquor stores sales rose 22 percent while miscellaneous retail was up 13 percent.

- Korf Chevrolet Buick in Yuma and Spicknall GMC Pontiac in Akron will combine into one dealership as part of a survival measure approved by General Motors. This comes after an announcement by General Motors to close 1,200 underperforming dealerships nationwide. The consolidation is part of a new business plan outlined by General Motors, placing the Chevrolet, Buick, Pontiac, and GMC franchises together. La Junta will be closing its Chrysler dealership, letting 17 employees go.

- Crowley County received $9 million in tax-free bonds to move forward with an animal waste-to-energy plant at the Ordway feed lot. The plant will convert manure into biofuels and employ 10 workers in 2010.

Appendix A
Historical Data

National Economic Indicators
(Dollar amounts in billions)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gross Domestic Product	$7,072.2	$7,397.7	$7,816.9	$8,304.3	$8,747.0	$9,268.4	$9,817.0	$10,128.0	$10,469.6	$10,960.8	$11,685.9	$12,421.9	$13,178.4	$13,807.5	$14,264.6
percent change	6.2%	4.6%	5.7%	6.2%	5.3%	6.0%	5.9%	3.2%	3.4%	4.7%	6.6%	6.3%	6.1%	4.8%	3.3%
Real Gross Domestic Product (inflation-adjusted, chained to 2000)	$7,835.5	$8,031.7	$8,328.9	$8,703.5	$9,066.9	$9,470.3	$9,817.0	$9,890.7	$10,048.8	$10,301.0	$10,675.8	$10,989.5	$11,294.8	$11,523.9	$11,652.0
percent change	4.0%	2.5%	3.7%	4.5%	4.2%	4.4%	3.7%	0.8%	1.6%	2.5%	3.6%	2.9%	2.8%	2.0%	1.1%
Unemployment Rate	6.1%	5.6%	5.4%	5.0%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%
Inflation (Consumer Price Index)	2.6%	2.8%	3.0%	2.3%	1.6%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.8%	3.8%
10-Year Treasury Note	7.1%	6.6%	6.4%	6.4%	5.3%	5.7%	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.6%	3.7%
Personal Income	$5,833.9	$6,144.7	$6,512.5	$6,907.3	$7,415.7	$7,796.1	$8,422.1	$8,717.0	$8,872.9	$9,150.3	$9,711.4	$10,253.0	$10,978.1	$11,634.3	$12,086.5
percent change	5.2%	5.3%	6.0%	6.1%	7.4%	5.1%	8.0%	3.5%	1.8%	3.1%	6.1%	5.6%	7.1%	6.0%	3.9%
Wage and Salary Income	$3,227.5	$3,415.4	$3,615.7	$3,874.0	$4,179.9	$4,463.7	$4,825.9	$4,939.9	$4,976.5	$5,107.3	$5,388.7	$5,665.4	$6,020.8	$6,355.8	$6,544.0
percent change	4.9%	5.8%	5.9%	7.1%	7.9%	6.8%	8.1%	2.4%	0.7%	2.6%	5.5%	5.1%	6.3%	5.6%	3.0%
Nonfarm Wage and Salary Employment (millions)	114.3	117.3	119.7	122.8	125.9	129.0	131.8	131.8	130.3	130.0	131.4	133.7	136.1	137.6	137.0
percent change	3.1%	2.6%	2.1%	2.6%	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.4%

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)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nonagricultural Employment (thous.)	1,670.5	1,755.9	1,834.7	1,900.9	1,980.1	2,057.5	2,132.6	2,213.8	2,226.9	2,184.2	2,152.8	2,179.6	2,226.0	2,279.1	2,331.3	2,349.3
percent change	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%	0.8%
Unemployment Rate (%)	5.3	4.3	4.0	4.2	3.4	3.5	3.0	2.7	3.8	5.7	6.1	5.6	5.1	4.4	3.9	4.9
Personal Income	$79,697	$85,671	$92,704	$100,233	$107,873	$118,493	$128,860	$144,394	$152,700	$153,066	$154,829	$163,736	$175,371	$188,214	199,483	209,321
percent change	8.0%	7.5%	8.2%	8.1%	7.6%	9.8%	8.7%	12.1%	5.8%	0.2%	1.2%	5.8%	7.1%	7.3%	6.0%	4.9%
Per Capita Income	$22,054	$23,004	$24,226	$25,570	$26,846	$28,784	$30,492	$33,364	$34,455	$33,991	$34,041	$35,594	$37,611	$39,612	41,192	42,377
percent change	4.5%	4.3%	5.3%	5.5%	5.0%	7.2%	5.9%	9.4%	3.3%	-1.3%	0.1%	4.6%	5.7%	5.3%	4.0%	2.9%
Wage and Salary Income	$45,736	$48,912	$52,782	$57,091	$62,364	$69,462	$76,283	$85,909	$88,297	$86,938	$88,008	$92,095	$97,399	$104,084	110,858	116,057
percent change	7.2%	6.9%	7.9%	8.2%	9.2%	11.4%	9.8%	12.6%	2.8%	-1.5%	1.2%	4.6%	5.8%	6.9%	6.5%	4.7%
Retail Trade Sales	$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	74,760
percent change	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%	-0.8%
Housing Permits	29,913	37,229	38,622	42,221	42,509	49,503	48,874	53,749	54,537	47,911	34,066	45,585	46,262	39,314	30,420	19,086
percent change	27.4%	24.5%	3.7%	9.3%	0.7%	16.5%	-1.3%	10.0%	1.5%	-12.1%	-28.9%	33.8%	1.5%	-15.0%	-22.6%	-37.3%
Nonresidential Construction	$1,578	$1,581	$1,841	$2,367	$3,274	$2,880	$3,783	$3,476	$3,500	$2,787	$2,713	$3,291	$4,221	$4,415	$5,251	$4,134
percent change	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%	18.9%	-21.3%
Denver-Boulder Inflation Rate	4.2%	4.4%	4.3%	3.5%	3.3%	2.4%	2.9%	4.0%	4.6%	2.0%	1.0%	0.1%	2.1%	3.6%	2.2%	3.9%
Population (thousands, July 1)	3,613.7	3,724.2	3,826.7	3,920.0	4,018.3	4,116.6	4,226.0	4,327.8	4,431.9	4,503.2	4,548.3	4,600.1	4,662.7	4,751.5	4,842.8	4,939.5
percent change	3.4%	2.7%	2.8%	2.9%	2.5%	2.4%	2.7%	2.7%	2.7%	1.6%	1.0%	1.1%	1.4%	1.9%	1.9%	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.