Focus Colorado: Economic And Revenue Forecast

Colorado Legislative Council Staff Economics Section

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Photograph captures Mt. Crested Butte, courtesy of Melanie Smith.

Highlights

- The **Colorado economy** continues to gradually recover with private sector job gains, lower initial claims for unemployment, and increased consumer spending. However, the weak housing market, high levels of debt and unemployment, and tight credit will restrain the strength of the recovery.

- There will be enough General Fund revenue to fully fund budgeted appropriations in **FY 2010-11**, but revenue will be $137.0 million short of the amount needed to fully fund the 4.0 percent reserve required by law. If a $67.2 million shortfall in the Medicaid program is included, this amount increases to $204.2 million.

- In **FY 2011-12**, General Fund revenue will be sufficient to fund appropriations at the same level as they are budgeted for in FY 2010-11 with enough left over to fill a 1.3 percent reserve. However, the loss of several one-time sources of money, inflation, and caseload growth will apply additional pressure on the budget. Depending on the decisions of the state legislature, the actual shortfall could be $1.0 billion or more.

- The **Referendum C cap** will equal $10.7 billion in FY 2010-11, and revenue subject to TABOR will be $1.26 billion below the cap.

- **School districts** statewide will experience a 6.9 percent decrease in property tax assessed values and a 0.9 percent increase in student FTE enrollment during the 2011-12 school year.

- The adult incarcerated **prison** population will decrease by 1,802 inmates and the **parole** population will increase by 1,089 parolees between 2010 and 2013.

EXECUTIVE SUMMARY

This report presents the current budget outlook based on the December 2010 economic, General Fund revenue, and cash fund revenue forecasts. In addition, three forecasts related to the budget are presented. Forecasts for property assessed values and kindergarten through twelfth grade enrollment are presented to inform the budget for school finance. Forecasts for adult prison and parole population and the Division of Youth Corrections population are presented to inform the budgets for the Department of Corrections, capital construction need, and the Division of Youth Corrections in the Department of Human Services.

The outlook is based on **current law** and incorporates the impact of most of the major provisions of the recently enacted federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The outlook does not incorporate the Governor's August and October budget balancing plans.

General Fund Overview

Table 1 on page 4 presents the General Fund overview based on current law. Table 2 on pages 5 and 6 lists legislation from the 2008 through 2010 legislative sessions and other budgetary measures affecting the General Fund overview, including the new federal tax law.

FY 2010-11. The FY 2010-11 General Fund budget is out of balance. Colorado law requires a certain percent of General Fund operating appropriations to be set aside in a reserve in case revenue is not sufficient to meet the state's General Fund obligations. The required reserve is equal to 4.0 percent in FY 2010-11. There is expected to be enough money to fully fund the amount budgeted to be spent out of the General Fund in FY 2010-11; revenue is expected to be $140.6 million *(line 21 of Table 1)* higher than the budgeted amount. However, this amount is sufficient to fund a reserve equal to only 2.0 percent of General Fund operating appropriations, falling $137.0 million short of the amount needed to fully fund the required 4.0 percent reserve *(lines 20 and 24 of Table 1).*

Additionally, depending on the decisions of the state legislature, an additional shortfall of $67.2 million may need to be filled to compensate for the receipt of lower enhanced Federal Medicaid Assistance Percentage (FMAP) funds than had been expected when the FY 2010-11 budget was enacted. Taken together, these shortfalls add to $204.2 million. In total, budget balancing measures proposed by the governor in August and October exceed this amount.

FY 2011-12. There is a budget shortfall in FY 2011-12. Assuming appropriations remain constant at the amount budgeted to be spent in FY 2010-11, there will be enough money left over to fill a 1.3 percent reserve. This amount is $189.5 million below the amount required to fully fund the statutorily required 4.0 percent reserve *(lines 20 and 24 of Table 1).* Operating appropriations are assumed to remain constant at the amount currently budgeted for FY 2010-11 because no budget has yet been enacted.

The FY 2011-12 shortfall incorporates this year's shortfall. The FY 2010-11 shortfall *(line 20 of Table 1)* is assumed to be absorbed into the reserve and thus carried forward into FY 2011-12. Therefore, the $189.5 million shortfall in FY 2011-12 is a two-year cumulative shortfall.

The FY 2011-12 shortfall is higher than reported in Table 1 by up to $800 million. The estimate for the FY 2011-12 shortfall is artificially low for two reasons. *First*, budgetary pressures resulting from inflation and caseload growth are not incorporated into the estimate. Depending on decisions made by the state legislature, these budgetary pressures could be minimal or could exceed the estimates presented here. *Second*, the shortfall does not consider that many one-time sources of money available in FY 2010-11 will no longer be available in FY 2011-12.

According to the Joint Budget Committee Staff, a total of $799 million will be required in FY 2011-12 to fund statutorily required caseload and inflation increases and backfill the elimination of one-time sources of money. If the $799 million estimate is incorporated into the shortfall for FY 2011-12, the shortfall increases from $189.5 million to $988.2 million.

These one-time sources of money include federal funds and cash funds that are currently paying for programs historically paid for with General Fund revenue. Because these funding sources are not expected to be available in FY 2011-12, the state legislature will have to eliminate or reallocate General Fund spending on other programs if they choose to continue funding these programs at current levels. They include (but are not limited to):

- $363.6 million of federal stimulus dollars used for Medicaid;
- $96.0 million of Amendment 35 tobacco tax revenue used for Medicaid; and
- $89.2 million in federal stimulus dollars used for higher education.

The extent to which these programs are fully-backfilled for the loss of one-time moneys and to the extent that statutorily required caseload and inflation increases are funded is at the discretion of the state legislature.

It is important to note that, depending on the decisions of the state legislature, there are other budget items that could increase the FY 2011-12 shortfall presented here. These include, but are not limited to, fully funding the TABOR reserve with the General Fund, reversing the pay date shift implemented during the last downturn, reinstating salary survey and performance based pay for state employees, and reinstating the state contribution to the Fire and Police Pension Association.

FY 2012-13. The General Fund budget situation in FY 2012-13 will depend on measures taken by the state legislature to address the shortfalls for this year and next. Expectations for slightly stronger growth in the economy in 2012 and 2013 should help improve the budget outlook beginning in FY 2012-13.

Table 1
December 2010 General Fund Overview
(Dollars in Millions)

	FUNDS AVAILABLE	FY 2009-10 Preliminary	FY 2010-11 Estimate	FY 2011-12 Estimate	FY 2012-13 Estimate
1	Beginning Reserve	$443.3	$146.2	$140.6	$88.1
2	General Fund Nonexempt Revenue	6,454.6	6,308.2	6,331.1	6,458.3
3	General Fund Exempt Revenue (Referendum C)	0.0	768.8	762.2	1,129.9
4	Transfers to Other Funds	(458.1)	0.0	0.0	0.0
5	Transfers from Other Funds	421.2	44.7	3.8	0.2
6	Sales Taxes to Older Coloradans Fund and OASMCF	(10.9)	(10.9)	(10.9)	(10.9)
7	**Total Funds Available**	**$6,850.1**	**$7,257.0**	**$7,226.9**	**$7,665.7**
8	Percent Change	-15.5%	5.9%	-0.4%	6.1%
	EXPENDITURES	**Budgeted**	**Budgeted**	**Estimate /A**	**Estimate /A**
9	General Fund Appropriations	6,631.6	6,940.3	6,940.3	6,940.3
10	Adjustments to Appropriations	(28.1)	28.1	0.0	0.0
11	Rebates and Expenditures *(Lines 19-24 of Table 5)*	141.9	134.4	169.2	180.4
12	Reimbursement for Senior and Disabled Veterans Property Tax Cut	1.3	1.6	1.7	103.1
13	Capital Construction Transfers	0.2	12.0	27.5	43.7
14	Accounting Adjustments	(42.9)	NE	NE	NE
15	**Total Expenditures**	**$6,703.9**	**$7,116.4**	**$7,138.7**	**$7,267.6**
16	Percent Change	-12.6%	6.2%	0.3%	1.8%

	BUDGET SUMMARY	Preliminary	Estimate	Estimate /A	Estimate/ A
17	**Amount Available for Expenditure** *(Line 7 minus Line 23)*	**6,717.5**	**6,979.4**	**6,949.3**	**7,388.1**
18	Dollar Change	(1,244.6)	261.9	(30.1)	438.8
19	Percent Change	-15.6%	3.9%	-0.4%	6.3%
20	***Revenue Will Restrict Expenditures and/or the Reserve by:***	***0.0***	***($137.0) /B***	***($189.5) /B***	***0.0***

	RESERVE	Budgeted	Budgeted	Estimate /A	Estimate /A
21	Year-End General Fund Reserve	146.2	140.6	88.1	398.1
22	Year-End Reserve As A Percent of Appropriations	2.2%	2.0%	1.3%	4.0%
23	Statutorily-Required Reserve	132.6	277.6	277.6	277.6
24	Reserve in Excess or (Deficit) of Statutory Reserve	$13.5	($137.0)	($189.5)	$120.4
25	*Percent Change in General Fund Appropriations*	*-10.5%*	*4.7%*	*NE*	*NE*
26	Addendum: TABOR Reserve Requirement	257.0	282.4	289.7	310.1
27	Addendum: Arveschoug-Bird Appropriations Limit	10,257.7	10,736.4	10,511.4	10,753.2
28	Addendum: Amount Directed to State Education Fund	329.0	368.5	369.9	399.3

Totals may not sum due to rounding. NE = Not Estimated. NA= Not Applicable. OASMCF = Old Age Supplemental Medical Care Fund.

/A Because the budgets for FY 2011-12 and FY 2012-13 have not yet been enacted, this analysis assumes General Fund appropriations as enacted for FY 2010-11 will occur in FY 2011-12 and FY 2012-13. Therefore, this analysis shows revenue available for expenditure during those years (line 17) relative to General Fund appropriations for FY 2010-11 (line 9) and the statutorily required reserve for FY 2010-11 (line 23).

/B The FY 2010-11 and FY 2011-12 shortfalls are artificially low. Please see the executive summary for more information. In addition, because each year's shortfall is assumed to be absorbed by the reserve and thus carried forward into future years, the shortfall in FY 2011-12 is a two-year cumulative figure.

Table 2
Budgetary Measures Affecting the General Fund Overview /A
(Millions of Dollars)

Cash Fund Transfers

		2008-09	2009-10	2010-11	2011-12	2012-13
HB 08-1078	Veterans Trust Fund	(2.9)	-	-	-	-
SB 09-208	Cash Fund Transfers	221.6	-	-	-	-
SB 09-210	Tobacco Master Settlement Transfers	1.2	2.4	-	-	-
SB 09-264	Maximize ARRA FMAP Increase	-	2.8	0.5	-	-
SB 09-269	Cash Fund Transfers	(1.5)	-	-	-	-
SB 09-269	Tobacco Master Settlement Transfers	13.9	65.0	-	-	-
SB 09-270	Amendment 35 Tobacco Transfers - Interest	6.3	4.0	2.6	2.6	-
SB 09-279	Cash Fund Transfers	114.1	209.4	-	-	-
SB 09-279	Temporary Cash Fund Transfers	458.1	(458.1)	-	-	-
HB 09-1223	Tobacco Master Settlement Transfers	-	0.2	-	-	-
HB 09-1105	Colorado Innovation Investment Transfer	-	0.4	0.4	-	-
HB 10-1323	Tobacco Master Settlement Transfers	-	3.3	4.0	-	-
HB 10-1325	Natural Resource Damage Recovery Fund	-	0.2	0.2	0.2	0.2
HB 10-1327	Cash Fund Transfers	-	84.7	-	-	-
HB 10-1383	CollegeInvest Transfer	-	29.8	-	-	-
HB 10-1388	Cash Fund Transfers	-	-	26.6	1.1	-
HB 10-1389	Capital Construction Transfers	-	19.1	10.4	-	-
Transfers to the General Fund		813.7	421.2	44.7	3.8	0.2
Transfers from the General Fund		(4.4)	(458.1)	0.0	0.0	0.0

General Fund Expenditure Impacts /A

		2008-09	2009-10	2010-11	2011-12	2012-13
SB 09-227	Postpone Fire and Police Pension Payments	(25.3)	(25.3)	(25.3)	-	-
SB 09-259	Reduce Volunteer Firefighter Pensions	(0.1)	-	-	-	-
SB 09-276	Suspend Senior Property Tax Exemption	-	(87.3)	-	-	-
SB 10-190	Suspend Senior Property Tax Exemption	-	-	(91.5)	(95.2)	-
HB 10-1389	Reduce CERF Capital Construction Transfers	-	1.8	-	-	-
Medicaid Payment Delay		-	(38.0)	38.0	-	-
Total Expenditure Measures		(25.4)	(148.8)	(78.8)	(95.2)	0.0

Statutory Reserve Impacts

		2008-09	2009-10	2010-11	2011-12	2012-13
SB 09-219	FY 08-09 Statutory Reserve Reduction	(148.2)	-	-	-	-
SB 09-277	FY 09-10 Statutory Reserve Reduction	-	(0.9)	-	-	-
Total Reserve Impact		(148.2)	(0.9)	0.0	0.0	0.0

(Table 2 continues on next page)

Table 2 *(continued)*
Budgetary Measures Affecting the General Fund Overview /A
(Millions of Dollars)

General Fund Revenue Impacts

		2008-09	2009-10	2010-11	2011-12	2012-13
Sales Taxes						
SB 09-121	Taxation of Restaurant Employee Meals	-	(0.4)	(0.4)	(0.4)	(0.4)
SB 09-212	Temporarily Repeal Vendor Fee—Part 1	12.9	37.5	19.3	-	-
SB 09-275	Temporarily Repeal Vendor Fee—Part 2	-	25.5	45.5	-	-
HB 09-1035	Clean Technology/Medical Device Refund /B	-	-	-	-	-
HB 09-1126	Exemption for Solar Thermal Installation	-	(0.3)	(0.3)	(0.3)	(0.3)
HB 09-1342	Temporarily Repeal Cigarette Exemption	-	31.0	32.0	-	-
HB 10-1189	Repeal Exemption for Direct Mail	-	0.2	0.8	0.8	0.8
HB 10-1190	Temporarily Repeal Exemption for Industrial Energy	-	7.2	37.6	40.2	-
HB 10-1191	Repeal Exemption for Candy and Soda	-	1.4	18.0	18.0	18.0
HB 10-1192	Repeal Software Regulation	-	4.6	23.7	24.1	25.4
HB 10-1193	Sales Taxes and Out-of-State Retailers	-	0.02	0.2	12.5	17.1
HB 10-1194	Repeal Exemption for Food Containers	-	0.4	2.0	2.0	2.0
HB 10-1195	Temporarily Repeal Exemption for Agricultural Products		0.9	4.6	4.6	4.6
H.R. 4853 /D	Payroll Tax Rate Reduction	-	-	14.0	14.0	-
Total Sales Taxes		*12.9*	*108.1*	*197.0*	*115.5*	*67.2*
Income Taxes						
HB 09-1001	Tax Credit for Job Growth	-	(2.9)	(8.6)	(13.8)	(18.1)
HB 09-1067	In-Stream Flow Tax Credit /B	-	-	-	-	-
HB 09-1105	Colorado Innovation Investment Tax Credit /C	-	-	-	-	-
HB 09-1331	Tax Incentives for Fuel Efficient Vehicles	-	1.8	5.2	1.9	(5.4)
HB 09-1366	Colorado Capital Gains Subtraction	-	7.1	15.8	15.9	16.0
SB 10-001	PERA-Reduction in Income Taxes	-	(1.0)	(2.1)	(1.3)	(1.3)
SB 10-146	PERA Contribution Rates—Reduction in Income Taxes		-	(1.1)	-	-
HB 10-1055	Penalty Fees—Increase in Income Taxes	-	-	1.5	3.0	3.0
HB 10-1196	Modify Tax Incentives for Fuel Efficient Vehicles	-	-	2.7	2.7	-
HB 10-1197	Limit Conservation Easement Credits	-	-	18.5	37.0	18.5
HB 10-1199	Modify Deduction for Net Operating Loss	-	-	8.2	16.5	16.5
HB 10-1200	Limit Enterprise Zone Investment Tax Credit	-	-	4.0	8.0	8.3
H.R. 4853 /D	Increased Expensing and Bonus Depreciation	-	-	(70.1)	(98.1)	(25.4)
Total Income Taxes		*0.0*	*5.0*	*(26.1)*	*(28.2)*	*12.1*
Pari-mutuel Taxes						
SB 09-174	Horse and Greyhound Racing Regulation	-	0.2	0.2	0.2	0.2
Insurance Premium Taxes						
SB 09-259	Cash Fund the Division of Insurance	-	2.5	2.5	2.5	2.5
Total State Revenue Measures		**12.9**	**115.8**	**173.6**	**90.0**	**82.0**

Total Budgetary Measures Affecting the General Fund Overview /A

	2008-09	2009-10	2010-11	2011-12	2012-13
Total	**995.8**	**228.6**	**297.1**	**189.0**	**82.2**

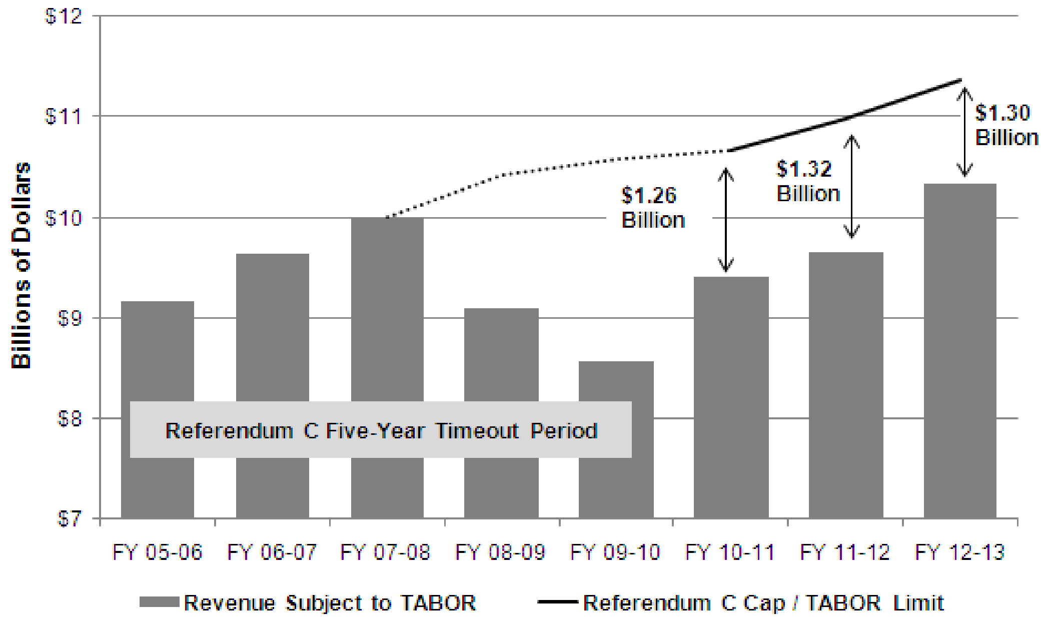
/A Excludes budgetary measures affecting General Fund operating appropriations.

/B These bills are effective only during years in which General Fund revenue is sufficient to allow General Fund appropriations to increase 6 percent. This is not expected to occur during the forecast period.

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

/D Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

Figure 1
TABOR Revenue and the Referendum C Cap



Senate Bill 09-228 transfers and reserve increases. If personal income increases by at least five percent in 2012, Senate Bill 09-228 requires transfers from the General Fund to transportation and capital construction and a one-half of a percentage point increase in the General Fund statutory reserve in FY 2012-13. If personal income increases by less than five percent, these transfers and the reserve increase are postponed until the first fiscal year in which personal income increases by at least five percent during the calendar year in which the fiscal year begins. Personal income is expected to increase 3.4 percent in 2012 and 4.6 percent in 2013. Thus, this forecast anticipates that the first year during which the transfers and reserve increase could occur would be FY 2014-15, depending on economic conditions in 2014.

Tax policies dependent on sufficient General Fund revenue. Several tax policies are only available in a given year when General Fund revenue is forecast to be sufficient to allow General Fund appropriations to grow by at least six percent during that year. Revenue is not forecast to be sufficient to do so in FY 2010-11 through the end of the forecast period. Therefore these tax policies will not be available in 2011 and are not expected to be available in 2012 or 2013. Tax provisions affected include the following credits and exemptions:

- child care contribution income tax credit;
- instream flow income tax credit;
- historic property preservation income tax credit;
- developmental disabilities income tax credit;
- clean technology medical device sales tax refund; and the
- sales and use tax exemption for clean room infrastructure.

In addition, the temporary elimination of the state sales tax vendor fee will extend through the end of FY 2010-11.

Revenue Forecast

The FY 2010-11 forecast for total revenue subject to TABOR increased $99.1 million relative to the September forecast. The General Fund revenue forecast increased by $45.0 million, while the cash fund forecast increased by $54.1 million.

- The increase in the forecast for **General Fund revenue** resulted from higher expectations for individual income tax collections, which were partially offset by decreased expectations for sales and corporate income tax collections. The forecast for individual income taxes was increased $163.7 million in FY 2010-11 as collections are coming in at stronger rates than expected. The forecast for sales taxes was reduced by $75.7 million as heavy debt burdens and high unemployment continue to constrain consumer spending. The forecast for corporate income taxes was reduced by $46.3 million. The federal tax bill reduced total General Fund revenue by an estimated $56.2 million in FY 2010-11, most of which affected the corporate income tax forecast. Lower expectations in the corporate income tax forecast were primarily the result of the effects of the federal tax bill.

- **Cash fund revenue** subject to TABOR is projected to increase 14.0 percent in FY 2010-11. The increase is mostly attributable to a large increase in revenue from the Hospital Provider Fee and a rebound in severance taxes. Cash fund revenue will increase 8.0 percent in FY 2011-12, driven primarily by statutorily required expansions of the Hospital Provider Fee.

- The amount of revenue retained by the state during the **Referendum C time-out period**, which ended in FY 2009-10, was $3.6 billion. This year, the state will retain $768.8 million as a result of Referendum C. Table 3 presents the history and forecast for revenue retained by Referendum C.

Table 3
History and Projections of Revenue Retained by Referendum C
Dollars in Millions

Actual	
FY 2005-06	$1,116.1
FY 2006-07	$1,308.0
FY 2007-08	$1,169.4
FY 2008-09	$0
FY 2009-10	$0
Projections	
FY 2010-11	$768.8
FY 2011-12	$762.2
FY 2012-13	$1,129.9

- Figure 1 on page 7 shows TABOR revenue and the Referendum C cap through the end of the forecast period, which extends three years beyond the Referendum C five-year timeout period. The Referendum C cap will equal $10.7 billion in FY 2010-11. Revenue subject to TABOR will be $1.26 billion below the cap. Revenue will not be sufficient to produce a **TABOR refund** through at least FY 2012-13, the end of the forecast period. Table 4 on page 11 shows estimates for TABOR revenue, the TABOR Limit/Referendum C cap, and revenue retained as a result of Referendum C during the three-year forecast horizon.

National Economy

The national economy continues along a road to recovery. In each of the past five quarters, the economy has grown and corporate profits have reached record levels. However, in spite of the overall improvement in economic conditions since the end of the recession in June 2009, business uncertainty continues to impede hiring decisions, leaving many unemployed workers still looking for jobs.

The short-term outlook is for the national economy to expand at relatively modest rates for the next two years. Ongoing financial constraints for households due to the weak housing market, high levels of indebtedness, and high unemployment will limit the ability of consumers to increase spending significantly. Once these factors are addressed, economic growth is expected to accelerate again, but not until 2012.

Colorado Economy

The Colorado economy continues along a path of slow and gradual recovery. Several economic indicators have begun to signal growth. Employment in Colorado's private sector has been trending up since May. Initial claims for unemployment insurance have drifted lower, and retail spending has been increasing, albeit slowly. The energy markets are seeing more investment as rig counts and drilling permits continue to rise. Also, personal income showed moderate gains during the first three quarters of 2010.

Despite these clear signs that the economy is expanding, there are ongoing struggles and uncertainties that will restrain the strength of the recovery in 2011 and beyond. High unemployment, constrained credit, high debt, and the struggling housing market will dampen growth over the next several years. Colorado banks will need to digest more bad loans before lending growth can resume. Many real estate owners — both residential and nonresidential — will need to work through debt problems before spending and investment accelerates. Growth will be weak through at least the end of 2011.

Assessed Values

The projections for **assessed values** are used to determine local property taxes for Colorado's public schools and the amount of state aid provided to schools. Total assessed values for all property classes decreased 5.3 percent in 2010 to $92.6 billion, mostly due to the dramatic drop in oil and gas values. Assessed values are expected to decline another 6.9 percent in 2011 as a result of declining residential and commercial property values. The **residential assessment rate** is expected to remain at 7.96 percent throughout the forecast period.

Kindergarten through Twelfth Grade Enrollment

Kindergarten through twelfth-grade public **school enrollment** will increase 0.9 percent in the state, or by 7,003 full-time-equivalent (FTE) students, between the current 2010-11 school year and the 2011-12 school year. Enrollment will also increase 0.9 percent between the 2011-12 and 2012-13 school years, or by 7,439 FTEs. Because of high unemployment throughout the state and low levels of in-migration due to limited job opportunities, growth is expected to remain modest throughout the forecast period.

Enrollment along the Front Range in the Colorado Springs, metro Denver, and northern regions will experience the fastest growth, due largely to greater employment opportunities in these areas. The Pueblo, southwest mountain, and western regions will see enrollment declines consistent with the movements of the natural gas industry. The mountain region continues to feel the impact of the housing market collapse, which will dampen enrollment growth through the forecast period. The San Luis Valley region will continue to experience declines in enrollment, consistent with more than a decade of declines. Similarly, the eastern plains region will see declines in traditional brick and mortar school enrollment. However, growth in an online program will keep total enrollment positive in the region.

Prison and Parole Populations

The **adult incarcerated prison population** is expected to decrease from 22,860 in June 2010 to 21,058 in June 2013, or by 1,802 inmates. This represents an average annual rate of decline of 2.7 percent, or about 601 inmates per year. The **in-state parole population** is projected to increase from 8,535 in June 2010 to 9,390 in June 2013, growing at an average annual rate of 3.2 percent. The total number of parolees (those supervised in-state and out-of-state) is expected to increase from 11,238 to 12,327 during the three-year forecast period.

The **juvenile commitment population** is expected to decrease from an average daily population of 1,171 in FY 2009-10 to 1,037 in FY 2010-11. By FY 2012-13, the commitment population will fall to 1,025 juveniles, representing an average annual decline of 4.4 percent.

Table 4
December 2010 TABOR Revenue Limit and Retained Revenue

(Dollars in Millions)

		Preliminary FY 2009-10	Estimate FY 2010-11	Estimate FY 2011-12	Estimate FY 2012-13
	TABOR Revenue				
1	General Fund /A	$6,478.9	$7,031.5	$7,084.6	$7,579.5
2	Cash Funds	2,088.6	2,381.8	2,572.8	2,757.0
3	**Total TABOR Revenue**	**$8,567.5**	**$9,413.3**	**$9,657.4**	**$10,336.5**
	Revenue Limit				
4	Allowable TABOR Growth Rate	5.8%	1.1%	2.9%	3.5%
5	Inflation (from prior calendar year)	3.9%	-0.6%	1.2%	1.9%
6	Population Growth (from prior calendar year)	1.9%	1.7%	1.7%	1.6%
7	TABOR Limit Base /B	$9,172.4	$8,644.6	$8,895.2	$9,206.6
8	Voter Approved Revenue Change (Referendum C)	$0.0	$768.8	$762.2	$1,129.9
9	Total TABOR Limit / Referendum C Cap	NA	$10,672.6	$10,982.1	$11,366.4
	Retained/Refunded Revenue				
10	Revenue Retained under Referendum C /C	$0.0	$768.8	$762.2	$1,129.9
11	**Total Available Revenue**	**$8,567.5**	**$9,413.3**	**$9,657.4**	**$10,336.5**
12	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 revenues reported in other tables because they net out revenue that is already in the cash funds to avoid double counting and include transfers of revenue from TABOR enterprises into TABOR district boundaries.

/B The TABOR limit base was adjusted for changes in TABOR enterprise status in FY 2009-10.

/C Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget and the General Fund Overview.

GENERAL FUND REVENUE

This section presents the forecast for General Fund revenue. Table 5 on page 14 illustrates preliminary revenue collections for FY 2009-10 and projections for FY 2010-11 through FY 2012-13. General Fund revenue decreased 16.7 percent over the last two years, first by $1.0 billion in FY 2008-09 and then by an additional $292.7 million in FY 2009-10. General Fund revenue will increase 9.6 percent in FY 2010-11, or by $622.4 million. Of this increase, it is expected that $238 million will be collected as a result of legislation passed during the 2009 and 2010 legislative sessions that augmented General Fund revenue (see Table 2 on pages 5 and 6).

This forecast incorporates most of the major impacts of the recently enacted federal tax legislation, known as the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The bill was signed by the president on December 17th. As shown in Table 2 on page 6, the new law will increase state sales and use tax collections by $27.9 million over two years and will decrease state income tax collections by $193.7 million over the next three years. Overall, the new law will reduce General Fund revenue by $56.2 million in FY 2010-11, $84.2 million in FY 2011-12, and $25.4 million in FY 2012-13.

The new law includes a cut in federal social security payroll taxes. It is expected that taxpayers will use some of these tax savings to pay down debt and some to increase spending. The rate reduction is estimated to increase Colorado sales and use tax revenue by slightly less than $14.0 million in both FY 2010-11 and FY 2011-12.

Because Colorado's state taxable income is tied to federal taxable income, income tax provisions in the new law that change a taxpayer's federal taxable income will directly affect Colorado income tax collections. The federal tax law contains two major provisions that do so for businesses by extending or expanding certain provisions affecting the tax treatment of newly purchased business equipment. These provisions will reduce corporate income tax revenue to the state. In addition, because many businesses are taxed under the individual income tax system, it will also affect individual income tax revenue.

The first income tax provision affects the tax treatment of the *depreciation* of business equipment. Federal law allows businesses to deduct the depreciated cost of business equipment for purposes of computing federal taxable income, both in the year of purchase and in later years. The new law increases the first-year depreciation deduction to 100 percent of the cost of new equipment in tax year 2011, and sets it at 50 percent in tax year 2012.

The second provision affects how business equipment is *expensed*. Under federal law, business equipment investments generally cannot be claimed fully as an expense in the first year, but instead must be spread over the useful lifetime of the equipment. The new law allows businesses to deduct an increased amount of the cost of qualifying equipment investments as an expense for tax year 2012.

These income tax provisions are estimated to reduce state individual income tax collections by $28.9 million in FY 2010-11, $43.1 million in FY 2011-12, and $13.1 million in FY 2012-13. State corporate income tax revenue will be reduced by $41.2 million in

Table 5
December 2010 General Fund Revenue Estimates
(Dollars in Millions)

	Category	Preliminary FY 2009-10	Percent Change	Estimate FY 2010-11	Percent Change	Estimate FY 2011-12	Percent Change	Estimate FY 2012-13	Percent Change
1	Sales	$1,825.0	-5.5	$1,949.5	6.8	$1,973.0	1.2	$2,055.9	4.2
2	Use	155.7	-11.9	180.8	16.1	185.1	2.4	197.3	6.6
3	Cigarette	40.8	-6.0	39.1	-4.4	37.7	-3.5	36.4	-3.5
4	Tobacco Products	16.1	22.4	15.7	-2.6	16.9	7.5	18.0	6.6
5	Liquor	35.4	1.3	35.8	1.0	36.7	2.4	37.5	2.2
6	TOTAL EXCISE	$2,073.1	-5.7	$2,220.8	7.1	$2,249.4	1.3	$2,345.0	4.3
7	Net Individual Income	$4,083.8	-5.8	$4,584.5	12.3	$4,588.6	0.1	$4,918.5	7.2
8	Net Corporate Income	372.1	27.2	374.1	0.5	384.4	2.7	460.4	19.8
9	TOTAL INCOME TAXES	$4,455.9	-3.7	$4,958.6	11.3	$4,972.9	0.3	$5,379.0	8.2
10	Less: Portion diverted to the SEF	-329.0	-3.2	-368.5	12.0	-369.9	0.4	-399.3	8.0
11	INCOME TAXES TO GENERAL FUND	$4,126.9	-3.7	$4,590.1	11.2	$4,603.1	0.3	$4,979.7	8.2
12	Insurance	186.9	-2.9	192.2	2.8	202.2	5.2	219.6	8.6
13	Pari-Mutuel	0.5	17.0	1.4	163.3	1.1	-19.9	0.9	-19.9
14	Investment Income	10.1	7.7	10.8	6.6	11.5	6.6	15.9	38.7
15	Court Receipts	17.8	-26.1	1.3	-92.7	1.0	-23.1	0.7	-30.0
16	Gaming	16.2	NA	36.7	NA	0.0	NA	0.0	NA
17	Other Income	23.0	-18.7	23.7	3.2	25.1	5.6	26.5	5.6
18	TOTAL OTHER	$254.5	-1.1	$266.1	4.5	$240.9	-9.5	$263.5	9.4
	GROSS GENERAL FUND	**$6,454.6**	**-4.3**	**$7,077.0**	**9.6**	**$7,093.3**	**0.2**	**$7,588.2**	**7.0**
	REBATES & EXPENDITURES:								
19	Cigarette Rebate	$11.6	-3.8	$11.4	-1.8	$11.0	-3.5	$10.6	-3.5
20	Old-Age Pension Fund	115.4	12.7	107.6	-6.7	117.5	9.2	128.2	9.2
21	Aged Property Tax & Heating Credit	7.6	43.0	7.7	1.6	7.5	-2.9	7.2	-3.8
22	Interest Payments for School Loans	2.2	-59.4	2.4	6.6	2.5	6.6	3.5	38.7
23	Fire/Police Pensions	4.2	5.2	4.4	2.6	29.8	584.1	29.9	0.4
24	Amendment 35 GF Expenditures	0.8	-17.4	0.9	15.2	0.9	-0.9	0.9	-1.2
25	TOTAL REBATES & EXPENDITURES	$141.9	8.9	$134.4	-5.2	$169.2	25.9	$180.4	6.6

Totals may not sum due to rounding. NA = Not Applicable. NE = Not Estimated.
SEF = State Education Fund. GF = General Fund.

FY 2010-11, $55.1 million in FY 2011-12, and $12.3 million in FY 2012-13. Because the provisions accelerate the amount of business equipment costs that can be deducted from taxable income, businesses will have less to deduct in future years. Thus, the provisions will increase individual income tax revenue beginning in FY 2013-14.

The General Fund revenue forecast for **FY 2010-11** increased $45.0 million relative to the September forecast. Increased expectations for individual income taxes of $163.7 million more than offset reduced expectations for sales tax collections of $75.7 million. Expectations for corporate income decreased $46.3 million, primarily as a result of the impacts of the federal tax bill.

The forecast for General Fund revenue in **FY 2011-12** increased $27.6 million relative to expectations in September. Increased expectations in income taxes offset decreases from the new federal tax bill and decreased sales tax expectations.

Individual income tax collections will increase 12.3 percent in FY 2010-11, rebounding from their recessionary levels of the prior two fiscal years. Despite the new federal tax law that will reduce income tax revenue starting this fiscal year, the strong rate of increase is a result of the return of modest job gains in the state, a rebound in estimated income tax payments, and lower tax refunds. In addition, revenue is being bolstered by the General Assembly's reduction of certain income tax credits and modifications. The largest of these changes include the temporary reduction in the conservation easement tax credit, the narrowing of the credit for fuel efficient vehicles, and changes to the Colorado source capital gains subtraction. A full list of these income tax changes can be found in Table 2 on page 6.

Despite the reductions in individual income tax revenue resulting from the new federal tax law, the forecast for FY 2010-11 increased relative to the September forecast by $163.7 million, or 3.7 percent. The increase was due to higher-than-expected collections from income taxes withheld from paychecks and a lowering of expectations for tax refunds.

After relatively strong growth in FY 2010-11, growth in individual income tax revenue for FY 2011-12 is expected to be minimal. This is due to the expectations of a sluggish recovery in the job market, the effects of the new federal tax law, and less growth in revenue from estimated payments. The minimal growth is also due to adjustments in the accounting of the revenue under the accrual accounting method that is required by the Governmental Accounting Standards Board. The accounting adjustment will record, or "accrue," more revenue into FY 2010-11 and reduce collections in FY 2011-12.

Corporate profits have soared nationally and are expected to continue to increase in Colorado over the remainder of the forecast period. However, expectations for **corporate income tax revenue** decreased by $46.3 million in FY 2010-11 relative to the September forecast, primarily as a result of the enactment of the new federal tax bill. Corporate income taxes will increase 0.5 percent in FY 2010-11 compared with the prior year.

The **State Education Fund** receives one-third of one percent of taxable income from state income tax returns. This fund will see a pattern of growth in revenue similar to income taxes. After receiving $329.0 million in FY 2009-10, it will receive $368.5 million in FY 2010-11 and $369.9 million in FY 2011-12.

Sales tax revenue continues to rebound at a slower pace than previously expected. Estimates for sales tax collections decreased relative to expectations in September by $75.7 million and $89.8 million in FY 2010-11 and FY 2011-12, respectively. High unemployment, heavy debt burdens, and slow wage growth continue to restrain consumer confidence and disposable income. Average retail trade growth has been relatively strong in several regions, including in the Colorado Springs, San Luis Valley, and eastern plains regions. However, growth has been weak in other areas, such as in the mountain and western regions. Retail trade growth in the Denver Metro area has been just under the statewide average.

Sales tax revenue will increase 6.8 percent in FY 2010-11, partly due to strengthening economic conditions. Legislation enacted by the General Assembly in 2009 and 2010 also contributed to the increase. The sales tax exemption on purchases of cigarettes was temporarily eliminated in the 2009 session, along with the vendor fee that retailers retain to offset costs associated with the collection of sales taxes. Additional sales tax collections are also being generated from 2010 legislation that broadened the sales tax base. Combined, these measures are estimated to add nearly $185 million to sales tax revenue in FY 2010-11 and $102 million in FY 2011-12. A full list of this legislation can be found in Table 2 on page 6.

Growth in consumer spending is expected to continue in FY 2011-12 because of the strengthening economy. However, the expiration of temporary tax measures will restrain growth in state sales tax revenue. Sales tax revenue is expected to increase 1.2 percent in FY 2011-12. Starting in July 2011, vendors will once again be able to retain 3 1/3 percent of sales tax collections as compensation for the expense of collecting the tax. The cigarette sales tax exemption will also be restored. These measures together were generating nearly $97 million in General Fund revenue.

Use tax revenue dropped 15.0 percent in FY 2009-10 but is expected to rebound by 16.1 percent in FY 2010-11 and increase 2.4 percent in FY 2011-12. These increases are primarily due to higher amounts of business spending.

CASH FUNDS

Table 6 summarizes the forecast for revenue to cash funds subject to TABOR. The largest sources of this revenue are fuel taxes and other transportation-related revenue, severance taxes — which are derived from taxes on the mineral extraction industries — revenue from gaming, and revenue from the Hospital Provider Fee. The end of this section also presents the forecasts for federal mineral leasing and unemployment insurance revenue. These forecasts are provided separately because the revenue sources are not subject to TABOR.

Cash fund revenue subject to TABOR will total $2.38 billion in FY 2010-11, which represents an increase of 14.0 percent over FY 2009-10. The relatively large increase is mostly attributable to a 40.6 percent increase in revenue from the Hospital Provider Fee and a rebound in severance taxes. These increases will offset the decrease in insurance-related revenue attributable to 2009 legislation that reduced workers compensation-related premiums. Cash fund revenue will increase 8.0 percent to $2.57 billion in FY 2011-12, driven primarily by scheduled expansions of the Hospital Provider Fee. The FY 2010-11 projection is 2.3 percent higher than the September forecast, primarily as a result of higher expectations for other cash funds.

Revenue to ***transportation-related*** cash funds will see modest growth over the next several fiscal years, consistent with slow economic growth. Forecasts for transportation related cash funds are shown in Table 7 on page 19.

Overall revenue to the *Highway Users Tax Fund (HUTF)* will grow 1.9 percent in FY 2010-11 and FY 2011-12. The forecast for HUTF revenue increased slightly from the September forecast to account for stronger motor fuel and registration revenue expectations associated with the economic recovery. These two sources of revenue account for the majority of revenue to the HUTF. Overall, revenue from these sources is expected to see only modest growth in the future due to trends in higher fuel efficiency, which will dampen motor fuel revenue growth, and lower vehicle weights, which will dampen registration revenue growth.

FASTER revenue subject to TABOR will total $157.1 million in FY 2010-11 and will remain flat throughout the forecast period. TABOR-exempt revenue from the Bridge Safety Surcharge increased 50 percent starting July 1, 2010, and will grow to the full surcharge amount in FY 2011-12. Revenue is expected to grow with the increase in the surcharge (see Addendum to Table 7).

Congress has yet to approve a multi-year federal transportation funding program and the current program (SAFETEA-LU) is set to expire at the end of this month. Future federal transportation funding will have an affect on the *State Highway Fund* because the majority of revenue to the fund is from interest earnings on the fund balance, which is made up of federal funds, as well as revenue from local governments for transportation projects that often receive federal matching dollars to local funding.

After generating $302.9 million in its first year of implementation, the ***Hospital Provider Fee*** program is expected to generate $425.8 million in FY 2010-11. This program allows the state to charge a fee to hospitals to draw down additional matching federal dollars to expand medical assistance programs.

Table 6
Cash Fund Revenue Subject to TABOR, December 2010
(Dollars in Millions)

	Preliminary FY 09-10	Estimate FY 10-11	Estimate FY 11-12	Estimate FY 12-13	FY 09-10 to FY 12-13 CAAGR *
Transportation-Related	**$1,059.5**	**$1,074.9**	**$1,096.1**	**$1,111.1**	
% Change	14.9%	1.5%	2.0%	1.4%	**1.6%**
Hospital Provider Fee	**$302.9**	**$425.8**	**$571.7**	**$697.6**	
% Change		40.6%	34.3%	22.0%	**32.1%**
Severance Tax	**$48.2**	**$176.7**	**$193.2**	**$205.4**	
% Change	-85.7%	266.1%	9.4%	6.3%	**62.1%**
Gaming Revenue /A	**$101.2**	**$105.8**	**$109.0**	**$112.4**	
% Change	2.3%	4.5%	3.0%	3.1%	**3.5%**
Insurance-Related	**$42.9**	**$20.4**	**$19.4**	**$20.9**	
% Change	-16.7%	-52.4%	-4.9%	7.7%	**-21.3%**
Regulatory Agencies	**$67.3**	**$65.5**	**$66.4**	**$67.7**	
% Change	-13.9%	-2.7%	1.3%	2.0%	**0.2%**
Capital Construction Related - Interest /B	**$3.3**	**$2.7**	**$0.6**	**$0.7**	
% Change	-67.5%	-18.0%	-76.0%	4.9%	**-40.9%**
Other Cash Funds /C	**$463.3**	**$510.0**	**$516.4**	**$541.2**	
% Change	-5.2%	10.1%	1.2%	0.0%	**5.3%**
Total Cash Fund Revenue	**$2,088.6**	**$2,381.8**	**$2,572.8**	**$2,757.0**	
Subject to the TABOR Limit	**-12.0%**	**14.0%**	**8.0%**	**7.2%**	**9.7%**

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

/A Gaming revenue in this table does not include revenue from Amendment 50, which expanded gaming limits, because it is not subject to TABOR.

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

/C Includes revenue to Fort Lewis college in FY 2009-10.

Table 7
Transportation Funds Revenue Forecast by Source, December 2010
(Dollars in Millions)

	Preliminary FY 09-10	Estimate FY 10-11	Estimate FY 11-12	Estimate FY 12-13	FY 09-10 to FY 12-13 CAAGR *
Highway Users Tax Fund (HUTF)					
Motor Fuel and Special Fuel Taxes	$542.9	$555.9	$569.6	$578.1	2.1%
% Change	0.6%	2.4%	2.5%	1.5%	
Registrations	$182.7	$187.1	$189.9	$192.2	1.7%
% Change	0.4%	2.4%	1.5%	1.2%	
FASTER Revenue /A	$155.3	$157.1	$157.6	$157.9	0.5%
% Change		1.2%	0.3%	0.1%	
Other Receipts /B	$39.0	$37.4	$38.1	$60.8	16.0%
% Change	-26.3%	-3.9%	1.8%	59.5%	
Total HUTF	**$919.9**	**$937.6**	**$955.2**	**$988.9**	2.4%
% Change	18.7%	1.9%	1.9%	3.5%	
State Highway Fund	$53.1	$45.1	$45.7	$47.3	-3.8%
% Change	-23.4%	-15.0%	1.2%	3.5%	
Other Transportation Funds /C	$86.5	$92.2	$95.1	$75.0	-4.7%
% Change	10.9%	6.6%	3.2%	-21.2%	
Aviation Fund /C	$25.3	$29.2	$30.5	$31.4	
Law-Enforcement-Related /D	$11.6	$12.3	$12.8	$13.2	
Registration-Related /E	$49.7	$50.7	$51.9	$30.4	
Total Transportation Funds	**$1,059.5**	**$1,074.9**	**$1,096.1**	**$1,111.1**	1.6%
% Change	14.9%	1.5%	2.0%	1.4%	

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

/A Includes revenue from the daily rental fee, road safety surcharge, late registration fee, and oversized overweight vehicle surcharge. Revenue does not include TABOR-exempt bridge safety surcharge revenue.

/B Includes interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF. In FY 2009-10, FY 2010-11, and FY 2011-12, drivers license and permit fees were diverted from the HUTF to the Licensing Services Cash Fund by Senate Bill 09-274 and House bill 10-1387.

/C Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

/D Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

/E Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and P.O.S.T. board registration fees.

Addendum: TABOR-Exempt FASTER Revenue

	Preliminary FY 09-10	Estimate FY 10-11	Estimate FY 11-12	Estimate FY 12-13
Bridge Safety Surcharge	$45.2	$68.9	$93.0	$94.1

Note: Revenue to the statewide Bridge Enterprise from the bridge safety surcharge is TABOR-exempt and therefore not included in the table above. It is included as an addendum for informational purposes.

Revenue collected under the program is contingent upon federal approval of the FY 2010-11 Hospital Provider Fee Model. Growth in revenue reflects a scheduled increase in fees to support caseload growth and Medicaid and Children's Basic Health Plan (CHP+) program expansions. Forecast estimates also reflect enhanced federal medicaid assistance percentages (FMAP), which were extended into 2011. The enhanced FMAP allows additional federal matching funds for the state medicaid program.

Total **severance tax revenue**, including interest earnings, is projected to be $176.7 million in FY 2010-11. Collections over the remainder of the forecast period are expected to increase modestly, following a temperate upward trend in oil and gas prices and production. Expectations for revenue collections changed only minimally from the September forecast.

FY 2010-11 collections are rebounding from the sharp decline in FY 2009-10, which resulted from the dramatic drop in natural gas prices. Exacerbating this revenue decline were the large severance tax credits claimed by producers. These large credits were based on the value of oil and gas when energy prices were higher in the 2008 period. However, this dynamic will reverse for FY 2010-11 as prices and production have rebounded, albeit modestly, and taxpayers will have much lower tax credits to offset their increase in income from oil and gas production. The tax credits will be lower because they will be calculated based on the lower production values that resulted from the drop in energy prices during the recession. This will result in a larger increase in collections than the relatively modest rebound in prices and production would suggest.

The price of natural gas is the largest determinant of state severance tax collections. In 2010, natural gas spot market prices are expected to average $4.30 per Mcf (thousand cubic feet), and average $4.55 per Mcf in 2011. A strengthening in the economy and the opening of the new "Ruby" natural gas pipeline in the spring of 2011 will contribute to this increase in prices for Colorado producers. This new pipeline will allow producers to export more gas to lucrative west coast markets. However, natural gas prices are not expected to reach the $5.00 per Mcf level through the forecast period due to the nation's high natural gas production capacity. Further, prices are expected to exhibit less volatility than in recent years as a result of this high production capacity and as new drilling technology allows for supplies to come onto the market to meet demand at faster rates than in the past.

In the second week of December, the number of drilling rigs operating in the state stood at 66, which is 25 more rigs than a year ago. However, this is half as many rigs as were operating at the peak of the energy boom in the spring and summer of 2008. The increase in rigs over the past year has been concentrated in Weld and Garfield counties.

One reason for the increase in activity, especially in the Weld County area, is the ability of producers to obtain natural gas liquids (NGLs) as a byproduct of processing natural gas. NGLs, such as butane, propane, and ethane, are currently selling at much higher prices than dry natural gas. Further, some of the increase in drilling in Weld County is targeting the Niobrara shale formation, which holds substantial promise as a high oil producing area. Crude oil is currently priced at about $90 per barrel, making the extraction of oil more attractive to energy companies than natural gas.

The increase in activity in Garfield County, despite the low price environment for natural gas, appears to be driven in part by energy producers' wanting to maintain their leasing rights to drill for oil and gas. Companies must drill on the land they have leased in order to keep their agreements. Also, the opening of the Ruby gas pipeline in 2011 is also likely spurring some of the increase in drilling activity. This pipeline will create an additional 1.5 billion cubic feet per day of natural gas takeaway capacity from the Rockies region and provide a direct route to attractive western markets, most notably California and its high natural gas demand. The pipeline, coupled with improved technology that has reduced production costs, will make production more profitable for producers in the Piceance Basin of northwest Colorado.

Coal production represents the second-largest source of severance taxes in Colorado after oil and natural gas. After decreasing 41.5 percent in FY 2009-10, severance tax revenue from coal production is expected to post a slight rebound of 3.2 percent in FY 2010-11, as the fall in coal production that began during the economic downturn appears to be slowing. An end to the decline in production, coupled with higher severance tax rates for coal, will contribute to the slight increase in FY 2010-11 and the remainder of the forecast period. The tax rate for coal increases based on the producer price index, which has been rising. This trend is expected to continue. However, it is important to note that whether the tax rate can increase without voter approval under the provisions of TABOR is currently being litigated.

The reopening of the New Elk Mine in Las Animas County is also expected to boost coal severance tax revenue over the forecast period. This new mine, which is expected to start production by the beginning of 2011, is anticipated to produce at least two to three million tons of coal per year, most of which will be exported to Europe and the growing economies in Asia. However, overall production of Colorado coal will continue to be at relatively low levels over the forecast period due in part to an increasing use of other sources for power generation.

Severance tax from metallic minerals, including gold, represents a tiny fraction of total collections. However, it is worth noting that this revenue source is projected to grow over the forecast period as a result of record high prices of gold and the expansion of the mine in Teller County.

Gaming Cash Fund Tax Revenue

As a result of Amendment 50, expanded gaming revenue is not subject to TABOR. The following provides an overview of all gaming tax revenue, including TABOR-exempt expanded gaming revenue. This overview differs slightly from the gaming revenue estimates shown in Table 6, which are limited to revenue subject to TABOR and include revenue from interest earnings and some gaming-related fees and other charges.

During the recession, total U.S. gaming casino revenue saw declines in 2008 through 2010, the largest of which was a 3.4 percent fall in 2009. While Colorado saw a steep revenue decline in FY 2008-09, **gaming tax revenue** grew significantly in FY 2009-10, the first year after limited-gaming was expanded under Amendment 50. However, through the first five months of FY 2010-11, revenue is again declining. As new casinos are built and visitors to Colorado's casinos increase, gaming tax revenue will grow slowly through the forecast period.

In 2009, voters in each of the gaming towns authorized the expansion of limited gaming. Bet limits were raised from $5 up to $100, casinos are now open 24 hours per day, and craps and roulette were added to the current mix of games. Gaming tax revenue, which includes new taxes resulting from Amendment 50, grew to $107.7 million in FY 2009-10, a 13.5 percent increase from the prior year. The increase in tax revenue was mainly attributed to the novelty of expanded gaming and construction of a few new hotels and casinos.

Regional casinos in the nation, such as those in Colorado, fared better during the recession than other markets, such as destination gaming resorts in Nevada. For example, nationwide, regional casino revenue was flat in 2009 and is expected to post a gain of 2.7 percent in 2010 while Nevada casinos posted double-digit revenue declines in 2009 and are not expected to see revenue gains until 2011. Some of the revenue gains for regional casinos were buoyed by growth in racetrack casinos. Some market studies are showing that regional casinos in the nation are expected to be the fastest-growing segment of the nation's gaming market.

Gaming tax revenue in Colorado will remain relatively flat in FY 2010-11, growing 1.0 percent to $109.3 million. Revenue is expected to grow 3.0 percent to $113.1 million in FY 2011-12 and $119.3 million, or 5.0 percent, in FY 2012-13.

Gaming revenue distributions. Table 8 shows distributions of gaming revenue for FY 2009-10 and FY 2010-11. Money attributed to Amendment 50 was $9.9 million in FY 2009-10. Revenue will fall 13.3 percent to $8.6 million in FY 2010-11 under the statutory formula that distributes money under Amendment 50. As required by **House Bill 09-1272**, community colleges received $6.2 million in FY 2009-10 and this amount will fall slightly to $6.0 million in FY 2010-11. As the economy gains traction and casino capacity grows, community colleges will receive $8.8 million toward the end of the forecast period in FY 2012-13.

Gaming revenue that was distributed prior to expanded gaming (effective July 1, 2010), is often referred to as "*Pre-Amendment 50*" revenue. This money is distributed as required by the state constitution and state statutes to the State Historical Society, gaming cities and counties, the General Fund, and various economic development programs. After administrative expenses, total distributions totaled $88.8 million in FY 2009-10. Distributions are expected to grow to $97.0 million in FY 2010-11.

Table 8
Gaming Revenue Distributions
(Dollars in Millions)

Distribution	FY 2009-10 (Actual)	FY 2010-11 (Estimated)
New Amendment 50 Distributions		
Community Colleges	6.2	6.0
Gaming Counties and Cities	1.7	1.7
Total New Amendment 50 Distributions*	**$7.9**	**$7.7**
Pre-Amendment 50 Distributions		
State Historical Fund	24.9	27.2
Gaming Counties	10.7	11.6
Gaming Cities	8.9	9.7
General Fund	16.2	36.7
Economic Development Programs	28.2	11.8
Total Pre-Amendment 50 Distributions	**$88.8**	**$97.0**
Total Distributions	**$96.7**	**$104.7**

**After administrative costs are deducted.*

Gaming revenue and the budget. Distributions of gaming revenue can be affected by the budget whenever any March revenue forecast indicates that General Fund revenue will be insufficient to fully fund budgeted appropriations for that particular fiscal year. When this occurs, current law requires that gaming money otherwise transferred to certain economic development programs revert to the General Fund unless the state legislature runs a bill to adjust the distribution of this money. During the 2010 session, the state legislature adopted **House Bill 10-1339** to adjust the distribution, allocating $16.2 million of gaming revenue to the General Fund and $28.2 million to economic development programs. Because this forecast indicates that General Fund revenue will be insufficient to fully fund the amount currently budgeted in FY 2010-11, an estimated $36.7 million of gaming tax money will be credited to the General Fund in FY 2010-11 unless a bill is enacted or a budgetary change is made by the state legislature.

All **other cash fund revenue** subject to TABOR is expected to increase 10.1 percent in FY 2010-11. This category includes revenue to a large number of revenue sources credited to various other cash funds, such as revenue from court fines and fees, the state's park system, and fees paid for services provided by the Secretary of State's Office. In some years, the category also includes revenue from state higher education institutions that do not have enterprise status, causing their revenue, mostly from tuition and student fees, to be subject to TABOR. All of the state's colleges and universities are expected to qualify as enterprises in FY 2010-11. Fort Lewis College was the only school that did not have enterprise status in FY 2009-10.

Federal Mineral Leasing Revenue

Table 9 presents the December 2010 forecast for federal mineral leasing (FML) revenue in comparison with the September forecast. FML revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of energy production. Since FML revenue is not deposited into the General Fund and is exempt from the TABOR amendment, the forecast is presented separately from other sources of state revenue.

The forecast for FML revenue is similar to the September forecast, though it was raised slightly based on higher-than-expected revenue collections this fiscal year. Revenue is projected to increase 17.5 percent in FY 2010-11, reaching $143.9 million. Similar to severance taxes, FML revenue will increase modestly over the remainder of the forecast period following a steady rise in production and slight growth in energy prices. The new Ruby pipeline will also contribute to the increase as it will open up much more of northwest Colorado's natural gas to west coast markets. Much of the land where natural gas is extracted in northwest Colorado occurs on federal lands.

Table 9
Federal Mining Leasing Revenue Distributions
(Dollars in Millions)

Year	Dec. 2010	% Chg.	Sept. 2010	% 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%	$227.3	
FY 2009-10	$122.5	-46.1%	$120.4	
FY 2010-11*	$143.9	17.5%	$136.5	5.4%
FY 2011-12*	$153.4	6.6%	$150.8	1.7%
FY 2012-13*	$164.0	6.9%	$158.7	3.3%

Source: State Treasurer's Office.

** Forecast.*

Unemployment Insurance Revenue

Forecasts for unemployment insurance (UI) revenue, benefits payments, and the UI Trust Fund balance are shown in Table 10 on page 25. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 6. Revenue to the Employment Support Fund, which receives half of a special surcharge, is still subject to TABOR and is included in the revenue estimates for other cash funds in Table 6.

The UI Trust Fund will see a negative balance of $206.4 million at the close of FY 2010-11 due to unprecedented demand from UI benefit claimants. UI benefits paid will total $1.0 billion this year. Revenue generated from employer premiums will also total just over $1.0 billion. Because initial UI claims are beginning to edge down and some workers have exhausted their benefits, the amount of money paid to UI claimants has begun to slowly decrease. Premium revenue is increasing quickly because premium rates have been adjusting upward as a result of the recent recession. Despite this, the fund balance is expected to remain in deficit until some time in FY 2012-13.

When the balance of the UI Trust Fund falls below zero, the federal government requires that another source of revenue be found to make benefit payments to claimants. Colorado is among 31 states who have borrowed money from the Federal Unemployment Account to fund continued benefit payments. Colorado began borrowing federal funds in January 2010. Loans for UI benefit payments are interest free through the end of 2010. Interest will begin accruing on an outstanding balance estimated at $400 million on January 1, 2011. Colorado's first interest payment is due to the federal government on September 30, 2011. The payment is expected to be between $6 million and $12 million, depending on the total amount borrowed in the winter and spring of 2011 and the interest rate charged by the federal government.

Colorado's UI program will mail a separate interest assessment to businesses in May or June in advance of making the interest payment to the federal government in September. The amount individual businesses will be charged is determined by formula, based on the amount owed to the federal government and each businesses' total wages as a percent of total wages statewide. Businesses whose employees have not claimed any or have claimed only a small amount of UI benefits will not owe a special interest assessment.

The payment of UI benefits is supported by the collection of employer premiums. It is based on the employer's experience in the UI system and the level of the UI Trust Fund balance. The more benefits claimed by an employer's former employees, the higher the regular premium rate. In addition, premium rates for most employers increase each time the fund balance falls below certain thresholds.

In addition to the regular premium, the solvency surcharge is levied when the UI Trust Fund balance drops below a certain level. By statute, the solvency surcharge is collected when the fund balance falls below 0.9 percent of total private wages paid in the state during the previous year. The solvency surcharge has been in effect and collected since 2004.

After several years of decreasing employer premium revenue due to job cuts and lower premium rates, total revenue to the fund began increasing in FY 2009-10 due to higher premium rates. The solvency surcharge will remain in effect through the forecast period. Regular premium rates will climb over the same period as the increase in UI benefits are incorporated into employer experience rates. In addition, regular premium rates will also increase as the employer rate schedule shifts to the highest rate schedule due to the negative UI Trust Fund balance. Consequently, total premium revenue has already begun climbing and will remain high over the forecast period.

Table 10
Unemployment Insurance Trust Fund Forecast, December 2010
Revenues, Benefits Paid, and Fund Balance
(Dollars in Millions)

	Preliminary FY 09-10	Estimate FY 10-11	Estimate FY 11-12	Estimate FY 12-13
Beginning Balance	$339.9	($193.8)	($206.4)	($6.9)
Plus Income Received				
Regular Taxes /A	$224.1	$651.3	$729.2	$719.2
Solvency Taxes	$267.6	$363.1	$377.9	$369.9
Interest	$5.4	$0.0	$0.0	$4.6
Plus Federal Payment	*$128.0*			
Total Revenues	**$625.1**	**$1,014.4**	**$1,107.1**	**$1,093.7**
% Change	48.3%	62.3%	9.1%	-1.2%
Less Benefits Paid	($1,159.8)	($1,005.9)	($885.8)	($727.3)
% Change	56.3%	-13.3%	-11.9%	-17.9%
Accounting Adjustment	$1.0	($21.2)	($21.8)	($22.6)
Ending Balance	**($193.8)**	**($206.4)**	**($6.9)**	**$336.8**
Solvency Ratio				
Fund Balance as a Percent of Total Annual Private Wages	-0.23%	-0.25%	-0.01%	0.39%

Totals may not sum due to rounding.

NA = Not Applicable.

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

Note: The Unemployment Insurance Trust Fund is no longer subject to TABOR starting in FY 2009-10.

NATIONAL ECONOMY

The national economy continues on its road to recovery. In each of the past five quarters, the economy has grown and corporate profits have reached record levels. However, in spite of the overall improvement in economic conditions since the end of the recession in June 2009, business uncertainty continues to impede hiring decisions, leaving many unemployed workers still looking for jobs. As a result, the nation's unemployment rate remains stubbornly high.

The short-term outlook is for the national economy to expand at relatively modest rates for the next two years. Ongoing financial constraints for households due to stagnant housing prices, high levels of indebtedness, and high unemployment will limit the ability of consumers to increase spending significantly. Once these factors are addressed, economic growth is expected to accelerate again, but not until 2012. Table 11 on page 34 summarizes the forecast for selected national economic indicators.

- The economy is expected to grow relatively modestly in the second half of 2010 and through most of 2011 as spending by consumers and businesses remains constrained. Real GDP is projected to grow 2.7 percent in 2010 and 2.9 percent in 2011. Economic activity should pick up in the second half of next year when credit flows increase and the consumer and construction markets become stronger.

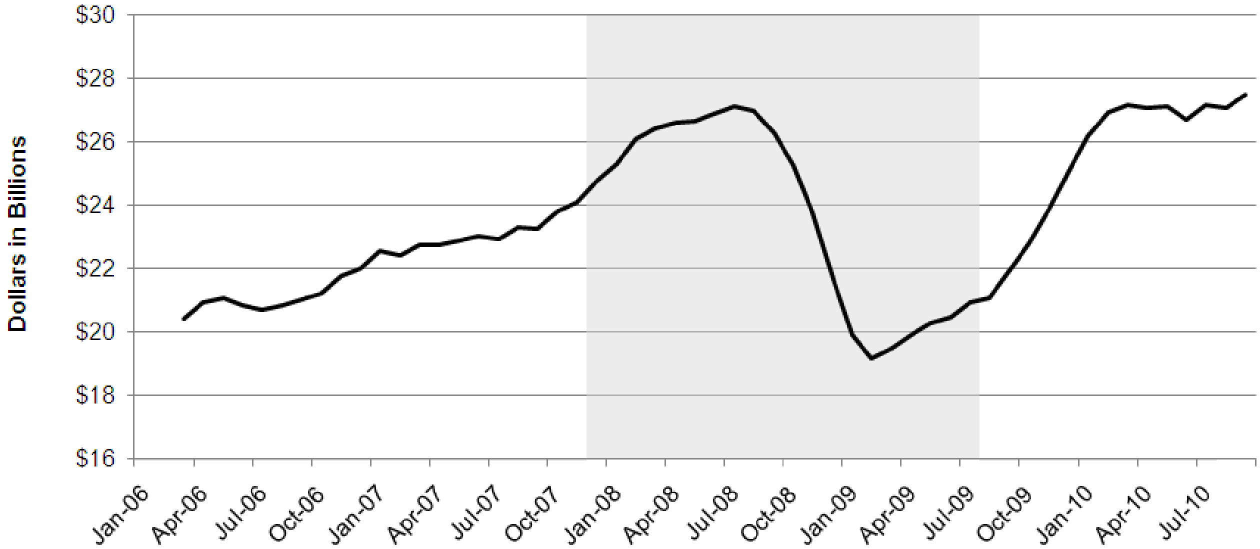
Economic Output

The most recent data on real, or inflation-adjusted, **gross domestic product (GDP)** — which measures the amount of goods and services produced in the U.S. — showed the economy grew at a 2.5 percent annual rate in the third quarter of 2010. This followed growth of 1.7 percent in the second quarter. The slightly faster pace was due to rising inventory investment and consumer spending, coupled with a deceleration in imports. The latter subtracts from the nation's output since the goods are produced elsewhere, so slower import growth contributes to economic growth.

The industrial production index, which measures the production of all goods in the U.S., has shown a sustained upward trend over the past year. Also, the Institute for Supply Management's (ISM) manufacturing index remains above 50.0, which indicates a growing manufacturing sector. In November, the index registered 56.6, falling slightly from October's reading of 56.9. Since manufacturing is still a large driver of the economy — representing about 12 to 15 percent of the nation's output — continued manufacturing expansion will help the economy continue to grow.

One of most positive developments for the nation's economy has been the rebound in world trade. Strong economic growth in other parts of the world, especially Asia, has boosted demand for U.S.-made goods. In the third quarter, exports of U.S. goods were up 15.3 percent compared with the same period in 2009. Some of the nation's largest export markets include South Korea, Singapore, Japan, and China. These countries are expected to post strong growth rates over the next few years, which should continue to support U.S. exports and economic growth. Export growth was driven in large part by increases in computers and electronic product

Figure 2
Export of U.S. Goods to Asia
2006 through September 2010, Seasonally Adjusted, Three-Month Moving Average



Source: WISERTTrade.
Note: Shaded area represents recessionary period.

shipments, vehicle shipments, and mineral fuel/ oil shipments. Figure 2 shows the value of exports of U.S. goods to Asia, which have already rebounded to their pre-recession peak.

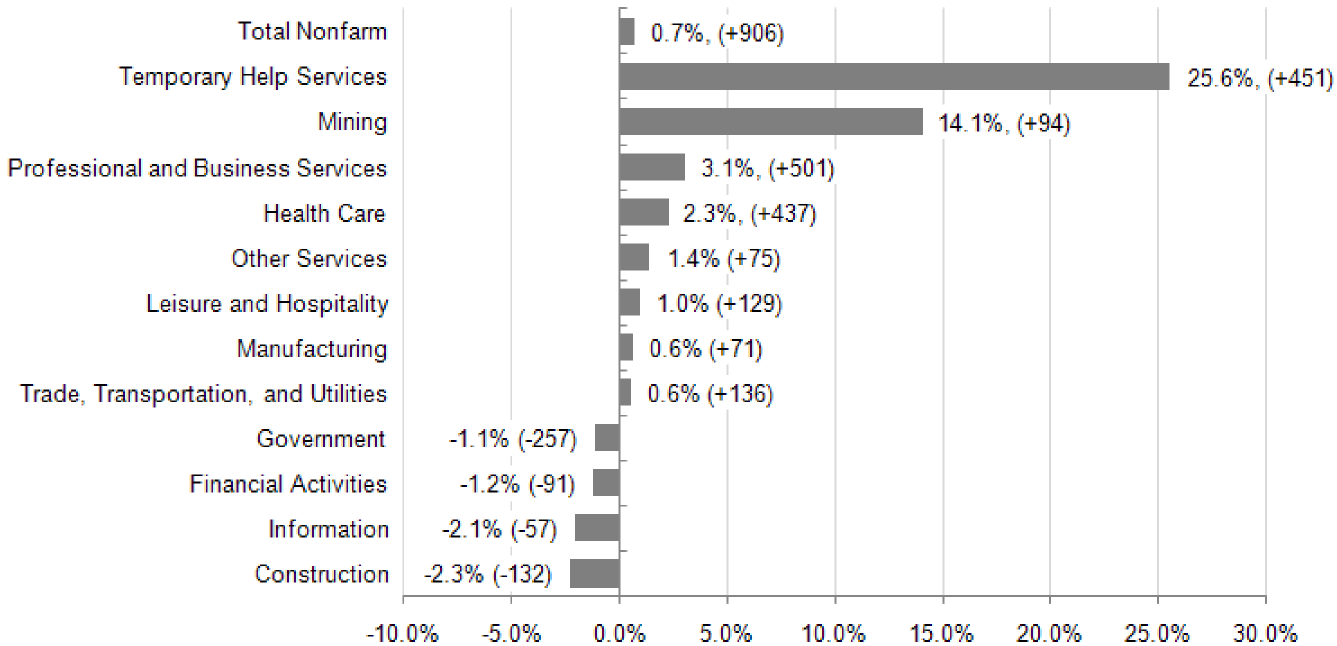
Job Market

According to preliminary estimates from the Bureau of Labor Statistics, the nation added 906,000 **nonfarm jobs** in the past 13 months since the trough in employment, averaging about 70,000 new jobs per month through November 2010. Though the creation of new jobs is a positive development for the economy, job growth has been short of the roughly 130,000 to 150,000 new jobs per month the nation needs to keep unemployment from rising as the population grows. Since economic output is expected to grow only modestly, the pace of job creation will also be slow, causing unemployment to be a troublesome issue for the nation over the next several years.

The formation and survival of new businesses are an important source of net job creation. However, the current environment of modest consumer demand and constrained credit is making it more difficult for new enterprises to become established, survive, and hire new workers. For larger, established businesses, the lack of a higher sustained trend of increasing sales is inhibiting job growth. Also, firms have experienced large productivity gains from their existing workforces. This has created less need to bring on more workers, especially as firms seek to keep their labor costs down in the current economic environment.

The **unemployment rate** was 9.8 percent in November, meaning that almost one out of ten people in the labor force are looking for work. A broader measure of the labor market includes individuals who would like to work but have not actively searched for a job recently, as well as people who work part-time but cannot find full-time positions due to

Figure 3
Job Change in Selected Industries,
From the Trough of Employment, October 2009 through November 2010
Job Number Change in Thousands, Seasonally Adjusted



Source: Bureau of Labor Statistics.

economic conditions. This measure, often called the "underemployment rate," was 17.0 percent in November, equating to one out of six people.

Figure 3 shows the job change, in both the number of jobs and in percentage terms, for selected industries, from the trough in employment in October 2009 through November 2010. The graph shows that some industries have experienced a slow recovery in 2010, while others, most notably construction, financial activities, and information, continue to shed jobs. The fastest growing industries were mining and professional and business services. Temporary help services accounted for the majority of the additional jobs in the professional and business services industry.

After shedding jobs at a rapid clip during the recession, the temporary help industry continues to add workers. This is a positive sign because growth in temporary workers tends to lead growth in overall employment. The jobs in this industry are temporary positions in wide-ranging professions, such as administrative, manufacturing, engineering, finance, and information technology.

- Although the economy has been adding jobs though most of 2010, the average level of employment for the year is projected to be slightly below the average level in 2009, by about 650,000 jobs, or 0.5 percent. This is because employment fell from such high levels at the start of 2009 and employment in 2010 is growing from lower levels. The nation will add 1.4 million jobs in 2011, which will result in an increase of 1.1 percent above 2010. This pace of job creation will be below what is needed to bring down the unemployment rate in any substantial degree as the labor force grows.

The unemployment rate will remain elevated, averaging 9.7 percent in 2010 and 9.5 percent in 2011.

Households and Consumers

The total amount of the U.S. population's **personal income** has recovered to close to pre-recessionary levels. Personal income is mostly comprised of wages and salaries, interest and dividend income, business income, rental income, and government assistance, such as social security and unemployment benefits. In the third quarter of 2010, the largest growth in personal income was from wages and salaries and governmental assistance. The growth in governmental assistance was largely driven by extended unemployment benefits provided by the federal government. **Wages and salaries**, the largest component of personal income, has been growing since the fourth quarter of 2009, when the nation began to see an end to its long trend of job losses.

- After falling in 2009, personal income will rise a modest 2.6 percent in 2010, and grow at a higher rate of 3.5 percent rate in 2011. The amount of wages and salaries will grow only slightly in 2010 at 1.3 percent and pick up modestly in 2011, growing at a 3.8 percent pace. Modest job creation and the high number of unemployed will restrain growth in wages.

Consumer spending has grown at a steady, but modest, pace over the past year. Although the net worth of households has begun to recover, it is still well below the peak that was reached in the middle of 2007. Because of the decrease in net worth, consumers continue to rebuild their financial health by using income to save more and pay down debt, which is constraining consumption. Historically, consumer spending makes up about two-thirds of economic activity, so tempered consumption will mute economic growth.

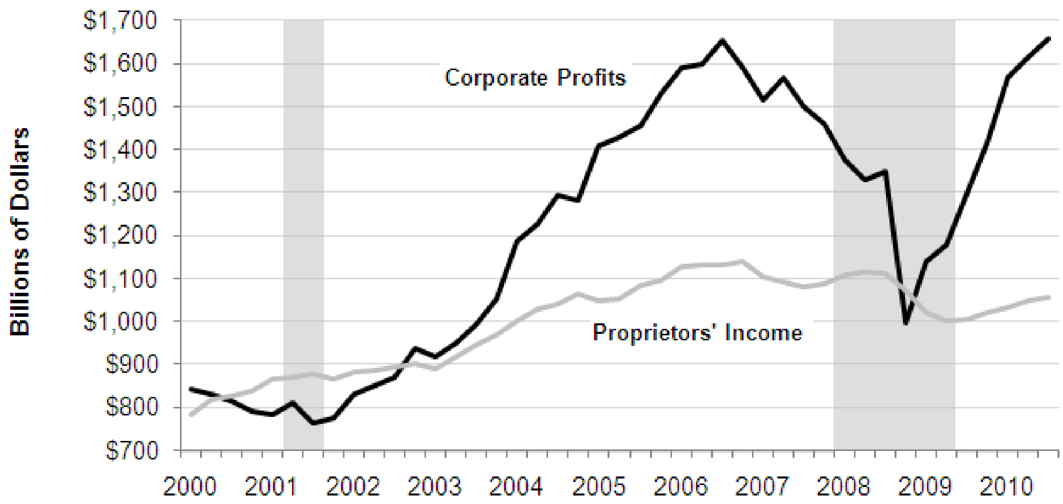
- Personal consumption expenditures are expected to increase 1.7 percent in 2010 and 2.5 percent in 2011, which is well below the average annual rate over the past twenty years. Though debt repayment is putting consumers in a better position to spend more in the future, it will take time for this to occur, especially because of falling home values. Spending on durable goods, particularly, will remain modest. Much of the growth in spending on durable goods is driven by purchases of new homes, which is expected to remain at a relatively low level over the next few years.

Business Income and Spending

One sign of the continued recovery is the growth in the income of businesses. Figure 4 shows the level of **corporate profits and proprietors' income**. Proprietors' income is a gauge of the income of smaller- to medium-sized businesses. Corporate profits have increased for seven consecutive quarters, making profits higher than the peak experienced before the recession.

Though businesses remain cautious about investing their money, some of their income is being used to replace old equipment to enhance efficiencies through purchases of new equipment and technology. **Real business spending**, which is adjusted for inflation, on equipment and software in the third quarter of 2010 was 19.1 percent higher than its level a year earlier. This growth has been a major contributor to the economic recovery. Further, the upgrade in equipment and technology should lead to higher productivity and economic growth in the future.

Figure 4
Business Profits and Income
2000 through Third Quarter of 2010, Seasonally Adjusted



Source: U.S. Bureau of Economic Analysis.
Profits and Income are with Inventory Valuation and Capital Consumption Adjustments.
Note: Shaded areas indicate recessionary periods.

Price Levels

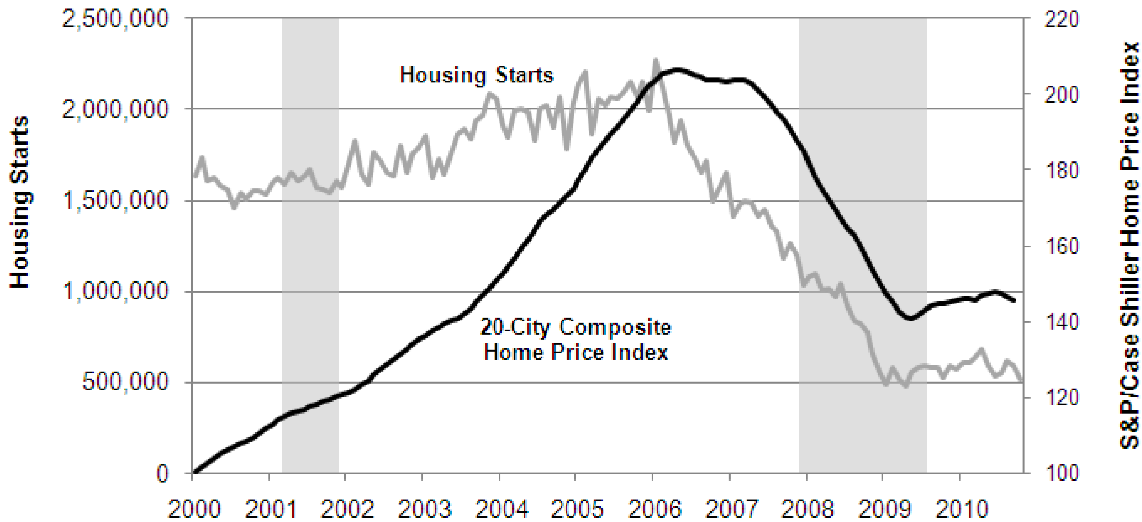
Overall **price levels** for consumer goods and services have remained essentially flat in recent months. This is due to low overall demand and a high level of slack in the economy in terms of unemployed workers and unused capacity at factories throughout the nation. Given that the economy is expected to continue to perform below capacity for at least the next year and because inflationary expectations remain low, a building of inflationary pressures in the near future appears unlikely. Also, given the likely trajectory of modest economic growth and spending, there also appears to be a low risk of deflation.

- The consumer price index is expected to increase slightly in both 2010 and 2011, with rates at 1.6 percent and 1.5 percent, respectively.

Housing

The housing market will not be a positive contributor to the current economic recovery in the short term. The high level of housing inventory and foreclosures and modest home sales pace will keep home building at low levels and keep downward pressure on prices. Figure 5 shows home prices from 2000 through September 2010 and new housing starts, which have been at a record low since bottoming at the beginning of 2009. Though the low level of home construction and prices are currently a drag on economic growth, they will help reduce the excess supply of homes, which needs to occur for the market to recover. Housing construction is expected to modestly rebound in the middle of 2011, as low prices and mortgage rates begin to increase the demand for housing.

Figure 5
Housing Construction and Home Prices
2000 through the Third Quarter of 2010, Seasonally Adjusted



Source: U.S. Census Bureau and S&P/Case Shiller.
Note: Shaded areas represent recessionary periods.

Credit Conditions

The flow of credit remains constrained as financial institutions continue to repair their balance sheets by reducing debt and building equity capital. Also, banks are lending less than before the financial crisis and maintaining large reserves to buffer themselves from further expected losses in real estate and consumer loans. At the same time, consumers and businesses have been more reluctant to borrow. Just as the growth of credit was a main driver of the economic boom, this reduction in debt, or "deleveraging," is currently a drag on the economy.

Overall credit provided by commercial banks, including loans to businesses and households and bank investments, declined in all but one month from October 2008 through May 2010. At the same time, policies of the Federal Reserve resulted in a massive jump in the reserves of banks. This is continuing with the recent quantitative easing policy that was initiated in November 2010, where the Federal Reserve began buying longer term treasury securities in the expectation that this will lower long-term interest rates and stimulate investment spending.

There are some signs that credit has loosened recently, which may help lead to stronger economic growth in the future. Overall bank credit has increased in each of the past five months through September, led by banks' investments in securities. The increase in bank investments may indicate that banks are starting to become more comfortable with their capital positions and are starting to lend and increase investments.

Summary

The economy has slowed from its initial recovery trajectory that began in the middle of 2009, in part, due to the expiration of fiscal stimulus measures and a slowdown in the growth of business inventories. This slowdown is likely to continue in the short term because of ongoing weakness in the housing and labor markets. Even though employment and output are expected to grow slowly, other factors, such as improving corporate profits, business spending on equipment and technology, and a rebound in exports will enhance the longer term outlook for the economy. Once households improve their financial situations and the housing market works off the surplus of homes, economic conditions should begin to improve more noticeably by the beginning of 2012.

Risks to the Forecast

Because of the major disruptions to the economy brought on by the deflating of the credit and housing market bubbles, there continue to be downside risks to the forecast. One of the largest risks is an unexpected shock to the already weakened financial system that would further constrict the flow of credit. Another risk is that further drops in home prices drag down consumer confidence and spending, which would reverberate throughout the economy, causing business confidence to falter and hiring decisions to be postponed even longer than anticipated.

There is also upside risk to the forecast. There is the potential that certain conditions could coalesce, leading to a stronger recovery. For example, credit could become more accessible and heightened business confidence could lead to stronger-than-expected spending and business growth. Stronger economic growth than projected in other countries would also boost U.S. exports and contribute to a faster growing economy.

Table 11
National Economic Indicators, December 2010 Forecast
(Dollars in Billions)

	2006	2007	2008	2009	Forecast 2010	Forecast 2011	Forecast 2012
Inflation-adjusted GDP	$12,976.2	$13,228.9	$13,228.8	$12,880.6	$13,228.4	$13,612.0	$14,074.8
percent change	2.7%	1.9%	0.0%	-2.6%	2.7%	2.9%	3.4%
Nonagricultural Employment (millions)	136.1	137.6	136.8	130.9	130.3	131.7	134.2
percent change	1.8%	1.1%	-0.6%	-4.3%	-0.5%	1.1%	1.9%
Unemployment Rate	4.6%	4.6%	5.8%	9.3%	9.7%	9.5%	9.1%
Personal Income	$11,268.1	$11,912.3	$12,391.1	$12,174.9	$12,491.4	$12,928.6	$13,523.4
percent change	7.5%	5.7%	4.0%	-1.7%	2.6%	3.5%	4.6%
Wage and Salary Income	$6,069.1	$6,421.9	$6,559.1	$6,273.9	$6,355.5	$6,597.0	$6,887.2
percent change	6.5%	5.8%	2.1%	-4.3%	1.3%	3.8%	4.4%
Inflation (Consumer Price Index)	3.2%	2.9%	3.8%	-0.3%	1.6%	1.5%	2.2%

Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and Legislative Council Staff.

Colorado's Economy Is Growing

The Colorado economy continues along a path of slow and gradual recovery. Several economic indicators have begun to signal growth. Employment in Colorado's private sector has been trending up since May. Initial claims for unemployment insurance have drifted lower, and retail spending has been increasing, albeit slowly. The energy markets are seeing more investment as rig counts and drilling permits continue to rise. Also, personal income showed moderate gains through the third quarter of 2010.

Despite these clear signs that the economy is expanding, there are ongoing struggles and uncertainties that will restrain the strength of the recovery in 2011 and beyond. High unemployment, constrained credit, high debt, and the struggling housing market will dampen growth over the next several years. Table 12 on page 47 summarizes the forecast for the Colorado economy.

Personal Income and Wages Rising Slowly

Personal income posted moderate gains in the first three quarters of 2010 after decreasing 2.1 percent in 2009, the first decline on record in Colorado history.

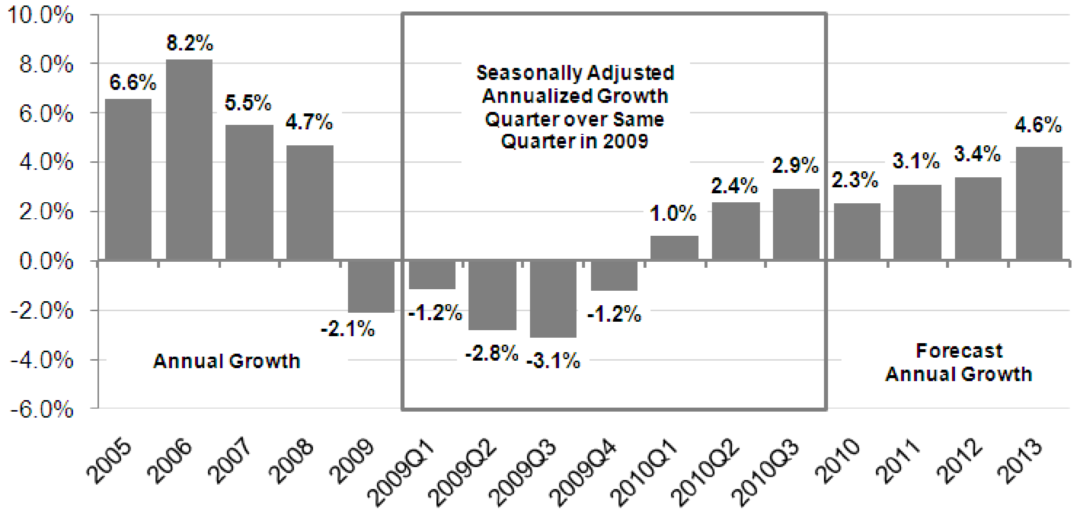
Personal income increased 2.0 percent year-to-date through the third quarter of 2010, while wages and salaries increased 0.7 percent.

Figure 6 shows growth in Colorado personal income over the last several years, quarterly growth over the last several quarters, and forecast growth through 2013. Over half of personal income comes from wages and salaries. Other sources of income include government assistance payments, dividends, and rent. Growth in personal income will be slow over the next several years. During the recession, many businesses reduced hours and pay, pushing wages and salaries downward. Declines in rental values and the dip in the stock market also took a toll on incomes.

Personal income started growing in the second half of 2009, but at very modest rates. After enduring the recession, many businesses continue to struggle to make ends meet and have been slow to increase employee pay. The ongoing high level of unemployment means many workers are competing for the same positions. This competition is keeping wage growth low. Unemployment levels will remain high as more discouraged workers enter the labor markets and are slowly absorbed by the businesses that begin to hire in 2011. This will dampen growth in wages and salaries.

- Colorado personal income will grow a modest 2.3 percent in 2010, offsetting the income declines that occurred during the recession. In 2011, personal income will grow at a slightly stronger pace of 3.1 percent. Income growth will strengthen as the economy gains momentum. Due to high levels of unemployment and slow economic growth, wages and salaries will remain fairly flat over the next two years, growing only 0.8 percent in 2010 and 1.4 percent in 2011. Wage growth will pick up as the labor market improves.

Figure 6
Colorado Personal Income Growth



Source: U.S. Bureau of Economic Analysis, Legislative Council Staff projections.

Consumer Spending Showing a Modest Rebound

Consumer spending continues to rebound modestly, although at a slightly slower pace than the nation, as consumers are becoming more willing and able to spend. Figure 7 shows this relationship between national and Colorado retail sales. Retail sales bottomed out in mid-2009 and have been slowing rising since.

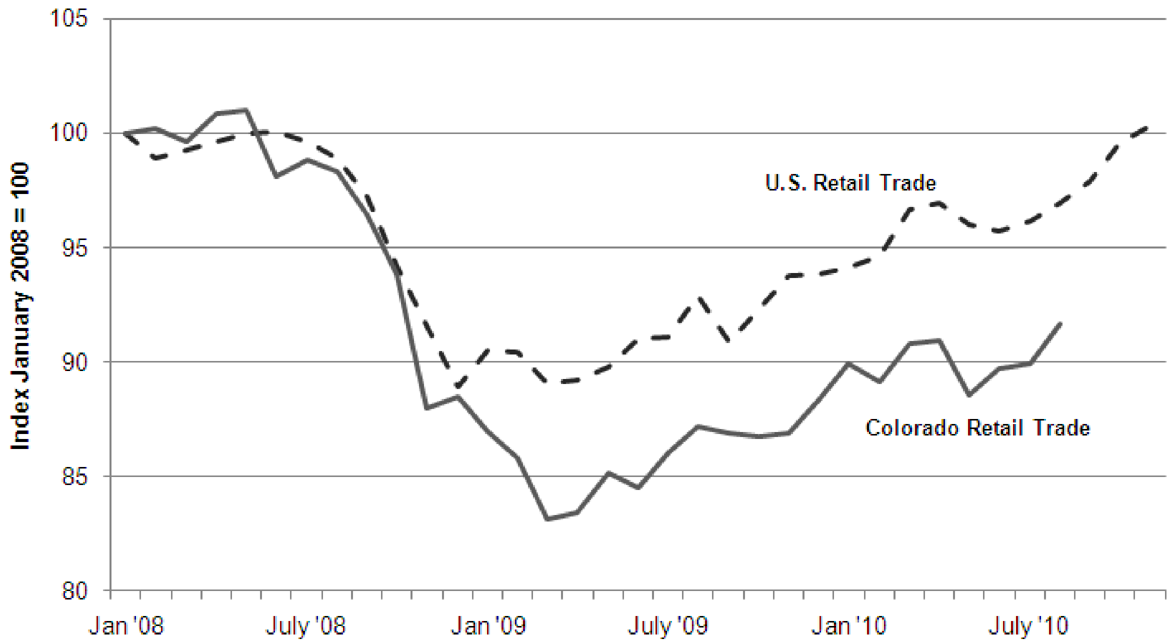
While there has been a recent rebound in retail sales growth, there are ongoing concerns for 2011 as spending will be restrained by heavy debt, high unemployment, and slow wage growth. In addition, some sales in 2010 may have been boosted by improved consumer confidence and federal stimulus programs. These stimulus programs have largely ended.

According to recent news reports, spending after the Thanksgiving holiday was stronger than last year. The reports, however, also indicated that the increase was discount-driven and may not result in significant revenue gains for retailers once the year is complete. Retailers nationwide expect to see a 3.2 percent increase in overall holiday sales over last year. In addition, online shopping is on the rise. According to comScore, an online tracking service, online shopping surged 16 percent over prior year sales on Cyber Monday, the day after the holiday weekend. Cyber Monday is expected to be the strongest day of online spending during the holiday season.

Consumer spending in Colorado will likely follow national holiday trends. A recent estimate by the Colorado Retail Council predicts that holiday shopping in Colorado will increase 2 percent over last year's season.

As shown in Figure 8, most growth in retail spending thus far in 2010 has been for necessities. Retail spending posted the largest gains in food and beverage stores (25.0 percent) although some of the advance may be due to higher food prices. The health and personal care sector also saw strong growth

Figure 7
Retail Trade Sales Showing A Rebound
Indexed Seasonally Adjusted Nominal Data; 2008 through August, 2010



Source: Colorado Department of Revenue and U.S. Bureau of Economic Analysis.

(20.9 percent). Retail sectors that saw declines included non-store retailers (-17.1 percent) and gas stations (-10.1 percent). Overall, retail trade sales increased 5.7 percent through August compared with the same period in 2009.

Consumer debt will constrain retail sales in the years to come. According to the **Federal Reserve Bank of New York**, nationally consumer debt has decreased for seven quarters, although the pace of decline has slowed recently. At the end of the third quarter, consumer debt totaled $11.6 trillion, down 7.4 percent or $922 billion from its peak level two years earlier and a decline of 0.9 percent from the second quarter of 2010. In the third quarter of 2010, 28 percent of mortgage holders in Colorado owed more on their mortgage than their home was worth, according to CoreLogic.

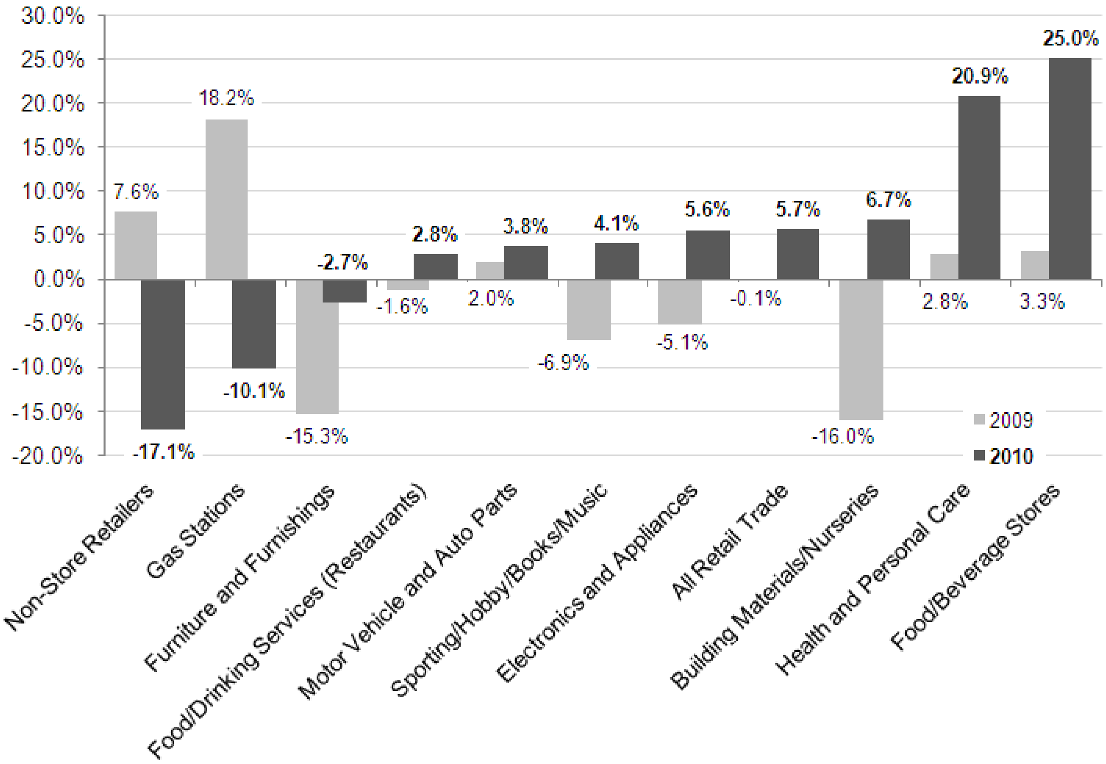
While retail sales are showing modest growth in 2010, spending is likely to moderate over the next few quarters. Interest rates remain low, and improving consumer confidence and lower levels of debt should increase the willingness of consumers to spend.

- Retail trade sales will grow 4.9 percent in 2010 and 3.1 percent in 2011. Consumer spending is expected to improve gradually as employment levels grow and debt levels lessen.

Energy Industry Picks Up

The oil and gas industries play an important role in the health of Colorado's

Figure 8
Colorado Retail Trade Sales by Selected Sectors
Year-to-Date Through August; 2009 and 2010
Seasonally Adjusted Annualized Data



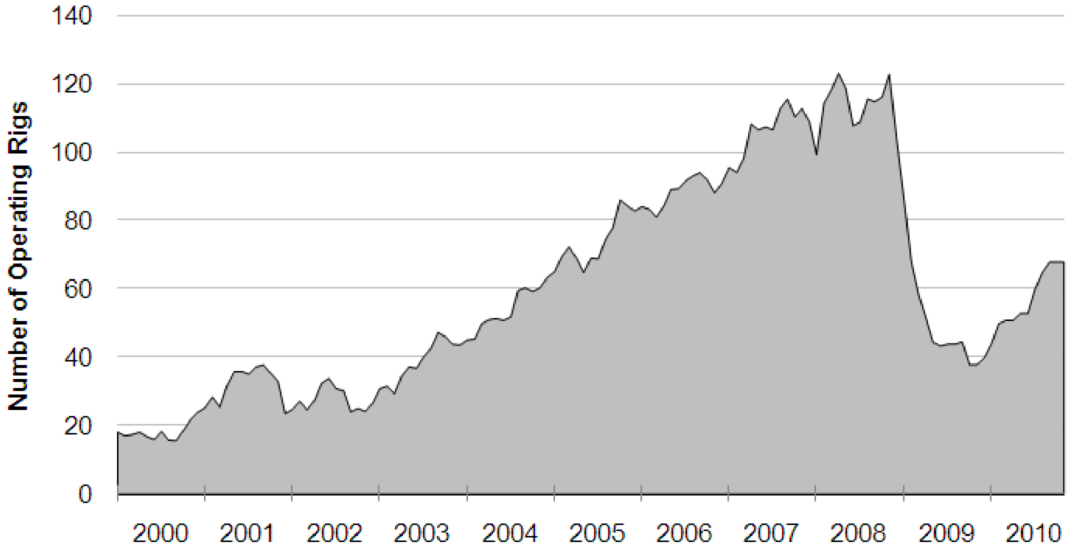
Source: Colorado Department of Revenue.

economy. Natural gas development was particularly vibrant over most of the past decade. Energy investment plummeted along with the rest of the economy in late 2008, but there are signs that investment dollars are returning to the sector. The number of drilling rigs operating in Colorado is rising.

Figure 9 shows the number of drilling rigs operating in Colorado through November 2010. Following a precipitous drop in 2009, drilling rig counts are on the rise. In November, 68 rigs were operating in Colorado, a 79 percent increase since the rig count bottomed out in the fall of 2009. Rig counts rose by an average monthly rate of 4.8 percent during this period. Most of the increase occurred in Garfield and Weld counties.

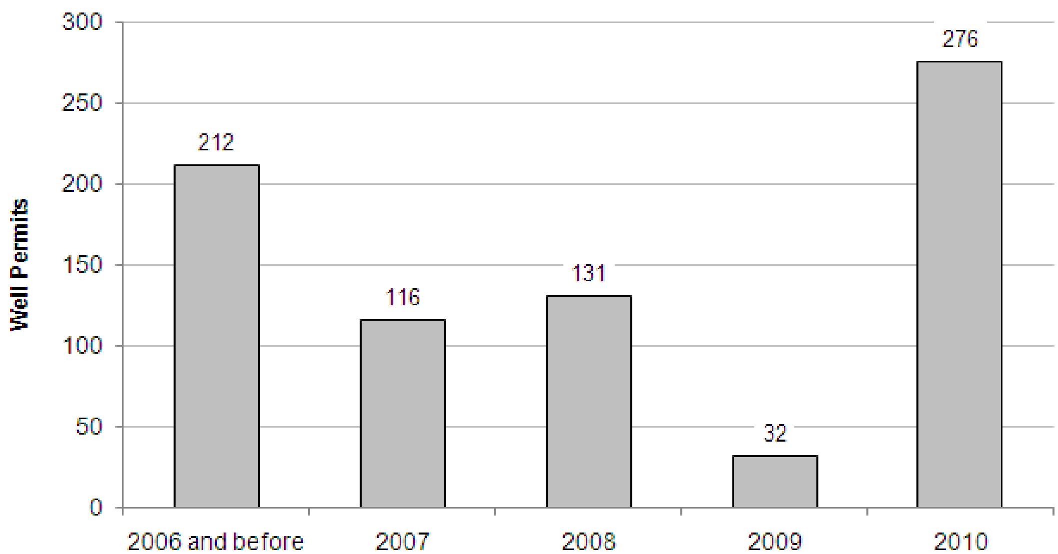
The energy industry may also see more investment and exploration efforts in 2011 and beyond as permitting activity is on the rise. During 2010, a record 276 permits for horizontal oil and gas drilling were issued based on Colorado Oil and Gas Commission data. These permits will translate into more drilling operations and industry jobs in the state over time. Figure 10 shows the growth in horizontal drilling permit activity through 2010. In horizontal drilling, a deep vertical well is drilled, after which the bit is placed horizontally to create a shaft parallel to the surface, a technique industry sources indicate allows for the recovery of more resources. Nationwide, about 60 percent of active rigs are currently drilling horizontal wells.

Figure 9
Drilling Rigs Operating in Colorado
January 2000 through November 2010



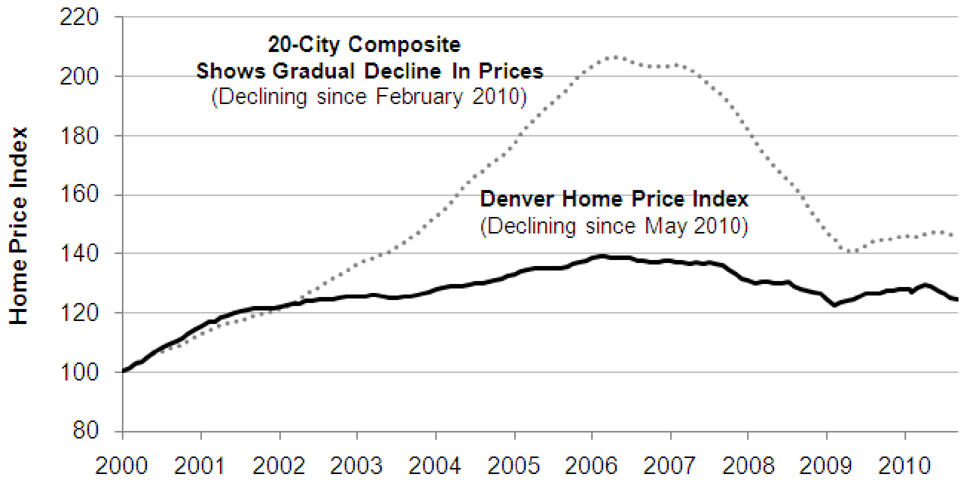
Source: Baker Hughes.

Figure 10
Horizontal Well Permits in Colorado



Source: Baker Hughes.

Figure 11
S&P/Case-Shiller Home Price Indices
Seasonally Adjusted



Source: Standards & Poor's and FiServ.

The issuance of permits reflects an increase in investment in energy production. Weld County had the most permits (173) of the 12 counties issuing permits in 2010. The commission estimates that horizontal well permitting will remain at current and increased levels during the next few years.

Colorado's Real Estate Sector Continues to Adjust

Colorado's **housing market** continues to struggle and shows few signs of recovery. Figure 11 shows the Denver S&P/Case-Shiller price index compared to the composite index for 20 metropolitan areas. Tighter lending standards, high levels of foreclosures and market inventory, slow employment growth, and cautious homebuyers are holding back the pace of the housing market recovery — although surveys from homebuilders show that homebuyers with the intent to buy in the near future are on the rise.

Home prices and new home sales are also being affected by other factors, such as problems with appraisals and distressed properties being added to the market. These factors are adding to the loss of builder-sales and the downward movement in home prices. In addition, interest rates for 30-year fixed mortgages have risen slightly, although they remain at historical lows.

Home prices are faring better in Denver and some areas of Colorado than other regions in the nation. Denver ranked second-best in terms of price changes since prices peaked in 2006 among the 20 cities in the S&P/Case-Shiller Composite home price index. Denver prices were down 10.6 percent in September compared with the peak of home prices in March 2006. One city fared better; home prices in Dallas were down 8.1 percent from their peak.

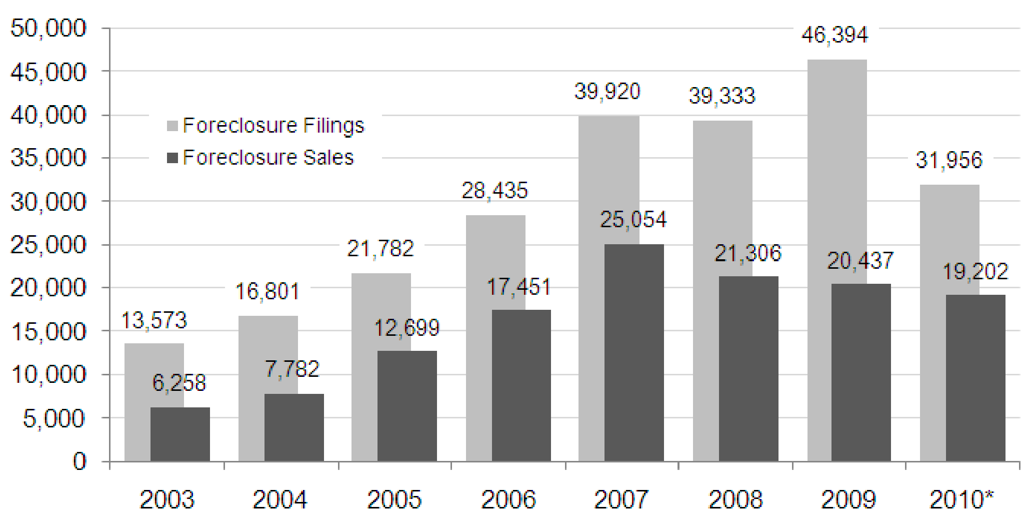
In contrast, home prices in Las Vegas were down nearly 57 percent in September from their peak, the greatest price decline of the cities in the composite index. Phoenix followed Las Vegas with a 54 percent decline. Despite Denver's relative stability among the 20 cities, home prices increased in only two months of 2010. Denver saw home prices decline for five consecutive months from May through September 2010, a 3.5 percent decline over this period.

U.S. homebuilders were hit with the worst summer for home sales in a decade. The National Association of Homebuilders **builder sentiment index** for newly built, single-family homes edged up in November to 16, the highest level since June. The index dropped to a level of 13 in August and September. The index gauges builder perceptions of current single-family home sales and sales expectations and provides evidence that there is an excess supply of homes hanging over the housing market. The index has increased for the second consecutive month but continues to reflect a grim industry outlook. Levels below 50 indicate negative sentiment about the market by residential developers.

Foreclosure *filings* in the state *fell* 15.1 percent in the third quarter compared with the same period in 2010, while foreclosure *sales increased* 18.0 percent. Foreclosure filings are important because they provide a picture of the number of borrowers who have become seriously delinquent on their loans. The foreclosure sales numbers generally indicate how many borrowers have lost all equity in the property as the result of the property being sold to another party at auction, including the mortgage company, investor, or other buyers. Figures 12 shows foreclosure filings and sales in Colorado from 2003 through the third quarter of 2010.

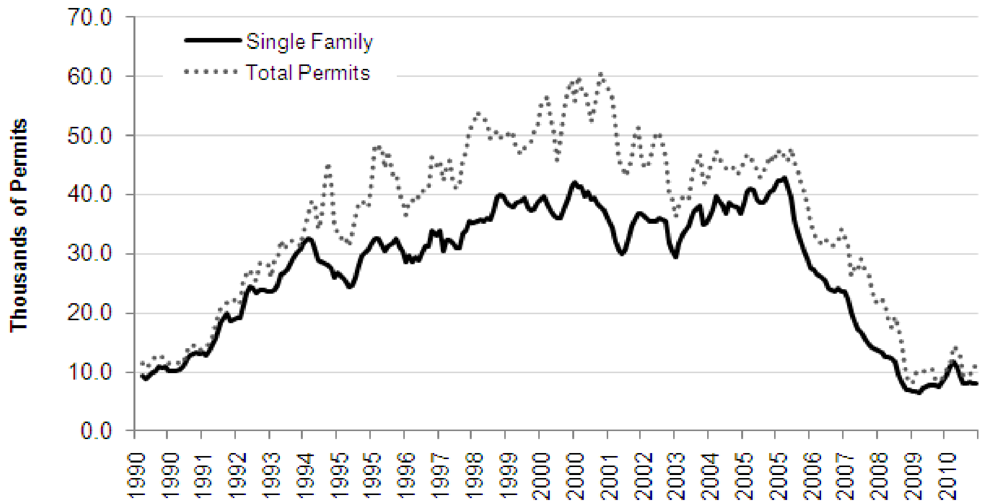
The ongoing declines in filings suggest that households are engaging in lender programs aimed at avoiding home foreclosure. However, there are a number of banks that have experienced significant delays in processing foreclosures and both filings and sales may continue to build in 2011. The trend in foreclosure filings in the years to come will depend on the strength of the recovery and job gains over the next few years.

Figure 12
Colorado Foreclosure Filings and Sales



**2010 is year-to-date through September.*
Source: Colorado Department of Local Affairs, Division of Housing.

Figure 13
Residential Construction Permits Are At Historically Low Levels
Three-Month Moving Average; Seasonally Adjusted Annualized Data



Source: U.S. Census Bureau. Data through October 2010.

Data from CoreLogic indicates slow improvement in the condition of Colorado mortgages. The share of mortgages in the state valued at near or more than the value of the home (this is commonly referred to as negative equity) has declined slightly over the past year from 28.6 percent in the fourth quarter of 2009 to 27.5 percent in the third quarter of 2010. Compared with other states, Colorado has the ninth-highest percentage of homeowners at or near negative equity.

As shown in Figure 13, **building permits** for residential construction have shown improvement since bottoming in the Spring of 2009. However, home permits will remain at historically low levels until employment and population growth pick up and the excess home inventory is absorbed.

The value of permits for **nonresidential construction** continues to decline as a result of anemic construction activity and falling commercial property values. Given the high vacancy rate for office and retail space, nonresidential construction is expected to remain low.

- The number of building permits for residential construction will increase from 9,400 in 2009 to 11,200 in 2010. Permits will continue to increase to 17,200 in 2011 as the inventory of homes shrinks. Building permits will remain at very low levels historically for the next several years.

- The value of nonresidential construction contracts will decrease 21.7 percent in 2010 to $2.4 billion and increase slightly to $2.5 billion in 2011.

Banking Burdened By Debt

The state's financial sector continues to work through a large volume of troubled mortgages. Recent FDIC data suggest that the condition of Colorado banks has improved over the past three months, but they remain in worse shape than banks in most other states. Through the third quarter of 2010, income at insured institutions in Colorado declined $15 million, and there were seven fewer institutions in Colorado than a year ago. Twenty-seven percent of all Colorado institutions were unprofitable at the end of September. This compares to 20 percent of insured institutions nationwide that were unprofitable.

Colorado institutions have a larger share of assets held in real estate compared with institutions nationwide — particularly nonresidential real estate. In Colorado, 64 percent of gross assets are in real estate. Nationwide, 43 percent of gross assets are in real estate. Colorado institutions have a relatively high exposure to nonresidential real estate assets compared with the rest of the nation. Colorado insured institutions have slightly lower exposure to residential mortgages than the nation.

Lending from Colorado-based institutions is still shrinking. At the end of September, Colorado institutions had loans and leases valued at just under $29 billion. That figure was nearly $33 billion in June 2009, and over $100 billion in March 2009. Economic growth is being restrained by both tightened lending standards on the part of local lenders as they strive to restore the health of their balance sheets and by both demand from and the creditworthiness of potential borrowers.

According to data from the New York Federal Reserve, there continues to be slow improvement in the condition of Colorado borrowers. There are still more Colorado mortgages flowing into foreclosure than out, but the percentage of borrowers past due on their mortgages is declining, albeit very slowly.

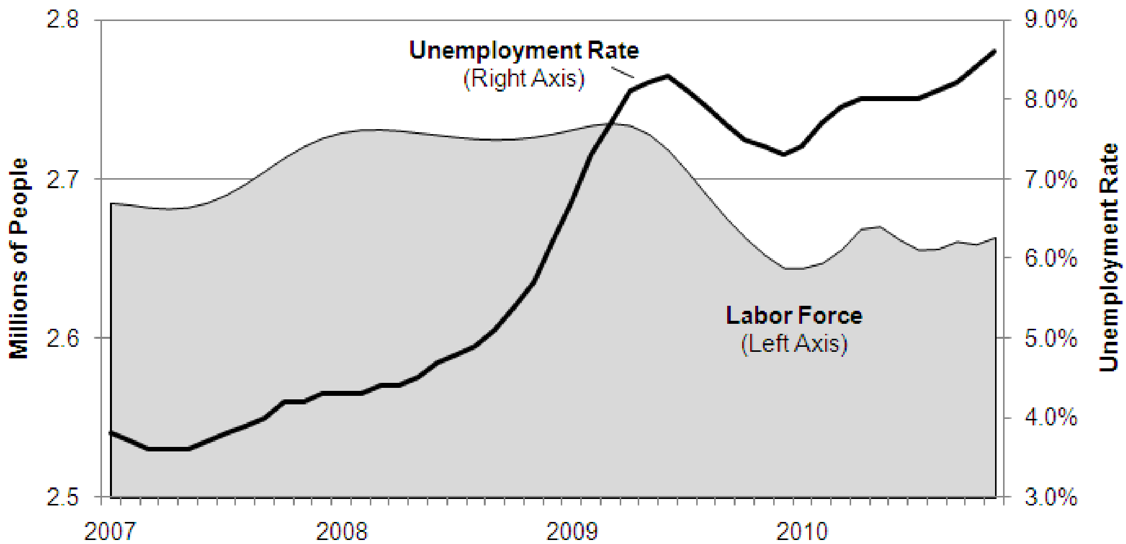
Labor Market Will Require Time to Recover

Although job growth remains very weak in Colorado, there are signs of stabilization and the start of recovery in the labor market. Sustained growth in temporary employment and job gains in the private sector are positive indications that the labor market is improving. While these gains are expected to continue, job growth in the remainder of 2010 and the years that follow will be slow and the unemployment rate will remain elevated as job seekers compete to obtain a limited number of available positions amid a hesitant business climate.

The seasonally adjusted unemployment rate rose to 8.6 percent in November. For much of 2009, the unemployment rate was decreasing not because jobs were available, but because many people became discouraged and stopped looking for work. Figure 14 shows that the labor force, or those people in Colorado indicating that they are looking for work, decreased considerably in 2009. As the recovery began to appear to gain steam in the spring of 2010, workers began looking for work again, reentering the labor force and pushing up the unemployment rate. The summer and fall, however, brought a slowing in the pace of the recovery and continued increases in the unemployment rate despite a resumption of decreases in the number of people in the labor force.

During an economic recovery, strong improvements in the business climate and consumer spending typically precede improvements in the labor market. The national and Colorado experience in the current recovery are consistent with this historical trend. Corporate profits and consumer sentiment started trending upward early in 2009, and despite increases in the

Figure 14
Colorado Labor Force and Unemployment Rate
2007 through November 2010
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics. Local Area Unemployment Statistics.

unemployment rate, the labor market began to show signs of life in 2010.

Temporary employment often leads total employment growth during a recovery, as many firms employ temporary workers before hiring for permanent positions in an uncertain business environment. Temporary employment in Colorado has been on the rise since early 2009. Further indicating the start of a labor market recovery, job losses have stopped or slowed in most industries.

Total nonfarm employment increased by 4,000 jobs since the end of 2009 through November. As shown in Figure 15, seasonally adjusted private employment in Colorado reached a bottom in May and began increasing slowly in the summer and fall. Employment figures presented here will be revised in the spring of 2010. Based on information published from unemployment insurance employment data, it is expected estimates for job gains in 2010 will be revised up somewhat relative to current estimates.

Job growth has been uneven across industries in 2010. The construction, transportation and utilities, information, financial activities, manufacturing, and government sectors lost jobs in 2010. Other industries are faring much better. The education and health services, leisure and hospitality, and professional and business services sectors saw healthy growth in 2010. Other sectors with job gains included the mining and logging, wholesale trade, and retail trade sectors.

- Growth in the labor market will feel painfully slow over the next several years. Despite job growth in the second half of 2010, nonfarm employment will decrease 1.5 percent in 2010 compared with 2009 on an annual average basis. Job gains will push employment up a very modest 0.9 percent in 2011.

Figure 15
2010 Colorado Nonfarm Employment
Change Between the End of 2009 and November 2010
Seasonally Adjusted

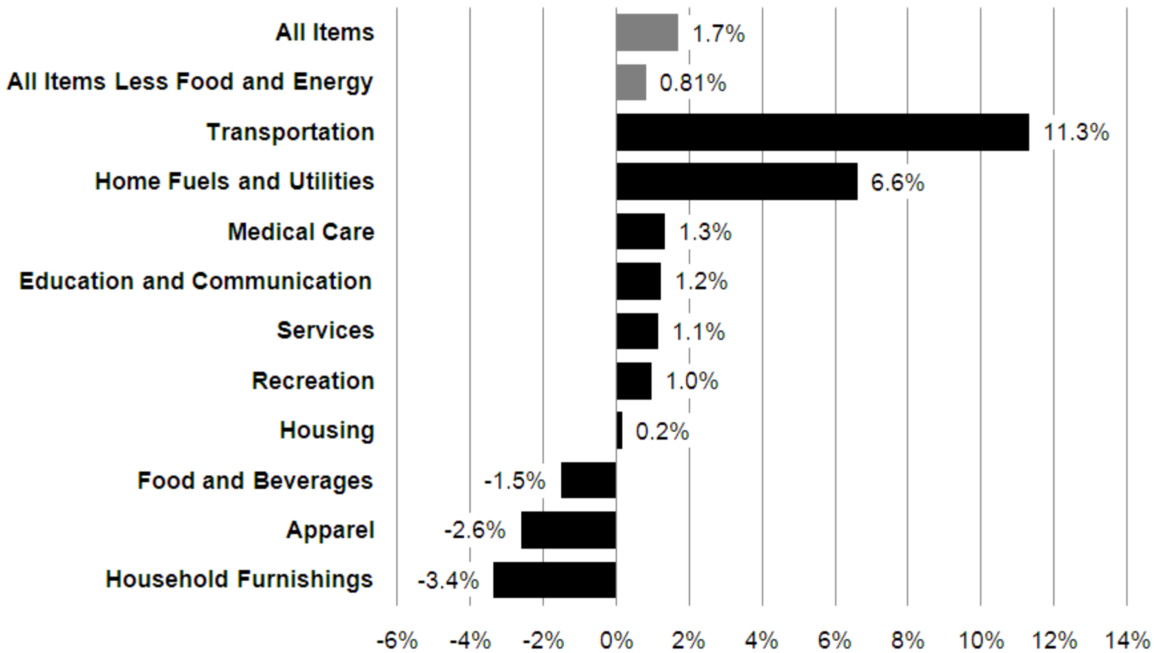
Source: U.S. Bureau of Labor Statistics. Current Employment Statistics.

- The unemployment rate will average 8.0 percent in 2010 and increase to 8.4 percent in 2011. The rate will slowly decrease in the years that follow. As job opportunities improve, job seekers who became discouraged and left the labor force during the recession will reenter the job market. This will cause the unemployment rate to rise temporarily until available job openings can absorb those seeking employment.

Inflation Remains Low

Inflation in Colorado, as measured by the Denver-Boulder-Greeley consumer price index (CPI), remained low through the first half of 2010. Consumer prices rose 1.7 percent in the first six months of 2010 relative to the first half of 2009, slightly lower than the nationwide inflation rate of 2.1 percent over the same period. Figure 16 shows the Colorado inflation rate for selected consumer sectors during the first six months of 2010. A majority of sectors exhibited little to no growth in prices, and prices in the food and beverage, apparel, and home furnishings sectors declined 1.5 percent, 2.6 percent, and 3.4 percent, respectively. The fuels and utilities and transportation sectors, which grew by 6.6 percent and 11.3 percent, respectively, were responsible for most of the growth. The increase in the fuels and utilities sector was primarily driven by consumer electricity costs. Prices in this sector exhibited a 21.4 percent increase. Similarly, the driving force behind the increase in the transportation sector was the price of gasoline, which increased 30.6 percent.

Figure 16
Inflation Driven by Energy Costs
Increase in the Denver-Boulder-Greeley CPI-U
First Six Months of 2010 Over the Same Period in 2009



Source: U.S. Bureau of Labor Statistics.

- Inflation in Colorado is projected to remain low throughout the forecast period. Prices will increase 1.2 percent in 2010 and 1.9 percent in 2011, before climbing slightly to 2.9 percent in 2012.

Conclusion

The Colorado economy continues to slowly recover. After two years of job losses, employment in the state's private sector increased slowly in the summer and fall. Other indicators point to expansion as well, but heavy debt continues to weigh on the recovery.

After the pain of the last recession, typically the economy would bounce back with vigor, but that will not be the case with this downturn. Credit problems are weighing down the recovery, slowing spending and investment. Colorado banks will need to digest more bad loans before lending growth can resume. Many real estate owners — both residential and nonresidential — will need to work through debt problems before spending and investment accelerates. Table 12 on page 47 summarizes the forecast for selected Colorado economic indicators.

Table 12
Colorado Economic Indicators, December 2010 Forecast
(Calendar Years)

	2006	2007	2008	2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013
Population (thousands), July 1 /1	4,808.1	4,895.7	4,987.7	5,074.5	5,160.8	5,243.4	5,332.5	5,439.2
percent change	2.0%	1.8%	1.9%	1.7%	1.7%	1.6%	1.7%	2.0%
Nonagricultural Employment (thousands) /2	2,279.0	2,331.1	2,350.3	2,244.2	2,210.5	2,230.4	2,277.3	2,331.9
percent change	2.4%	2.3%	0.8%	-4.5%	-1.5%	0.9%	2.1%	2.4%
Unemployment Rate /2	4.4	3.9	4.9	7.7	8.0	8.4	8.2	7.7
Personal Income (millions) /3	$194,390	$205,153	$214,727	$210,229	$215,064	$221,731	$229,270	$239,816
percent change	8.2%	5.5%	4.7%	-2.1%	2.3%	3.1%	3.4%	4.6%
Wage and Salary Income (millions) /3	$105,833	$112,952	$117,143	$112,764	$113,666	$115,257	$119,176	$125,612
percent change	7.0%	6.7%	3.7%	-3.7%	0.8%	1.4%	3.4%	5.4%
Retail Trade Sales (millions) /4	$70,437	$75,329	$74,760	$66,345	$69,596	$71,754	$75,054	$238,761
percent change	7.5%	6.9%	-0.8%	-11.3%	4.9%	3.1%	4.6%	4.3%
Home Permits (thousands) /1	38.3	29.5	19.0	9.4	11.2	17.2	22.7	27.2
percent change	-16.4%	-23.2%	-35.5%	-50.8%	19.6%	53.4%	31.9%	19.8%
Nonresidential Building (millions) /5	$4,415	$5,251	$4,193	$3,138	$2,457	$2,543	$2,848	$3,247
percent change	4.6%	18.9%	-20.2%	-25.2%	-21.7%	3.5%	12.0%	14.0%
Denver-Boulder Inflation Rate /1	3.6%	2.2%	3.9%	-0.6%	1.2%	1.9%	2.9%	3.1%

1/ U.S. Census Bureau.
2/ U.S. Bureau of Labor Statistics.
3/ U.S. Bureau of Economic Analysis.
4/ Colorado Department of Revenue.
5/ F.W. Dodge.

School Enrollment Projections

This section of the forecast presents the Legislative Council Staff enrollment projections for kindergarten through twelfth grade in Colorado's public schools. These projections are presented in full-time equivalent (FTE) terms, and are used to determine funding levels for Colorado's 178 school districts. Table 13 summarizes current and forecast enrollment from the current 2010-11 school year through the 2012-13 school years. Figures 18 and 19 on page 55 and 56 show regional and district enrollment growth projections for the state.

- Overall kindergarten through twelfth grade enrollment will increase by 7,003 FTE students, or 0.9 percent, in the 2011-12 school year. Enrollment in the following school year (2012-13) will also increase 0.9 percent, adding an additional 7,439 FTE students statewide.

- The northern, metro Denver, and Colorado Springs regions will continue to drive statewide enrollment growth throughout the forecast period. These regions have the largest student populations and growing job opportunities, which will attract families to the area.

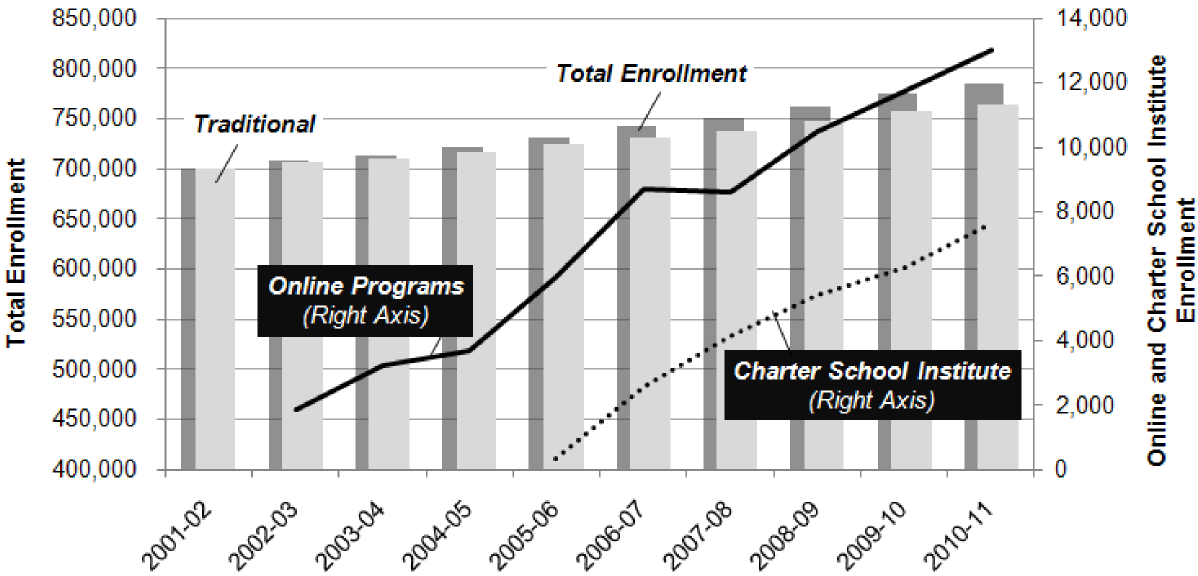
Statewide forecast results. Enrollment in the current 2010-11 school year reached 784,836 FTE students, up 1.2 percent from the prior year, or 9,659 FTE. Statewide enrollment will grow at a more modest pace over the remainder of the forecast period. Due to limited job opportunities in Colorado, in-migration to the state slowed during the recession. Fairly low levels of in-migration are expected through the forecast period as high levels of unemployment and fairly limited job opportunities will persist for the next several years. These trends will contribute to slower growth in enrollment during the forecast period.

Enrollment along the I-25 corridor in the metro Denver, Colorado Springs, and northern regions will continue to dominate growth through the forecast period. These metropolitan areas offer greater and more diverse job opportunities, which is particularly attractive in the current economy with high levels of unemployment. Home price decreases in these areas are also making home ownership more affordable, drawing families to certain areas.

The impact of the housing bust has had a considerable affect on enrollment in Colorado, particularly for the mountain and western regions. With the loss of construction jobs, many families have left these regions in search of work elsewhere. As the economy recovers and the housing market sputters back to life, these regions are expected to resume growth. Similarly, the pull back in the oil and gas industry, particularly natural gas production, affected many areas of the state. Now that industry activity has picked up, enrollment declines in areas affected by the industry are expected to level off.

School districts in rural areas of the state, including the eastern plains, San Luis Valley, Pueblo, and southwest mountain regions will continue to show enrollment declines. Enrollment in these areas continues to be impacted by aging populations and diminishing job opportunities.

Figure 17
Traditional, Online, and Charter School Institute Enrollment
2001-02 through 2010-11 School Years
Full-Time Equivalent Students



Source: Colorado Department of Education.

Enrollment in online programs and charter schools authorized by the Charter School Institute (CSI) continues to show strong growth. Charter schools are public schools formed by a group of parents, teachers, and/or community members as a semi-autonomous school of choice. Charter schools can be authorized by school districts or through CSI. In the current 2010-11 school year, online and Charter School Institute programs combined account for 2.6 percent of total enrollment. Figure 17 shows growth in online, CSI, and traditional enrollment for the past ten years.

Regional forecast results. Table 13 shows anticipated regional enrollment growth over the forecast period and Figures 18 and 19 on pages 55 and 56 show forecast growth for the 2011-12 school year.

Accounting for 57 percent of total Colorado enrollment, the **metro Denver region** plays an important role in determining statewide enrollment trends. Enrollment in the region has been increasing for over a decade, but growth slowed in the 2010-11 school year from the strong growth posted in the 2009-10 school year. Growth is expected to continue to slow, but will stay above 1.0 percent. The economic downturn and the slowdown in home construction is expected to continue to dampen growth in net migration to the region. Ninety-seven percent of Denver metro students are enrolled in traditional schools, and growth in these classrooms are driving the enrollment increase. However, growth in online and Charter School Institute enrollment is increasing briskly. The region will continue to experience above average enrollment growth, rising 1.2 percent through the 2011-12 school year, adding a total of 5,529 FTE students over the next two years.

School districts that will continue to experience relatively strong growth include Denver, Douglas County, St. Vrain, Aurora,

Table 13
Regional Growth in Enrollment
Full-Time Equivalent Students

Region	Actual 2010-11	Percent change	Estimated 2011-12	Percent change	Estimated 2012-13	Percent change	Average Growth (2009-10 through 2012-13)
Colorado Springs	105,114	0.7%	106,230	1.1%	107,371	1.1%	0.9%
Eastern Plains	26,268	0.8%	26,539	1.0%	26,611	0.3%	0.7%
Metro Denver	449,463	1.8%	454,992	1.2%	460,413	1.2%	1.4%
Mountain	23,814	-0.8%	23,755	-0.2%	23,821	0.3%	-0.3%
Northern	76,874	2.5%	77,749	1.1%	78,924	1.5%	1.7%
Pueblo	33,914	-0.9%	33,668	-0.7%	33,418	-0.7%	-0.8%
San Luis Valley	7,308	-1.5%	7,185	-1.7%	7,105	-1.1%	-1.4%
Southwest Mountain	12,107	-0.8%	11,959	-1.2%	11,828	-1.1%	-1.0%
Western	49,974	-0.9%	49,760	-0.4%	49,788	0.1%	-0.4%
Statewide Total	**784,836**	**1.2%**	**791,839**	**0.9%**	**799,278**	**0.9%**	**1.0%**

and Brighton. However, this growth will moderate over the next three years due to the slowdown in residential development and migration. Growth in the Denver, Douglas County, and Aurora school districts, in particular, are expected to drive growth throughout the forecast period. The economic downturn has also increased enrollment in some districts that have more affordable homes.

Jefferson County school district, the largest district in the state comprising over 80,000 FTE students, continues to experience small declines in enrollment, a trend that is expected to continue through the forecast period.

The **northern region**, including Larimer and Weld counties, continues to see enrollment growth, as opposed to many other parts of the state. Enrollment at the Charter School Institute more than doubled this year, rising from 346 to 810 FTE students. This growth rate is not expected to continue, although growth is expected to be strong, adding nearly 100 FTE students during the forecast period. Growth has also been strong for online programs, increasing nearly four-fold this year to 157 FTE students. Growth at traditional brick and mortar schools has also showed strong increases, rising 1.8 percent in the current FY 2010-11 school year. Growth at traditional schools is expected to moderate, but will remain about 1.0 percent each year during the forecast period, adding nearly 2,000 FTE during the two-year forecast period. The economic downturn has restrained the growth of new students in the region, but a diverse economy has helped to stabilize economic conditions and discourage out-migration.

FTE enrollment in the **Colorado Springs region** will increase by 1.1 percent in both the 2011-12 and 2012-13 school year, after growing 0.7 percent in the 2010-11 school year. Growth in the region is expected from additional soldiers and their families relocating from other parts of the nation to the Fort Carson army base. However, additional assignments and troop deployments are subject to change and therefore the region could see higher or lower growth than expected. In addition to a growing miliary population, the diverse economy of the region is expected to offer a growing number of job opportunities as the state and national economies improve, which will attract young families to the area.

Positive growth in enrollment in the **eastern plains region** is attributable to sizable enrollment growth at the Insight School of Colorado, a multi-district online program offered by the Julesburg school district in Sedgwick County. The online program grew from 528 students in the 2008-09 school year to 1,527 students in the 2010-11 school year. Statewide television and mailing advertisements are expected to sustain strong growth in the program, propping up enrollment in the region to 1.0 percent in the 2011-12 school year. Enrollment is expected to be flat or turn down as growth in the online program levels off.

Enrollment in traditional brick and mortar schools will continue to decline in the region. This agricultural region is marked by limited job opportunities. The primary employer in many counties in the region is the public sector, which is expected to struggle in the coming years due to budgetary pressures at both the state and local government levels. While many local governments are pursuing revitalization and business development efforts, the eastern plains is not expected to attract sizable employers in the next several years that will draw families to the region. Demand from the aging population for transportation, nutrition, and health care services may boost economic activity in the region in the years to come. However, aging populations may instead opt to relocate to more metropolitan areas where these services are more readily available.

Enrollment in the **mountain region** has been impacted by the struggling housing market and declining tourism levels in the area. Over the last two years, many families have left the area, unable to meet cost of living expenses or in search of job opportunities elsewhere. As a result, enrollment decreased by 0.8 percent in the 2010-11 school year and is expected to see a slight decrease of 0.2 percent in 2011-12 as job opportunities remain limited and construction activity minimal.

The mountain region has become an increasingly attractive retirement destination, requiring growth in health care, nutrition, and transportation services in the region. Demand for these services will drive growth in the region in the years to come. Limited affordable housing in the area has constrained growth. However, the collapse of home prices in the region may make some housing more affordable to young families in the years to come, which could boost future enrollment in the area.

The **Pueblo region**, consisting of Custer, Fremont, Huerfano, Las Animas, and Pueblo counties, will see an enrollment decline of 0.7 percent in the 2011-12 school year. The major drivers behind this decline are the weak economy and continued high unemployment in the Pueblo area and the pull out of the natural gas industry in the southern part of the region. After three years of modest growth, the Pueblo City school district saw slight enrollment declines during the 2009-10 and 2010-11 academic years, and this trend is expected to continue through the forecast period. Similarly, enrollment growth in the Pueblo Rural district has been slowing and district enrollment actually declined for the first time in many years in the 2010-11 academic year.

Enrollment in Fremont County, where the state prison system is the largest employer, is expected to continue its decline. However, this could change if the state opens the new CSP II prison. Enrollment is projected to fall throughout Las Animas County, where natural gas production has not returned to pre-economic downturn levels. Overall, regional enrollment is projected to decline at an average rate of 0.8 percent annually over the two-year forecast period.

Over the past two years, many families left the **western region** with the loss in jobs in the oil and gas drilling and construction industries. While construction is expected to remain at a standstill in the near term, the oil and gas industry may support limited job growth over the next few years. The region has some of the highest foreclosure and unemployment rates in the state. With few job opportunities elsewhere, families are expected to remain in the region and keep enrollment growth fairly steady.

Enrollment in the **southwest mountain region**, including districts in Archuleta, Dolores, La Plata, Montezuma, and San Juan counties, is expected to decrease by 1.2 percent over the 2011-12 school year. This rate of decline is up slightly from the 0.8 percent decline that the region experienced over the last year. The more rapid drop is mostly due to the continued out-migration of families resulting from the pullback in regional natural gas production and the slowdown in the tourist economy. The enrollment decline is expected to remain stable in 2012-13 as the economic recovery and the return of natural gas production will be slow. The region's enrollment is projected to decline over the two-year forecast period at an average annual rate of 1.0 percent.

Enrollment within the **San Luis Valley region**, including districts within Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties, is projected to decline throughout the forecast period. The overall rate of decline for the region is expected to remain relatively stable at between 1.0 and 2.0 percent annually, as the out-migration continues from the largely agricultural region. Regional enrollment is expected to decrease by 1.7 percent over the 2011-12 school year and by 1.1 percent in the 2012-13 school year. Over the two-year forecast period, regional enrollment is expected to decline at an average annual rate 1.4 percent.

Risks to the forecast. Job opportunity remains the primary driver of enrollment growth in the state. While high unemployment and limited job growth are expected over the next several years, job opportunities will be staggered and uneven across the state as businesses hire and expand, attracting families from other areas of the state and nation. As a result, some regions may experience stronger than expected growth and others stronger than anticipated enrollment declines.

Figure 18
Forecast Percent Change in Enrollment by Region
2011-12 School Year (Budget Year 2011-12)

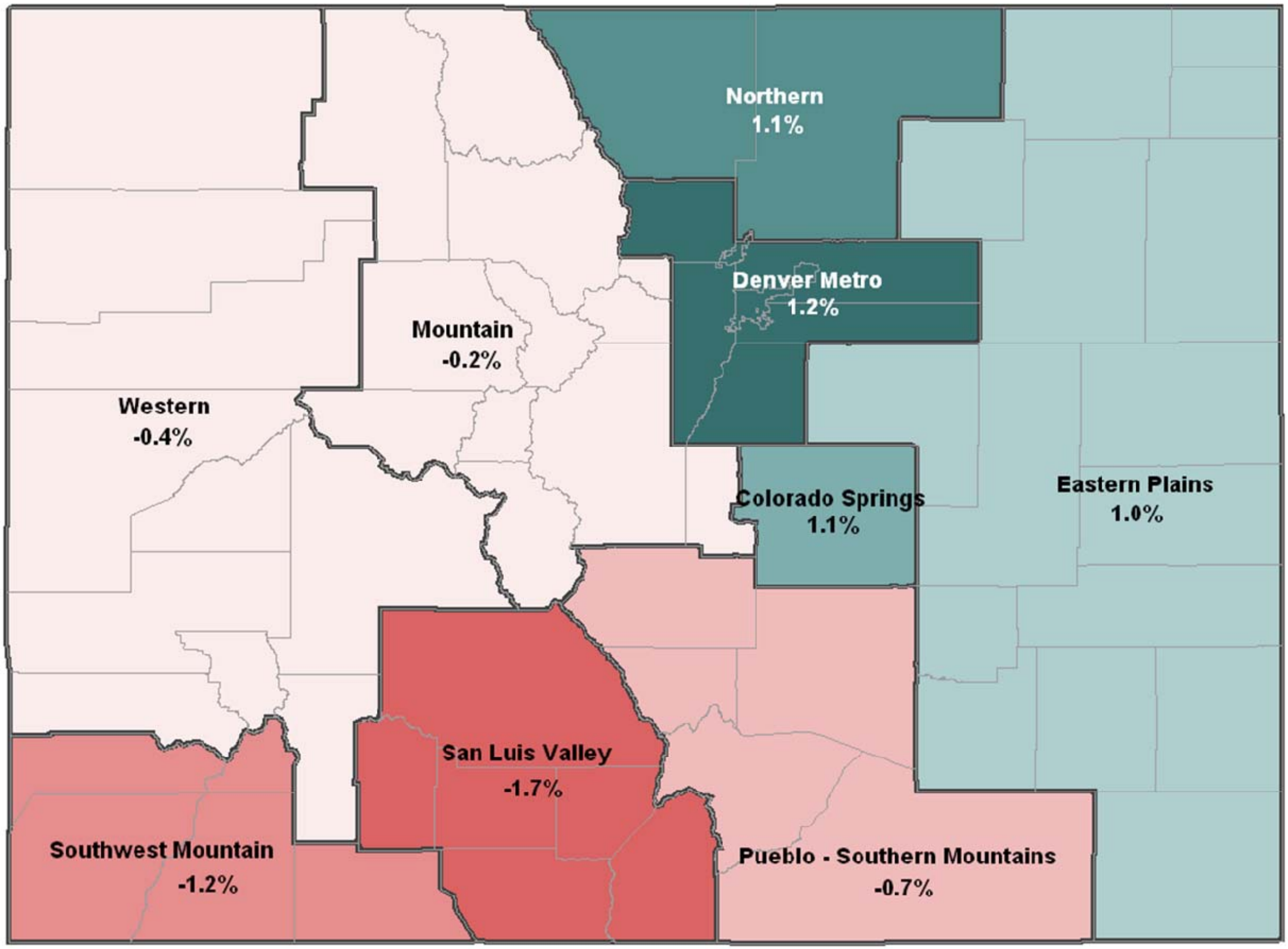
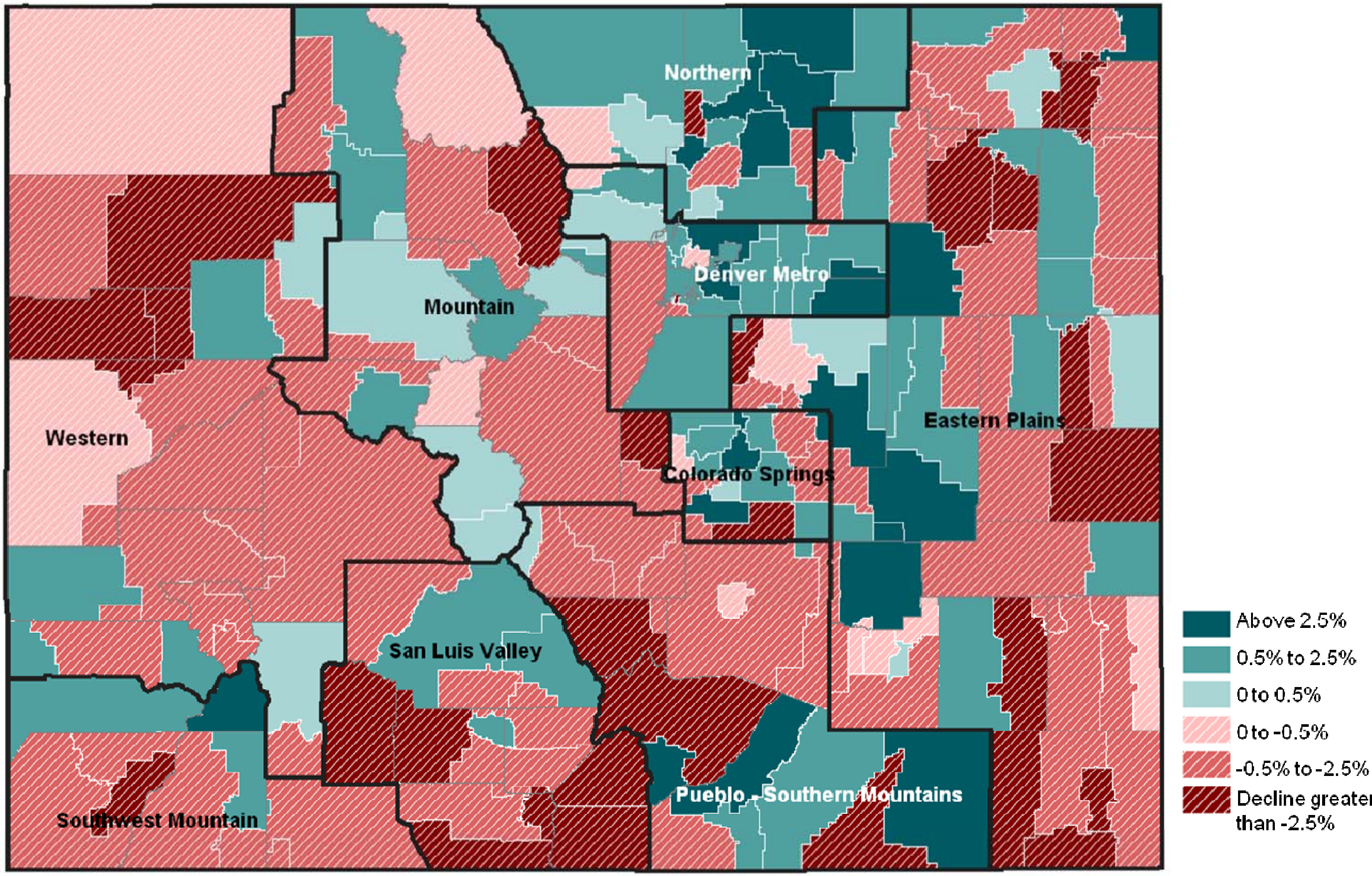


Figure 19
Forecast Percent Change in Enrollment by District
2011-12 School Year (Budget Year 2011-12)



Assessed Value Projections

This section provides preliminary projections of assessed values for residential and nonresidential properties in Colorado and the residential assessment rate through 2013. Assessed values are an important component in determining local property taxes for Colorado's public schools because the values are the tax base to which property tax rates are applied. Thus, they are also a large factor in determining the amount of state aid provided to schools. Because assessed values fell for the 2010 property tax year and are projected to fall again in 2011, property tax revenue will also fall, requiring state aid to schools to increase. These projections will be finalized in early January following receipt of additional information from the Division of Property Taxation and selected counties.

Summary

Total assessed values for all property classes decreased 5.3 percent in 2010 to $92.6 billion and are expected to decline another 6.9 percent in 2011 to $86.2 billion — the lowest level since 2007. The declines represent the first time that assessed values have fallen in the state since Colorado's real estate troubles in the late 1980s.

Assessed values are projected to grow slightly in 2012, mostly because 2012 is a nonassessment year for real property. Continued low levels of construction activity and modest growth in values for the nonresidential producing property classes that are assessed, will cause the slow growth. Growth will be modest again for 2013, a reassessment year, because the real estate market and economy will be slow to recover. Due to weakness in commercial and residential property markets over the forecast period, 2013 assessed values will still be below the 2009 peak. Table 14 shows the actual and forecasted residential, nonresidential, and total assessed values since 2007, while Figure 20 illustrates the actual and forecasted level of property values from 2003 to 2013.

- After falling 10.0 percent in 2010**, nonresidential assessed values** are expected to drop another 3.9 percent in 2011. While the decline in 2010 was primarily due to the drop in oil and natural gas prices during the recession, the decrease in 2011 will be attributable to the drop in commercial, industrial, and vacant land values as a result of the economic downturn and poor real estate market. However, the decrease will be offset somewhat by the recovery in energy prices, which will boost oil and gas values. Nonresidential assessed values are projected to post moderate growth in both 2012 and 2013.

- After increasing 1.0 percent in the nonassessment year of 2010, **residential assessed values** will fall 10.4 percent in 2011, due to the drop in home prices across most of Colorado. Properties in many areas of the state were reassessed for the 2009 tax year when home values reached their peak and values have generally been declining since. Every region of the state except the eastern plains will post declines in the 2011 reassessment year. Residential values will be flat in 2012, because properties will not be assessed and little new construction will occur. However, residential values are projected to remain

Table 14
Residential and Nonresidential Assessed Values
(Dollars in Millions)

Year	Residential Assessed Value	Percent change	Nonresidential Assessed Value	Percent Change	Total Assessed Value	Percent Change
2007	$39,331	14.6%	$45,816	14.6%	$85,147	14.2%
2008	$40,410	2.7%	$47,140	2.9%	$87,550	2.8%
2009	$42,298	4.7%	$55,487	17.7%	$97,785	11.7%
2010	$42,727	1.0%	$49,917	-10.0%	$92,644	-5.3%
2011*	$38,266	-10.4%	$47,967	-3.9%	$86,234	-6.9%
2012*	$38,363	0.3%	$49,242	2.7%	$87,605	1.6%
2013*	$38,562	0.5%	$50,662	2.9%	$89,224	1.8%

Source: Colorado Department of Local Affairs, Division of Property Taxation.
**Legislative Council Staff forecast.*

flat for the 2013 reassessment year as well, as the real estate market will be slow to recover. The housing market recovery will be uneven across the state, with some areas posting slight increases in value, while others will continue to see property values decline over the forecast period.

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

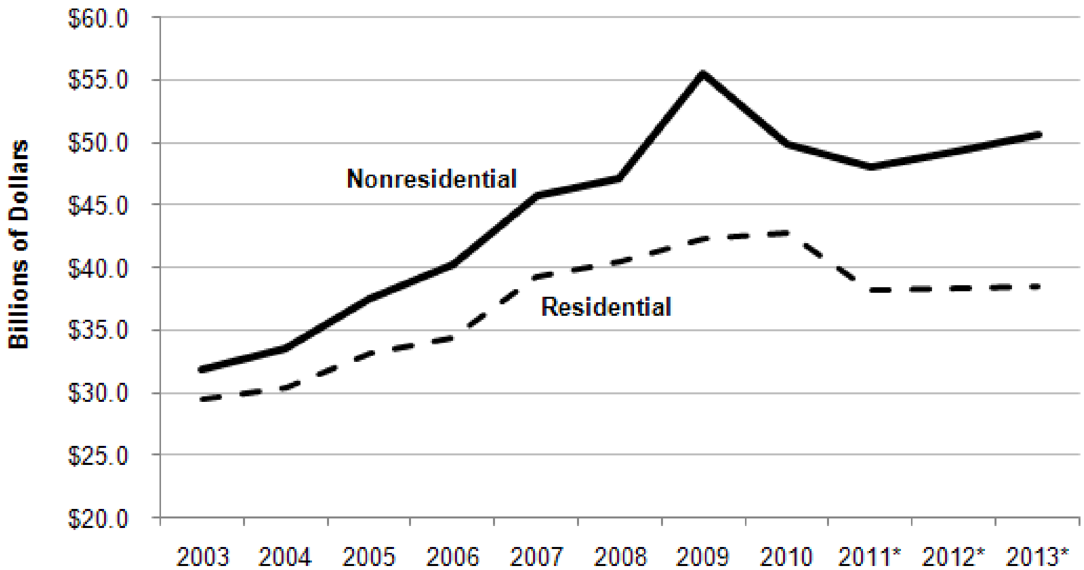
Assessed values increased 52.9 percent between 2004 and 2009 due to a widespread strengthening of the economy and a rapid expansion in the natural resource extraction industries. However, the recession, which was triggered in part by the collapse in the real estate market, has had substantial impacts on home values, businesses, and the energy industry. As a result, assessed values will drop by $11.6 billion in 2011 from their peak in 2009. This is a decline of 11.8 percent over this two-year period.

"Real" property, such as residential, commercial, industrial, and vacant land, are assessed over a two-year cycle. Many of these properties were last assessed before they were affected by the deterioration of the real estate market and the dramatic weakening of the economy. The 2011 assessment year will capture much of the declines that have occurred since these properties were last assessed.

In contrast to real property, which makes up the vast majority of the assessed value in the state, "producing" properties, such as oil and gas, mines, and agricultural land, are assessed every year. The decline in assessed value for 2010 (a nonassessment year for real property) was mostly attributed to the sharp drop in oil and gas properties as energy prices fell dramatically during the recession.

Values for most property classes will be slow to recover over the forecast period due to a sluggish economic recovery, minimal construction, tight credit markets, and a continued oversupply of property in relation to demand. Overall, total assessed values are expected to total $86.2 billion in 2011, $87.6 billion in 2012, and $89.2 billion in 2013.

Figure 20
Residential and Nonresidential Assessed Values



Source: Colorado Department of Local Affairs, Division of Property Taxation.
**Legislative Council Staff forecast.*
Note: The residential assessment rate remained at 7.96 from 2003 through 2010 and is expected to remain at that rate throughout the forecast period.

Nonresidential Assessed Values

The nonresidential sector consists of eight property classes: commercial, state-assessed, vacant land, oil and gas, industrial, agriculture, natural resources, and producing mines. Assessed values in these classes totaled $49.9 billion in 2010, 10.0 percent lower than the peak in 2009. Nonresidential assessed values are expected to decrease another 3.9 percent in 2011, due mostly to the fall in commercial and vacant land assessed values. However, the decline in these properties will be partially offset by a rebound in oil and gas properties. There will be modest growth in nonresidential values in 2012 and 2013, but values will remain below the peak levels registered in 2009.

Commercial property represents about one-half of all nonresidential assessed value. Strong consumer spending and growth in residential developments during the economic expansion in the middle of the decade fueled robust growth in assessed values for commercial properties. However, consumer spending fell dramatically during the recession. Commercial property values are dropping. As a result, the steepest declines are occurring in areas that had the largest real estate boom before the recession hit. This includes mountain communities, urban areas hit hardest by the recession, such as Colorado Springs, and those parts of the state impacted by the dramatic expansion and downturn in the energy industry. The tight credit market is making it difficult to obtain loans to buy commercial property or start or expand businesses. This is contributing to the malaise in the commercial real estate market and means continued weakness for this property class over the forecast period.

Oil and gas is the second largest nonresidential class in terms of value. This property class is mainly based on the production value of oil and gas and the equipment used in the extraction and production processes. The assessed value for this class of properties rose and fell dramatically over 2009 and 2010 due to the wide swing in energy prices. After rising 54.5 percent in 2009, the assessed value of oil and gas fell 47.3 percent in 2010. Oil and gas assessed values are expected to rebound in 2011 as prices have recovered from their recessionary levels, production levels have increased, and there is more oil- and gas-related equipment operating in the state than in 2010. However, even with the rebound, assessed values for this class will remain below the peak level in 2009.

Vacant land is the third largest component of nonresidential assessed values. The bursting of the real estate bubble is causing the value of this property to decline along with commercial and residential values. The demand for vacant property has dropped due to the over supply of residential and commercial properties, placing downward pressure on values.

Residential Assessed Values

The forecast for residential market values and the determination of the residential assessment rate are discussed in this section.

Residential values consist of dwellings, such as single-family homes, condominiums, and apartments. The application of the residential assessment rate to residential market values determines residential assessed values. For example, if a market value of a home is $200,000, the current 7.96 percent residential assessment rate makes its assessed value $15,920 ($200,000 x 7.96 percent = $15,920). The property tax rate, or mill levy, is applied to the assessed value to determine the amount of property tax due on a home.

Residential market values. After more than doubling since 2000, residential market values will decline 10.4 percent in 2011, equating to a loss of $56 billion in value. The sustained high level of foreclosures, economic downturn, and tight mortgage financing market have put downward pressure on home prices throughout Colorado.

Areas that saw the largest run up in values or were hit hardest by the recession, will see the largest falls. This includes the Colorado Springs, mountain, and western regions. The more rural areas of the state, such as the eastern plains and the San Luis Valley, which generally did not participate in the real estate boom, will not experience the bust that is eroding values elsewhere. Other urban areas of the state, most notably the Pueblo, Fort Collins, and Loveland areas, did not see as much of a rise in values as other urban areas during the economic expansion and will see less of a decline in the 2011 assessment year.

In the nonassessment year of 2010, minimal new residential construction increased assessed values by a meager 1.0 percent. Growth will be even more modest in the 2012 nonassessment year due to continued weakness in the construction market. Additionally, homeowners are expected to appeal the valuation of their homes, believing they were overvalued and not reflective of the actual decline in values in their area. The success of some of these appeals will cause values to decline and partially offset the modest new construction that does occur. Some districts in the state will experience minor declines in residential assessed values in 2012 as a result of these appeals and lack of new construction.

Some areas of the state, most notably along the Front Range, are starting to see home values find a bottom, while other areas of the state, such as the mountain and western regions, will continue to see values fall. The modest increases will offset the declines, causing overall residential values to be relatively flat for 2013.

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

Gallagher and the residential assessment rate. The Gallagher Amendment to the Colorado Constitution fixes the share of value attributable to residential property statewide at roughly 47 percent of total assessed values, with nonresidential assessed values comprising the remaining 53 percent. When the market value of residential property increases faster than the value of nonresidential property, the Gallagher Amendment requires that the residential assessment rate decline to hold the statewide residential *assessed* value at its required share of total assessed values. Because residential market values grew at a faster rate than nonresidential values (or declined at a slower pace) from 1983 to 2003, the residential assessment rate decreased from 21.0 percent in 1983 to 7.96 percent in 2003. By comparison, most other nonresidential property is assessed at 29 percent of its value

The residential assessment rate has not changed since 2003. The residential sector was negatively impacted by the recession in the early 2000s and did not experience the growth in values as many other areas of the nation. Conversely, nonresidential values experienced strong increases due to the dramatic growth in the value of oil and gas production and growth in commercial values.

Under the Gallagher Amendment, the faster growth in nonresidential values over the last few years should have triggered a rise in the residential assessment rate to maintain the required proportions of total assessed values. However, because the TABOR Amendment specifically prohibits assessment rates from increasing without voter approval, the residential assessment rate has remained at 7.96 percent. Based on the Gallagher Amendment calculation, the residential assessment rate should have increased to 9.20 percent for 2009 and 2010.

Although both residential and nonresidential properties will experience declines in the current reassessment period, residential markets will fall at lower rates than nonresidential values, pushing the residential assessment rate downward, though not below its current level of 7.96. It is estimated that the residential assessment rate should be 8.57 percent in 2011 and 2012. For the following reassessment period, growth will be stronger in nonresidential values, causing the calculated residential assessment rate to rise to 8.76 percent. However, the rate will remain fixed at 7.96 percent over this period unless voters approve an increase.

Regional Assessed Values

Assessed values are projected for each school district and are used in forecasting state expenditures for pre-kindergarten through twelfth grade public education. The following section highlights trends for each region in the state. Table 15 summarizes how regional assessed values will change through 2013, and Figures 21 and 22 on pages 67 and 68 illustrate the anticipated change regional and school district-level assessed value from 2010 to 2011.

As the **metro Denver region** continues to recover from the economic downturn, housing markets in some areas are recovering faster than others. Residential values declined sharply in 2009 in school districts with smaller, more affordable homes, such as Aurora, Sheridan, and Commerce City. Residential values in these areas are now beginning to rebound and are expected to increase between 1.5 and 3.6 percent in 2011. Areas with more expensive homes, such as Douglas County, Cherry Creek, and Boulder, were slower to

Table 15
Regional Total Assessed Values and Growth Rates
(Dollars in Millions)

Region	Preliminary 2010*	Forecast Percent Change 2011	2012	2013	3-Year Average Annual
Colorado Springs	$6,832	-8.8%	0.3%	1.1%	-2.6%
Eastern Plains	$2,215	3.6%	1.7%	2.4%	2.6%
Metro Denver	$44,581	-7.0%	0.4%	2.6%	-1.4%
Mountain	$13,503	-23.3%	0.0%	-2.4%	-9.2%
Northern	$8,073	4.9%	3.0%	1.8%	3.2%
Pueblo	$2,521	5.1%	2.5%	4.0%	3.9%
San Luis Valley	$602	-2.1%	0.8%	0.5%	-0.3%
Southwest Mountain	$3,449	13.2%	7.9%	7.0%	9.3%
Western	$10,869	-5.5%	4.9%	0.9%	0.0%
Statewide Total	**$92,644**	**-6.9%**	**1.6%**	**1.8%**	**-1.2%**

**Preliminary estimate from the Department of Local Affairs, Division of Property Taxation.*

adjust downward in value. Residential values in these areas are expected to decline in 2011, falling between 2.0 percent and 10.0 percent. Much of the metro Denver region will experience modest growth in 2013, the next reassessment year.

Changes in nonresidential assessed values have also been uneven in the region, rising between 3.0 percent and 10.0 percent in areas where demand for properties remains steady and supply did not get too high. Sizable declines in nonresidential assessed values are expected in other areas, such as Aurora, Denver, and Douglas County. Excess supply of commercial property is a problem in some areas, and businesses have lower incomes. These factors will push down nonresidential values by 9.0 percent in 2011.

Overall, total assessed values in the region will decline at an annual average rate of 1.4 percent over the next three years, with residential assessed values declining 1.1 percent and nonresidential assessed values declining 1.7 percent.

Both residential and nonresidential assessed values in the **Colorado Springs region** will decline for the 2011 property tax year. Overall assessed values will drop 8.8 percent, the biggest drop of the state's larger metropolitan areas. This decrease is a result of the poor performance of the region's economy over the past few years. The region has lost major companies with high-paying computer- and electronic-related manufacturing jobs. Further, the economic impact of the expansion of Fort Carson has been less than initially estimated. These factors have resulted in a large inventory of homes from overbuilding and a high number of foreclosures. Further, more home buyers are looking for lower-priced "fixer uppers." These conditions have exerted downward pressure on home values. Residential values will fall 9.6 percent in the reassessment year of 2011. Residential values have likely approached a bottom in the area, but are expected to grow minimally for the 2013 reassessment cycle.

Commercial and industrial properties will also decline in 2011 due to the weak economy. The sluggish economy has contributed to an increase in vacant business properties and weaker business performance. Some major retailers have left the region. Further, construction of commercial properties has outpaced demand, contributing to a high vacancy rate. The weakness in commercial property will persist into the 2013 assessment year.

Another large component of the region's nonresidential class of properties is vacant land, which is also being negatively impacted by the poor performance of the economy and real estate market. The struggles of the commercial and vacant property classes are expected to lead to a 7.9 percent decline in nonresidential assessed values for the region in 2011. Nonresidential values will remain essentially flat over the remainder of the forecast period.

Overall, total assessed values in the region will decline at an annual average rate of 2.6 percent over the next three years, with residential assessed values declining 2.7 percent and nonresidential assessed values declining 2.4 percent.

The **western region** of the state was the last area to enter the recession, and looks to be the last region in the state to experience a recovery. The area had the second largest drop in assessed values in 2010 (16.8 percent) due to the sharp decline in energy prices and mineral extraction activities. Some districts in the region are more tied to oil and gas production and will experience large decreases in property tax revenue. Districts in parts of Garfield, Rio Blanco, and Mesa counties are being hardest hit. For example, over 90 percent of the nonresidential assessed value for the Garfield County school district in the Parachute area consists of oil and gas properties. This district's nonresidential assessed value fell by half in 2010, resulting in a total loss of $1.0 billion in value. Nonresidential values will rebound in 2011, due to higher energy prices, but will remain low compared with the high levels in recent years. Declines in coal production in the region and limited demand for vacant land will also decrease values for 2011.

As a result of the boom in the energy industry and subsequent boost to economic activity, residential values more than doubled in the region from 2002 to 2009. However, the downturn in the industry caused a substantial number of job losses and out-migration from the area, leaving foreclosures and a large inventory of vacant homes in their wake. This will severely affect residential values in 2011, when properties are reassessed. The impact on values will be especially pronounced because properties were last assessed during the peak in home values and at a high point for the region's economy. Because the region's economy has yet to experience a recovery, it is likely that values will fall further, and could affect the 2013 assessment year as well.

Overall, total assessed values in the region will decline in 2011 but will be followed by two years of increases, propped up by the rebound in energy prices. Over the next three years, residential assessed values will decline at an annual average rate of 9.8 percent, while nonresidential assessed values will increase 4.3 percent.

The **southwest mountain region** will show mixed results with respect to assessed values in 2011. After showing uniformly modest growth during 2010, residential values in the region, with a few exceptions, will decline in 2011. Most of this decline is from the collapse in the market for second homes, especially in Archuleta County. The economic downturn has caused both new construction and sales of existing homes in the area to remain at very low levels. On the nonresidential side, many counties in the region are more reliant on oil and gas production, which experienced significant declines in 2010, offsetting the gains made in 2009. Nonresidential values are expected to rebound sharply in 2011 and continue to grow at a more modest pace during the remainder of the forecast period, due largely to a recovery in natural gas prices.

Overall, total assessed values in the region will increase at an annual average rate of 9.3 percent over the next three years, with residential assessed values declining 1.1 percent and nonresidential assessed values increasing 13.1 percent.

The **northern region**, containing school districts in Larimer and Weld counties, will see varied growth. Weld County has 12 school districts. The level of growth in each school district will depend greatly on the composition of property within the district. Districts with significant natural resource production will see relatively strong growth in 2011, followed by weaker growth in 2012 and 2013. Residential-based communities will also see slow growth or slight declines in the near term because of the housing market difficulties. Overall, total assessed values in the region will grow at an annual average rate of 3.2 percent over the next three years, with residential assessed values declining 0.5 percent and nonresidential assessed values increasing 5.4 percent.

School districts in the **eastern plains region** are typically among the slowest growing in terms of assessed value. This is partially the result of slow population growth and relatively low demand in the region for residential and commercial development. Agricultural land in the region has shown fairly flat growth over the past several years. Residential assessed values have remained relatively stable in the region; they grew 0.4 percent in the 2009 assessment year. That pattern is expected to continue in the 2011 assessment year. Districts with significant natural resources, such as Cheyenne and Yuma counties, will experience steady growth in nonresidential assessed value, pushing values higher over the forecast period. Overall, total assessed values in the region will grow at an annual average rate of 2.6 percent over the next three years, with residential assessed values increasing 1.4 percent and nonresidential assessed values increasing 2.9 percent.

Colorado's **mountain region** experienced the second highest growth in assessed values in 2009 (21.5 percent) due to a booming housing market, especially for high-priced vacation homes. The area also experienced strong tourism activity during the economic expansion, leading to increased investment in commercial projects. However, the collapse of the real estate market and the contraction in the economy will cause assessed values to fall precipitously.

Residential values will drop 26.6 percent in the 2011 assessment year, representing the largest decline of all the regions in the state. A lack of demand and hard-to-obtain financing for high-priced homes are the main factors behind the drop in the region's residential values. Weak demand is causing housing developers and sellers to drop prices substantially to attract buyers.

Commercial properties and vacant land will experience similar declines due to the recession's impact on tourism and consumer spending. Nonresidential values will decrease 18.6 percent in 2011. Like the western region, property values were last assessed during their peak, which is contributing to the sharp drop. Though the drop in values appears to be nearing the bottom in some of the region's communities, residential values are expected to decline again in the 2013 assessment year, though less severely.

Overall, total assessed values in the region will decrease at an annual average rate of 9.2 percent over the next three years, with residential assessed values decreasing 10.1 percent and nonresidential assessed values decreasing 7.9 percent.

The economy of the **Pueblo region**, encompassing districts located in Pueblo, Fremont, Las Animas, Huerfano, and Custer counties, has not yet embarked on a sustained recovery from recession. Assessed values for both the Pueblo City and Pueblo rural school districts, though slightly up in 2010, are expected to drop by nearly 3 percent in 2011. Although residential building permits are beginning to recover from the 2009 trough, indicating some recovery in the housing market, residential assessed values for these two Pueblo County districts are likely to be modest through the forecast period. Residential values in Trinidad and much of the surrounding areas in Las Animas County are expected to stabilize in 2011. In contrast, residential values in Fremont County school districts are expected to drop noticeably due to a significant decline in the value of expensive homes in the area.

The biggest influence on nonresidential values in the region is the loss of natural gas development in Las Animas County. Districts such as Aguilar, Primero, and Trinidad, with large amounts of value from oil and gas properties, saw massive drops in assessed value in 2010, offsetting the sizeable gains realized in 2009. Nonresidential assessed values in these districts are expected to rebound sharply in 2011, then continue to increase at a slower rate throughout the forecast period as the industry slowly recovers. The forecast anticipates modest declines for the Canon City and Florence districts, which have large commercial and industrial components.

Overall, total assessed values in the region will increase at an annual average rate of 3.9 percent over the next three years, with residential assessed values increasing 0.4 percent and nonresidential assessed values increasing 6.0 percent.

The **San Luis Valley region** will see limited growth in assessed value over the forecast period. Residential values appear to be bottoming out and stabilizing, with a few exceptions. While an increase in property values is anticipated for most districts, these increases are offset with larger declines in the Del Norte, Monte Vista, and Sargent school districts. In the coming years, growth should begin to be positive in more districts in the region. On the nonresidential side, assessed values for agricultural land are generally expected to increase slightly throughout the forecast period. However, this positive growth will be outweighed by a decline in other nonresidential values.

Overall, total assessed values in the region will decrease at an annual average rate of 0.3 percent over the next three years, with residential assessed values decreasing 0.3 percent and nonresidential assessed values decreasing 0.2 percent.

Risks to the forecast. The overall performance of the economy over the next several years will influence the strength or weakness in property values. This forecast assumes that the economic recovery will continue at a modest pace. However, a weakening of the economy will cause both residential and nonresidential values to decrease further than projected. Conversely, the recovery could gain greater momentum than expected, with higher levels of investment and stronger job growth. This would likely create positive ripple effects throughout the state's residential and business-related properties.

Finally, oil and gas properties are a significant driver of assessed values. Because energy prices are difficult to predict, large variations in value similar to those experienced over the last several years could play a large role in determining overall assessed values in the future. This pertains especially to counties that have substantial oil and gas development, such as Cheyenne, Rio Blanco, Garfield, Las Animas, Weld, and La Plata.

Figure 21
Forecast Percent Change in Total Assessed Valuation by Region
2011 Assessment Year (Budget Year 2011-12)

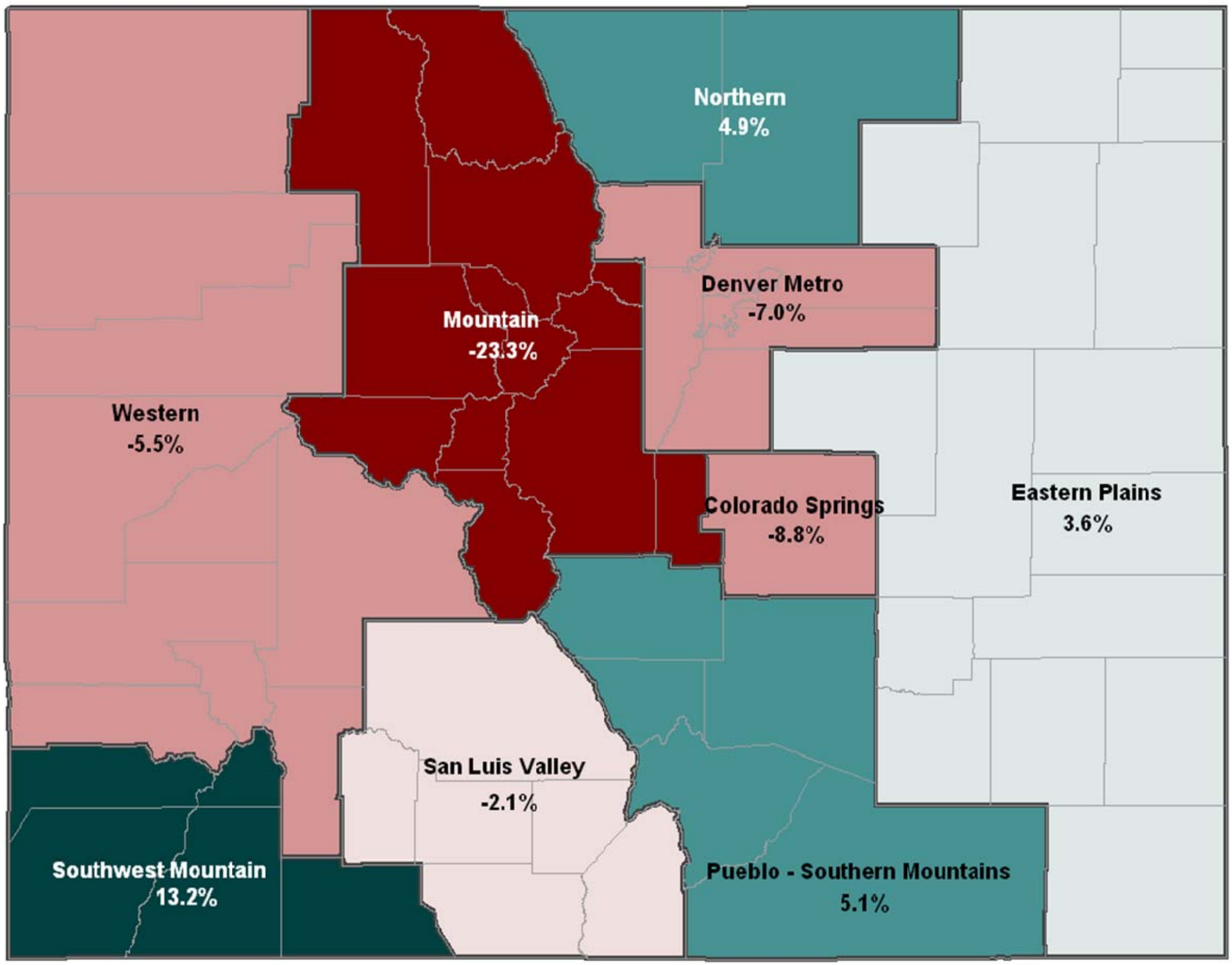
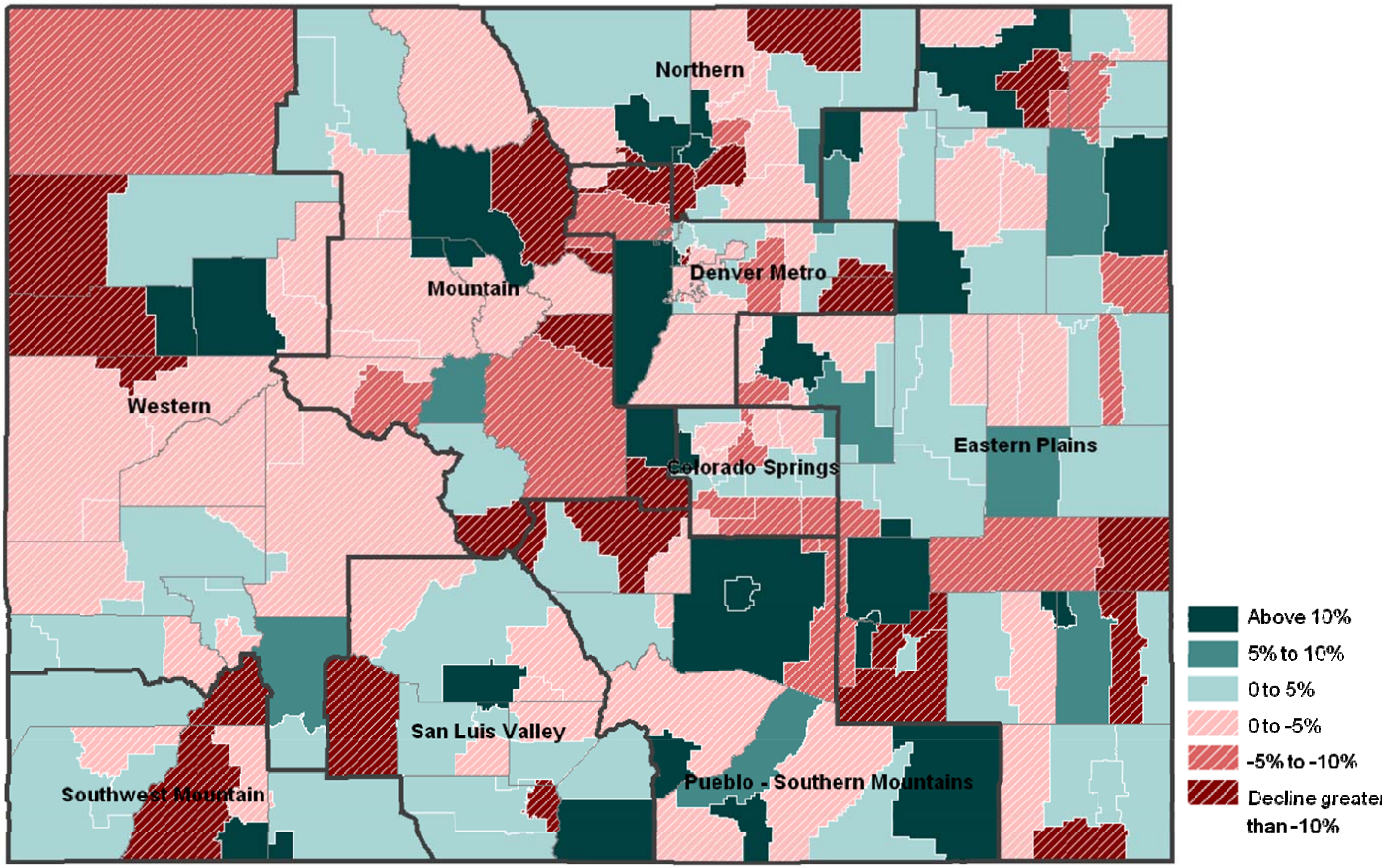


Figure 22
Forecast Percent Change in Total Assessed Valuation by District
2011 Assessment Year (Budget Year 2011-12)



Adult Prison and Parole Population Projections

The following section describes inmate population trends and the forecast for the prison population. It also discusses factors that affect these trends and presents an overview of recent legislation impacting the prison population. The last segment presents parole population projections and describes the primary risks to the forecast.

- The Department of Corrections (DOC) inmate population is projected to decrease from 22,860 in June 2010 to 21,058 in June 2013. This represents an average annual rate of decline of 2.7 percent. In comparison, over the past three years, the total inmate population increased at an average annual rate of 0.5 percent. The projected decline through the forecast period is the result of recent trends combined with a series of bills passed during the last legislative session.

- Over the three-year forecast period, the male inmate population is expected to decrease by 1,622 inmates, or about 540 inmates per year. The female population is projected to decrease by 180 inmates, or about 70 inmates per year. Both populations will continue to decline through the forecast period, although for the male population, the decrease will taper off in later years. The rate of decline for females will gradually accelerate over the forecast period.

- Compared with the December 2009 forecast, inmate projections were increased in 2011 but reduced in the later years of the forecast period. The change is the result of higher than expected population for both men and women in 2010. In FY 2011-12, the trend of population declines is expected to resume and continue through FY 2012-13.

- The total in-state parole population is projected to increase from 8,535 in June 2010 to 9,390 in June 2013, growing at an average annual rate of 3.2 percent. The total number of parolees (those supervised in-state and out-of-state) is expected to increase from 11,238 to12,327 during the forecast period, growing at an average annual rate of 2.8 percent. The parole forecast was decreased compared with the December 2009 forecast due to lower than projected actual caseload in June 2010 and a continued decline during the first five months of the current fiscal year.

Adult prison population trends. From June 2000 to June 2010, the prison population grew at an average annual rate of 3.6 percent. During this decade, male and female inmate populations grew at average annual rates of 3.4 percent and 5.0 percent, respectively. In FY 2009-10, the inmate population declined 1.4 percent. This inmate reduction was due to lower felony filings and slower admissions into prison, combined with increased releases. In FY 2009-10, prison admissions fell by 2.6 percent, and releases increased by 6.9 percent. Table 16 shows the historical prison population by gender.

Adult prison forecast. Table 16 presents the projected inmate population over the next three years. Between June 2010 and June 2013, the prison population is expected to decrease at an average annual rate of 2.7 percent. On an annual basis, the male and

Table 16
History and Forecast of Adult Prison Population, by Gender

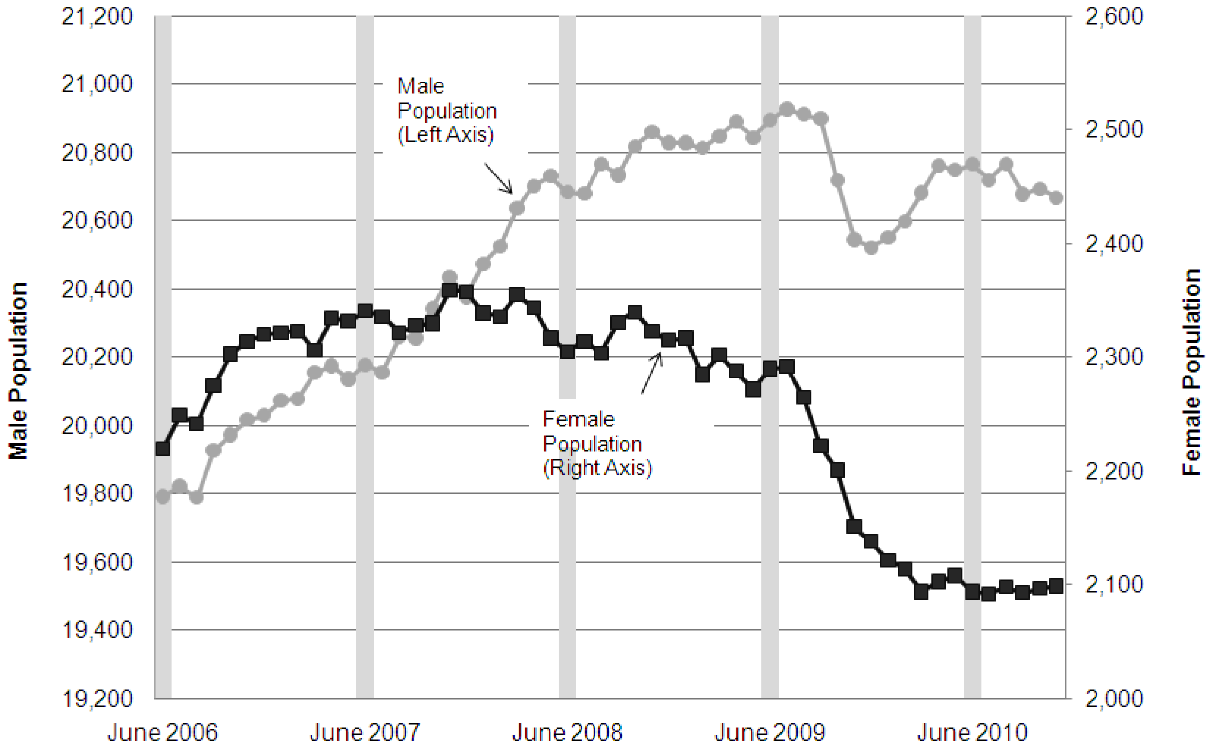
Prison Population Trends						
Fiscal Year	**Males**	**% Change**	**Females**	**% Change**	**Total**	**% Change**
1993	8,713	5.4%	529	4.8%	9,242	5.3%
1994	9,382	7.7%	623	17.8%	10,005	8.3%
1995	10,000	6.6%	669	7.4%	10,669	6.6%
1996	10,808	8.1%	769	14.9%	11,577	8.5%
1997	11,681	8.1%	909	18.2%	12,590	8.8%
1998	12,647	8.3%	1,016	11.8%	13,663	8.5%
1999	13,547	7.1%	1,179	16.0%	14,726	7.8%
2000	14,733	8.8%	1,266	7.4%	15,999	8.6%
2001	15,493	5.2%	1,340	5.8%	16,833	5.2%
2002	16,539	6.8%	1,506	12.4%	18,045	7.2%
2003	17,226	4.2%	1,620	7.6%	18,846	4.4%
2004	17,814	3.4%	1,755	8.3%	19,569	3.8%
2005	18,631	4.6%	2,073	18.1%	20,704	5.8%
2006	19,792	6.2%	2,220	7.1%	22,012	6.3%
2007	20,178	2.0%	2,341	5.5%	22,519	2.3%
2008	20,684	2.5%	2,305	-1.5%	22,989	2.1%
2009	20,896	1.0%	2,290	-0.7%	23,186	0.9%
2010	20,766	-0.6%	2,094	-8.6%	22,860	-1.4%
2011*	20,281	-2.3%	2,038	-2.7%	22,320	-2.4%
2012*	19,688	-2.9%	1,975	-3.1%	21,662	-2.9%
2013*	19,144	-2.8%	1,914	-3.1%	21,058	-2.8%

Source: Colorado Department of Corrections.
** Legislative Council Staff forecast.*

female populations are expected to decline by an average of 2.7 percent and 3.0 percent, respectively. The decline is a continuation of the trend that began last year for men but has been occurring in each of the last three years for women. The trend is extended by a series of bills, passed during the 2010 legislative session, that will put downward pressure on the inmate population.

Figure 23 graphically depicts, on a monthly basis, the male and female populations from June 2006 through November 2010. As the figure shows, the male populations peaked in July 2009 and declined through the fall before rebounding in the spring of 2010. The female population trended downward from October 2008 through March 2010. Since June, the male inmate population has declined at an average monthly

Figure 23
Historical Monthly Prison Population Levels, by Gender
June 2006 through November 2010



Source: Colorado Department of Corrections.

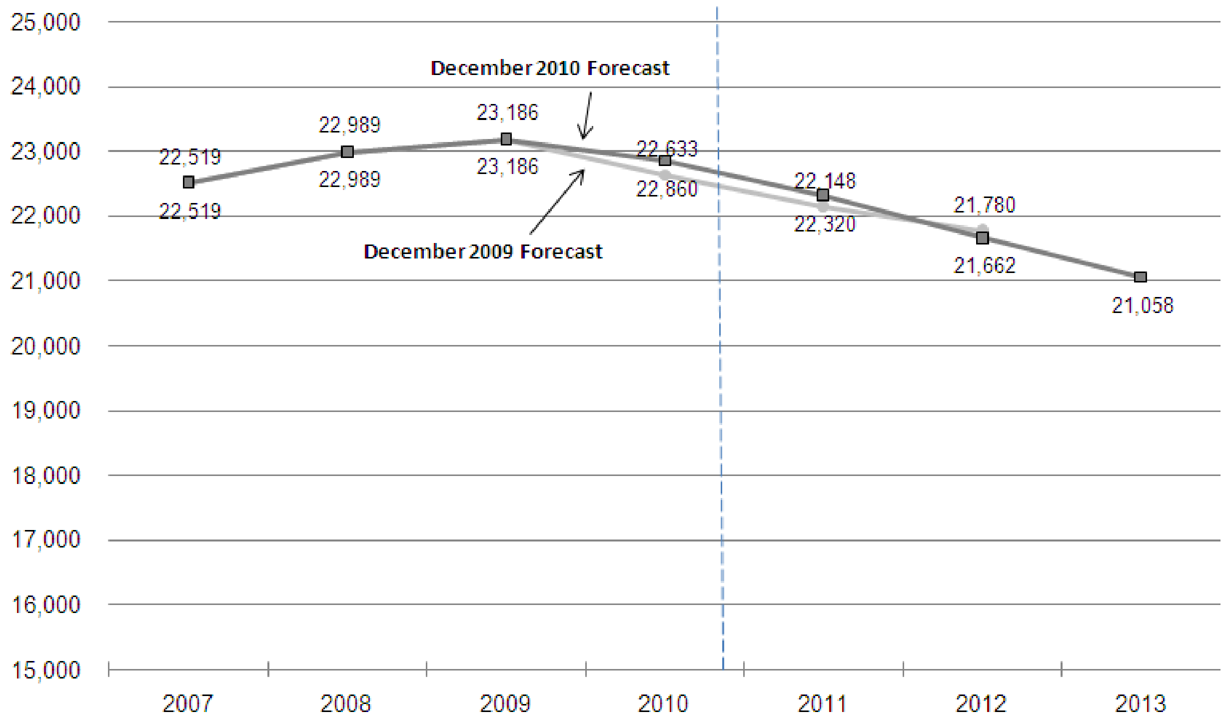
rate of 0.1 percent, while the female population has been flat.

The interaction between inmate admission and releases is responsible for the net change in the prison population. In the first five months of FY 2010-11, inmate admissions are down 4.9 percent from FY 2009-10 levels on an annual basis, while inmate releases are down 9.8 percent. The combination of these trends has produced small declines among males and a slight increase among females so far this fiscal year.

Figure 24 graphically depicts the change in this year's inmate population forecast from the projection issued in December 2009. In the current fiscal year, the 2009 forecast expected the inmate population on June 30, 2011 to reach 22,148, representing a monthly decline of about 59 inmates. Through the first five months of FY 2010-11, the prison population has declined but not nearly as sharply, losing just over 18 inmates per month. The December 2009 forecast was thus revised upward resulting in an expected inmate population of 22,320 by June 2011. This current forecast also projects a declining inmate population for subsequent years in the forecast period, primarily due to legislation that was passed in the 2010 legislative session. This legislation is detailed below.

Factors affecting the adult prison population. The following paragraphs describe how both external factors including demographic and economic trends, changes within the criminal justice system, new legislation, and internal factors such as the DOC or Parole Board administrative policies

Figure 24
Adult Inmate Population, forecast to Forecast Comparison
December 2010 and December 2009



Source: Colorado Department of Corrections, Legislative Council Staff forecast.
Note: 2009 numbers for the December 2009 forecast are actual totals.

can influence the growth or decline of the inmate population.

- ***Population.*** All other things being equal, a larger population results in a greater number of criminal offenses, arrests, criminal felony filings, and prison commitments. Colorado's adult population between the ages of 20 and 49 increased at an average annual rate of 2.5 percent between 1990 and 2000. Correspondingly, the 1990s were a decade of strong prison population growth, with an average annual rate of growth of 7.4 percent between June 1990 and June 2000. From 2000 through 2010, the growth in this population cohort slowed to an average annual rate of 0.8 percent, and the growth in the prison population slowed to 3.6 percent. As this cohort is projected to grow at an average annual rate of 0.9 percent through the forecast period, we expect this trend to put mild upward pressure on the inmate population.

- ***Economic factors.*** When the economy is strong and job opportunities are available, income and earnings rise. Historically, the theory has been that the prospect of a job and increased wages raises the opportunity cost of committing a crime. While several studies suggest that weak earnings and slow employment growth are correlated with increased prison admissions, others find little correlation between these factors. Indeed, despite the recent economic downturn, prison admissions have fallen nationwide, and Colorado is no exception. While this is undoubtedly the result of the interaction of a variety of factors, this forecast assumes little to no correlation between the economic recovery and prison admissions.

- ***Criminal Justice System.*** The actions of the judicial system also affect inmate population growth. In particular, the commitment of more (fewer) offenders to prison and will increase (decrease) the inmate population. After peaking in 2006, district court filings have fallen at an average annual rate of 1.6 percent over the last four years, placing downward pressure on admissions and the inmate population. However, the mix of crimes prosecuted also affects the prison population. If prosecutors prioritize more serious offenses with corresponding longer prison sentences, the average length of stay will increase, and so will inmate population growth. For example, the maximum sentence for convicted sex offenders is a lifetime sentence. The population of such offenders has grown recently, which exerts upward pressure on the inmate population.

- ***Legislation.*** In the 2010 legislative session, four bills were passed that are anticipated to reduce the prison population by reducing both admissions and the length of stay for inmates: House Bill 10-1338, House Bill 10-1352, House Bill 10-1360, and House Bill 10-1374. **House Bill 10-1338** allows individuals with two or more felony convictions to be sentenced to probation under certain circumstances. The bill applies to offenders convicted of a class 2 through class 6 felony, and is anticipated to reduce prison admission by 90 offenders annually.

  House Bill 10-1352 changes the penalty for certain drug-related crimes from a felony to a misdemeanor and reduces sentences for other crimes. It is anticipated that the bill will reduce admissions to DOC by over 100 inmates in the first year of implementation, and by larger amounts in subsequent years.

  House Bill 10-1360 allows certain parolees to be placed in a community return-to-custody facility rather than a state correctional facility. It is anticipated the bill will reduce technical parole violations at correctional facilities by 150 inmates annually. Finally, **House Bill 10-1374** reduces inmate bed-days by allowing inmates up to 12 days of earned time under certain circumstances. While all of these bills will place downward pressure on the prison population, the timing of the impact is uncertain. Indeed, at the time of passage, it was anticipated that the impact would be greater than what has been seen thus far. This forecast assumes a lagged impact such that the population reductions will be accelerated in the later years of the forecast period.

- ***DOC and Parole Board administrative policies.*** Besides external factors, DOC and/or Parole Board internal policies also affect prison population levels. Parole Board policies that increase parole revocations or reduce releases to parole will increase inmate population growth, while policies that decrease parole revocations or increase prison releases to parole will reduce inmate population growth.

Adult parole population trends and forecast. From June 1993 until June 2010, the parole population supervised in-state grew at an average annual rate of 8.2 percent. In FY 2009-10, the in-state parole population fell by 5.3 percent, down from 2.7 percent growth in the prior year. Table 17 provides a history of the parole population supervised in-state and out-of-state, as well as the forecast for these populations through June 2013. The out-of-state population includes parole *absconders* — parolees who have not reported and are considered fugitives. The number of parolees *supervised in-state* is expected to increase at an average annual rate of 3.2 percent throughout the forecast period — from 8,535 parolees as of June 2010 to 9,390 parolees as of June 2013. The *total* number of parolees will increase at an average annual rate of 2.8 percent over the forecast period, from 11,328 parolees as of June 2010 to 12,327 parolees as of June 2013.

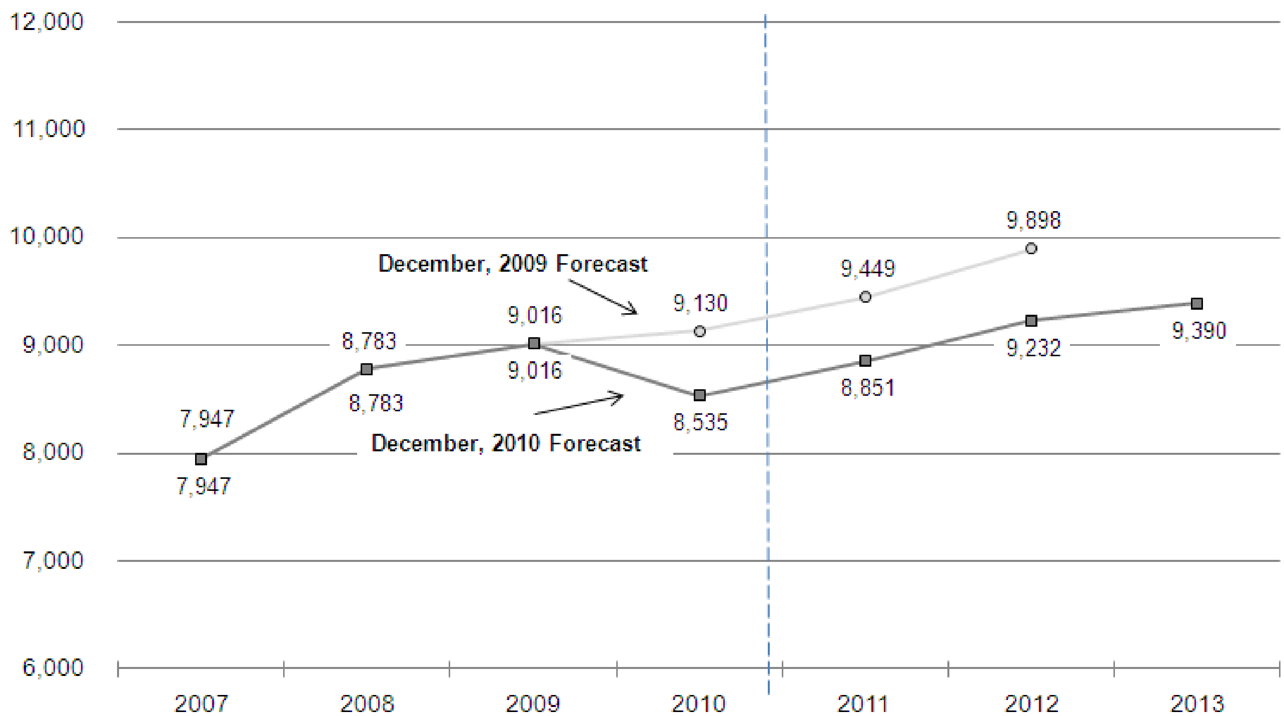
Figure 25 illustrates the change in the December 2010 in-state parole forecast from the corresponding December 2009 projection. The 2010 parole forecast was revised downward relative to the 2009 forecast for two reasons. In June 2010, the actual in-state parole caseload was 8,535, down 595 from the 9,130 projected in December 2009. While the 2009 forecast projected that the in-state parole caseload would rise to 9,449 by June 2011, total in-state parolees had fallen to 8,304 through November 2010. This suggested that a sharp reduction from the December 2009

Table 17
History and Forecast of Parole Population, In-State and Out-of-State Parolees

Parole Population Trends						
Fiscal Year	**In State**	**% Change**	**Out of State**	**% Change**	**Total**	**% Change**
1993	2,116	8.9%	657	21.0%	2,773	11.5%
1994	1,958	-7.5%	690	5.0%	2,648	-4.5%
1995	2,026	3.5%	744	7.8%	2,770	4.6%
1996	2,322	14.6%	924	24.2%	3,246	17.2%
1997	2,695	16.1%	1,155	25.0%	3,850	18.6%
1998	3,219	19.4%	1,433	24.1%	4,652	20.8%
1999	3,722	15.6%	1,569	9.5%	5,291	13.7%
2000	3,685	-1.0%	1,537	-2.0%	5,222	-1.3%
2001	4,192	13.8%	1,646	7.1%	5,838	11.8%
2002	4,037	-3.7%	1,680	2.1%	5,717	-2.1%
2003	4,858	20.3%	1,906	13.5%	6,764	18.3%
2004	5,244	7.9%	1,994	4.6%	7,238	7.0%
2005	5,714	9.0%	2,097	5.2%	7,811	7.9%
2006	6,551	14.6%	2,291	9.3%	8,842	13.2%
2007	7,947	21.3%	2,596	13.3%	10,543	19.2%
2008	8,783	10.5%	2,728	5.1%	11,511	9.2%
2009	9,016	2.7%	2,734	0.2%	11,750	2.1%
2010	8,535	-5.3%	2,793	2.2%	11,328	-3.6%
2011*	8,851	3.7%	2,827	1.2%	11,678	3.1%
2012*	9,232	4.3%	2,914	3.1%	12,146	4.0%
2013*	9,390	1.7%	2,937	0.8%	12,327	1.5%

Source: Colorado Department of Corrections.
** Legislative Council Staff forecast.*

Figure 25
Adult In-State Parole Population, Forecast to Forecast Comparison



Source: Colorado Department of Corrections, Legislative Council Staff forecast.
Note: 2010 numbers for the December 2010 forecast are actual totals.

parole forecast was necessary in the current fiscal year. However, several of the aforementioned bills are anticipated to reduce the inmate population and increase the parole population, although the timing of this impact is now thought to be later than originally anticipated. Because of this, a higher growth rate was assumed for the remainder of this fiscal year and through FY 2011-12. By FY 2012-13, the impact of the declining inmate population will begin to be felt and the growth rate of in-state and total parolees will begin to moderate.

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

- ***Prison commitments.*** As mentioned above, a decrease in prison commitments will have a direct, lagged impact on the parole population. When the rate of growth in prison commitments decreases (or increases), growth in the parole population will be expected to eventually decelerate (or accelerate). New court commitments have declined recently. However, the types of prison commitments will also alter the growth rate of the parole population. Commitments with longer sentences will cause parole deferrals to rise, thereby reducing the rate of growth of the parole population. Conversely, commitments with shorter sentences, such as the drug related crimes specified in House Bill 10-1352, will accelerate the growth rate of the parole population. This forecast assumes that the impact of legislation will increase parole populations in the short run. In the long-run, the continued decline in inmate populations will work to reduce or slow the growth in the parole population.

- ***Parole Board release and revocation decisions.*** The Parole Board is a key influence on the growth of the prison population (as described above) and the parole population. Board decisions to revoke parole reduce the parole population, but increase the prison population. Discretionary decisions to release inmates to parole increase the parole population and reduce the prison population. The Board also determines when parolees are released from parole into the general population. Technical parole revocations have steadily increased during the last couple of years, resulting in lower than anticipated parole populations.

Risks to the forecast. The most important risk to the forecast is the timing of the impact of the legislation passed during the 2010 session. At the time these bills were passed, the cumulative bed impact for DOC was anticipated to be a reduction of roughly 350 inmates in FY 2010-11, 500 inmates in FY 2011-12, and nearly 800 inmates in FY 2012-13. Thus far, the reduction in inmates has not been as large as anticipated, and the lag of the impact may be longer than expected. While the inmate and parole forecasts presented here have attempted to incorporate the impact of this legislation, it must be acknowledged that substantial uncertainty exists over the timing of the impacts.

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

The Parole Board has a tremendous influence upon both the parole population and the population of parole revocations in prison. Discretionary releases to parole decrease the inmate population and increase the parole population, while parole revocations do the reverse. Currently, discretionary releases are at very low levels while parole revocations have been trending upward. The parole and prison forecasts assume that the Parole Board will not significantly change its present practices regarding release or revocation decisions.

Historically, it was thought that the state of the economy had a significant influence on prison and parole populations. More recently, several studies have indicated a lack of correlation between economic factors such as employment levels and prison admissions. This forecast presumes no significant correlation, positive or negative, between economic factors and inmate and parole populations.

Youth Corrections Population Projections

- The Division of Youth Corrections (DYC) **commitment population** will decrease from an average daily population of 1,171 in FY 2009-10 to 1,037 in FY 2010-11. By FY 2011-12, the commitment population will further decrease to 1,020, before rebounding slightly to 1,025 in 2013.

- The average daily **parole population** will correspondingly fall from 443 in FY 2009-10 to 422 in FY 2010-11 and fall further to 412 in FY 2011-12. This population will rebound slightly to 418 in FY 2012-13.

Juvenile Offender Sentencing Options

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

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

- ***Detention.*** The court may sentence a juvenile to a detention facility if he or she is found guilty of an offense that would constitute a class 3 or lower felony or misdemeanor if committed by an adult. Detention sentences may not exceed 45 days and are managed by the DYC.

- ***County jail or community corrections.*** Juveniles between 18 and 21 who are adjudicated a delinquent prior to turning 18 may be sentenced to county jail for up to six months or to a community correctional facility or program for up to one year.

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

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

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

Division of Youth Corrections Sentencing Placements and Population Overview

Detention. The DYC manages eight secure detention centers and contracts for additional detention beds. In 2003, the detention population was capped at 479 youths. *As a result, Legislative Council Staff no longer forecasts detention bed need.* Through October 2010, the average daily detention population was 358.

Commitment. The commitment population consists of juveniles who have been adjudicated for a crime and committed to the custody of the Department of Human Services. Commitment may be for a period of one to seven years, depending on the nature of the crime and the juvenile's criminal history. In FY 2009-10, the average daily commitment population was 1,171, representing a 4.6 percent decrease from the prior year. In FY 2008-09, the average daily commitment population also declined 4.6 percent.

Community parole. Juveniles who have satisfactorily served their commitment sentence and are approved by the Juvenile Parole Board are eligible for community parole. The DYC continues to be closely involved with parolees, preparing the parole plan for the board and supervising and monitoring the youth's progress while on parole. In FY 2009-10, the average daily parole population was 437, representing a 1.5 percent increase from the prior year. In FY 2008-09, the average daily parole population declined by 14.3 percent.

Influences on the Juvenile Offender Population

Changes in the juvenile offender population result from a combination of factors. Demographic trends, court sentencing practices, and the ability of DYC to provide custodial services all affect the juvenile offender projections.

Population growth. The growth in the Colorado population of juveniles age 10 to 17 increased by an average of 3.4 percent annually between 1990 and 2000. Likewise, the commitment population grew at an average annual rate of 8.5 percent in that ten-year period. However, from 2000 to 2010, this population cohort increased by an average of only 0.7 percent annually, including 2.3 percent over the last year. During this period, the commitment population grew at an average annual rate of 8.5 percent. This population cohort is expected to increase at a rate of 1.9 percent annually through the forecast period, which could put slight upward pressure on the commitment population.

Court sentencing practices. Juvenile filings increased at an average annual rate of 4.8 percent from 1990 through 2000. However, since peaking in 1998, filings have declined steadily. Over the last decade, filings have dropped at an average annual rate of 4.2 percent, including a 14.7 percent decline over the last year. This significant decline in filings puts downward pressure on the population committed to DYC supervision.

In addition, policies affecting sentencing alternatives for juveniles affect the youth corrections population. These include the creation of diversionary programs as alternatives to incarceration, mandated caps on sentence placements, and changes to parole terms.

DYC Commitment Population Projections

In FY 2010-11, the commitment population will average 1,037, representing a 11.4 percent decrease over last year. In October 2010, the average daily population stood at 1,065, a decrease of 9.1 percent from its level of 1,171 in June 2010. By FY 2011-12, the commitment population will drop further to 1,020, representing a decrease of 1.6 percent. Table 18 provides the forecast for the average annual commitment population from FY 2010-11 to FY 2012-13, along with the interim 2010 forecast for the same period.

Table 18
DYC Commitment Population
Forecast-to-Forecast Comparison

FY	Dec-10 Forecast	Sep-10 Forecast	Forecast Difference	Percent Difference
2010*	1,171	1,171	0	0.0
2011	1,037	1,092	(55)	(5.0)
2012	1,020	1,087	(67)	(6.1)
2013	1,025	1,095	(70)	(6.4)

** Actual Commitment Population through 2010.*

As Table 18 shows, projected DYC commitments have been adjusted downward from the interim projections made in September 2010. At that time, the average daily commitment population was projected to fall steadily at an average annual rate of 3.7 percent through FY 2011-12 before rebounding slightly in FY 2012-13. However, the decline in new commitments has fallen more rapidly. By October 2010, the average daily population of commitments was at 1,065, a 9.0 percent decrease from June 2010 levels.

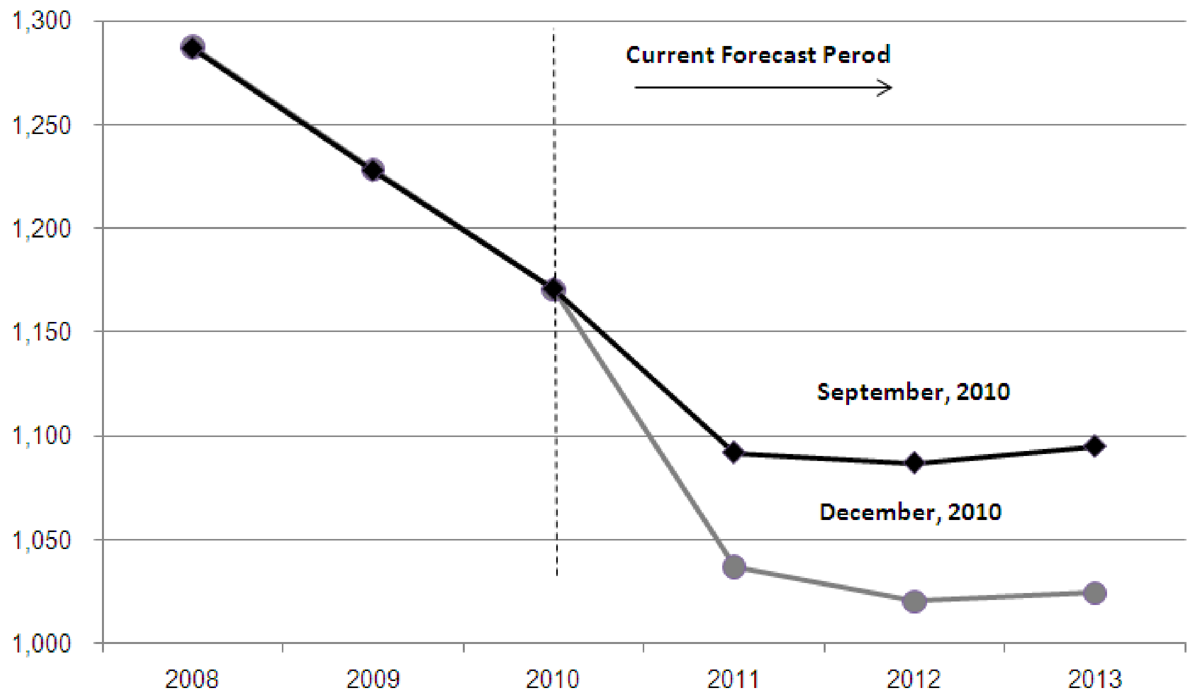
Commitments are expected to continue to decline through the winter months before rebounding slightly in the spring, leading to a projected average daily population of 1,037 in June 2011. This would represent a decline of 11 percent during the current fiscal year. Through the forecast period, the impact of the rapid decline in juvenile filings will lead to a continued decline in commitments through FY 2011-12. However, the decline in juvenile filings is expected to moderate over time, leading to a leveling in the commitment population forecast in FY 2012-13. Figure 26 graphically compares the current commitment population forecast with the interim 2010 forecast.

Juvenile Parole Population Projections

Table 19 compares the projected juvenile parole average daily population with the interim projections from September, 2010. In FY 2010-11, the parole population will average 422, representing a 4.7 percent decrease over last year. By FY 2011-12, the parole population will drop to 412, representing an average decline of 3.5 percent per year, before rebounding slightly in FY 2012-13.

As Table 19 shows, projected DYC parolees have been adjusted downward from the interim projections made in September 2010. At that time, the average daily parole population was projected to rise at an average annual rate of 2.9 percent through FY 2012-13. However, the sharp decline in new commitments combined with the time limits on parole terms imply the parole population will likely decline over the forecast period. By October 2010, the average daily population of parolees remained at 443 on the strength of higher parole levels in August and September. However, commitments are expected to continue to decline through FY 2010-11, and the parole population is likely to follow the same trend, although somewhat lagged. As commitments level off in the later part of the forecast period, parole numbers are expected to rebound slightly. Figure 27 graphically compares the current parole population forecast with the interim 2010 forecast.

Figure 26
Comparison of DYC Average Daily Commitment Population Forecasts,
December 2010 and September 2010



Source: Colorado Department of human Services, Division of Youth Corrections, and Legislative Council Staff forecasts.

Table 19
DYC Parole Population

FY	Dec-10 Forecast	Sep-10 Forecast	Forecast Difference	Percent Difference
2010*	443	443	0	0.0
2011	422	461	(39)	(8.5)
2012	412	477	(65)	(13.7)
2013	418	484	(66)	(13.6)

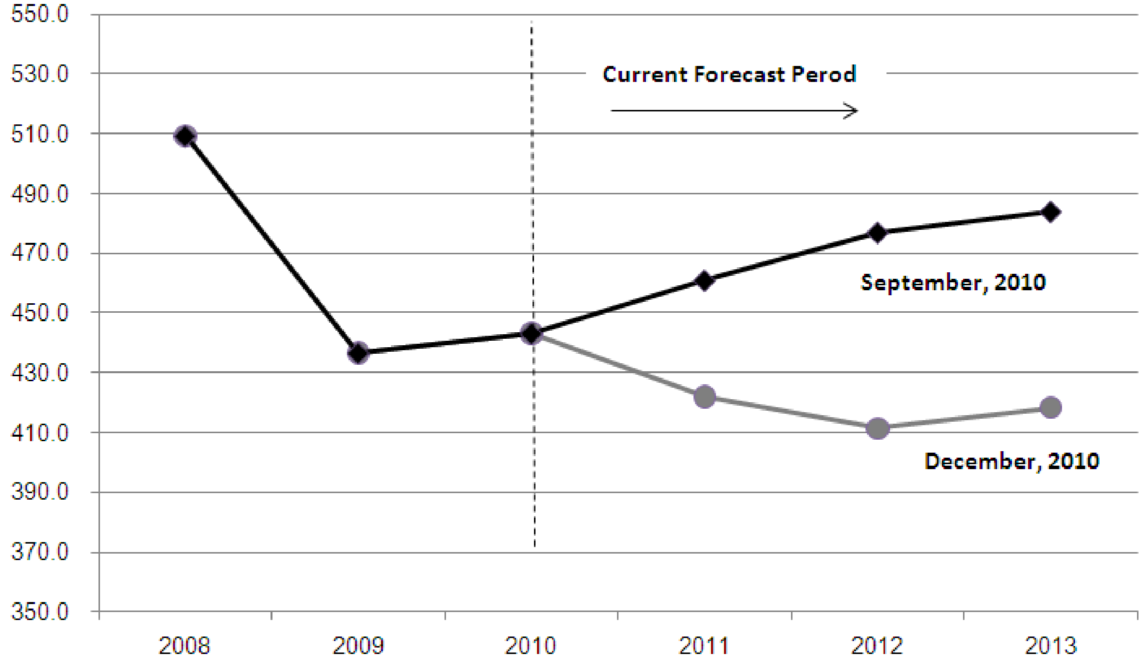
Source: Division of Youth Corrections, Legislative Council Staff forecast.
** Actual Commitment Population through 2010.*

Risks to the forecast

The DYC provides a continuum of services for juveniles committed to its custody. State budget cuts that impede the ability of the DYC to provide a full range of services may, in theory, tend to increase the length of stay and put upward pressure on the commitment population.

The current briefing from JBC staff outlines several budget reduction proposals. However, because the declining commitment levels have resulted in an increased expenditure per committed youth during the last few years, it is not clear that these proposed cuts would be substantial enough to significantly impact the average daily population of committed youths.

Figure 27
Comparison of DYC Average Daily Parole Population Forecasts,
December 2010 and September 2010



Source: Colorado Department of Human Services, Division of Youth Corrections, and Legislative Council staff forecasts.

Also, commitment sentences are at the discretion of the courts. Judges may decide to place more offenders under DYC supervision. The youth corrections forecast assumes that the sentencing decision process and sentencing patterns will remain consistent with current practices, which have resulted in a steady decline in juvenile filings.

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

Juvenile population trends also impact the youth corrections population. This forecast assumes a modest growth rate for the juvenile cohort throughout the forecast period. Significant changes in this trend would result in a corresponding, though somewhat lagged, change to the youth corrections population. Moreover, economic conditions may also have an impact. Legislative Council Staff is projecting a fairly high unemployment rate and only modest employment growth through 2012. These trends could place upward pressure on the average daily commitment population.

Finally, any future legislation passed by the General Assembly (i.e. penalties, length of parole, funding for additional alternatives to commitment) would have a significant impact upon the youth corrections populations. This forecast is based on current state law, and does not account for future legislative changes.

COLORADO ECONOMIC REGIONS

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

A note on data revisions. Economic indicators included in the forecast document are often revised by the publisher of the data. Employment data is based on a "sample" of individuals who are surveyed — a "sample" is a small population of individuals representative of the population as a whole. Monthly employment data is based on the surveys received at the time of data publication and this data is revised over time as more surveys are collected to more accurately reflect actual employment. Because of these revisions, the most recent months of employment may reflect trends that are ultimately revised away. Additionally, employment data undergoes an annual revision, which is published in March of each year. This revision may effect one or more years of data values.

Like the employment data, residential housing permits and agriculture data are also based on surveys. This data is revised periodically. Retail trade sales data typically has few revisions because the data reflects actual sales by Colorado retailers. Nonresidential construction data in the current year reflects reported construction activity, which is revised the following year to reflect actual construction activity.

Metro Denver Region

The metro Denver region, which represents over half of the statewide labor force, continues along a rocky path to recovery. The labor market is showing signs of life, but job growth is slow. Consumer spending had a strong rebound in 2009; however, spending stalled in the spring and has regained little momentum. Like most of the state, residential construction continues to struggle as the region picks up the pieces from the bust, although increases in permits in the latter half of the year show that a bottom may be in site. High levels of unemployment are also compounding housing market woes. Commercial construction activity eased slightly, but continues to deteriorate as the area endures low demand for new construction with an oversupply of commercial space due to the effects of the recession. Table 20 shows economic indicators for the region.

Job market. The metro Denver job market has stabilized but is slow to add jobs. Growth has been marked by ups and downs so far in 2010, but over-all job creation is on the rise, as shown in Figure 28. The year-to-date employment declines reported in Table 20 are somewhat misleading because they are based on average levels of employment throughout the year. The region has actually seen job gains since the start of 2010, but heavy job losses throughout 2009 meant that employment fell from higher levels in the first half of 2009 compared with the relatively modest job growth experienced in the first half of 2010.

Table 20
Metro Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson Counties

	2006	2007	2008	2009	YTD 2010
Employment Growth /1	2.0%	2.2%	1.0%	-4.4%	-1.7%
Unemployment Rate /2 (2010 Figure is October Only)	4.4%	3.9%	4.9%	7.8%	8.9%
Housing Permit Growth /3					
Single-Family (Denver-Aurora)	-26.6%	-38.7%	-50.1%	-31.8%	41.6%
Single-Family (Boulder)	-41.8%	-20.6%	-53.5%	-27.6%	92.6%
Growth in Value of Nonresidential Const. /4	-5.0%	34.5%	-14.3%	-37.7%	-3.3%
Retail Trade Sales Growth /5	7.6%	6.5%	-0.8%	-11.4%	6.1%

MSA = Metropolitan statistical area.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey for Denver-Aurora-Broomfield and Boulder MSAs. Seasonally adjusted. Data through October 2010.

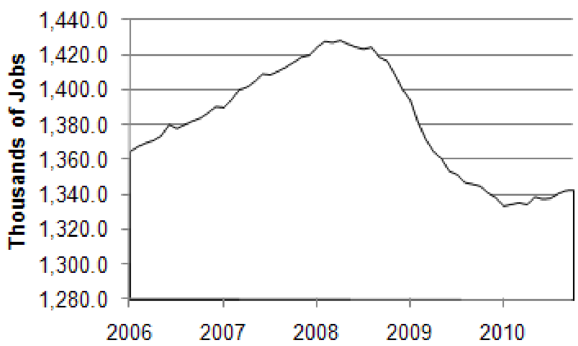
2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2010.

3/ U.S. Census. Growth in the number of housing units authorized for construction. Data through October 2010.

4/ F.W. Dodge. Data through October 2010.

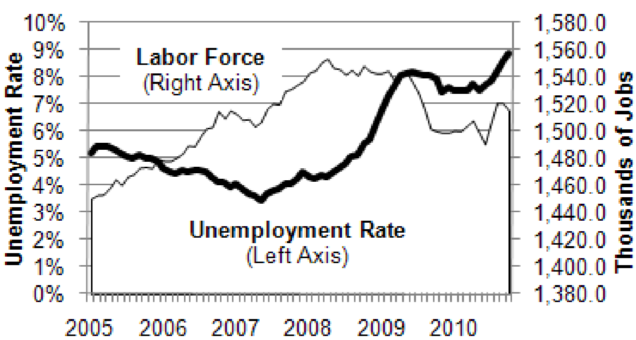
5/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2010.

Figure 28
Metro Denver Employment is Beginning To Show Signs of Growth
Seasonally Adjusted



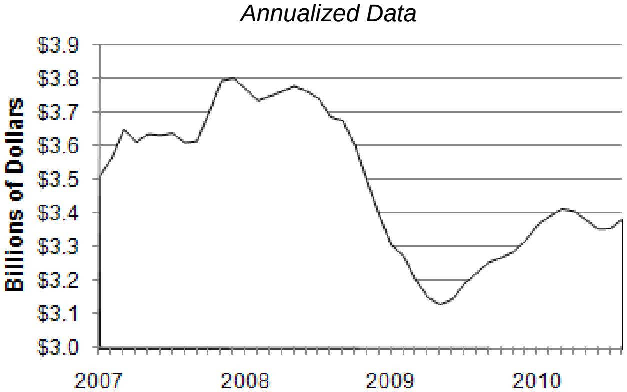
Source: U.S. Bureau of Labor Statistics; CES. Data through October 2010.

Figure 29
Movements in the Labor Force are Driving up the Metro Denver Unemployment Rate this Year
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2010.

Figure 30
After a Strong Rebound, Metro Denver Retail Trade Sales Shows Limited Growth in the Fall
Three-Month Moving Average; Seasonally Adjusted Annualized Data



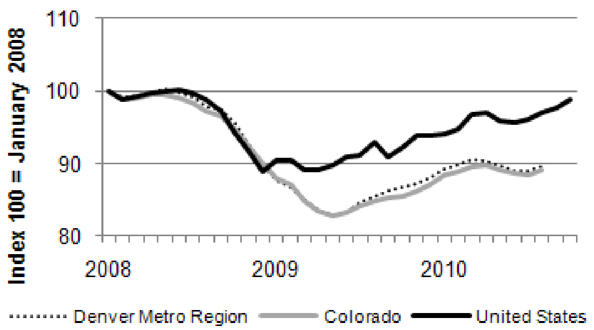
Source: Colorado Department of Revenue. Data through August 2010.

The labor force includes both the employed and unemployed. During a recession, unemployed workers often drop out of the labor force when they move, work less, give up searching for employment altogether, or enroll as a student to improve employment-related skills. At the early stages of recovery, the unemployment rate may rise as these unemployed workers return to the labor force lured by growing job opportunities. The metro Denver region labor force, like many other regions of the state, appears to be showing this trend. In the last quarter of 2010 this trend seems to be intensifying. As shown in Figure 29, the unemployment rate rose to 8.9 percent in October, pushed up by the growing area labor force. The region's unemployment rate is now at a 20-year high over the previous high of 8.2 percent in May 2009.

Consumer spending. Consumer spending, as measured by retail trade sales, showed strong growth through most of 2009 and the early part of 2010. However, sales weakened towards the beginning of summer before starting to climb again in the fall of 2010. This is reflective of continued consumer uncertainty about future economic prospects. Figure 30 shows this trend. Retail sales are up 6.1 percent year-to-date through August over the same period last year. As Figure 31 shows, this recovery lags behind the nation and only slightly ahead of the rest of Colorado.

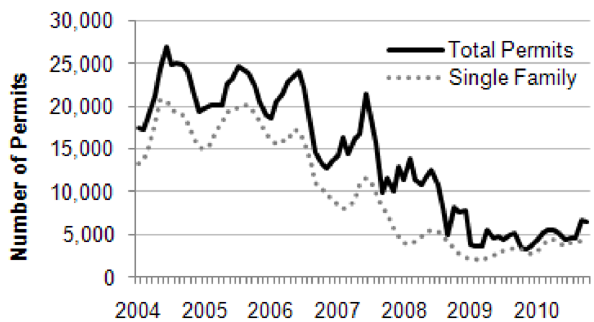
Housing market. While still soft, the region's housing market shows signs of stabilizing. Residential market values as well as the number of homes sold are still expected to fall in the last part of 2010. Additionally, building permits are still at low levels, but single- and multi-family permits began to rise in late 2010, especially in the Boulder area. Home building activity, as measured by residential construction permits, reached its highest level since November 2008, as shown in Figure 32.

Figure 31
Retail Trade Trends Since January 2009
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted Annualized Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August 2010; data through October.

Figure 32
Metro Denver Residential Building Permits at Record Highs and Historical Lows



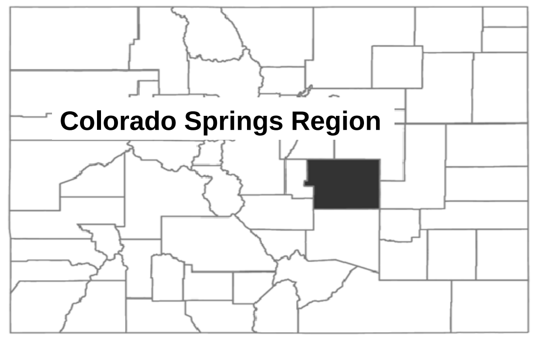
Source: U.S. Census Bureau. Data through October 2010.

The number of foreclosures in the region remains at historically high levels but are beginning to taper downwards. During the years leading up to the financial crisis, foreclosures were primarily the result of the failure of sub-prime loans. In 2010, most foreclosures have resulted from the weak economy.

Nonresidential construction. The region's construction activity began to stabilize in the fall after decreasing steadily since late 2008. The recession had a profound effect on businesses, leading many to downsize or close their doors. As a result, vacancy rates are up for office and other commercial spaces, leaving little demand for new commercial building in the metro area.

Colorado Springs Region

The economy of the Colorado Springs region is showing trends consistent with the metro Denver region and the statewide economy. The labor market is improving slowly, as indicated by modest job growth and job seekers reentering the labor force. After a strong rebound in 2009, likely due in part to federal stimulus, consumer spending stagnated through much of 2010. Consistent with trends across the state, the home building industry remains at historical lows and commercial construction activity continues to deteriorate. Table 21 shows economic indicators for the region.



Over the last several months, area employment has stabilized from the recession's freefall and has started to grow modestly. As shown in Figure 33, the labor force of the Colorado Springs region shrunk considerably from the highs at the end of 2007. Thousands of workers left the labor force during the recession, unable to find employment. In July of this year, the number of jobs in the region stood at 243,500 at seasonally adjusted levels, down 18,900 jobs from the November 2007 high. This number climbed to 244,700 in October 2010. In October, the unemployment rate rose to 9.8 percent, pushed up by job seekers reentering the labor force. Similar to the Denver region, the lure of job opportunities is drawing workers back into the labor force and driving up the unemployment rate.

Consumer spending, as measured by retail trade sales, started to recover in the second half of 2009 before weakening during the summer of 2010. The pullback was likely indicative of a drop in consumer confidence due to relatively high levels of unemployment and the slow pace of economic recovery. After the steep declines of 2008 and 2009, sales are up 6.8 percent year-to-date through

Table 21
Colorado Springs Region Economic Indicators
El Paso County

	2006	2007	2008	2009	YTD 2010
Employment Growth /1					
Colorado Springs MSA	2.2%	1.0%	-0.9%	-3.9%	-2.2%
Unemployment Rate /2 (2010 Figure is October Only)	4.7%	4.4%	5.7%	8.4%	9.8%
Housing Permit Growth /3					
Total	-34.3%	-29.7%	-36.1%	-33.4%	24.7%
Single-Family	-33.4%	-34.3%	-42.2%	-16.7%	25.2%
Growth in Value of Nonresidential Const. /4	-18.3%	6.8%	-44.6%	-3.7%	-27.9%
Retail Trade Sales Growth /5	5.1%	5.4%	-2.7%	-6.2%	6.8%

MSA = Metropolitan statistical area.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through October 2010.

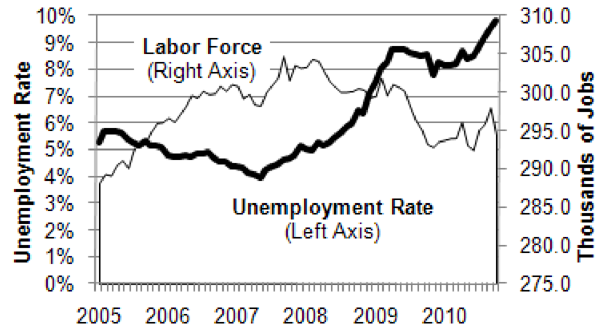
2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2010.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through October 2010.

4/ F.W. Dodge. Data through October 2010.

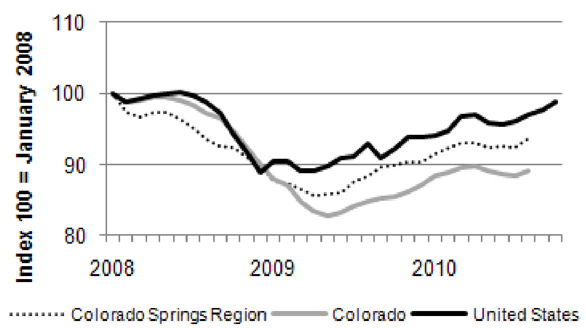
5/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2010.

Figure 33
Colorado Springs MSA Unemployment Rate and Labor Force
Seasonally Adjusted



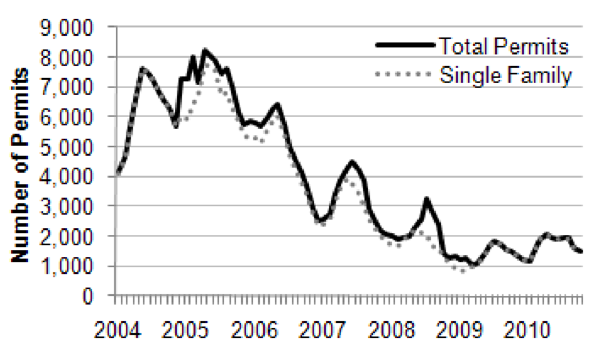
Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2010.

Figure 34
Retail Trade Trends Since January 2009
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted
Annualized Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August 2010; U.S. data through October.

Figure 35
Colorado Springs MSA Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted
Annualized Data



Source: U.S. Census Bureau. Data through October 2010.

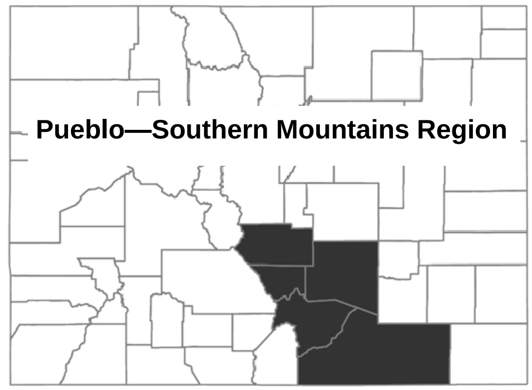
August. Figure 34 shows that this recovery is still well below the national recovery and only slightly above Colorado as a whole.

Home building remains at historically low levels in the region. While total residential housing permits are still up 25 percent year-to-date, this still represents a considerable decline from earlier in the year compared with the highs experienced in 2005, as shown in Figure 35. The area continues to see high levels of foreclosures, which are contributing to depressed home prices and a glut of homes on the market.

Nonresidential construction activity is sluggish and at low levels compared to the boom years of the mid-2000s. Year-to-date through August, construction is down 28.0 percent in El Paso County. A surplus of empty commercial spaces continues to dampen demand for new construction.

Pueblo — Southern Mountains Region

After a spurt of moderate growth through the summer, economic growth in the Pueblo Region began to ebb somewhat in the fall, with job growth and consumer spending flattening. Both residential and nonresidential construction remain weak, as both the region and the state continue to work off an oversupply of homes and a glut of empty commercial space. Table 22 shows economic indicators for the region.



Employment in the region decreased 1.7 percent year-to-date through October compared with the first ten months of 2009. Thus far in 2010, however, employment growth has actually been slightly positive, increasing by about 100 jobs on a seasonally adjusted basis between December 2009 and October 2010. However, most of the job gains occurred during the first half of the year, with employment falling since the summer. Figure 36 shows these trends.

The Pueblo region had the highest unemployment rate among all regions of the state throughout much of the recession. The regional rate reached a high of 10.7 percent in October 2010, up from 8.5 percent a year earlier.

Consumer spending, as measured by retail trade sales, fell back and flattened somewhat during the summer after showing strong growth through the spring. Compared with levels seen last year, however, sales are still up 6.3 percent through August 2010. Figure 37 indexes changes in the

Table 22
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties

	2006	2007	2008	2009	YTD 2010
Employment Growth					
Pueblo Region /1	3.1%	2.6%	-0.6%	-2.5%	-1.7%
Pueblo MSA /2	2.2%	3.2%	0.5%	-2.4%	-0.7%
Unemployment Rate /1 (2010 Figure is October Only)	5.6%	4.8%	6.1%	8.8%	10.7%
Housing Permit Growth /3					
Pueblo MSA Total	10.6%	-48.1%	-38.6%	-9.4%	-43.4%
Pueblo MSA Single-Family	7.4%	-44.8%	-42.8%	-51.5%	8.8%
Growth in Value of Nonresidential Construction /4					
Pueblo County	620.6%	-62.4%	75.1%	-65.9%	-79.1%
Retail Trade Sales Growth /5	6.0%	6.4%	-1.7%	-4.7%	6.3%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2010.

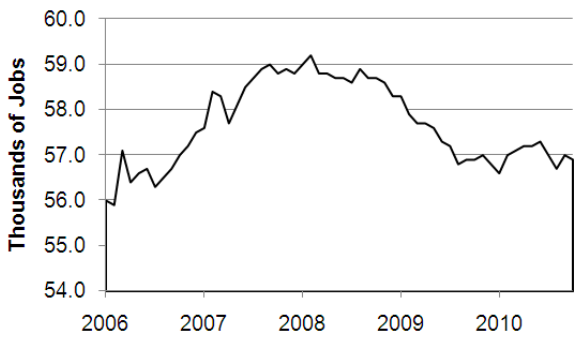
2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through October 2010.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through October 2010.

4/ F.W. Dodge. Data through October 2010.

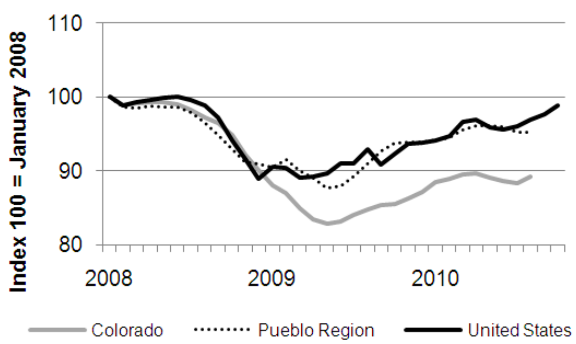
5/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2010.

Figure 36
Pueblo Region Nonfarm Employment
Seasonally Adjusted



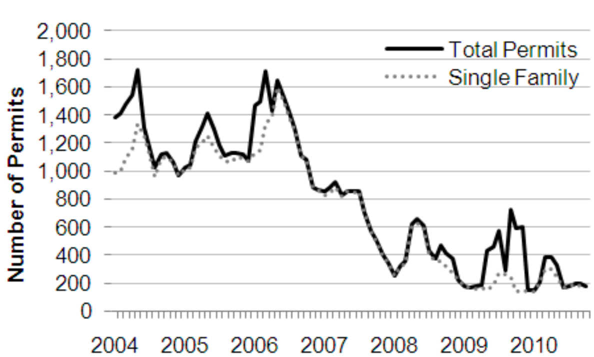
Source: U.S. Bureau of Labor Statistics; CES. Data through October 2010.

Figure 37
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average; Seasonally Adjusted
Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August. U.S. data through October.

Figure 38
Pueblo MSA Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted
Annualized Data



Source: U.S. Census Bureau. Data through October 2010.

region's consumer spending to changes in consumer spending in the state and the nation.

Like all regions in the state, residential construction remains at historically low levels due to the collapse of the housing market. While resident construction permits have shown strong year-to-date growth through October, this growth is reflective of particularly weak construction activity at the start of 2009. Residential construction activity is expected to remain modest for several years. Figure 38 shows recent trends in the number of permits filed for home building in the Pueblo region.

With little demand for new business space, nonresidential construction remains at low levels. The Pueblo region had a surge in construction beginning at the end of 2008 that peaked in mid-2009. However, construction has been at a near standstill recently. Until the regional economy can support business expansion, construction is expected to remain weak.

San Luis Valley Region

Like the economy of the eastern region, the six-county San Luis Valley region's economy is heavily dependent on agriculture. Due to the strong influence of the industry on this rural economy, the region has experienced somewhat different economic trends when compared to other areas of the state. Both employment and consumer spending showed gains in 2009. However, the region is showing a weaker job market in 2010 and consumer spending in the region pulled back significantly during the summer months. Table 23 shows economic indicators for the region.

The regional job market in 2010 has been weak. Job losses in the area resulted in a 6.6 percent decrease in employment year-to-date through October over the same period last year. As shown in Figure 39, the region has seen a fairly stable labor force since mid-2007 despite a rising unemployment rate, indicating a sharp increase in the number of people facing unemployment. The unemployment rate shot up from 7.3 percent in October 2009, to 10.0 percent in October 2010.

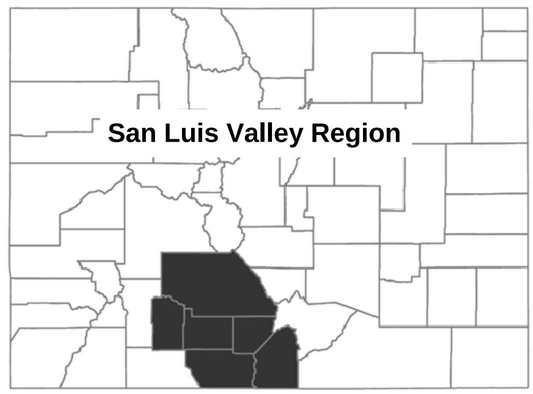


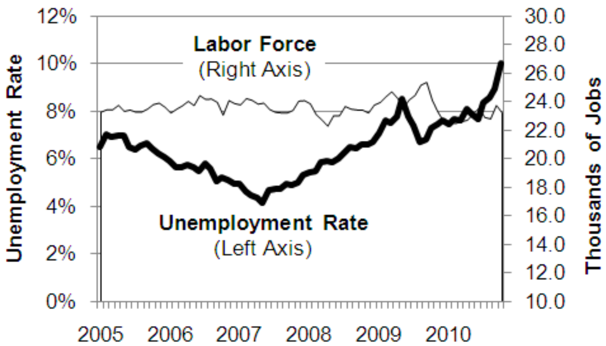
Figure 40 indexes changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state. Because of the agricultural nature of the region's economy, consumers in the San Luis Valley were affected by the recession but fared better than those in the rest of the state and the nation. After strong growth in 2009 and early 2010, the region's consumers pulled back significantly during the summer months — the same months that saw a steep rise in the region's unemployment rate.

Table 23
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2006	2007	2008	2009	YTD 2010
Employment Growth /1	2.6%	0.3%	-3.4%	2.4%	-6.6%
Unemployment Rate /1 (2010 Figure is October Only)	5.5%	4.7%	6.1%	7.5%	10.0%
Statewide Crop Price Changes /2					
Barley (U.S. average for all)	11.9%	32.0%	49.6%	-13.2%	-15.7%
Alfalfa Hay (baled)	30.7%	5.3%	18.0%	-17.1%	-3.8%
Potatoes	-8.1%	22.6%	21.0%	-45.8%	77.6%
SLV Potato (Inventory CWT) /2	-1.0%	-7.5%	4.4%	5.0%	-12.0%
Housing Permit Growth /3					
Alamosa County	-2.5%	-41.0%	139.1%	-47.3%	-8.0%
Growth in Value of Nonresidential Construction /3					
Alamosa County	-22.4%	414.1%	-88.0%	1128.7%	75.8%
Retail Trade Sales Growth /4	10.1%	6.9%	3.4%	-1.6%	8.0%

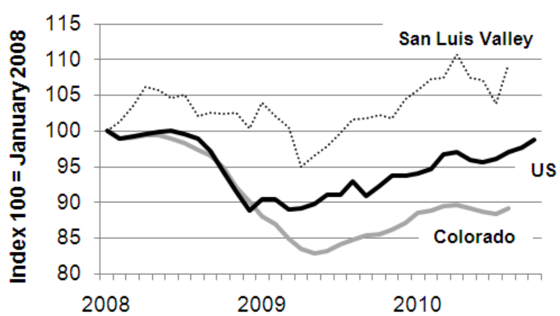
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2010.
2/ National Agricultural Statistics Service. 2010 crop price changes compares November 2010 to November 2009.
3/ F.W. Dodge. Data through October 2010.
5/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2010.

Figure 39
San Luis Valley Region Unemployment Rate and Labor Force
Seasonally Adjusted



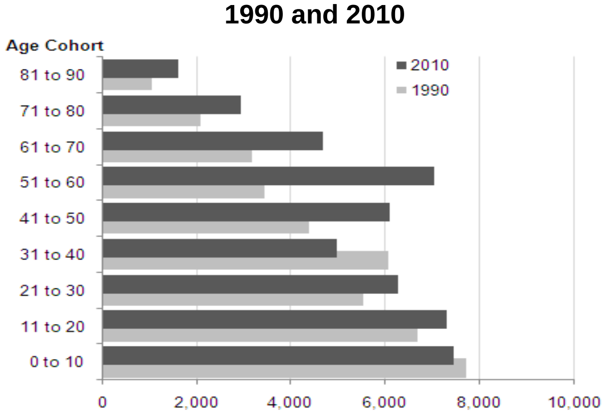
Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2010.

Figure 40
Trends in Retail Trade Sales Since January 2008
Index of Three-Month Moving Average Annualized Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August. U.S. data through October.

Figure 41
San Luis Valley Region Population by Age, 1990 and 2010



Source: U.S. Census Bureau (1990) and Colorado State Demography Office (2010).

The San Luis Valley region has the smallest economy of all regions in the state. As a result, economic indicators tend to be particularly volatile. For example, in Alamosa County, the largest county in the region, the value of nonresidential construction activity this year is up almost entirely because of a single energy project in the area.

The agricultural industry is fairly healthy given the weak economic conditions in the region. Colorado's mid-November prices for wheat, corn, and potatoes were higher in mid-November this year compared with year-ago levels, while dry edible beans and hay prices were lower. Production levels were mixed for crops planted in the region. Sorghum and corn production saw increases in November over the prior year while sugar beet production was down. Also, fall potato growers in the San Luis Valley produced 21.3 million hundredweight of potatoes, down 2.6 percent from last year's crop.

Figure 41 shows population by age group for the San Luis Valley region for 1990 and the Colorado State Demography Office estimate for 2010. During this 20-year period, the region's population increased at an annual average rate of 1.4 percent each year, or by a little over 8,200 people. The percentage of the population who are young adults (ages 20 through 40) and of retirement age (age 60 and older) have not markedly changed over the last twenty years. However, as a percentage of the population, there are fewer children and teenagers (ages 0 through 20) and more middle-aged people (ages 40 through 60) than twenty years ago. Overall, the region's population has aged slightly, with the percentage of the population age 50 and lower decreasing by 2.7 percentage points.

Southwest Mountain Region

The economy of the southwest mountain region has stabilized, but growth remains weaker than other areas of the state. While consumer spending has stabilized in the relatively small, rural five-county region, it has failed to see the rebound experienced in other areas of the state. Additionally, the labor market continues to struggle and construction activity remains at low levels. Table 24 shows economic indicators for the region.

After two years of weak employment, the region continued to shed jobs through October. Year-to-date, employment is down 4.1 percent through October compared with the same period in 2009. The regional unemployment rate climbed to 8.6 percent in October, slightly above the statewide average of 8.4 percent. The labor force has been shrinking since its highs at the end of 2007, as more and more workers become discouraged and stop looking for work due to a lack of employment opportunities. Figure 42 shows recent trends in the area's nonfarm employment and Figure 43 shows recent trends in the unemployment rate and labor force for the region.

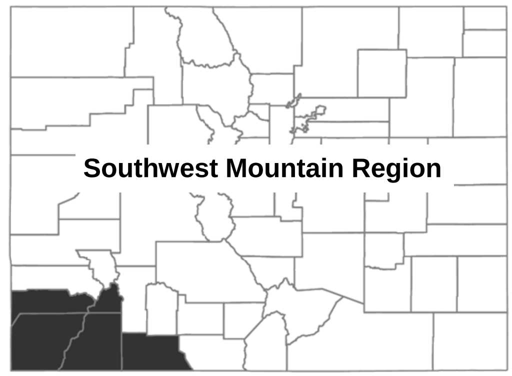


Figure 44 indexes changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state. Consumer spending has stabilized in the region. However, unlike most areas of the state, the region has yet to see a measurable recovery in consumer spending. Sales are down 0.9 percent through August compared with the same period in 2009.

Table 24
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2006	2007	2008	2009	YTD 2010
Employment Growth /1	3.7%	2.3%	-1.7%	-3.7%	-4.1%
Unemployment Rate /1	3.9%	3.4%	4.3%	6.7%	8.6%
(2010 Figure is October Only)					
Housing Permit Growth /2					
La Plata County Total	-17.8%	-16.9%	-57.4%	-15.8%	22.0%
La Plata County Single-Family	-9.0%	-29.3%	-40.3%	-15.2%	21.9%
Growth in Value of Nonresidential Construction /3					
La Plata County	74.4%	907.3%	-84.6%	103.0%	-93.3%
Retail Trade Sales Growth /4	9.4%	5.9%	-0.7%	-13.9%	-0.9%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2010.

2/ IU.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through October 2010.

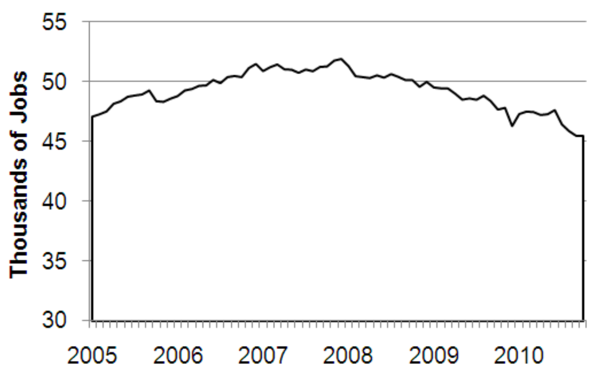
3/ F.W. Dodge. Data through October 2010.

4/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2010.

Residential construction activity, as measured by area home permits, has increased significantly year-to-date through October over the same period last year. However, permit levels remain at very low levels. As shown in Figure 45, residential permits in La Plata County have declined over the last several years.

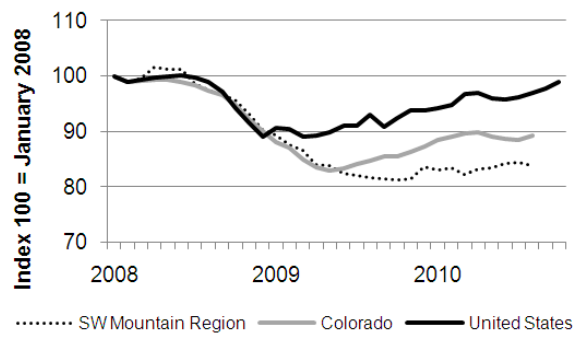
Nonresidential construction in La Plata County, the county with the most construction activity in the region, is down year-to-date through October over the same period last year, as shown in Figure 46. Slow growth in the regional economy is expected to dampen demand for commercial and nonresidential construction into 2011.

Figure 42
Southwest Mountain Region Nonfarm Employment
Seasonally Adjusted



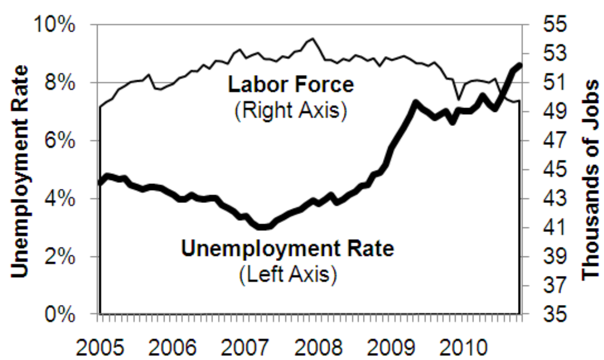
Source: U.S. Bureau of Labor Statistics; CES. Data through October 2010.

Figure 44
Trends in Retail Trade Sales Since January 2008
Index of Three-Month Moving Average Annualized Seasonally Adjusted Nominal Data



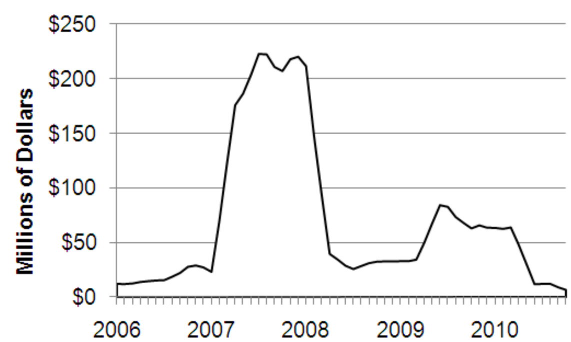
Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August. U.S. data through October.

Figure 43
Southwest Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor statistics; LAUS. Data through August 2010.

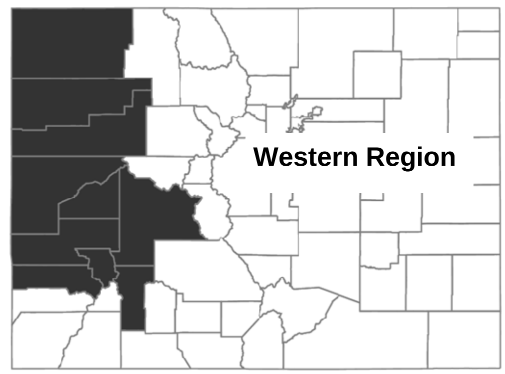
Figure 45
La Plata County Nonresidential Construction
Three-Month Moving Average; Seasonally Adjusted Annualized Data



Source: F.W. Dodge. Data through October 2010.

Western Region

The western region continues to feel the effects of the energy industry bust. While drilling activity along the Western Slope has picked up this year, it is not spurring growth in the labor market, which remains one of the weakest in the state. Consumer spending and construction are up slightly so far this year, indicating some stabilization in the region. Table 25 shows the economic indicators for the region.



Energy activity was one of the drivers of economic growth in the region in the early part of the decade. However, the collapse of energy prices at the end of 2008 heavily impacted employment. Energy activity is picking up in 2010, but the rise in activity is from low levels compared to the boom years and is therefore not expected to drive employment growth in the near term. According to data from Baker Hughes, Garfield County had the second highest growth in drilling activity in the state, up by 12 rigs through early December 2010. With a total of 25 rigs operating in early December, Garfield County accounted for more than one-third of the state's drilling activity in 2010.

The job market in the region continues to deteriorate. As shown in Figure 46, the unemployment rate rose to 10.1 percent in October. The area continues to lose jobs and the labor force continues to decline in the region, indicating that those unable to find work continue to exit the job market, with some leaving the region altogether.

Table 25
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2006	2007	2008	2009	YTD 2010
Employment Growth					
Western Region /1	7.3%	4.8%	1.6%	-5.9%	-5.2%
Grand Junction MSA /2	5.1%	6.0%	4.8%	-6.2%	-5.2%
Unemployment Rate /1	3.7%	3.2%	3.9%	8.0%	10.1%
(2010 Figure is October Only)					
Housing Permit Growth /3					
Mesa County Total Permits	-16.5%	-10.7%	-37.0%	-56.3%	8.1%
Montrose County Total Permits	-5.3%	-31.0%	-45.7%	-56.9%	-26.7%
Growth in Value of Nonresidential Construction/4					
Mesa County	-46.3%	222.6%	-53.9%	-21.0%	28.8%
Montrose County	130.7%	-36.2%	-59.8%	-87.4%	457.1%
Retail Trade Sales Growth /5	13.7%	12.0%	1.2%	-19.1%	-1.2%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2010.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through October 2010.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through October 2010.

4/ F.W. Dodge. Data through October 2010.

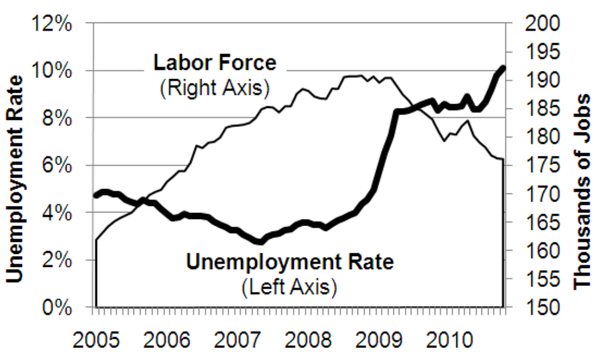
5/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2010.

Figure 47 indexes consumer spending changes in the region to changes in consumer spending in the state and nation. After posting a 19.1 percent decrease in sales in 2009, the largest drop of all areas of the state, the region's consumer spending stabilized in 2010. However, unlike the nation and many areas of Colorado, the region has yet to experience a strong rebound in sales.

The residential housing market is also showing signs of stabilization in some parts of the region, though at very low levels when compared to the boom years. Residential housing permits are up 8.1 percent in Mesa County, but down 26.7 percent in Montrose County year-to-date through October compared with the same period last year.

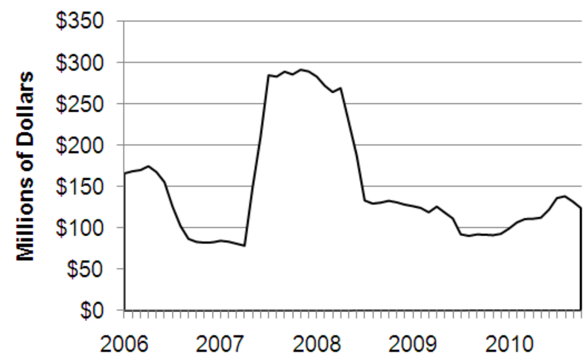
Similarly, nonresidential construction is showing signs of a slight rebound. Construction activity has rebounded slightly in both Mesa and Montrose counties, although the rebound was stronger in Mesa County. Figure 48 shows nonresidential construction activity in Mesa County, which has the highest level of construction activity in the region. Figure 49 shows nonresidential construction activity in Montrose County.

Figure 46
Western Region Unemployment Rate and Labor Force
Seasonally Adjusted



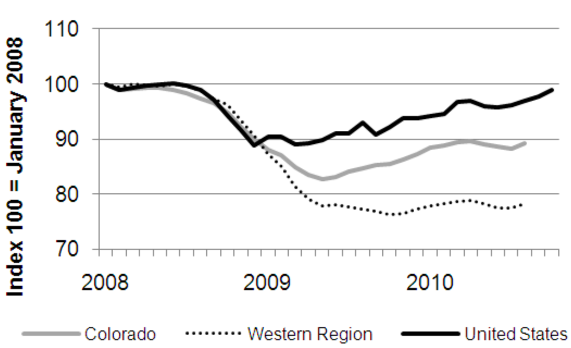
Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2010.

Figure 48
Mesa County Nonresidential Construction
Three-Month Moving Average; Seasonally Adjusted Annualized Data



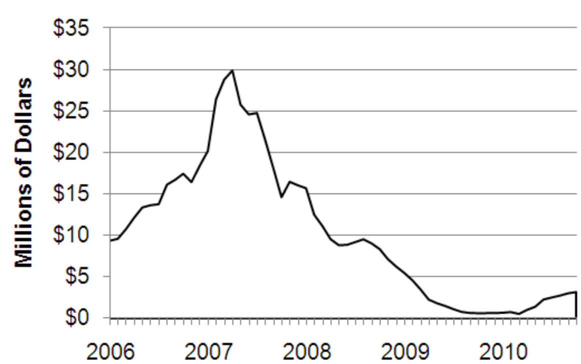
Source: F.W. Dodge. Data through October 2010.

Figure 47
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average Annualized Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August. U.S. data through October.

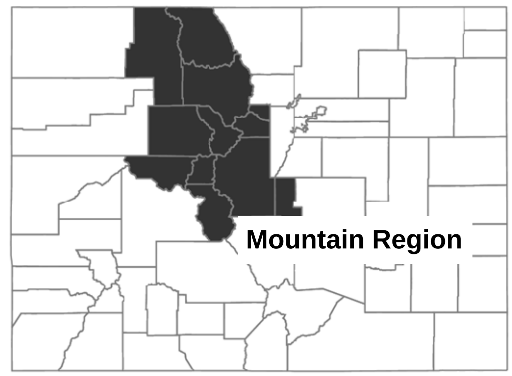
Figure 49
Montrose County Nonresidential Construction
Three-Month Moving average; Seasonally Adjusted Annualized Data



Source: F.W. Dodge. Data through October 2010.

Mountain Region

While the mountain region's economy has stabilized, growth in the area is slower than in most regions of the state. The housing market collapse and effect of the recession on tourism hit the region particularly hard. The unemployment rate remains elevated and the region continues to shed jobs. Additionally, consumer spending and construction activity are weak. Table 26 shows economic indicators for the region.



The mountain region's labor market remains weak. Employment is down 3.6 percent year-to-date through October compared with the same period last year and the unemployment rate rose to 9.0 percent in October. The labor force continues to shrink, indicating that workers are becoming discouraged and no longer looking for work because of a lack of job opportunities in the area. Figure 50 shows recent trends in the area's nonfarm employment and Figure 51 shows recent trends in the unemployment rate and labor force for the region.

The mountain region's economy is heavily dependent on the tourism industry, which has struggled to come back to life after the recession. Because the national economy is growing slowly, many tourists continue to go on discount vacations — opting for day trips instead of overnight stays, dining out less, and spending less on consumer goods. As a result, retail trade sales in the region remain at low levels compared to those experienced in 2007 and 2008. The region has not seen the strong recovery in retail trade experienced by most

Table 26
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

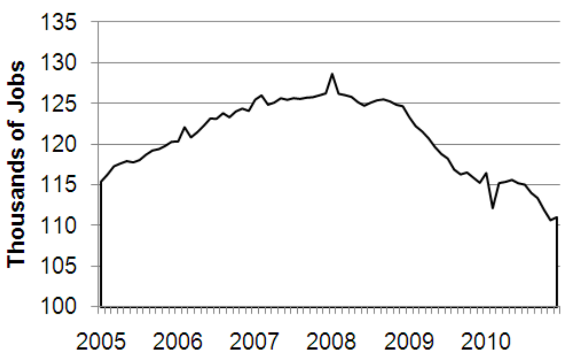
	2006	2007	2008	2009	YTD 2010
Employment Growth /1	3.7%	2.0%	-0.8%	-6.0%	-3.6%
Unemployment Rate /1 (2010 Figure is October Only)	3.6%	3.2%	4.0%	7.1%	9.0%
Housing Permit Growth /2					
Eagle, Pitkin, & Summit counties Total	6.1%	-0.6%	-43.1%	-58.5%	-34.3%
Routt County Total	24.9%	11.6%	-43.5%	-80.0%	1.4%
Growth in Value of Nonresidential Construction /3					
Eagle, Pitkin, & Summit counties	65.4%	13.1%	-0.9%	-78.7%	17.4%
Routt County	143.9%	80.2%	-54.9%	-70.1%	-16.9%
Retail Trade Sales Growth /4	11.8%	10.0%	-1.5%	-16.3%	1.4%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2010.
2/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through October 2010.
3/ F.W. Dodge. Data through October 2010.
4/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2010.

regions in the state. Figure 52 indexes changes in the region's retail trade sales to changes in consumer spending in the nation and the state.

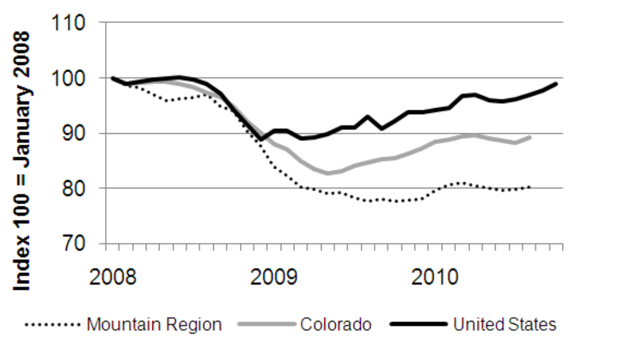
The construction market has stabilized at low levels in the region. Year-to-date through October, residential housing permits were down and nonresidential construction had increased somewhat in the ski counties of Eagle, Pitkin, and Summit. As shown in Figure 53, Routt County saw continued declines in nonresidential construction activity year-to-date through October.

Figure 50
Mountain Region Nonfarm Employment
Seasonally Adjusted



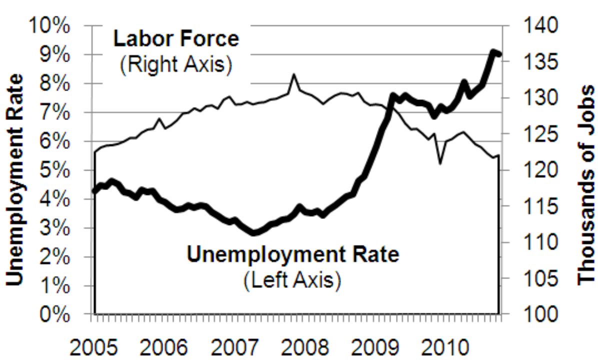
Source: U.S. Bureau of Labor Statistics; CES. Data through October 2010.

Figure 52
Trends in Retail Trade Sales Since January 2008
Index of Three-Month Moving Average; Annualized Seasonally Adjusted Nominal Data



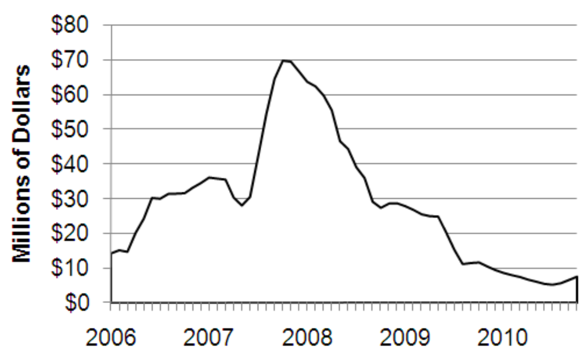
Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August. U.S. data through October.

Figure 51
Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2010.

Figure 53
Routt County Nonresidential Construction
Three-Month Moving Average; Seasonally Adjusted Annualized Data



Source: F.W. Dodge. Data through October 2010.

Northern Region

The northern region's economy outperformed the statewide economy this summer and fall. During this time, the region saw greater job gains and stronger consumer spending than the statewide average. Home building activity has increased but remains at very low levels. Consistent with statewide trends, the nonresidential construction industry continues to deteriorate. Table 27 shows economic indicators for the region.

The labor market in the region is stabilizing. Employment is down 1.0 percent at seasonally adjusted rates through October in the Fort Collins-Loveland area, and down 2.2 percent in the Greeley area. While these indicators show declines over 2009 levels, employment has been increasing in both areas since early 2010.

The unemployment rate continues to tick upward in the region. The Fort Collins-Loveland area is reporting an unemployment rate of 7.4 percent as of October, a full

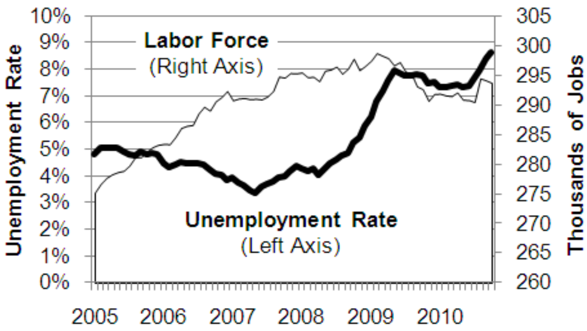
Table 27
Northern Region Economic Indicators
Weld and Larimer Counties

	2006	2007	2008	2009	YTD 2010
Employment Growth /1					
Fort Collins-Loveland MSA	1.8%	2.1%	1.0%	-3.1%	-1.0%
Greeley MSA	4.2%	2.9%	1.4%	-4.9%	-2.2%
Unemployment Rate /2 (2010 Figure is October Only)					
Fort Collins-Loveland MSA	4.0%	3.5%	4.3%	6.6%	7.4%
Greeley MSA	4.8%	4.2%	5.3%	8.7%	10.4%
State Cattle and Calf Inventory Growth /3	6.0%	1.9%	1.9%	-5.5%	4.8%
Housing Permit Growth /4					
Fort Collins-Loveland MSA Total	-17.5%	-41.3%	-1.0%	-66.0%	103.6%
Fort Collins-Loveland MSA Single-family	-36.7%	-22.2%	-36.4%	-49.2%	28.6%
Greeley MSA Total	-30.3%	-38.6%	-46.8%	-20.6%	13.6%
Greeley MSA Single-family	-36.6%	-40.5%	-45.1%	-13.7%	6.4%
Growth in Value of Nonresidential Construction /5					
Larimer County	183.0%	-34.5%	-9.9%	-50.4%	-43.0%
Weld County	-14.3%	19.4%	25.3%	76.2%	-80.5%
Retail Trade Sales Growth /6					
Larimer County	5.2%	6.5%	-0.7%	-8.9%	7.8%
Weld County	7.2%	7.7%	2.0%	-15.1%	6.7%

MSA = Metropolitan statistical area.

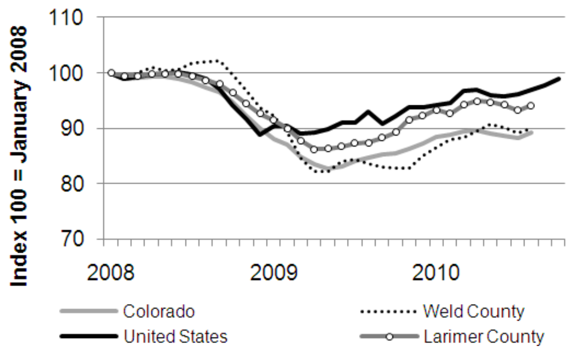
1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through October 2010.
2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2010.
3/ National Agricultural Statistics Service. 2010 data compares year-to-date November 1, 2010 to November 1, 2009.
4/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through October 2010.
5/ F.W. Dodge. Data through October 2010.
6/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2010.

Figure 54
Fort Collins-Loveland and Greeley MSA
Unemployment Rate and Labor Force
Seasonally Adjusted



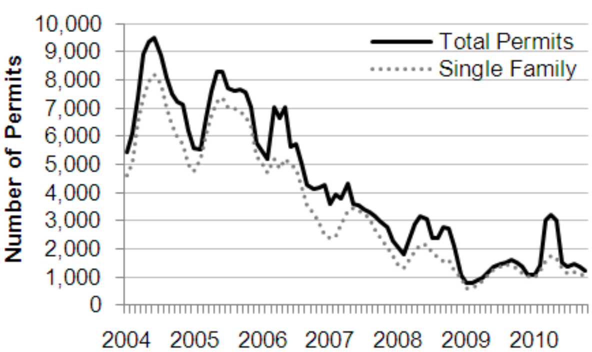
Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2010.

Figure 55
Trends in Retail Trade Sales Since January 2008
Index of Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August. U.S. data through October.

Figure 56
Fort Collins-Loveland and Greeley MSA
Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted Annualized Data



Source: F.W. Dodge. Data through October 2010.

percentage point lower than the statewide rate. The Greeley area unemployment rate rose to 10.4 percent in October. Figure 54 shows the unemployment rate and labor force trends for the Fort Collins-Loveland and Greeley areas combined.

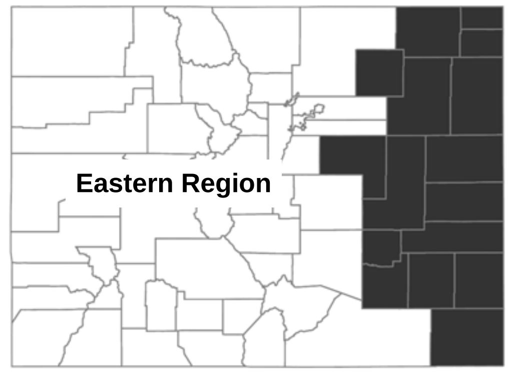
Consumer spending is up in the region. Figure 55 indexes changes in retail trade sales for Larimer County and Weld County to retail trade sales for the nation and the state. Sales are up 7.8 percent in Larimer County and 6.7 percent in Weld County year-to-date through August compared with the same period in 2009.

Both Larimer and Weld counties are leading producers of cattle, poultry, and dairy in the state. Livestock is a particularly important part of the region's agricultural sector. State cattle and calf production is up 4.8 percent year-to-date through November over the same period last year.

While the number of permits filed for residential construction saw an increase during the summer of 2010, building remains at historically low levels. Figure 56 shows these trends for the Fort Collins-Loveland and Greeley areas combined. Nonresidential construction has fallen off sharply since the start of 2010. Construction is expected to remain at low levels until the regional economy expands more rapidly and vacancies in existing commercial spaces are absorbed.

Eastern Region

The agriculture industry's strong influence on eastern Colorado's economy contributed to greater stability through most of the recession when compared to other regions of the state. This year, the region is benefitting from record high wheat production and favorable wheat prices. Despite this, the region's labor market struggled in 2010. Consumer spending showed a strong rebound in the second half of 2009, but has since leveled off. Table 28 shows economic indicators for the region.



Unlike all other regions of the state, the eastern and San Luis Valley regions — both rural and largely agriculture-based economies — saw employment gains in 2009. However, in 2010, employment in these regions is slipping while other regions are seeing job gains. Employment in the eastern region is down 5.6 percent through October. As shown in the Figure 57, the region's unemployment rate has risen quickly from 5.4 percent in October 2009 to 7.1 percent this October.

The agriculture industry in the region is fairly stable. Winter wheat production is a primary driver for the industry. Recent USDA estimates for 2010

Table 28
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca Counties

	2006	2007	2008	2009	YTD 2010
Employment Growth /1	2.3%	0.5%	-4.1%	4.6%	-5.6%
Unemployment Rate /1 (2010 Figure is October Only)	4.2%	3.5%	4.3%	5.7%	7.1%
Crop Price Changes /2					
Wheat	32.4%	32.4%	10.1%	-31.0%	25.5%
Corn	35.4%	31.1%	4.5%	-7.0%	20.6%
Alfalfa Hay (Baled)	30.7%	5.3%	18.0%	-17.1%	-3.8%
Dry Beans	20.3%	38.7%	14.7%	-13.4%	-25.0%
State Crop Production Growth /3					
Sorghum production	-0.9%	64.2%	-18.9%	50.0%	16.7%
Corn	-4.6%	10.6%	-6.8%	9.5%	20.9%
Winter Wheat	-24.4%	129.7%	-37.8%	71.9%	-5.8%
Sugar Beets	6.7%	-13.9%	-0.9%	27.0%	-17.4%
State Cattle and Calf Inventory Growth /4	6.0%	1.9%	1.9%	-5.5%	4.8%
Retail Trade Sales Growth /5	5.7%	5.9%	6.2%	-12.5%	8.5%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2010.

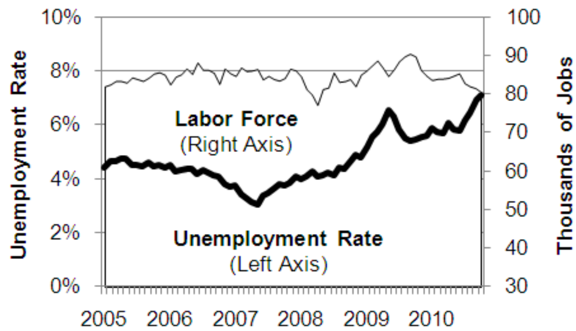
2/ National Agricultural Statistics Service.

3/ National Agricultural Statistics Service. 2010 crop price changes compares November 2010 to November 2009. Estimates for state crop production are year over year for annual figures. 2010 estimate is for acres planted rather than production quota and compares acres planted November 1, 2010 to the prior year.

4/ National Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares November 2010 to November 2009.

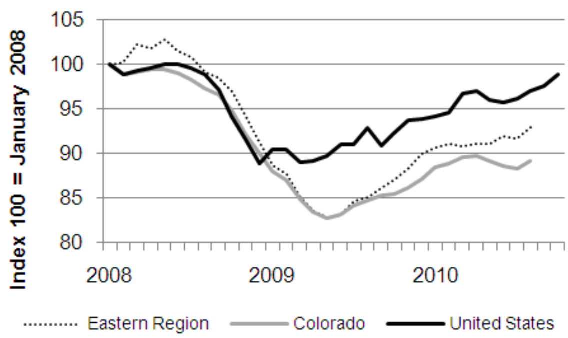
5/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2010.

Figure 57
Eastern Region Unemployment Rate and Labor Force
Seasonally Adjusted



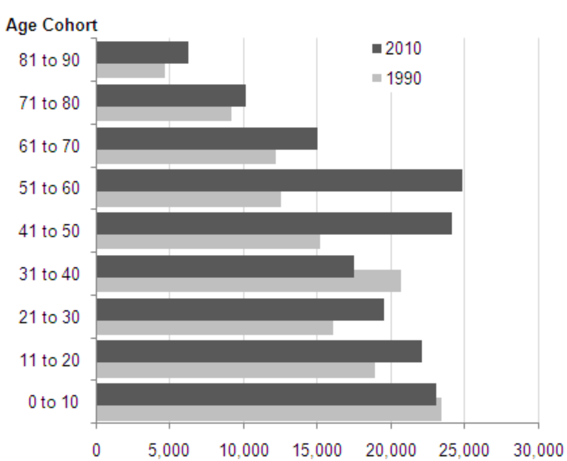
Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2010.

Figure 58
Trends in Retail Trade Sales Since January 2008
Index of Three-Month Moving Average; annualized Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August. U.S. data through October.

Figure 59
Eastern Region Population by Age, 1990 and 2010



Source: U.S. Census Bureau (1990) and Colorado State Demography Office (2010).

indicate that 2.35 million acres will be harvested in the region, resulting in the largest wheat crop since 1985. Cool June weather and abundant moisture fueled the increase. Production is estimated at 105.7 million bushels, up 8 percent from the prior year's level and up significantly from the 10-year average of 63.3 million bushels.

Nationwide, Colorado was the fifth largest wheat producer in 2010 behind Kansas, Oklahoma, Texas, and Washington. More than 80 percent of Colorado's wheat production is exported. During the 2009-10 marketing year, an estimated 78.4 million bushels of wheat valued at $352.8 million was exported to 60 different countries. The price farmers receive for wheat is projected to average $5.23 per bushel for the 2010-11 marketing year, up from an average $4.50 per bushel in the prior year.

Figure 58 indexes changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state. After a strong rebound in 2009, sales have leveled off this year, but are still faring better than other areas of the state. Retail trade sales are up 8.5 percent year-to-date through August compared with the same period last year.

The eastern region has seen considerable growth in its middle-aged population. Growth has been particularly strong in the bedroom communities bordering the front range. Figure 59 shows population by age group for the eastern region as estimated by the U.S. Census Bureau for 1990 and forecast by the State Demography Office for 2010. During this 20-year period, the region's population increased at an annual average rate of 1.8 percent each year, or by almost 30,000 people.

Appendix A
Historical Data

National Economic Indicators

(Dollar Amounts in Billions)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gross Domestic Product	$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	$14,061.8	$14,369.1	$14,119.0
percent change	4.7%	5.7%	6.3%	5.5%	6.4%	6.4%	3.4%	3.5%	4.7%	6.5%	6.5%	6.0%	4.9%	2.2%	-1.7%
Real Gross Domestic Product (inflation-adjusted, chained to 2005)	$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	$13,228.9	$13,228.8	$12,880.6
percent change	2.5%	3.7%	4.5%	4.4%	4.8%	4.1%	1.1%	1.8%	2.5%	3.6%	3.1%	2.7%	1.9%	0.0%	-2.6%
Unemployment Rate	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%
Inflation (Consumer Price Index)	2.8%	2.9%	2.3%	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%
10-Year Treasury Note	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%	3.3%
Personal Income	$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	$11,912.3	$12,391.1	$12,174.9
percent change	5.6%	6.3%	6.2%	7.5%	5.1%	8.2%	3.8%	2.0%	3.5%	6.0%	5.5%	7.5%	5.7%	4.0%	-1.7%
Wage and Salary Income	$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	$6,069.1	$6,421.9	$6,559.1	$6,273.9
percent change	5.8%	5.8%	7.2%	7.9%	6.7%	8.2%	2.6%	0.9%	2.8%	5.6%	5.1%	6.5%	5.8%	2.1%	-4.3%
Nonfarm Employment (millions)	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	136.8	130.9
percent change	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%	-0.6%	-4.3%

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)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nonagricultural Employment (thous.)	1,834.7	1,900.9	1,980.2	2,057.6	2,132.5	2,213.7	2,226.9	2,184.2	2,152.8	2,179.7	2,226.0	2,279.0	2,331.1	2,350.3	2,244.2
percent change	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%	-4.5%
Unemployment Rate (%)	4.0	4.2	3.4	3.6	3.1	2.8	3.8	5.6	6.1	5.6	5.1	4.4	3.9	4.9	7.7
Personal Income	$94,039	$101,777	$110,110	$120,100	$130,662	$147,055	$156,468	$157,753	$159,919	$168,587	$179,696	$194,390	205,153	214,727	210,229
percent change	8.7%	8.2%	8.2%	9.1%	8.8%	12.5%	6.4%	0.8%	1.4%	5.4%	6.6%	8.2%	5.5%	4.7%	-2.1%
Per Capita Income	$24,575	$25,964	$27,402	$29,174	$30,919	$33,977	$35,296	$35,023	$35,156	$36,652	$38,555	$40,899	42,449	43,021	41,344
percent change	5.8%	5.7%	5.5%	6.5%	6.0%	9.9%	3.9%	-0.8%	0.4%	4.3%	5.2%	6.1%	3.8%	1.3%	-3.9%
Wage and Salary Income	$53,162	$57,442	$62,754	$69,862	$76,643	$86,417	$89,109	$88,107	$89,284	$93,619	$98,902	$105,833	112,952	117,143	112,764
percent change	7.9%	8.1%	9.2%	11.3%	9.7%	12.8%	3.1%	-1.1%	1.3%	4.9%	5.6%	7.0%	6.7%	3.7%	-3.7%
Retail Trade Sales	$39,919	$42,629	$45,142	$48,173	$52,609	$57,955	$59,014	$58,850	$58,689	$62,288	$65,492	$70,437	75,329	74,760	66,345
percent change	4.8%	6.8%	5.9%	6.7%	9.2%	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	-0.8%	-11.3%
Housing Permits	38,622	41,135	43,053	51,156	49,313	54,596	55,007	47,871	39,569	46,499	45,891	38,343	29,454	18,998	9,355
percent change	3.7%	6.5%	4.7%	18.8%	-3.6%	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-16.4%	-23.2%	-35.5%	-50.8%
Nonresidential Construction	$1,957	$2,544	$3,274	$2,880	$3,783	$3,476	$3,500	$2,809	$2,708	$3,291	$4,221	$4,415	$5,251	$4,193	$3,138
percent change	18.5%	30.0%	28.7%	-12.0%	31.4%	-8.1%	0.7%	-19.7%	-3.6%	21.5%	28.3%	4.6%	18.9%	-20.2%	-25.2%
Denver-Boulder Inflation Rate	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%	-0.6%
Population (thousands, July 1)	3,738.1	3,812.7	3,891.3	3,969.0	4,056.1	4,339.0	4,456.3	4,526.0	4,586.2	4,650.1	4,714.4	4,808.1	4,895.7	4,987.7	5,074.5
percent change	2.3%	2.0%	2.1%	2.0%	2.2%	7.0%	2.7%	1.6%	1.3%	1.4%	1.4%	2.0%	1.8%	1.9%	1.7%

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