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Legislative
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MEMORANDUM

September 21, 2009

TO: Members of the General Assembly

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

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2009-2012*

This memorandum presents the current budget outlook based on the **September 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. Revenue available for spending in the General Fund is $560.7 million below the amount budgeted for expenditure in **FY 2009-10**. This amount is $240.7 million higher than the $320.0 million shortfall addressed by the Governor in his August 24th budget balancing plan.

Although General Fund revenue is expected to *increase* 6.4 percent in **FY 2010-11**, revenue available for spending in the General Fund will *decrease* 6.0 percent because several one-time sources of revenue will either be reduced or will no longer be available. Thus, there will be $1.3 billion less available for spending in the General Fund in FY 2010-11 than is currently budgeted to be spent in FY 2009-10. This amount assumes that the entire $560.7 million shortfall in FY 2009-10 is filled with one-time sources of money and thus carried forward into FY 2010-11. It does not incorporate the Governor's budget balancing plan.

If, however, all of the $560.7 million shortfall is addressed with permanent cuts or revenue increases, the amount of money available for spending in the General Fund in FY 2010-11 will be an *additional* $188.7 million below the reduced budget for FY 2009-10 and a total of $748.4 million below the current budget for FY 2009-10. The sum of the $560.7 million shortfall for FY 2009-10 and the $748.4 million shortfall for FY 2010-11 equals $1.3 billion. These figures do not include budgetary increases that result from rising caseloads, inflation, or constitutional requirements, and thus understate the size of the shortfall under current law.

Assuming previous years' shortfalls are entirely filled with one-time money and carried forward into the future, there will be $1.6 billion less available for spending in the General Fund in **FY 2011-12** than is currently budgeted to be spent in FY 2009-10. If the entire $1.3 billion shortfall through FY 2010-11 is addressed with permanent cuts or revenue increases, no shortfall will exist in FY 2011-12. These figures do not incorporate increases resulting from rising caseloads, inflation, or constitutional requirements over the two-year period between FY 2009-10 and FY 2010-11.

Table 2 on page 4 summarizes the impact of bills and other budgetary measures affecting the General Fund. In total, these measures have already addressed the shortfall by $1.4 billion in FY 2008-09 and $602 million in FY 2009-10.

Revenue Forecast

The FY 2009-10 forecast for total revenue subject to TABOR was decreased $141.6 million, or 1.5 percent, since the June forecast. The forecast for General Fund revenue subject to TABOR was decreased $229.8 million, while the forecast for cash fund revenue subject to TABOR was increased $88.3 million.

- The majority of the decrease in the **General Fund revenue** forecast is a result of lower expectations from sales and use taxes. It appears the recession is having a more severe impact on consumers and business spending than previously expected. The income tax forecast was also cut by $72.8 million, entirely because of an accrual accounting change. General Fund revenue collected in FY 2008-09 materialized at slightly higher levels than was expected in June, with revenue coming in $56.8 million higher than the June forecast. However, all of the increase was due to accounting adjustments that essentially shifted revenue from FY 2009-10 to FY 2008-09. This resulted in a lower forecast for income taxes in FY 2009-10. After falling $1.0 billion in FY 2008-09, General Fund revenue will decrease an additional $193.2 million in FY 2009-10 compared with the prior year and begin growing in FY 2010-11 at more moderate levels as the economy begins to slowly improve.

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

		FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
FUNDS AVAILABLE		**Estimate**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve	$327.0	$437.7	-$411.6	-$1,033.3
2	General Fund Nonexempt Revenue	6,737.8	6,544.6	6,451.4	6,558.8
3	General Fund Exempt Revenue (Referendum C)	0.0	0.0	514.1	923.9
4	Paybacks to Other Funds	-2.9	-458.1	0.0	0.0
5	Transfers from Other Funds	815.3	280.8	2.6	1.5
6	Sales Taxes to Older Coloradans Fund and OASMCF	-8.8	-10.9	-10.9	-10.9
7	**Total Funds Available**	**$7,868.3**	**$6,794.2**	**$6,545.6**	**$6,440.1**
8	Percent Change	-1.8%	-13.7%	-3.7%	-1.6%
EXPENDITURES		**Budgeted**	**Budgeted**	**Estimate /B**	**Estimate /B**
9	Operating Appropriations	$7,410.7	$7,456.5	$7,456.5	$7,456.5
10	Over and (Under) Appropriations /A	-11.2	-45.4	NA	NA
11	Federal Medicaid Assistance	-214.1	-358.9	-159.6	0.0
12	Rebates and Expenditures	135.3	150.5	163.7	203.1
13	Reimbursement for Senior and Disabled Vet. Property Tax Cut	85.5	1.1	96.6	103.0
14	Funds in Prior Year Excess Reserve to HUTF	29.0	NA	NA	NA
15	Funds in Prior Year Excess Reserve to Capital Construction	14.5	NA	NA	NA
16	Capital Construction Transfer	24.9	2.0	21.8	20.2
17	Accounting Adjustments	-43.9	NE	NE	NE
18	**Total Expenditures**	**$7,430.6**	**$7,205.8**	**$7,578.9**	**$7,782.8**
19	Percent Change	-3.4%	-3.0%	5.2%	2.7%
BUDGET SUMMARY		**Estimate**	**Estimate**	**Estimate /B**	**Estimate /B**
20	**Amount Available for Expenditure**	**$7,720.1**	**$6.645.1**	**$6,247.4**	**$6,141.8**
21	Dollar Change	-$11.9	-$1,075.0	-$397.7	-$105.6
22	Percent Change	-0.2%	-13.9%	-6.0%	-1.7%
23	***Available Revenue will Restrict Expenditures By :***	***$0.0***	***-$560.7***	***-$1,331.6***	***-$1,641.0***
RESERVE		**Budgeted**	**Budgeted**	**Estimate /B**	**Estimate /B**
24	Year-End General Fund Reserve	$437.7	-$411.6	-$1,033.3	-$1,342.8
25	Year-End Reserve as a Percent of Appropriations	5.9%	-5.5%	4.0%	4.0%
26	Statutory Reserve	148.2	149.1	298.3	298.3
27	General Fund Excess Reserve	$289.5	-$560.7	-$1,331.6	-$1,641.0
28	Addendum: TABOR Reserve Requirement	$273.3	$261.5	$279.7	$301.2
29	Addendum: Arveschoug-Bird Appropriations Limit	$7,546.8	$9.974.2	$10,442.4	$10,324.9
30	Addendum: Amount Directed to State Education Fund	$339.9	$334.3	$361.1	$398.7

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

/A In addition to $12.0 million in FY 2008-09 Medicaid overexpenditures, this includes 1331 and other emergency supplementals that, while having been approved by the Joint Budget Committee, have not yet been approved by the State Legislature.

/B Figures in FY 2010-11 and FY 2011-12 illustrate how much revenue is available relative to FY 2009-10 budgeted 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 to the following fiscal year. The governor's August 24th budget balancing plan is not incorporated.

Table 2
Budgetary Measures Affecting the General Fund Overview
(Dollars in Millions)

		FY 2008-09	FY 2009-10	FY 2010-11
Cash Fund Transfers				
SB 09-208	Cash Fund Transfers	221.6	0.0	0.0
SB 09-279	Cash Fund Transfers	114.1	209.4	0.0
SB 09-279	Temporary Cash Fund Transfers	458.1	-458.1	
SB 09-210	Tobacco Master Settlement Transfers	1.2	2.4	0.0
SB 09-269	Tobacco Master Settlement Transfers	13.9	65.0	0.0
SB 09-270	Amendment 35 Tobacco Transfers - Interest	6.3	3.9	2.6
Total Cash Fund Transfers		815.2	-177.3	2.6
Revenue Changes				
Total Revenue Change (See Table 6 on page 12)		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	-90.5	0.0
SB 09-278	Suspend SB-1 Diversion & HB-1310 Transfers	0.0	0.0	0.0
Total Expenditure Reductions		-25.4	-115.8	-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	204.2	345.4	152.9
SB 09-264	Maximize FMAP Increase	9.9	13.4	6.7
ARRA* & SB 09-264	Stabilization Funds for Higher Education	150.0	150 /B	/B
ARRA*	Governor's Discretionary ARRA Funds	25.6	45.4	0.0
Total Increases from Federal Funds		389.7	554.2	159.6
Total Impact of All Actions		**$1,391.0**	**$602.0**	**$305.2**

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

/B The state has applied for a waiver with the federal government to increase the amount of ARRA funds used for higher education from $150 million to $230 million in FY 2009-10. It is also possible that there will be $150 million available for higher education in FY 2010-11, but this has not been through the legislative process.

** ARRA = The American Recovery and Reinvestment Act.*

- **Cash Fund revenue** subject to TABOR amounted to $2.4 billion in FY 2008-09, a 6.0 percent increase from the prior year. A record amount of severance tax revenue and a jump in revenue to various other cash funds more than offset the declines in other major cash fund revenue sources, such as gaming and transportation-related revenue, which were hit particularly hard by the recession. In FY 2009-10, cash fund revenue is projected to decline 8.9 percent, primarily as a result of the fall in severance tax revenue due to depressed natural gas prices. Though the state will experience a substantial increase in cash fund revenue as a result of 2009 legislation, particularly from higher vehicle registration fees and the new revenue generated from the hospital provider fee. The removal of unemployment insurance revenue from TABOR revenue will largely offset these increases. TABOR cash fund revenue will resume growth in the last two years of the forecast period.

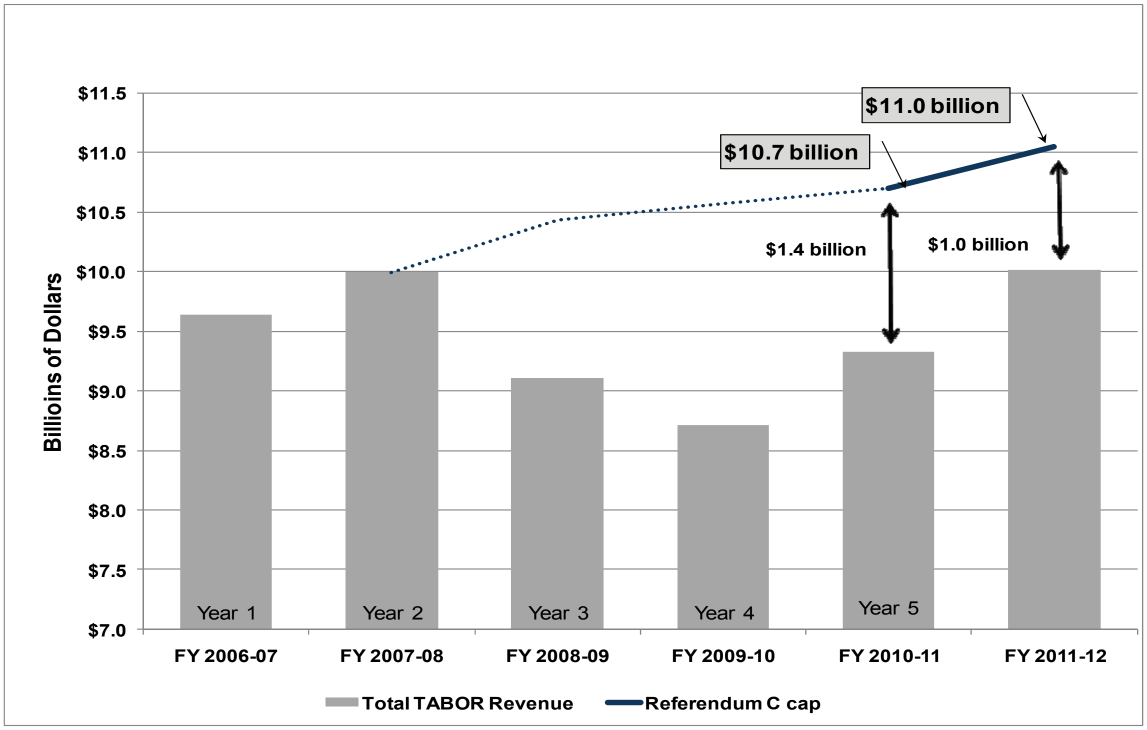
- The current estimate for the amount of revenue that will be retained by the state during the **Referendum C time-out period** is $3.6 billion. Table 3 presents the history and forecast for revenue retained by Referendum C.

Table 3
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
2008-09	$0.0
Projections	
2009-10	$0.0
2010-11	$514.1
2011-12	$923.9

- Figure 1 on page 6 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 4 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 three-year forecast horizon.

Figure 1
TABOR Revenue and the Referendum C Cap



National Economy

The free-fall in economic activity that first gripped the nation in 2008 appears to have subsided. While recovery appears imminent, constrained consumer spending in response to tight credit, high unemployment, lost wealth, and decreased wages will slow the pace of recovery to a crawl through much of 2010. The instability that remains in banking and real estate—the two sectors that led the economy into financial crisis and recession—will also dampen growth in the years to come.

The nation will face a new set of obstacles when the economy builds steam. The ballooning national deficit and inflationary pressures resulting from the expansionary monetary and fiscal policy of the last year pose potential threats to the health of the economy in the future. The actions of the Federal Reserve in particular will play a critical role in the long-term health of the nation.

Table 4
September 2009 TABOR Revenue Limit and Retained Revenue
(Dollars in Millions)

		Preliminary FY 2008-09	Estimate FY 2009-10	Estimate FY 2010-11	Estimate FY 2011-12
	TABOR Revenue:				
1	General Fund /A	$6,714.4	$6,527.5	$6,947.2	$7,463.7
2	Cash Funds	2,395.1	2,181.4	2,380.3	2,555.6
3	**Total TABOR Revenue**	**$9,109.5**	**$8,708.9**	**$9,327.5**	**$10,019.3**
	Revenue Limit				
4	Allowable TABOR Growth Rate	4.2%	5.9%	1.2%	3.2%
5	Inflation (from prior calendar year)	2.2%	3.9%	-0.4%	1.6%
6	Population Growth (from prior calendar year)	2.0%	2.0%	1.6%	1.6%
7	Allowable TABOR Limit /B	$9,207.5	$9,190.4	$8,813.4	$9,095.4
8	Voter Approved Revenue Change (Referendum C)	$0.0	$0.0	$514.1	$923.9
9	Total Allowable Revenue	NA	NA	$10,703.8	$11,046.3
	Retained/Refunded Revenue				
10	Retained Revenue (General Fund Exempt)	$0.0	$0.0	$514.1	$923.9
11	Revenue to be Refunded to Taxpayers	$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.

Colorado Economy

Signaling that recovery is near, some industries in Colorado are beginning to show signs of growth. However, constrained by job losses, loss of wealth, and credit tightening, consumers will be hesitant to spend more, which would fuel a stronger recovery. As a result, the road ahead for Colorado, even in recovery, will feel rocky with continued job losses and wage declines well into 2010. As the recovery takes hold, the geographic diversity of Colorado's industries will lend to different rates of growth throughout the state. Some regions of the state will bounce back at modest to moderate rates, while others will rise and fall with the movements of oil, gas, and agricultural prices.

Posing a potential risk or reward, Colorado's economy in many ways rests in the hands of the monetary and fiscal policies set forth by the Federal Reserve and the Bush and Obama administrations. The long-term impacts of these policies may hasten Colorado's recovery. They could also, however, contribute to economic burdens for the state as the national deficit looms and inflationary pressures emerge with economic growth.

General Fund Revenue

This section presents the Legislative Council Staff forecast for General Fund revenue. Table 5 illustrates revenue collections for FY 2008-09 through FY 2011-12. General Fund revenue decreased $1.0 billion in FY 2008-09, or 13.0 percent, from the prior year. In FY 2009-10, revenue will decrease an additional $193.2 million, or 2.9 percent.

General Fund revenue collected in FY 2008-09 materialized at slightly higher levels than was expected in June, with revenue coming in $56.8 million higher than the June forecast. However, almost all of the increase was due to accounting adjustments that essentially shifted revenue from FY 2009-10 to FY 2008-09.

In response to ongoing reductions in consumer and business spending, the forecast for General Fund revenue in FY 2009-10 and FY 2010-11 was reduced by $221.4 million and $263.3 million, respectively, compared with the June forecast. While expectations that the recession will subside to a snail-paced recovery some time in early- to mid-2010 have not changed since June, it appears the recession is having a more severe impact on consumers than previously expected. Therefore, expectations for General Fund revenue in FY 2009-10 were reduced by 3.3 percent relative to the June forecast. The sales tax forecast was lowered by $130.3 million because of declining spending, while the income tax forecast was cut by $72.8 million, entirely because of an accrual accounting change.

Individual income taxes make up close to two-thirds of General Fund revenue. Given this, the $640 million decrease in FY 2008-09 had significant adverse consequences for the state's budget. Although revenue will drop again in FY 2009-10, the expected decline of 3.9 percent will not be nearly as severe as in FY 2008-09. Tax revenue will finally grow again in FY 2010-11.

While most of the decline in individual income tax revenue in FY 2008-09 was attributed to a drop in tax revenue from capital gains and royalties as a result of the plummeting stock market and energy prices, tax revenue from wages and salaries held up remarkably well amidst the deteriorating job market. In contrast, most of the revenue decline in FY 2009-10 will come from less money withheld from workers' paychecks as unemployment remains high and salaries stagnate. Tax revenue from capital gains, which mostly come to the state from estimated payments, is expected to increase this fiscal year in response to the rebound in the stock market. The S&P 500 stock index, a useful barometer for the overall performance of stocks, is up by over 30 percent since its low in March of this year. It is also possible that revenue from estimated payments will see a boost from income earned by some of the legion of laidoff workers who find work as independent contractors or start their own businesses.

On a cash basis, which accounts for revenue in the time period it was collected, the FY 2009-10 forecast for individual income taxes remained essentially unchanged compared with the June forecast. However, the forecast compared to June was lowered on an accrual basis, the accounting method required by the Governmental Accounting Standards Board. This method makes adjustments in the accounting of revenue so that it is recorded, or "accrued," in the time period in which the economic activity that generated the revenue occurred. On an accrual basis, the forecast for individual income tax revenue is $107.8 million lower than June's forecast. The reduction is due to some of the negative accrual that was expected to occur in FY 2008-09 being pushed into FY 2009-10.

Though individual income tax revenue is still expected to increase in FY 2010-11, the forecast was reduced relative to the June fore-

Table 5
September 2009 General Fund Revenue Estimates
(Dollars in Millions)

Category	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	$1,931.1	-9.2	$1,900.4	-1.6	$1,978.4	4.1	$1,991.1	0.6
Use	176.7	-7.6	145.3	-17.8	151.5	4.3	163.1	7.7
Cigarette	43.5	-3.8	42.8	-1.6	42.4	-1.0	41.8	-1.3
Tobacco Products	13.2	6.2	12.7	-3.5	14.3	12.1	14.4	0.8
Liquor	35.0	-1.9	36.8	5.1	37.6	2.2	38.2	1.6
TOTAL EXCISE	$2,199.5	-8.8	$2,138.0	-2.8	$2,224.1	4.0	$2,248.6	1.1
Net Individual Income	$4,333.3	-12.9	$4,173.5	-3.7	$4,575.3	9.6	$5,040.0	10.2
Net Corporate Income	292.5	-42.4	314.6	7.5	280.1	-11.0	333.6	19.1
TOTAL INCOME TAXES	$4,625.8	-15.6	$4,488.0	-3.0	$4,855.4	8.2	$5,373.6	10.7
Less: Portion diverted to the SEF	-339.9	-16.7	-334.3	-1.6	-361.1	8.0	-398.7	10.4
INCOME TAXES TO GENERAL FUND	$4,285.9	-15.5	$4,153.7	-3.1	$4,494.3	8.2	$4,974.9	10.7
Insurance	192.4	2.2	195.5	1.6	201.4	3.0	208.5	3.5
Pari-Mutuel	0.5	-81.6	0.6	26.9	0.6	-3.4	0.6	-3.4
Investment Income	9.2	-48.7	9.8	6.4	13.9	42.0	17.1	23.3
Court Receipts	24.1	-18.6	17.3	-28.3	0.2	-98.6	0.3	4.7
Gaming	2.8	NA	8.4	NA	9.5	NA	10.3	NA
Other Income	23.4	20.0	21.3	-8.8	21.4	0.3	22.4	4.9
TOTAL OTHER	$252.4	-2.2	$253.0	0.2	$247.0	-2.4	$259.2	4.9
GROSS GENERAL FUND	$6,737.8	-13.0	$6,544.6	-2.9	$6,965.5	6.4	$7,482.7	7.4
REBATES & EXPENDITURES:								
Cigarette Rebate	$12.1	-4.7	$12.5	3.5	$12.4	-1.0	$12.2	-1.3
Old-Age Pension Fund	107.4	15.1	118.5	10.4	129.5	9.2	142.2	9.9
Aged Property Tax & Heating Credit	5.3	-49.0	8.5	61.0	8.0	-6.0	7.5	-6.0
Interest Payments for School Loans	5.5	-53.6	5.9	6.4	8.3	42.0	10.3	23.3
Fire/Police Pensions	4.0	-89.6	4.1	2.4	4.5	9.6	29.9	561.3
Amendment 35 GF Expenditures	1.0	-0.9	0.9	-4.9	0.9	0.1	0.9	-0.9
TOTAL REBATES & EXPENDI-TURES	$135.3	-19.5	$150.5	11.3	$163.7	8.7	$203.1	24.1

Totals may not sum due to rounding.

cast as it seems increasingly likely that the economic recovery will be feeble, especially for the job market. Many of the jobs lost during the recession, especially in the construction, manufacturing, and finance industries, will take many years to come back as the economy restructures. Thus, unemployment will remain relatively high as the economy searches for new industries and growth that will produce jobs and income to displaced workers. The projection for individual income taxes in FY 2010-11 was reduced by $114.1 million.

The forecast for **corporate income taxes** was reduced for FY 2008-09 and FY 2009-10 to reflect persistently poor economic conditions and the effects of federal corporate tax credits enacted to stimulate the economy. Reduced consumer spending on domestic goods and lower demand internationally also contributed to lower corporate profits and reduced corporate income tax revenue. In FY 2008-09, corporate income taxes totaled $292.5 million, a 42.4 percent drop from the prior year. In FY 2009-10, corporate income tax revenue is expected to increase to $314.6 million, although the gain results from an accrual adjustment relating to lower corporate income tax refunds. Corporate profits are not expected to improve until a full economic recovery is realized, people go back to work, and sales pick up. Corporate income taxes will not begin to rebound until FY 2011-12.

The **State Education Fund** receives one-third of one percent of taxable income from state income tax returns. This fund will see a growth pattern in revenue similar to income taxes. After receiving $339.9 million in FY 2008-09, it will receive $334.3 million in FY 2009-10, a decrease of 1.6 percent, and $361.1 million in FY 2010-11.

Sales tax revenue dropped at an unprecedented rate in FY 2008-09 as consumer and business spending crumbled in response to the panic that followed the near collapse of the financial system and the ensuing global economic downturn. Sales tax revenue fell 9.2 percent in FY 2008-09, which translates to a removal of $7 billion in spending on taxable goods from the state economy.

The drop in sales of durable goods, such as cars, furniture, electronics, and appliances – which generally accounts for around a quarter of sales tax collections – was particularly pronounced over the past year. Also, consumers appear to be mostly buying necessities and purchasing more goods at discounted rates and at thrift stores. Meanwhile, businesses' efforts to survive the difficult economic conditions, have sharply curtailed purchases and investments. Business spending on taxable goods and services makes up about 40 percent of sales tax collections.

Although the severe drop in spending will end in FY 2009-10, high unemployment, flat incomes, and weak demand will weigh on sales tax revenue in FY 2009-10 even as the economy begins to expand. Sales tax revenue is now projected to decline in FY 2009-10 by 1.6 percent. The forecast was lowered from June due to continued drops in revenue in the first months of the fiscal year that have been larger than expected. Revenue will rebound only moderately at a 4.1 percent rate in FY 2010-11 amidst stubbornly high unemployment and a subdued economic recovery.

Legislation enacted from the 2009 session will buffer the weakness in sales tax revenue. This legislation, shown in Table 6, temporarily eliminated both the vendor discount fee that retailers can retain to offset their costs of sales tax collections and the sales tax exemption on the purchase of cigarettes. These measures are estimated to enhance sales tax revenue to the state by about $100 million in both FY 2009-10 and FY 2010-11.

Use tax revenue, which is mostly paid by businesses in the state, deteriorated rapidly since last fall with the increase in economic uncertainty, further tightening in the credit markets, and drops in demand for goods and services. The forecast for FY 2009-10 was lowered since June as expectations for business spending have been lowered. Many businesses appear to have hunkered down, trying to survive the difficult business conditions. Therefore, business investment and spending has remained low. Use tax revenue in FY 2009-10 is now projected to drop 17.8 percent after falling 7.6 percent in FY 2008-09. Revenue will begin to rebound in FY 2010-11, though with modest 4.3 percent growth, as economic conditions finally begin to spur the need for more business spending.

Table 6
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 7 summarizes the forecast for revenue to cash funds subject to TABOR. Total cash fund TABOR revenue amounted to $2.4 billion in FY 2008-09, a 6.0 percent increase from the prior year. The largest sources of this revenue are transportation-related revenue, mostly from fuel taxes, unemployment insurance premiums, severance taxes, which are derived from taxes on the mineral extraction industries in the state, and gaming revenue.

Cash fund revenue subject to TABOR in FY 2008-09 came in above the June forecast. The record amount in severance tax revenue received by the state, an increase in revenue from the fees paid by the industries and professions regulated by the Department of Regulatory Affairs, and increased revenue from an assortment of other cash funds offset the declines in the other main cash fund revenue sources. Gaming and transportation-related revenue were particularly negatively impacted by the recession.

In FY 2009-10, cash fund revenue is projected to decline 8.9 percent, primarily as a result of a sharp decline in severance tax revenue due to depressed natural gas prices. TABOR-exempt status of unemployment insurance revenue starting in FY 2009-10 also eliminates a large source of cash fund TABOR revenue. However, this will be offset by increases in transportation-related revenue from **Senate 09-108** (FASTER) and the new revenue generated from the Hospital Provider Fee created by **Senate Bill 09-1293** (Health Care Affordability Act).

In the current fiscal year, revenue to the ***transportation-related*** cash funds will see an overall increase of 15.5 percent, or $135.8 million. The increase is largely attributable to **Senate Bill 09-108** (commonly referred to as FASTER), which increased vehicle registration fees and created a number of new revenue sources, including a $2 daily fee for rental cars. Forecasts for transportation-related cash funds are shown in Table 8.

The *Highway User Tax Fund (HUTF)* forecast remains similar to the June forecast. However, revenue from *motor fuel taxes* was reduced from the prior forecast because consumers are spending less on gasoline due to the recession. These factors will contribute to very modest growth through the forecast period. Similarly, while revenue from *vehicle registration fees* will receive a boost from FASTER this fiscal year, registration revenue is expected to remain fairly flat through the rest of the forecast period. The impact of the federal Car Allowable Rebate System (CARS) or "Cash for Clunkers" program on registration fees will be more apparent in the September and October revenue reports. The impact of the program is not likely to generate a substantial increase in revenue.

While the forecast for motor fuel and registration revenue were lowered since June, the forecast for other receipts to the HUTF was increased in FY 2010-11 and 2011-12 to reflect current law regarding the one-year transfer of funds under **Senate Bill 09-274.** This bill transfers $12.9 million from the HUTF to fund drivers' license offices in FY 2009-10. The June forecast reflected an earlier version of the bill, which extended the transfer for multiple years.

The forecast for the *State Highway Fund* was lowered considerably due to depressed interest earnings and local matching funds. These two revenue sources have historically made up more than 90 percent of the revenue to the fund. The level of local matching dollars and grants will be considerably lower through the forecast period than in years prior due to the sunset of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy

Table 7
Cash Fund Revenue Subject to TABOR, September 2009
(Dollars in Millions)

	Preliminary FY 08-09	Estimate FY 09-10	Estimate FY 10-11	Estimate FY 11-12	FY 08-09 to FY 11-12 CAAGR *
Transportation-Related	$875.3	$1,011.0	$1,045.3	$1,061.5	
% Change	-4.9%	15.5%	3.4%	1.5%	6.6%
Unemployment Insurance	$391.2	*Not Applicable*			
% Change	-8.3%				
Hospital Provider Fee	NA	$336.42	$389.42	$487.76	
% Change			15.8%	25.3%	
Severance Tax	$336.9	$54.9	$147.4	$181.3	
% Change	98.1%	-83.7%	168.5%	23.0%	-18.7%
Limited Gaming Fund	$98.9	$103.2	$107.0	$110.9	
% Change	-12.9%	4.4%	3.6%	3.7%	3.9%
Insurance-Related	$51.5	$35.8	$25.6	$17.3	
% Change	-20.5%	-30.4%	-28.5%	-32.3%	-30.4%
Regulatory Agencies	$78.1	$63.4	$64.4	$65.2	
% Change	37.6%	-18.8%	1.5%	1.3%	-5.8%
Capital Construction - Interest /A	$10.1	$2.7	$1.7	$1.1	
% Change	-47.8%	-73.4%	-36.1%	-35.1%	-52.0%
Other Cash Funds /B	$553.2	$573.9	$599.5	$630.4	
% Change	14.4%	3.2%	4.6%	5.3%	4.5%
Total Cash Fund Revenue Subject to the TABOR Limit	$2,395.1	$2,181.4	$2,380.3	$2,555.6	
	6.0%	-8.9%	9.1%	7.4%	2.2%

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

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

/B Includes revenue to the Employment Support Fund and to Fort Lewis, Mesa, and Adams State colleges in FY 2008-09 and Fort Lewis College in FY 2009-10.

Table 8
Transportation Funds Revenue Forecast by Source, September 2009
(Dollars in Millions)

	Preliminary FY 08-09	Estimate FY 09-10	Estimate FY 10-11	Estimate FY 11-12	FY 08-09 to FY 11-12 CAAGR *
Highway Users Tax Fund (HUTF)					
Motor Fuel and Special Fuel Taxes	$539.9	$544.4	$556.6	$563.2	1.4%
% Change	-6.5%	0.9%	2.2%	1.2%	
Registrations	$182.0	$303.9	$306.7	$310.0	19.4%
% Change	-1.8%	67.0%	0.9%	1.1%	
Daily Rental Fee	$0.0	$24.3	$24.4	$24.6	
% Change			0.3%	1.2%	
Other Receipts /A	$52.9	$40.2	$54.6	$55.5	1.6%
% Change	27.8%	-24.0%	35.9%	1.5%	
Total HUTF	**$774.7**	**$912.8**	**$942.2**	**$953.4**	**7.2%**
% Change	-3.6%	17.8%	3.2%	1.2%	
State Highway Fund	$72.0	$64.6	$68.5	$72.8	0.3%
% Change	-18.7%	-10.3%	6.1%	6.2%	
Other Transportation Funds /B	$28.6	$33.6	$34.6	$35.4	7.4%
% Change	2.1%	17.6%	3.0%	2.2%	
Total Transportation Funds	**$875.3**	**$1,011.0**	**$1,045.3**	**$1,061.5**	**6.6%**
% Change	-4.9%	15.5%	3.4%	1.5%	

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.

for Users (SAFETEA-LU), the six-year federal surface transportation program which provided matching federal dollars to local funds. Interest earnings will also bring in lower revenue when compared to the past several years, as earnings recover from a 28 percent drop in FY 2008-09. Interest earnings are expected to grow very modestly through the forecast period as the economy recovers.

Forecasts for ***unemployment insurance*** (UI) revenue, benefits payments, and the UI Trust Fund balance are shown in Table 9. As a result of **House Bill 09-1363**, revenue to the UI Trust Fund will no longer be subject to TABOR beginning in FY 2009-10, and is therefore excluded from Table 7. However, due to the significance of unemployment issues during economic fluctuations and the effects that consequently filter throughout the economy, UI revenue, benefits, and the UI Trust Fund balance will continue to be included separately in the forecast.

The Employment Support Fund, derived from half of the UI surcharge, is still subject to TABOR. The UI surcharge is equal to 0.22 percent on taxable income. Once deposited into the Employment Support Fund, it is used to cover benefit payments to individuals whose previous employers are no longer in business. Revenue to the Employment Support Fund is included in Table 7 in the umbrella group of Other Cash Funds.

The 2009 legislative session resulted in numerous changes to the UI Trust Fund. In addition to granting enterprise status to the program, changes include easing eligibility requirements and diverting a portion of the UI surcharge to the newly created Technology Fund. Although preliminary indicators are pointing to an emerging economic recovery, unemployment issues are expected to drag out for at least another year. The lack of jobs will continue to exacerbate declining wages and increased benefit payments are expected to persist through FY 2009-10.

Total claims for UI benefits are at a historic high. While both the federal Extended Unemployment Compensation and Extended Benefits programs are paid for with federal dollars, the approval of both programs proves the severity of the current recession and the reason for the increase in state UI benefit payments.

This unprecedented demand on the fund's resources will drive the fund balance down to a negative balance. 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. In addition, surcharge and solvency rates will adjust upward accordingly, and although the fund balance is expected to creep into positive territory in FY 2010-11, the jobless recovery will keep benefit payments elevated for at least another year.

Senate Bill 09-1293 (the Health Care Affordability Act) created the ***Hospital Provider Fee***, which will fund the expansion of federal and state medical assistance programs starting this fiscal year. The program is contingent upon federal approval and is expected to generate $336.4 million in FY 2009-10. In later years, the State Medical Services Board is authorized to change the fee over time to expand eligibility for those covered by medical assistance programs.

Fueled by the high energy prices during much of 2008 and expansive drilling and energy production in the state over the past several years, ***severance taxes*** in FY 2008-09, including interest earnings, totaled a record $336.9 million. However, natural gas prices remain at low levels after falling precipitously

Table 9
Unemployment Insurance Trust Fund Forecast, September 2009*
Revenues, Benefits Paid, The UI Fund Balance, and Solvency
(Dollars in Millions)

	Preliminary FY 08-09	Estimate FY 09-10	Estimate FY 10-11	Estimate FY 11-12	FY 08-09 to FY 11-12 CAAGR *
Beginning Balance	$699.8	$370.2	($10.4)	$5.2	-80.5%
Plus Income Received					
Regular Taxes /A	$159.1	$223.6	$545.2	$474.7	44.0%
Solvency Taxes /B	$205.3	$285.0	$336.3	$330.6	
Interest	$27.8	$5.5	$0.1	$4.8	-44.1%
Plus Federal Payment		*$128.0*			
Total Revenues	**$392.1**	**$514.1**	**$881.6**	**$810.1**	23.8%
% Change	-8.1%	63.8%	37.3%	-8.1%	
Less Benefits Paid	($741.8)	($999.8)	($842.6)	($601.4)	-6.8%
% Change	125.5%	34.8%	-15.7%	-28.6%	
Federal Reed Act Transfer	$0.0	$0.0	$0.0	$0.0	NA
Accounting Adjustment	$20.1	($23.0)	($23.3)	($23.7)	NA
Ending Balance	**$370.2**	**($10.4)**	**$5.2**	**$190.3**	-19.9%
Solvency Ratio:					
Fund Balance as a Percent of Total Annual Private Wages	0.43%	-0.01%	0.01%	0.24%	-17.7%

Totals may not sum due to rounding.

NA: Not applicable.
*CAAGR: Compound Average Annual Growth Rate.
/A This includes regular UI taxes, 30% of the UI surcharge, penalty receipts, and the accrual adjustment on taxes.

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

at the end of 2008 as the economy entered recession. The steep drop in demand for natural gas and the robust production levels nationally over the past several years has resulted in a large oversupply of natural gas, depressing prices. Spot market prices for natural gas in Colorado averaged $2.75 per Mcf (thousand cubic feet) in the first half of September and are expected to average $3.14 per Mcf for 2009 as a whole. This represents a 55.1 percent price decline from 2008.

The resulting drop in income for energy producers – and thus their severance tax liability – coupled with large severance tax credits based on the higher value of natural gas produced in 2008, will cause a sharp drop in revenue in FY 2009-10. In FY 2009-10, total severance tax revenue is projected to drop to $54.9 million, a decrease of 83.7 percent from FY 2008-09.

Contributing to the large drop in revenue in FY 2009-10 is a projected decrease in revenue from coal production, which represents the second largest source of severance taxes in Colorado after oil and natural gas. Colorado coal production was down close to 10 percent through the beginning of September compared to a year ago due mainly to the weak economy.

Severance taxes are expected to rebound in the last two fiscal years of the forecast period with an increase in economic activity. However, it will take time to reduce the nation's oversupply of natural gas, which will prevent severance taxes from reaching the high levels seen in FY 2008-09. Though it is possible that increased pipeline capacity, an increase in the use of natural gas for electric power generation, and a stronger economic recovery than expected will put more upward pressure on prices in the last years of the forecast, causing severance tax revenue to recover stronger than projected.

The ongoing recession, job losses, and other economic factors have 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, decreased another 12.9 percent in FY 2008-09.

As the economy gradually improves and the expanded gaming authorized by Amendment 50 creates more revenue for casinos, gaming revenue will increase in FY 2009-10 and FY 2010-11. Amendment 50 allowed each of the state's three gaming towns to hold 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 expanded gaming. Based upon the formula in **House Bill 09-1272**, it is estimated that distributions to Amendment 50 programs will equal $7.2 million in FY 2009-10 and $9.9 million in FY 2010-11. The bulk of the new revenue under Amendment 50 will be distributed to community colleges (78 percent), with the remaining money distributed to Gilpin and Teller counties and the three gaming towns (22 percent).

In FY 2008-09, because revenue was insufficient to increase General Fund appropriations by 6 percent, the Joint Budget Committee ran a bill to adjust the transfer of gaming revenue to certain state economic development programs. The General Assembly adopted legislation that transferred $19.7 million to the Colorado Travel and Tourism Promotion Fund, the State Council on the Arts Cash Fund, the New Jobs Incentives Cash Fund, the Film Incentives Cash Fund, and the Innovative Higher Education Research Fund. Without this legislation, the programs would have lost the entire amount of the gaming money. If the March 2010 forecast indicates that revenue will fall below appropriations for FY 2009-10, up to $26.4 million will be transferred to the General Fund at the end of fiscal year to cover the revenue shortfall. In addition, if the June 2010 forecast shows that revenue continues to be insufficient to fund appropriations, the General Fund will receive an additional amount of gaming revenue that would otherwise be transferred to other funds. As an example, in FY 2008-09, the General Fund received $2.8 million in gaming revenue because the June 2009 forecast showed insufficient revenue for appropriations.

All ***other cash fund revenue*** subject to TABOR, which includes revenue from a large number of various cash funds, increased 14.4 percent in FY 2008-09 and is expected to increase another 3.2 percent in FY 2009-10. Part of the FY 2008-09 revenue to these funds came from the temporary loss of TABOR enterprise status by Adams State, Mesa State, and Fort Lewis colleges, which generated $57.6 million in TABOR revenue. For FY 2009-10, Fort Lewis is currently the only school projected to lose enterprise status. TABOR revenue from this school, such as from tuition and student fees, is projected to amount to about $18.7 million.

Federal Mineral Leasing Revenue

Table 10 presents the September 2009 forecast for federal mineral leasing (FML) revenue in comparison with June of 2009. FML revenue is the portion of revenue the state receives from the money the federal government collects from 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 10, FML revenue has grown from $44.6 million in FY 2001-02 to $227.3 million in FY 2008-09 as a result of increasing production on the state's federal lands, mostly in western Colorado. Similar to severance taxes, FML revenue increased to record-high levels in FY 2008-09 because of the high price of natural gas during much of 2008. Revenue last year was also bolstered by $56 million in one-time money from the auction of federal land for mineral production on the Roan Plateau in western Colorado.

Table 10
Federal Mining Leasing Revenue Distributions
(Millions of Dollars)

Year	Sept. 2009 Forecast	% Chg.	June 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*	$227.3	47.9%	$230.9	-1.6%
FY 2009-10	$90.6	-60.2%	$118.6	-23.6%
FY 2010-11	$111.7	23.3%	$133.1	-16.1%
FY 2011-12	$129.5	15.9%	$154.3	-16.1%

**Actual revenue distributed.*

Reduced demand for energy and the fall in energy prices continues to cause FML revenue to drop sharply. The revenue forecast for FY 2009-10 was lowered since the June forecast to reflect this trend. The reduction will not be as pronounced as with severance tax revenue, however, because FML revenue is not affected by the tax credit that is allowed against severance taxes. It is expected that FML revenue will come in at $90.6 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 period as the economy recovers and energy prices begin to improve.

National Economy

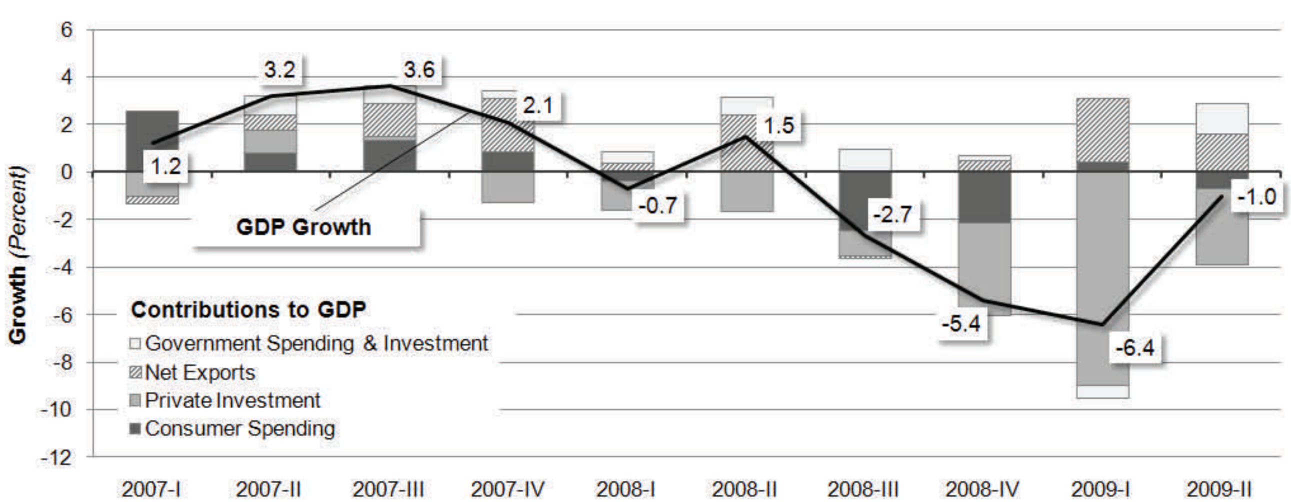
While there are murmurs of the beginning of economic recovery, the national economy continues to feel the weight of one of the worst recessions since the Great Depression. It appears that the freefall in economic activity has subsided and the nation will soon begin a slow recovery marked by modest ups and downs. Constrained consumer spending in response to tight credit, high unemployment, lost wealth, and decreased wages will contribute to the slow recovery through much of 2010. Table 11 on page 26 shows major economic indicators for the nation.

A number of downside risks exist, which may result in greater economic declines over the forecast period than expected. Instability remains in the banking and real estate markets which could dampen growth by further constricting credit and contributing to general instability in the financial system. Additionally, much of the effects of the unprecedented monetary and fiscal policies of 2008 and 2009 have yet to be seen. While these policies have kept the nation from a deeper plunge in economic activity, balancing budget deficits, interest rates, and the potential for rising inflation will prove to be a difficult juggling act in the years to come.

Gross Domestic Product

Declines in economic activity, as measured by gross domestic product (GDP), moderated in the second quarter, indicating that the recession may be coming to an end. The 1.0 percent contraction in the second quarter followed three prior quarters of declines of 6.4 percent, 5.4 percent, and 2.7 percent. Declines in investment and consumer spending have been the leading contributors to declines in GDP during the recession. Figure 2 illustrates growth in the components of GDP and the resulting GDP growth rate from 2007 to the second quarter of 2009. As illustrated by the figure, positive net exports, reflecting declines in U.S. consumption of foreign goods and services, partially offset declines in GDP

Figure 2
Gross Domestic Product (GDP) Contributions and Growth



Source: Bureau of Economic Analysis.
Note: Figure shows quarter-over-quarter growth at seasonally adjusted annual rates.

during the recession. Growth in government consumption has also partially offset declines during the recession.

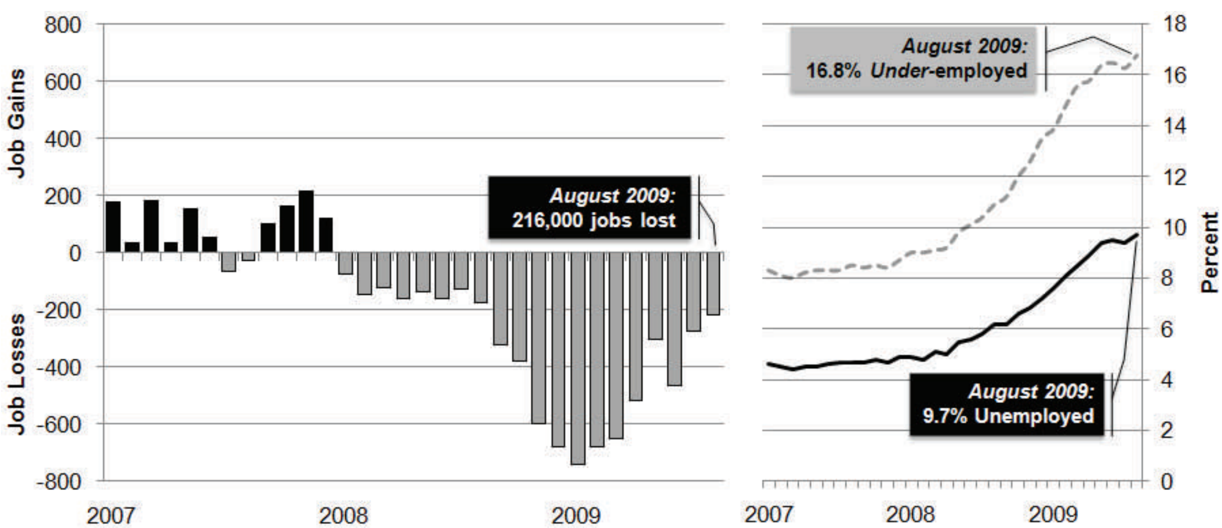
- Growth in real GDP is one of the indicators the National Bureau of Economic Research uses to determine when a recession ends. Growth in GDP is expected in the second half of 2009, spurring many analysts to speculate that the end of the recession is near or here and recovery is imminent. Growth will result from increases in manufacturing as firms rebuild their inventories and exports continue to offset imports. Growth, however, will likely not reflect increased consumer spending, the largest contributor to economic activity. Thus, the recovery will remain feeble throughout 2009 and much of 2010. Overall, GDP for all of 2009 will contract 2.0 percent. GDP will expand 1.6 percent in 2010 as the economy recovers.

Job Market

Monthly job losses have moderated but remain at high levels as the nation nears a "jobless recovery," where unemployment will remain high despite growth in economic activity. Job losses totaled 216,000 in August, bringing total jobs lost during the recession to 6.8 million. Of all industries in the economy, only government and education and health services have shown job growth during the recession. However, growth in these sectors has moderated over the last several months. Declines in all other industries have diminished and some industries saw very modest growth during the summer months.

As a result of job losses, the unemployment rate reached 9.7 percent in August, which is more than double the annual rate seen in 2007. The number of unemployed people in the country now stands at a record high of 14.9 million. The *under*-employment rate, a measure of those seeking work, those forced to work less hours than desired, and discouraged workers who drop out of the workforce, reached 16.8 percent in August. The rate is now nearly double the annual rate for 2007. Monthly job losses, the unemployment rate and the under-employment

Figure 3
Employment Gains/Losses, Unemployment Rate, and Under-Employment Rate



Source: Bureau of Labor Statistics.
Note: July and August estimates are preliminary. All figures are seasonally adjusted.

rate are shown in Figure 3.

- The nation will lose a total of 4 million jobs in 2009 as the economy continues to see losses through the end of the calendar year. Job losses will translate to an unemployment rate averaging 9.3 percent in 2009. The unemployment rate will peak at an average of 9.8 percent for 2010 as discouraged workers who dropped out of the workforce return in search of employment opportunities and firms, slow to hire, do not do so at a sufficient enough pace to absorb them.

Personal Income and Wages

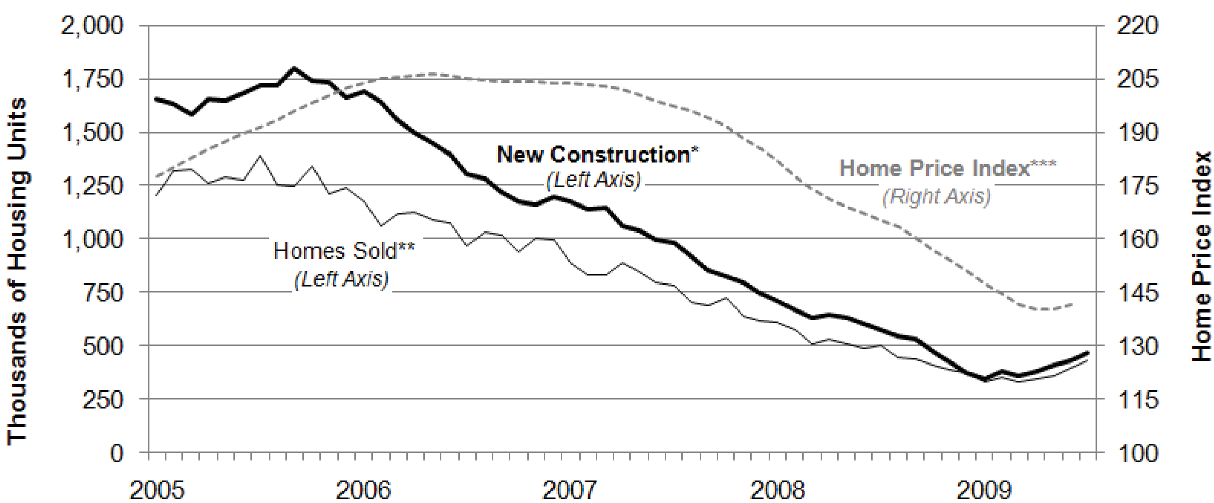
Wage cuts, job losses, lower dividends, and depreciated asset values contributed to declines in personal income, which decreased 2.0 percent in the first half of 2009 over the same period last year. Wages and salaries, which represent the largest portion of personal income, declined 4.1 percent over this period. Losses in personal income were moderated by double-digit declines in taxes and increases in government assistance such as unemployment benefits.

- Personal income will decline 2.1 percent in 2009 while the weak job market continues to pull down wages. Modest growth of 2.3 percent is expected for 2010.

Housing Market

Data on housing shows signs that the market is stabilizing. While home sales, construction permits, and home prices remain at low levels, all showed upward trends through July, as illustrated by Figure 4. Low interest rates, the $8,000 first time home buyer federal tax credit, and easing in the credit markets may be partially responsible for positive trends in recent months. Despite this, the housing market is expected to continue to struggle throughout 2009 as foreclosures continue and depressed wages and high unemployment make home purchases unrealistic for many Americans.

Figure 4
Selected Housing Indicators



Source: U.S. Census Bureau and Standard & Poor's Financial Services LLC.
* New privately owned single housing units authorized by building permits, seasonally adjusted annual rate.
** New single-family houses sold, seasonally adjusted annual rate.
*** S&P/Case-Shiller Home Price Index, 20-city composite of seasonally adjusted home values.

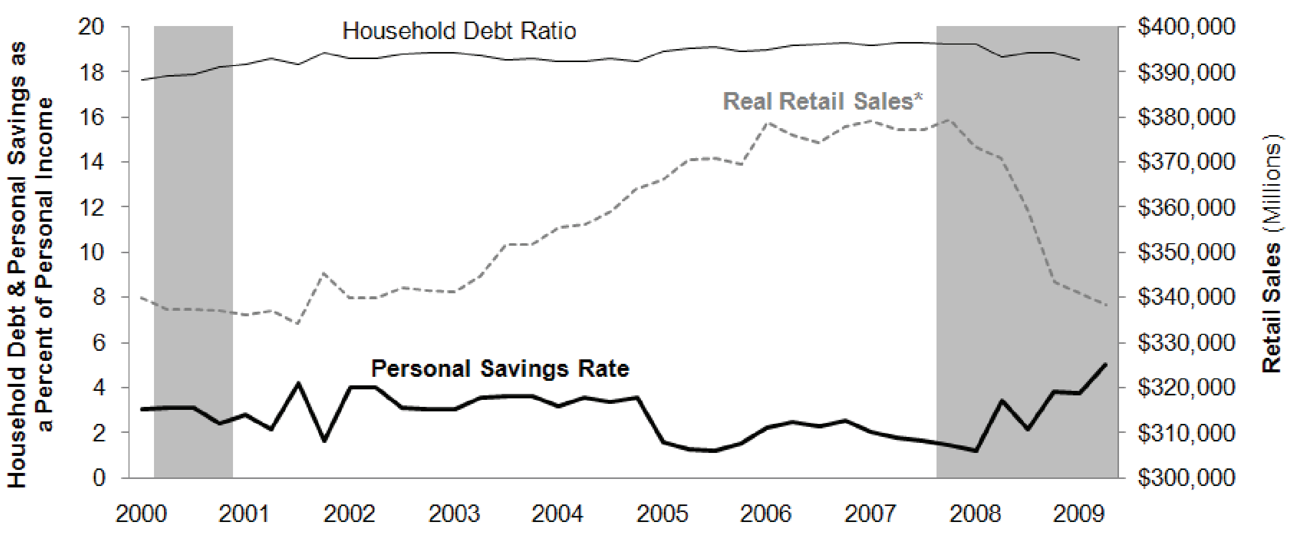
Nonresidential Real Estate

The pressures of the credit crunch and reduced spending resulting from declining wealth and job losses have placed many businesses in financial distress. These strains are being reflected in the commercial real estate market. Delinquency rates on commercial-mortgage-backed securities (CMBS) rose to 3.14 percent in July from rates well under 1 percent in the two years prior. Retail, multifamily, lodging, office, and industrial properties have all seen substantial rises in delinquencies. Additionally, the office vacancy rate breached the 15 percent mark in early 2009 and will soon surpass the spike in vacancies from the last economic downturn. High vacancy rates not only reflect the glut of office space resulting from over-building in the past several years but also the high number of businesses that have shut their doors. Vacancy rates, delinquent mortgage payments, and foreclosures in commercial real estate are all expected to rise in 2010. These pressures will only exacerbate the problems of the struggling financial sector.

Consumer Spending

As the nation awaits recovery, continued job losses, wage cuts, tighter credit, and media reports on the economy have led the consumer to save or pay down debts instead of spend. Though consumer confidence, as measured by the consumer confidence index, has grown from the historical lows seen in February, the index remains low compared to historic trends. Declines in consumer spending, as reflected by retail sales, have moderated in recent months. However, monthly sales remain low and currently rest at 2003 levels. Sluggish consumer spending is expected to continue through 2010 and will contribute to a slow and gradual recovery. Figure 5 illustrates trends in consumer behavior during the recession, including reduced consumption, increased savings, and declining debt levels.

Figure 5
Savings, Debt, and Retail Sales, 2000 to 2009 Quarter



Sources: Federal Reserve Board, Bureau of Economic Analysis, and U.S. Census Bureau.
Note: Recessions are indicated by grey shading.
*Real retail sales are seasonally adjusted and adjusted for inflation using the Bureau of Labor Statistics GDP monthly inflation estimates (US$2009).

Inflation

The nation is experiencing slight deflation, as prices dropped 0.8 percent in the January through July period compared to the same period last year. Declines in energy prices are primarily responsible for the decrease. However, energy prices have risen in the last few months and are expected to continue rising as the national and global economy recovers, which may put upward pressure on inflation in 2010.

- Until the economy begins to recover at a more moderate pace, inflation will remain flat or slightly negative. In 2009, the nation will experience slight deflation as the CPI-U drops 0.7 percent. Economic recovery will increase prices by 1.7 percent in 2010.

Global Economic Conditions

The global economy continues to feel the effects of the recession that spread from the U.S. housing bust to financial markets across the globe. Reflecting a global decrease in demand for goods and services, world trade volume is expected to decrease by more than 10 percent in 2009 and global GDP is expected to decrease 3.8 percent, according to estimates from the International Monetary Fund. While most developed countries continue to struggle, including Japan and the Euro area, many emerging economies have maintained growth despite the global recession, including China, India, and many oil rich countries in the Middle East. Despite growth in some areas, overall depressed global consumption levels will contribute to a slow recovery for the nation.

Risks to the Forecast

Continued financial sector struggles. Unprecedented intervention by the federal government eased the severe constriction in the flow of money between banks and borrowers that gripped the nation in late 2008. However, banks continue to hold large and in some cases growing quantities of bad debt which threaten the financial stability of the nation. The Federal Deposit Insurance Corporation (FDIC) Quarterly Banking Profile reported an industry -wide second quarter net loss of $3.7 billion for the financial industry, resulting primarily from bad loans. Additionally, the percentage of noncurrent loans and leases (past due by 90 or more days) grew to record levels in the second quarter and the number of "problem" financial institutions grew to a 15-year high. Persistent struggles in the financial sector will dampen growth beyond expectations and could contribute to another fall in economic activity in the near term.

Troubles in real estate. While the housing market and nonresidential real estate market are expected to struggle through 2010, a large wave of new foreclosure filings in either market could compound the stresses of financial institutions and cause the economy to perform worse than expected.

Monetary and fiscal policy. The U.S. government responded with unprecedented monetary and fiscal policy to the financial crisis that led to the recession. Low interest rates, an expanded money supply, the Troubled Asset Relief Program, the American Recovery and Reinvestment Act, and increased federal government funding for safety net programs have cushioned and tempered the financial crisis and the effects of record job losses. However, some near-term and most long-term effects of these unprecedented policies have yet to be seen. As the economy recovers, how these economic policies are tempered and reeled in will play a large role in the economic future of the nation.

Concerns are growing over the balancing act the Federal Reserve will have to play to maintain economic growth while fighting inflation and the demands of lenders funding the ballooning national deficit. Lenders are already demanding that the Federal Reserve pay careful attention to the inflationary pressures that accompany expansionary monetary policy. Yet increasing interest rates to temper inflation and reducing government spending to diminish the national debt will slow economic growth. The interplay of these issues could contribute to a weaker than expected economy as the nation pulls out of recession.

Summary

While the nation appears to be poised at the brink of recovery, any rebound in economic activity will be slow and may even feel nonexistent through much of 2010. Suppressed spending by the American consumer will largely be responsible for a slow recovery. Consumers will be hesitant to spend like they once did in the years preceding the recession as they battle credit constrictions, fears surrounding job security, depressed wages and wealth, and high unemployment. Constrained spending will affect businesses by dampening profits and in many cases will result in job losses and businesses closing their doors.

Though recovery seems imminent, a number of risks remain, which could result in future economic instability for the nation. Many of the troubles that led to the recession persist, including high rates of delinquency and foreclosure in the real estate industry and the related struggles in the financial industry where banks are burdened with bad debts. Until these sectors can regain strength and stability, the economy will remain on unstable ground. Additionally, while the cushion of unprecedented monetary and fiscal policy may have saved the nation from greater crisis, the Federal Reserve will face a new set of obstacles as the nation recovers. These obstacles include managing the growing national debt and curbing inflationary pressures, while maintaining economic growth. How these obstacles are overcome will play a pivotal roll in the nation's economic future.

Table 11
National Economic Indicators, September 2009 Forecast
(Dollars in Billions)

	2006	2007	2008	Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012
Inflation-adjusted GDP	$12,976.2	$13,254.1	$13,312.2	$13,046.0	$13,254.7	$13,625.8	$14,048.2
percent change	2.7%	2.1%	0.4%	-2.0%	1.6%	2.8%	3.1%
Nonagricultural Employment (millions)	136.1	137.6	137.0	$131.9	$132.1	$134.2	$136.3
percent change	1.8%	1.1%	-0.4%	-3.7%	0.1%	1.6%	1.6%
Unemployment Rate	4.6%	4.6%	5.8%	9.3%	9.8%	8.8%	8.4%
Personal Income	$11,268.1	$11,894.1	$12,238.8	$11,981.8	$12,257.4	$12,821.2	$13,552.0
percent change	7.5%	5.6%	2.9%	-2.1%	2.3%	4.6%	5.7%
Wage and Salary Income	$6,068.9	$6,408.9	$6,545.9	$6,244.8	$6,326.0	$6,591.7	$6,941.0
percent change	6.5%	5.6%	2.1%	-4.6%	1.3%	4.2%	5.3%
Inflation (Consumer Price Index)	3.2%	2.8%	3.8%	-0.7%	1.7%	2.9%	4.3%

Colorado Economy

Colorado's economy remains mired in the muck of a recession that has gripped it tighter than nearly every recession for the last 50 years. Consumers appear to have hit the reset button on their spending. The drop in consumer spending that began last fall is persisting as a result of the poor job market, lost wealth, tight credit conditions, and high debt levels. Although Coloradans' homes have not lost as much value as those of consumers' in other parts of the nation, the state's housing market remains weak and is not expected to fully recover for several years.

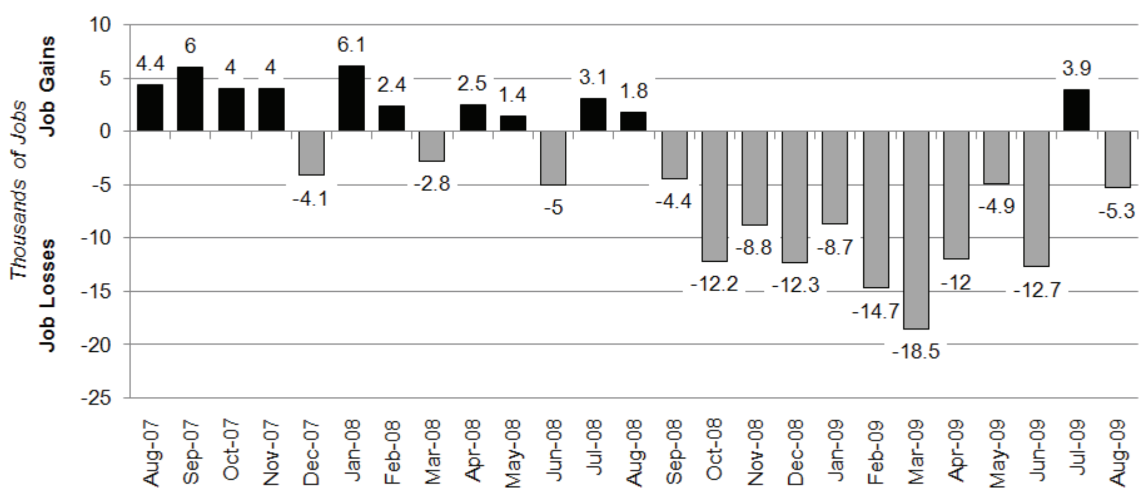
Businesses have reduced investment and slashed payrolls in order to survive, and the downturn has begun to put a significant strain on the commercial real estate market. Outside of road construction — much of which is being funded with federal stimulus dollars — the construction industry has nearly ground to halt. Meanwhile, the western slope has suffered significant declines in economic activity as a result of a slowdown in the energy industry. Agricultural and livestock prices are also down and have added to the economic challenges facing Colorado farmers and beef ranchers.

The worst punches to the Colorado economy appear to have already occurred, and job losses are expected to begin to slow markedly over the rest of the year with recovery finally prying open the recession's grip early in 2010. The recovery, however, is expected to be a slow, long process. Because the causes of the recession are rooted in the breakdown in the economic foundation that spurred growth in recent years and the downturn is global, the economy will not quickly turn around. Table 12 shows major economic indicators for the region.

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 rapid than in past downturns. Figure 6 shows Colorado's monthly job changes from August 2007 through August 2009.

Figure 6
Colorado Monthly Job Changes
August 2007 to August 2009 (Thousands of Jobs Gained or Lost)



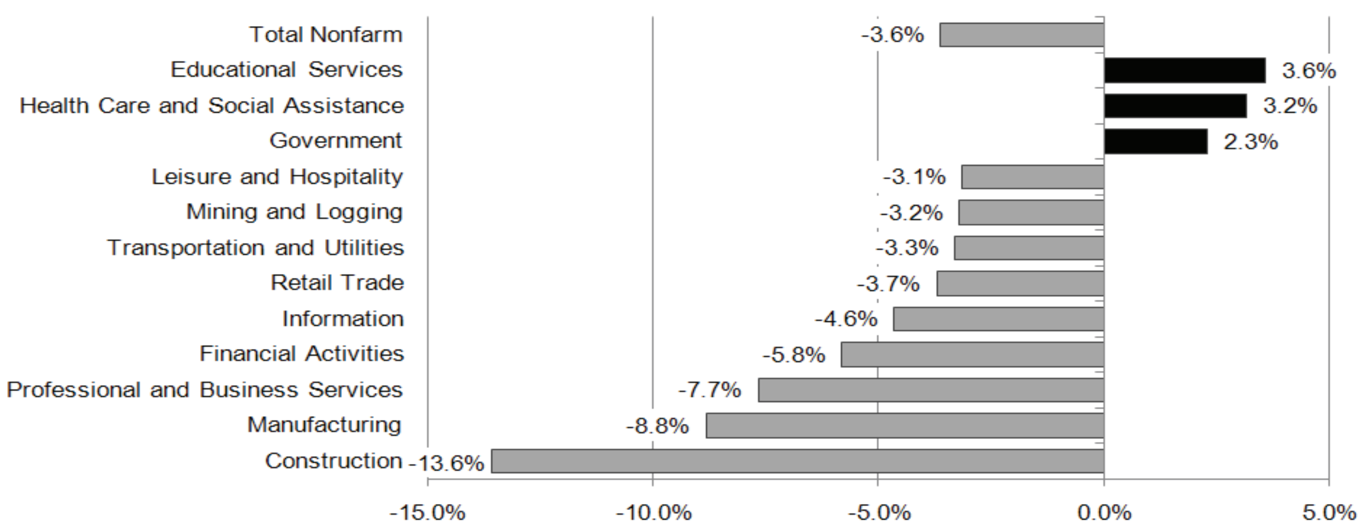
Source: U.S. Bureau of Labor Statistics
Note: Figures are seasonally adjusted. August 2009 figures are preliminary.

Between May 2008 and July, the state's **nonfarm employment** level dropped 4.7 percent, equating to a loss of 1 in every 22 jobs in the state, or close to 111,000 jobs. These job losses have flooded the market with job seekers who are competing with larger numbers of applicants for each job opening.

As a potential sign that the major contractions in the state's economy are diminishing, the string of large job losses reversed in July when the state *gained* 3,900 jobs. The last time the state saw job gains was in August 2008. Sectors that showed growth in July include construction, which led industry gains with the addition of 1,400 jobs and the professional and business services sector, which added 3,000 jobs. However, these gains were more than offset by job losses totaling 5,300 in August. Reversed trends in gains and losses can be expected as the Colorado economy rides a rocky road to recovery.

Employment decreased 3.6 percent through August compared with the first eight months of 2008. Figure 7 shows industry job growth by selected sectors. The construction and manufacturing sectors have been hardest hit, with decreases of 13.6 percent and 8.8 percent, respectively. In addition, the well-paying financial activities and professional/business sectors (which contain over 20 percent of the state's jobs) declined 5.8 percent and 7.7 percent, respectively. Only the educational services, health care and social assistance, and government sectors have experienced continuous job growth through the recession.

Figure 7
Change In Jobs In Selected Colorado Industries
(January through August 2009 over the same period last year)



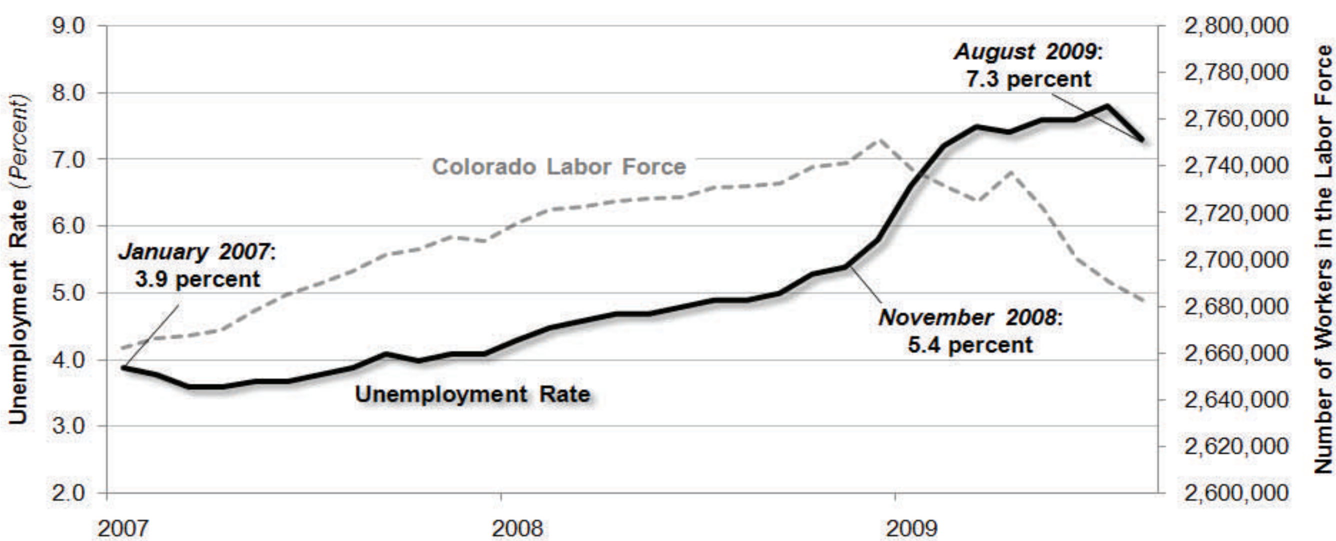
Source: U.S. Bureau of Labor Statistics.
Note: August figures are preliminary. All figures are seasonally adjusted.

The mining and energy industry continues to shed jobs in response to low energy prices and a slowdown in energy exploration in the state. According to Baker Hughes, there were 40 drill rigs operating in the state in July, down from 140 rigs a year ago. The industry has lost 5,800 jobs through August since its peak last November.

The number of unemployed has grown by almost 63,000 people since August of last year, totaling close to 2 million as of this August. The state's **unemployment rate** fell to 7.3 percent in August after hitting 7.8 percent the prior month. The drop in the unemployment rate can largely be attributed to workers dropping out of the labor force. Over the past year, over 48,000 people have dropped out of the labor force as illustrated by the downward trend show in Figure 8. As the economy begins to improve, many of the discouraged workers who left the laborforce are expected to reenter at rates greater than employers will be willing to hire. As a result, the unemployment rate will grow as the state enters recovery.

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 11.5 percent during the 12-month period beginning in the third quarter of 2008 through the second quarter of 2009, up from an annual average of 10.4 percent from the prior quarter's 12 month period. The rate is likely much higher now since the 11.5 percent represents the rate average over the full 12-month period. The national underemployment rate was 16.8 percent in August.

Figure 8
Unemployment Rate and Labor Force in Colorado
(January 2007 through August 2009)



Source: U.S. Bureau of Labor Statistics.

- 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 7.8 percent for the year. Given the uncertainty in the job market, the state will see employment bouncing around the bottom with some months of employment gains and some months of losses. The losses are expected to be slightly larger than the gains until early 2010. Employment will grow slowly in 2010 at 0.3 percent as businesses slowly begin to hire workers amidst a slow recovery. The state's unemployment rate will go higher in 2010, averaging 8.6 percent, as a mix of traditional and discouraged workers re-enter the workplace.

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. 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 4.7 percent in 2008, the 13th highest growth rate in the nation. Income began to fall off in the fourth quarter of 2008 as the recession hit. The state's personal income was 1.7 percent lower in the first quarter of 2009 than it was in the third quarter of 2008. That said, it was still 0.4 percent higher than a year earlier in the first quarter of 2008. Personal income is expected to continue to decrease throughout much of the rest of 2009 as job losses, lower interest and rental rates, and smaller corporate dividend payments take their toll. Fall is expected to be tempered by rising unemployment insurance benefits and a cost-of-living adjustment for Social Security payments.

After rising 4.3 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 fall off in the fourth quarter of last year. Wages and salaries decreased 1.4 percent in the fourth quarter and another 0.9 percent in the first quarter of 2009. With ongoing job layoffs and furloughs, wages and salaries are expected to further fall 3.0 percent in the second quarter of 2009 before slight growth returns in the final quarters of the year.

- Personal income will decrease 1.1 percent in 2009—marking the first annual decline since the Depression era in 1938—and wages and salaries will fall 3.1 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

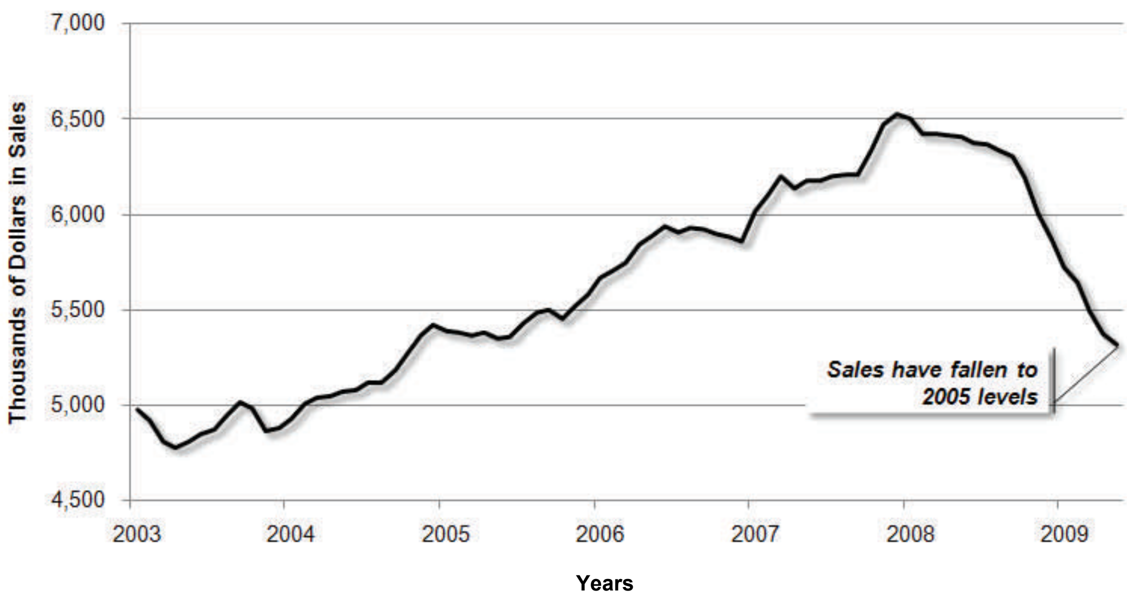
As one of the longest recessions in Colorado's history gripped the state, Colorado consumers have cut spending dramatically in response to diminished job prospects, a loss of wealth, tight credit conditions, and lower confidence. Consumers are also saving more and paying down debt, thus limiting the 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. This curtailment in spending is one of the 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 15.5 percent statewide through May compared to the same period in 2008. The cut in spending on discretionary items is particularly evident in purchases of durable goods, or big-ticket items, including cars, furniture, electronics, appliances, and building materials. The sales of durable goods declined 24 percent through May over the prior-year period. Figure 9 shows the trend in retail trade sales.

About 8,900 Coloradans received federal rebates of between $3,500 and $4,500 under the Car Allowance Rebate System (CARS). This may boost consumer spending in July and August, although the ultimate effect of the program on consumer spending may be difficult to identify. It is likely that some of the sales driven by the program may have otherwise occurred later in the year or in 2010.

- Retail trade sales will drop 11.3 percent in 2009 as consumers continue to limit purchases, pay down debt, and rebuild their savings. Sales will post an anemic rebound from 2009's depressed levels in 2010, with a growth rate of 2.6 percent as the hangover from the consumer spending boom of the past years will likely prove long.

Figure 9
Colorado's Retail Sales
(Monthly Retail Sales)



Source: Colorado Department of Revenue.
Note: Three-month moving average, seasonally adjusted.

Inflation

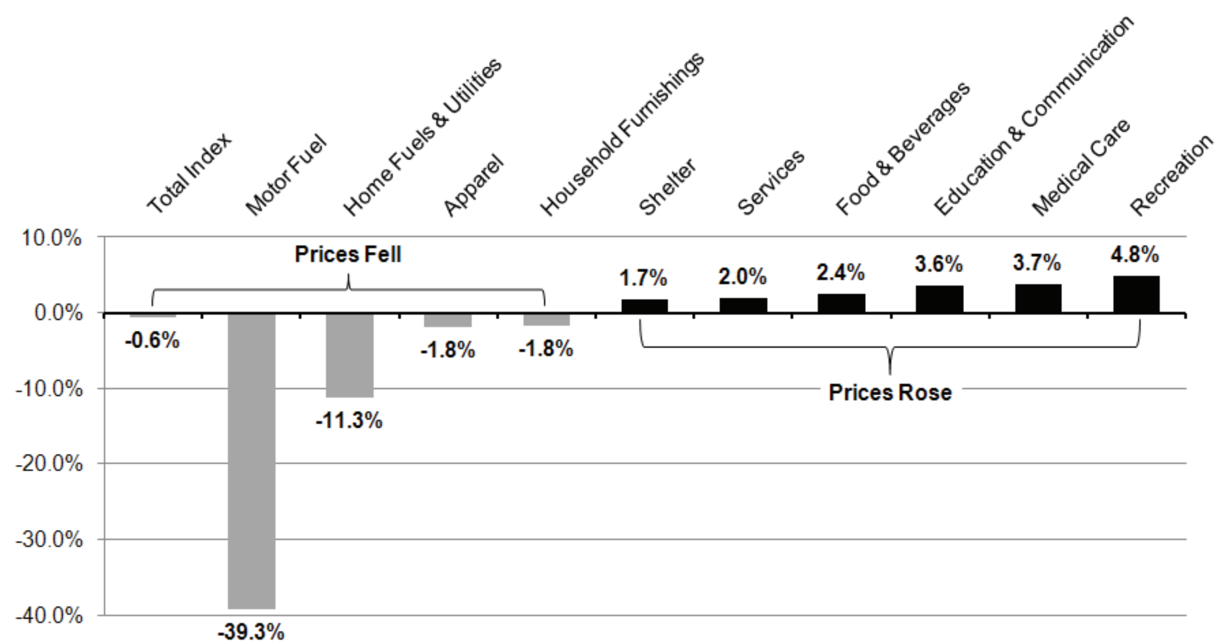
Consumer prices in the state, as measured by the Denver-Boulder-Greeley consumer price index, decreased 0.6 percent in the first half of the year over the first half of 2008. As shown by Figure 10, deflation occurred in fuels, apparel, and household furnishings, which was partially offset by inflation in shelter, services, food, education, medical care, and recreation.

- Overall inflation is expected to decline 0.4 percent in 2009 compared to 2008 due primarily to low energy prices and weak demand in the housing and retail markets. Inflation will remain low at 1.6 percent in 2010 due to the slow and protracted economic recovery.

Colorado's Housing Market

Colorado's housing market continues to struggle, though in some areas more than others. The metro Denver region's housing market is faring better than many major cities in the United States, but has not been spared from the impacts of the housing crisis. Meanwhile, other areas in the state remain heavily burdened by high and rising rates of foreclosure, rising delinquencies on mortgage payments, and declining home sales. Rising unemployment and wage declines will contribute to the burdens of the already struggling housing market, causing more Colorado residents to fall behind on mortgage payments or file for foreclosure in the months to come. The lingering impacts of recession will suppress recovery in the housing market well into 2010.

Figure 10
Changes in Inflation Index Components for the Denver-Boulder Greeley Area,



Source: U.S. Census Bureau.

Reflecting rising **home prices** in the metro Denver area, the S&P/Case-Shiller Home Price Index for the Denver area has been trending upward since April. That said, the index was down 3.4 percent in June of this year over last, and down 9.4 percent since the peak in home prices in January of 2006. Declines for the Denver area may appear small, however, when compared to many other metropolitan areas. For example, the San Francisco area saw a 22 percent decline this June over last and a 43.1 percent decline since the peak of housing prices. Nonetheless, declines in home values have reduced Coloradan's wealth and reflect instability in the housing market.

In contrast to national trends of rising **home sales**, Colorado was one of only nine states that saw a decline in sales in recent months. According to data from the National Association of Realtors, sales of existing homes in Colorado fell 6.4 percent in the second quarter over the first quarter compared to a 3.8 percent increase nationwide. Notably, most of the decline in Colorado is being attributed to areas outside the metro Denver area.

In addition to the first-time homebuyer credit and low interest rates, foreclosures may be contributing to the rise in home sales nationally and in some regions of Colorado. Nationwide, foreclosures and "short sales" accounted for 36 percent of all home sales. While foreclosures may afford opportunities to investors because sales prices may be low, foreclosures can also push down home prices on neighboring homes that are not in foreclosure. Declining home prices may cause some to wait until prices recover to sell their homes, or to rent their homes instead. These changes in home sale patterns can put pressures on the rental market, contributing to a glut of rental properties thereby depressing rental prices.

The weak housing market also continues to affect the **homebuilding** market. Already confined by difficulties in obtaining credit, declining home sales and home prices are providing builders with little incentive to build. Reflecting these trends, single-family permits authorized for construction were down 45.5 percent through July 2009 over the same time period in 2008. Total housing permits were down 55.4 percent.

- Single-family permits will drop another 38.0 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 inventory of homes, many of which, are foreclosure sales. Multi-family permits will fall from around 7,400 in 2008 to 2,000 in 2009, but then will begin to show some growth again as the economy starts to recover in 2010.

Data indicates that ***nonresidential construction*** is falling as businesses halt expansion and in some cases downsize. There are more vacancies in commercial properties and thus lower 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 20.6 percent statewide through July compared to a year ago. Commercial projects, such as offices, banks, hotels, retail stores, and restaurants, were down 44.2 percent. Hospital and health treatment contracts for construction declined 81.5 percent. Offsetting this drop in construction were increases in the value of manufacturing projects and public building facilities.

- The value of nonresidential construction projects will drop from $3.7 billion in 2008 to $2.7 billion in 2009, a 27.5 percent decline.

Summary

Like the national economy, Colorado's economy appears to be nearing a turning point where economic growth lies in the near future. Some stabilization in local consumer spending and the housing market, and job growth in selected industries provide signs of recovery nearing. However, low levels of consumer spending, continued job losses, and declining wages will slow recovery to a pace that may not be noticeable until well into 2010.

Colorado's economy is geographically diverse in terms of the composition of industry centered in different areas within the state. These differences will translate to regional differences in the pace of recovery throughout the state. Industries in the urban corridor will likely lead the state's recovery with innovation in key sectors such as renewable energy or information technology. Meanwhile, the recovery of many rural regions will be highly dependent on the health of the oil and gas industry, which is currently struggling as energy prices remain low. Similarly, depressed agricultural prices may add to rural economic burdens, drawing out the recession and slowing recovery in some areas of the state.

Risks to the forecast. Similar to the national economy, the unraveling of the unprecedented policies the federal government employed over the last year could contribute to either a stronger or weaker recovery than expected for the state. The anticipated $5 billion in federal American Recovery and Reinvestment Act (ARRA) funds for Colorado may provide a boost to the economy in the near term. However, a ballooning national deficit resulting from federal spending could pose longer-term consequences for the nation and state. Similarly, the Federal Reserve's policies of low interest rates and an expanded money supply may have kept the nation and state from further economic declines. However, these policies could lead to inflationary pressures as the national economy recovers which could hamper economic recovery. The Federal Reserve will play a critical role in balancing the promotion of the nation's—and Colorado's—economic growth, while staving off inflationary and other pressures in the years to come.

Table 12
Colorado Economic Indicators, June 2009 Forecast
(Calendar Years)

	2005	2006	2007	2008	Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012
Population (thousands), July 1 /A	4,731.7	4,827.3	4,919.8	5,018.2	5,098.5	5,180.1	5,257.8	5,347.2
percent change	1.5%	2.0%	1.9%	2.0%	1.6%	1.6%	1.5%	1.7%
Nonagricultural Employment (thousands) /B	2,226.0	2,279.1	2,331.3	2,350.0	2,265.4	2,272.2	2,294.9	2,331.6
percent change	2.1%	2.4%	2.3%	0.8%	-3.6%	0.3%	1.0%	1.6%
Unemployment Rate /B	5.1	4.4	3.9	4.9	7.8	8.6	8.2	7.6
Personal Income (millions) /C	$175,371	$188,214	$199,483	$208,847	$206,497	$211,893	$219,159	$228,359
percent change	7.1%	7.3%	6.0%	4.7%	-1.1%	2.6%	3.4%	4.2%
Wage and Salary Income (millions) /C	$97,399	$104,084	$110,858	$115,655	$112,042	$113,294	$116,011	$122,020
percent change	5.8%	6.9%	6.5%	4.3%	-3.1%	1.1%	2.4%	5.2%
Retail Trade Sales (millions) /D	$65,429	$70,416	$75,342	$74,888	$66,452	$68,182	$71,238	$75,003
percent change	5.2%	7.6%	7.0%	-0.6%	-11.3%	2.6%	4.5%	5.3%
Home Permits (thousands) /E	45.4	39.3	30.2	19.4	9.5	13.1	23.0	28.4
percent change	0.9%	-13.4%	-23.2%	-35.8%	-51.2%	38.1%	75.6%	23.8%
Nonresidential Building (millions) /F	$4,034	$3,862	$4,637	$3,717	$2,694	$1,980	$2,252	$2,533
percent change	30.2%	-4.3%	20.1%	-19.8%	-27.5%	-26.5%	13.8%	12.5%
Denver-Boulder Inflation Rate /B	2.1%	3.6%	2.2%	3.9%	-0.4%	1.6%	3.1%	3.6%

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 struggled through the second quarter of 2009. A majority of economic sectors shed jobs, and the unemployment rate continued to rise. Although regional home sales and prices rose, the number of new residential housing permits continued to plummet, indicating a particularly weak construction sector. The drop in consumer spending also appears to be accelerating. Table 13 shows economic indicators through July 2009.

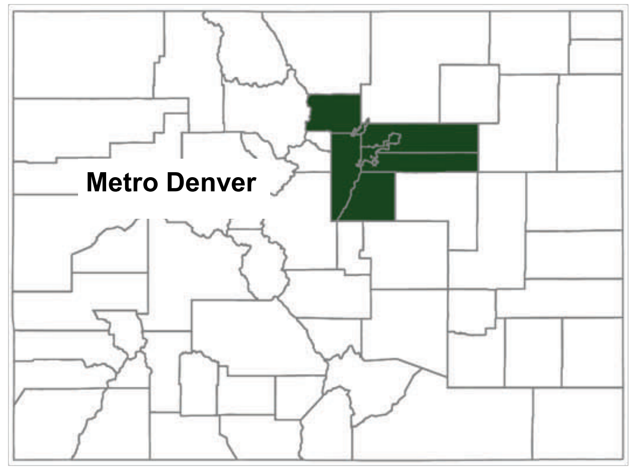


Table 13
Metro-Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson counties

	2007	2008	2009 YTD thru July
Employment Growth /1	2.2%	0.9%	-3.7%
Unemployment Rate /1 (2009 figure is for July)	3.8%	4.9%	7.8%
Housing Permit Growth /2	-21.1%	-38.4%	-57.3%
Single-Family Permit (Denver-Aurora) /2	-40.3%	-49.8%	-48.0%
Single-Family Permit (Boulder) /2	-12.4%	-63.5%	-21.1%
Growth in Value of Nonresidential Const. /3	33.2%	-11.4%	-28.3%
Retail Trade Sales Growth /4	6.4%	-1.0%	-16.0%

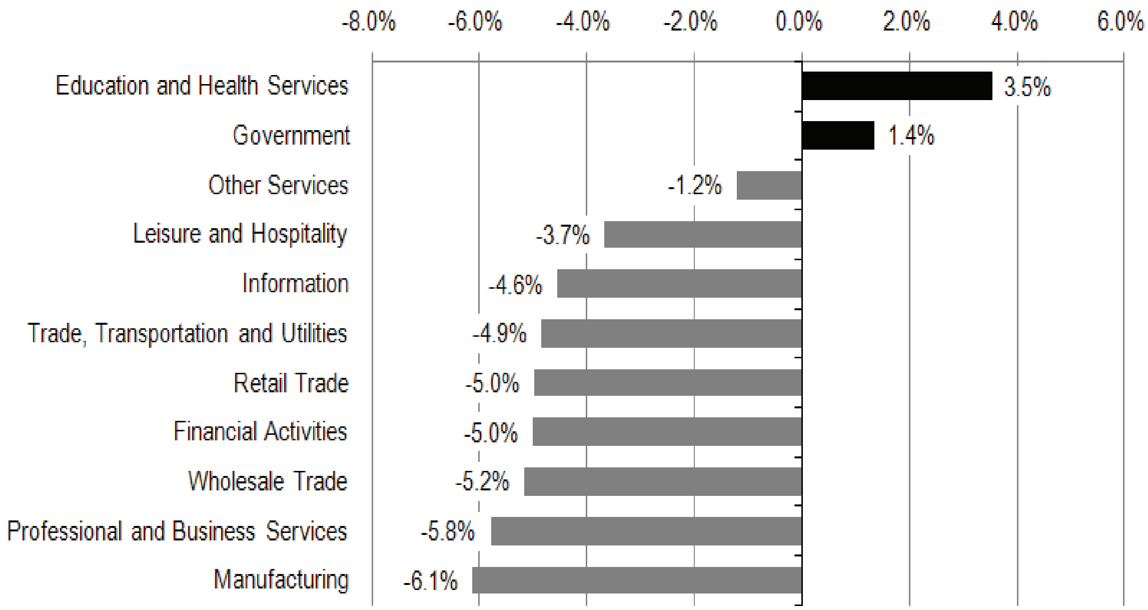
1/ U.S. Department of Labor, Bureau of Labor Statistics. Employment data are from the CES survey for all years reported. Unemployment data are from the LAUS survey for all years reported.
2/ U.S. Census. Housing permit data represents the total number of housing units (single-family units and units in multi-family structures) authorized for construction.
3/ F.W. Dodge; excludes Broomfield County.
4/ Colorado Department of Revenue. Data through May.

Total nonfarm employment fell 3.7 percent through July of 2009 compared with the first 7 months of 2008. This was a slight decrease from the 3.3 percent decline seen through April and a sharp drop from the 0.9 percent growth in 2008. Figure 11 provides information on percentage changes in employment by sector through July. Job growth remained strongest in the education and health services and government sectors, which grew by 3.5 percent and 1.4 percent, respectively. Most other sectors saw job losses between 3.7 and 6.1 percent. In addition, the seasonal growth in the real estate, professional and business services, and leisure and hospitality sectors was lower than normal through July.

Employment in the mining, logging, and construction sector decreased 13.7 percent relative to the same period in 2008, with the bulk of the job losses in construction. Despite these losses, there have been hopeful signs for the industry. Employment in the construction of buildings subsector has remained flat through the first 7 months of 2009, and employment among specialty trade contractors increased 6.7 percent since February. These include occupations such as plumbers, electricians, roofers, painters, and other finishing occupations.

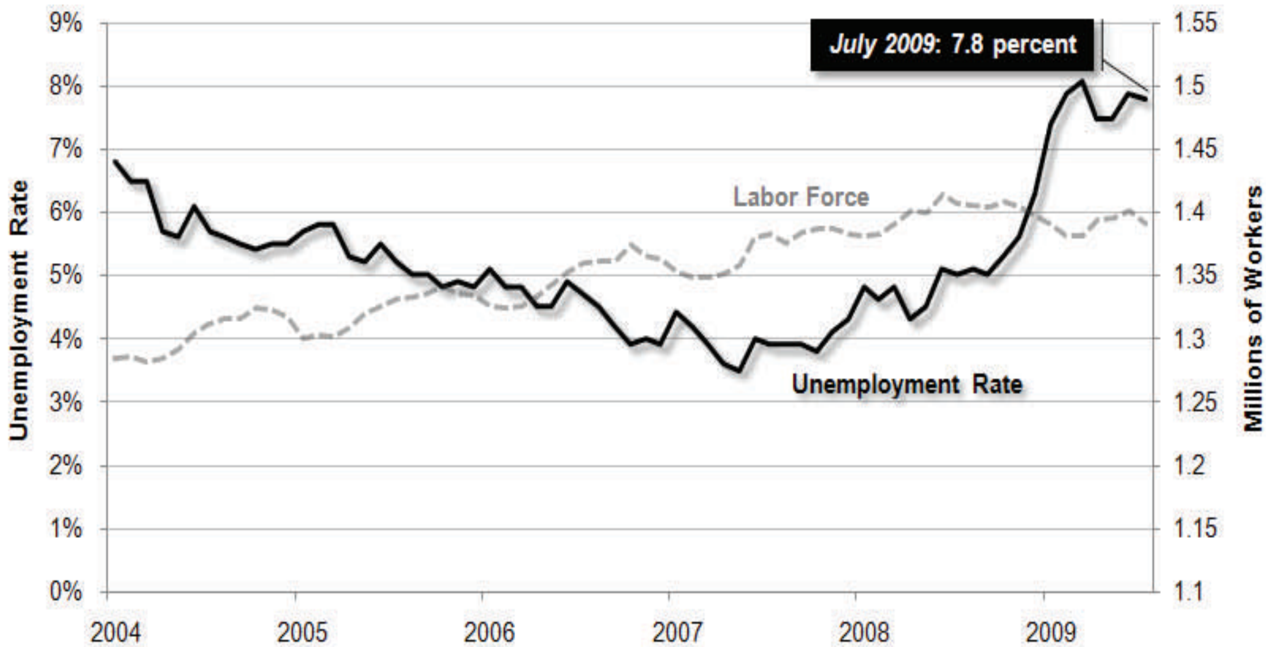
Metro Denver's unemployment rate rose to 7.8 percent in July, slightly higher than the statewide average. Figure 12 shows unemployment rates and labor force levels for the region since December 2003. While the region's unemployment rate is slightly lower than the 8.1 percent peak reached in March, throughout 2009 it has remained above its previous peak of 7.1 percent, reached in June 2003. The regional labor force peaked in June 2008 at 1.41 million, and has fallen since then to its current level of 1.39 million.

Figure 11
2009 Metro Denver Employment Growth through July



Source: U.S. Bureau of Labor Statistics.

Figure 12
Unemployment Rates in Metro Denver Region
(December 2003 through June 2009)



Source: U.S. Bureau of Labor Statistics.

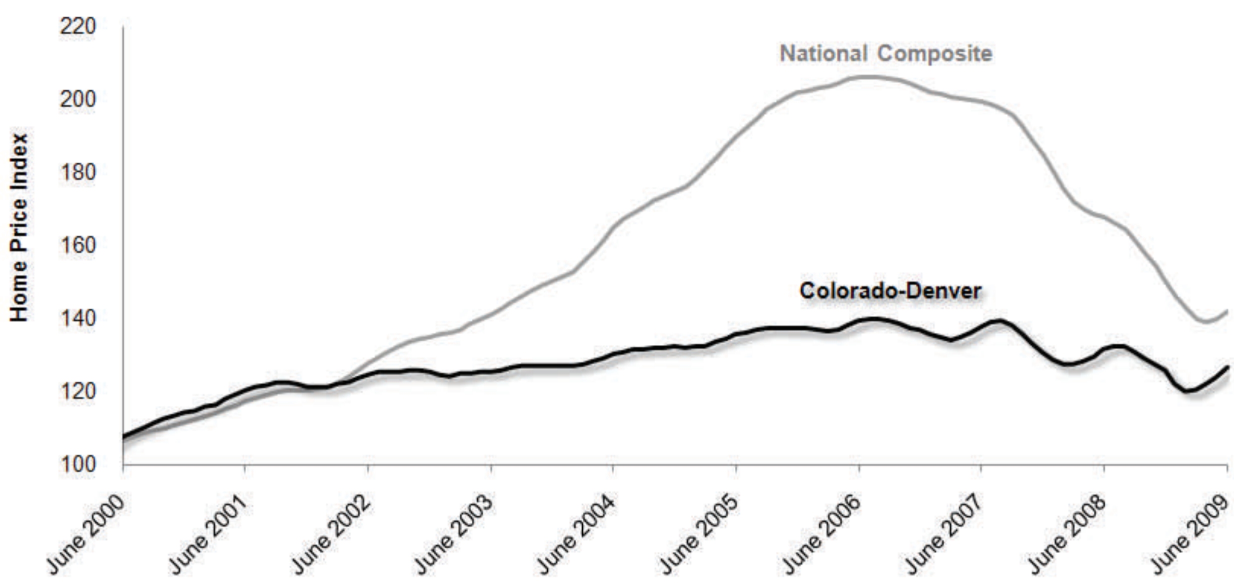
Denver's housing sector is showing some positive signs, even though the construction sector continues to struggle. According to Metrolist data, metro area home sales increased 37.3 percent to 11,204 in the second quarter of 2009 compared with 8,159 in the first quarter. However, it is unclear to what extent this reflects speculators taking advantage of foreclosures and distressed properties. In contrast, total housing permits were down 57.3 percent year-to-date through July for the Denver Metro Region. Single-family home permits were down 48.0 percent in the Denver-Aurora area and 21.1 percent in Boulder.

Housing prices in the metro area have rebounded somewhat. According to Standard and Poor's Case-Schiller home-price Index, home prices in the metro area rose in June for the fourth consecutive month. Prices increased 2.5 percent from May to June and 5.6 percent since February. However, home prices for June 2009 are down 3.6 percent compared with June of 2008, and 4.9 percent when matched against the first two quarters of 2008.

Over the last two years, Denver's housing market has outperformed the markets in many other cities nationwide. Figure 13 compares the housing price index for Denver to the composite index for twenty cites nationwide. Since the onset of the recession, home prices in Denver have not fallen nearly as sharply as they have nationwide. While both indices show positive upturns over the last few months, national composite home prices for June 2009 are down 15.4 percent compared to June 2008, and 17.9 percent compared with the first two quarters of 2008.

The pace of regional foreclosure filings and foreclosure sales quickened in the second quarter. According to data compiled by the Divi-

Figure 13
Nationwide Composite and Metro Denver Area Home Home Price Indices
(June 2000 through June 2009)



Source: Standard & Poors Financial Services, LLC.

sion of Housing, filings and sales in the first quarter of 2009 were down 20.8 and 36.4 percent, respectively, compared with the first quarter of 2008. Regional filings in the second quarter were essentially flat compared with the second quarter of 2008, and sales were actually up 9.9 percent. Although the upturn in foreclosure activity was seen throughout all six counties, rates of growth varied. For example, second quarter filings in Arapahoe and Denver counties remained below levels for the second quarter of 2008, while filings in Boulder and Douglas counties increased 15.2 and 23.5 percent, respectively. Second quarter sales also saw the largest increase relative to the second quarter of 2008 in those two counties.

The commercial construction sector in the region continues to slow. The value of nonresidential construction decreased 28.3 percent through July 2009. During this same period, however, Boulder County actually saw a 3.4 percent increase. The largest metro area nonresidential construction contracts included an educational institution in Adams County, a religious facility in Arapahoe County, and a highway and government service facility in Douglas County. Overall, 48 percent of the twenty-five largest projects in the region, accounting for 28.9 percent of total project value, occurred in Denver County. Boulder County was next, with three projects accounting for 20 percent of total project value.

The drop in regional consumer spending, as measured by retail trade sales, accelerated slightly during the second quarter of 2009. Regional consumer sales through May had dropped 16 percent, compared with a drop of 14.8 percent in the first quarter, and only a 1.0 percent decline in 2008. This drop is slightly higher than the statewide average.

Recent Economic News

- Parker Adventist Hospital has begun a $76 million expansion project scheduled for completion in mid-2011. Monthly patient volume in 2008 had nearly doubled since 2004, and the hospital projects another 10 percent increase by 2010. The expansion is expected to create an additional 100 jobs for physicians, nurses, and support-service employees.

- The city of Aurora has reorganized and consolidated several departments, a move expected to save almost $1.5 million annually. Eight existing employees will lose their jobs, and another 41 positions currently vacant are being eliminated. The move came in response to a $10 million budget shortfall in 2009. Projections for 2010 call for a budget gap of between $10 and $20 million.

- After nearly eight years in downtown Denver, ESPN Zone closed in June, putting more than 100 employees out of work. Employees received a 60-day severance package. Company representatives blamed the closure on the sagging economy.

- Biotech cancer drug maker OSI Pharmaceuticals Inc. plans to close its Boulder offices as part of an office consolidation, moving 145 jobs out of the metro area. The move is projected to save the company $15 million annually.

- Gilead Sciences Inc., a biopharmaceutical firm know for it's HIV therapies, plans to close its Boulder offices by the end of the year and lay off at least 66 employees. The remaining 73 Colorado employees were offered the opportunity to relocate to California.

- Intuit Inc. plans to hire 100 employees over the next 12 months for its south metro Denver office. The company operates a small-business consulting call center in Inverness Business Park that has been open since 2007. Company officials stated that senior employees can make as much as $100,000 a year.

Colorado Springs Region

Economic conditions in the Colorado Springs region remain poor through July 2009. The region continues to shed jobs, residential construction declined, and consumer spending plunged by mid-year. Table 14 shows economic indicators for the region.

Table 14
Colorado Springs Region Economic Indicators
El Paso County

	2007	2008	2009 YTD thru July
Employment Growth /1	1.0%	-0.8%	-3.5%
Unemployment Rate /1 (2009 figure is for July)	4.4%	5.8%	8.3%
Housing Permit Growth /2	-30.3%	-35.7%	-45.1%
Single-Family Permit Growth /2	-35.1%	-42.1%	-31.8%
Growth in Value of Nonresidential Const. /3	8.1%	-45.9%	-3.8%
Retail Trade Sales Growth /4	5.3%	-2.9%	-11.1%

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 May.

Since July of 2008, El Paso County has lost nearly 11,500 jobs. The number of people unemployed has increased by nearly 7,000 and just over 4,500 have left the labor force altogether. With the exceptions of the government and education and health sectors, all industries lost jobs. Employment dropped 11.5 percent in manufacturing and 6.7 percent in the leisure and hospitality sector as a result of the cutback in business and consumer spending. Jobs for specialty trade contractors, the largest employment component in the construction industry that includes electricians, plumbers, framers, roofers, painters, and other similar contractors, dropped by 8.2 percent. Jobs in the professional and business services sector declined 6.4 percent. Through July 2009, employment in the Colorado Springs region declined 3.5 percent with the current unemployment rate edging up to 8.3 percent.

Residential construction activity has continued to fall in the region. Single-family housing permits through July 2009 were down 45.1 percent from last year's levels. The lack of construction has led to significant job losses in the construction industry. Also, city government has seen sales tax collections plummet due to homebuilders reducing purchases of lumber, drywall, and other building materials. El Paso County's housing market shows little sign of recovery. Builders have credited the federal government's $8,000 tax credit for first-time buyers, in part, for the recent increase in permit activity. However, there were a record 530 mortgage foreclosures in July in El Paso County, a nearly 50 percent jump from July 2008 according to the El Paso County Public Trustee's Office. July's foreclosure filings were the second-highest monthly total for 2009, only nine short of the record 539 in April.

The value of nonresidential construction decreased 3.8 percent through July 2009. Most new nonresidential construction contracts were for offices, banks, and stores. Also contracted for construction are several manufacturing plants and hospital facilities. Just completed at the University of Colorado at Colorado Springs is a four-story, 156,000 square foot addition for classrooms, laboratories, office/seminar space, and support facilities to accommodate rapidly expanding academic and research programs. Several projects that began in 2009 include those at Fort Carson. Six new buildings will comprise the new tactical equipment maintenance facilities for the 47th Infantry Division and are expected to be completed by next year. In addition, the Fort Carson Evans Hospital project consists of the renovation of over 500,000 square feet, with construction continuing into 2012. Also, construction began in March on the 24,000 square foot Fort Carson Child Development Center. The Center is expected to be completed by March 2010.

Consumer spending, as measured by retail trade sales, has dropped significantly. Retail sales were 11.1 percent lower through May compared with the same period last year. Spending on both durable and nondurable goods deteriorated as wary consumers pay down debt rather than make new purchases. Many banks are seeing lower demand for consumer loans and credit cards typically used for big-ticket items such as automobiles and refrigerators. Spending on nondurable goods (goods that last three years or less) has been directed more to necessities, with fewer funds available for luxury items. Colorado Springs' Revenue and Collection Division reported a significant drop in sales and use tax collections for June 2009 from a year ago. Sales tax declines in June were spread across all parts of the retail industry. Merchants who sell to other businesses, building material dealers, and furniture, appliance and electronics stores all reported drops of more than 20 percent.

Recent Economic News

- Firstsource Solutions, a Mumbai-based outsourcing company, hired 50 local residents in June for its credit card call center located in Colorado Springs. The company is expected to hire an additional 100 people as it expands its credit card collection business.

- Affiliated Computer Services Inc. is currently hiring up to 600 people for a customer service center in northwest Colorado Springs. Approximately 300 employees have completed training since June and the company plans to continue hiring. Affiliated is bringing the most jobs of any company coming to Colorado Springs in the last six years. Most of the customer service jobs pay more than minimum wage and come with benefits and paid training.

- ARINC, an international aerospace company headquartered in Maryland, is closing its maintenance facility at the Colorado Springs Jet Center, laying of 20 employees.

- Passenger traffic in the Colorado Springs Airport dropped 13.7 percent in May compared with a year earlier. This decline follows similar drops of 10.5 percent in April and 11.9 percent in March. Five airlines reported declining traffic levels from a year ago and two others posted small gains. Frontier Airlines increased its passenger numbers 20.9 percent over the year.

Pueblo — Southern Mountains Region

Pueblo's five-county regional economy has continued to weaken through July 2009. The region is losing more jobs, residential construction remains low, and consumers are spending less. Table 15 shows economic indicators for the region.

Table 15

Pueblo Region Economic Indicators

Pueblo, Fremont, Custer, Huerfano, and Las Animas counties

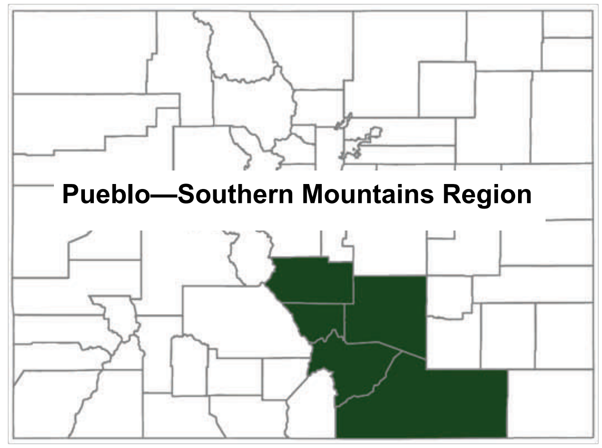
	2007	2008	2009 YTD thru April
Employment Growth /1			
Pueblo MSA	3.2%	0.5%	-2.2%
Unemployment Rate /1 (2009 figure is for July)	4.8%	6.1%	8.8%
Housing Permit Growth /2			
Pueblo County /2	-48.1%	-38.6%	-27.6%
Single-Family Permit Growth for Pueblo County /2	-47.3%	-40.1%	-53.9%
Growth in Value of Nonresidential Const. /3			
Pueblo County	-60.7%	48.1%	7.1%
Retail Trade Sales Growth /4	6.5%	-1.9%	-9.7%

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 May.



In the Pueblo metro area, nonfarm employment declined 2.2 percent in the first seven months of 2009 compared with the same period last year. Consistent with other regions in the state, Pueblo saw employment fall in all industries with the exception of the educational and health services and the government sectors.

The unemployment rate for the region was 8.8 percent in July, up from 6.1 percent a year ago. Fremont, Huerfano, and Las Animas counties shared the highest unemployment rate in the region at 9.0 percent. While the July 2009 unemployment rates for counties in the region are higher than the same month last year, rates edged downward over the last month. Huerfano and Las Animas counties showed increases in their labor forces while the remaining three counties saw people leave the workforce.

Construction activity was mixed in Pueblo County, with residential permits continuing a downward slide while nonresidential permits saw positive growth. Single-family housing permits through May were down 27.6 percent from last year's levels. Pueblo County saw 202 residential permits through May compared to 279 last year over the same period. By the second quarter of 2009, foreclosures were up 29 percent over the prior year. According to the Fremont County Commissioners' Report, foreclosures are also up around 30 percent in Fremont County.

Growth in the value of nonresidential construction in Pueblo County remained positive, increasing 7.1 percent through July 2009. Construction began on a new academic resource center at the Colorado State University at Pueblo, remodeling its existing library building to include a modest expansion. The refurbished building will include library circulation areas, classrooms, and other common areas. Construction is scheduled to last through fall 2010.

Retail sales declined 9.7 percent through May, disappointing city and county officials who had hoped the local economy was on the rebound. The drop in sales tax revenue was mostly attributed to falling sales for building materials and automobiles. Similar harsh economic news hit Fremont County, where the budget crisis has not eased. On a positive note, Pueblo's first Wild Wild West Fest, featuring a Professional Bull Riders stop, helped hotels and restaurants achieve gains in sales. Sales in hotels increased 8 percent while restaurant sales edged up 2 percent. Unfortunately, June sales were down 5.6 percent, according to the July sales tax report, with sales taxes in hotels showing a 12 percent decrease while restaurant sales taxes edged back down 2 percent. The bump in May, due to the West Fest, is evidence of the importance of tourism in the Pueblo region.

Recent Economic News

- Versima, a company that handles, stores, and transfers medical data, continues to draw jobs in Pueblo. After relocating from Arizona, its Headquarters Office has more than doubled to 32 employees.

- Kaiser Permanente plans to open a medical office in the Parkwest Medical Complex in Pueblo which will house three primary care doctors, a complete pharmacy, and basic lab and X-ray services.

- The Pepsi Bottling Group distribution center in Pueblo will close in October. Many of the 50 workers will be offered the chance to relocate to other distribution centers.

San Luis Valley Region

The San Luis Valley region's economy is being hit by the recession, with employment down and the unemployment rate up. Likewise, prices for the region's primary agricultural commodities have decreased. Construction activity was mixed, with a decrease in residential building permits and an increase in the value of non-residential construction in Alamosa County through July. Table 16 shows the economic indicators for this region.

Table 16
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties

	2007	2008	2009 YTD thru July
Employment Growth /1	-0.1%	-3.9%	-4.0%
Unemployment Rate /1	4.7%	6.2%	7.8%
(2009 figure is for July)			
Statewide Crop Price Changes /2			
Barley (U.S. average for all)	31.4%	48.1%	-6.4%
Alfalfa Hay (baled)	0.0%	18.0%	-12.5%
Potatoes	14.1%	47.7%	-51.9%
SLV Potato (Inventory CWT) /2	-7.5%	11.6%	36.0%
Valley Potato Production (Acres Harvested)	-1.0%	-1.6%	NA
Housing Permit Growth /3			
Alamosa County	-38.5%	20.8%	-35.7%
Single-Family Permit Growth	-38.5%	-4.2%	12.5%
Growth in Value of Nonresidential Const. /4			
Alamosa County	414.1%	-88.0%	156.7%
Retail Trade Sales Growth /5	6.6%	3.3%	-5.0%

NA = Not available.

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

2/ Colorado Agricultural Statistics Service. Data compares July 2009 to July 2008. For potato production, fall potato stock inventory compares June 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 May.

Nonfarm employment decreased 4.0 percent through July compared with the same period last year. The region's unemployment rate also increased to 7.8 percent in July after averaging 6.2 percent in 2008 and 4.7 percent in 2007. The highest unemployment rate in the region during this period was in Costilla County at 10.9 percent, while the lowest was in Mineral and Rio Grande counties, both at 6.5 percent.

After showing an increase at the beginning of the year, agriculture prices fell sharply. Preliminary data from the Agricultural Statistics Service indicates that the prices of barley, alfalfa hay, and potatoes, all important crops in the region, posted steep declines of 6.4, 12.5, and 51.9 percent, respectively. While potato prices showed a decline, potato stock inventory increased in the region by 36.0 percent. Growers appear to be holding inventory for the future.

Housing permit growth slowed in the region overall by 35.7 percent through July compared with the first seven months of 2008. However, single-family permit growth showed an increase of 12.5 percent in Alamosa County over the same period. The value of nonresidential construction in the region rose, with Alamosa County reporting a 156.7 percent increase. This can be attributed to projects recently contracted for construction of commercial food projects.

Consumer spending, as measured by retail trade sales, decreased 5.0 percent through May. Further evidence from news reports also illustrates the deep impact of lower consumer spending on local sales. For example, Pagosa Springs reported a local sales tax revenue decrease of 13.7 percent in April compared to the same month last year.

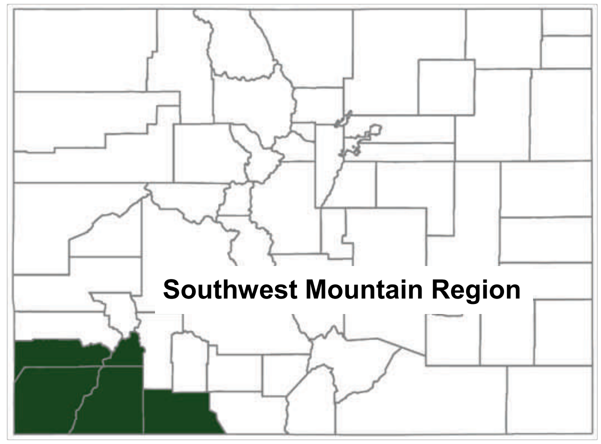
Recent Economic News

- The U.S. Department of the Interior announced in June that 21,000 acres of federally-owned land in the San Luis Valley will be studied for solar power production potential. This is part of a larger study including six western states. The department stated that the goal of the studies is to speed the permitting process for utility-scale solar power projects.

- Groundbreaking began at Adams State College for a $22 million project that will include a new residence hall, parking lot, and a football stadium. The project is being financed by revenue from increases in student fees after students voted to increase them in 2008.

- La Jara Trading Post has purchased the former Stock Building Supply property in Alamosa and plans to re-open it as Alamosa Building Supply. The business said they hired about 75 percent of former Stock employees.

Southwest Mountain Region



The economy of the five-county southwest mountain region has not been sheltered from the worldwide economic downturn despite its remoteness from major metropolitan areas. Consumer spending, in the region, as measured by retail trade sales, has fallen as precipitously as the rest of the state as the region's residents and visitors slash spending and buy more discounted goods. The value of retail trade sales in the southwest mountain region was down 15.7 percent through May 2009 compared to the same period a year ago. This translates to a drop in sales for the region's retailers of $88 million.

On the positive side, the region's job market, with the exception of Dolores County, has not been as adversely impacted by the recession as many other areas. The region had the second lowest unemployment rate in the state in July. Table 17 presents the economic indicators for the Southwest Mountain Region.

Table 17
Southwest Mountain Region Economic Indicators

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

	2007	2008	2009 YTD thru July
Employment Growth /1	2.3%	-2.3%	-4.7%
Unemployment Rate /1 (2009 figure is for July)	3.3%	4.3%	6.4%
Housing Permit Growth /2			
La Plata County	-25.7%	-43.1%	-37.0%
Single-Family Permit Growth	-28.7%	-40.3%	-37.5%
Growth in Value of Nonresidential Const. /3			
La Plata County	907.3%	-83.8%	194.3%
Retail Trade Sales Growth /4	5.7%	-1.0%	-15.7%

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 survey 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 May.

The region's overall unemployment rate was 6.4 percent in July, up from 4.1 percent last July. La Plata County's job market in particular is weathering the downturn better than the nation and state as a whole. This is significant because it is the region's most populous county. The county's unemployment rate—at 5.5 percent in July—increased 1.9 percentage points from a year ago while the state's rate increased 2.8 and the nation's 3.6. Sparsely populated San Juan County had the lowest July unemployment rate in the region at 4.6 percent.

In contrast, Dolores County is suffering with the highest unemployment rate in the state at 13.9 percent, an increase of 6.7 percentage points from a year ago. The county has been hurt by mine closures, lower tourism spending, and low agricultural prices—agriculture makes up about 40 percent of the county's total economy, the second highest proportion of the state's counties.

The region's housing market has not been buffered from the same forces that have depressed the market nationally. Permits for home construction continue to fall in La Plata County. They were down 37.0 percent through July, after falling 43.1 percent in 2008, according to the U.S. Census Bureau. Further, home values are declining. According to data from the Colorado

Association of Realtors, the median sales price for single-family homes in Durango was 17.2 percent lower in the second quarter of 2009 compared to the same period in 2008 and values were down 28.5 percent in Pagosa Springs. However, bucking state and national trends, the median price of single-family homes increased 37.3 percent in Cortez during the same period.

Data on foreclosures are an indicator of the overall health of the real estate market and general economy. Foreclosure activity in the region's two most populous counties has risen from last year, according to data from the Colorado Division of Housing. There were 157 foreclosure filings in the first half of 2009 in La Plata County, an increase of 134.3 percent from the same period a year ago, while there were 59 foreclosure filings in Montezuma County, a 90.3 percent increase from a year ago.

Despite the rise in foreclosures, these counties' foreclosure rates are still lower than the state's as a whole. In La Plata County, 1 in 374 households were in foreclosure in the first half of 2009, while Montezuma County had a rate of 1 in 381 households. In contrast, the state's foreclosure rate was 1 in 202 households. However, in addition to Dolores County, which has the highest unemployment rate in the state, another county in the region has the dubious distinction of worst performance in an economic indicator. San Juan County's foreclosure rate of 1 in 69 households through June was the highest in the state.

Nonresidential construction in La Plata County is weak, particularly for retail stores and restaurants, which is likely due to poor consumer spending and the decline in new housing developments. The value of such projects was down 76.0 percent through July compared with the same period a year ago.

Two large projects, however, are causing the total value of nonresidential construction for the county to be much higher than a year ago—the Southern Ute Tribal Cultural Center & Museum in Ignacio, valued at $24 million, and the renovations and additions at the Fort Lewis College student union building, valued at $27 million. Without these projects, the total value of nonresidential construction in La Plata County fell by $16.5 million through July, a decline of 93.0 percent.

Consumer spending in the region, as measured by retail trade sales, has fallen as precipitously as the rest of the state as the region's residents and visitors slash spending and buy more discounted goods. The value of retail trade sales in the southwest mountain region was down 15.7 percent through May of 2009 compared to the same period a year ago.

Recent Economic News

- The vacancy rate for rental properties in Durango rose slightly to 6.1 percent in the first quarter of 2009, according to a recent survey published by the Colorado Department of Local Affairs. This compares to a 4.5 percent rate for Durango in the first quarter of 2008 and a statewide rental vacancy rate for 2009's first quarter of 9.1 percent.

- Sales tax revenue jumped in Silverton as a result of a 1 percent tax rate increase approved by the town's voters in November. Sales taxes collected by merchants grew 38 percent in March, 30 percent in April, and 62 percent in May compared with the same months in 2008. However, actual sales appear to be flat compared with 2008, according to the town clerk and treasurer.

- In Durango, sales taxes collected by merchants dropped 7 percent in May and 16 percent in April. To help cover the city's budget shortfall, the city council recently approved a four-day furlough for city employees. Sales tax revenue in Cortez is not falling nearly as significantly. Over the January through May period, revenue experienced a 1.4 percent decline from 2008.

- Another 15 workers lost their jobs in Dolores County recently with the closing of the Sundial Convenience store in Dove Creek, pushing the county's high unemployment rate even higher. A spokesperson for the company that owns the convience store attributed the closing to the store's performance during the slow economy.

- Southern Ute Alternative Energy, a Southern Ute Indian Tribe venture, has recently partnered with another alternative energy company, Solix, to build the Solix Coyote Gulch Demonstration Facility near Ignacio. The facility will undertake a pilot project to grow algae to harvest oil which will be used to develop diesel fuel. In addition, the facility has other potential applications, such as developing other products like facial creams and food for animals. The facility is expected to employ 20 workers.

Western Region

The Western region is being hit hard by the economic downturn. Low natural gas prices have led energy companies to dramatically scale back drilling activities. Consequently, supporting businesses are pulling out of the region as well. Once an area of Colorado that was growing robustly, the Western region is experiencing substantial setbacks in most areas of economic activity, with unemployment rising, residential and nonresidential construction decreasing, and consumer spending continuing its decline. Table 18 shows economic indicators for the region.

Table 18

Western Region Economic Indicators

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

	2007	2008	2009 YTD thru July
Employment Growth /1			
Western Region	6.1%	0.7%	-1.6%
Mesa County	6.1%	4.6%	0.9%
Unemployment Rate /1 (2009 figure is for July)	3.1%	3.9%	7.8%
Housing Permit Growth			
Mesa County /2	-13.2%	-42.6%	-55.0%
Single-Family Permit Growth	-8.1%	-47.2%	-47.0%
Montrose County /3	-33.2%	-58.6%	-50.5%
Single-Family Permit Growth	-28.8%	-61.8%	-46.1%
Growth in Value of Nonresidential Const. /3			
Mesa County	213.6%	-54.2%	-49.0%
Montrose County	-34.6%	-85.2%	-87.4%
Retail Trade Sales Growth /4	11.8%	1.0%	-19.7%

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.

4/ Colorado Department of Revenue. Data through May.

Nonfarm employment growth in the region was sluggish, decreasing 1.6 percent through July of this year. Mesa County showed mild growth of 0.9 percent as the rate of job losses slowed slightly in that county. While the education and the health services sectors saw slight increases in employment, mining, manufacturing, and retail trade either decreased or were flat.

Unemployment in the region was 7.8 percent in July, nearly double the rate experienced in July 2008. Most major industries have slowed their hiring and are shedding jobs. Hinsdale reported the lowest unemployment rate at 2.7 percent, while Mesa and Montrose counties reported the highest unemployment rates in the region at 9.1 and 8.2 percent respectively. These two counties are significantly impacted by the decline in the natural gas industry. According to Baker Hughes, an oil and gas services firm, only one drilling rig was operating in Mesa County in late August, down from 10 a year ago.

Consumer spending, as measured by retail trade, dropped dramatically. Sales in the region were down a staggering 19.7 percent year to date through May over the same period last year. Retail sales fell the furthest in Rio Blanco, Hinsdale, and Garfield counties, posting a 31.9, 29.3, and 27.5 percent decrease in sales, respectively. In addition to the shocks consumers have felt from the financial crisis, the pullback in consumer spending reflects the impact of the decline in energy production and the related losses in employment in these counties. Only one county in the region, Moffat, showed a slight increase of 1.2 percent.

Further evidence from news reports also illustrates the deep impact of declining consumer spending on local sales, with many communities experiencing large drops in their sales tax revenue from a year ago. For example, the town of Rifle saw a 21 percent decrease in sales tax revenue to its General Fund in April of this year from the previous month, with the revenue decline beginning in January and dropping every month after that. In Grand Junction, city revenue dropped 14 percent through June, from $29.2 million in 2008 to $25 million this year. The communities of Montrose and Carbondale also reported steep declines in sales tax revenue.

Residential construction is also down considerably. Permits for home construction in Mesa County declined 55 percent through July compared with the first 7 months of 2008, while permits in Montrose County declined 50.5 percent over the same period.

Reflecting the downturn in economic activity, Mesa County saw the largest increase in the number of completed foreclosures of any county in the state in the second quarter of 2009. According to the recent foreclosure report by the Department of Local Affairs, Mesa County experienced a 144 percent increase in foreclosures, with 264 filings in the second quarter of this year over 108 during this same period last year. As the report noted, the large increase is likely due to a decline in the housing market in the Grand Junction area and the impacts of decreasing oil and gas activity.

The value of nonresidential construction fell in both Mesa and Montrose counties. Nonresidential construction in Mesa County decreased 49 percent through July from the same period last year, while dropping 87.4 percent in Montrose County. Officials in Garfield County also reported a decrease in nonresidential building permits.

Recent Economic News

- De Beque is experiencing a development and construction boom on the I-70 corridor. Water lines are being laid along the road to a Schlumberger Energy Services site, and a Kum & Go convenience store and truck stop is also under construction. In addition, Qwest is adding 1,500 square feet to a building in order to triple the capacity of phone lines in the area.

- A new 92-room New Hampshire Inn & Suites opened in Rifle, Colorado. The hotel includes a business center, meeting space, shop, and indoor pool.

- Natural Grocers opened a store in Montrose in August. The store currently has 15 new employees and expects to add 35 more.

- Frontier Airlines announced that it will be ending all service to Grand Junction Regional Airport in September. Frontier filed for reorganization under Chapter 11 Bankruptcy in April.

- The West Elk Mine in Sommerset laid off 61 coal miners in June. The company's owner, St. Louis-based Arch Coal, the U.S. coal markets are going through a major contraction.

- The governor’s office announced budget cuts that will close the Grand Junction Regional Center, which provides 32 beds for individuals with significant physical disabilities. The cut will result in 57 full-time employees losing their jobs, and is estimated to save the state $1.3 million.

- REI, a major outdoor products chain, canceled plans to build a two-story store along 24 Road North in Mesa County.

Mountain Region

Well into the summer tourism season, the mountain region's economy continues to suffer. The drop in regional employment has accelerated, and unemployment levels remain high, even during months that have traditionally offered significant seasonal employment opportunities. Residential permits have plummeted in the four counties where the primary resort communities are located, and nonresidential construction is not fairing any better. Retail sales have dropped substantially. Table 19 shows major economic indicators for the region.

Table 19
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller counties

	2007	2008	2009 YTD thru July
Employment Growth /1	2.4%	-1.5%	-3.6%
Unemployment Rate /1	3.6%	4.0%	6.6%
(2009 figure is for July)			
Housing Permit Growth			
Eagle, Pitkin, & Summit Counties /2	-20.5%	-42.0%	-76.8%
Single-Family Permit Growth	-19.4%	-46.4%	-59.9%
Routt County /3	40.0%	-38.0%	-72.4%
Single-Family Permit Growth	-11.4%	-38.0%	-61.3%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	24.6%	-15.6%	-97.2%
Routt County	83.1%	-58.7%	-89.2%
Retail Trade Sales Growth /4	9.6%	-1.4%	-17.8%

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 May.

The decline in the regional employment base is accelerating. Employment decreased 3.6 percent through July 2009 relative to the first 7 months of 2008 after decreasing 1.5 percent in 2008. Only Jackson County experienced employment growth, all other counties in the region saw job losses. The sharpest employment declines occurred in Summit County (-5.3 percent), Routt County (-4.3 percent), and Gilpin, Park, Clear Creek, and Teller counties (-3.6 percent).

The regional unemployment rate increased from an average of 4.0 percent in 2008 to 6.6 percent in July. This was down slightly from a rate of 7.0 in April. Counties with the highest unemployment rates in July include Lake (8.0 percent), Clear Creek (7.7 percent), Teller (7.3 percent) and Park (7.0 percent). Counties with unemployment rates below the regional average included Jackson (4.1 percent), Pitkin (5.3 percent), and Chaffee (5.8 percent.) Only Clear Creek, Gilpin, Park, and Summit counties saw a rise in the unemployment rate between April and July, perhaps reflecting the seasonal nature of the tourism.

The region's residential construction sector continued to reflect the decreased demand for second homes which resulted from the recession. Housing permits were down 72.4 percent in Routt County and 76.8 percent in the ski counties of Eagle, Pitkin, and Summit through July over the same period last year. Similarly, the value of permits granted for nonresidential construction decreased 97.2 percent in Eagle, Pitkin, and Summit counties and 89.2 percent in Routt County during the same period.

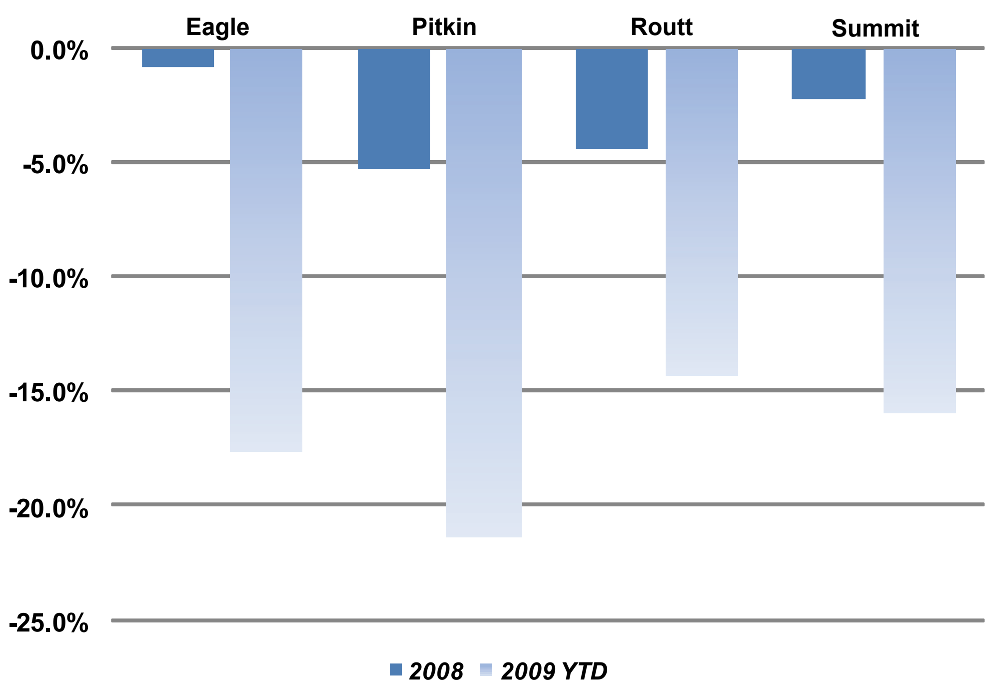
The decline in consumer spending, as measured by retail trade sales, has accelerated markedly through the first five months of 2009. Consumer spending dropped 17.8 percent through May compared with the same period in 2008. Figure 14 displays declines in retail trade sales for Eagle, Pitkin, Routt and Summit counties, which account for over 78 percent of the region's retail sales. Through the first five months of 2009, these counties saw declines of 17.6, 21.4, 14.3 and 16.0 percent, respectively, compared to declines of 0.8, 5.3, 4.4 and 2.2 percent in 2008.

Businesses aimed at the region's core economic sector — tourism — are especially suffering. According to data from the Colorado Department of Revenue, sales in the lodging and food service sectors through May were down 20.0 and 12.5 percent, respectively, from 2008. In the four largest counties, home to the resort towns of Aspen, Vail, Frisco, and Steamboat Springs, the drop is slightly higher — 20.8 percent and 13.4 percent, respectively. Only in Park County did sales in both sectors increase through May of 2009 compared with a similar period in 2008. For June, these four resort communities reported a decline in total sales tax collections between 15 and 22 percent compared to June, 2008. Lodging sales tax collections in Steamboat Springs and Vail were off 30.2 percent and 26.1 percent, respectively, while Aspen and Frisco witnessed much more modest reductions of 8 percent and 9.9 percent, respectively.

Recent Economic News

- Viceroy Hotels, Resorts and Residences will hire 200 employees at its new facility in Snowmass. The 173-room hotel is scheduled to open for the 2009-10 ski season, but an

Figure 14
Declines in Retail Trade Sales in Mountain Region Counties
(2008 and January - May 2009)



Source: Colorado Department of Revenue.

official opening date hasn't been determined. The company's pay scale will be competitive with similar hotels in Aspen and Snowmass Village, and employees will receive ski passes and health insurance.

- The number of foreclosure filings in Eagle and Pitkin counties is surging this year as homeowners struggle with mortgage payments. There have been 257 foreclosure filings so far this year, far exceeding the totals of 179 and 148 in 2008 and 2007, respectively. In Pitkin County, foreclosure filings have also surged, but the number is comparatively small. There have been sixty filings countywide compared to 35 in 2008 and 15 in 2007.

- The Upper Blue Sanitation District recently broke ground on a $34 million expansion of its north plant. The project is anticipated to use at least 75 percent local labor, which equates to 30 new jobs in Summit County.

Northern Region

The economy of the Northern region has worsened as the recession continues. Consumer spending has decreased and the unemployment rate has increased as job losses continue in the region. The number of residential housing permits in both Larimer and Weld counties was also down. Despite weakening economic conditions, the value of nonresidential construction dramatically increased in Weld County largely due to construction projects in the manufacturing sector. Table 20 shows major economic indicators for the northern region.

Table 20
Northern Region Economic Indicators
Weld and Larimer counties

	2007	2008	2009 YTD thru July
Employment Growth /1			
Larimer County	2.1%	1.0%	-1.5%
Weld County	2.9%	1.4%	-2.0%
Unemployment Rate /1			
Larimer County	3.4%	4.3%	6.5%
Weld County	4.2%	5.3%	8.6%
(2009 figure is for July)			
State Cattle and Calf Inventory Growth /2	-4.0%	1.9%	11.0%
Housing Permit Growth /3			
Larimer County	-41.3%	-1.0%	-73.6%
Single-Family Permit Growth /3	-22.2%	-36.4%	-57.8%
Weld County	-38.6%	-46.8%	-31.8%
Single-Family Permit Growth /3	-40.5%	-45.1%	-29.3%
Growth in Value of Nonresidential Const. /4			
Larimer County	8.8%	-18.2%	-35.0%
Weld County	19.5%	24.3%	94.3%
Retail Trade Sales Growth /5			
Larimer County	6.5%	-0.9%	-12.5%
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 July 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 May.

Through July, employment decreased 1.5 percent in Larimer County and 2.0 percent in Weld County compared with the same period last year. The mining, logging, and construction sector posted the steepest declines in employment in the region, while the education, health services, and government sectors posted increases. The July unemployment rates for Larimer and Weld counties—6.5 and 8.6 percent, respectively—were also up from a year ago.

Consumers continue to struggle in the region. In Larimer County, retail sales dropped 12.5 percent through May compared with the first five months of 2008, while Weld County saw a drop of 15.8 percent. The pullback in consumer spending is also having an impact on revenue in the region's communities, with Fort Collins reporting a 10 percent decrease in sales tax revenue compared to May of last year.

The region's agricultural sector showed a slight boost, as the cattle and calf inventory increased by 11 percent in Colorado through July. Larimer and Weld counties have significant populations of cattle in the state's agricultural market.

Residential housing permits decreased dramatically, showing 73.6 and 31.8 percent declines in Larimer and Weld counties, respectively. Multi-use housing permits showed the greatest decreases while permits for single-family units were not as substantial. To this end, single-family permits decreased 57.8 in Larimer County and 29.3 percent in Weld County.

Regional growth in the value of nonresidential construction was mixed. Total contract value decreased 35.0 percent in Larimer County through July of this year. Construction value in Weld County was up sharply at 94.3 percent, largely due to two projects by Vestas for their wind energy operations near Brighton.

Recent Economic News

- Steven Roberts Original Desserts, a privately-held Denver company, announced in June that it will open a second location near Del Camino. The company plans to employ 80-125 individuals when it opens and between 250-300 employees over the long-term.

- The Loveland City Council unanimously approved a $100,000 incentive plan for Lightning Hybrids, a startup car company, to create 50 jobs in the community. After signing the agreement with the city, Lightning Hybrids will have 24 months to employ 25 individuals for at least one year and to pay these employees no less than $65,000 annually. The company hopes to create 477 new jobs in the city over the next five years.

- The Hudson Correctional Facility, a new state prison in southwest Weld County, began hiring about 250 staff members in July. The facility, which is owned by the private security company Cornell Corrections, is set to open in November.

- Therm-Tech of Colorado LLC announced that it is opening a new location in Loveland, with plans to lease a 26,000 square-foot facility. The company uses manufacturing processes to strengthen metal parts for everything from fishing hooks to aerospace components.

- JBS USA, a North American beef company, announced in July that it is relocating its corporate offices from Green Bay, Wisconsin, to its headquarters in Greeley. The company said the jobs are senior-level management positions.

- The schedule for constructing the $143 million Leprino Foods cheese plant in Greeley may be forced to change due to depressed milk prices, which are affecting the market throughout the country.

- Champion Enterprise Inc., a company that manufacturers modular homes in Berthoud, closed its plant, putting 82 people out of work.

- Loveland developer McWhinney announced in July that the company was laying off 13 people.

- A Banner Health surgery center in west Greeley closed in August, eliminating 25 jobs.

Eastern Region

The eastern plains economy is suffering like the rest of the state. Employment, retail sales, and agricultural prices are all down. Crop production is mixed, and the state cattle and calf inventory level is growing. Table 21 shows major economic indicators for the region.

Table 21
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca counties

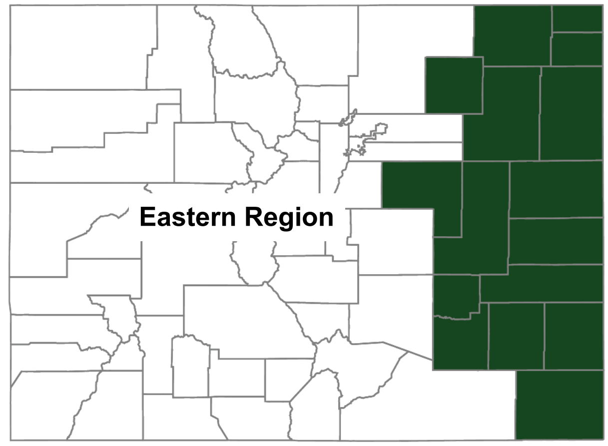
	2007	2008	2009 YTD thru July
Employment Growth /1	0.5%	-4.8%	-4.0%
Unemployment Rate /1 (2009 figure is for July)	3.5%	4.3%	6.0%
Crop Price Changes /2			
Wheat	110.8%	8.2%	-30.9%
Corn	26.9%	-0.3%	-28.7%
Alfalfa Hay (baled)	0.0%	18.0%	-12.5%
Dry Beans	57.1%	21.5%	-10.9%
State Crop Production Growth /2			
Sorghum production	86.4%	-18.9%	8.9%
Corn	17.4%	-0.3%	5.4%
Winter Wheat	135.6%	-37.8%	64.2%
Sugar Beets	-17.0%	-0.9%	33.9%
State Cattle and Calf Inventory Growth /2	-4.0%	1.9%	11.0%
Retail Trade Sales Growth /3	6.0%	6.0%	-17.7%

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 July 1, 2009 to July 1, 2008. State Crop Production is estimated for the 2009 crop over the 2008 production level

3/ Colorado Department of Revenue. Data through May.

In the first seven months of the year, total employment in the region declined 4.0 percent, which was slightly worse than the statewide average. In contrast, the region's unemployment rate declined modestly to 6.0 percent in July from 6.6 percent in June, leaving the region with the state's lowest unemployment rate. An increase in seasonal agricultural jobs accounted for the fall in the unemployment rate. Every county in the region reported employment losses through July, with the biggest percentage declines in Cheyenne, Crowley, Otera, Prowers, and Logan counties. The slowest rates of job losses were in Baca, Bent, Kiowa, and Yuma counties. In July, Crowley and Otero counties posted the highest unemployment rates in the region at 9.9 and 8.3 percent, respectively. Cheyenne County had the lowest unemployment rate at 3.4 percent.



The state's crop production appears to be better than last year's because of the rainy weather that occurred this spring and summer. Winter wheat production is expected to increase 64.2 percent this year. Similarly, sorghum and sugarbeet production are forecast to grow 8.9 and 34 percent, respectively. Corn production is expected to drop 5.4 percent because of a 7.0 percent reduction in the amount of acreage planted.

Although favorable weather conditions have helped boost crop production in the state, prices for grains and crops have continued to slide with the recession. In July, prices for wheat and corn were off 30.9 percent and 28.7 percent, respectively, compared with the same month last year. Likewise, prices for alfalfa hay and dry beans have fallen 12.5 and 10.9 percent, respectively.

On the positive side, the state cattle and calf inventory increased 11.0 percent, surpassing the marginally positive growth experienced 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 17.7 percent through May. Every county in the region reported decreases in retail trade sales. The biggest percentage reductions were in Cheyenne, Sedgwick, Washington, and Lincoln counties.

Recent Economic News

- Construction permits issued in Morgan County decreased in the first half of 2009 compared with 2008, which was one of the slowest on record. Although permits for new construction have fallen, more permits have been issued for commercial and residential remodeling projects.

- A new Wal-Mart store is scheduled to open in August in the town of Elizabeth. The store is expected to employ 275 workers.

- The corporate offices and warehousing operation of Big R Stores will be relocating from Lamar to Pueblo in the next six to nine months. Big R sells farm and ranch supplies. The company cited the recession and rising transportation costs as the reason for the move.

- The sales operation of the Fort Morgan Auto Center will close on September 1. The closure was part of the nationwide elimination of franchises by Chrysler and General Motors.

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	$7,085.2	$7,414.7	$7,838.5	$8,332.4	$8,793.5	$9,353.5	$9,951.5	$10,286.2	$10,642.3	$11,142.1	$11,867.8	$12,638.4	$13,398.9	$14,077.6	$14,441.4
percent change	6.3%	4.7%	5.7%	6.3%	5.5%	6.4%	6.4%	3.4%	3.5%	4.7%	6.5%	6.5%	6.0%	5.1%	2.6%
Real Gross Domestic Product (inflation-adjusted, chained to 2005)	$8,870.7	$9,093.7	$9,433.9	$9,854.3	$10,283.5	$10,779.8	$11,226.0	$11,347.2	$11,553.0	$11,840.7	$12,263.8	$12,638.4	$12,976.2	$13,254.1	$13,312.2
percent change	4.1%	2.5%	3.7%	4.5%	4.4%	4.8%	4.1%	1.1%	1.8%	2.5%	3.6%	3.1%	2.7%	2.1%	0.4%
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	$5,874.8	$6,200.9	$6,591.6	$7,000.7	$7,525.4	$7,910.8	$8,559.4	$8,883.3	$9,060.1	$9,378.1	$9,937.2	$10,485.9	$11,268.1	$11,894.1	$12,238.8
percent change	5.5%	5.6%	6.3%	6.2%	7.5%	5.1%	8.2%	3.8%	2.0%	3.5%	6.0%	5.5%	7.5%	5.6%	2.9%
Wage and Salary Income	$3,230.8	$3,418.0	$3,616.3	$3,876.6	$4,181.6	$4,460.0	$4,827.7	$4,952.2	$4,997.3	$5,139.6	$5,425.7	$5,701.0	$6,068.9	$6,408.9	$6,545.9
percent change	5.0%	5.8%	5.8%	7.2%	7.9%	6.7%	8.2%	2.6%	0.9%	2.8%	5.6%	5.1%	6.5%	5.6%	2.1%
Nonfarm 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		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	2,350.0
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	208,847
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%	4.7%
Per Capita Income	$22,054	$23,004	$24,226	$25,570	$26,846	$28,784	$30,492	$33,280	$34,256	$33,778	$33,685	$35,106	$37,063	$38,989	40,547	41,618
percent change	4.5%	4.3%	5.3%	5.5%	5.0%	7.2%	5.9%	9.1%	2.9%	-1.4%	-0.3%	4.2%	5.6%	5.2%	4.0%	2.6%
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	115,655
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%	4.3%
Retail Trade Sales	$34,178	$38,100	$39,919	$42,629	$45,142	$48,173	$52,609	$57,955	$59,014	$58,850	$58,676	$62,209	$65,429	$70,416	75,342	74,888
percent change	9.2%	11.5%	4.8%	6.8%	5.9%	6.7%	9.2%	10.2%	1.8%	-0.3%	-0.3%	6.0%	5.2%	7.6%	7.0%	-0.6%
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	$2,990	$2,618	$3,537	$3,308	$3,404	$2,678	$2,399	$3,099	$4,034	$3,862	$4,637	$3,717
percent change	2.6%	0.2%	16.4%	28.6%	26.3%	-12.4%	35.1%	-6.5%	2.9%	-21.3%	-10.4%	29.2%	30.2%	-4.3%	20.1%	-19.8%
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	4,338.8	4,457.6	4,531.5	4,596.4	4,664.0	4,731.7	4,827.3	4,919.8	5,018.2
percent change	3.4%	2.7%	2.8%	2.9%	2.5%	2.4%	2.7%	2.7%	2.7%	1.7%	1.4%	1.5%	1.5%	2.0%	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.

Legislative Council Staff

Presentation Charts

September 21, 2009

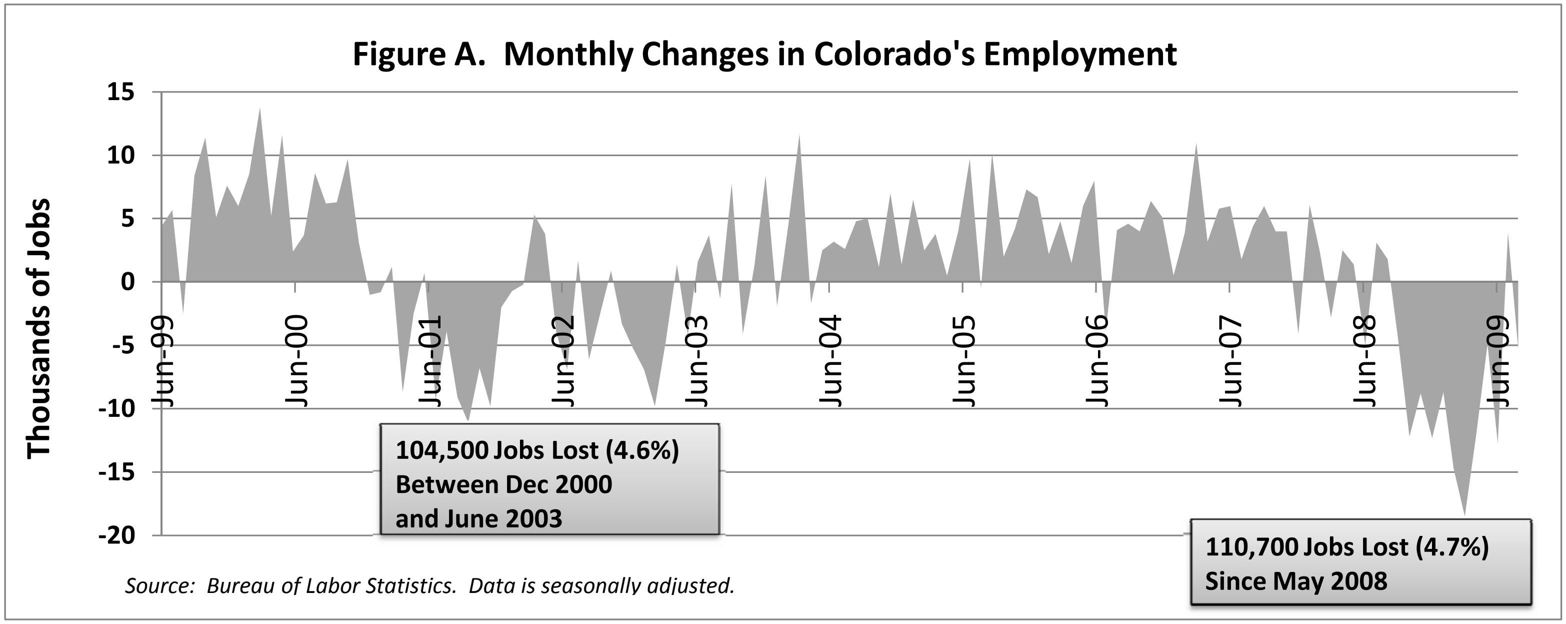


Figure A. Monthly Changes in Colorado's Employment
Thousands of Jobs
15
10
5
0
-5
-10
-15
-20
Jun-99
Jun-00
Jun-01
Jun-02
Jun-03
Jun-04
Jun-05
Jun-06
Jun-07
Jun-08
Jun-09
104,500 Jobs Lost (4.6%) Between Dec 2000 and June 2003
110,700 Jobs Lost (4.7%) Since May 2008
Source: Bureau of Labor Statistics. Data is seasonally adjusted.

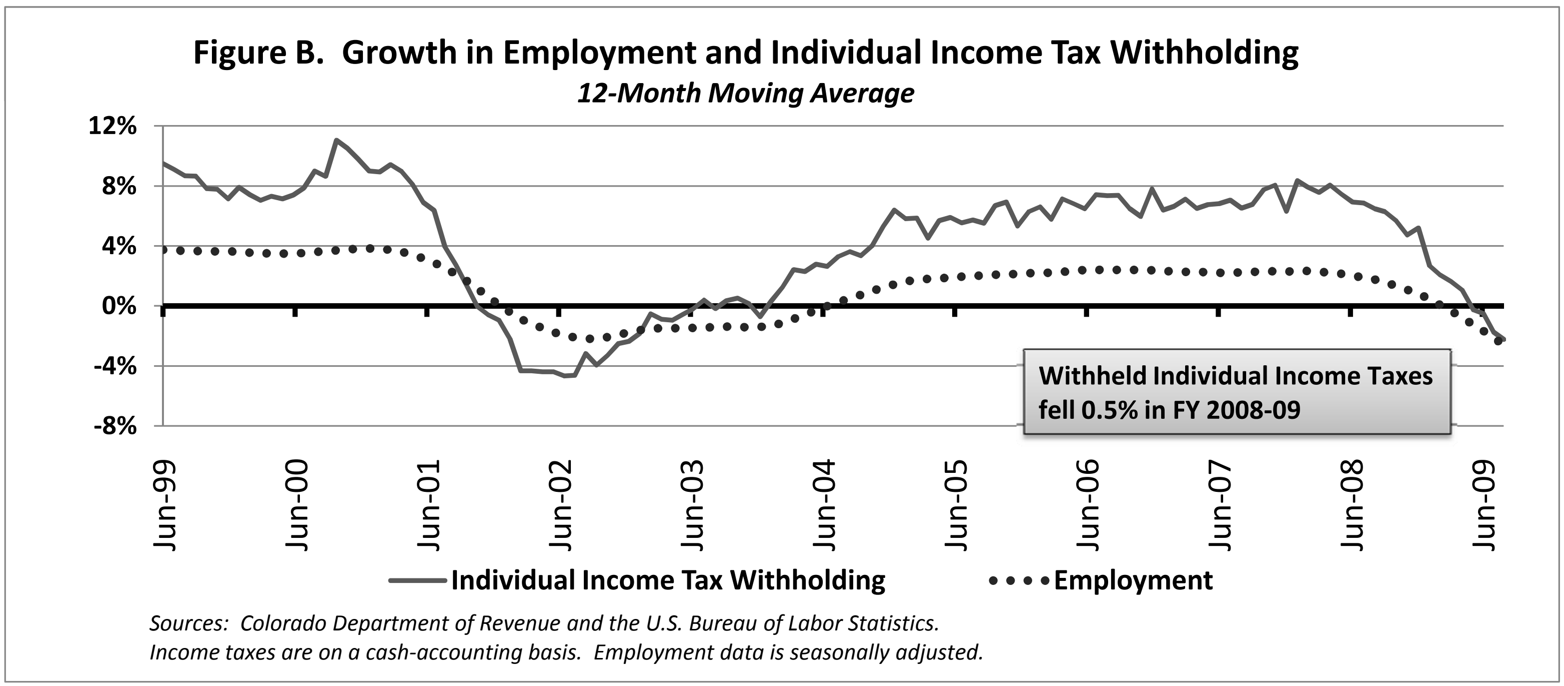
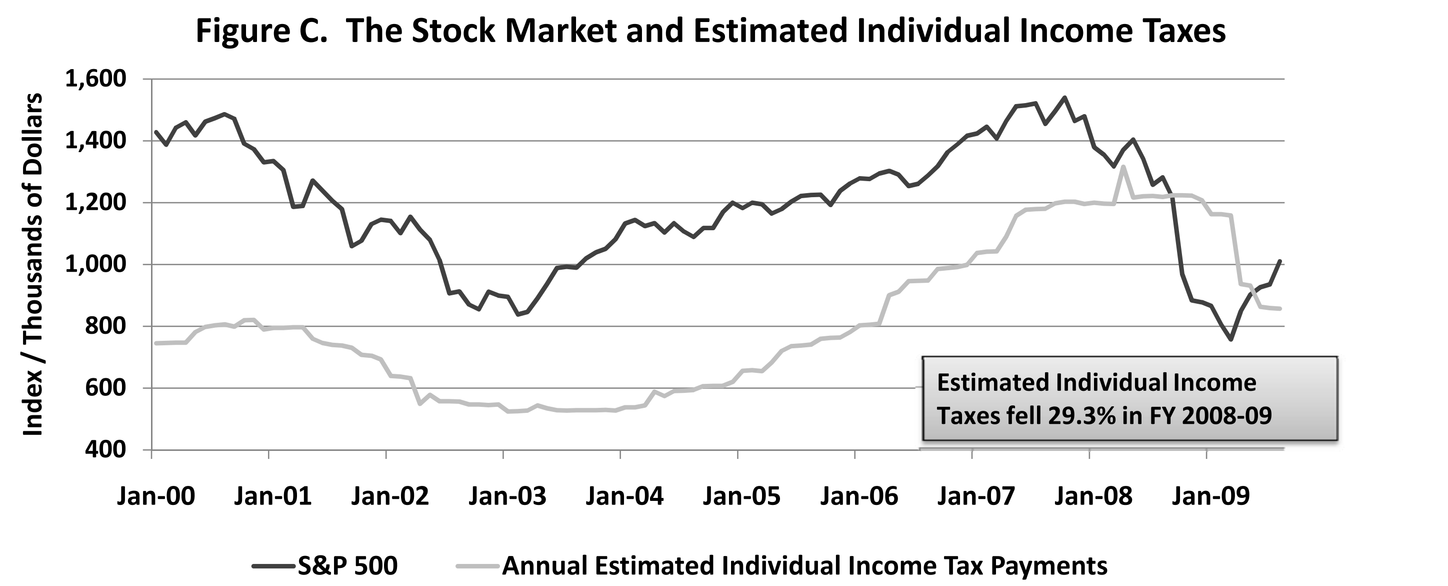
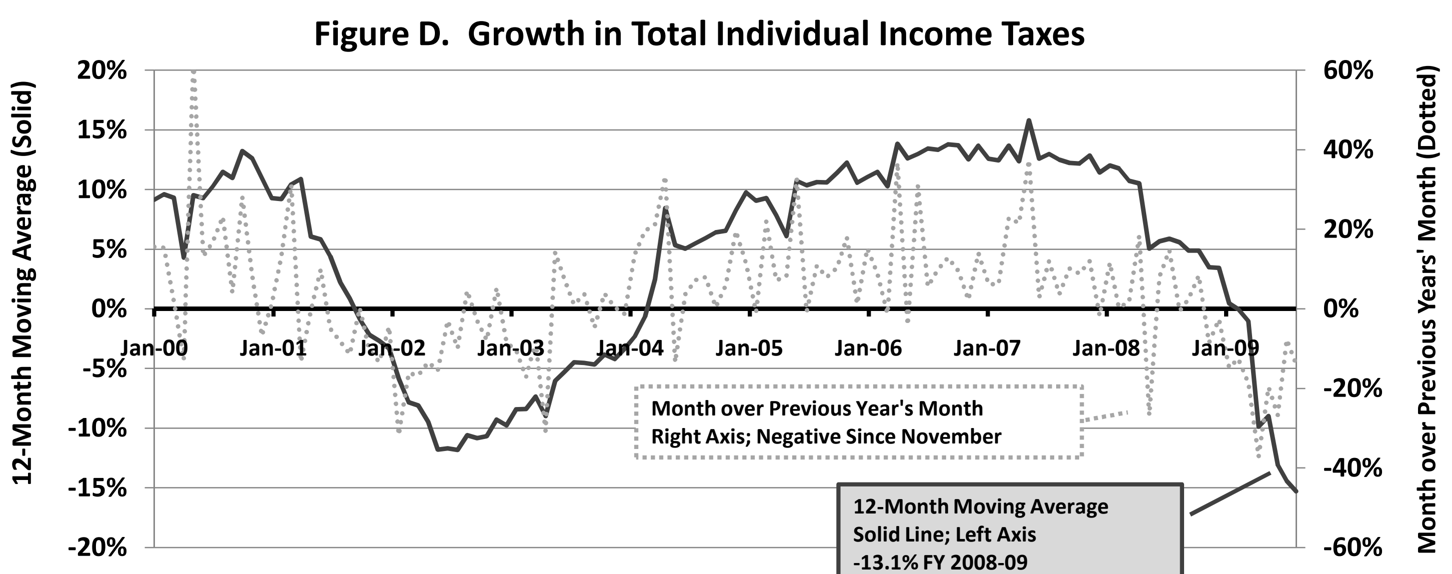


Figure B. Growth in Employment and Individual Income Tax Withholding
12-Month Moving Average
12%
8%
4%
0%
-4%
-8%
Withheld Individual Income Taxes fell 0.5% in FY 2008-09
Jun-99
Jun-00
Jun-01
Jun-02
Jun-03
Jun-04
Jun-05
Jun-06
Jun-07
Jun-08
Jun-09
Individual Income Tax Withholding
Employment
Sources: Colorado Department of Revenue and the U.S. Bureau of Labor Statistics.
Income taxes are on a cash-accounting basis. Employment data is seasonally adjusted.



Source: Standard & Poors and the Colorado Department of Revenue.
Estimated income taxes are on a cash-accounting basis.



Source: Colorado Department of Revenue.
Cash-accounting basis.

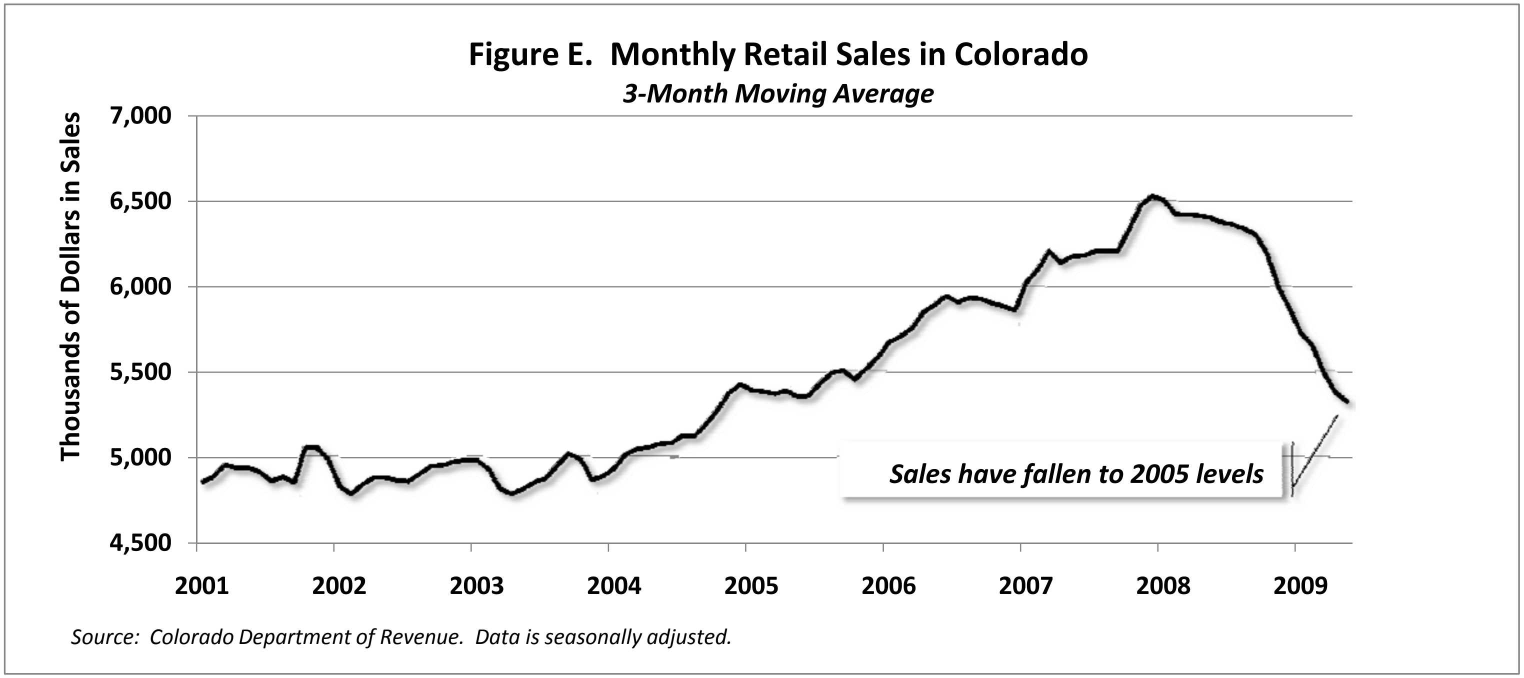


Figure E. Monthly Retail Sales in Colorado
3-Month Moving Average
Thousands of Dollars in Sales
7,000
6,500
6,000
5,500
5,000
4,500
2001
2002
2003
2004
2005
2006
2007
2008
2009
Sales have fallen to 2005 levels
Source: Colorado Department of Revenue. Data is seasonally adjusted.

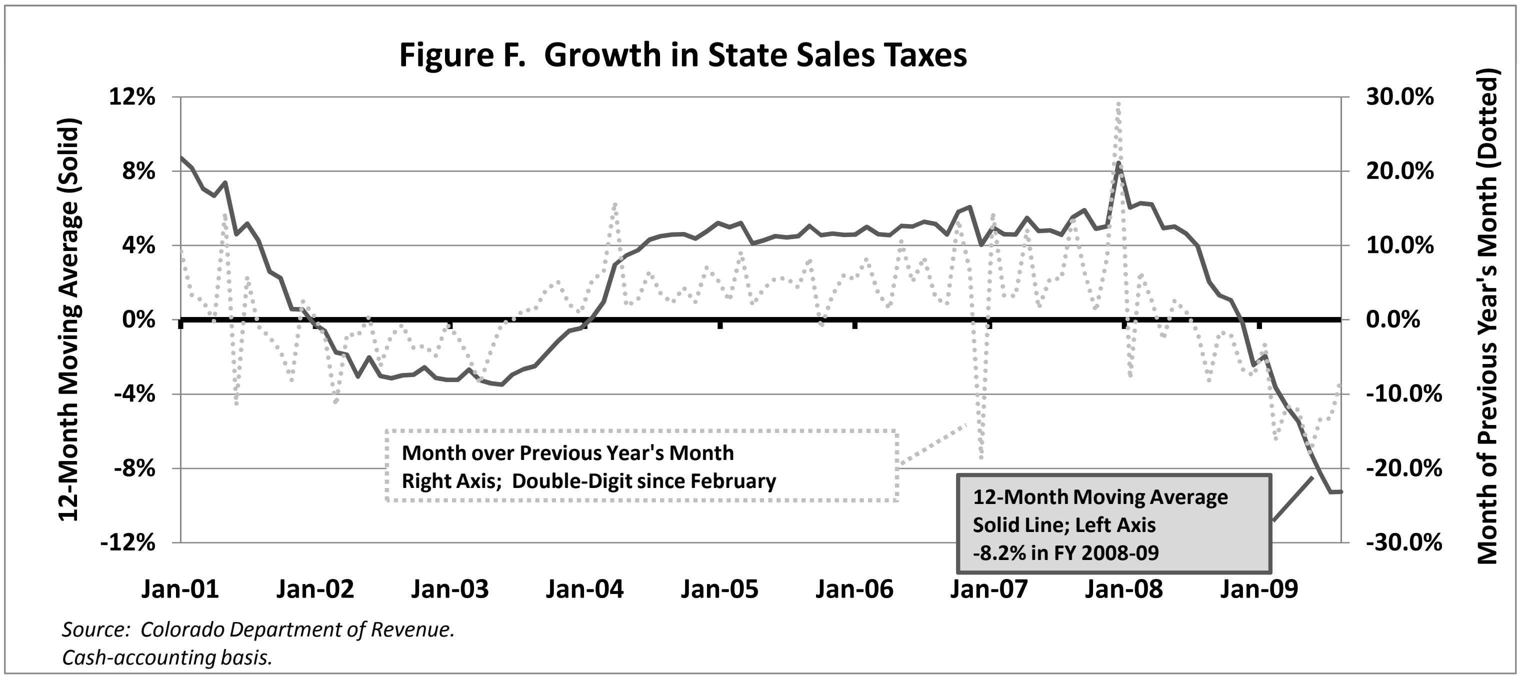


Figure F. Growth in State Sales Taxes
12-Month Moving Average (Solid)
12%
8%
4%
0%
-4%
-8%
-12%
Month of Previous Year's Month (Dotted)
30.0%
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Month over Previous Year's Month
Right Axis; Double-Digit since February
12-Month Moving Average
Solid Line; Left Axis
-8.2% in FY 2008-09
Source: Colorado Department of Revenue.
Cash-accounting basis.