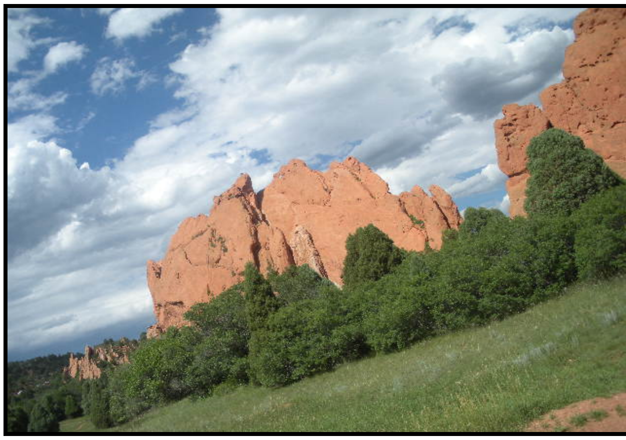

Focus Colorado: Economic And Revenue Forecast

Colorado Legislative Council Staff
Economics Section

June 20, 2011

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Photograph captures Garden of the Gods, courtesy of Debbie Grunlien.

Highlights

- Colorado's **economy** continues to recover and has begun to outperform the national economy. However, ongoing challenges will constrain the economic expansion, such as tight credit for small businesses and high debt levels for households.

- The **FY 2010-11** General Fund budget is in balance, with an estimated $310.9 million transferred to the State Education Fund at the end of the year.

- The **FY 2011-12** General Fund budget is in balance. A surplus of $178.9 million is expected to remain in the fund at the end of the year.

- The General Assembly will have $684.6 million more to spend in **FY 2012-13** than the amount budgeted for FY 2011-12. This amount does not account for expenditure pressures resulting from inflation and caseload growth and assumes the $178.9 million surplus in FY 2011-12 is carried forward into FY 2012-13.

- Increases in the reserve and transfers to transportation and capital construction required by Senate Bill 09-228 will not occur in FY 2012-13 because personal income is expected to grow by less than 5 percent in 2012. The reserve increase and transfers would have totaled at least $229.5 million.

- The **Referendum C cap** will equal $10.7 billion in FY 2010-11 and revenue subject to TABOR will be $1.2 billion below the cap.

- The **Unemployment Insurance Trust Fund** is expected to regain solvency in FY 2011-12 and grow to 0.6 percent of total wages in FY 2012-13.

EXECUTIVE SUMMARY

This report presents the current budget outlook based on the June 2011 economic, General Fund revenue, and cash fund revenue forecasts.

General Fund Overview

Table 1 on page 5 presents the General Fund overview based on current law. Table 2 on pages 6 and 7 lists budgetary measures from the 2009 through 2011 legislative sessions affecting the General Fund overview. Table 6 on pages 15 and 16 lists legislation affecting General Fund revenue, including the Federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

FY 2010-11. The FY 2010-11 General Fund budget is in balance. Revenue is expected to be $310.9 million higher than the amount budgeted to be spent or retained in the reserve. Pursuant to Senate Bill 11-156, this amount will be transferred to the State Education Fund *(see line 11 of Table 1).*

FY 2011-12. The FY 2011-12 General Fund budget is in balance. Revenue is expected to be $178.9 million higher than the amount budgeted to be spent or retained in the reserve. This surplus will be carried forward in FY 2012-13.

FY 2012-13. General Fund revenue will be $684.6 million higher in FY 2012-13 than what would be needed to fund General Fund operating appropriations and the statutorily-required reserve at the same level as is budgeted for FY 2011-12, the previous year. Because no budget has yet been enacted for FY 2012-13, Table 1 shows operating appropriations in FY 2012-13 at the same level as that currently budgeted for FY 2011-12. Therefore, the $684.6 million figure would be lower if it were adjusted to account for expenditure pressures resulting from inflation and caseload growth or the backfill of any one-time money used in FY 2011-12 for the operating budget.

In addition, this forecast does not anticipate that the transfers to transportation and capital construction and the reserve increase required by Senate Bill 09-228 will occur in FY 2012-13 because personal income is expected to increase 4.7 percent in 2012. If personal income increases by at least 5 percent in 2012, Senate Bill 09-228 requires these transfers and an increase in the General Fund statutory reserve in FY 2012-13. If expectations in this forecast for personal income are too low such that actual personal income growth is at least 5 percent, the transfers and the reserve increase will require at least $229.5 million of the $684.6 million available. Because this forecast anticipates personal income to increase 5.3 percent in 2013, the transfers and reserve increases are expected to begin in FY 2013-14.

It is important to note that the $684.6 million figure available in FY 2012-13 above the amount budgeted for in FY 2011-12 includes the $178.9 million surplus predicted for FY 2011-12. If the General Assembly were to spend this money in FY 2011-12, the amount available in FY 2012-13 would decrease.

Tax policies dependent on sufficient General Fund revenue. Several tax policies are only available when General Fund revenue is forecast to be sufficient to allow General Fund appropriations to grow by at least 6 percent. Based on this forecast, revenue will be sufficient for 6 percent appropriations growth in FY 2010-11, but not in FY 2011-12. Revenue is expected to again be sufficient to allow appropriations to increase by 6 percent in FY 2012-13.

While this forecast expects that revenue will be sufficient to allow 6 percent appropriations growth in FY 2010-11, all of the affected policies except one are triggered based on expectations for revenue in the September or December revenue forecasts. Both the September and December 2010 forecasts anticipated that revenue would *not* be sufficient. Assuming the December 2011 and December 2012 forecasts are consistent with this forecast, the following tax credits and exemptions will become available in tax year 2013:

- child care contribution income tax credit;
- historic property preservation income tax credit;
- clean technology medical device sales tax credit; and
- sales and use tax exemption for clean room infrastructure.

House Bill 11-1014 removed the trigger on the child care contribution income tax credit beginning in tax year 2014. The trigger for the instream flow credit for tax year 2011 is based on the outcome of the June 2011 forecast. Thus, this forecast indicates that the instream flow credit will be available during tax year 2011. This forecast anticipates that this credit will not be available in tax year 2012, but will again be available in tax year 2013.

Revenue Forecast

The FY 2010-11 forecast for total revenue subject to TABOR decreased $79.0 million relative to the March forecast. The forecast for General Fund revenue subject to TABOR decreased $67.6 million, while the cash fund forecast decreased $11.4 million. The FY 2011-12 forecast for revenue subject to TABOR increased $179.4 million, with increases in the forecasts for both General Fund and cash fund revenue.

- **General Fund revenue** is beginning to recover along with the economy and as a result of revenue-augmenting legislation passed during the 2009 and 2010 legislative sessions. Decreases occurred in the forecasts for sales and individual income taxes.

- The forecast for **cash fund revenue** subject to TABOR will increase 14.1 percent to $2.4 billion in FY 2010-11 and an additional 11.0 percent to $2.6 billion in FY 2011-12.

Table 1
June 2011 General Fund Overview
(Dollars in Millions)

		FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
	FUNDS AVAILABLE	**Actual**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve	$443.3	$137.4	$156.6	$458.2
2	General Fund Nonexempt Revenue	6,457.6	6,298.0	6,209.8	6,395.0
3	General Fund Exempt Revenue (Referendum C)	0.0	828.8	1,135.7	1,387.3
4	Transfers to Other Funds	(458.1)	0.0	(1.0)	(0.02)
5	Transfers from Other Funds	421.2	154.2	134.9	2.5
6	Sales Taxes to Older Coloradans Fund and OASMCF	(10.9)	(10.9)	(10.9)	(8.0)
7	**Total Funds Available**	**$6,853.1**	**$7,407.6**	**$7,625.2**	**$8,235.0**
8	Percent Change	-15.5%	8.1%	2.9%	8.0%
	EXPENDITURES	**Actual**	**Budgeted**	**Budgeted**	**Estimate /A**
9	General Fund Appropriations	6,631.6	6,810.8	6,982.3	6,982.3
10	Adjustments to Appropriations	(28.1)	(0.5)	0.0	0.0
11	Senate Bill 11-156 Transfer to the State Education Fund	NA	310.9	NA	NA
12	Rebates and Expenditures *(Lines 20-25 of Table 5)*	131.0	116.2	133.7	149.2
13	Reimbursement for Senior and Disabled Veterans Property Tax Cut	1.3	1.6	1.7	95.9
14	Capital Construction Transfers	0.2	12.0	49.3	43.7
15	Accounting Adjustments	(20.3)	NE	NE	NE
16	**Total Expenditures**	**$6,715.7**	**$7,251.0**	**$7,167.1**	**$7,271.1**
17	Percent Change	-12.4%	8.0%	-1.2%	1.5%

	BUDGET SUMMARY	**Actual**	**Estimate**	**Estimate**	**Estimate /A**
18	**Amount Available for Expenditure** *(Line 7 minus Line 24)*	**6,720.5**	**7,251.0**	**7,346.0**	**7,955.7**
19	Dollar Change	(1,241.6)	530.5	95.0	609.7
20	Percent Change	-15.6%	7.9%	1.3%	8.3%
21	***Revenue Will Restrict Expenditures and/or the Reserve by:***	***0.0***	***0.0***	***0.0***	***0.0***

	RESERVE	**Budgeted**	**Budgeted**	**Budgeted**	**Estimate /A**
22	Year-End General Fund Reserve	137.4	156.6	458.2	963.9
23	Year-End Reserve As A Percent of Appropriations	2.1%	2.3%	6.6%	13.8%
24	Statutorily-Required Reserve	132.6	156.6	279.3	279.3
25	Reserve in Excess or (Deficit) of Statutory Reserve	$4.8	$0.0	$178.9	$684.6
26	*Percent Change in General Fund Appropriations*	*-10.5%*	*2.7%*	*2.5%*	*NE*
27	Addendum: TABOR Reserve Requirement	257.0	284.8	298.1	316.3
28	Addendum: Arveschoug-Bird Appropriations Limit	10,262.1	10,748.8	10,525.6	10,762.9
29	Addendum: Amount Directed to State Education Fund Per Amendment 23	329.0	370.5	378.3	404.5

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

/A Because the budget for FY 2012-13 has not yet been enacted, this analysis assumes General Fund appropriations as budgeted for FY 2011-12 will occur in FY 2012-13. Therefore, line 25 shows the amount of money available for expenditure in FY 2012-13 above the amount budgeted to be spent in FY 2011-12.

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

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	-	-
SB 11-161	Diversion to the Laboratory Cash Fund	-	-	-	(0.01)	(0.02)
SB 11-163	Repeal Alternative Fuels Rebate Program	-	-	0.3	0.4	0.4
SB 11-164	Cash Fund Transfers	-	-	103.0	-	-
SB 11-210	Supp. Old Age Health and Medical Care Fund	-	-	-	0.7	-
SB 11-219	Health Care Clinics	-	-	-	(1.0)	-
SB 11-222	Federal Mineral Lease Transfer	-	-	1.1	-	-
SB 11-224	Tobacco Litigation Settlement Cash Fund	-	-	-	0.8	1.7
SB 11-225	Innovative Health Program Funds	-	-	-	1.8	0.2
SB 11-226	Transfers to Augment General Fund	-	-	5.1	127.4	-
Transfers to the General Fund		$813.7	$421.2	$154.2	$134.9	$2.5
Transfers from the General Fund		($4.4)	($458.1)	$0.0	($1.01)	($0.02)

Table 2 Continues on Next Page

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

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		-	(28.0)	28.0	-	-
SB 11-210	Eliminate Diversion to Supp. Old age Health Fund	-	-	-	-	(2.85)
SB 11-221	Postpone Fire and Police Pension Payments	-	-	-	(20.0)	(15.3)
Total Expenditure Measures		($25.4)	($138.8)	($88.8)	($115.2)	($18.2)

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	-	(149.1)	-	-	-
SB 10-156	FY 10-11 Reserve Reduction & SEF Transfer	-	-	195.9	-	-
Total Reserve Impact		($148.2)	($149.1)	$195.9	$0.0	$0.0

/A Excludes budgetary measures affecting General Fund operating appropriations.

- The **Unemployment Insurance Trust Fund** is expected to regain solvency in FY 2011-12. Unemployment benefits claimed are falling off and the negative fund balance in FY 2009-10 shifted regular unemployment insurance premium rates to the highest schedule, which will increase revenue to the fund starting this fiscal year. House Bill 11-1288 will begin increasing premium revenue in FY 2011-12. The changes in the premium rate structure and chargeable wage base that are triggered by the fund's solvency will begin on January 1, 2013.

- 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 $828.8 million as a result of Referendum C. Table 3 presents the history and forecast for revenue retained by Referendum C.

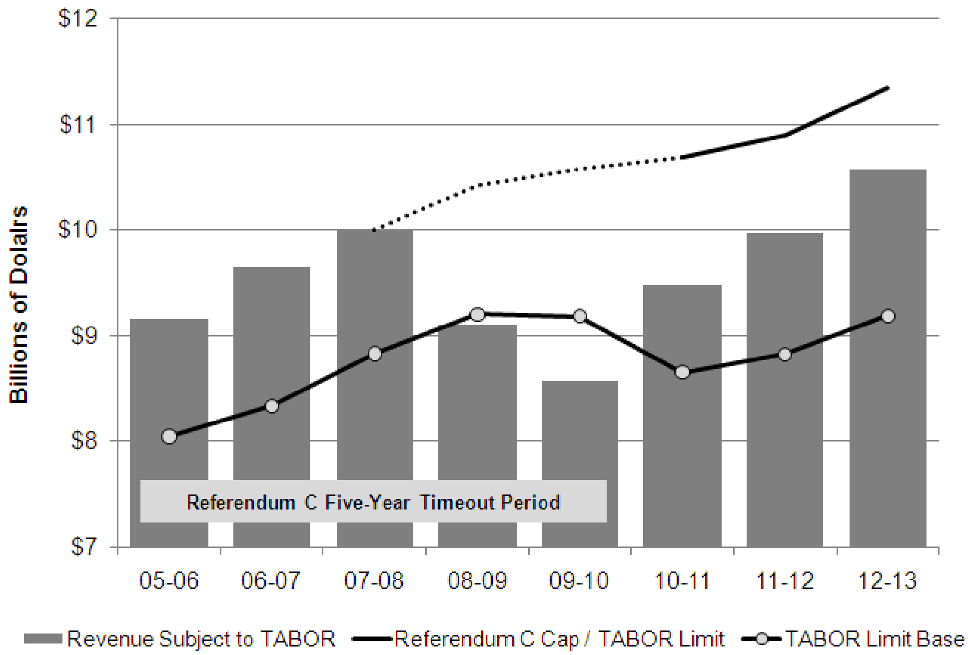
- Figure 1 shows TABOR revenue and the Referendum C cap through the end of the forecast period, which extends three years beyond the Referendum C five-year time-out period. The Referendum C cap will equal $10.7 billion in FY 2010-11. Revenue subject to TABOR will be $1.2 billion below the cap. Revenue 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.

- During the decade between 2000 and 2010, the federal government overestimated Colorado's population. TABOR requires the limit to be adjusted each decade in accordance with the Census count. Therefore, the population growth rate used to calculate the FY 2011-12 is only 0.1 percent and reflects a **downward population adjustment** estimated at 1.3 percentage points.

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	$828.8
FY 2011-12	$1,135.7
FY 2012-13	$1,387.3

Figure 1
TABOR Revenue, the TABOR Limit Base, and the Referendum C Cap



Source: Colorado Office of the State Controller and Legislative Council Staff.

National Economy

The national economy continues to exhibit signs of recovery, and economic growth will pick up in the second half of 2011. Businesses will continue to see strong profits and credit markets will loosen as imbalances in the financial sector are resolved. Consumer spending will increase as households continue to pay off debt. The manufacturing sector will recover in the second half of 2011 as demand boosts orders and supply-chain disruptions caused by the Japanese disaster are resolved.

Relative to 2010, however, economic growth will slow in 2011 as heavy debt burdens, high commodity prices, and continued weakness in the financial and real estate markets provide resistance to business and job creation, consumer spending, and construction activity. Governments will further dampen growth by pulling back on spending. Exports will contribute less this year than in 2010 as the monetary policy in many foreign countries is tightened to combat inflation.

This forecast assumes that national monetary policy will remain aggressive through the forecast period. However, the Federal Reserve will begin to slowly pull back on stimulus in June by ending their quantitative easing program, putting upward pressure on long-term interest rates. In addition, the Federal Reserve is expected to begin to gradually sell off both mortgage-backed and other long-term securities during the next year before beginning to increase the federal funds rate.

Colorado Economy

Although still slow, Colorado's economy gained momentum in late 2010. Both nonfarm employment and consumer spending are growing at rates faster than in the nation. Colorado's economy was boosted in 2010 by tourism, robust agricultural markets, and a recovery in the energy industry.

Despite clear signs that the state's economy is expanding, ongoing challenges exist that continue to restrain the recovery. Small and medium-sized businesses face tight credit conditions and the commercial real estate sector continues to struggle. Consumers face tight credit, falling home prices, and high levels of debt and unemployment. Finally, the financial and housing markets continue to work through the imbalances that caused the recession.

Table 4
June 2011 TABOR Revenue Limit and Retained Revenue

(Dollars in Millions)

		Actual FY 2009-10	Estimate FY 2010-11	Estimate FY 2011-12	Estimate FY 2012-13
	TABOR Revenue:				
1	General Fund*	$6,478.5	$7,097.5	$7,316.2	$7,753.0
2	Cash Funds	2,089.4	2,384.9	2,646.1	2,822.8
3	**Total TABOR Revenue**	**$8,567.9**	**$9,482.4**	**$9,962.3**	**$10,575.9**
	Revenue Limit				
4	Allowable TABOR Growth Rate	5.8%	1.2%	2.0%	4.1%
5	Inflation (from prior calendar year)	3.9%	-0.6%	1.9%	2.6%
6	Population Growth (from prior calendar year)**	1.9%	1.8%	0.1%	1.5%
7	TABOR Limit Base***	$9,183.8	$8,653.6	$8,826.6	$9,188.5
8	Voter-Approved Revenue Change (Referendum C)	$0.0	$828.8	$1,135.7	$1,387.3
9	Total TABOR Limit / Referendum C Cap	NA	$10,683.1	$10,896.8	$11,343.5
	Retained/Refunded Revenue				
10	Revenue Retained under Referendum C****	$0.0	$828.8	$1,135.7	$1,387.3
11	**Total Available Revenue**	**$8,567.9**	**$9,482.4**	**$9,962.3**	**$10,575.9**
12	Revenue to be Refunded to Taxpayers	$0.0	$0.0	$0.0	$0.0

Totals may not sum due to rounding.

** These figures differ from the General Fund revenue reported in other tables because they net out revenue that is already in the cash funds to avoid double-counting and include transfers of revenue from TABOR enterprises into TABOR district boundaries.*

*** The population growth rate used to calculate the FY 2011-12 limit reflects a downward adjustment of about 1.3 percentage points for an overcount of population during the decade between 2000 and 2010.*

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

***** 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. After a decrease of close to $1.3 billion over the last two years, General Fund revenue is beginning to recover with the Colorado economy and as a result of revenue-augmenting legislation passed during the 2009 and 2010 legislative sessions. Table 5 on page 14 illustrates actual revenue collections for FY 2009-10 and projections for FY 2010-11 through FY 2012-13. A list of legislation affecting General Fund revenue from the 2009 through 2011 legislative sessions is shown in Table 6 on pages 15 and 16.

General Fund revenue will increase 10.4 percent in FY 2010-11, or by $669.3 million. Of this increase, it is estimated that $221.7 million will be collected as a result of legislation passed during the 2009 through 2011 legislative sessions.

The General Fund revenue forecast for FY 2010-11 was decreased $66.2 million compared with the March forecast. Decreases occurred in the forecasts for sales and individual income taxes. The forecasts for FY 2011-12 and FY 2012-13 were increased by $153.4 million and $89.5 million, respectively. Expectations for sales and income tax collections during the last two years of the forecast period were increased relative to March because Colorado's economy is projected to grow slightly faster than previously expected.

General Fund revenue from **sales taxes** for FY 2010-11 is estimated to be 8.8 percent higher than FY 2009-10. However, estimated revenues for FY 2010-11 have been lowered by $15.0 million from the March forecast because collections have been slightly weaker than previously expected. Estimates for FY 2011-12 and FY 2012-13 have been increased by $37.6 million and $31.7 million, respectively.

Average retail trade growth has been relatively strong in several regions of the state. Through 2010, growth was particularly strong in the mountain, northern, and eastern regions. Growth was relatively weak in the southwest mountain and San Luis Valley regions. Retail trade growth in the Denver Metro area has been very similar to the statewide average, and Colorado Springs has been slightly stronger than the statewide average.

Sales tax revenue will increase 4.5 percent in FY 2011-12 and 3.3 percent in FY 2012-13. The moderate increase in tax revenue is partly due to strengthening economic conditions. However, legislation enacted by the General Assembly affected the trend. *On net*, measures enacted by the General Assembly during the 2011 session are expected to increase General Fund revenue from sales taxes by $28.2 million in FY 2011-12 and $19.0 million in FY 2012-13.

Use tax revenue dropped 11.9 percent in FY 2009-10, but is expected to rebound by 27.4 percent in FY 2010-11 and 9.9 percent in FY 2011-12. These increases are primarily due to higher amounts of business spending, although measures enacted by the General Assembly in 2010 are also boosting use tax revenue.

Individual income tax collections will increase 13.8 percent in FY 2010-11, rebounding from recessionary levels in the prior two fiscal years. While the new federal tax law will reduce income tax revenue starting

Table 5
June 2011 General Fund Revenue Estimates
(Dollars in Millions)

	Category	Actual 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	$1,985.9	8.8	$2,075.6	4.5	$2,143.2	3.3
2	Use	155.7	-11.9	198.4	27.4	218.0	9.9	231.2	6.1
3	Cigarette	40.8	-6.0	39.2	-3.9	38.7	-1.3	38.1	-1.6
4	Tobacco Products	16.1	22.4	14.7	-8.9	15.1	3.0	15.5	2.7
5	Liquor	35.4	1.3	36.0	1.6	36.3	0.8	37.1	2.1
6	TOTAL EXCISE	$2,073.1	-5.7	$2,274.3	9.7	$2,383.8	4.8	$2,465.2	3.4
7	Net Individual Income	$4,083.8	-5.8	$4,647.8	13.8	$4,704.1	1.2	$4,990.5	6.1
8	Net Corporate Income	372.1	27.2	338.4	-9.1	385.7	14.0	460.4	19.4
9	TOTAL INCOME TAXES	$4,455.9	-3.7	$4,986.1	11.9	$5,089.8	2.1	$5,450.9	7.1
10	Less: Portion diverted to the SEF*	-329.0	-3.2	-370.5	12.6	-378.3	2.1	-404.5	6.9
11	INCOME TAXES TO GENERAL FUND	$4,126.9	-3.7	$4,615.6	11.8	$4,711.5	2.1	$5,046.4	7.1
12	Estate	0.2	NA	0.0	NA	0.0	NA	45.0	NA
13	Insurance	186.9	-2.9	187.4	0.2	198.3	5.8	215.0	8.4
14	Pari-Mutuel	0.5	17.0	1.3	144.7	1.1	-19.8	0.8	-19.7
15	Investment Income	10.1	7.7	6.8	-32.2	8.0	17.4	11.9	48.6
16	Court Receipts	17.8	-26.1	4.0	-77.5	1.8	-55.0	0.7	-61.1
17	Gaming	16.2	NA	20.6	NA	20.6	NA	20.6	NA
18	Other Income	26.0	-8.2	16.7	-35.6	20.5	22.6	21.6	5.5
19	TOTAL OTHER	$257.5	0.0	$236.9	-8.0	$250.2	5.6	$270.7	8.2
	GROSS GENERAL FUND	**$6,457.6**	**-4.2**	**$7,126.8**	**10.4**	**$7,345.5**	**3.1**	**$7,782.3**	**5.9**
	REBATES & EXPENDITURES:								
20	Cigarette Rebate	$11.6	-3.8	$11.5	-1.4	$11.3	-1.3	$11.2	-1.6
21	Old-Age Pension Fund	104.5	2.1	91.1	-12.9	103.4	13.6	114.2	10.4
22	Aged Property Tax & Heating Credit	7.6	43.0	7.8	2.6	7.6	-2.9	7.3	-3.8
23	Interest Payments for School Loans	2.2	-59.4	0.6	-72.2	0.7	17.4	1.1	48.6
24	Fire and Police Pension Association	4.2	5.2	4.4	2.6	9.8	124.8	14.6	49.0
25	Amendment 35 GF Expenditures	0.8	-17.4	0.9	15.2	0.9	-0.9	0.9	-1.2
26	TOTAL REBATES & EXPENDITURES	$131.0	0.6	$116.2	-11.3	$133.7	15.1	$149.2	11.5

Totals may not sum due to rounding. NA = Not applicable.
**SEF = State Education Fund.*

Table 6
Legislation Affecting General Fund Revenue
(Dollars in Millions)

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	16.1	37.5	19.7	-	-
SB 09-275	Temporarily Repeal Vendor Fee—Part 2	-	25.5	46.6	-	-
HB 09-1035	Clean Technology/Medical Device Refund /A	-	-	-	-	-
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	-	0.1	0.3	0.3	0.3
HB 10-1190	Temporarily Repeal Exemption for Industrial Energy	-	7.2	37.6	36.9	-
HB 10-1191	Repeal Exemption for Candy and Soda	-	1.4	16.0	16.0	17.8
HB 10-1192	Repeal Software Regulation	-	4.6	18.9	20.2	21.9
HB 10-1193	Sales/Use Taxes and Out-of-State Retailers	-	0.02	0.2	11.4	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	3.4	3.7	3.7
SB 11-223	2.22% Vendor Fee until July 1, 2014	-	-	-	23.6	24.5
SB 11-263	Medical Products Sales Tax Exemption	-	-	-	(0.2)	(0.3)
HB 11-1005	Reinstate Exemption for Agricultural Products	-	-	-	(3.7)	(3.7)
HB 11-1265	Sales and Tax Refund Claims	-	-	-	(19.1)	(6.0)
HB 11-1293	Reinstate Exemption for Software	-	-	-	-	(21.9)
HB 11-1296	Continue State Sales Tax on Cigarettes	-	-	-	27.6	26.3
H.R. 4853 /D	Payroll Tax Rate Reduction	-	-	14.0	14.0	-
Total Sales Taxes		*$16.1*	*$108.0*	*$190.0*	*$131.9*	*$81.1*

Table 6 Continues on Next Page

this fiscal year, the strong rate of increase in FY 2010-11 is the result of the return of modest job gains in the state, a rebound in the stock market and estimated income tax payments, lower tax refunds, and payments of delinquent taxes to the state. In addition, revenue is being bolstered by the General Assembly's reduction of certain income tax credits and modifications.

The forecast for FY 2010-11 was decreased relative to the March forecast by $54.2 million. The decrease occurred because refunds claimed by taxpayers in April for tax year 2011 were higher than previously expected. Wages and employment are expected to grow slightly faster in the out years of the forecast than had been expected in March, and the forecast for FY 2011-12 was increased by $31.4 million. Although five bills affecting income taxes were passed by the General Assembly during the 2011 session, these bills did not have a large net impact on revenue.

Corporate income taxes are expected to decrease 9.1 percent in FY 2010-11. Corporate income taxes will increase 14.0 percent and 19.4 percent in FY 2011-12 and FY 2012-13, respectively. Nationally, corporate profits have continued to steadily grow, and Colorado's projected collections in FY 2011-12 and FY 2012-13 reflect this trend.

Table 6 *(continued)*
Legislation Affecting General Fund Revenue
(Dollars in Millions)

Income Taxes		**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
HB 09-1001	Tax Credit for Job Growth	-	($2.9)	($8.6)	($13.8)	($18.1)
HB 09-1067	In-Stream Flow Tax Credit /A	-	-	(3.0)	(3.0)	-
HB 09-1105	Colorado Innovation Investment Tax Credit /B	-	-	-	-	-
HB 09-1331	Tax Incentives for Fuel Efficient Vehicles	-	1.8	5.2	1.9	(5.4)
HB 09-1366	Capital Gains Deduction	-	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
SB 11-076	PERA - Reduction in Income Taxes	-	-	-	(1.8)	-
HB 11-1014	Child Care Contribution Tax Credit	-	-	-	-	-
HB 11-1045	Colorado Innovation Investment Tax Credit /A	-	-	(0.1)	(0.1)	-
HB 11-1081	Propane Vehicles Included in Credit /C	-	-	-	-	-
HB 11-1300	Conservation Easement Tax Credit	-	-	2.0	4.0	(2.0)
H.R. 4853 /D	Accelerated Expensing and Bonus Depreciation	-	-	(70.1)	(98.1)	(25.4)
Total Income Taxes		*0.0*	*5.0*	*(27.2)*	*(29.1)*	*10.1*
Estate Taxes						
H.R. 4853 /D	Reinstates Federal Credit for State Estate Taxes	-	-	-	-	45.0
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		**$16.1**	**$115.7**	**$165.5**	**$105.5**	**$138.9**

/A These bills are effective only during years in which General Fund revenue is sufficient to allow General Fund appropriations to increase 6 percent. The trigger is removed from the Child Care Contribution credit beginning tax year 2014.

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

/C HB 11-1081 does not impact revenue until FY 2013-14.

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

This pattern of projected corporate tax collections over the forecast period is the result, in part, of a new federal law that contains two major provisions that reduce taxable income for corporations in FY 2010-11 and FY 2011-12. The law accelerates the depreciation of business equipment for tax purposes and allows businesses to deduct an increased amount of qualifying equipment investments as an expense. The federal law reduces state corporate income taxes by an estimated $41.2 million in FY 2010-11 and $55.1 million in FY 2011-12. This impact is partially offset by state legislation that boosts corporate collections by deferring certain corporate tax deductions and credits.

By accelerating business equipment deductions from taxable income in FY 2010-11 and FY 2011-12, businesses will have fewer equipment deductions in future years than they otherwise would have. Thus, the federal law will increase corporate income tax revenue over what it otherwise would have been, beginning in FY 2012-13.

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 $370.5 million in FY 2010-11 and $378.3 million in FY 2011-12.

Colorado will collect an **estate tax** beginning in FY 2012-13. Estate tax revenue is expected to be $45 million in FY 2012-13, the first year the state has collected estate taxes since 2005. FY 2012-13 represents a half year of revenue collections; estate tax revenue will increase to $94 million in FY 2013-14, one year beyond the forecast period.

The estate tax is levied on the taxable estate of a deceased person. Until 2005, the federal government allowed a credit that reduced estate taxes owed to the federal government by the amount of estate taxes paid to a state. Colorado's tax is equal to the maximum amount allowed for this credit and thus does not change a taxpayer's overall liability.

In 2001, Congress passed the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), which phased-out the federal estate tax through 2009 and repealed it in its entirety in 2010. EGTRRA replaced the state tax credit with a deduction beginning in 2005, effectively eliminating Colorado's estate tax.

In December 2010, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 was signed into law. This Act extended the EGTRRA provisions for an additional two years through 2012, including the repeal of the federal estate tax. In addition, the Act sunset *all* provisions of EGTRRA on January 1, 2013. At that time, the federal estate tax credit structure as it was prior to the enactment of EGTRRA will be reinstated, including the state estate tax credit. Colorado will therefore collect an estate tax for deaths occurring on and after January 1, 2013.

CASH FUND REVENUE

Table 7 on page 20 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 these revenue sources are not subject to TABOR.

Cash fund revenue subject to TABOR will total $2.4 billion in FY 2010-11, which represents an increase of 14.1 percent over FY 2009-10. The relatively large increase is mostly attributable to the increase in revenue from the Hospital Provider Fee and a rebound in severance tax revenue compared with the previous year. These increases will offset the decline in insurance-related revenue attributable to 2009 legislation that reduced workers compensation-related premiums. Cash fund revenue will increase 11.0 percent to $2.65 billion in FY 2011-12, driven primarily by expansions of the Hospital Provider Fee program.

Several bills that passed during the 2011 legislative session increased revenue to cash funds. A portion of the increase in the forecast for the Hospital Provider Fee is due to a $50.0 million increase in fee revenue for FY 2011-12 as a result of the passage of **Senate Bill 11-212**. In addition, **Senate Bill 11-125** provides for an increase in fee revenue of $15.0 million to the Medicaid Nursing Facility Cash Fund in FY 2011-12 and FY 2012-13. Additionally, **Senate Bill 11-184** is expected to increase revenue in the Tax Amnesty Cash Fund by $10.9 million in FY 2011-12.

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 8 on page 21.

Overall revenue to the *Highway Users Tax Fund (HUTF)* will grow 4.1 percent in FY 2010-11 and 2.1 percent FY 2011-12. The forecast for HUTF revenue was increased from the March forecast to account for a large one time increase in FASTER revenue and expectations for continued growth in demand for motor fuels associated with the economic recovery in spite of rising fuel prices. 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.

FASTER revenue subject to TABOR will total $175.2 million in FY 2010-11 and will remain flat throughout the forecast period. There was a large one time increase in both daily car rental fees and the road safety surcharge expectations. This large increase is almost entirely due to a ramp-up in the implementation of the new fees during the first three months of FY 2009-10. Declines in revenue from the late registration fee are expected to offset growth in other FASTER revenue sources in FY 2011-12 and beyond. The Bridge Safety Surcharge increased 50 percent starting July 1, 2010, and will grow an additional 33 percent in FY 2011-12. Revenue from the Bridge Safety Surcharge is TABOR exempt (see Addendum to Table 8).

Table 7
Cash Fund Revenue Subject to TABOR, June 2011
(Dollars in Millions)

	Actual 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**	**$1,096.5**	**$1,119.0**	**$1,136.0**	
% Change	14.9%	3.5%	2.0%	1.5%	**2.3%**
Hospital Provider Fee	**$302.9**	**$431.2**	**$604.3**	**$712.0**	
% Change		42.4%	40.1%	17.8%	**33.0%**
Severance Tax	**$48.2**	**$170.9**	**$195.5**	**$212.5**	
% Change	-85.7%	254.3%	14.4%	8.7%	**63.9%**
Gaming Revenue /A	**$101.2**	**$100.9**	**$97.8**	**$100.3**	
% Change	2.3%	-0.3%	-3.1%	2.6%	**-0.3%**
Insurance-Related	**$42.9**	**$24.2**	**$21.5**	**$22.2**	
% Change	-16.7%	-43.6%	-11.2%	3.3%	**-19.7%**
Regulatory Agencies	**$67.3**	**$70.5**	**$71.4**	**$72.5**	
% Change	-13.9%	4.7%	1.3%	1.5%	**2.5%**
Capital Construction Related - Interest /B	**$3.3**	**$1.1**	**$1.3**	**$1.2**	
% Change	-67.5%	-66.5%	17.9%	-5.9%	**-28.1%**
Other Cash Funds /C	**$464.1**	**$489.5**	**$535.4**	**$566.2**	
% Change	-5.0%	6.2%	8.5%	0.0%	**6.9%**
Total Cash Fund Revenue	**$2,089.4**	**$2,384.9**	**$2,646.1**	**$2,822.8**	
Subject to the TABOR Limit	**5.2%**	**14.1%**	**11.0%**	**6.7%**	**10.5%**

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, the Controlled Maintenance Trust Fund, and transfers from the Canteen Fund.

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

Table 8
Transportation-Related Revenue Forecast by Source, June 2011
(Dollars in Millions)

	Actual 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	$558.7	$574.9	$584.6	2.5%
% Change	0.6%	2.9%	2.9%	1.7%	
Registrations	$182.7	$186.9	$189.7	$192.0	1.7%
% Change	0.4%	2.3%	1.5%	1.2%	
FASTER Revenue /A	$155.3	$175.2	$175.7	$177.5	4.6%
% Change		12.8%	0.3%	1.0%	
Other Receipts /B	$39.0	$36.9	$37.6	$60.2	15.6%
% Change	-26.3%	-5.2%	1.8%	60.3%	
Total HUTF	**$919.9**	**$957.7**	**$978.0**	**$1,014.4**	3.3%
% Change	18.7%	4.1%	2.1%	3.7%	
State Highway Fund	$53.1	$40.9	$40.4	$41.0	-8.3%
% Change	-23.4%	-23.0%	-1.2%	1.5%	
Other Transportation Funds	$86.5	$97.9	$100.6	$80.6	-2.4%
% Change	10.9%	13.1%	2.8%	-19.9%	
Aviation Fund /C	$25.3	$33.1	$34.4	$35.4	
Law-Enforcement-Related /D	$11.6	$11.6	$11.8	$12.2	
Registration-Related /E	$49.7	$53.2	$54.4	$33.0	
Total Transportation Funds	**$1,059.5**	**$1,096.5**	**$1,119.0**	**$1,136.0**	2.3%
% Change	14.9%	3.5%	2.0%	1.5%	

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.

/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

	Actual FY 09-10	Estimate FY 10-11	Estimate FY 11-12	Estimate FY 12-13
Bridge Safety Surcharge	$45.2	$69.5	$93.8	$94.9
% Change		53.7%	34.8%	1.2%

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.

House Bill 10-1387 extended the diversion of revenue from various drivers license and permit fees from the HUTF to the Licensing Services Cash Fund for two additional fiscal years (**Senate Bill 09-274** diverted these funds in FY 2009-10). The diversion will boost revenue to *other transportation revenue* and reduce revenue by the same amount to *other HUTF receipts* in FY 2010-11 and FY 2011-12.

Congress has yet to approve a multi-year federal transportation funding program, but the current program (SAFETEA-LU) has been extended until September 2011. Future federal transportation funding will have an effect 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.

After generating $302.9 million in its first year of implementation, the **Hospital Provider Fee** program is expected to generate $431.2 million in FY 2010-11. By charging the fee, the state can obtain additional matching federal dollars to expand medical assistance programs. Growth in fee revenue reflects scheduled increases in fees to support caseload growth and the expansion of Medicaid and the Children's Basic Health Plan (CHP+) programs. Forecast estimates also reflect enhanced federal Medicaid assistance percentages (FMAP), which were extended into 2011. The forecast also includes an increase in fee revenue for FY 2011-12 of $50.0 million and an increase of $25.0 million for FY 2012-13 authorized by **Senate Bill 11-212**.

Total **severance tax** revenue, including interest earnings, is projected to be $170.9 million in FY 2010-11, a modest downward revision from the March forecast. Decreases in natural gas collections resulting from lower gas prices were somewhat offset by an increase in projected coal receipts, a slight increase in molybdenum and metallic mineral receipts, and higher projected interest earnings. Collections in FY 2011-12 and FY 2012-13 are also projected at lower levels than the March forecast, primarily due to a downward revision in future natural gas prices.

The price of natural gas is the largest determinant of state severance tax collections. In 2011, natural gas spot market prices are expected to average $4.32 per Mcf (thousand cubic feet), compared to $4.71 projected in March. A slowing in the economic recovery will contribute to the price decrease for Colorado producers. In addition, a substantial glut has developed in the natural gas market as demand has not yet recovered from the recession while supply has increased in response to the high gas prices seen in 2008. While the impending opening of the Ruby pipeline will increase access to national and international markets and prop up prices for Colorado gas producers, it is not expected to be enough to fully offset the downward pressure from the oversupplied marketplace. Natural gas prices will remain below the $5.00 per Mcf level through the forecast period due to the nation's high natural gas production capacity.

Coal production is the second-largest source of severance taxes in Colorado after oil and natural gas. Relative to the March forecast, June's projected severance tax collections related to coal for FY 2010-11 rose by 88.8 percent. The increase was due, in large part, to the fact that actual collections were higher than what was anticipated in March. In FY 2011-12, the increase in severance tax revenue from coal production is expected to continue, in part due to higher severance tax rates for coal. The tax rate for coal increases based on the producer price index, which has been rising and is expected to continue to rise. However, the decreasing demand for coal as a fuel for power generation will continue to hamper Colorado coal production, and severance tax collections related to coal will remain relatively flat through the forecast period.

Severance tax from metallic minerals, including gold, represents a tiny fraction of total collections. This revenue source is projected to grow at historic levels over the remainder of FY 2010-11. Over the rest of the forecast period, collections are expected to grow due to the continued high price of gold.

Finally, projected interest earnings for FY 2010-11 were revised upward by 1.0 percent relative to the March forecast based on earnings to date. Total severance-related interest earnings are projected to climb in FY 2011-12, primarily due to earnings from the perpetual base account of the Severance Tax Trust Fund before leveling off in FY 2012-13.

Gaming Cash Fund Tax Revenue

Expanded gaming under Amendment 50 propped up **gaming tax revenue** in FY 2009-10. However, the poor economy resulted in a decline in gaming tax revenue of 2.6 percent through the first 11 months of FY 2010-11. Revenue will grow slowly through the forecast period as the economy improves.

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 $94.9 million in 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. For FY 2010-11, revenue is expected to decline 2.0 percent to $105.5 million due to the weak economy.

The Colorado Limited Gaming Control Commission in May approved a decrease in the graduated gaming tax rate structure beginning July 1, 2011. Thus, tax revenue will decline to $101.8 million in FY 2011-12. Figure 2 shows the change in annual rates effective July 1, 2011.

Figure 2
Graduated Gaming Tax Rates

Adjusted Gross Proceeds* (in millions)	FY 2010-11	FY 2011-12 (new rates)
Up to $2	0.25%	.2375%
$2 to $5	2.0%	1.9%
$5 to $8	9.0%	8.55%
$8 to $10	11.0%	10.45%
$10 to $13	15.2%	16.0%
$13 and over	20.0%	19.0%

**Adjusted Gross Proceeds are the total of all wagers (except with respect to games of poker) made by players on limited gaming less all payments to players.*

Gaming revenue distributions. Table 9 on page 24 shows distributions of gaming revenue for FY 2010-11 and FY 2011-12. Amendment 50 distributions are estimated at $8.7 million in FY 2010-11 and will decline slightly to $8.4 million in FY 2011-12. The decline is mainly attributed to the recent change in the gaming tax rate structure. After administration expenses, money from Amendment 50 is distributed to community colleges and local governments in gaming communities.

Community colleges received $6.5 million from gaming taxes collected in FY 2009-10. As the economy expands and casino capacity grows, community colleges will receive $6.8 million in FY 2010-11. Revenue will decline to $6.6 million in FY 2011-12. If not for the change in the tax rate structure, community colleges would have received $6.9 million in FY 2011-12.

Table 9
Gaming Revenue Distributions
(Dollars in Millions)

Estimated Distribution	FY 2010-11	FY 2011-12
New Amendment 50 Distributions		
Community Colleges	6.8	6.6
Gaming Counties and Cities	1.9	1.8
Total New Amendment 50 Distributions	**$8.7**	**$8.4**
Pre-Amendment 50 Distributions		
State Historical Fund	26.8	25.9
Gaming Counties	11.5	11.1
Gaming Cities	9.6	9.2
General Fund*	20.6	18.4
Economic Development Programs*	27.3	27.8
Total Pre-Amendment 50 Distributions	**$95.8**	**$92.4**
Total Distributions*	**$104.5**	**$100.9**

** May not sum due to rounding.*

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 statutes to the State Historical Society, gaming cities and counties, the General Fund, and various economic development programs. After administrative expenses, these distributions will total $95.8 million in FY 2010-11 and decline to $92.4 million in FY 2011-12 (the year of the gaming tax rate change). Total distributions are expected to grow slowly in the next few years as the economy improves, to $103.4 million in FY 2012-13 and $106.2 million in FY 2013-14.

Federal Mineral Leasing Revenue

Table 10 presents the June 2011 forecast for federal mineral leasing (FML) revenue in comparison with the March 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.

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

Fiscal Year	June 2011 Forecast	Percent change	March 2011 Forecast	Percent Change 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%	$122.5	
FY 2010-11	$147.9	20.8%	$149.1	-0.8%
FY 2011-12	$158.7	7.3%	$163.4	-2.9%
FY 2012-13	$172.3	8.6%	$171.8	0.3%

The forecast for FML revenue was reduced slightly from the March forecast due to slightly lower-than-expected revenue collections this fiscal year. Revenue is projected to increase 20.8 percent in FY 2010-11, reaching $147.9 million. FML revenue is anticipated to increase modestly over the remainder of the forecast period, reaching $158.7 million in FY 2011-12 and $172.3 million in FY 2012-13. These totals are slightly lower than the projected totals from the March forecast as expectations for natural gas prices have been revised downward throughout the forecast period. It remains to be seen how much the opening of the Ruby pipeline, running from the Opal Hub in southwestern Wyoming to southern Oregon, will prop up prices for natural gas from northwest Colorado. Much of the natural gas extraction in northwest Colorado occurs on federal lands.

The **Unemployment Insurance Trust Fund** will see a negative balance of $151.3 million at the close of FY 2010-11. Unemployment Insurance (UI) benefits peaked during FY 2009-10 and state expenditures on benefits are expected to continue to fall over the next several years. However, unprecedented levels of job loss as a result of the recession pushed the UI Trust Fund into insolvency in late FY 2009-10, which started the fund with a negative balance in FY 2010-11.

Revenue to the UI Trust Fund is expected to outpace benefits paid in FY 2010-11 but not by enough to bring the fund balance into positive territory until FY 2011-12. Initial UI claims are declining and many workers are exhausting their benefits or finding employment, resulting in a precipitous fall in benefits paid. Additionally, due to the level of the UI Trust Fund balance, regular UI premium rates and solvency surcharge rates shifted to the highest rate schedules this year. This will boost revenue to the fund.

Forecasts for UI revenue, benefit payments, and the UI Trust Fund balance are shown in Table 11 on page 26. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 7. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is still subject to TABOR and is included in the revenue estimates for other cash funds in Table 6.

The payment of UI benefits is supported by the collection of employer premiums. Rates are charged to employers against the first $10,000 of each employee's wages through 2011. **House Bill 11-1288** increased this amount to $11,000 beginning in 2012 and indexed it to growth in average weekly earnings for employees covered by the program after the fund returns to solvency. House Bill 11-1288 also created a new set of premium surcharge rate tables that will be effective after the fund becomes solvent and created a credit for employers with positive experiences in the program when the UI Trust Fund balance reaches 1.6 percent of total covered wages.

The UI Trust Fund balance is expected to return to solvency by the end of FY 2011-12. Therefore, the new rate schedule and indexed wage base are expected to go into effect starting January 1, 2013.

Federal borrowing and a special interest assessment. When the balance of the UI Trust Fund falls below zero, the federal government requires that another revenue source be found to make benefit payments to claimants. Colorado is among 31 states who have borrowed money from the Federal Unemployment Account to fund benefit payments to address UI fund solvency issues. Colorado began borrowing federal funds in January 2010. These federal loans were interest-free through 2010. However, interest on the loans started to accrue in 2011. The state had $280.9 million in federal loans outstanding as of June 15, 2011.

Colorado's first interest payment is due to the federal government on September 30, 2011. The payment is expected to be about $12 million. By law, a separate assessment is required to pay for interest on federal loans used to fund the UI program. Businesses will be charged the interest assessment in July in advance of making the payment. The amount individual businesses will be charged is determined by formula, based on the amount owed to the federal government and each business' 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.

Table 11
Unemployment Insurance Trust Fund Forecast, June 2011
Revenues, Benefits Paid, and Fund Balance
(Dollars in Millions)

	Actual FY 09-10	Estimate FY 10-11	Estimate FY 11-12	Estimate FY 12-13
Beginning Balance	$339.9	($193.8)	($151.3)	$276.0
Plus Income Received				
UI Premium & Premium Surcharge	$233.9	$411.3	$676.7	$598.6
Solvency Surcharge	$257.8	$394.1	$393.2	$205.9
Interest	$5.4	$0.0	$0.0	$12.6
Plus Federal UI Modernization Payment	*$128.0*			
Total Revenues	**$625.1**	**$805.4**	**$1,069.9**	**$817.2**
% Change	48.3%	28.8%	32.8%	-23.6%
Less Benefits Paid	($1,063.3)	($762.9)	($642.7)	($583.6)
% Change	43.3%	-28.3%	-15.8%	-9.2%
Federal Reed Act Transfer	$0.0	$0.0	$0.0	$0.0
Net Federal Loans	*($173.8)*			
Accounting Adjustment	$78.3	$0.0	$0.0	$0.0
Ending Balance	**($193.8)**	**($151.3)**	**$276.0**	**$509.6**
Solvency Ratio				
Fund Balance as a Percent of Total Annual Private Wages	-0.23%	-0.19%	0.34%	0.60%

Totals may not sum due to rounding.
NA = Not Applicable.

**CAAGR: Compound Average Annual Growth Rate.*

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

NATIONAL ECONOMY

The national economy continues to recover. Table 12 on page 39 summarizes the forecast of the national economy. Over the next several years, businesses will see continued strength in profits and further easing in credit markets. Households will increase their spending and continue to pay off debt as they see modest gains in employment and income. Progress will be made on the resolution of imbalances in the financial sector. After decelerating over the last few months, the manufacturing sector will recover somewhat during the second half of the year as demand boosts orders and supply-chain disruptions caused by the Japanese disaster are resolved by the global economy.

Economic growth will be weaker in 2011 than 2010, due in part to bad weather which caused output disruptions in the first half of the year. Governments will dampen growth by pulling back on spending and monetary stimulus is expected to diminish. Exports to foreign markets are also expected to contribute less to growth this year than they did in 2010.

The strength of the recovery will be tested over the next several years by the gradual decrease in monetary stimulus by the Federal Reserve. This forecast assumes that monetary policy will remain aggressive through the forecast period. However, the Federal Reserve will begin to slowly pull back on stimulus in June by ending their quantitative easing program, putting upward pressure on long-term interest rates. Most investors expect that the Federal Reserve will begin to gradually sell off its mortgage-backed and other long-term securities at some point during the next year before beginning to increase the federal funds rate.

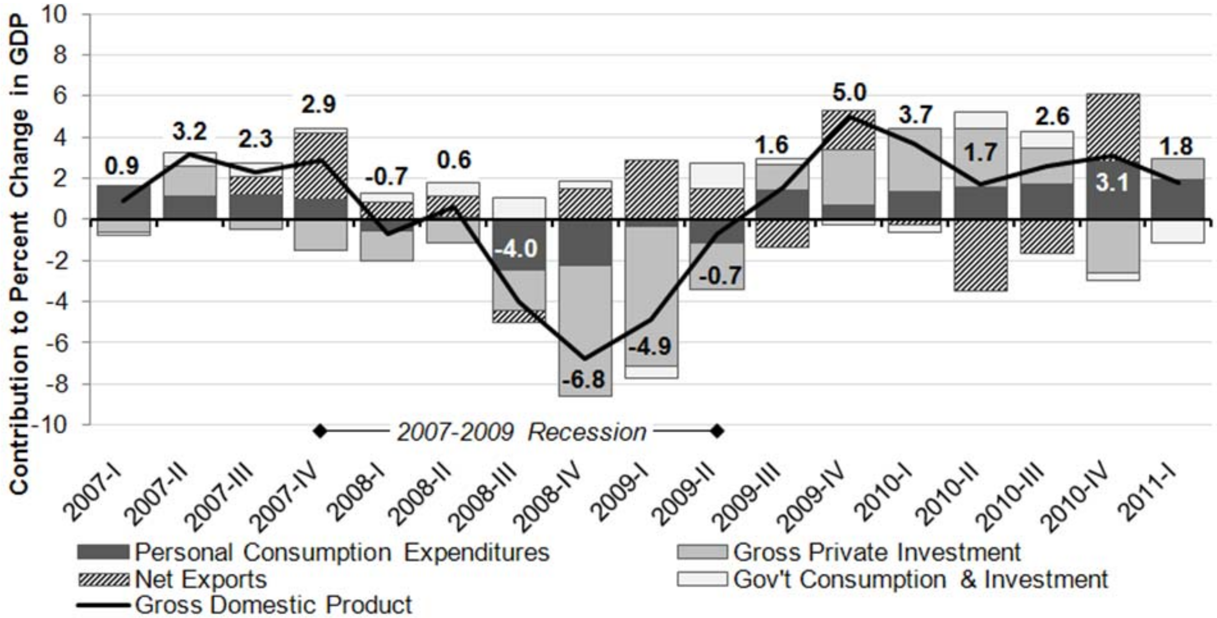
Economic Output and Manufacturing

Growth in Real **Gross Domestic Product** (GDP) decelerated at the start of 2011, increasing 1.8 percent at an annual rate in the first quarter. Personal consumption expenditures and gross private investment led growth, while cutbacks in government spending at federal, state, and local levels put a damper on economic expansion. Net exports were flat in the first quarter; an increase in exports was offset by an increase in imports of a similar magnitude. Figure 3 on page 28 shows contributions to GDP since 2007.

The nation's **manufacturing** industry lost momentum this spring. Although still indicating an expansion in activity, the Institute for Supply Management's (ISM) manufacturing index fell sharply in May after a smaller decrease in April (Figure 4). The ISM index reports the results of a survey that asks manufacturers about activity in the industry. Meanwhile, industrial production decreased slightly in April (Figure 5), but increased in May.

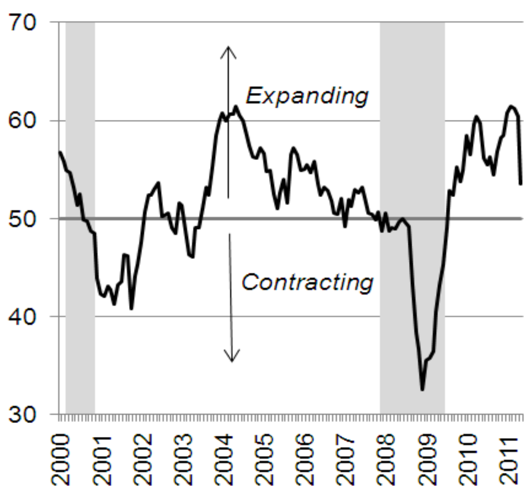
Manufacturing activity has been an important driver in the economic recovery. Expansion has slowed as a result of lower growth overall in the economy and partially because of temporary disruptions in the supply of components important to the manufacture of automobiles and other electronic goods resulting from the disaster in Japan. In addition, the results of the May ISM survey indicate that there is evidence that businesses may be pulling back on their inventories, and export demand from other parts of the world may be cooling. However, business profits

Figure 3
Contributions to Gross Domestic Product
Quarter-Over-Quarter Growth at Seasonally Adjusted Annual Rates



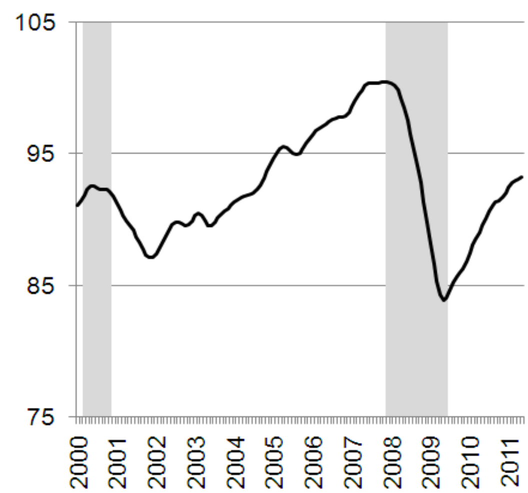
Source: Bureau of Economic Analysis.

Figure 4
ISM Manufacturing Index
Seasonally Adjusted



Source: Institute for Supply Management, Data through May 2011.
Note: Grey bars indicate recessionary periods.

Figure 5
Industrial Production Index
Seasonally Adjusted



Source: Federal Reserve. Data through May 2011.

and spending continue to increase (Figure 6), which will provide a stabilizing boost in demand through the rest of the year.

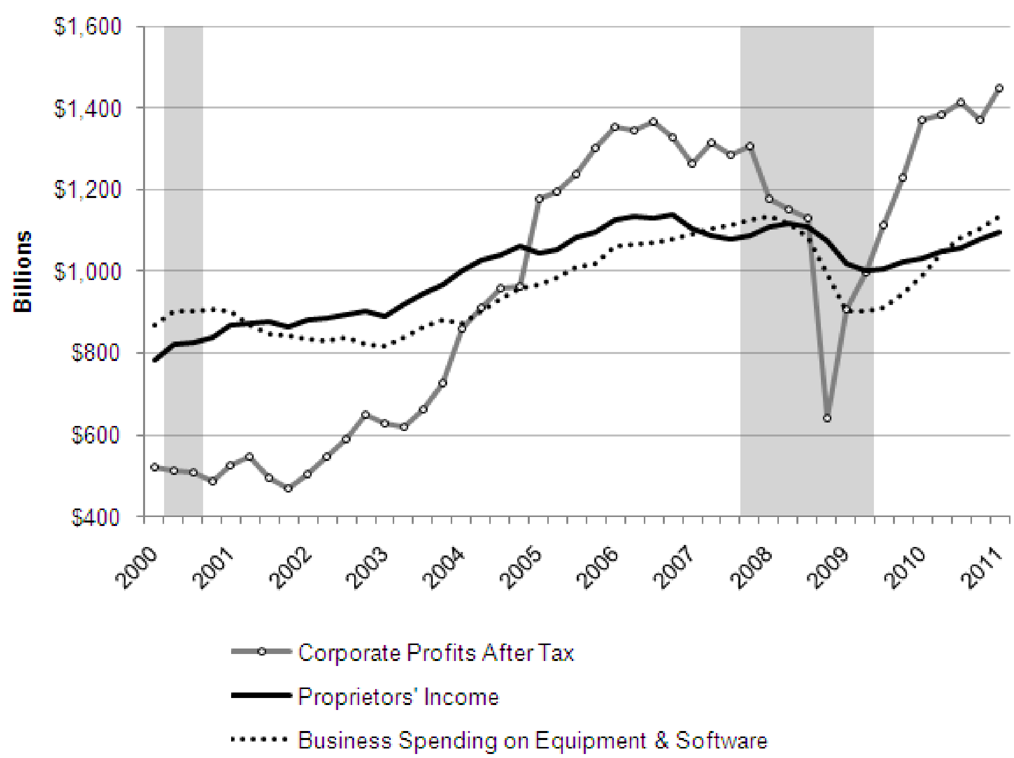
- Growth will continue in 2011, although at a slower rate than in 2010. Businesses and households will see modest gains in profits and income. The manufacturing sector will recover as disruptions caused by the Japanese disaster are resolved. However, heavy debt burdens and weakness in the financial and real estate markets will continue to restrain growth. Real GDP will increase 2.6 percent in 2011 after a 2.9 percent increase in 2010. Real GDP will increase 3.6 percent in 2012 as the recovery gains more solid footing.

Business Income and Spending

Steady gains in business income and spending is one of the strongest pieces of evidence that the economic recovery is on solid ground. As shown in Figure 6, corporate profits and spending increased at healthy rates through the first quarter of 2011. Corporations experienced a strong recovery in profits after the trough of the recession because they were able to cut expenses, access consumers in healthy foreign markets, and access credit at low interest rates.

Businesses have used some of these profits to upgrade their equipment and make their firms more efficient for the future. Business spending on equipment and software has steadily

Figure 6
Business Income and Spending Improves
Seasonally Adjusted



Source: Bureau of Economic Analysis. Data through the first quarter of 2011.

increased since the first quarter of 2009. The steadily, albeit slowly, improving labor market also indicates that businesses have begun to use some of these profits to hire new workers.

Income to small- and medium-sized businesses has also grown since the recession, although at a much slower rate than income to larger corporations. Proprietor's income, which is income reported by non-corporations to the Bureau of Economic Analysis as a component of personal income, is the best indicator available for income growth in small- and medium-sized businesses. While after-tax corporate profits have more than doubled since they bottomed out in the fourth quarter of 2008, proprietor's income has climbed a much more modest 9.7 percent since its trough six months later in the second quarter of 2009.

Smaller businesses are less able to take advantage of cost-saving measures and have more difficulty benefitting from global markets. In addition, credit to small- and medium-sized businesses has been very tight since the financial crisis in the fall of 2008. The Federal Reserve's April loan officer survey, however, signaled that credit conditions for commercial loans have begun to slowly improve. Many small businesses access credit in the same way as households, through home equity lines and credit cards. Credit will continue to restrain the expansion and creation of these businesses, as the loan officer survey also indicated that household credit continues to tighten.

Labor Market Improves

The nation's **labor market** continues to slowly improve. Total nonfarm employment grew by 0.9 percent through May 2011, relative to a similar period in 2010, as shown in Figure 7 on page 31. The nation lost 8.8 million jobs between the pre-recession peak in January 2008 and the trough in February 2010. Since the trough, the nation has added 1.8 million jobs. The private sector added 2.1 million jobs over the same time period or an average of 143,000 jobs per month.

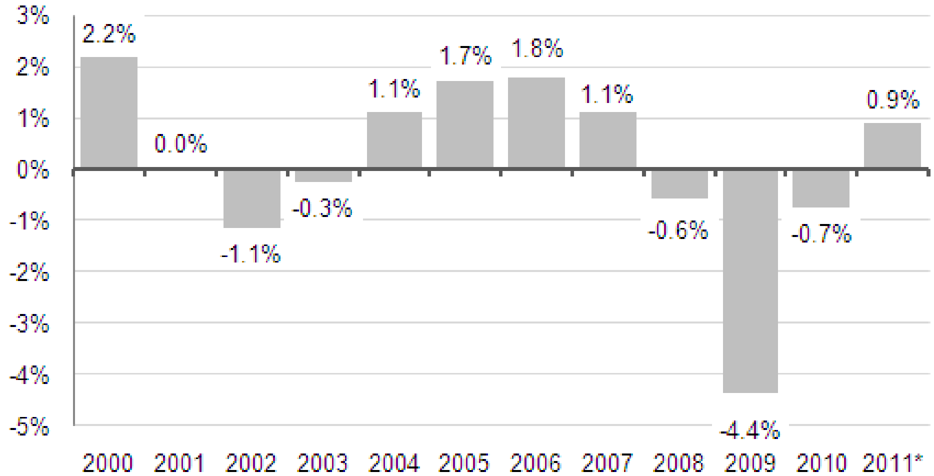
During the first five months of 2011, most industries added workers, as shown in Figure 8. Compared with a similar period in 2010, private sector employment grew 1.5 percent, while government employment fell 1.9 percent. The strongest job gains were in mining and logging, where employment rose over 10 percent. Mining employment was pushed up by increasing oil prices that spurred drilling activity. Durable goods, the professional and business sector, education, transportation and warehousing, and healthcare all saw employment gains of between two and three percent.

There continues to be job reductions in the financial activities, utilities, information, and construction sectors. Job losses in the information sector are the result of structural changes in that industry, as consumer preferences are shifting away from traditional media. Job growth will not resume in the financial activities and construction industries until the imbalances in those industries have been resolved.

While the national **unemployment rate** remains high by historical standards, the trend over the last 18 months is positive. Since peaking at 10.1 percent in October 2009, the unemployment rate has trended downward slowly but steadily. Figure 9 on page 32 shows the national unemployment rate since 1975, with the grey areas indicating recessionary periods.

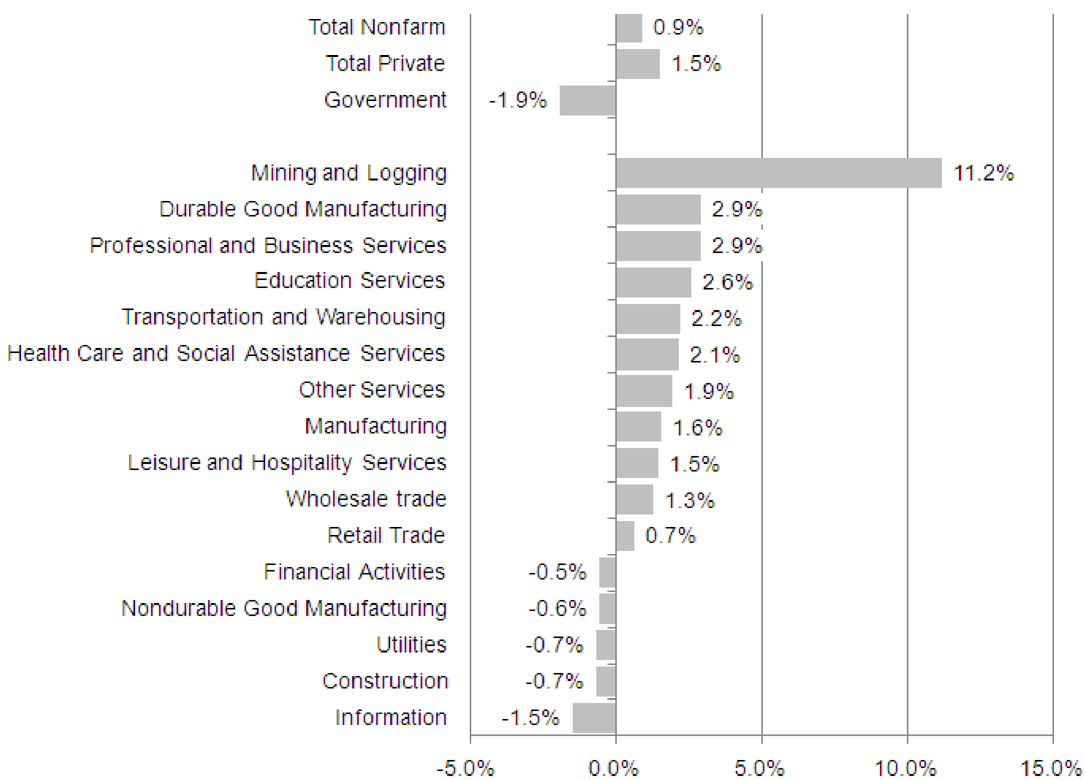
The **duration of** those **unemployed** has been growing since the start of the recession and now averages over 35 weeks. As Figure 10 on page 33 shows, the number of those unemployed for more that 26 weeks (the maximum duration of most regular state unemployment benefits) has grown

Figure 7
U.S. Annual Nonfarm Employment Growth
Seasonally Adjusted



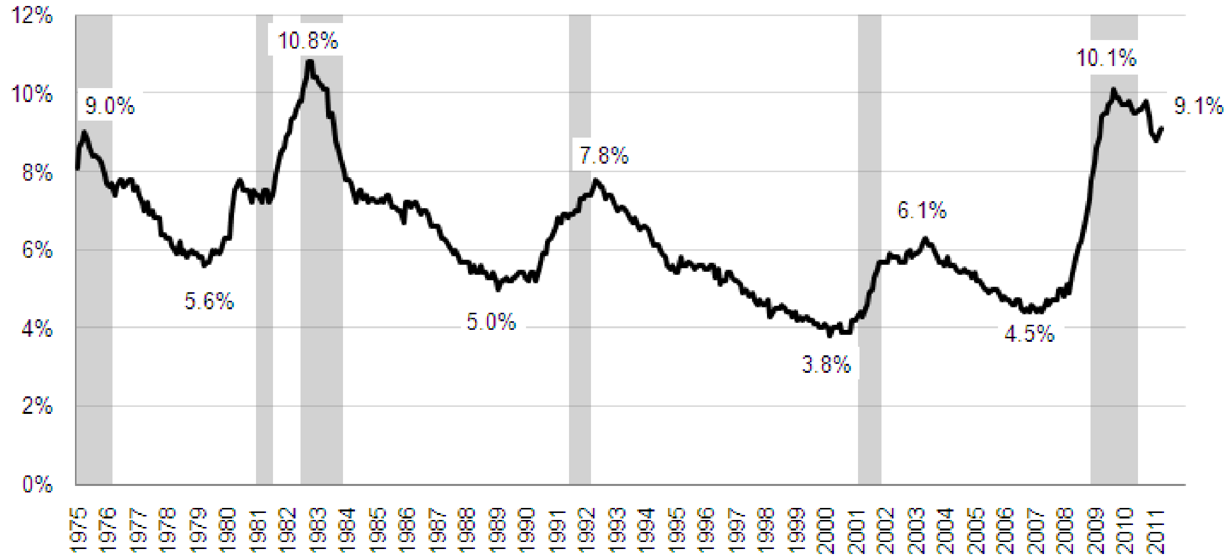
Source: Bureau of Labor Statistics.
**Growth in average employment through May 2011 compared with the first five months of 2010.*

Figure 8
Broad-Based Industries Are Gaining, U.S. Employment Gains/Losses by Industry, Percent Change Year-To-Date Through May*
Seasonally Adjusted



Source: Bureau of Labor Statistics.
** Growth in average employment through May 2011 compared with the first five months of 2010.*

Figure 9
Unemployment Rate Declines but Remains High
Seasonally Adjusted



Source: Bureau of Labor Statistics. Data through May 2011.

substantially from the start of the recession, and has remained stable for the last five quarters. The average duration of unemployment rose from just under 17 weeks in the end of 2007 to nearly 37 weeks in the first quarter of 2011.

- The labor market continues to improve, but job growth will remain slow in 2011 and 2012. Employment is expected to increase by 1.4 million jobs in 2011, or 1.1 percent. The unemployment rate will remain high, averaging 8.8 percent in 2011.

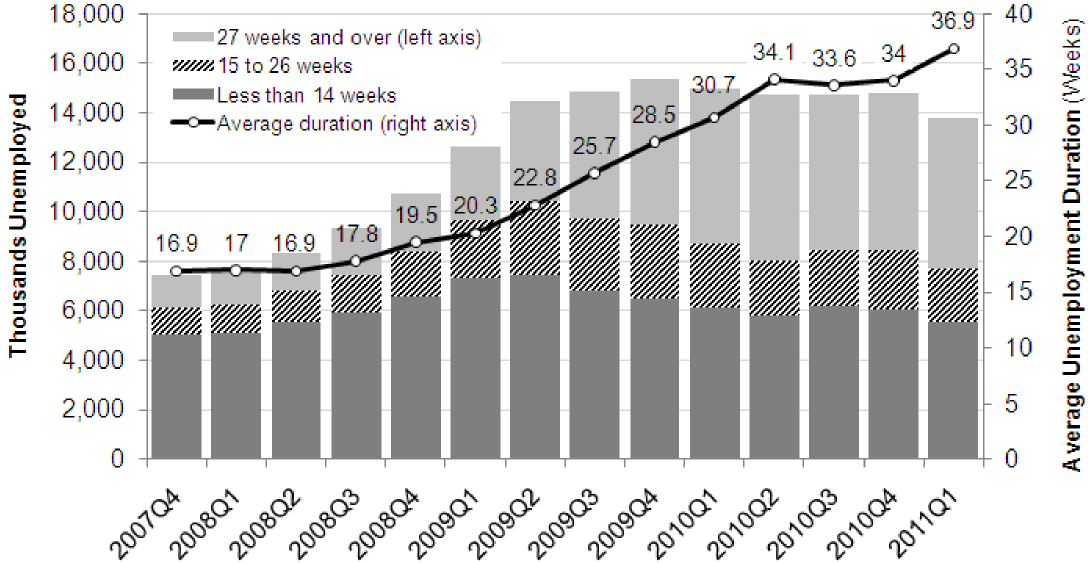
Households and Consumers

As shown in Figure 11 on page 34, personal income continued to increase through the spring and was 4.4 percent higher in April than in April 2010. The largest component of personal income, wages and salaries, is up 3.3 percent over the same time period. Personal income was buoyed by transfer payments to individuals from the government during the recession, when growth in that source of income was in the double-digits. Over the last year, transfer payments have increased only 3.4 percent, while income to farms and businesses and dividend income have grown faster at rates of 5.6 percent and 5.4 percent, respectively.

- After increasing 3.1 percent in 2010, personal income is expected to increase 3.9 percent in 2011. Wages and salaries increased 2.1 percent in 2010 and are expected to increase at a 4.0 percent growth rate in 2011.

Consumer spending continued to increase through the spring. The growth rate in spending on both goods and services has slowed, however, and consumers have begun to decrease the percentage of money they are saving each month (Figure 11). As shown in Figure 12, growth in retail trade sales, which excludes spending on services, continued to increase at very healthy rates through April,

Figure 10
Duration of Unemployment
Seasonally Adjusted



Source: Bureau of Labor Statistics.

though at slower rates than in the previous few months. In 2010, spending was boosted by rising confidence, fiscal stimulus, and monetary stimulus programs that encouraged lower interest rates. In 2011, however, consumers will likely spend more of their income on gasoline and food and less on other retail goods. Fiscal and monetary stimulus is also expected to be weaker in 2011 than in 2010. Spending on nonessential goods is expected to remain weak for some time given high unemployment and slow wage growth.

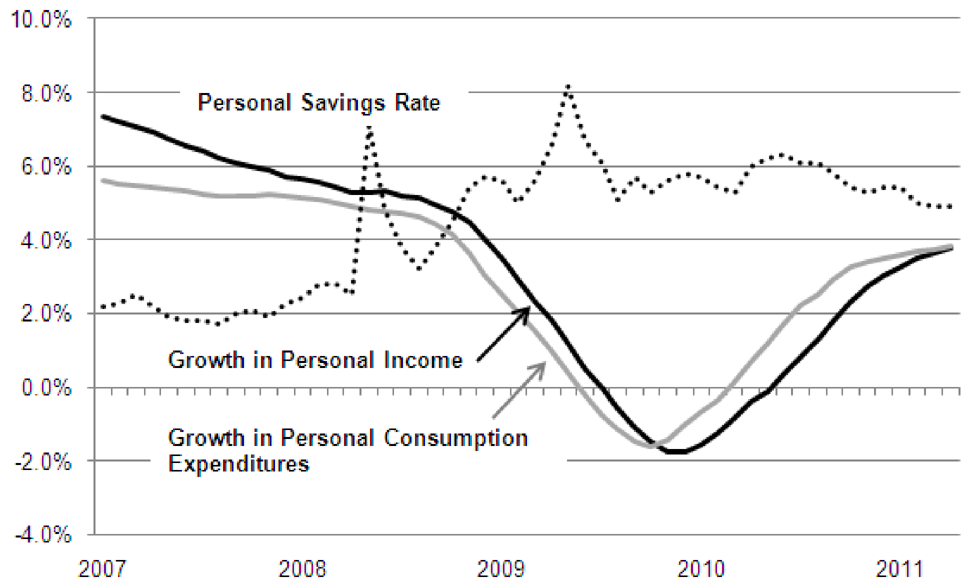
Inflation Fears Cool but Energy Prices Remain High

Core inflation remains subdued. After flirting with deflation in late 2009 and 2010, the core inflation rate (the rate on items other than food and energy) has returned to more normal levels. Prices for food and energy continue to boost headline inflation measures.

Energy prices have eased in recent weeks. Oil prices surged earlier in the year with Middle East turmoil, and a barrel of West Texas Intermediate crude traded at over $100. Oil prices are expected to remain relatively high through the rest of 2011, which will constrain growth of GDP. Natural gas prices remain relatively low, however, and are not expected to increase with oil prices. Figure 13 on page 35 shows core and headline inflation since January 2010.

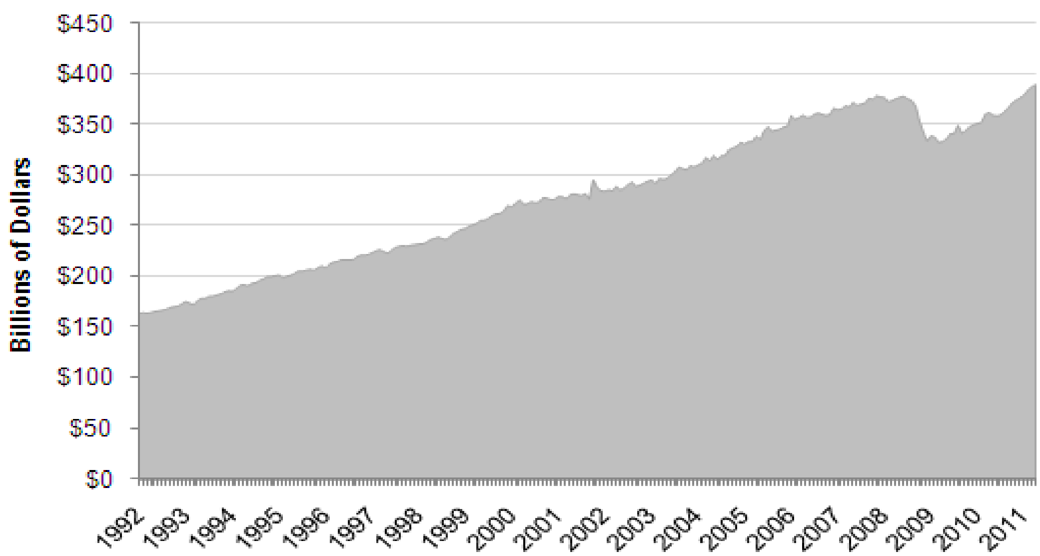
- The consumer price index increased 1.6 percent in 2010. Headline inflation is expected to be pushed up by food and energy prices in 2011, rising 2.7 percent on average. The increase in core inflation will remain more modest because weak demand and slow wage growth will limit the ability of producers and retailers to pass rising energy costs to final prices.

Figure 11
Personal Income and Spending Growth Remains Positive But Slows
Growth Rates Are 12-Month Moving Averages; Seasonally Adjusted



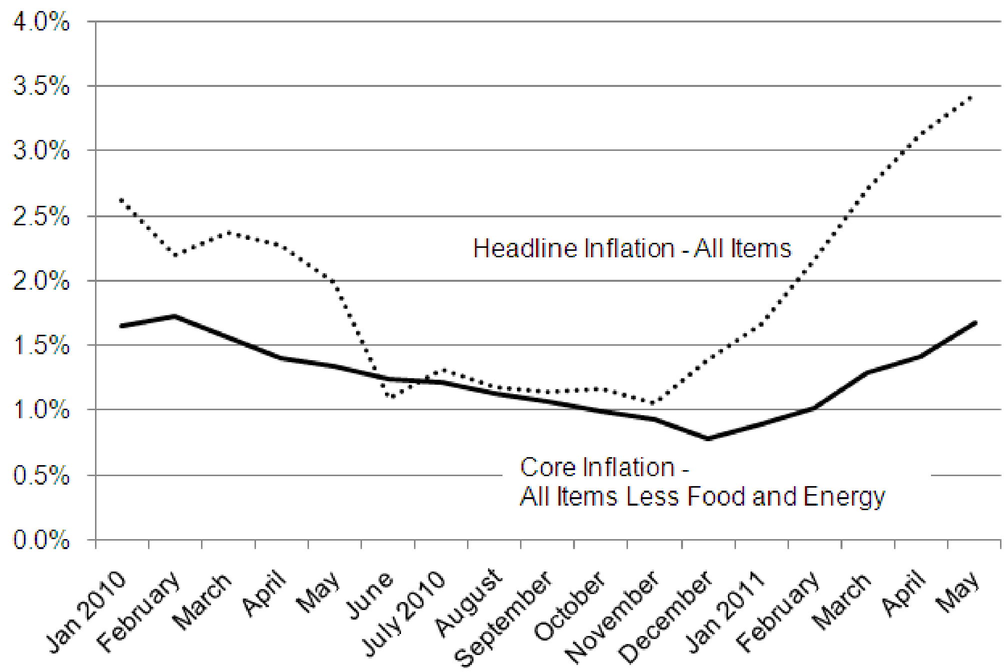
Source: Bureau of Economic Analysis. Personal consumption expenditures include spending on services. Data through April 2011.

Figure 12
Retail Trade Sales
Seasonally Adjusted



Source: U.S. Census Bureau. Retail trade sales excludes spending on services.

Figure 13
U.S. Consumer Price Index - Headline and Core Inflation
Percent Change Over the Same Month the Year Before
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics.

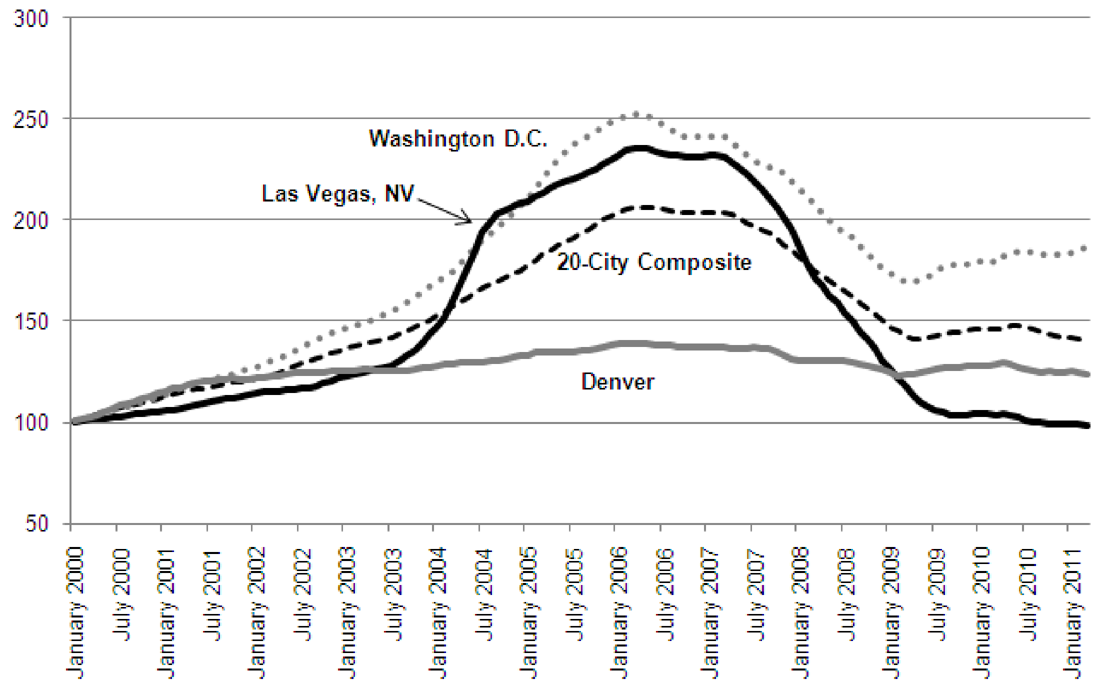
The Housing Market's Recovery is Slow

National housing prices continued to weaken through March 2011. The softness in the housing market is driven by the significant inventory of unsold homes, the large number of foreclosures competing with new home sales, consumer difficulties in obtaining loans, and the ongoing, relatively high level of uncertainty in the housing market. In addition, the housing credit that buoyed the market in 2010 has ended. As shown in Figure 14 on page 36, home prices have fallen 4.4 percent since June 2010. Continued price declines in the housing market will have a dampening effect on the economic recovery.

The nation's mortgage market appears to be slowly recovering as the percentage of loans in **foreclosure** is decreasing. Data from the Mortgage Bankers Association show that foreclosure filings are on the decline and at the lowest level since the end of 2008. National statistics can be misleading, however, as local real estate conditions may vary significantly. For example, 24 percent of all mortgages nationally that are currently in foreclosure are associated with properties located in Florida. In Nevada, 9 percent of mortgage loans are in foreclosure. In states like these with relatively high foreclosure rates, housing markets will take longer to recover.

Nationally, the **pending home sales index**, a measure of homes under contract, was up 5.1 percent in March, but was still 11.4 percent below the March 2010 level. According to the National Association of Realtors, national home sales activity has been uneven, but is showing some gains after bottoming out in June 2010.

Figure 14
Case-Shiller Home Price Index Resumes Decline
Seasonally-Adjusted



Source: Standard & Poor's. Data through March 2011.

The National Association of Homebuilders sentiment index was unchanged in May, and has remained at the low level of 16 for six of the past seven months. The index gauges builder perceptions of current single family home sales and sales expectations. A reading of 50 means that more builders see positive sales conditions than negative conditions. This pessimism by U.S. homebuilders provides evidence of excess supply in the housing market, and is another sign that the recovery will be slow. Overall, demand for new housing continues to be weak and will likely remain sluggish through the forecast period.

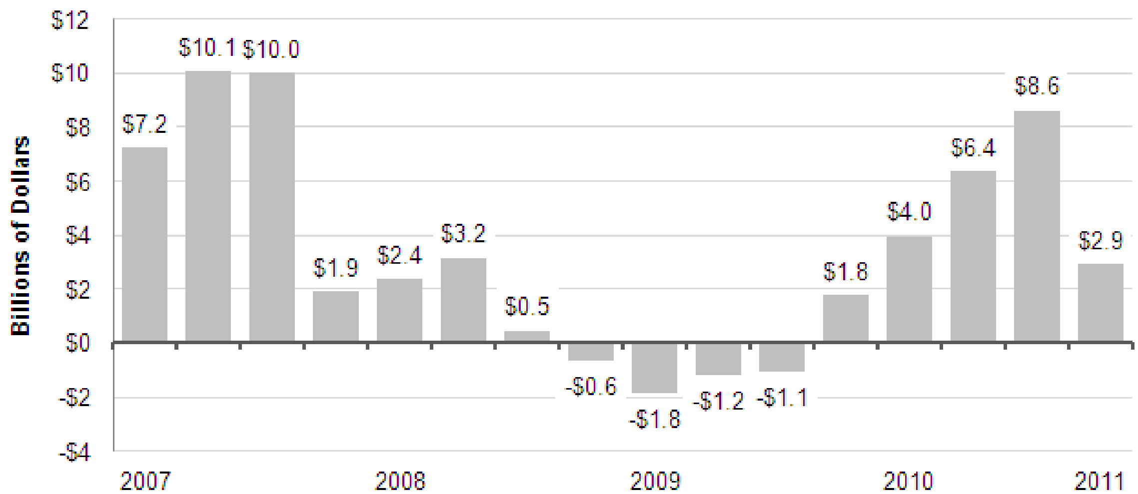
- The housing market will remain sluggish throughout 2011 as home prices slowly stabilize, foreclosures continue to decline, and consumers gain more confidence in housing markets. The slow recovery will continue through 2012 and 2013.

Banks Work Through Debt

Banking and credit conditions are slowly improving, but remain a drag on economic activity. Banks are continuing to work through problem loans. As shown in Figure 15 on page 37, institutions insured by the Federal Deposit Insurance Corporation (FDIC) on average posted profits in all quarters of 2010 and the first quarter of 2011. In addition, the share of unprofitable FDIC-insured institutions dropped from 21 percent at the end of 2010 to 15 percent in the first quarter of 2011.

While there has been some loosening in recent months, loan standards are tighter than they were a few years ago, as banks work to strengthen their balance sheets. Lending remains particularly tight for residential mortgages. Downward pressure on home prices is keeping a relatively high percentage

Figure 15
Net Income Rebounds at FDIC-Insured Institutions



Source: Federal Deposit Insurance Corporation.

of borrowers with little or no equity in their homes, further straining credit quality and bank balance sheets.

The Federal Reserve's quarterly senior loan officer survey suggests continued easing in loan conditions and rising loan demand, consistent with a pickup in economic activity. Residential lending standards remain tight and demand is still soft. Thirty four percent of respondents reported lower demand for residential mortgages. Banks reported the first net easing in commercial real estate lending since 2005, and lenders perceived stronger demand for commercial real estate loans. Consumer lending standards eased significantly, with nearly 30 percent of banks reporting increased willingness to make consumer loans. Demand for auto loans was up sharply but remained flat for other consumer loans.

Summary

Historically, recoveries from recessions caused by financial imbalances have been painfully slow, and have taken between five years to a decade before fully maturing into robust expansions. At two years old, the current recovery is exhibiting solid signs that the real economy is beginning to heal as the imbalances that caused the recession - those in the financial, housing, and nonresidential real estate markets - are slowly improving.

Consumer spending is slowly rising as households benefit from modest gains in employment and income. Business income and spending is also increasing. However, heavy debt burdens, high commodity prices, and weakness in the financial and real estate markets will provide significant resistance to growth through the forecast period.

Growth in real GDP will be lower in 2011 before increasing at slightly faster rates in 2012 and 2013, as employment and business conditions gradually improve. The economy will recover with fits and starts, as monetary and fiscal stimulus is pulled back, foreign markets experience their own business cycles, and progress toward resolving the imbalances in the real estate and financial markets will be uneven.

Risks to the Forecast

Risks to the national outlook for economic activity are substantial, and economic activity could be weaker than forecast. Concerns about heavy public and private debt levels could slow growth by weighing down confidence, investment, and hiring. Weakness in housing could push prices significantly lower if lenders and homeowners become reluctant to invest. Economic problems in Europe could worsen and the recovery in Japan could be delayed, dragging down export demand. As economic growth strengthens, the Federal Reserve may not be able to remove liquidity from the economy fast enough, fueling inflation expectations and pushing up prices. Likewise, the Federal Reserve could remove liquidity too quickly if the underlying strength of the economy is weaker than anticipated, pushing down economic growth.

Alternatively, economic activity could be stronger than forecast. Tensions in the Middle East could ease, causing oil prices to fall and consumer sentiment to rebound. Such an increase in confidence could lead businesses and consumers to increase spending and investment.

Table 12
National Economic Indicators, June 2011 Forecast
(Dollars in Billions)

	2006	2007	2008	2009	2010	Forecast 2011	Forecast 2012	Forecast 2013
Inflation-adjusted GDP	$12,976.2	$13,228.9	$13,228.8	$12,880.6	$13,248.2	$13,592.7	$14,082.0	$14,574.9
percent change	2.7%	1.9%	0.0%	-2.6%	2.9%	2.6%	3.6%	3.5%
Nonagricultural Employment (millions)	136.1	137.6	136.8	130.8	129.8	131.2	133.3	135.7
percent change	1.8%	1.1%	-0.6%	-4.4%	-0.8%	1.1%	1.6%	1.8%
Unemployment Rate	4.6%	4.6%	5.8%	9.3%	9.6%	8.8%	8.4%	7.7%
Personal Income	$11,268.1	$11,912.3	$12,391.1	$12,174.9	$12,546.7	$13,036.0	$13,635.7	$14,344.7
percent change	7.5%	5.7%	4.0%	-1.7%	3.1%	3.9%	4.6%	5.2%
Wage and Salary Income	$6,068.9	$6,421.7	$6,559.0	$6,274.1	$6,405.3	$6,661.5	$6,948.0	$7,309.3
percent change	6.5%	5.8%	2.1%	-4.3%	2.1%	4.0%	4.3%	5.2%
Inflation (Consumer Price Index)	3.2%	2.8%	3.8%	-0.4%	1.6%	2.7%	1.9%	2.6%

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

COLORADO ECONOMY

Although still slow, Colorado's economy gained momentum and its rate of economic growth began to surpass the national economy in late 2010. Both nonfarm employment and consumer spending have begun to increase at rates faster than in the nation. The state's economy was boosted in 2010 by tourism, robust agricultural markets, and a recovery in the energy industry.

Despite these clear signs that the economy is expanding, there are ongoing challenges that are restraining the recovery. Growth in small and medium-sized businesses will continue to be restrained by tight credit and a struggling commercial real estate sector. Consumers will also be restrained by tight credit, falling home prices, and high levels of debt and unemployment. In addition, the financial and housing markets will continue to work through the imbalances that caused the recession. Table 13 on page 55 summarizes the forecast for the Colorado economy.

During an economic recovery, strong improvements in the business climate and consumer spending typically precede improvements in the labor markets. The national and Colorado experiences in the current recovery are consistent with this historical trend. Corporate profits and consumer sentiment started trending upward in early 2009. Similar to the nation, some businesses in Colorado remain flush with cash and will increase hiring in the short term. While this momentum in Colorado's labor market is expected to continue, job growth will remain slow by historical standards, and the unemployment rate will remain high.

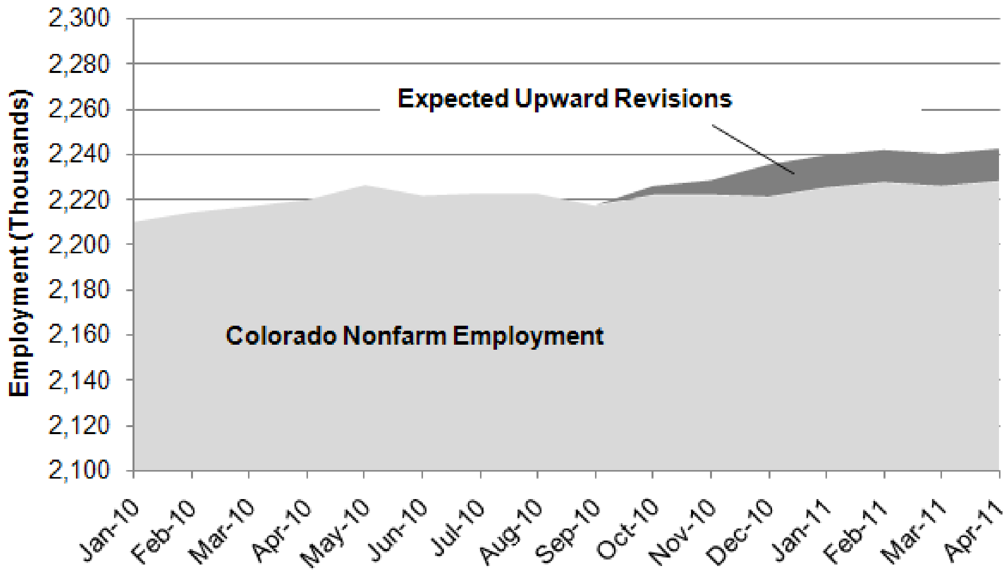
The Labor Market is Gaining Momentum

Colorado's labor market is in its second year of recovery and, though it continues to improve slowly, several signs indicate it is gaining momentum. Employment is picking up and initial claims for unemployment are falling. The unemployment rate has also declined. Furthermore, while *national* employment statistics for 2009 and 2010 were revised down in March by the U.S. Bureau of Labor Statistics, data for *Colorado* were revised upward in March and, based on a Legislative Council Staff analysis, are expected to be revised upward again for 2010 and 2011.

As shown in Figure 16 on page 42, employment has been slowly gaining momentum in Colorado since January 2010. Data currently published by the U.S. Bureau of Labor Statistics show that there were 17,900 new jobs created between January and April of 2010. Each spring the U.S. Bureau of Labor Statistics revises its employment data to reflect the more comprehensive information derived from unemployment insurance premium forms. This spring they used unemployment insurance data through the third quarter of 2010 to revise their estimates for Colorado's employment upward for 2009 and early 2010.

Since that revision was released, additional unemployment insurance data have become available. A Legislative Council Staff analysis of these data anticipate that growth in Colorado employment will be revised upward, as shown in Figure 16 on page 42. Once these expectations for revisions are incorporated, employment statistics should show an estimated 16,800 additional jobs by April, for a

Figure 16
Nonfarm Employment Statistics Are Expected To Be Revised Upward
Seasonally Adjusted



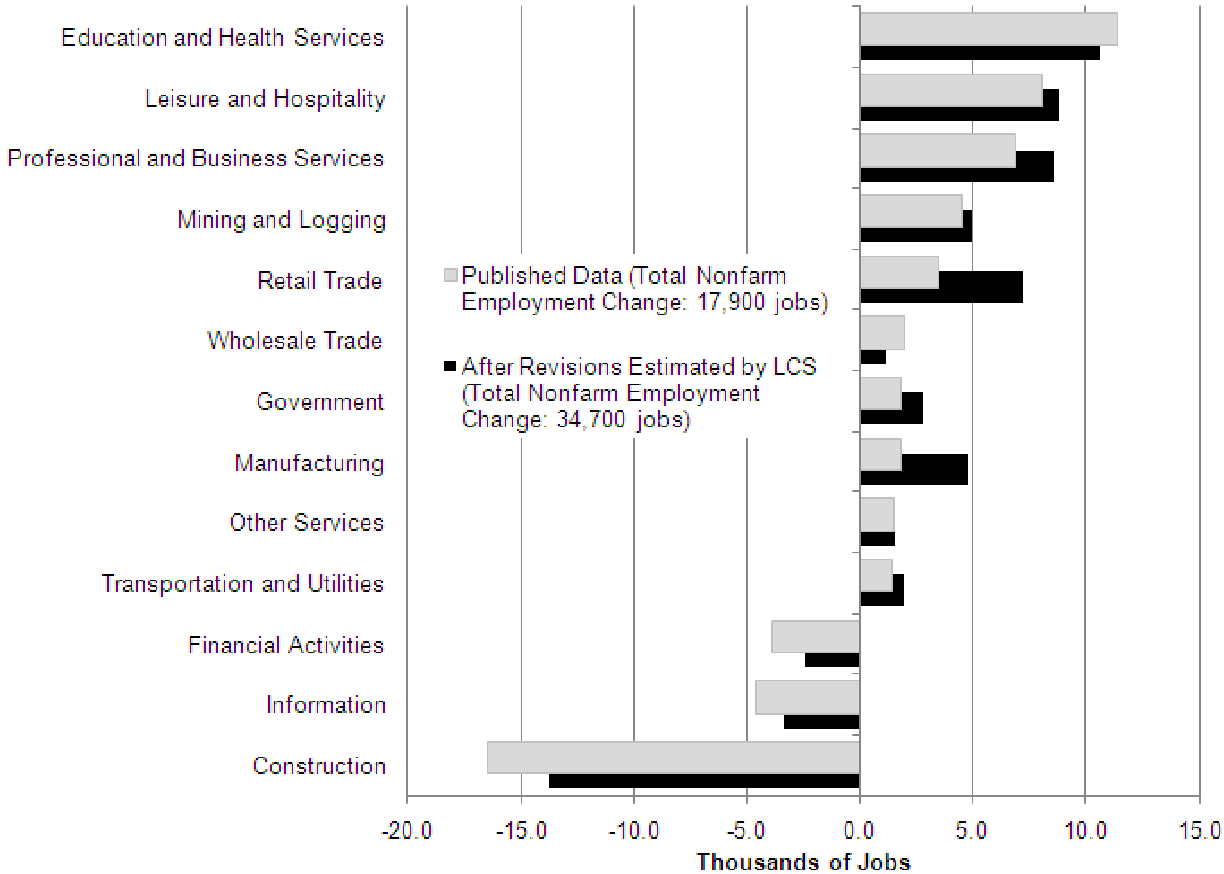
Source: Published data are from the U.S. Bureau of Labor statistics, CES. Revisions are estimated by Legislative Council Staff based on U.S. Bureau of Labor Statistics, QCEW data.

revised total increase in employment of 34,700 jobs between January 2010 and April 2011. Although May data were not available for the analysis on revisions, the U.S. Bureau of Labor Statistics reported an additional gain of 4,200 jobs in May.

Figure 17 on page 43 shows that most industries in Colorado have been gaining jobs since the employment trough occurred in January 2010. This suggests that the underlying economy is beginning to heal. Only the information, financial activities, and construction industries had fewer people employed in April 2011 than in January 2010. The financial activities and construction industries are still working through the imbalances that led to the recession. Job losses in the information sector are the result of long-run structural changes in that industry as consumer preferences shift away from traditional to electronic media. Legislative Council Staff estimated revisions to the data show improvements in most industries.

Unemployment statistics have also begun to signal that the labor market recovery is gaining momentum. After peaking at 9.3 percent in February 2011, the unemployment rate has begun to fall. During the early stages of an economic recovery the unemployment rate may fall because people become discouraged about finding a job and leave the labor force, reducing the number of people counted as unemployed. As shown in Figure 18 on page 44, the unemployment rate began to fall slowly during the summer of 2009 at the same time employment was decreasing. This pattern repeated itself about a year later in the spring of 2010. This occurred because people were choosing to leave the labor force. However, thus far in 2011, more people have become employed than have entered the labor force, while the number of unemployed people has fallen. This indicates that the rate is falling because the labor market is improving.

Figure 17
Broad-Based Industries Are Gaining
Change in the Number of Colorado Jobs by Industry From January 2010 to April 2011
Seasonally Adjusted



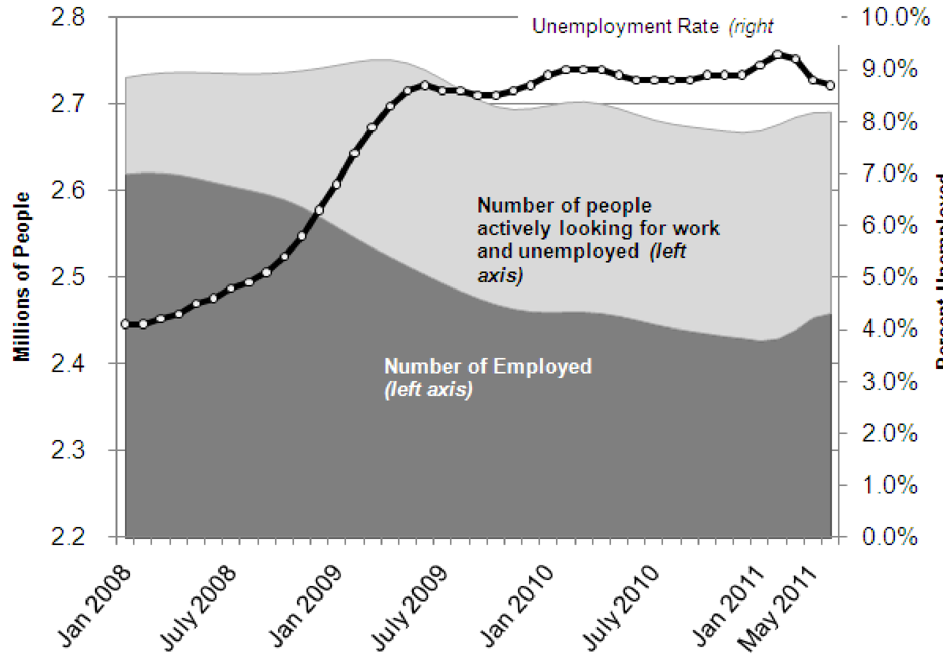
Source: Published data are from the U.S. Bureau of Labor Statistics, CES. Revisions are estimated by Legislative Council staff based on U.S. Bureau of Labor Statistics, QCEW data.

Figure 19 on page 44 shows Colorado and U.S. unemployment rates and underutilization rates. The underutilization rate is a broader measure of the rate of unemployed, including those working part-time or seeking additional work, and discouraged workers who have dropped out of the labor force. In 2010, the monthly national underutilization rate began to level off and is declining in 2011, indicating improvement in the labor market. Colorado's underutilization rate showed a similar pattern as the nation. Through the first quarter of 2011, Colorado's underutilization rate is 15.7 percent. This is slightly higher than the rate reported for all of 2010.

- Growth in the labor market will gain momentum but remain at relatively slow rates historically as the economy works through high debt levels and slack over the next couple of years. Nonfarm employment will increase 1.1 percent in 2011 and 1.6 percent in 2012.

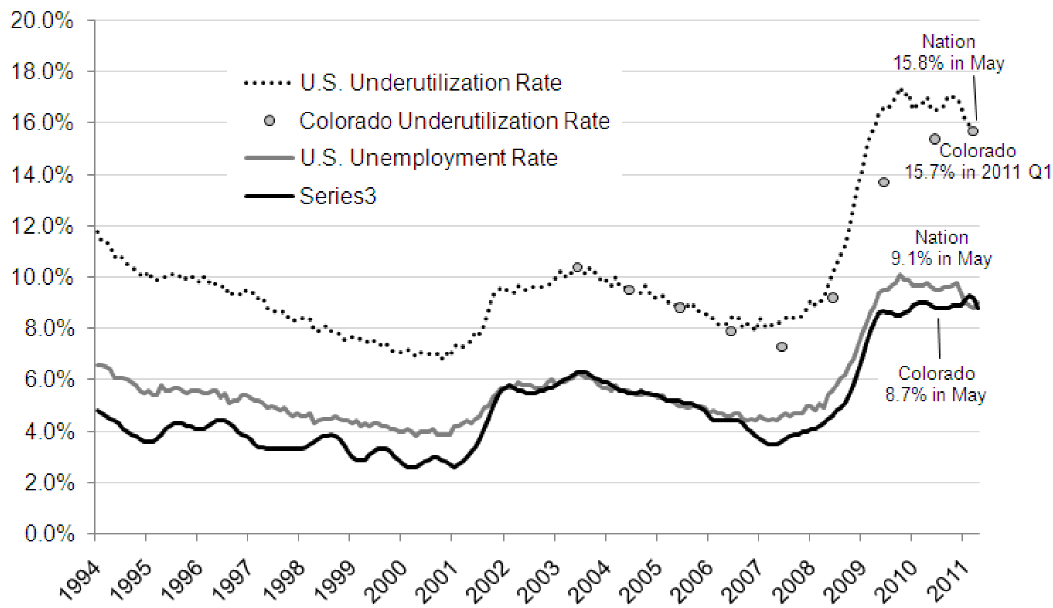
- The unemployment rate will fall but remain at historically high levels, averaging 8.5 percent in 2011 and falling to 7.3 percent by 2013.

Figure 18
Unemployment Statistics Are Signaling Labor Market Recovery
Colorado Unemployment Rate and Number of Employed and Unemployed
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, LAUS.

Figure 19
Unemployment and Underutilization Rate
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics.
**The Colorado underutilization rate is only available on an annual average basis.*

Personal Income and Wages Are Rising

Colorado **personal income** increased 2.3 percent in 2010 after decreasing 2.1 percent in 2009, as shown in Figure 20. Growth was driven by increases in government payments, including increases in transfer receipts, such as workers compensation, retirement, unemployment insurance, and welfare payments. Government payments grew 9.2 percent in 2010, after growing 16.5 percent in 2009.

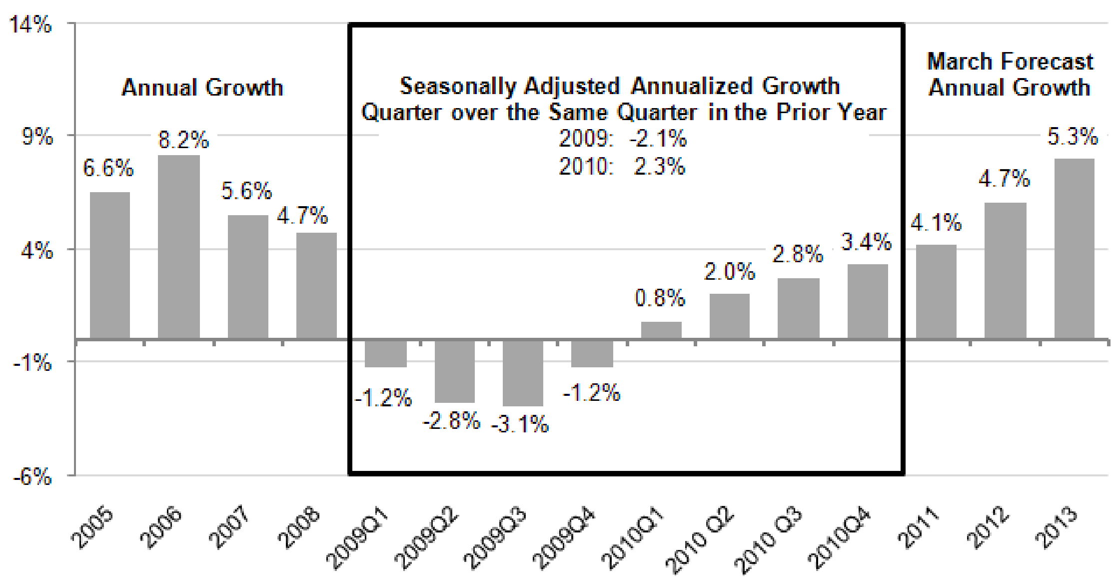
Over half of personal income comes from **wages and salaries**, which increased 1.0 percent in 2010, after decreasing 3.7 percent in 2009. Wages and salaries will increase slowly over the next several years. Although businesses may begin to restore some pay cuts for existing employees, the ongoing high level of unemployment means that many workers are competing for the same positions. This competition will restrain wages until the labor market is able to absorb the unemployed and underemployed workers.

- Personal income grew 2.3 percent in 2010 and will grow at a slightly stronger pace of 4.1 percent in 2011. Wages and salaries are expected to rise 3.1 percent in 2011 after increasing 1.0 percent in 2010. Income growth will strengthen as the economy gains momentum. Growth will be somewhat stronger in 2012, averaging 4.7 percent for personal income and 4.4 percent for wages and salaries.

Consumer Spending

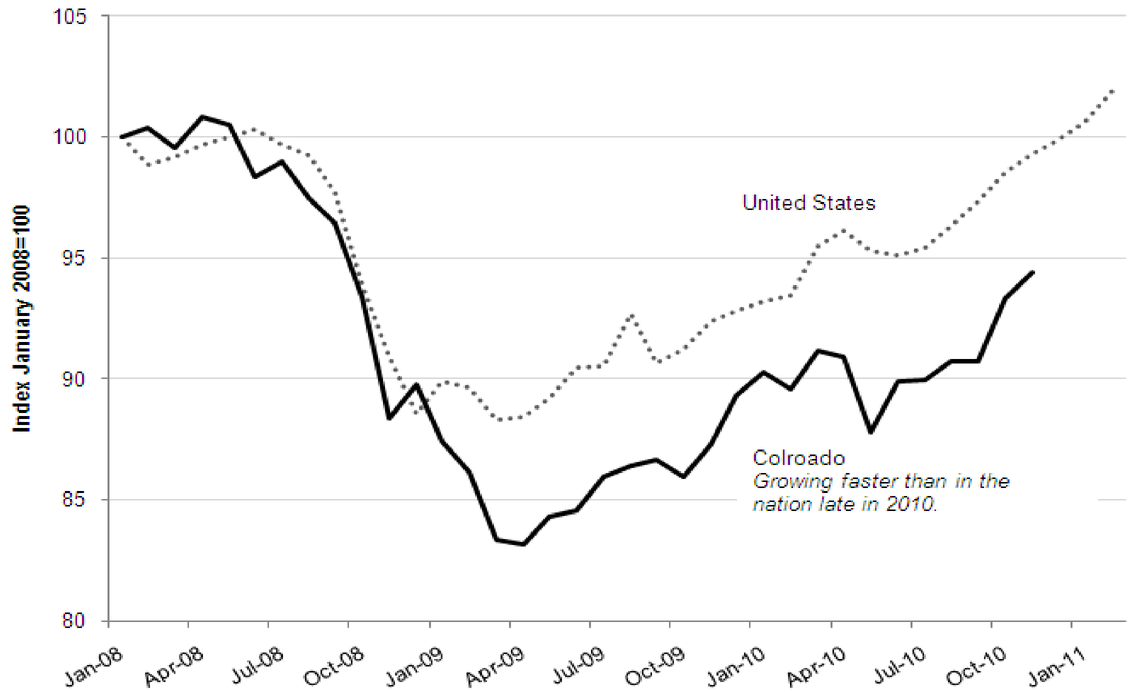
Consumer spending picked up during the last quarter of 2010, but will moderate in 2011. Consumers are restrained by debt payments, continued high unemployment, high food and gasoline prices, and slow wage growth. As shown in Figure 21 on page 46, retail sales fell faster in Colorado than in the nation in 2009, but are accelerating at rates faster than in the nation in the final months of 2010. Retail sales grew at a brisk 6.6 percent

Figure 20
Modest Growth Continues for Colorado Personal Income



Source: U.S. Bureau of Economic Analysis.

Figure 21
Retail Trade Sales Showing A Rebound
Index 100 = January 2008
Three-Month Moving Average, Seasonally Adjusted Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data is through December 2010. U.S. data is through April 2011.

in 2010, helped by increasing consumer confidence. This marks a rebound in retail sales from a decrease of 11.3 percent in 2009.

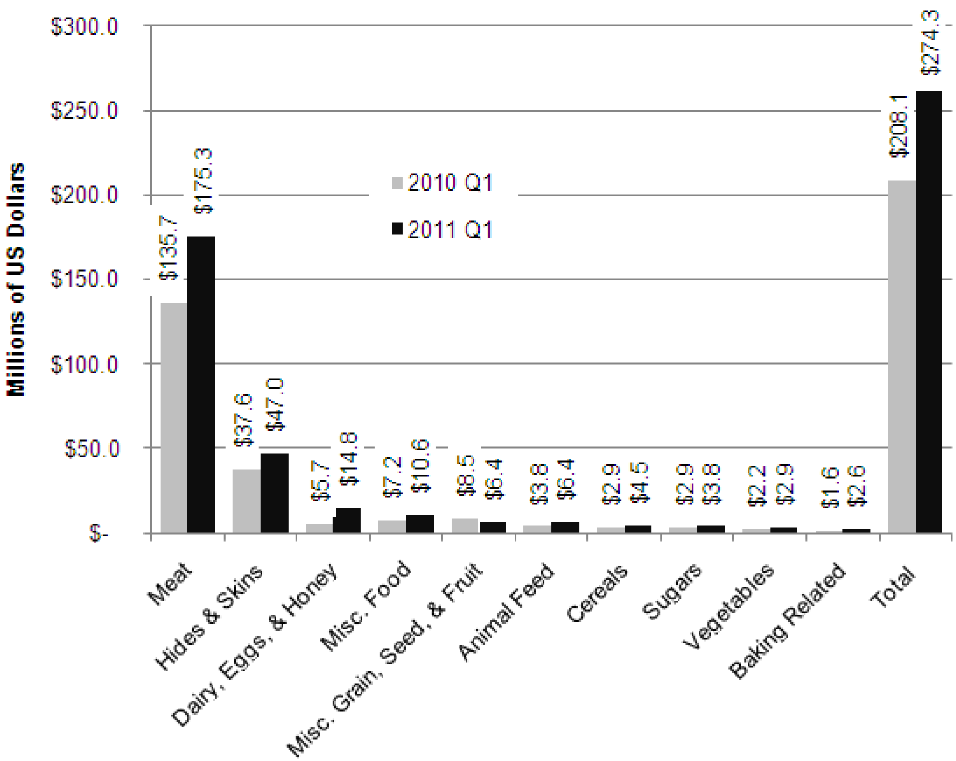
The Federal Reserve reported that **consumer credit** increased at an annual rate of 3.0 percent in March. The increase in revolving and nonrevolving credit is likely driving some of the increase in consumer spending in Colorado.

- Retail sales accelerated at the close of 2010, but increased at slightly slower rates in early 2011. Spending growth is expected to moderate over the rest of the year. Retail sales will climb 4.9 percent in 2011 and 5.0 percent in 2012.

Agriculture

The Colorado Department of Agriculture reported that the industry processed and marketed over $15 billion in products during 2010. During the first quarter of 2011, Colorado's agricultural exports grew 31.8 percent from $208.1 million to $274.3 million over the prior year. Meat products represent over 61 percent of total exports and grew from $135.7 million to $175.3 million over the same period. Canada, Colorado's largest export market for agricultural products, imported $60.5 million in beef products in the first quarter of 2011. Figure 22 lists Colorado's top 10 agricultural exports.

Figure 22
Colorado's Top 10 Agricultural Exports
Value in US Dollars



Source: Colorado Department of Agriculture.

Banking and Credit Conditions

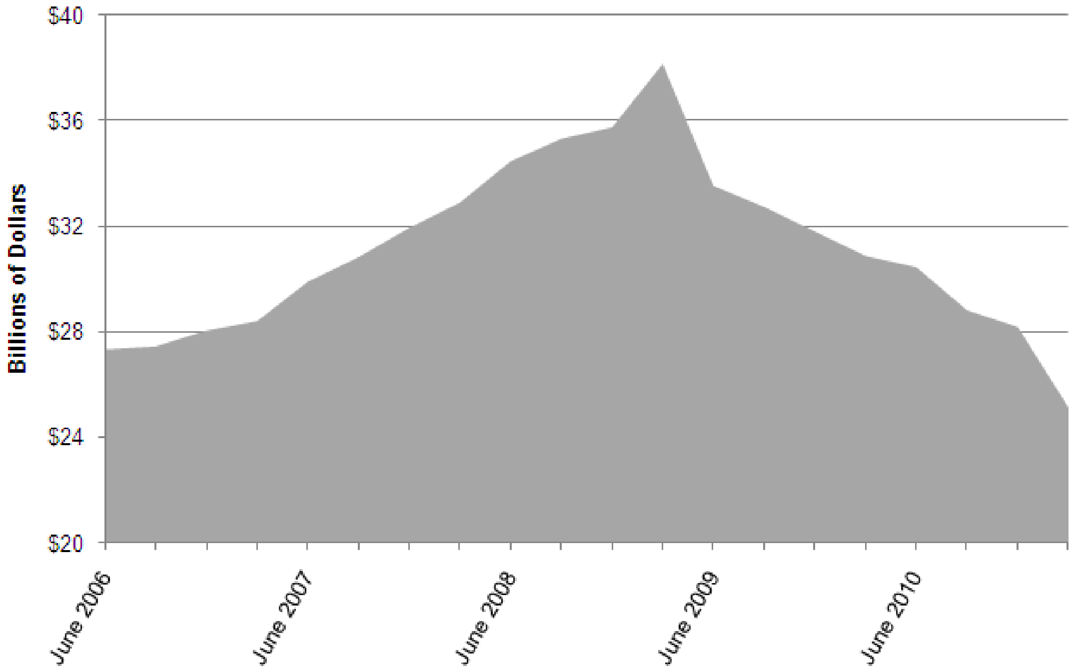
Banking and credit conditions are slowly improving. Still, they remain a drag on economic activity. While banks are strengthening their balance sheets, they continue to work-through problem loans. While there has been some loosening in recent months, loan standards are tighter than they were a few years ago. Lending remains particularly tight for residential mortgages. Downward pressure on home prices is keeping a relatively high percentage of borrowers with little or no equity in their homes, further straining credit quality and bank balance sheets.

Data from the Federal Deposit Insurance Corporation indicates that Colorado-based banks still are working through problem loans and lending continues to decline, as shown in Figure 23 on page 48. Net income at Colorado-based banks rebounded in the first quarter of 2011 but remains below the growth for all U.S. banks. Twenty-six percent of Colorado-based banks were unprofitable on March 31, 2011. While the percent of unprofitable banks is declining in Colorado, it is higher than in the nation, where 15 percent of banks were unprofitable.

Inflation

After the nation flirted with deflation in 2009 and 2010, inflation has returned to more normal levels. Core inflation (excluding energy and food) remains subdued but prices for energy (mainly motor fuels) have increased significantly.

Figure 23
Colorado Lending Continues to Decline



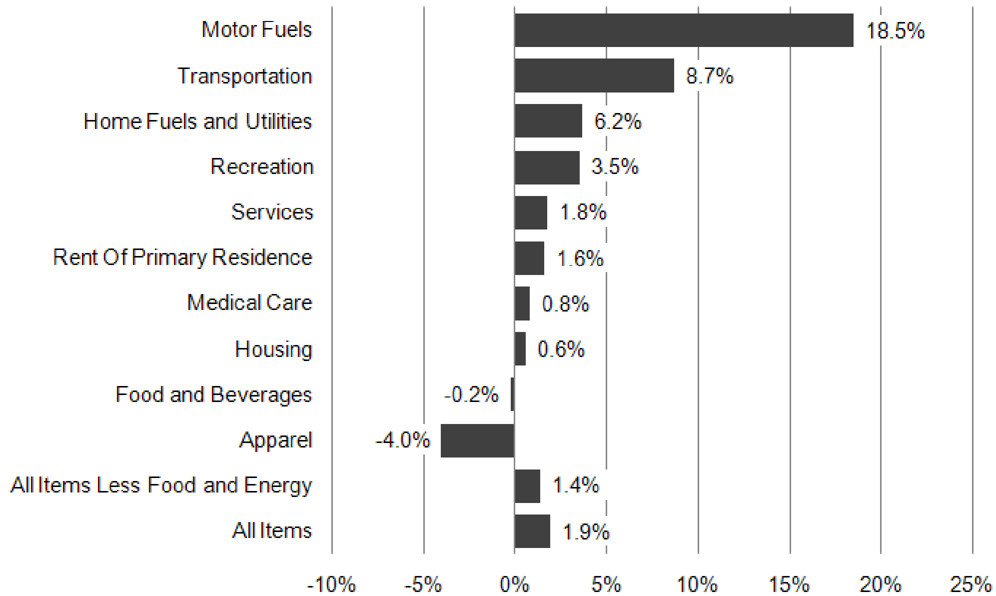
Source: Federal Deposit Insurance Corporation. Data through March 31, 2011. Note: Data have been adjusted to exclude a large financial institution that moved to Colorado for one quarter.

Inflation in Colorado, as measured by the Denver-Boulder-Greeley consumer price index (CPI) for all urban consumers, was 1.9 percent in 2010. Colorado's inflation rate was higher than the U.S. inflation rate of 1.6 percent for the same period. Excluding the volatile food and energy components, core inflation was 1.4 percent in Colorado in 2010 compared to 1.7 percent in 2009. Nationally, core inflation was 0.8 percent during the same period.

Figure 24 presents the inflation rate for selected consumer sectors in 2010. While modest inflation occurred in most sectors, motor fuel prices surged, advancing 18.5 percent compared with a 1.9 percent increase, on average, between 2006 and 2009. Transportation, home fuels and utilities, and recreation also showed strong price increases in 2010. Recreation costs include televisions, toys, pet products, sports equipment, and admissions to sports events. The price levels for medical care services rose modestly while food and beverages declined 0.2 percent and apparel declined 4.0 percent. Data for 2011 is not yet available.

- Colorado's consumer prices rose 1.9 percent in 2010 and are expected to rise 2.6 percent in 2011. The rate will be pushed up by energy costs and a healthy housing rental market. In 2012, inflation is expected to be 2.6 percent. Energy prices have been volatile recently in large part due to political turmoil in the Middle East. The increased global demand for oil has also driven up energy prices. If the turmoil in the Middle East worsens, the inflation rate could increase. Similarly, if supply concerns are alleviated, inflation could slow.

Figure 24
Inflation Modest in 2010 Despite Surges In Energy and Transportation Costs
2010 Increase in the Denver-Boulder-Greeley CPI-U



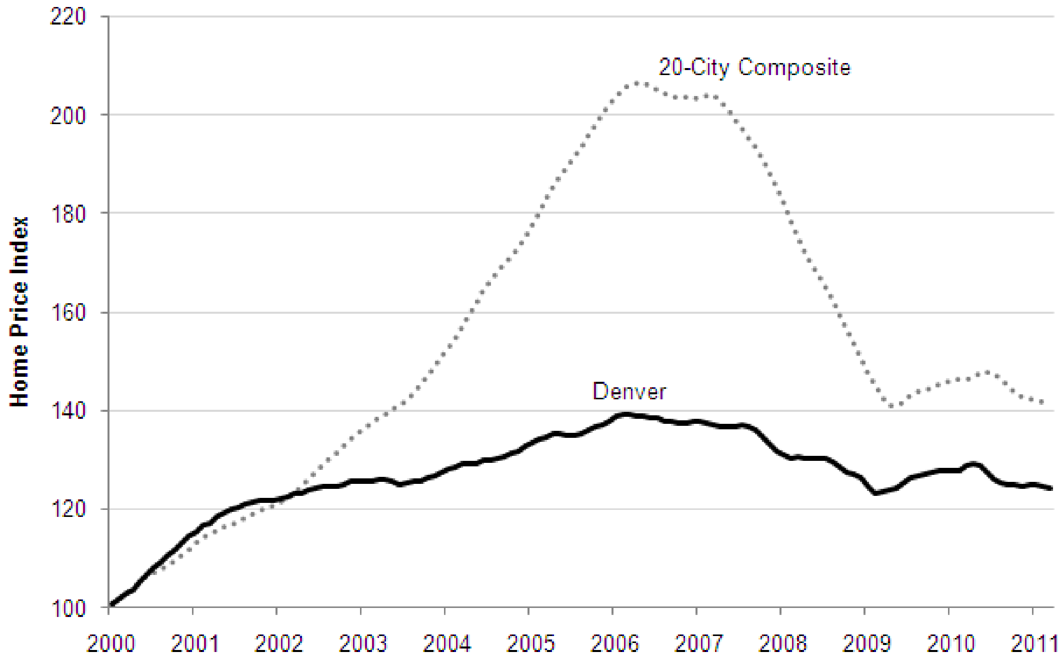
Source: U.S. Bureau of Labor Statistics.

The Housing Market's Recovery is Slow

Colorado's **housing market** is seeing a very slow recovery that continues to be hampered by the large number of foreclosures on the market and falling home prices. Stabilization in the market has occurred in some areas of the state. Yet new home sales and levels of construction activity remain at record lows. While foreclosure filings fell 33.2 percent through the first four months of the year over the same period last year, the decline may be partially attributed to bank processing delays. Home prices in Colorado continue to weaken with current prices at 2002 levels. Denver was one of 19 metropolitan areas that saw price decreases in March. Denver's index fell 3.7 percent in March 2011 over the prior year and was 10.9 percent below its peak price last reached in March 2006. In contrast, home prices in Las Vegas were down 58.3 percent in March from their peak. Similarly, Phoenix's prices were down 55.2 percent and Miami's home prices fell 50.4 percent. Figure 25 on page 50 shows the seasonally adjusted Case-Shiller Home Price Index for the 20-City composite and Denver.

In Colorado, both **foreclosure filings** and **sales at auction** were down through the first five months of 2011 over the same period last year. Both indicators have been trending downward through April, but remain at high levels. Foreclosure filings provide a picture of the number of borrowers who have become seriously delinquent on their loans. Despite the fall in filings, 2010 filings were the second highest year-end totals on record at 42,692, lower than the record high 46,394 total filings in the prior year. Overall, statewide filings have been falling over the past 18 months. Levels of foreclosure filings will continue to be elevated and depend on the strength of the recovery and job gains through the close of the year. Figure 26 on page 51 shows foreclosure filings and sales in Colorado from 2007 through May 2011.

Figure 25
S&P/Case-Shiller Home Price Index



Sources: Standards & Poors and FiServ.

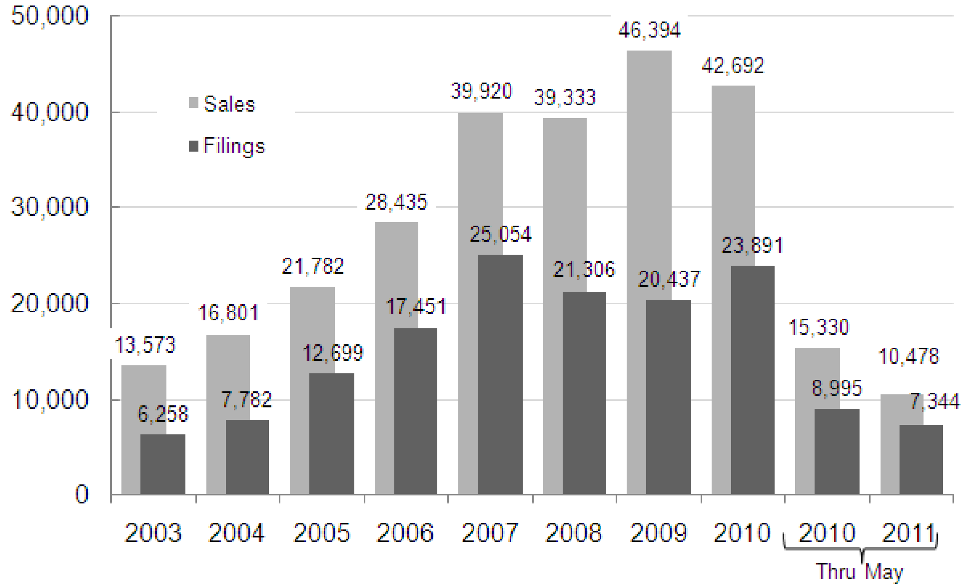
The foreclosure sales numbers generally indicate how many borrowers have lost all equity in the property as the result of the property being sold to another party at auction.

Statewide, seasonally adjusted residential **building permits** decreased 14 percent through the first four months of 2011 compared with the same period in the prior year. Total permits through April 2011 were 3,664, compared with 4,270 in the prior year. The decrease occurred entirely for single family homes, as multi-family permits posted a 19 percent gain during the first four months of the year. The increase in multi-family permits is attributed to the growing number of people moving from distressed single-family homes to apartments and fewer potential purchasers being able to qualify for home loans.

Through the first four months of 2011, seasonally adjusted single family permits declined 21 percent over the same period last year. Permits will remain at historically low levels until employment and population growth pick up and the high level of home inventory is absorbed. Figure 27 on page 52, shows a three-month moving average for total and single family permits.

The primary driver of the increase in multi-family permits is likely the strong **residential rental markets and low vacancy rates**. A recent survey by the Colorado Division of Housing shows that the vacancy rates for single family housing (homes, condominiums, townhomes, duplexes, triplexes) has been declining over the past few years. For example, for the metro Denver area, the overall vacancy rate for the third quarter of 2010 was 2.9 percent, down from 4.6 percent in the same period in the prior year. For those multi-family housing units on the market, the average days on the market was 36 days for the

Figure 26
Colorado Foreclosure Filings and Sales



Source: Colorado Department of Local Affairs, Division of Housing.

same period, down from 41 days in the third quarter of 2009 and down from 49.5 days in the third quarter of 2008.

The value of **nonresidential construction** fell 68 percent through the first four months of 2011 over the prior year, primarily due to the completion of several large manufacturing and educational facilities in 2010. Nonresidential construction will continue to decline as a result of anemic construction activity and falling commercial property values. Given the high vacancy rate for office space, nonresidential construction is expected to remain low.

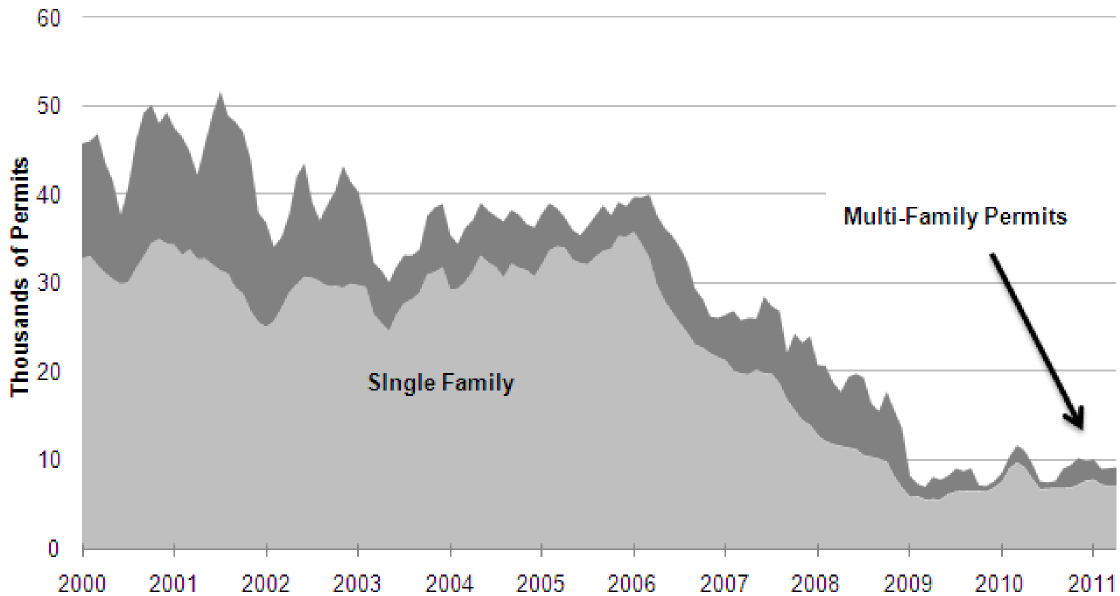
- The housing market is poised for a slow, gradual recovery. The short-term outlook for homebuilders is not very bright as there are few potential home buyers chasing a large inventory of unsold and distressed properties. The number of building permits for residential construction is expected to increase to 17,600 permits in 2011, compared with 11,300 permits in the prior year. Residential construction permits will grow to 21,800 permits in 2012, but will remain at low levels for the next few years.

- The value of nonresidential construction contracts decreased 68 percent in the first four months of 2011 when compared to the same period in the prior year. The value of contracts will grow more strongly in 2012 and 2013 when the value of commercial property strengthens.

Energy Industry Growth Continues

Colorado's energy industry continues to see growth in the number of drilling rigs operating in the state, although oil and gas drilling permit applications have declined modestly, indicating a slow down in activity. Historically, oil and gas drilling has supported a number of jobs in the Colorado economy, especially natural gas development, which was particularly vibrant over most of the past decade.

Figure 27
Resident Construction Permits Are At Historically Low Levels
Three-Month Moving Average; Seasonally Adjusted Annualized Data



Source: U.S. Census Bureau. Data through April 2011.

Through the first five months of 2011, it appears that the rebound in energy industry investment is continuing. Figure 28 shows the number of drilling rigs operating in Colorado through May 2011.

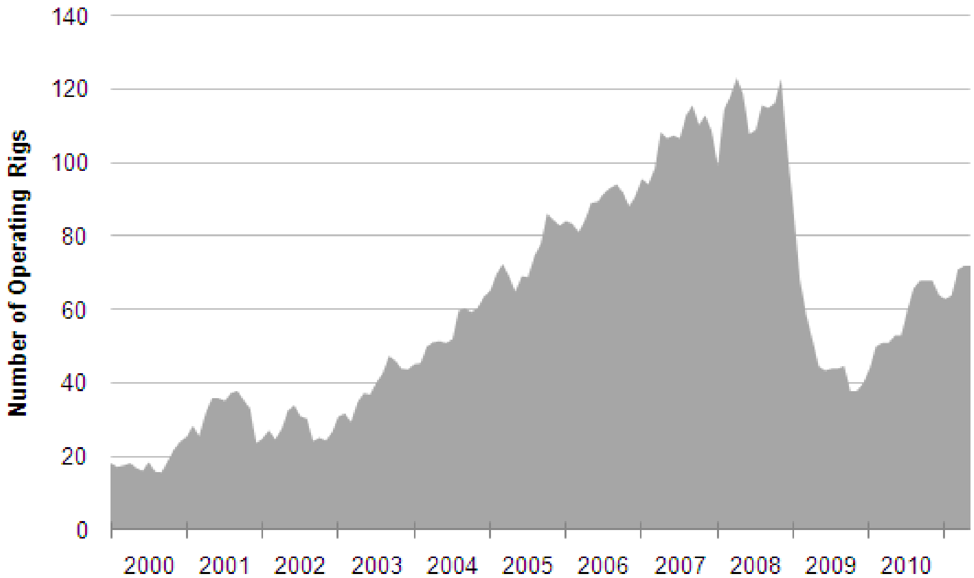
The May drilling rig count is at its highest level since January 2009. The 72 rigs that were operating in Colorado in May represents a 90 percent increase in the rig count since the industry bottomed out in the fall of 2009. Rig counts rose by an average monthly rate of 3.6 percent between November 2009 and May 2011. Most of the increase occurred in Weld County. Rig counts in the Piceance and San Juan basins have remained relatively constant through the first five months of 2011.

The increase in the number of drilling permits issued provides an indication of investment in energy production, and the evidence here is less positive. Although permit approvals rose in 2010, following the sharp decline of 2009, permit approvals are down thus far in 2011. Through the first four months of 2011, drilling permit approvals decreased 36 percent, and permit applications declined 16.9 percent compared with the same period a year earlier. Counties in both the Piceance and San Juan basins have witnessed declines in permit approvals, while Weld County, the state's busiest in terms of permits, has seen a slight increase.

Leading Indicators

Indicators that lead Colorado employment suggest continued slow job growth in Colorado. As shown in Figure 29 on page 54, six of seven indicators suggest expansion, including initial unemployment

Figure 28
Drilling Rigs Operating in Colorado



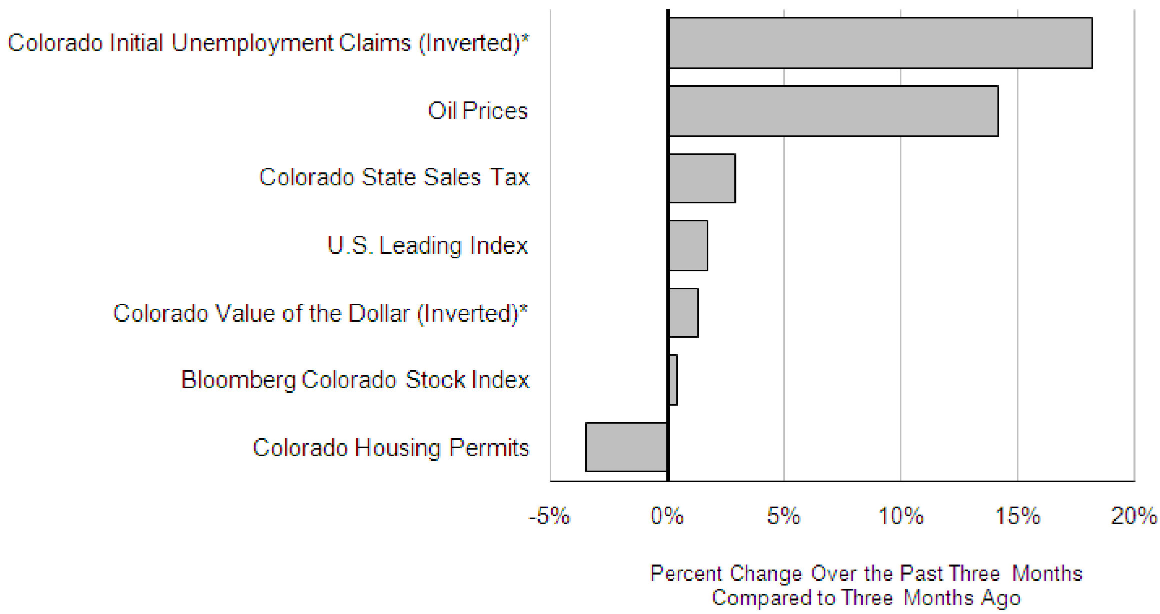
Sources: Baker Hughes.

claims, the Colorado value of the dollar, oil prices, state sales tax collections, the U.S. Leading Index, and the Bloomberg Colorado Stock Index. Only housing permits point to slower growth in Colorado employment. A decrease in the Colorado value of the dollar points to employment expansion because it means Colorado's products are cheaper for our trading partners. Rising oil prices are considered a positive indicator for expansion as they typically lead energy industry production and employment in Colorado.

Conclusion

The Colorado economy continues to slowly recover and has begun to expand at rates faster than the national economy. Private sector employment and consumer spending are picking up and the unemployment rate is falling. The recovery will be sluggish, however, as the housing market continues to work through considerable slack and the financial industry continues to deal with high levels of debt. The state's economy was boosted in 2010 by tourism, robust agricultural markets, and a recovery in the energy industry; these are expected to help the Colorado economy in 2011 as well.

Figure 29
Percentage Change in Variables That Lead the Colorado Economy



Sources: Legislative Council Staff, Bloomberg, Colorado Department of Revenue, Federal Reserve Bank of Dallas, The Conference Board, U.S. Bureau of the Census, and the U.S. Bureau of Labor Statistics.
**These are inverted because decreases in initial unemployment claims and the Colorado value of the dollar indicates employment expansion.*

Table 13
Colorado Economic Indicators, June 2011 Forecast
(Calendar Years)

	2006	2007	2008	2009	2010	Forecast 2011	Forecast 2012	Forecast 2013
Population (thousands)*	4,753.0	4,842.3	4,935.2	5,024.7	5,029.2	5,104.7	5,187.9	5,283.8
percent change	2.0%	1.9%	1.9%	1.8%	0.1%	1.5%	1.6%	1.8%
Nonagricultural Employment (thousands)	2,279.7	2,331.5	2,350.6	2,245.0	2,219.9	2,244.3	2,281.3	2,322.3
percent change	2.4%	2.3%	0.8%	-4.5%	-1.1%	1.1%	1.6%	1.8%
Unemployment Rate	4.3	3.7	4.8	8.3	8.9	8.5	8.0	7.3
Personal Income (millions)	$194,390	$205,242	$214,977	$210,513	$215,259	$224,084	$234,616	$247,051
percent change	8.2%	5.6%	4.7%	-2.1%	2.3%	4.1%	4.7%	5.3%
Wage and Salary Income (millions)	$105,833	$112,962	$117,168	$112,810	$113,918	$117,449	$122,617	$129,238
percent change	7.0%	6.7%	3.7%	-3.7%	1.0%	3.1%	4.4%	5.4%
Retail Trade Sales (millions)	$70,437	$75,329	$74,760	$66,345	$70,738	$74,204	$77,914	$81,966
percent change	7.5%	6.9%	-0.8%	-11.3%	6.6%	4.9%	5.0%	5.2%
Home Permits (thousands)	38.3	29.5	19.0	9.4	11.6	17.6	21.8	24.2
percent change	-16.4%	-23.2%	-35.5%	-50.8%	23.9%	52.2%	23.5%	11.1%
Nonresidential Building (millions)	$4,415	$5,251	$4,193	$3,192	$2,967	$2,644	$3,122	$3,307
percent change	4.6%	18.9%	-20.2%	-23.9%	-7.0%	-10.9%	18.1%	5.9%
Denver-Boulder Inflation Rate	3.6%	2.2%	3.9%	-0.6%	1.9%	2.6%	2.6%	2.8%

** Population Data is for July 1, except for 2010, which is the April census.*
Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, Colorado Department of Revenue, F.W. Dodge, and Legislative Council Staff.

Colorado Economic Regions

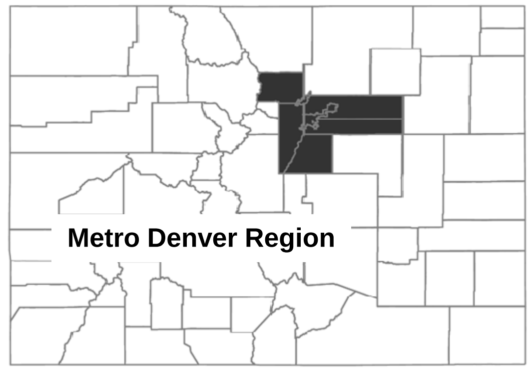
Metro Denver Region
Colorado Springs Region
Pueblo — Southern Mountains Region
San Luis Valley Region
Southwest Mountain Region
Western Region
Mountain Region
Northern Region
Eastern Region

A note on data revisions. Economic indicators reported in this forecast document are often revised by the publisher of the data and are therefore subject to change. Employment data are based on survey data from a "sample" of individuals representative of the population as a whole. Monthly employment data are based on the surveys received at the time of data publication and these data are revised over time as more surveys are collected to more accurately reflect actual employment conditions. Because of these revisions, the most recent months of employment data may reflect trends that are ultimately revised away. Additionally, employment data are revised annually and published in March of each year. This annual 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. These data are revised periodically. Retail trade sales data typically have few revisions because the data reflects actual sales by Colorado retailers. Nonresidential construction data in the current year reflects reported construction activity, which are revised the following year to reflect actual construction activity.

Metro Denver Region

Economic activity in the metro Denver region is strengthening. The region's job market, which represents over half of the statewide labor force, continues to see employment gains, and the unemployment rate has drifted lower. After stalling in the spring of 2010, consumer spending has accelerated. Construction remains at historically low levels, with nonresidential construction falling further, but residential construction inching upward. Table 14 shows economic indicators for the region.



Job market. The metro Denver job market continues to improve, with job growth rising 0.9 percent year-to-date through April 2011 compared with the same period 2010, as shown in Figure 30. The pace of job gains has begun to offset the number of workers entering the labor force. As a result, area unemployment has begun to drift lower. Figure 31 shows these trends. As of April, the unemployment rate was 8.1 percent, below the statewide average rate of 8.8 percent for the same month.

Consumer spending. Consumer spending, as measured by retail trade sales, has accelerated after sluggish growth over the summer of 2010. Figure 32 shows this trend. Retail sales increased 6.9 percent in 2010 compared with 2009. As Figure 33 shows, sales in metro Denver continued to decline after the nation's consumer spending picked up in 2009. Retail trade grew faster in Denver in late 2010 than in the nation. Consumer spending is expected to continue to grow, though at a pace dampened by high levels of consumer debt and unemployment.

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

	2007	2008	2009	2010	YTD 2011
Employment Growth /1	2.2%	1.0%	-4.3%	-0.7%	0.9%
Unemployment Rate /2 (2011 Figure is April Only)	3.7%	4.9%	8.4%	8.9%	8.1%
Housing Permit Growth /3					
Single-Family (Denver-Aurora)	-38.7%	-50.1%	-31.8%	35.5%	-24.1%
Single-Family (Boulder)	-20.6%	-53.5%	-27.6%	101.0%	-5.0%
Growth in Value of Nonresidential Const. /4	34.5%	-14.3%	-37.5%	12.6%	-25.8%
Retail Trade Sales Growth /5	6.5%	-0.8%	-11.4%	6.9%	NA

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey for Denver-Aurora-Broomfield and Boulder MSAs. Seasonally adjusted. Data through April 2011.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2011.

3/ U.S. Census. Growth in the number of housing units authorized for construction. Data through April 2011.

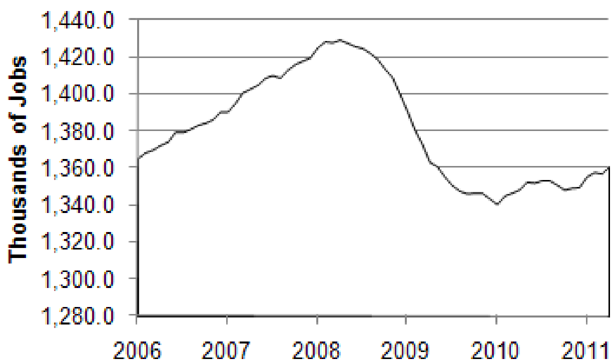
4/ F.W. Dodge. Data through April 2011.

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

Housing market. The region's housing market continues to struggle. Home prices have drifted lower, as markets continue to adjust to a high number of foreclosures and less fiscal stimulus than a year ago when the home buyer credit was stimulating sales. Residential construction remains at historically low levels, though activity continues to inch upward. Figure 34 shows slow and rocky growth in single- and multi-family residential building permits.

Nonresidential construction. As shown in Figure 35, the region's nonresidential construction activity has plateaued at historically low levels. The recession led many businesses to downsize or close their doors, leaving little demand for new commercial properties in the metro area. Businesses in the area are slowly expanding into vacant office and commercial spaces, which will keep demand for new buildings low in the near term.

Figure 30
Metro Denver Employment Picks Up
Seasonally Adjusted

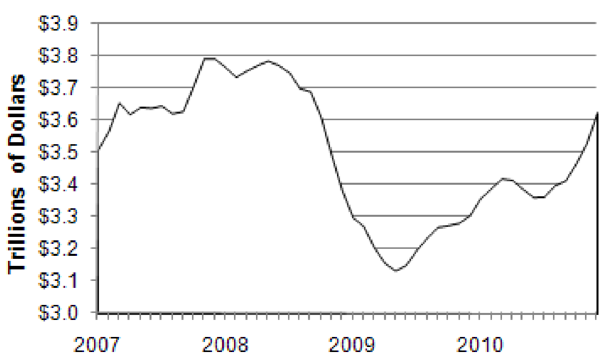


Source: U.S. Bureau of Labor Statistics; CES. Data through April 2011.

Figure 31
Metro Denver's Unemployment Rate Declines
Seasonally Adjusted

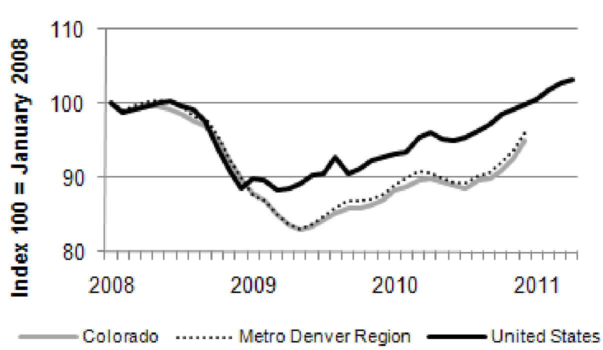
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

Figure 32
Metro Denver Retail Trade Sales Accelerates
Three-Month Moving Average;
Seasonally Adjusted



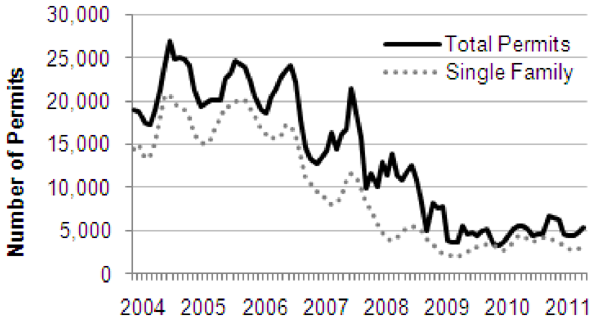
Source: Colorado Department of Revenue. Data through December 2010.

Figure 33
Retail Trade Trends Since January 2008
Index 100= January 2008
Three-Month Moving Average;
Seasonally Adjusted Nominal Data



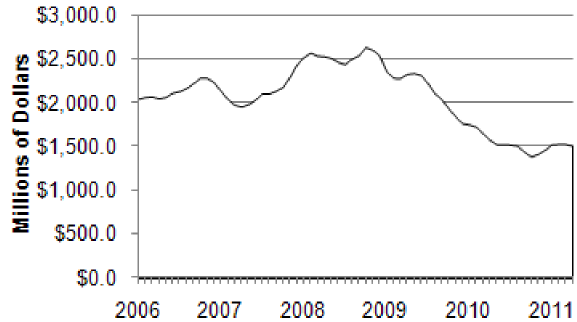
Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through December. U.S. data through April.

Figure 34
Metro Denver Residential Building Permits At Historically Low Levels
Three-Month Moving Average; Seasonally Adjusted



Source: U.S. Census Bureau. Data through April 2011.

Figure 35
The Value of Nonresidential Construction Contracts in Metro Denver Will Remain at Historically Low Levels
Three-Month Moving Average; Seasonally Adjusted

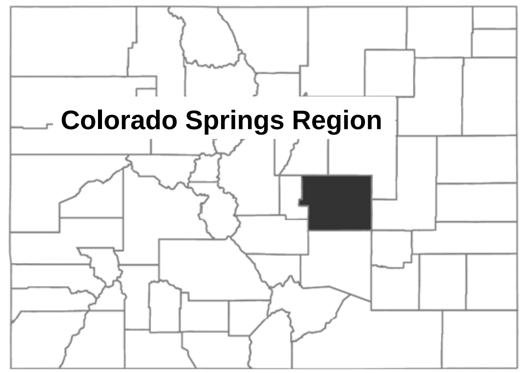


Source: F.W. Dodge. Data through April 2011.

Colorado Springs Region

The Colorado Springs region is showing only weak signs of recovery. The labor market has begun to improve but remains one of the weakest areas of the state. Growth in consumer spending is outpacing the statewide average. There has been an increase in multifamily building permits, but single-family home building remains at historical lows, and commercial construction activity continues to deteriorate. Table 15 shows economic indicators for the region.

After showing signs of stabilizing, area employment dipped sharply in April, as shown in Figure 36. Nonfarm employment fell at an average annual rate of 0.9 percent in 2010 over 2009 levels. Year-to-date through March 2011, job growth has fallen 0.2 percent compared with the same time period in 2010. Figure 37 shows the rise in the region's unemployment rate, which peaked at 10.3 percent in November 2010. The unemployment rate has fallen over a percentage point to 9.1 percent in April 2011. Still, the April unemployment rate was higher than the 8.8 percent rate posted for the state and the 9.0 percent rate for the nation.



Consumer spending, as measured by retail trade sales, has made a faster recovery than the labor market. As shown in Figure 38, after dipping sharply in 2008 and 2009, sales have recovered and accelerated in late 2010 and early 2011. Sales fell 6.2 percent in 2009 but rebounded 7.8 percent in 2010, and are nearing pre-recessionary levels of spending.

Table 15
Colorado Springs Region Economic Indicators
El Paso county

	2007	2008	2009	2010	YTD 2011
Employment Growth /1					
Colorado Springs MSA	1.0%	-0.9%	-3.9%	-0.9%	-0.2%
Unemployment Rate /2 (2011 Figure is April Only)	4.2%	5.7%	9.0%	9.7%	9.1%
Housing Permit Growth /3					
Total	-29.7%	-36.1%	-33.4%	27.9%	15.1%
Single-Family	-34.3%	-42.2%	-16.7%	23.2%	-21.5%
Growth in Value of Nonresidential Const. /4	6.8%	-44.6%	-2.8%	-18.9%	-0.4%
Retail Trade Sales Growth /5	5.4%	-2.7%	-6.2%	7.8%	NA

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2011.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2011.

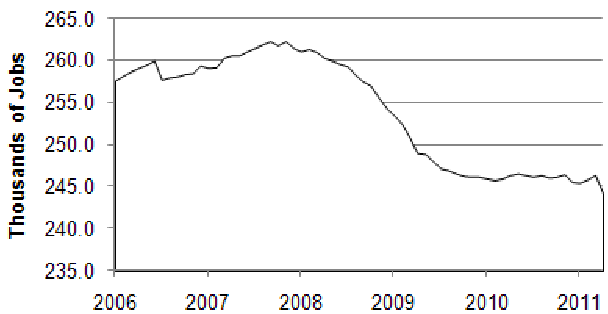
3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through April 2011.

4/ F.W. Dodge. Data through April 2011.

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

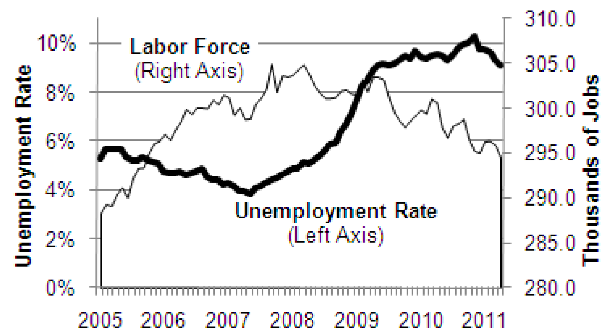
With little growth in 2010, home building remains at historically low levels in the region, as shown in Figure 39. The area continues to see high levels of foreclosures, which are contributing to depressed home prices and a glut of homes on the market. Multifamily permits have increased, however. Nonresidential construction activity remains sluggish and at low levels when compared to the boom years of the mid-2000s. In 2010, nonresidential construction fell 22.8 percent in El Paso County. A surplus of empty commercial spaces continues to dampen demand for new construction.

Figure 36
Colorado Springs MSA Nonfarm Employment
Seasonally Adjusted



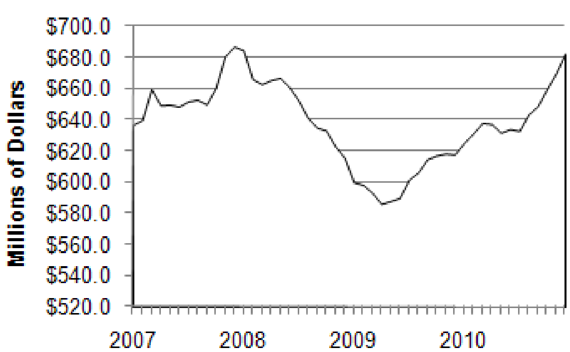
Source: U.S. Bureau of Labor Statistics; CES. Data through April 2011.

Figure 37
Colorado Springs MSA Unemployment Rate and Labor Force
Seasonally Adjusted



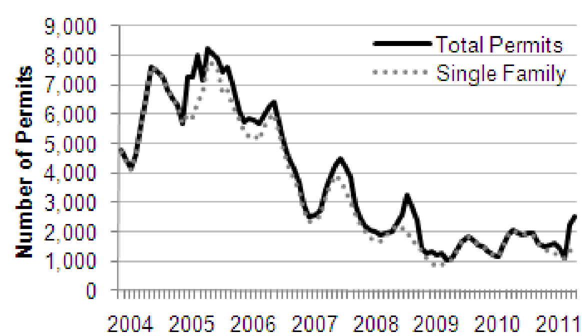
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

Figure 38
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average;
Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through December. U.S. data through April.

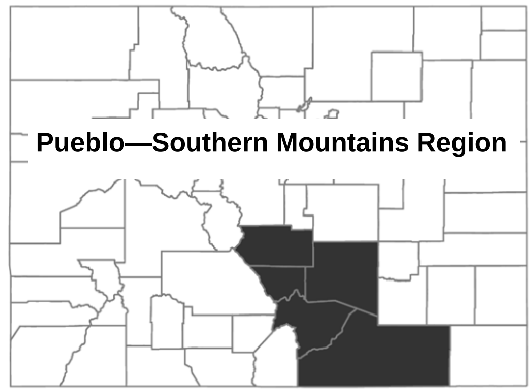
Figure 39
Colorado Springs MSA Residential Building Permits
Three-Month Moving Average;
Seasonally Adjusted



Source: U.S. Census Bureau. Data through April 2011.

Pueblo — Southern Mountains Region

The economic recovery in the five-county Pueblo Region is lagging behind that of the rest of the state. Consumer spending in the region continues to recover, and the labor market is beginning to show signs of recovery. Unemployment, however, remains high. Unlike other areas of the state, construction activity has yet to show any improvement. Table 16 shows economic indicators for the region.



Employment in the region decreased 2.2 percent on an annual average basis in 2010, and was 1.1 percent lower through the first four months of 2011 compared with the first four months of 2010. However, employment increased between December 2010 and April 2011. These trends can be shown in Figure 40.

The region had the highest unemployment rate among all regions of the state throughout the recession. After reaching a high of 11.2 percent in November, the region's unemployment rate fell to 10.1 percent in April. This decrease occurred even with a rise in the labor force in the early months of 2011.

Consumer spending, as measured by retail trade sales, showed strong growth in the fall and winter of 2010. Compared with levels seen in 2009, sales are up 6.8 percent through December 2010. Figure 41 indexes changes in the region's consumer spending to changes in consumer spending in the state and the nation.

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

	2007	2008	2009	2010	YTD 2011
Employment Growth					
Pueblo Region /1	2.7%	-0.4%	-2.6%	-2.2%	-1.1%
Pueblo MSA /2	3.2%	0.5%	-2.3%	-1.0%	0.1%
Unemployment Rate /1	4.6%	6.0%	9.4%	10.4%	10.1%
(2011 Figure is April Only)					
Housing Permit Growth /3					
Pueblo MSA Total	-48.1%	-38.6%	-9.4%	-37.9%	-56.5%
Pueblo MSA Single-Family	-44.8%	-42.8%	-51.5%	13.6%	-50.6%
Growth in Value of Nonresidential Construction /4					
Pueblo County	-62.4%	75.1%	-65.9%	-77.7%	-10.9%
Retail Trade Sales Growth /5	6.4%	-1.7%	-4.7%	6.8%	NA

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2011.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2011.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through April 2011.

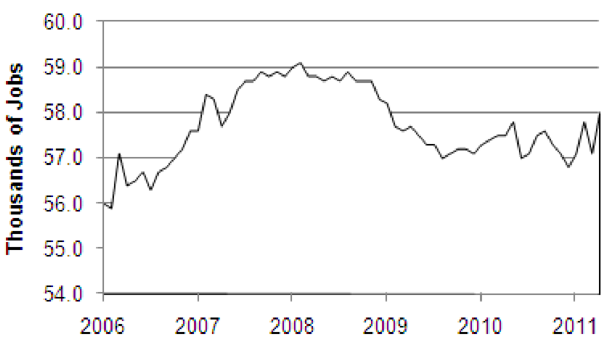
4/ F.W. Dodge. Data through April 2011.

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

Like all regions of the state, residential construction remains at historically low levels due to the collapse of the housing market. Total permits for residential construction have steadily declined since the middle of 2010. March 2011 marked historical lows for total permits. Residential construction activity is expected to remain modest for several years. Figure 42 shows recent trends in the number of permits filed for home building in the Pueblo Metropolitan Area.

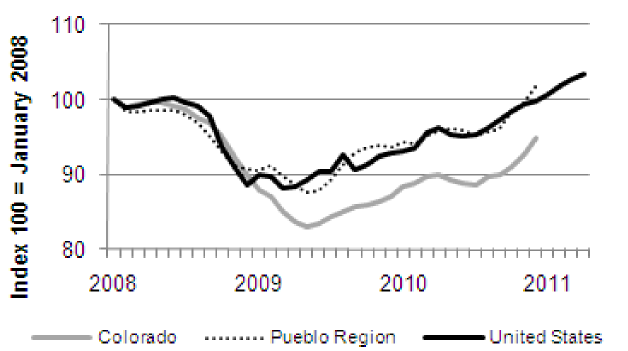
With little demand for new business space, nonresidential construction in the region remains at low levels. The Pueblo region had a surge of construction beginning at the end of 2008 that peaked in mid-2009. However, as shown by Figure 43, construction has been at a near standstill recently. Until the regional economy can support business expansion, nonresidential construction is expected to remain weak.

Figure 40
Pueblo Region Nonfarm Employment
Seasonally Adjusted



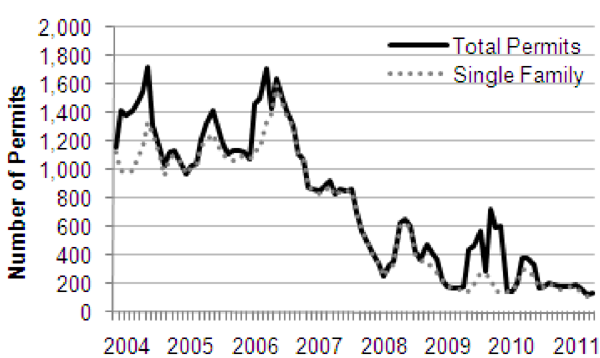
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

Figure 41
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average;
Seasonally Adjusted Nominal Data



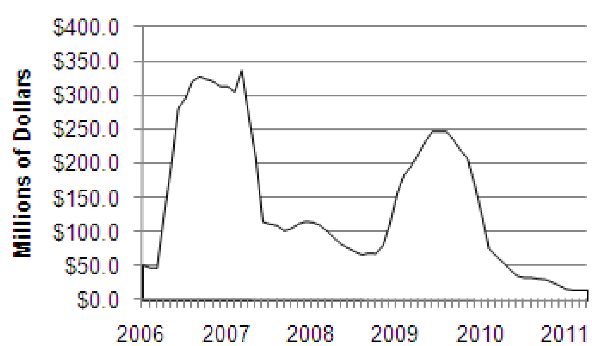
Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through December. U.S. data through April.

Figure 42
Pueblo MSA Residential Building Permits
Three-Month Moving Average;
Seasonally Adjusted Data



Source: U.S. Census Bureau. Data through April 2011.

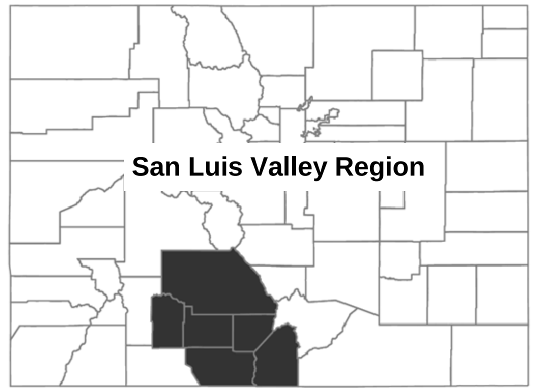
Figure 43
Value of Nonresidential Construction Permits in Pueblo County
Three-Month Moving Average;
Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2011.

San Luis Valley Region

After outperforming the state in 2009, the six-county San Luis Valley region's economy cooled in 2010 before showing signs of recovery in 2011. The region's economy is strongly influenced by agricultural-based industries. Because of this, the region experiences different economic trends than more urban areas of the state. Although the unemployment rate has begun to fall, nonfarm employment growth remains weak, consumer spending has fallen, and nonresidential construction is down. Table 17 shows economic indicators for the region.



The labor market in the region has improved slightly thus far this year. Nonfarm employment through April 2011 decreased 1.5 percent compared with the first four months of 2010, but has increased in each of the past three months. It is important to note that job growth statistics are based on nonfarm employment data that are not affected by the stabilizing influence of the agricultural industries in the region. As shown in Figure 44, the unemployment rate began to fall early in 2011.

Figure 45 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 in the San Luis Valley fared better during the recession than those in the rest of the state and the nation. However, consumer spending pulled back substantially in the

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

	2007	2008	2009	2010	YTD 2011
Employment Growth /1	0.4%	-3.3%	4.0%	0.5%	-1.5%
Unemployment Rate /1 (2011 Figure is April Only)	4.5%	6.1%	7.8%	9.4%	9.0%
Statewide Crop Price Changes /2					
Barley (U.S. average for all)	32.0%	49.6%	-15.5%	-12.3%	7.5%
Alfalfa Hay (baled)	5.3%	18.0%	-20.7%	0.0%	8.7%
Potatoes	22.6%	21.0%	-46.6%	87.3%	115.2%
SLV Potato (Inventory CWT) /2	-7.5%	4.4%	5.0%	-2.5%	-12.0%
Housing Permit Growth /3					
Alamosa County	-41.0%	139.1%	-47.3%	0.0%	-36.4%
Growth in Value of Nonresidential Construction /3					
Alamosa County	414.1%	-88.0%	2620.7%	-16.1%	443.7%
Retail Trade Sales Growth /4	6.9%	3.4%	-1.6%	3.8%	NA

NA = Not Available.

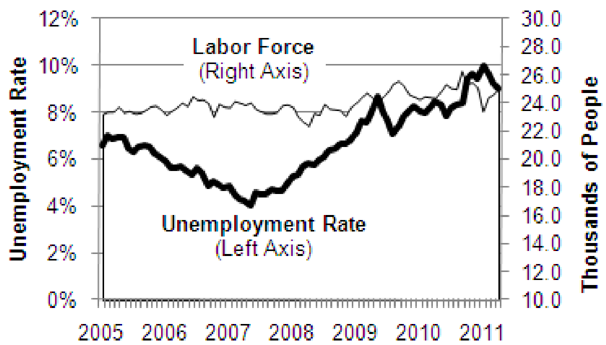
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2011.

2/ National Agricultural Statistics Service. 2010 crop price changes compares May 1, 2011 the prior year period. (production CWT)

3/ F.W. Dodge. Data through April 2011.

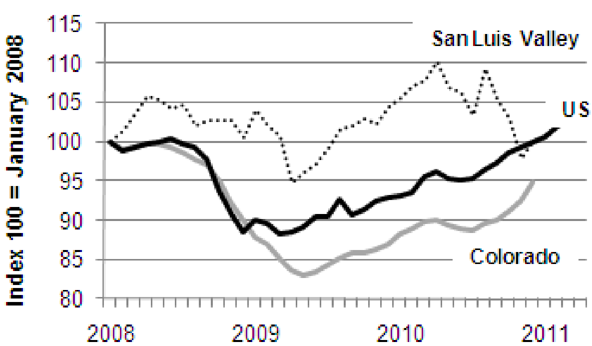
4/ Colorado Department of Revenue. Seasonally adjusted. Data through December 2010.

Figure 44
San Luis Valley Region Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

Figure 45
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average;
Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through December. U.S. data through April.

region during 2010, even as it was recovering nationwide and in more urban areas of the state.

The San Luis Valley region has the smallest economy of all regions of the state. As a result, economic indicators tend to be particularly volatile. As an example, the value of nonresidential construction activity in Alamosa County, the largest county in the region, fell 16.1 percent in 2010 almost entirely because of the completion of a single energy project in the area. Meanwhile, the residential housing industry has not seen much activity recently as the number of permits filed for the construction of residential homes was unchanged and fell 36.4 percent through April 2011 compared with the first four months of 2010.

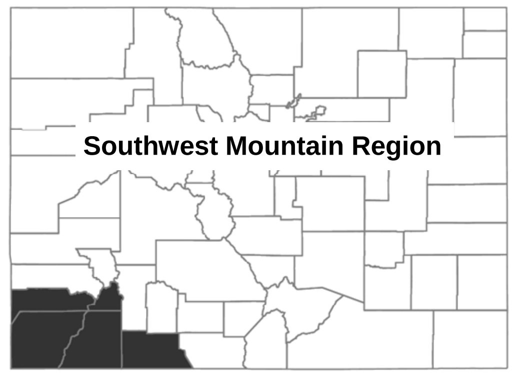
The agricultural industry in the region is fairly healthy. For example, the potato industry, which is one of the main agricultural industries in the region, saw potato prices rise to $11.30 per hundredweight in May, up 115.2 percent compared with a year before. Crop prices for corn, wheat, and barley were also up. Potato inventory in the region was down as of the most recent estimates. Growers and commercial storage facilities in the region had 4.3 million hundredweight of potatoes in inventory as of May 1, down 12.0 percent from the prior year.

Employment and consumer spending growth will be slower in the region than in the more urban areas of the state, although the unemployment rate is expected to continue decreasing slowly. The housing and nonresidential construction industries will see a gradual recovery. Finally, the influence of the agricultural-based industries in the region will likely help maintain a stable economic environment.

Southwest Mountain Region

The Southwest Mountain Region's economy is showing signs of improvement after being hit hard by the recession. Through the first four months of 2011 consumer spending continued to increase, employment started to increase, and the unemployment rate has fallen. Construction activity in both the residential and nonresidential sectors are at very low levels. Table 18 shows economic indicators for the region.

As shown in Figure 46, the region started to bleed jobs in 2008 with little reprieve, although nonfarm employment began to pick up slightly in early 2011. When the national recession began in December 2007, nearly 52,000 people were employed in the region. In April 2011, there were 5,000 fewer jobs, a 9.6 percent decrease. Many of these positions were related to the energy and tourism industries.



Over the last three years the unemployment rate has climbed from a low of 2.9 percent in 2007 to a high of 8.8 percent in November 2010. As shown in Figure 47, the unemployment rate has begun to fall with some employment gains and a decrease in the number of people in the labor force. The unemployment rate was 7.6 percent in April.

Figure 48 compares 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 is picking up in the region, increasing moderately since the middle of 2009. Slower than in other areas of the state, retail trade in the region posted a modest 1.6 percent gain in 2010, much slower than the 6.6 percent pace statewide.

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

	2007	2008	2009	2010	YTD 2011
Employment Growth /1	2.4%	-1.5%	-3.6%	-4.2%	-1.1%
Unemployment Rate /1 (2011 Figure is April Only)	3.2%	4.3%	7.2%	8.4%	7.6%
Housing Permit Growth /2					
La Plata County Total	-16.9%	-57.4%	-15.8%	29.8%	-21.1%
La Plata County Single-Family	-29.3%	-40.3%	-15.2%	15.0%	-15.2%
Growth in Value of Nonresidential Construction /3					
La Plata County	907.3%	-84.6%	103.7%	-82.5%	-78.9%
Retail Trade Sales Growth /3	5.9%	-0.7%	-13.9%	1.6%	NA

NA = Not Available.

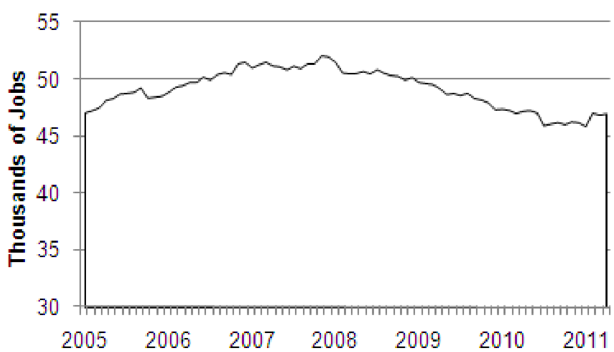
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2011.

3/ F.W. Dodge. Data through April 2011.

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

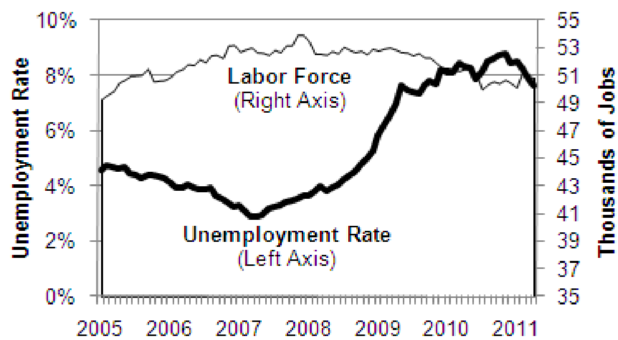
Residential home construction, as measured by area home permits, increased significantly in 2010 over the prior year but have fallen off during the first four months of 2011 in La Plata County, the largest county in the region. Meanwhile, nonresidential construction in La Plata County has come to a near standstill. Figure 49 shows the value of nonresidential construction from 2006 through 2011.

Figure 46
Southwest Mountain Region Nonfarm Employment
Seasonally Adjusted



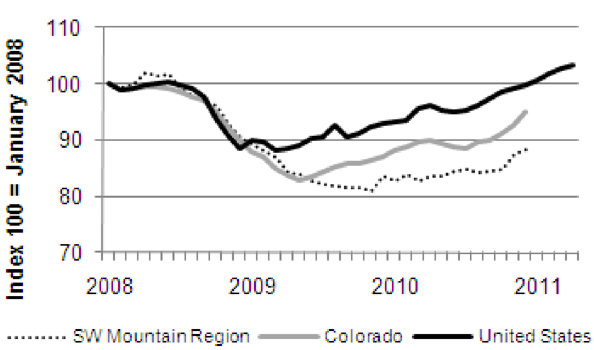
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

Figure 47
Southwest Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



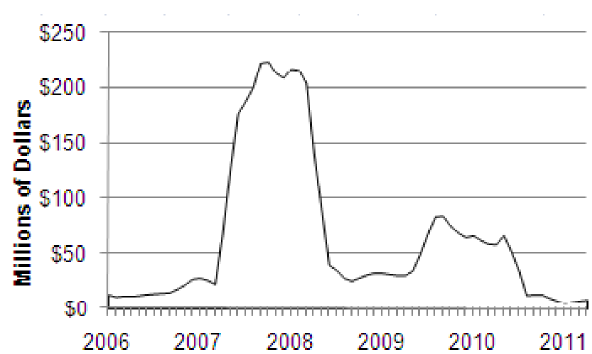
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

Figure 48
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through December; U.S. data through April.

Figure 49
La Plata County Nonresidential Construction
Three-Month Moving Average; Seasonally Adjusted Data

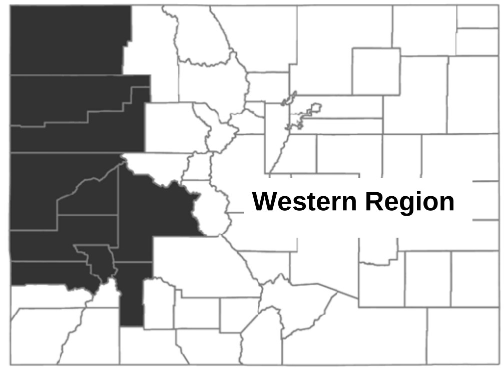


Source: F.W. Dodge. Data through April 2011.

Western Region

The economy in the 10-county western region remains among the weakest in the state. The unemployment rate is falling, but employment has recently begun falling again also as energy drilling activity has lost momentum. Consumer spending began to recover in 2010, but remains at relatively low levels. Meanwhile, construction activity is at very low levels. Table 19 shows economic indicators for the region.

Energy activity has been an important driver of economic growth in the region. According to Baker Hughes, the Western Region accounted for more than half of the number of rigs operating in the state over the last year. While most drilling activity in the region occurs in Garfield County, drilling occurs in every county in the region. As shown by Figure 50, the region's energy activity has decreased somewhat in recent months along with decreases in the price of natural gas.



The region's job market shows some signs of improvement. The unemployment rate fell to 9.2 percent in April, down from 10.3 percent in December 2010, as shown in Figure 52. These gains occurred despite an increase in the labor force, indicating that workers are returning to the job market. As shown in Figure 51, employment in the Grand Junction metropolitan area declined in the first four months of 2011 and was down 1.1 percent compared with the same period in 2010.

Table 19
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel counties

	2007	2008	2009	2010	YTD 2011
Employment Growth					
Western Region /1	4.9%	1.7%	-6.2%	-5.9%	-0.6%
Grand Junction MSA /2	6.1%	4.8%	-6.6%	-4.3%	-1.1%
Unemployment Rate /1	3.0%	3.9%	8.6%	10.3%	9.2%
(2011 Figure is April Only)					
Housing Permit Growth /3					
Mesa County Total Permits	-10.7%	-37.0%	-56.3%	10.6%	-21.2%
Montrose County Total Permits	-31.0%	-45.7%	-56.9%	-28.7%	-31.8%
Growth in Value of Nonresidential Construction /3					
Mesa County	222.6%	-53.9%	-21.0%	18.4%	-80.1%
Montrose County	-36.2%	-59.8%	-87.4%	457.1%	100.0%
Retail Trade Sales Growth /4	12.0%	1.2%	-19.1%	1.8%	NA

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2011.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2011.

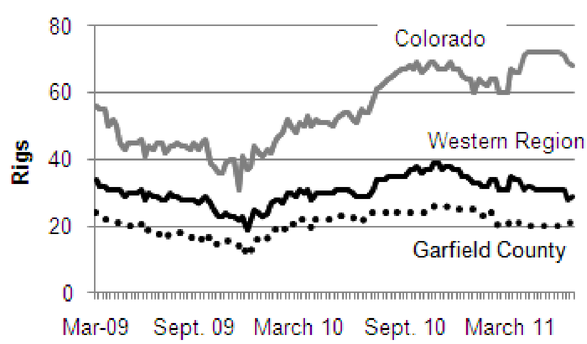
3/ F.W. Dodge. Data through April 2011.

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

Figure 53 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, growing 1.8 percent. Retail trade sales picked up in early 2011.

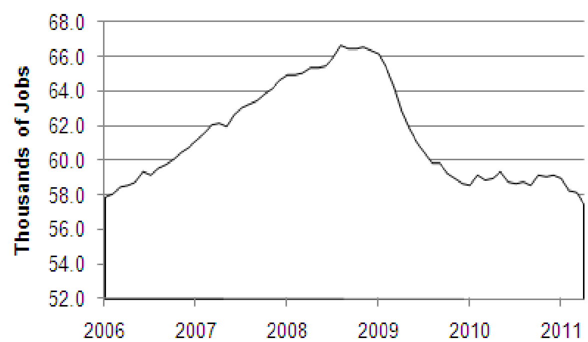
The residential housing market is still very slow in this region. Residential housing permits decreased by 21.2 percent in Mesa County and 31.8 percent in Montrose County year-to-date in 2011. These large swings are mainly caused from historically low amounts of permits in 2010 and 2011. Nonresidential construction is slow in Montrose County, while declines continue in Mesa County. While nonresidential construction activity is increasing at strong growth rates in Mesa counties, the level of construction activity remains at very low levels.

Figure 50
Drilling Rigs Operating in Colorado and on the Western Slope
Weekly data; Not Seasonally Adjusted



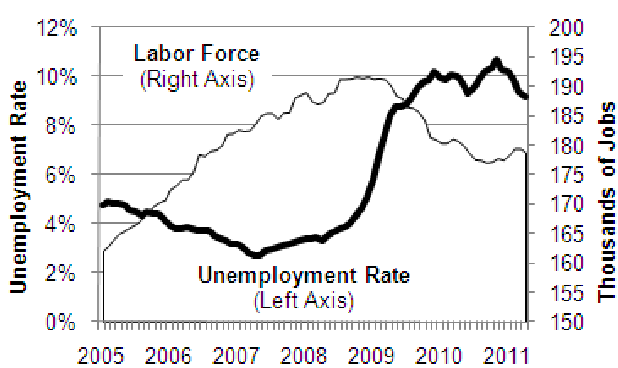
Source: Baker Hughes. Data through June 14, 2011.

Figure 51
Grand Junction MSA Nonfarm Employment
Seasonally Adjusted



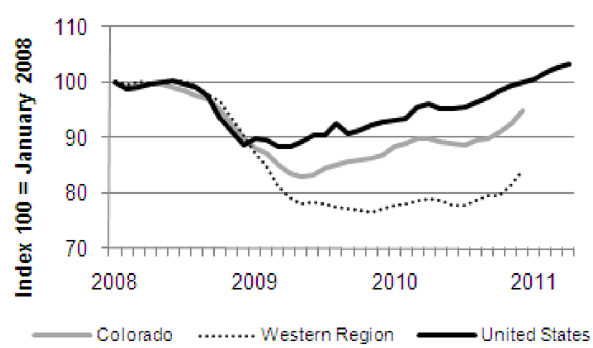
Source: U.S. Bureau of Labor Statistics; CES. Data through April 2011.

Figure 52
Western Region Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

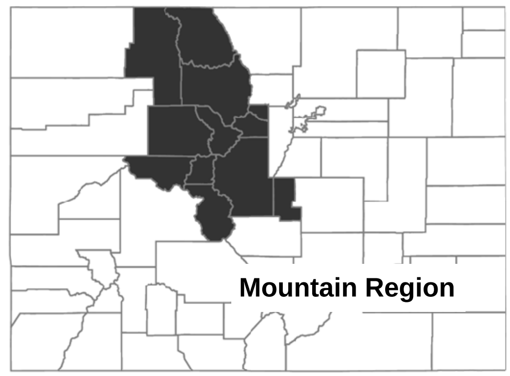
Figure 53
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average;
Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through December. U.S. data through April.

Mountain Region

The mountain region's economy has begun to show clear signs of recovery. The region was hit hard during the recession, with sharp contraction in two of the region's largest industries: tourism and construction. High levels of foreclosures and unemployment and low levels of construction kept the region from recovering quickly. However, brisk tourism during the winter has stimulated the region's economy, pushing down the unemployment rate and boosting retail sales. Residential and nonresidential construction activity remains at historically low levels. Table 20 shows economic indicators for the region.



The mountain region's labor market began to improve in late 2010 and early 2011. Total nonfarm employment decreased 4.5 percent in 2010, and the unemployment rate peaked at 9.5 percent in November. The unemployment rate has fallen a full percentage point to 8.5 percent in April, and employment has increased for six consecutive months. Figure 54 shows recent trends in the area's nonfarm employment and Figure 55 shows recent trends in the unemployment rate and labor force for the region.

Boosted by favorable weather for the ski season, tourism appears to be on the rise. Regional retail trade sales accelerated in late 2010 and early 2011. Figure 56 indexes changes in the region's retail trade sales to changes in consumer spending in the nation and the state. After falling faster than the nation and the state in 2009 and early 2010, retail trade growth has accelerated to a faster clip than in the nation and the state.

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

	2007	2008	2009	2010	YTD 2011
Employment Growth /1	2.1%	-0.7%	-6.5%	-4.5%	-0.7%
Unemployment Rate /1 (2011 Figure is April Only)	3.0%	4.0%	7.7%	9.1%	8.5%
Housing Permit Growth /2					
Eagle, Pitkin, & Summit counties Total	-0.6%	-43.1%	-59.0%	-26.1%	-27.7%
Routt County Total	11.6%	-43.5%	-73.5%	-59.8%	-55.6%
Growth in Value of Nonresidential Construction /2					
Eagle, Pitkin, & Summit counties	13.1%	-0.9%	-78.7%	147.9%	-46.9%
Routt County	80.2%	-54.9%	-70.1%	-16.9%	0.0%
Retail Trade Sales Growth /3	10.0%	-1.5%	-16.3%	4.9%	NA

NA = Not Available.

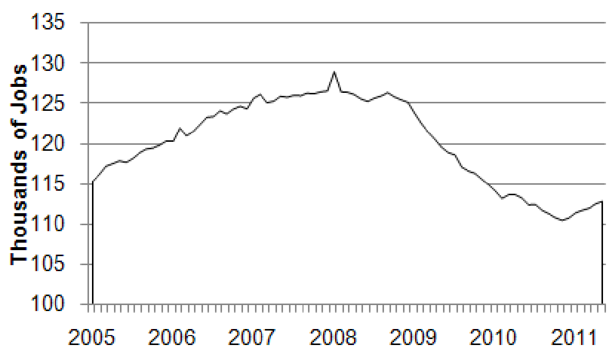
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2011.

2/ F.W. Dodge. Data through April 2011.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through December 2010.

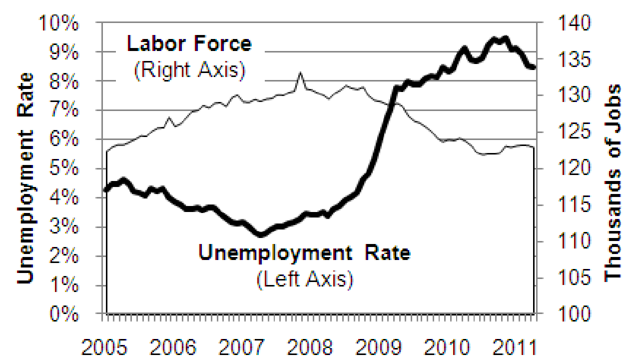
The construction market is showing some signs of improvement for nonresidential properties in Eagle, Pitkin, and Summit counties. However, activity in Routt County remains at historically low levels, and residential housing permits continue to fall. Figure 57 shows nonresidential construction in the ski counties of Eagle, Pitkin and Summit.

Figure 54
Mountain Region Nonfarm Employment
Seasonally Adjusted



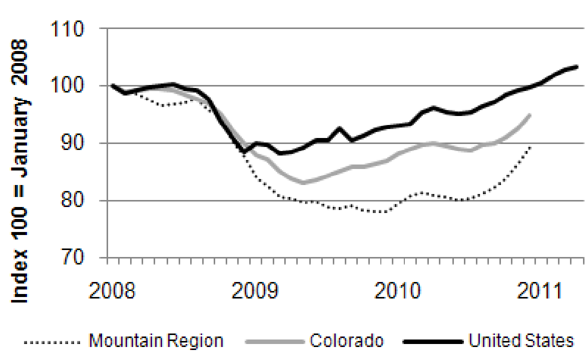
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

Figure 55
Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



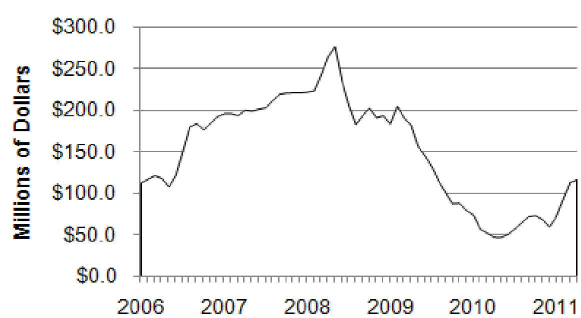
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

Figure 56
Retail Trade Trends Since January 2008
Index 100 = 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.

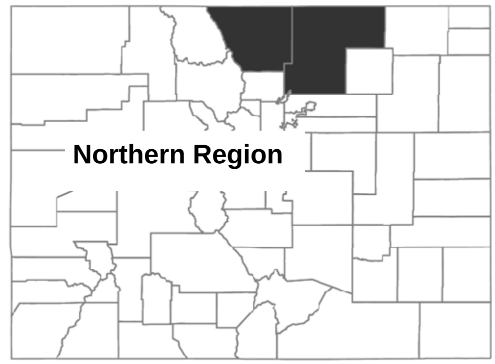
Figure 57
Eagle, Pitkin, and Summit Counties
Nonresidential Construction
Three-Month Moving Average;
Seasonally Adjusted Nominal Data



Source: F.W. Dodge. Data through April 2011.

Northern Region

The northern region's economy is a year into recovery. Employment in the region began increasing in January 2010, several months earlier than in the state as a whole, and the region has seen stronger gains in 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 21 shows economic indicators for the region.



As shown in Figure 58, the labor market in the northern region has embarked on a slow but steady recovery. Both the Fort Collins-Loveland and Greeley areas experienced their lowest employment level in December 2009. Since then, through April 2011, the Fort Collins-Loveland area has added 3,400 jobs on a seasonally adjusted basis, with 1,600 of them added in 2011 alone. Although employment decreased 1.1 percent on an average annual basis in 2010, the Greeley area steadily added jobs in 2010, ending the year with 1,000 more jobs than the area had

Table 21
Northern Region Economic Indicators
Weld and Larimer counties

	2007	2008	2009	2010	YTD 2011
Employment Growth /1					
Fort Collins-Loveland MSA	2.1%	1.0%	-3.2%	0.3%	1.4%
Greeley MSA	2.9%	1.4%	-4.9%	-1.1%	1.0%
Unemployment Rate /2 (2011 Figure is April Only)					
Fort Collins-Loveland MSA	3.4%	4.2%	7.2%	7.6%	6.6%
Greeley MSA	4.1%	5.2%	9.3%	10.4%	9.3%
State Cattle and Calf Inventory Growth /3	1.9%	1.9%	-5.5%	1.9%	17.2%
Housing Permit Growth /4					
Fort Collins-Loveland MSA Total	-41.3%	-1.0%	-66.0%	154.5%	-49.4%
Fort Collins-Loveland MSA Single-Family	-22.2%	-36.4%	-49.2%	-32.1%	15.2%
Greeley MSA Total	-38.6%	-46.8%	-20.6%	10.4%	-40.8%
Greeley MSA Single-Family	-40.5%	-45.1%	-13.7%	2.7%	-43.7%
Growth in Value of Nonresidential Construction/ 5					
Larimer County	-34.5%	-9.9%	-51.7%	-34.1%	3.9%
Weld County	19.4%	25.3%	77.2%	-72.7%	-85.1%
Retail Trade Sales Growth /6					
Larimer County	6.5%	-0.7%	-8.9%	7.7%	NA
Weld County	7.6%	2.0%	-15.1%	9.9%	NA

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2011.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2011.

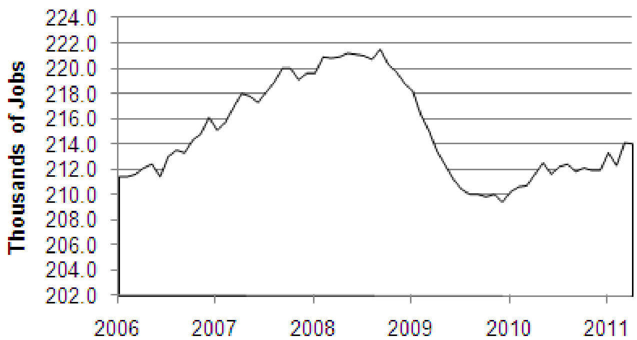
3/ National Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares may 1, 2011 over prior year period in 2010.

4/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through April 2011.

5/ F.W. Dodge. Data through April 2011.

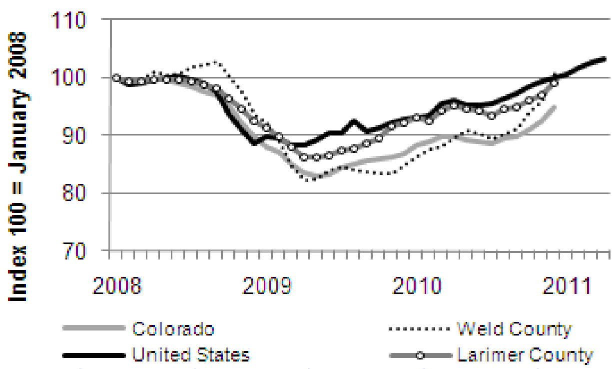
6/ Colorado Department of Revenue. Seasonally adjusted. Data through December 2010.

Figure 58
Fort Collins-Loveland and Greeley MSA
Nonfarm Employment



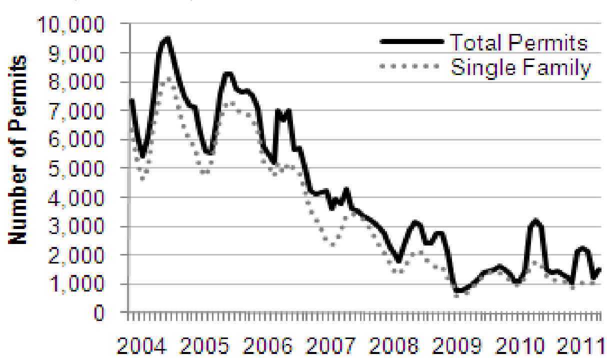
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

Figure 59
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 December 2010. U.S. data through April 2011.

Figure 60
Fort Collins-Loveland and Greeley MSA
Residential Building Permits
Three-Month Moving Average;
Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2011.

at the end of 2009. Job growth in Greeley has slowed in 2011, only adding about 200 jobs to the area this year.

The unemployment rate has begun to decrease as job growth continues, despite previously discouraged workers returning to the labor force. The unemployment rate in the Fort Collins-Loveland area continued to fall to 6.6 percent in April, and remains one of the lowest urban unemployment rates statewide. The Greeley area's unemployment rate ticked down also, falling from 10.3 percent in December to 9.3 percent in April, and is still among the highest rates in the state.

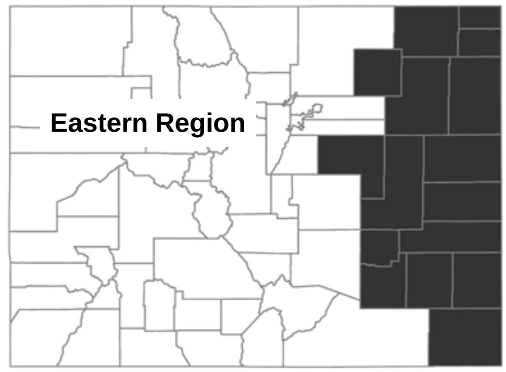
Consumer spending is up in the region. Figure 59 indexes changes in retail trade sales for Larimer County and Weld County to retail trade sales for the nation and the state. Sales increased 7.7 percent and 9.9 percent in Larimer County and Weld County, respectively, in 2010.

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 increased 17.2 percent in April 2011 over the same time in 2010.

Residential and nonresidential construction activity remains at historically low levels. Nonresidential construction fell sharply in 2010 and is expected to remain low until the regional economy expands more rapidly and vacancies in existing commercial spaces are absorbed. Residential construction continues to be flat in the Greeley area. Meanwhile, although the number of single-family permits in the Fort Collins-Loveland area remains at historically low levels, a large number of permits were filed for the construction of multi-family homes in December. Since then the number of permits has fallen back down. Figure 60 shows trends in permits for residential construction in the Fort Collins-Loveland and Greeley areas.

Eastern Region

The agricultural industry has contributed to recovery in the, eastern region's economy over the last two years. The region continues to benefit from high crop prices. The unemployment rate is falling, indicating that the labor market in the region is recovering, although nonfarm employment has been weakening since the middle of 2009. The Eastern region experiences different economic trends than the more urban areas of the state because of the heavy influence of the region's agricultural industries. The region's consumers increased their spending at rates faster than both the nation and the state in 2010. Table 22 shows economic indicators for the region.



Nonfarm employment in the eastern region was down 4.2 percent in 2010, but has added 3,620 workers from December 2010 to April 2011. It is important to note that these job growth statistics are based on nonfarm employment data that are not affected by the positive influence of the agricultural industries in the region. It is likely the agricultural industry has driven job growth recently. As shown in Figure 61, the region's unemployment rate has begun to decrease, falling nearly a

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

	2007	2008	2009	2010	YTD 2011
Employment Growth /1	0.6%	-4.0%	4.6%	-4.2%	-0.6%
Unemployment Rate /1 (2011 Figure is April Only)	3.4%	4.3%	6.1%	6.8%	6.2%
Crop Price Changes /2					
Wheat	32.4%	10.1%	-32.5%	25.1%	97.5%
Corn	31.1%	4.5%	-10.9%	37.9%	175.1%
Alfalfa Hay (Baled)	5.3%	18.0%	-20.7%	0.0%	8.7%
Dry Beans	38.7%	14.7%	-9.5%	-33.6%	14.0%
State Crop Production Growth /3					
Sorghum production	64.2%	-18.9%	50.0%	11.4%	-9.5%
Corn	10.6%	-6.8%	9.5%	20.6%	3.0%
Winter Wheat	129.7%	-37.8%	71.9%	7.9%	2.0%
Sugar Beets	-13.9%	-0.9%	27.0%	-14.5%	4.5%
State Cattle and Calf Inventory Growth /4	1.9%	1.9%	-5.5%	1.9%	17.2%
Retail Trade Sales Growth /5	5.9%	6.2%	-12.9%	9.9%	NA

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2011.

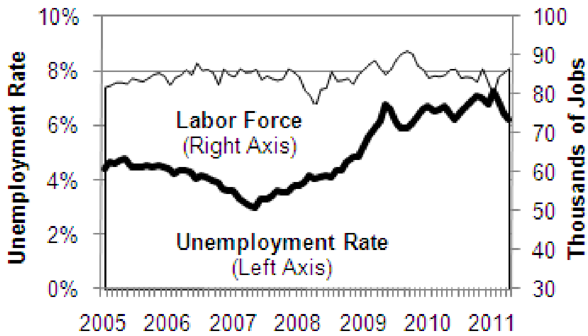
2/ National Agricultural Statistics Service.

3/ National Agricultural Statistics Service. 2011 crop price changes compares May 2011 to May 2010. Estimates for state crop production are year over year for annual figures. 2011 estimate is for acres planted rather than production quota and compares acres planted in March 2011 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 year-to-date May 1, 2011 over prior year period in 2010.

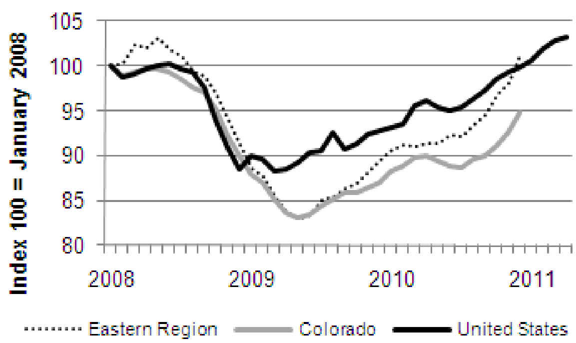
5/ Colorado Department of Revenue. Seasonally adjusted. Data through December 2010.

Figure 61
Eastern Region Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2011.

Figure 62
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through December. U.S. data through April.

full percentage point in six months time from its high of 7.1 percent in October 2010 to 6.2 percent in April on a seasonally adjusted basis.

The region's agricultural industry is stable and continues to benefit from ongoing demand for winter wheat and high crop prices. Winter wheat has been the primary driver of the agricultural industry gains, as prices increased 25.1 percent in 2010 and were 95.1 percent higher in May 2011 than in May 2010. Corn prices have also been rising significantly, posting a 175.1 percent gain between May 2010 and May 2011. Similarly, both winter wheat and corn posted production gains in 2010 and thus far in 2011.

Meanwhile, cattle inventory in May increased 17.2 percent over the prior year. 2010 was a very good year for agriculture, and it is likely that crop prices and meat production will continue to rise in 2011 as global demand for food commodities remains high. According to the Colorado Department of Agriculture, Colorado's agricultural exports increased 31.8 percent in the first quarter of 2011 compared with the first quarter of 2010.

Figure 62 compares changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state. Spending continued to post strong growth through 2010, with a 9.9 percent increase over 2009, one of the fastest growth rates in the state.

Appendix A
Historical Data

Colorado Economic Indicators
(Dollar Amounts in Millions)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Nonagricultural Employment (thous.) percent change	1,835.2 4.5%	1,901.2 3.6%	1,979.7 4.1%	2,056.9 3.9%	2,132.1 3.7%	2,214.2 3.9%	2,227.1 0.6%	2,184.8 -1.9%	2,152.6 -1.5%	2,179.2 1.2%	2,225.9 2.1%	2,279.7 2.4%	2,331.5 2.3%	2,350.6 0.8%	2,245.0 -4.5%	2,219.9 -1.1%
Unemployment Rate (%)	4.0	4.2	3.4	3.6	3.1	2.8	3.8	5.6	6.1	5.6	5.1	4.3	3.7	4.8	8.3	8.9
Personal Income percent change	$94,039 8.7%	$101,777 8.2%	$110,110 8.2%	$120,100 9.1%	$130,663 8.8%	$147,056 12.5%	$156,468 6.4%	$157,752 0.8%	$159,918 1.4%	$168,587 5.4%	$179,695 6.6%	$194,390 8.2%	205,242 5.6%	214,977 4.7%	210,513 -2.1%	215,259 2.3%
Per Capita Income percent change	$24,575 5.8%	$25,964 5.7%	$27,402 5.5%	$29,174 6.5%	$30,919 6.0%	$33,977 9.9%	$35,296 3.9%	$35,023 -0.8%	$35,156 0.4%	$36,652 4.3%	$38,555 5.2%	$40,898 6.1%	$42,386 3.6%	$43,560 2.8%	$41,895 -3.8%	42,802 2.2%
Wage and Salary Income percent change	$53,162 7.9%	$57,442 8.1%	$62,754 9.2%	$69,862 11.3%	$76,643 9.7%	$86,416 12.8%	$89,109 3.1%	$88,106 -1.1%	$89,284 1.3%	$93,619 4.9%	$98,902 5.6%	$105,833 7.0%	112,962 6.7%	117,168 3.7%	112,810 -3.7%	113,918 1.0%
Retail Trade Sales percent change	$39,919 4.8%	$42,629 6.8%	$45,142 5.9%	$48,173 6.7%	$52,609 9.2%	$57,955 10.2%	$59,014 1.8%	$58,850 -0.3%	$58,689 -0.3%	$62,288 6.1%	$65,492 5.1%	$70,437 7.5%	75,329 6.9%	74,760 -0.8%	66,345 -11.3%	70,738 6.6%
Housing Permits percent change	38,622 3.7%	41,135 6.5%	43,053 4.7%	51,156 18.8%	49,313 -3.6%	54,596 10.7%	55,007 0.8%	47,871 -13.0%	39,569 -17.3%	46,499 17.5%	45,891 -1.3%	38,343 -16.4%	29,454 -23.2%	18,998 -35.5%	9,355 -50.8%	11,591 23.9%
Nonresidential Construction percent change	$1,957 18.5%	$2,544 30.0%	$3,274 28.7%	$2,880 -12.0%	$3,783 31.4%	$3,476 -8.1%	$3,500 0.7%	$2,809 -19.7%	$2,708 -3.6%	$3,291 21.5%	$4,221 28.3%	$4,415 4.6%	$5,251 18.9%	$4,193 -20.2%	$3,192 -23.9%	$2,967 -7.0%
Denver-Boulder Inflation Rate	4.3%	3.5%	3.3%	2.4%	2.9%	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%
Population (thousands, July 1) percent change	3,738.1 2.3%	3,812.7 2.0%	3,891.3 2.1%	3,969.0 2.0%	4,056.1 2.2%	4,339.0 7.0%	4,433.1 2.2%	4,504.3 1.6%	4,548.8 1.0%	4,599.7 1.1%	4660.78 1.3%	4,753.0 2.0%	4,842.3 1.9%	4,935.2 1.9%	5,024.7 1.8%	5,029.2 0.1%

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.

National Economic Indicators

(Dollar Amounts in Billions)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross Domestic Product	$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	$14,657.8
percent change	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%	3.8%
Real Gross Domestic Product (inflation-adjusted, chained to 2005)	$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	$13,248.2
percent change	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%	2.9%
Unemployment Rate	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%	9.6%
Inflation (Consumer Price Index)	3.0%	2.3%	1.6%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.8%	3.8%	-0.4%	1.6%
10-Year Treasury Note	6.4%	6.4%	5.3%	5.6%	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%
Personal Income	$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	12546.7
percent change	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%	3.1%
Wage and Salary Income	$3,616.3	$3,876.6	$4,181.6	$4,460.0	$4,827.7	$4,952.2	$4,997.3	$5,139.6	$5,425.7	$5,701.0	$6,068.9	$6,421.7	$6,559.0	$6,274.1	$6,405.3
percent change	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%	2.1%
Nonfarm Employment (millions)	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	130.8	129.8
percent change	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%	-4.4%	-0.8%

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