Focus Colorado: Economic and Revenue Forecast

Colorado Legislative Council Staff
Economics Section

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Photograph captures agricultural land along the Dallas Divide, courtesy of Andy Keim

Highlights

- The recovery has slowed and the **economy** could be at a turning point. Although the chances of a recession are rising, evidence appears to point to a continued but very slow expansion, which is what this forecast assumes. Whether the economy continues to grow or falls back into recession depends on the decisions of households and businesses in the face of economic uncertainty.

- The General Fund ended **FY 2010-11** with $294.4 million more than the amount budgeted to be spent or retained in the reserve. Of this, $226.9 million and $67.5 million will be transferred to the State Education Fund and the State Public School Fund, respectively.

- The **FY 2011-12** General Fund budget is in balance. Revenue will be sufficient to allow $279.3 million, or 4.9 percent of General Fund appropriations, to remain in the reserve at the close of the year. This amount is $64.3 million higher than the required reserve level.

- The General assembly will have $367.2 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 $64.3 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 during the forecast period. Personal income is not expected to increase by at least 5 percent until 2014. The reserve increases and transfers would have totaled at least $224.4 million.

EXECUTIVE SUMMARY

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

General Fund overview

Table 1 on page 4 presents the General Fund overview based on current law. Table 3 on pages 6 and 7 lists budgetary measures from the 2009 through 2011 legislative sessions affecting the General Fund overview. Table 7 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 ended the year with $294.4 million more than the amount budgeted to be spent or retained in the reserve. Pursuant to Senate Bill 11-156 and Senate Bill 11-230, $226.9 million will be transferred to the State Education Fund *(see line 29 of Table 1)* and $67.5 million will be transferred to the State Public School Fund *(see line 30 of Table 1)*.

FY 2011-12. The FY 2011-12 General Fund budget is in balance. Revenue is expected to be $64.3 million higher than the amount budgeted to be spent or retained in the reserve. This surplus is assumed to be carried forward into FY 2012-13.

FY 2012-13. General Fund revenue will be $367.2 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 was budgeted for FY 2011-12. This amount is equal to 5.1 percent of total expenditures in FY 2011-12. Because a budget has not 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 $367.2 million figure would be lower if it were adjusted to account for expenditure pressures resulting from inflation and caseload growth.

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 during the forecast period. In FY 2012-13, the first year affected by these provisions, personal income is expected to increase 4.1 percent. 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 $224.4 million of the $367.2 million available.

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

		FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
	FUNDS AVAILABLE	**Preliminary**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve	$137.6	$156.7	$343.5	$646.4
2	General Fund Nonexempt Revenue	6,314.8	6,308.4	6,472.6	6,654.7
3	General Fund Exempt Revenue (Referendum C)	770.3	927.1	1,107.9	1,306.5
4	Transfers to Other Funds	0.0	(1.0)	(0.0)	(3.1)
5	Transfers from Other Funds	158.1	134.0	2.1	2.2
6	Sales Taxes to Older Coloradans Fund and OASMCF	(10.9)	(10.9)	(8.0)	(8.0)
7	**Total Funds Available**	**$7,369.9**	**$7,514.3**	**$7,918.1**	**$8,598.7**
8	Percent Change	7.5%	2.0%	5.4%	8.6%
	EXPENDITURES	**Budgeted**	**Budgeted**	**Estimate/A**	**Estimate/A**
9	General Fund Appropriations	6,811.1	6,982.3	6,982.3	6,982.3
10	Adjustments to Appropriations	9.9	0.0	0.0	0.0
11	Rebates and Expenditures *(Lines 20-25 of Table 5)*	115.2	137.4	149.8	145.4
12	Reimbursement for Senior and Disabled Veterans Property Tax Cut	1.6	1.7	95.9	95.9
13	Capital Construction Transfers	12.0	49.3	43.7	43.7
14	Accounting Adjustments	(30.9)	NE	NE	NE
15	**Total Expenditures**	**$6,918.8**	**$7,170.8**	**$7,271.7**	**$7,267.3**
16	Percent Change	3.0%	3.6%	1.4%	-0.1%

	BUDGET SUMMARY	**Preliminary**	**Estimate**	**Estimate/A**	**Estimate/A**
17	**Amount Available for Expenditure** *(Line 7 minus Line 24)*	**7,213.3**	**7,235.0**	**7,638.8**	**8,319.4**
18	Dollar Change	492.6	21.8	403.8	680.5
19	Percent Change	7.3%	0.3%	5.6%	8.9%
20	***Revenue Will Restrict Expenditures and/or the Reserve by:***	***0.0***	***0.0***	***0.0***	***0.0***

	RESERVE	**Budgeted**	**Budgeted**	**Estimate/A**	**Estimate/A**
21	Year-End General Fund Reserve	451.1	343.5	646.4	1,331.4
22	Year-End Reserve As A Percent of Appropriations	6.6%	4.9%	9.3%	19.1%
23	Statutorily-Required Reserve	156.7	279.3	279.3	279.3
24	Reserve in Excess or (Deficit) of Statutory Reserve	$294.4	$64.3	$367.2	$1,052.1
25	*Percent Change in General Fund Appropriations*	*2.7%*	*2.5%*	*NE*	*NE*
26	Addendum: TABOR Reserve Requirement	282.7	292.6	310.5	327.0
27	Addendum: 5% of Colorado Personal Income Appropriations Limit	10,748.8	10,525.6	10,762.9	11,279.5
28	Addendum: Amount Directed to State Education Fund Per Amendment 23	370.5	384.9	404.6	426.2
29	Addendum: Amount Directed to State Education Fund Per SB 11-156	226.9	NA	NA	NA
30	Addendum: Amount Directed to State Public School Fund Per SB 11-230	67.5	NA	NA	NA

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

/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 (line 9) will occur in FY 2012-13 and FY 2013-14. Therefore, line 25 shows the amount of money available for expenditure in FY 2012-13 and 2013-14 above the amount budgeted to be spent in FY 2011-12.

FY 2013-14. The General Fund budget situation in FY 2013-14 will depend on measures taken by the state legislature to address the budget in FY 2011-12 and FY 2012-13. While Table 1 shows a large amount of money available for spending in FY 2013-14, the assumptions in Table 1 do not include budgetary pressures from caseload growth and inflation for either FY 2012-13 or FY 2013-14. In addition, they assume that the FY 2011-12 and FY 2012-13 surpluses are not spent but carried forward into FY 2013-14.

Tax polices 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 or the following two fiscal years. Table 2 summarizes the availability of these tax policies based on this forecast.

Table 2
Tax Policies Dependent on Sufficient General Fund Revenue
To Allow General Fund Appropriations to Increase by at Least 6 Percent

Tax Policy	Forecast	Forecast Availability
• Historic property preservation income tax credit • Clean technology medical device sales tax credit • Sales and use tax exemption	September or December forecast immediately before the relevant tax year.	Not available through at least tax year 2014
• Child care contribution tax credit	December forecast immediately before the relevant tax year.	Available in tax year 2013 when House Bill 11-1014 removes the trigger for the credit
• Instream flow credit	June forecast during the relevant tax year.	Available in tax year 2011; not available in tax years 2012 through at least 2014

Revenue Forecast

The FY 2011-12 forecast for total revenue subject to TABOR decreased $207.8 million relative to the June forecast. The forecast for General Fund revenue subject to TABOR decreased $109.6 million, while the cash fund forecast decreased $98.2 million. The FY 2012-13 forecast for revenue subject to TABOR decreased $225.6 million, with the General Fund revenue forecast falling $201.4 million and the cash fund revenue forecast dropping $24.2 million.

- **General Fund revenue** increased 9.7 percent in FY 2010-11. However, General Fund revenue is expected to grow more slowly in FY 2011-12 and FY 2012-13, by 2.1 percent and 4.8 percent, respectively. Those forecasts were both revised down from the June forecast because of lower expectations for income taxes and sales and use tax revenue.

Table 3
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	0.01	-	-
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	2.1	2.1	-
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	9.5	-	-
HB 10-1325	Natural Resource Damage Recovery Fund	-	0.2	0.136	0.156	0.156
HB 10-1327	Cash Fund Transfers	-	84.7	-	-	-
HB 10-1383	CollegeInvest Transfer	-	29.8	-	-	-
HB 10-1388	Cash Fund Transfers	-	-	3.8	1.1	-
HB 10-1389	Capital Construction Transfers	-	19.1	10.5	-	-
SB 11-161	Diversion to the Laboratory Cash Fund	-	-	-	(0.01)	(0.02)
SB 11-163	Repeal Alternative Fuels Rebate Program	-	-	1.7	-	-
SB 11-164	Cash Fund Transfers	-	-	123.4	-	-
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	-	-	5.5	127.4	-
Transfers to the General Fund		$815.2	$421.2	$158.1	$134.0	$2.1
Transfers from the General Fund		($4.4)	($458.1)	$0.0	($1.01)	($0.02)

Table 3 Continues on Next Page

Table 3 *(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, such as the Long Appropriations Bill.

- The forecast for **cash fund revenue** subject to TABOR increased 12.2 percent in FY 2010-11, totaling more than $2.3 billion. Cash fund revenue is expected to grow 8.7 percent and 9.8 percent in the next two fiscal years, respectively. However, compared with the June forecast, the cash fund projection was reduced in both FY 2011-12 and FY 2012-13 due to lower expectations for transportation-related revenue, severance taxes, and gaming taxes.

- The **Unemployment Insurance Trust Fund** is expected to regain solvency in FY 2011-12. Unemployment benefits 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. Rates for 2013 and beyond are expected to fall as the fund balance recovers. House Bill 11-1288 will also begin increasing premium revenue in FY 2011-12, by increasing the employee wage base upon which employer unemployment insurance payments are made.

- 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. After retaining $770.3 million in FY 2010-11, this year the state will retain $927.1 million as a result of Referendum C. Table 4 presents the history and forecast for revenue retained by Referendum C.

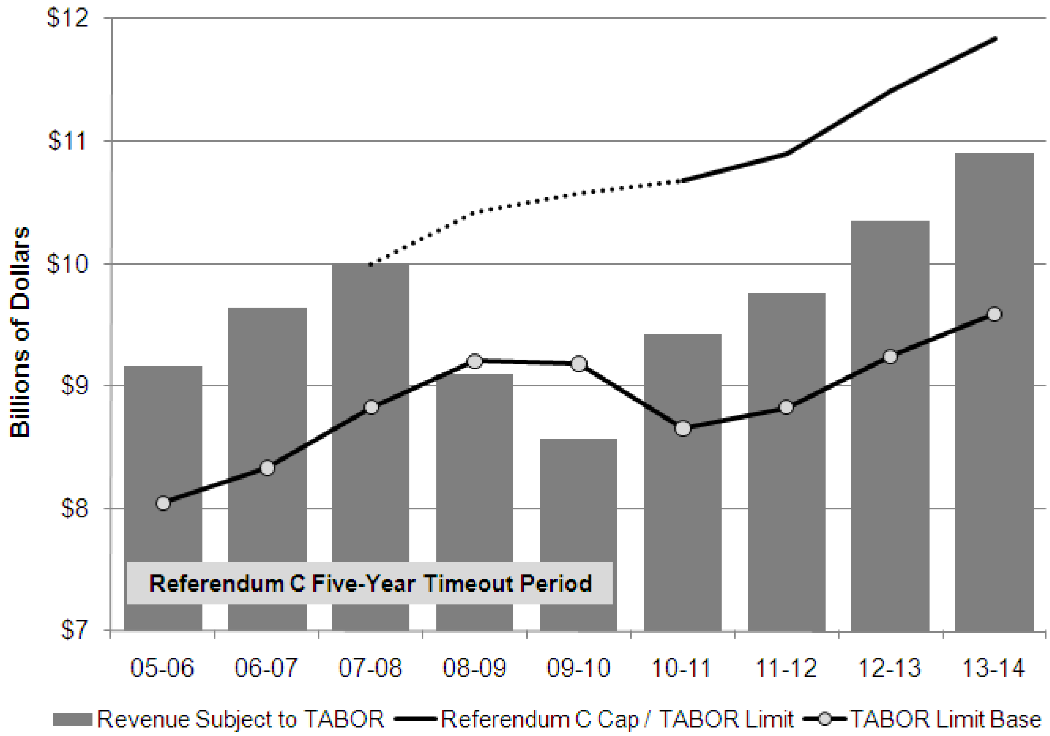
Table 4
History and Projections of Revenue Retained by Referendum C
(Dollars in Millions)

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
FY 2010-11*	$770.3
Projections	
FY 2011-12	$927.1
FY 2012-13	$1,107.9
FY 2013-14	$1,306.5

**Preliminary*

- Figure 1 on page 9 shows TABOR revenue and the Referendum C cap through the end of the forecast period, which extends fours years beyond the Referendum C five-year time-out period. The Referendum C cap will equal $10.9 billion in FY 2011-12. Revenue subject to TABOR will be $1.1 billion below the cap. Revenue will not be sufficient to produce a **TABOR refund** through at least FY 2013-14, the end of the forecast period. Table 5 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 four-year forecast horizon.

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



Source: Colorado Office of the State Controller (history) and Legislative Council Staff (forecast).

- 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.

National Economy

The recovery has slowed and the national economy could be at a turning point. Evidence appears to point to a slow expansion, which is what this forecast assumes. However, the chances of a recession are rising. Many forces, which over the last few years have been primary drivers of the recovery, continue to grow but have lost momentum in recent months. These include consumer spending, business investment, manufacturing activity, and government spending. While private sector employment continued to grow through the summer, the increases were significantly weaker than those seen earlier in the year. Meanwhile, the financial, real estate, and construction sectors — sectors of the economy integral to the causes of the 2008 recession — remain weak.

Households and businesses are becoming increasingly unsure about the economic landscape. In addition to a weak economy and downward revisions to economic growth, the European debt crisis and other global economic worries, the downgrade of U.S. debt, political debates about the federal debt ceiling, and financial market volatility have all contributed to this uncertainty. If households and businesses continue their previously made spending plans, despite these economic and political uncertainties, the national economy will continue to grow — albeit at a rate slow enough to feel like a recession.

Colorado Economy

Colorado's economic recovery has slowed along with the national economy. Consumer spending lost momentum through the summer and the state's employment growth stalled in August. Construction activity has begun to awaken in some pockets of the state, but overall the state's housing and nonresidential real estate markets continue to struggle. Depending on the decisions of businesses and households in the face of economic uncertainty, Colorado's economy will either follow the nation into a slow recovery or into a recession over the next few months. This forecast anticipates continued but very slow growth in the Colorado economy.

While the Denver metro economy will perform similar to the national economy, pockets of the state have enjoyed a stronger recovery. Higher agriculture prices have increased ranch and farm income, boosting consumer spending and economic health on the eastern plains, the San Luis Valley, and in the northern region of the state. In addition, the oil industry is booming in northern Colorado as a result of increases in the price of oil and new drilling technologies. The Boulder area is also enjoying growth in software publishing and related industries.

The economy on the western slope of Colorado, however, is in recession. Natural gas prices have remained low, and energy companies have pulled back on the number of rigs operating in the area. Employment on the western slope is decreasing and consumer spending is flat. Meanwhile, economic growth in the Pueblo region remains slow and the Colorado Springs economy will experience a slowdown in 2011 because of lower defense spending by the federal government.

Table 5
September 2011 TABOR Revenue Limit and Retained Revenue
(Dollars in Millions)

		Preliminary FY 2010-11	Estimate FY 2011-12	Estimate FY 2012-13	Estimate FY 2013-14
	TABOR Revenue:				
1	General Fund /A	$7,081.0	$7,206.7	$7,551.6	$7,932.2
2	Cash Funds	2,343.7	2,547.9	2,798.6	2,967.8
3	**Total TABOR Revenue**	**$9,424.6**	**$9,754.6**	**$10,350.2**	**$10,900.0**
	Revenue Limit				
4	Allowable TABOR Growth Rate	1.2%	2.0%	4.7%	3.8%
5	Inflation (from prior calendar year)	-0.6%	1.9%	3.2%	2.2%
6	Population Growth (from prior calendar year) /B	1.8%	0.1%	1.5%	1.6%
7	TABOR Limit Base	$8,654.4	$8,827.5	$9,242.4	$9,593.6
8	Voter-Approved Revenue Change (Referendum C)	$770.3	$927.1	$1,107.9	$1,306.5
9	Total TABOR Limit / Referendum C Cap	$10,683.1	$10,896.8	$11,408.9	$11,842.5
	Retained/Refunded Revenue				
10	Revenue Retained under Referendum C /C	$770.3	$927.1	$1,107.9	$1,306.5
11	**Total Available Revenue**	**$9,424.6**	**$9,754.6**	**$10,350.2**	**$10,900.0**
12	Revenue to be Refunded to Taxpayers	$0.0	$0.0	$0.0	$0.0

Totals may not sum due to rounding.

/A These figures differ from the General Fund 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.

/B 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.

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

GENERAL FUND REVENUE

This section presents the forecast for General Fund revenue. After a decrease of close to $1.3 billion during FY 2008-09 and FY 2009-10, General Fund revenue rebounded in FY 2010-11 as the state's economy recovered and because of revenue-augmenting legislation passed during the 2009 and 2010 legislative sessions. Table 6 on page 14 illustrates preaudited actual revenue collections for FY 2010-11 and projections for FY 2011-12 through FY 2013-14. A list of legislation affecting General Fund revenue from the 2009 through 2011 legislative sessions is shown in Table 7 on pages 15 and 16.

General Fund revenue increased 9.7 percent in FY 2010-11, or by $627.9 million. Of this increase, it is estimated that about 35 percent was the result of legislation passed during the 2009 through 2011 legislative sessions. In FY 2011-12 and FY 2012-13, General Fund revenue is expected to grow more slowly, by 2.1 percent and 4.8 percent, respectively.

The General Fund revenue forecasts for FY 2011-12 and FY 2012-13 were both reduced compared with the June forecast, by $110.0 million and $201.8 million, respectively. The decrease was primarily due to downward revisions in the forecasts for revenue from sales and use taxes as well as individual income taxes. This change resulted from lower expectations for Colorado's economy in the next several years, as measured by job and income growth and lower levels of consumer confidence than were expected in June.

General Fund revenue from **sales taxes** increased 12.0 percent in FY 2010-11 compared with the prior year, although a $67 million accounting adjustment was responsible for a significant portion of that gain. On an accrual accounting basis, sales taxes are projected to fall 2.3 percent in FY 2011-12, due to slower economic growth, but also because of the loss of this one-time accounting adjustment. On a cash basis, sales tax revenue is projected to increase marginally, by 0.9 percent, compared with the prior year. In FY 2012-13, sales tax revenue is expected to increase 1.2 percent compared with the prior year.

Although retail trade growth has been relatively strong in several regions of the state through April 2011, the most recent data available, growth is expected to decelerate in the second half of the year because of economic uncertainty and declining consumer confidence. This trend is projected to continue into 2012 as well.

Compared with the June forecast, the sales tax forecast was lowered by $78.9 million in FY 2011-12 and $123.2 million in FY 2012-13, reflecting the change in economic outlook.

Use tax revenue rebounded sharply in FY 2010-11 from the recessionary trough, increasing 22.3 percent. It is expected to increase at a more moderate pace in the next two years, growing 4.3 percent in FY 2011-12 and 3.7 percent in FY 2012-13. However, compared with the June forecast, the outlook for use tax revenue was reduced to reflect the anticipated slowdown in both consumer and business spending.

Individual income tax collections increased 10.1 percent in FY 2010-11, rebounding from recessionary levels in the

Table 6
September 2011 General Fund Revenue Estimates
(Dollars in Millions)

	Category	Preliminary FY 2010-11	Percent Change	Estimate FY 2011-12	Percent Change	Estimate FY 2012-13	Percent Change	Estimate FY 2013-14	Percent Change
1	Sales	$2,044.2	12.0	$1,996.7	-2.3	$2,020.0	1.2	$2,068.8	2.4
2	Use	190.4	22.3	198.6	4.3	206.0	3.7	215.2	4.5
3	Cigarette	39.3	-3.8	40.5	3.0	39.9	-1.5	39.3	-1.4
4	Tobacco Products	13.8	-14.2	16.7	21.2	17.8	6.2	14.3	-19.3
5	Liquor	36.4	2.8	34.4	-5.7	35.2	2.6	35.9	1.9
6	TOTAL EXCISE	$2,324.2	12.1	$2,286.9	-1.6	$2,318.8	1.4	$2,373.6	2.4
7	Net Individual Income	$4,496.1	10.1	$4,692.9	4.4	$4,895.6	4.3	$5,204.2	6.3
8	Net Corporate Income	393.9	5.9	390.9	-0.8	462.3	18.3	434.4	-6.0
9	TOTAL INCOME TAXES	$4,890.0	9.7	$5,083.8	4.0	$5,357.9	5.4	$5,638.5	5.2
10	Less: Portion diverted to the SEF	-370.5	12.6	-384.9	3.9	-404.6	5.1	-426.2	5.3
11	INCOME TAXES TO GENERAL FUND	$4,519.5	9.5	$4,698.9	4.0	$4,953.3	5.4	$5,212.4	5.2
12	Estate	-0.1	NA	0.0	NA	45.0	NA	94.0	108.9
13	Insurance	189.7	1.5	200.8	5.9	213.5	6.3	227.6	6.6
14	Pari-Mutuel	0.5	-0.6	0.5	-10.3	0.4	-19.4	0.3	-19.3
15	Investment Income	7.9	-21.6	6.1	-22.3	8.4	36.8	12.5	48.7
16	Court Receipts	3.6	-80.0	1.8	-49.5	0.7	-61.1	0.5	-28.6
17	Gaming	20.4	NA	20.1	NA	20.1	NA	20.2	NA
18	Other Income	19.421	-25.2	20.4	5.1	20.2	-1.0	114.1	464.7
19	TOTAL OTHER	$241.4	-6.3	$249.8	3.5	$308.4	23.5	$375.2	21.7
	GROSS GENERAL FUND	**$7,085.0**	**9.7**	**$7,235.5**	**2.1**	**$7,580.5**	**4.8**	**$7,961.1**	**5.0**
	REBATES & EXPENDITURES:								
20	Cigarette Rebate	$11.0	-5.3	$11.8	7.4	$11.7	-1.5	$11.5	-1.4
21	Old-Age Pension Fund	91.3	-12.6	106.6	16.8	114.2	7.1	94.2	-17.5
22	Aged Property Tax & Heating Credit	6.8	-10.0	7.7	12.5	7.6	-1.0	7.5	-1.0
23	Interest Payments for School Loans	0.8	-64.1	0.6	-22.3	0.9	36.8	1.3	48.7
24	Fire and Police Pension Association	4.3	1.4	9.8	127.4	14.6	49.0	30.0	105.9
25	Amendment 35 GF Expenditures	0.9	9.2	0.9	0.7	0.9	4.2	0.9	-1.9
26	TOTAL REBATES & EXPENDITURES	$115.2	-12.1	$137.4	19.3	$149.8	9.0	$145.4	-2.9

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

Table 7
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 7 Continues on Next Page

prior two fiscal years. While the new federal tax law reduced income tax revenue in FY 2010-11, the strong rate of increase was the result 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.

Growth in individual income taxes is expected to slow in FY 2011-12 and FY 2012-13 increasing 4.4 percent and 4.3 percent, respectively. The individual income tax forecast was reduced relative to the June forecast because of the revised economic outlook for the state. In particular, wages and employment are expected to grow more slowly in the out-years of the forecast than had been expected in June. Compared with the prior forecast, the individual income tax forecast was reduced by $11.3 million and $94.9 million for FY 2011-12 and FY 2012-13, respectively.

Corporate profits have soared nationally in the last two fiscal years. While corporate profits in Colorado have not grown quite as rapidly, they have still exhibited steady growth, and this trend is projected to continue. In FY 2010-11, Colorado **corporate income tax** collections totaled $393.9 million on an accrual

Table 7 *(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	-	-	(1.0)	(1.0)	-
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	-	-	-	-	11.7
HB 11-1045	Colorado Innovation Investment Tax Credit /A	-	-	(0.1)	(0.1)	-
HB 11-1081	Propane Vehicles Included in Credit	-	-	-	-	-
HB 11-1300	Conservation Easement Tax Credit	-	-	2.0	4.0	(2.0)
H.R. 4853 /C	Accelerated Expensing and Bonus Depreciation	-	-	(70.1)	(98.1)	(25.4)
Total Income Taxes		*0.0*	*5.0*	*(25.2)*	*(27.1)*	*21.8*
Estate Taxes						
H.R. 4853 /C	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**	**$167.5**	**$107.5**	**$150.6**

/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 tax credit beginning tax year 2013.

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

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

accounting basis, which represents an increase of 5.9 percent from the prior year. In FY 2011-12, corporate income taxes are projected to remain flat, followed by an increase of 18.3 percent in FY 2012-13. Relative to the June forecast, the outlook for corporate income taxes was relatively unchanged.

This pattern of projected corporate tax collections over the forecast period is the result, in part, of a federal law that reduces corporate taxable income in FY 2010-11 and FY 2011-12, but increases it in later years. The law accelerates both the depreciation of business equipment for tax purposes and allows businesses to deduct a larger amount of qualifying equipment investments as an expense in tax year 2012. The federal law is estimated to have reduced state corporate income tax revenue by $41.2 million in FY 2010-11 and by another $55.1 million in FY 2011-12. These reductions are partially offset by the impact of state legislation (House Bill 10-1199 and Senate Bill 10-200) that boosted corporate collections by deferring certain corporate tax deductions and credits by an estimated $24.5 million through FY 2012-13.

Another result of these accelerated deductions, however, is that businesses will have fewer equipment deductions in future years than they otherwise would have. Thus, corporate income tax revenue will be increased in both FY 2012-13 and FY 2013-14 over what it otherwise would have been.

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 $370.5 million in FY 2010-11, it will receive $384.9 million in FY 2011-12 and $404.6 million in FY 2012-13.

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 FY2013-14.

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 8 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, revenue from the Hospital Provider Fee revenue, severance taxes and gaming taxes. Forecasts for federal mineral leasing and unemployment insurance revenue are available on pages 24 and 25. These forecasts are presented separately because these revenue sources are not subject to TABOR.

Cash fund revenue subject to TABOR will total $2.5 billion in FY 2011-12, which represents an increase of 8.7 percent over FY 2010-11. The increase is mostly attributable to the increase in revenue from the Hospital Provider Fee and a moderate increase in severance tax compared to 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 9.8 percent to $2.8 billion in FY 2012-13, driven primarily by expansions of the Hospital Provider Fee program.

A portion of the increase in the Hospital Provider Fee is due to a $50 million increase in fee revenue for FY 2011-12 provided for in Senate Bill 11-212. In addition, Senate Bil1 11-125 provides for an increase in fee revenue of $15 million to the Medicaid Nursing Facility Cash Fund in FY 2011-12 and FY 2012-13. Additionally, SB11-184 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 a slight decline in FY 2011-12 before growing slowly over the remainder of the forecast period. Forecasts for transportation-related cash funds are shown in Table 9 on page 21.

Overall revenue to the *Highway Users Tax Fund (HUTF)* grew 1.8 percent in FY 2010-11 but is expected to decrease 0.8 percent in FY 2011-12. The forecast for HUTF revenue was reduced compared with the June forecast to account for slowing in special fuels revenue, declining registration late fees, and slower than expected growth in FASTER revenue. Overall, revenue from these sources is expected to see only modest growth in the future.

FASTER revenue subject to TABOR totaled $162.5 million in FY 2010-11 and is expected to decrease 1.4 percent to $160.3 million in FY 2011-12. Revenue from both daily car rental fees and the road safety surcharge was not as high as expected, and estimates have been lowered to reflect this. The growth in revenue from the road safety surcharge is expected to slow in FY 2011-12 and gains will be offset by declines in revenue from the late registration fee. Also, decreases in the number of oversize and overweight vehicle permits issued are expected to further reduce FASTER revenue in the short term.

The Bridge Safety Surcharge increased 50 percent starting July 1, 2010, and will grow an additional 33 percent, to the full fee, in FY 2011-12. Revenue from the fee is TABOR exempt (see Addendum to Table 9).

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**

Table 8
Cash Fund Revenue Subject to TABOR, September 2011
(Dollars in Millions)

	Preliminary FY 10-11	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14	FY 10-11 to FY 13-14 CAAGR *
Transportation-Related	**$1,082.7**	**$1,081.9**	**$1,093.4**	**$1,108.4**	
% Change	2.2%	-0.1%	1.1%	1.4%	**0.8%**
Hospital Provider Fee	**$442.5**	**$604.6**	**$782.3**	**$883.3**	
% Change	46.1%	36.6%	29.4%	12.9%	**25.9%**
Severance Tax	**$149.4**	**$170.0**	**$200.6**	**$205.1**	
% Change	209.6%	13.8%	18.0%	2.2%	**11.1%**
Gaming Revenue /A	**$98.0**	**$90.6**	**$92.0**	**$94.8**	
% Change	-3.2%	-7.5%	1.5%	3.0%	**-1.1%**
Insurance-Related	**$26.5**	**$16.2**	**$16.5**	**$16.8**	
% Change	-38.3%	-38.8%	2.0%	1.8%	**-14.0%**
Regulatory Agencies	**$69.6**	**$70.5**	**$71.5**	**$72.6**	
% Change	3.3%	1.3%	1.5%	1.4%	**1.4%**
Capital Construction Related - Interest /B	**$3.0**	**$0.8**	**$0.4**	**$0.2**	
% Change	-8.1%	-74.7%	-51.1%	-41.1%	**-58.2%**
Other Cash Funds	**$472.0**	**$513.3**	**$541.8**	**$586.6**	
% Change	1.7%	8.8%	5.6%	8.3%	**7.5%**
Total Cash Fund Revenue	**$2,343.7**	**$2,547.9**	**$2,798.6**	**$2,967.8**	
Subject to the TABOR Limit	12.2%	8.7%	9.8%	6.0%	**8.2%**

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 into TABOR.

Table 9
Transportation-Related Revenue Forecast by Source, September 2011
(Dollars in Millions)

	Actual FY 09-10	Preliminary FY 10-11	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14	FY 10-11 to FY 13-14 CAAGR *
Highway Users Tax Fund (HUTF)						
Motor Fuel and Special Fuel Taxes	$542.9	$557.2	$554.9	$559.8	$565.8	0.5%
% Change	0.6%	2.6%	-0.4%	0.9%	1.1%	
Registrations	$182.7	$185.0	$186.7	$188.9	$191.4	1.1%
% Change	0.4%	1.3%	0.9%	1.2%	1.3%	
FASTER Revenue /A	$155.3	$162.5	$160.3	$161.1	$163.6	0.2%
% Change		4.6%	-1.4%	0.5%	1.5%	
Other Receipts /B	$39.0	$32.2	$27.8	$50.2	$51.0	16.5%
% Change	-26.3%	-17.3%	-13.7%	80.6%	1.5%	
Total HUTF	**$919.9**	**$936.9**	**$929.7**	**$960.0**	**$971.7**	1.2%
% Change	18.7%	1.8%	-0.8%	3.3%	1.2%	
State Highway Fund	$53.1	$42.6	$42.1	$42.7	$43.5	0.7%
% Change	-23.4%	-19.8%	-1.2%	1.5%	1.7%	
Other Transportation Funds	$86.5	$103.2	$110.0	$90.7	$93.3	-3.3%
% Change	10.9%	19.3%	6.6%	-17.6%	2.9%	
Aviation Fund /C	*$25.3*	*$36.2*	*$37.7*	*$39.3*	*$41.1*	
Law-Enforcement-Related /D	*$11.6*	*$11.0*	*$11.2*	*$11.6*	*$11.9*	
Registration-Related /E	*$49.7*	*$56.0*	*$61.1*	*$39.8*	*$40.3*	
Total Transportation Funds	**$1,059.5**	**$1,082.7**	**$1,081.9**	**$1,093.4**	**$1,108.4**	0.8%
% Change	14.9%	2.2%	-0.1%	1.1%	1.4%	

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

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

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

/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	Preliminary FY 10-11	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14
Bridge Safety Surcharge	$45.2	$72.1	$96.4	$96.8	$97.5
% Change		59.4%	33.6%	0.5%	0.7%

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.

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.

Total revenue to the *State Highway Fund* declined 19.8 percent to $42.6 million in FY 2010-11, mainly due to heavy losses in local grants. Local governments have decreased transportation funding during the current economic climate. Revenue to the State Highway Fund is expected to decrease slightly in FY 2011-12 before resuming slow growth in future years.

Congress has yet to approve a new multi-year federal transportation funding program, and the most recent extension of the current program (SAFETEA-LU) is set to expire at the end of this month. Congress recently sent H.R. 2887, the Surface and Air Transportation Programs Extension Act of 2011, to the President for his signature. The bill would extend SAFETEA-LU for six months through March 2012.

After generating $340.9 million in its first year of implementation, the **Hospital Provider Fee** program generated $442.5 million in FY 2010-11. By charging the fee, the state can obtain additional matching federal dollars to expand medical assistance programs. Higher than expected caseload growth and expansions of Medicaid and Children's Basic Health Plan (CHP+) programs have caused revenues to increase. Additionally, limits on who is eligible, as well as the number of eligible people, have been implemented to limit future growth. 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 FY2012-13 authorized by Senate Bill 11-212.

Total **severance tax** revenue, including interest earnings, is projected to be $170.0 million in FY 2011-12, a modest downward revision from the June forecast. Projected natural gas collections, coal receipts, molybdenum and metallic mineral receipts, and interest earnings for FY 2011-12 were all revised slightly downward from the June forecast. Collections in FY 2012-13, however, are projected at higher levels than the June forecast, primarily due to a upward revision in future natural gas prices. Collections for FY 2013-14 are projected to be $205.1 million.

The price of natural gas is the largest determinant of state severance tax collections, and is exceedingly difficult to predict. In 2011, natural gas spot market prices are expected to average $4.36 per Mcf (thousand cubic feet), then increase to $4.91 in 2012. A slowing in the economic recovery, as evidenced by the decline in prices in late July and August, will keep prices lower in the short term, and could dampen price growth over the next couple of years. While the opening of the Ruby pipeline in July will prop up prices for Colorado producers, it is not expected to be enough to fully offset the downward pressure from the slowing economy and oversupplied marketplace. However, natural gas prices are projected to rise above the $5.00 per Mcf level in 2013 and remain higher in 2014 as the national economy begins to gain traction. Oil prices, which fell sharply in the latter part of the summer, are expected to follow a similar pattern, increasing during the rest of the year and through the later years of the forecast period. Colorado oil drilling activity, especially in Weld County, has picked up significantly in recent months.

Coal production represents the second-largest source of severance taxes in Colorado after oil and natural gas. Relative to the June forecast, September's projected severance tax collections related to coal for FY 2011-12 fell by 6.0 percent. The decreasing demand for coal as a fuel for power generation will continue to hamper Colorado coal production. However, in FY 2012-13 and FY 2013-14, collections are expected to increase by 9.0 percent and 4.0 percent, respectively. 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.

Severance tax from metallic minerals, including gold, represents a tiny fraction of total collections. This revenue source grew sharply in FY 2010-11, due primarily to the increase in the price of gold. Collections are expected to continue to grow in FY 2011-12 and over the remainder of the forecast period.

Finally, projected interest earnings for FY 2011-12 were revised downward relative to the June forecast based on earnings to date. Total severance-related interest earnings are projected to fall 4.6 percent in FY 2012-13, because of declining earnings from the perpetual base account of the Severance Tax Trust Fund, before leveling off in FY 2013-14.

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 3.2 percent decrease in this revenue in FY 2010-11. Revenue will continue to decrease in FY 2011-12, before a slowly improving economy allows revenue to grow again in FY 2012-13.

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 13.4 percent increase from the prior year. The revenue increase in the first year of expanded gaming was attributed to the novelty of the new games and the construction of a few hotels and casinos.

As the novelty of expanded gaming waned, high gas prices combined with a weak economy reduced total gaming tax revenue 2.7 percent in FY 2010-11. Tax revenue is expected to further decline 7.5 percent to $96.9 million in FY 2011-12, mainly due to the weak economy and a change in gaming tax rates. The Colorado Limited Gaming Control Commission voted in May to reduce gaming tax rates structure beginning July 1, 2011. Table 10 compares the FY 2011-12 gaming tax rates with those in place in FY 2010-11.

Table 10
Gaming Tax Rates

Casinos with Adjusted Gross Proceeds* (In Millions)	FY 2010-11	FY 2011-12 (New Rates)
Up to $2.0	0.25%	0.2375%
$2.0 to $5.0	2.0%	1.9%
$5.0 to $8.0	9.0%	8.55%
$8.0 to $10.0	11.0%	10.45%
$10.0 to $13.0	15.2%	16.0%
$13.0 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 11 shows distributions of gaming revenue for FY 2010-11 through FY 2012-13. Amendment 50 distributions were $8.9 million in FY 2010-11 and will decrease to $7.7 million in FY 2011-12. The decline is mainly attributed to a slowdown in the economy and the recent change in the gaming tax rate structure. After administration expenses, money from

Table 11
Gaming Revenue Distributions
(Dollars in Millions)

Estimated Distribution	FY 2010-11	FY 2011-12	FY 2012-13
New Amendment 50 Distributions			
Community Colleges	7.0	6.0	6.0
Gaming Counties and Cities	1.9	1.7	1.7
Total New Amendment 50 Distributions	**$8.9**	**$7.7**	**$7.7**
Pre-Amendment 50 Distributions			
State Historical Fund	24.2	21.3	21.4
Gaming Counties	10.4	9.1	9.2
Gaming Cities	8.6	7.6	7.6
General Fund*	20.4	20.1	20.1
Economic Development Programs*	22.8	17.4	17.6
Total Pre-Amendment 50 Distributions	**$86.4**	**$76.1**	**$76.4**
Total Distributions*	**$95.3**	**$83.8**	**$84.2**

** May not sum due to rounding.*

Amendment 50 is distributed to community colleges and local governments in gaming communities. Administrative expenses tied to Amendment 50 gaming were $1.1 million in FY 2010-11 and are expected to increase to $1.2 million in FY 2011-12.

Community colleges received $7.0 million from gaming taxes in FY 2010-11 and are expected to receive $6.0 million in FY 2011-12.

Gaming revenue that was distributed prior to expanded gaming (effective July 1, 2010), is often referred to as "*Pre-Amendment 50*" revenue. Pre-Amendment 50 distributions are expected to decrease 12.0 percent in FY 2011-12 and grow slowly in the following years as the economy improves. This money is distributed as required by the state constitution and state statutes to the State Historical Society, gaming cities and counties, the General Fund, and various economic development programs. After administrative expenses, these distributions totaled $86.4 million in FY 2010-11. Administrative expenses for Pre-Amendment 50 revenue, including state salaries and law enforcement expenses, totaled $11.0 million in FY 2010-11. These expenses are expected to increase to $11.9 million in FY 2011-12.

Table 12 presents the September 2011 forecast for federal mineral leasing (FML) revenue in comparison with the June 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 12
Federal Mining Leasing Revenue Distributions
(Dollars in Millions)

Fiscal Year	September 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	$152.5	24.5%	$147.9	3.1%
FY 2011-12	$163.3	7.0%	$158.7	2.9%
FY 2012-13	$174.9	7.1%	$172.3	1.5%
FY 2013-14	$184.3	5.4%		

The forecast for FML revenue was increased slightly from the June forecast, due to slightly higher than expected distributions in FY 2010-11 and a slight upward revision in expectations for natural gas prices. Revenue is projected to increase by 7.0 percent in FY 2011-12, reaching $163.3 million. FML revenue is anticipated to increase modestly over the remainder of the forecast period, reaching $174.9 million in FY 2012-13 and $184.3 million in FY 2013-14. These totals are slightly higher than the projected totals from the June forecast as expectations for natural gas prices have been revised upward throughout the forecast period. It remains to be seen how much the opening of the Ruby pipeline, which opened this July and runs from the Opal Hub in southwestern Wyoming to southern Oregon, will prop up prices for natural gas producers in northwest Colorado. Much of the natural gas extraction in northwest Colorado occurs on federal lands.

After two years of deficits, the **Unemployment Insurance Trust Fund** is expected to have a positive fund balance of $57.2 million at the close of this fiscal year. Despite increasing revenue to the fund, high levels of UI benefits paid continue to drain the fund. Forecasts for UI revenue, benefit payments, and the UI Trust Fund balance are shown in Table 13 on page 27. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 8. 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 8.

After peaking during FY 2009-10, initial UI claims continue to fall, though layoffs in some industries are expected through the end of 2011 and into 2012. Overall, UI benefits paid are expected to fall 11.4 percent between FY 2010-11 and FY 2011-12.

Revenue to the UI Trust Fund continues to rise due to higher benefit payments made by employers. By law, employer payment rates are based on the fiscal year-end fund balance and an employer's performance in terms of the amount of UI benefit payments going to employees and the amount of UI payments an employer pays. Rates paid by employers in calendar years 2011 and 2012 will remain at the highest schedule of rates as a result of fund insolvency. Rates for 2013 and beyond are expected to fall as the fund balance recovers. **House Bill 11-1288** will increase revenue to the UI Trust Fund starting this fiscal year. This bill increases the employee wage base upon which employer UI payments are made starting in calendar year 2012.

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 continue funding the UI program. Colorado began borrowing from the Federal Unemployment Account to fund benefit payments in January 2010. After a year of loans offered interest free, the state will make its first interest payment on loans outstanding at the end of this month. The payment is expected to be about $12 million and a similar payment is expected in September of 2012.

By law, a separate assessment is required to pay for interest on federal loans used to fund the UI program. During the summer, businesses were charged a special interest assessment to pay for the interest payment and a similar assessment is expected next summer. The amount individual businesses are 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.

As of September 15, 2011, the state had $275.95 million in federal loans outstanding.

Table 13
Unemployment Insurance Trust Fund Forecast, September 2011
Revenues, Benefits Paid, and Fund Balance
(Dollars in Millions)

	Actual FY 09-10	Preliminary FY 10-11	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14	FY 10-11 to FY 13-14 CAAGR*
Beginning Balance	$339.9	($193.8)	($301.5)	$57.2	$254.6	
Plus Income Received						
UI Premium & Premium Surcharge /A	$233.9	$371.4	$653.2	$574.2	$690.8	23.0%
Solvency Surcharge	$257.8	$411.3	$379.5	$198.1	$176.1	
Interest	$5.4	$0.3	$0.0	$2.2	$14.7	
Plus Federal UI Modernization Payment	*$128.0*					
Total Revenues	**$625.1**	**$783.0**	**$1,032.7**	**$774.4**	**$881.6**	4.0%
% Change	48.3%	25.3%	31.9%	-25.0%	13.8%	
Less Benefits Paid	($1,063.3)	($760.8)	($674.0)	($577.0)	($540.1)	-10.8%
% Change	43.3%	-28.5%	-11.4%	-14.4%	-6.4%	
Net Federal Loans	*($173.8)*	*($128.6)*				
Accounting Adjustment	$78.3	($1.3)	$0.0	$0.0	$0.0	NA
Ending Balance	**($193.8)**	**($301.5)**	**$57.2**	**$254.6**	**$596.1**	
Solvency Ratio /B						
Fund Balance as a Percent of Total Annual Private Wages	-0.23%	-0.37%	0.07%	0.30%	0.68%	

Totals may not sum due to rounding.
NA = Not Applicable.
**CAAGR: Compound Average Annual Growth Rate.*
/A This includes the regular UI premium, 30 percent of the premium surcharge, penalty receipts, and the accrual adjustment on premiums.
/B When the solvency ratio exceeds 0.9 percent of total annual private wages, the solvency surcharge is triggered off.
**Note: The Unemployment Insurance Trust Fund is no longer subject to TABOR starting in FY 2009-10.*

NATIONAL ECONOMY

The recovery has slowed and the national economy could be at a turning point. Evidence appears to point to a slow expansion, which is what this forecast assumes, as indicated in Table 14 on page 42. However, the chances of a recession are rising. Many positive forces that have been primary drivers of the recovery continue to grow but have lost momentum in recent months. These include consumer spending, business investment, manufacturing activity, and government spending. While private sector employment continued to grow through the summer, the increases were significantly weaker than those seen earlier in the year. Meanwhile, the financial, real estate, and construction sectors — sectors of the economy integral to the causes of the 2008 recession — remain weak.

Households and businesses are becoming increasingly unsure about the economic landscape. In addition to a weak economy and downward revisions to economic growth, the European debt crisis and other global economic worries, the downgrade of U.S. debt, political debates about the federal debt ceiling, and financial market volatility have all contributed to this uncertainty.

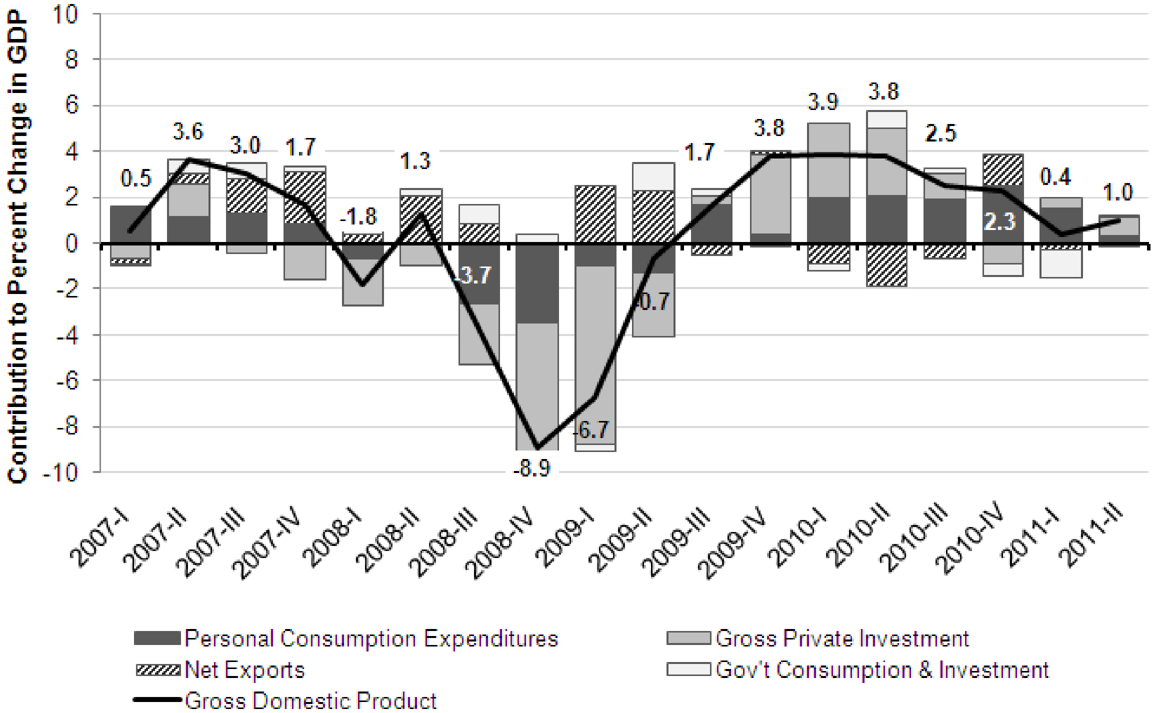
On the positive side, manufacturing activity, although losing momentum, continues to expand, and business inventories are in balance with sales. Consumers have not spent flagrantly over the past year, and therefore a pullback in consumer spending is not likely to be precipitous. In addition, Federal Reserve surveys show that banks are becoming more willing to lend. All of these things reduce the likelihood that the national economy will fall into recession. Whether it does so depends largely on the decisions of households and businesses in the face of economic uncertainty. If households and businesses continue their previously made plans despite their concerns, the national economy will likely continue to grow — albeit at a rate slow enough to feel like a recession.

Economic Output

According to recent estimates, real **Gross Domestic Product** (GDP) increased 1.0 percent at an annualized rate in the second quarter of 2011, as shown in Figure 2. Historical GDP estimates were revised downward to reflect a more pronounced recession and slower economic recovery than previous estimates indicated. Personal consumption expenditures, the largest portion of GDP, increased only slightly in the second quarter, indicating slower growth in households' consumption of goods and services. After stalling at the end of 2010, gross private investment led growth in GDP in the second quarter. Additionally, exports outpaced imports in the second quarter, boosting GDP. Meanwhile, cutbacks in government spending at the federal, state, and local levels continue to be a drag on growth.

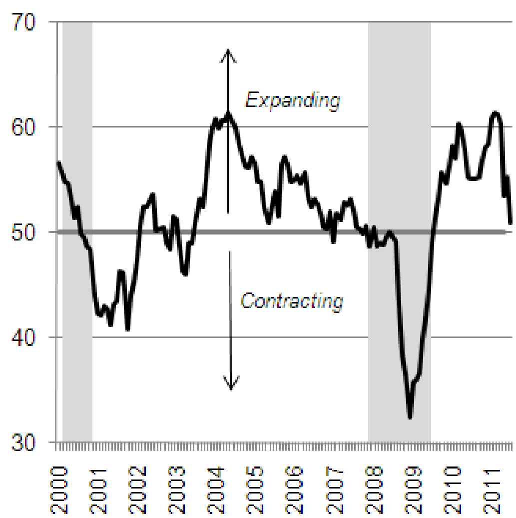
Manufacturing activity, although still growing, continued to lose momentum through the summer, as shown in Figures 3 and 4. The Institute for Supply Management's (ISM) index registered 50.9 in July, down 4.4 points compared to June's level. The July decline was the second significant one-month drop in the index in the last three months, and signals concern about the continued expansion of the manufacturing sector. A reading above 50 indicates that the manufacturing economy is generally expanding; below 50 generally

Figure 2
Contributions to Gross Domestic Product
Quarter-Over-Quarter Growth at Seasonally Adjusted Annual Rates



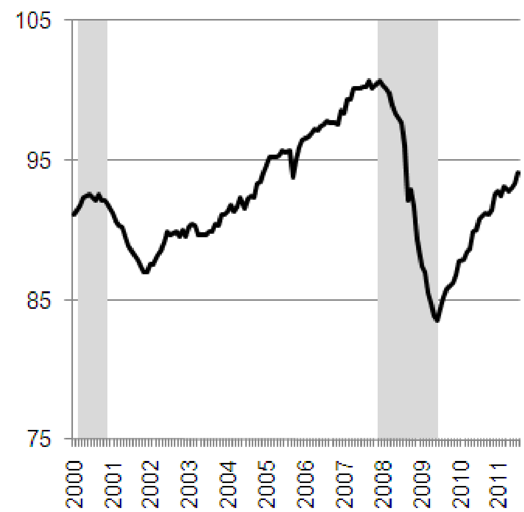
Source: Bureau of Economic Analysis.

Figure 3
ISM Manufacturing Index
Seasonally Adjusted



Source: Federal Reserve, data through July 2011.
Note: Grey bars include recessionary periods.

Figure 4
Industrial Production Index
Seasonally Adjusted



Source: Institute for Supply Management.

indicates contraction. The loss of momentum signaled by the ISM index is the latest evidence that the economy may not be able to continue to rely on growth in the sector that had been the fastest growing since the end of the recession in 2009.

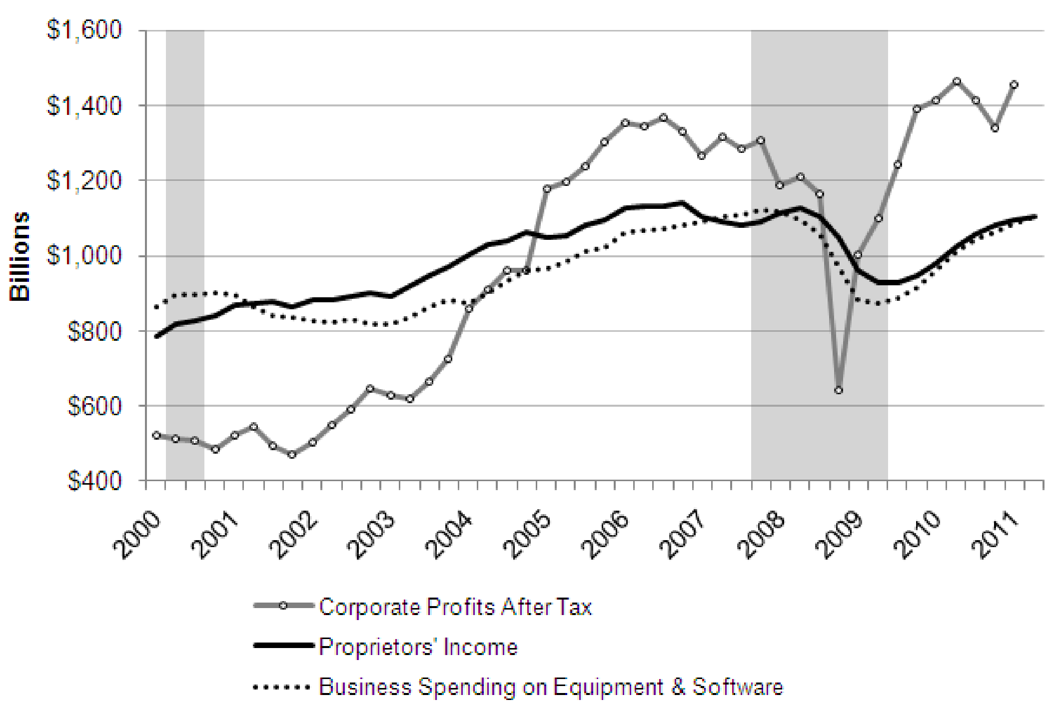
- The economic recovery is expected to further slow in the second half of 2011. After increasing 3.0 percent in 2010, real GDP is projected to grow 1.5 percent in 2011 and 2.2 percent in 2012.

Business Income and Spending

Business income and spending are important indicators of economic health. As shown in Figure 5, measures of business income and spending showed recovery through the first half of 2010. Since then, however, corporate profits have shown volatility with little upward momentum and growth in proprietor's income has slowed. 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 to small and medium-sized businesses.

Similarly, increases in business spending on equipment and software, which generally indicate that businesses are investing in capital in anticipation of future growth, have slowed somewhat. Figure 6 shows that growth in business inventories also slowed somewhat in June, consistent with moderating growth in consumer spending. Inventories, however, remained within the healthy range of between 120 percent and 130 percent of sales. This level is indicative of economic recovery and is not signaling recession.

Figure 5
Business Income and Spending Improves
Seasonally Adjusted



Source: Bureau of Economic Analysis.

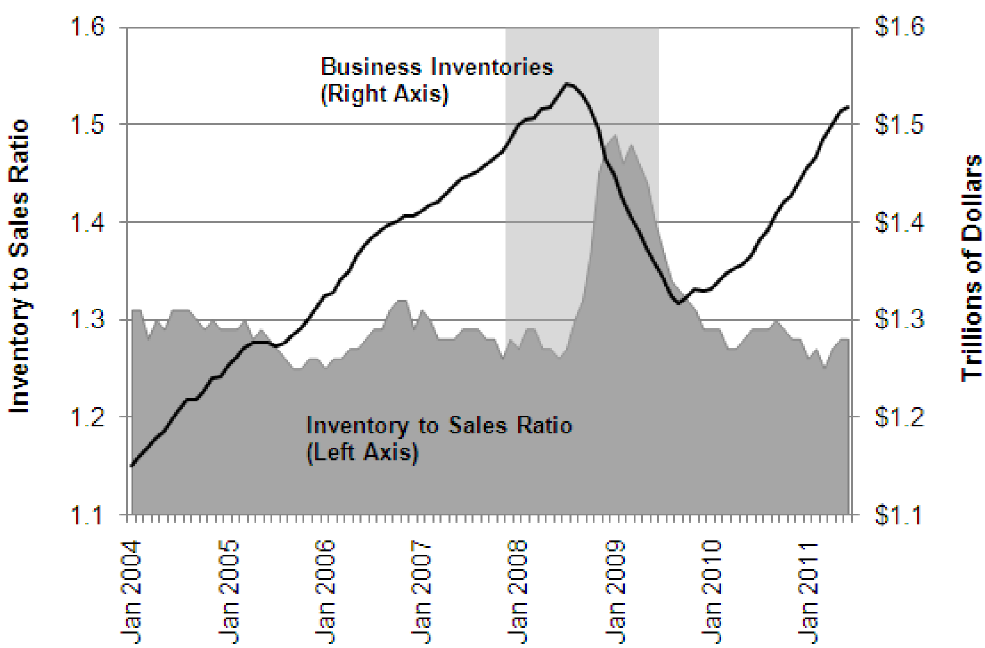
According to a July survey of small businesses by the National Small Business Association, the biggest challenges to the future growth and survival of small businesses are economic uncertainty (with 68 percent of those surveyed indicating this) and a decline in consumer spending (with 40 percent of those surveyed indicating this). About one-third of respondents indicated that the cost of health insurance, regulatory burdens, and the growing national debt posed challenges to their business. The percentage of survey respondents indicating that lack of available credit was a significant challenge for them was down from 26 percent in the survey conducted six months earlier to 22 percent.

Labor Market Loses Ground

The improvement in the nation's **labor market** has also slowed. As shown in Figure 7, total nonfarm employment has been increasing since early 2010, adding nearly 1.9 million jobs of the 8.7 million lost during the recession. The pace of job gains slowed over the summer, however, with a net change of zero jobs in August, when a gain of 17,000 jobs by the private sector was offset by a loss of 17,000 jobs in the public sector. Even when 45,000 jobs that weren't counted in August because of a strike at the telecommunication company Verizon are included, it is clear that job growth slowed substantially over the course of the summer.

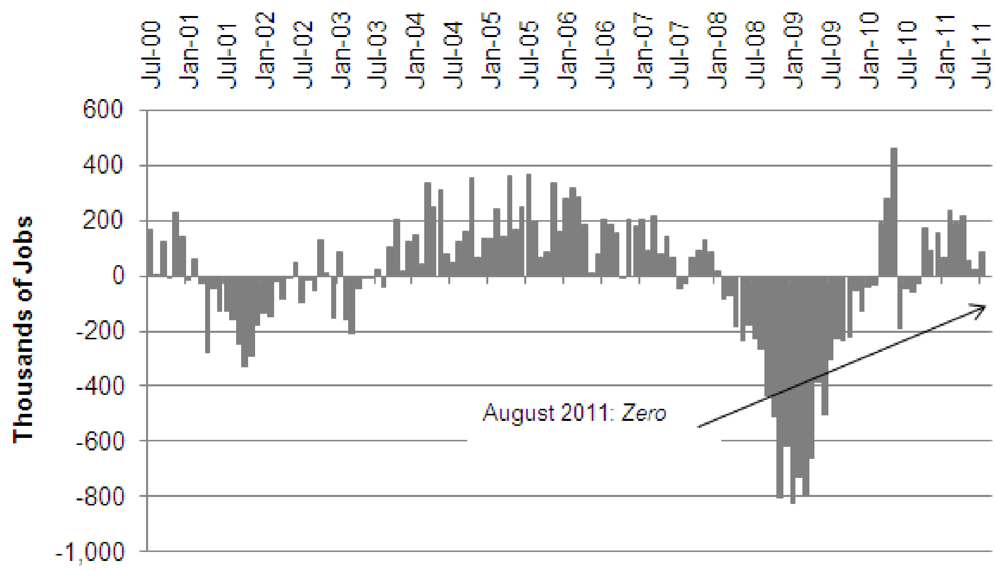
The labor market is expected to continue to show tepid growth through the remainder of 2011. Businesses and households have become more risk averse over the course of the summer, limiting their willingness to take on new ventures and make large purchases. For many, a mounting fiscal crisis faced by governments and banks in Europe, debates here in the United States about the national debt, volatility in the financial

Figure 6
Business Inventories in Line with Sales



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

Figure 7
Employment Gains Are Losing Momentum
Monthly Changes in Total Nonfarm Employment
Seasonally Adjusted



Source: Bureau of Labor Statistics.

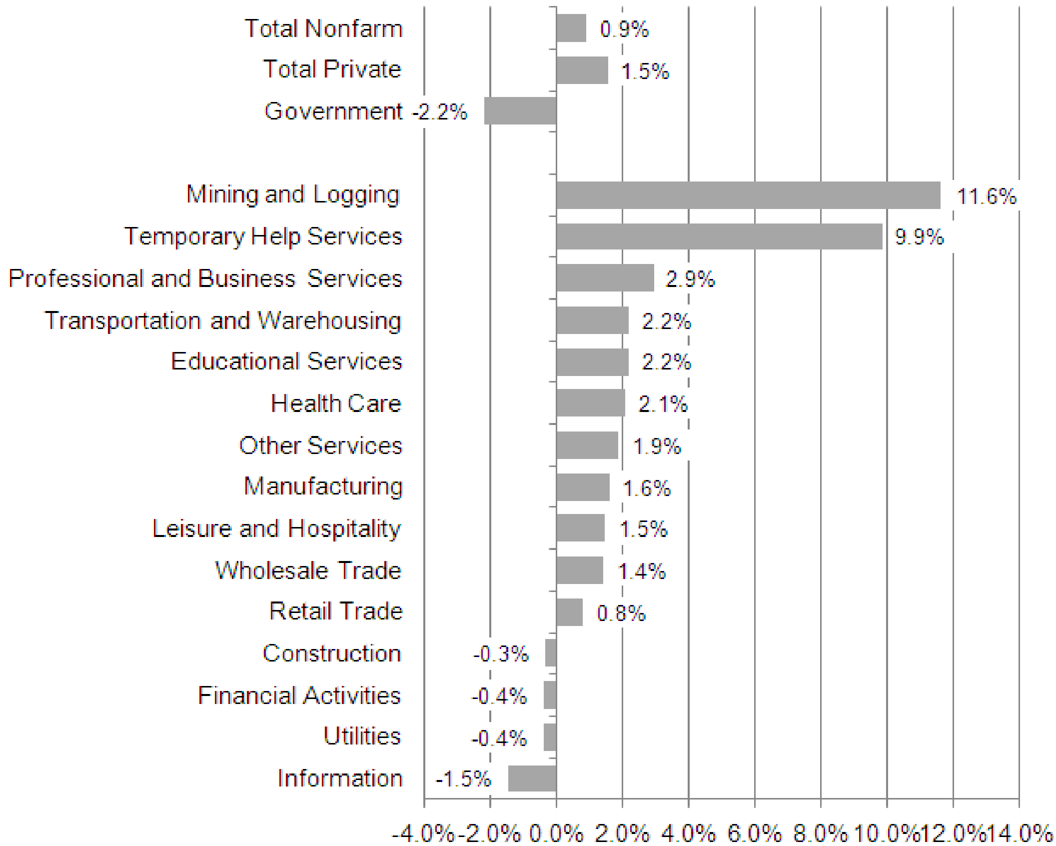
markets, and expectations for imminent, but as of yet, unknown changes to the tax, regulatory, and government service structure are only serving another large helping of risk to an already uncertain economic landscape. While availability of credit remains tight for small and medium-sized businesses, loan officers are reporting reduced demand for business loans.

Despite the slowing momentum in the labor market, employment remained 0.9 percent higher on average through the first eight months of 2011 compared with the same time period in 2010. Private sector employment increased 1.5 percent over this time period. As shown in Figure 8, most industries have added workers in 2011. The strongest job gains were in mining and logging, where employment rose over 11.7 percent. Mining employment was pushed up by increasing oil prices that spurred drilling activity. Manufacturing, the professional and business sector, education, transportation and warehousing, and health care all saw moderate but steady employment gains.

There continue to be job reductions in the financial activities, utilities, information, construction, and government 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 toward electronic media. Job growth will not earnestly resume in the financial activities and construction industries until the imbalances in those industries have been resolved. The government sector has shed more than half a million jobs since May 2010.

While the national **unemployment rate** remains high by historical standards, the trend over the last eighteen months is positive. Since peaking at 10.1 percent in October, 2009, the unemployment rate has trended

Figure 8
U.S. Employment Gains/Losses by Industry, Broad-Based Industries Show Gains
January through August, 2011 compared with January through August, 2010
Seasonally Adjusted



Source: Bureau of Labor Statistics.

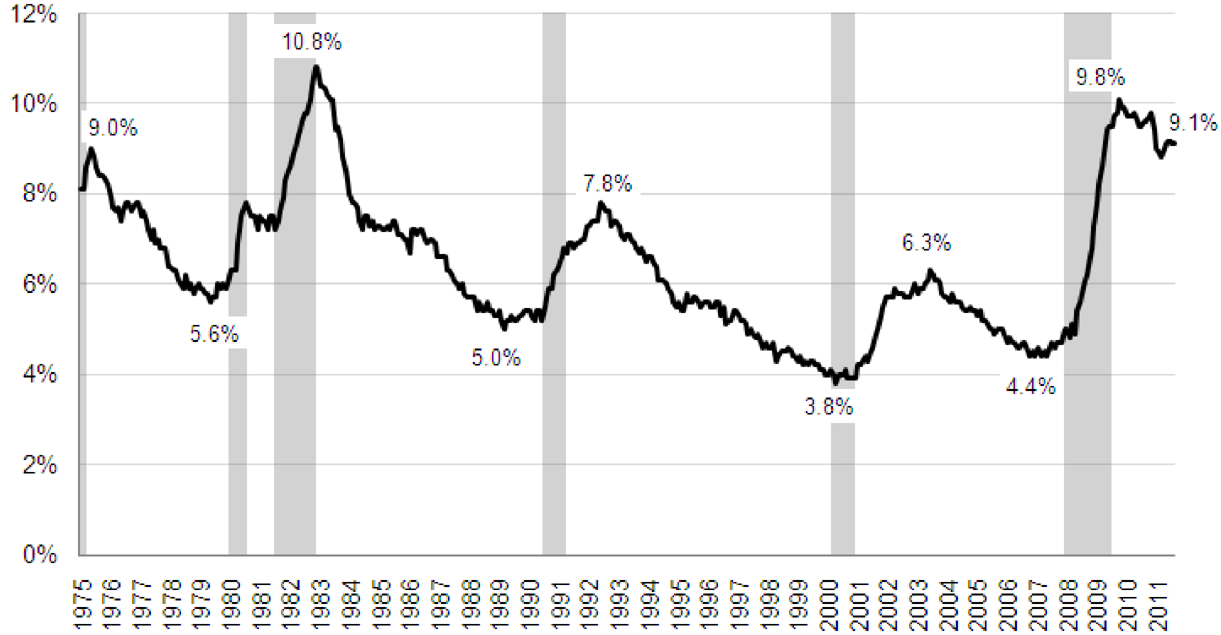
downward slowly but steadily. Figure 9 shows the national unemployment rate since 1975, with the grey areas indicating recessionary periods.

However, the **duration of** those **unemployed** has been growing since the start of the recession. As Figure 10 shows, the number of those unemployed for more that 26 weeks (the maximum duration of most regular state unemployment benefits) has grown 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 at the end of 2007 to nearly 40 weeks in the second quarter of 2011.

This trend is expected to continue. Job growth will not be strong enough to counteract increases in the labor force. In addition, there remains an army of people who are working part-time for economic reasons, meaning that they cannot find full time employment. This group of people are included in what is known as the labor underutilization rate, which rose to 16.2 percent in August. Employers will likely turn to this group first when they choose to fill new full-time positions.

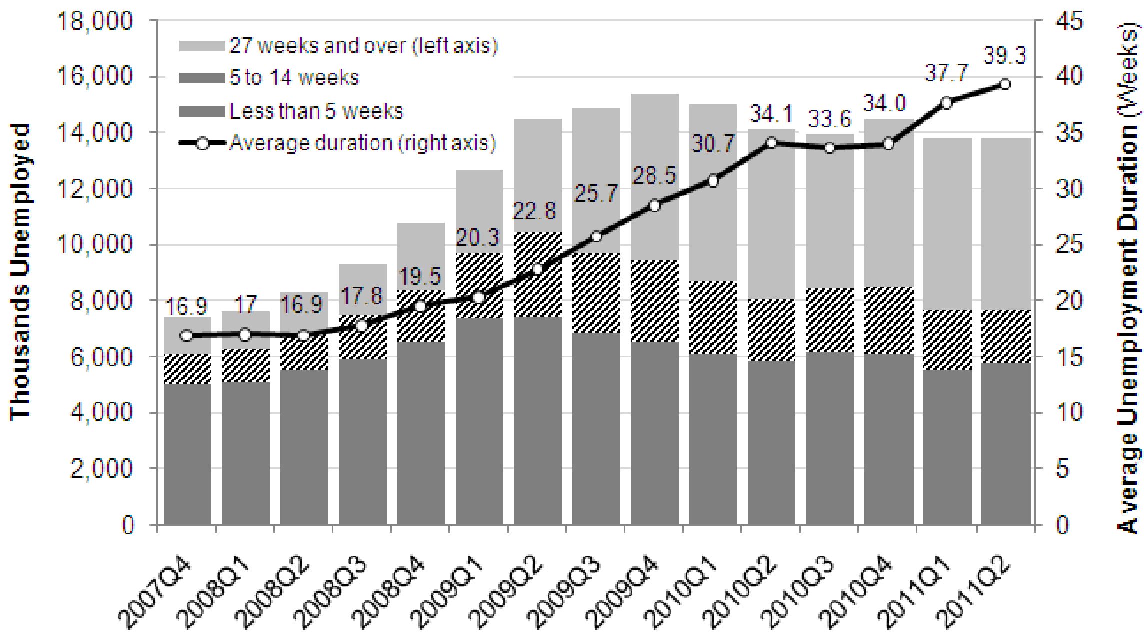
- Improvement in the labor market has slowed and job growth will remain sluggish throughout the rest of 2011.

Figure 9
Unemployment Rate Remains Steady
Seasonally Adjusted



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

Figure 10
Fewer Unemployment, But Unemployed For Longer
Seasonally Adjusted



Source: Bureau of Labor Statistics.

Employment is expected to increase by 1.1 million jobs in 2011, or 0.9 percent. The unemployment rate will remain high, averaging 9.1 percent in 2011.

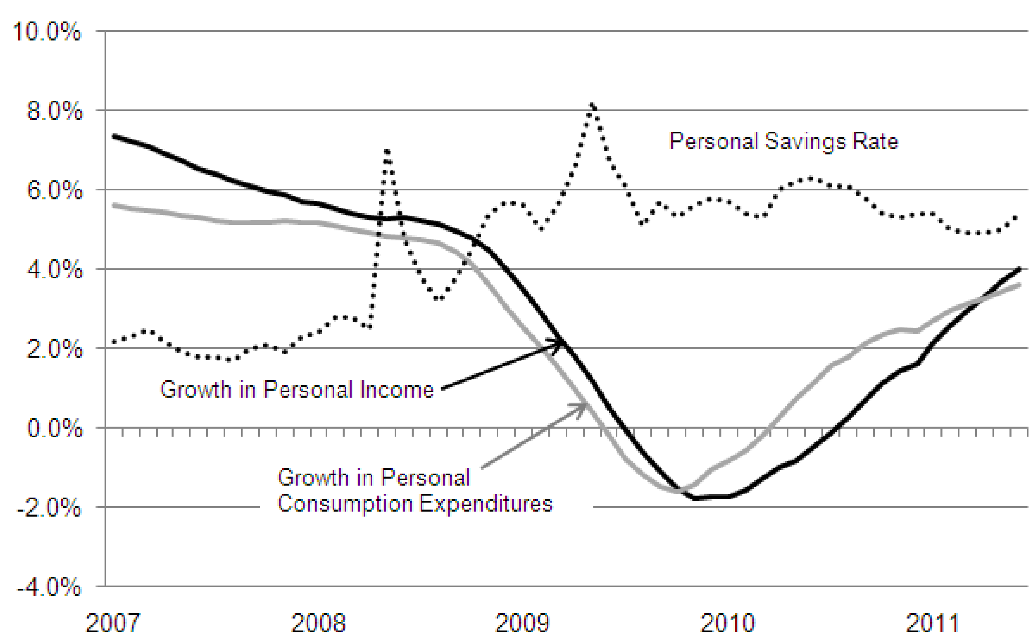
Households and Consumers

As shown in Figure 11, personal income and personal consumption continued to grow but slowed through the summer. Personal income was 5.3 percent higher and personal consumption was 5.1 percent higher in July than a year earlier. However, the largest component of personal income, wages and salaries, is up only 3.9 percent over the same time period. Similarly, transfer payments to individuals grew 4.1 percent. In contrast, income to farms and businesses and interest and dividend income have grown faster at rates of 6.0 percent and 5.2 percent, respectively. During this period, personal savings continued its downward trend, and the July savings rate is 5.0 percent compared with 5.7 percent a year earlier.

- After increasing 3.7 percent in 2010, personal income is expected to increase 4.6 percent in 2011. Wages and salaries increased 2.2 percent in 2010, but are expected to increase 3.7 percent in 2011.

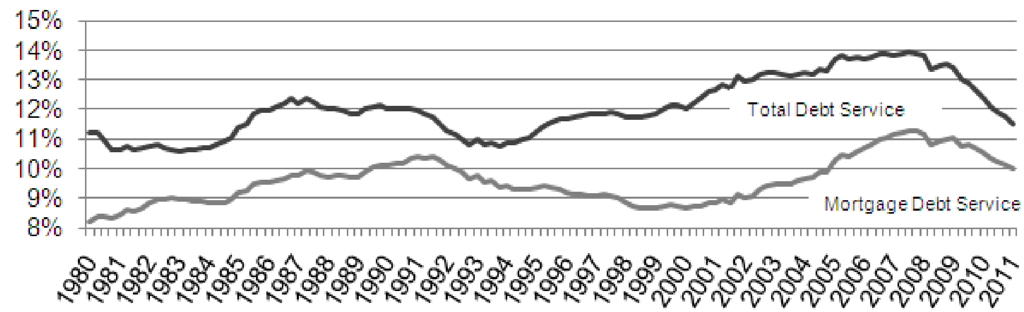
Consumer spending also lost momentum through the summer. Food and energy prices rose significantly through the first half of 2011, and although energy prices have since fallen back somewhat, consumers are still likely spending an increasing share of their income on gasoline and food and less on other retail goods. Spending on nonessential goods is expected to remain weak for some time given continued high unemployment levels. Consumers are also choosing to pull back on spending in order to pay off debt, as shown in Figure 12. In addition, consumer

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



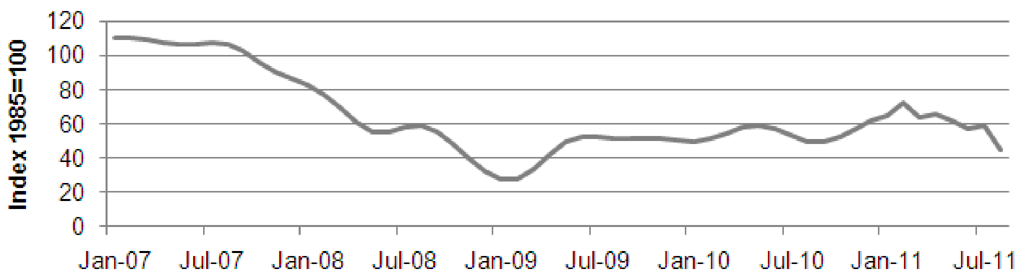
Source: Bureau of Economic Analysis. Personal consumption expenditures includes spending on services.

Figure 12
Households Continue to Pay off Debt
Debt Service Obligations As A Percent of Disposable Personal Income



Source: Federal Reserve Board. Data through 2011 quarter one.

Figure 13
Consumer Confidence Falters
Conference Board Consumer Confidence Index



Source: Conference Board. Data through August 2011.

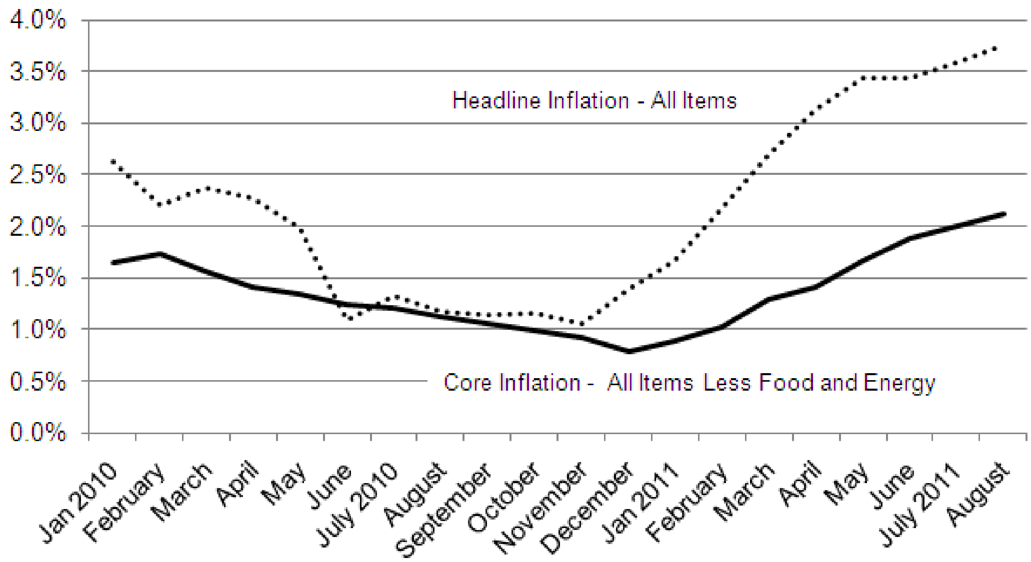
confidence has been dropping for most of 2011, as shown in Figure 13. Consumers have been spooked by the European debt crisis, political debates in Washington D.C., and recent news that the recession was deeper and the recovery weaker than previously thought.

Inflation Pressures In Check For the Short-Term

Weakening U.S. and global economic growth will keep inflation in check, although energy and food prices continue to exert upward pressure. The consumer price index was 3.8 percent higher in August than a year prior in August 2010, while the index excluding energy and food prices was 2.1 percent higher. Year-to-date through August, headline inflation averaged 3.0 percent higher than the same time period in 2010. In contrast, core inflation rose only 1.4 percent over a similar period.

The weak economic environment is placing downward pressure on energy prices, which may reduce the gap between these two inflationary measures in the coming months. Oil prices have retreated from a high in May of over $110 per barrel to the mid-$80 per barrel range at the end of August. Similarly, natural gas prices, which had risen to nearly $5 per thousand cubic feet (Mcf) in mid-June, have fallen below the $4 per Mcf range. Figure 14

Figure 14
U.S. Consumer Price Index
Headline (All Items) and Core (All Items Less Food and Energy) Inflation Rates



Source: U.S. Bureau of Labor Statistics. Data through August 2011.

depicts monthly changes in both the headline and core inflation rates from January 2010 through August 2011.

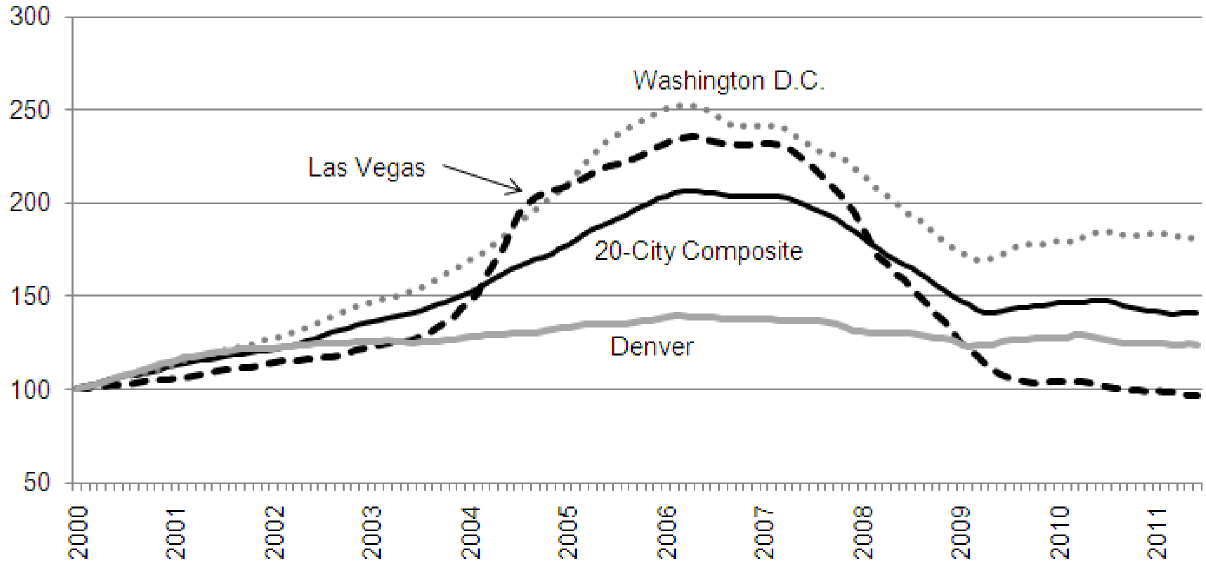
- The consumer price index increased 1.6 percent in 2010. Headline inflation is expected to be pushed up by high food and energy prices in 2011, rising 3.1 percent. The increase in core inflation will remain more modest because weak demand and slow wage growth will limit the ability of producers and retailers to pass on high energy costs to final prices.

The Nation's Housing Market is Struggling to Recover

The national housing market continues to endure significant challenges in its effort to rebound. Existing home sales are at record lows, and home vacancies and foreclosures continue to place downward pressure on prices. The softness in the housing market is driven by the relatively high level of uncertainty about the national economy. Low employment levels and flat wages and salaries are making it difficult for consumers to afford homes. In addition, a significant number of homes remain underwater - home values are below the amount owed on mortgages. Finally, the residential credit market remains relatively tight. All of these factors are contributing to the slow recovery of the housing market.

On a year-over-year basis, U.S. home prices fell 4.0 percent in the first six months of 2011, relative to a similar period in 2010. Since the peak of the housing market in April 2006, home prices have declined 31.8 percent. Figure 15 depicts Case-Shiller home price indices for Washington D.C., Denver, Las Vegas Nevada, and the 20-city composite market. The Washington D.C. housing market remained the strongest in the nation, and was the only market to see an annual increase in home prices. The Las Vegas market, where a full 64 percent of mortgages are underwater, continues to struggle.

Figure 15
Case-Shiller Home Price Index Resumes Decline
Seasonally Adjusted



Source: Standards & Poors. Data through June 2011.

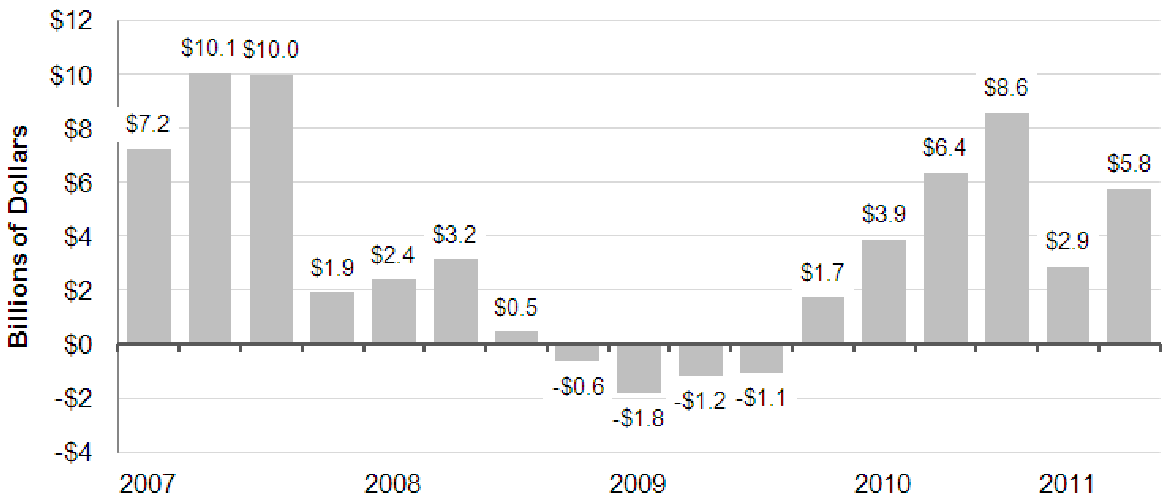
The nation's mortgage market is on the mend as the percentage of loans in **foreclosure** is decreasing. Data from the Mortgage Bankers Association shows that foreclosure filings are at the lowest level since the end of 2008 and are seeing the second largest decline on record. In addition, short-term delinquencies are at pre-recession levels. It is noteworthy that delinquencies among loans originated between 2005 and 2007 (loans that drove the mortgage market collapse) have improved. Given that loans originated since then generally have better credit quality, mortgage delinquencies should continue to decline.

National statistics can be misleading, however, as local real estate conditions may vary significantly. For example, 14.4 percent of all mortgage loans in Florida are currently in foreclosure. In Nevada and Arizona, 9 and 7 percent of mortgage loans are in foreclosure, respectively. As the hardest-hit areas in the nation improve, housing prices may recover as the dampening effect of foreclosure sales declines.

Nationally, the **pending home sales index**, a measure of homes under contract, was up 2.4 percent in June from the previous month, and up 19.8 percent from the June 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. This low point immediately followed the expiration of the home buyer tax credit.

The National Association of Realtors **homebuilders sentiment index** remained at the low level of 15 in July and August. 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. Continued foreclosure sales and tighter lending trends were to blame for the pessimistic outlook. Overall, demand for new housing continues to be weak and will likely remain sluggish through the forecast period.

Figure 16
Net Income Rebounds at FDIC-Insured Institutions



Source: Federal Deposit Insurance Corporation. Data through 2011 quarter two.

- The housing market will remain sluggish through the remainder of 2011 and the rest of the forecast period. Assuming that foreclosures continue to decline, and consumers gain more confidence in the housing markets, home prices will stabilize.

Banks Work Through Debt

Banking and credit conditions remain a drag on the economy as banks continue to work through problem loans. As shown in Figure 16, 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 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 for commercial real estate, industrial, and consumer loans through the second quarter of 2011. The survey indicated that commercial lending standards eased more for middle-market to larger firms than for smaller firms. Consumer lending standards eased only slightly after a significant easing in consumer lending standards during the first quarter of the year. Meanwhile, demand for residential loans decreased and residential lending standards continued to remain tight. Most survey respondents expected residential lending standards to remain relatively unchanged through the end of the year.

Summary

Through the second quarter of 2011, several economic indicators suggest that the nation's economic recovery has slowed. Although evidence continues to point to a slow expansion, the chances of a recession are rising. Growth in output, though slightly up from the first quarter, continues to be anemic. July also saw a second slowdown in the growth of manufacturing activity. Concerns about the downgrade of the U.S. debt, weakness in labor and housing markets, and financial market volatility heighten uncertainty and dampen consumer confidence.

The growth in corporate profits has not translated into significant job growth, and the slow pace of the recovery has been particularly difficult for the nation's unemployed. The national unemployment rate remains high, and the average duration of unemployment continues to climb. Consumer and business confidence will have to strengthen significantly before the economy starts posting strong job growth.

Heightened consumer uncertainty is exacerbating the softness in the national housing market. Nationwide home prices continue to fall, as most housing markets are experiencing a significant inventory of unsold homes and a high, albeit declining number of mortgages in foreclosure. While credit conditions are improving, residential lending standards remain relatively tight, and demand for new housing remains soft. The weakness in the real estate market will continue to dampen economic growth through the forecast period.

The combination of financial volatility, high debt levels, weak labor and housing markets and fragile consumer confidence implies increased uncertainty for the economy and only a modest degree of economic growth for the remainder of 2011.

Risks to the Forecast

Risks to the national outlook for economic activity are substantial, and appear to be weighted to the downside. Concerns about the continued volatility in the domestic financial markets could weigh down confidence, investment, and hiring, and further slow the recovery. In addition, the continued weakness in the housing market could push home prices significantly lower if lenders and homeowners become reluctant to invest.

The economy has also sustained several recent shocks from both natural and international sources, the impact of which may not yet be fully realized. For example, damage to the domestic infrastructure from Hurricane Irene may disrupt economic activity more severely and for a longer period of time than initially thought. The agricultural losses resulting from this summer's drought in the southern U.S. may serve to further drive up food prices and dampen consumer confidence.

Meanwhile, global economic worries are dampening investor, consumer, and business confidence. This will, at the very least, slow growth in the United States. If European banks suffer a credit crisis this will also affect the U.S. banking industry. The extent to which this will affect the U.S. economy remains unclear. Economic growth is slowing in China and other emerging economies, reducing demand for U.S. goods. In addition, while core inflation remains low, energy prices remain highly volatile. As recently as late July, oil prices were at $100 per barrel. While energy prices dropped rapidly in early August, international events and political disruptions, such as in Libya, may continue to place upward pressure on prices. Any upward trends will increase inflationary pressures and further slow the recovery.

Table 14
National Economic Indicators, September 2011 Forecast
(Dollars in Billions)

	2007	2008	2009	2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014
Inflation-adjusted GDP	$13,206.4	$13,161.9	$12,703.1	$ 13,088.0	$13,284.3	$13,576.6	$14,065.3	$14,684.2
percent change	1.9%	-0.3%	-3.5%	3.0%	1.5%	2.2%	3.6%	4.4%
Nonagricultural Employment (millions)	137.6	136.8	130.8	129.8	131.0	132.0	133.5	135.9
percent change	1.1%	-0.6%	-4.4%	-0.8%	0.9%	0.8%	1.1%	1.8%
Unemployment Rate	4.6%	5.8%	9.3%	9.6%	9.1%	9.0%	7.8%	7.2%
Personal Income	$11,912.3	$12,460.2	$11,930.2	$12,373.5	$12,942.7	$13,486.3	$14,093.2	$14,811.9
percent change	5.7%	4.6%	-4.3%	3.7%	4.6%	4.2%	4.5%	5.1%
Wage and Salary Income	$6,421.7	$6,550.9	$6,270.3	$6,408.2	$6,645.3	$6,924.4	$7,284.5	$7,707.0
percent change	5.8%	2.0%	-4.3%	2.2%	3.7%	4.2%	5.2%	5.8%
Inflation (Consumer Price Index)	2.8%	3.8%	-0.4%	1.6%	3.1%	2.1%	2.7%	2.9%

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

COLORADO ECONOMY

The recovery of Colorado's economy has slowed along with the national economy. Consumer spending lost momentum through the summer and the state's employment growth stalled in August. Construction activity has begun to awaken in small pockets of the state, but overall the state's housing and nonresidential real estate markets continue to struggle. Depending on the decisions of businesses and households in the face of economic uncertainty, Colorado's economy will either continue its slow recovery or follow the nation into recession over the next few months. As shown in Table 15 on page 56, this forecast anticipates continued but very slow growth in the Colorado economy.

The Denver metro economy will perform similar to the national economy. The metro area has a high concentration of industries that are still struggling as a result of the recession, such as construction, financial activities, and telecommunications. In addition, the metro area will likely experience a drag on growth as the federal government, state government, and local governments pull back on spending.

Pockets of the state have enjoyed a stronger economic recovery. Increasing agriculture prices have driven growth in ranch and farm income, boosting consumer spending and economic health on the eastern plains, the San Luis Valley, and in the northern region of the state. In addition, the oil industry is booming in northern Colorado as a result of increases in the price of oil and new drilling technologies. The Boulder area is enjoying growth in software publishing and related industries.

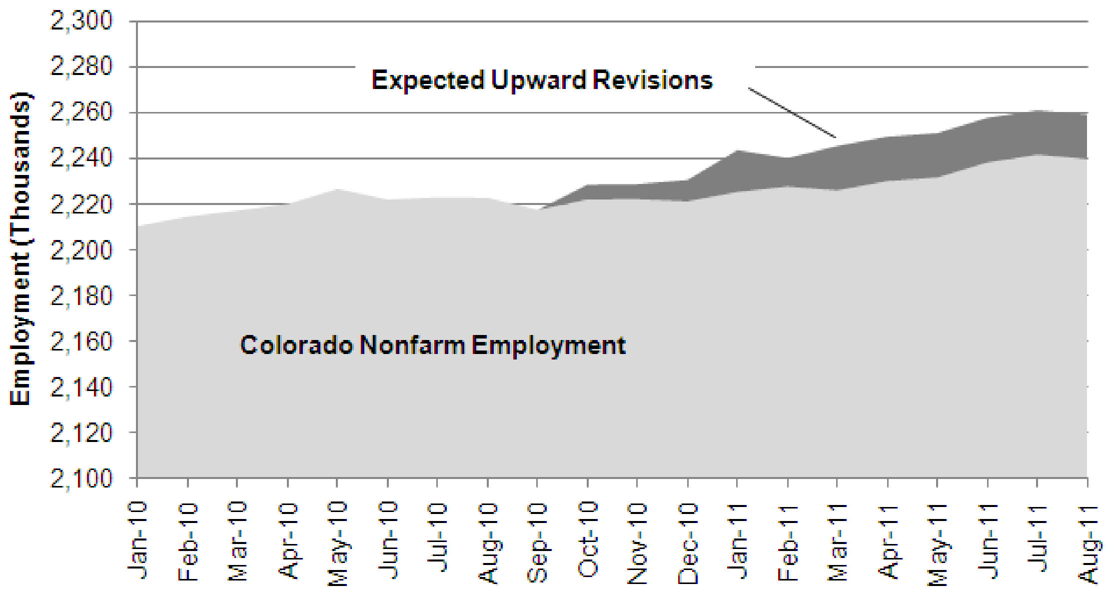
The economy on the western slope of Colorado, however, is in recession. Natural gas prices have remained low, and energy companies have pulled back on the number of rigs operating in the area. Employment on the western slope is decreasing and consumer spending is flat. Meanwhile, economic growth in the Pueblo region remains slow and the Colorado Springs economy will experience a drag in 2011 as a result of lower spending on defense from the federal government.

Labor Market

As shown in Figure 17, Colorado's labor market has shown significant improvement since employment hit a trough in January 2010. Corporate profits and consumer sentiment started trending upward in early 2009 and continued to show growth consistent with an economic recovery through the spring of 2011. Business and consumer sentiment fell through the summer, however, and Colorado lost 1,800 jobs in August. Whether Colorado's employment begins to pick up once again, stalls, or continues to lose ground will depend on the health of the national economy.

Data currently published by the U.S. Bureau of Labor Statistics show that Colorado gained 29,600 jobs during the twenty month period between January 2010 and August. Each spring the U.S. Bureau of Labor Statistics revises its employment data to reflect new information gleaned 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.

Figure 17
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.

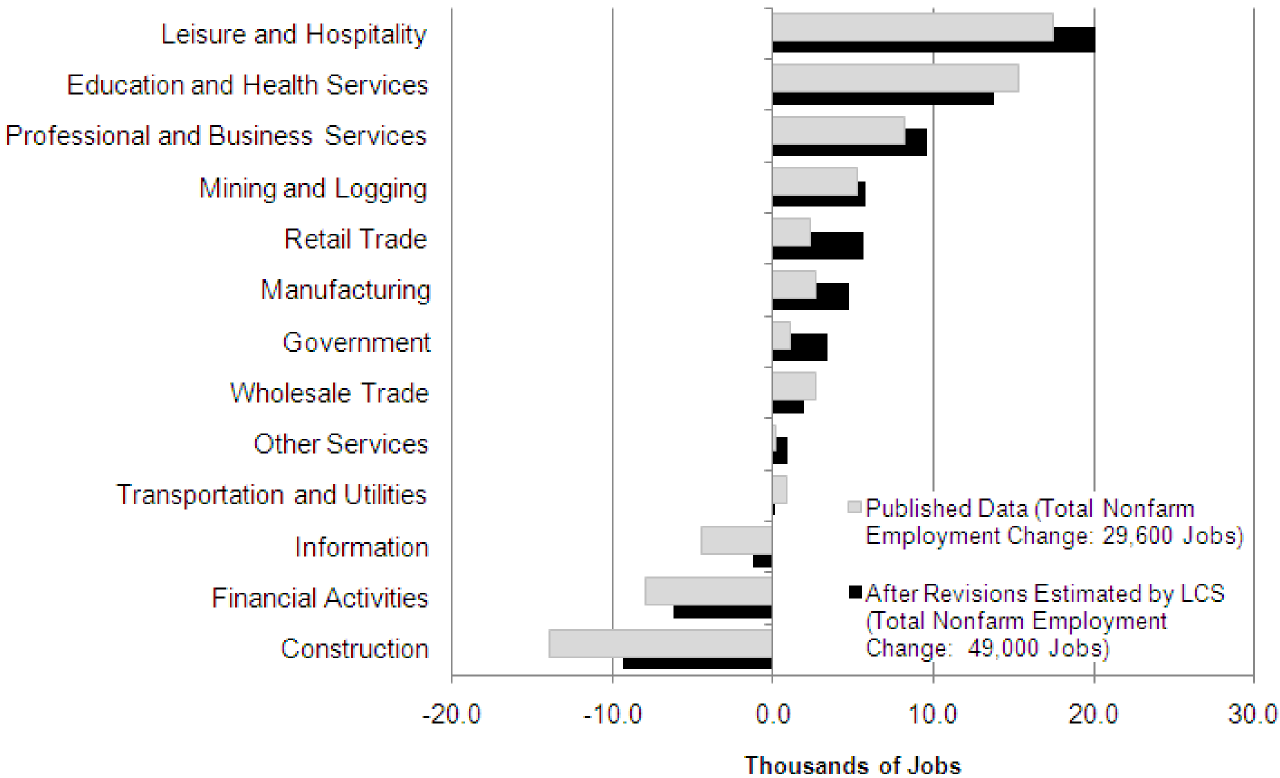
Since that revision was released, unemployment insurance data for the fourth quarter of 2010 and the first quarter of 2011 have become public. A Legislative Council Staff analysis of these data anticipates that growth in Colorado employment during this six month period will also be revised upward, as shown in Figure 28. Once these expectations for revisions are incorporated, employment statistics should show an estimated 19,400 additional jobs by August, for a revised total increase in employment of 49,000 jobs between January 2010 and August 2011.

As shown in Figure 18, Colorado's employment gains have occurred in broad-based industries, meaning that most sectors of the economy experienced growth. The information, financial activities, and construction industries had fewer people employed in August than when Colorado's overall employment level hit its trough in January 2010. The financial activities and construction industries are still working out the imbalances that led to the recession. Legislative Council Staff estimated revisions to the data show improvements in most industries.

Unemployment statistics had also been signaling improvement in the labor market until very recently. After peaking at 9.3 percent in February, the unemployment rate declined to 8.5 percent in July and August. Given the slowing trend in the economy and anemic job growth, the unemployment rate is expected to remain high through 2012.

Figures 19 and 20 show 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

Figure 18
Broad-Based Industries Are Gaining
Change in the Number of Colorado Jobs by Industry From January 2010 to April 2011
Seasonally Adjusted



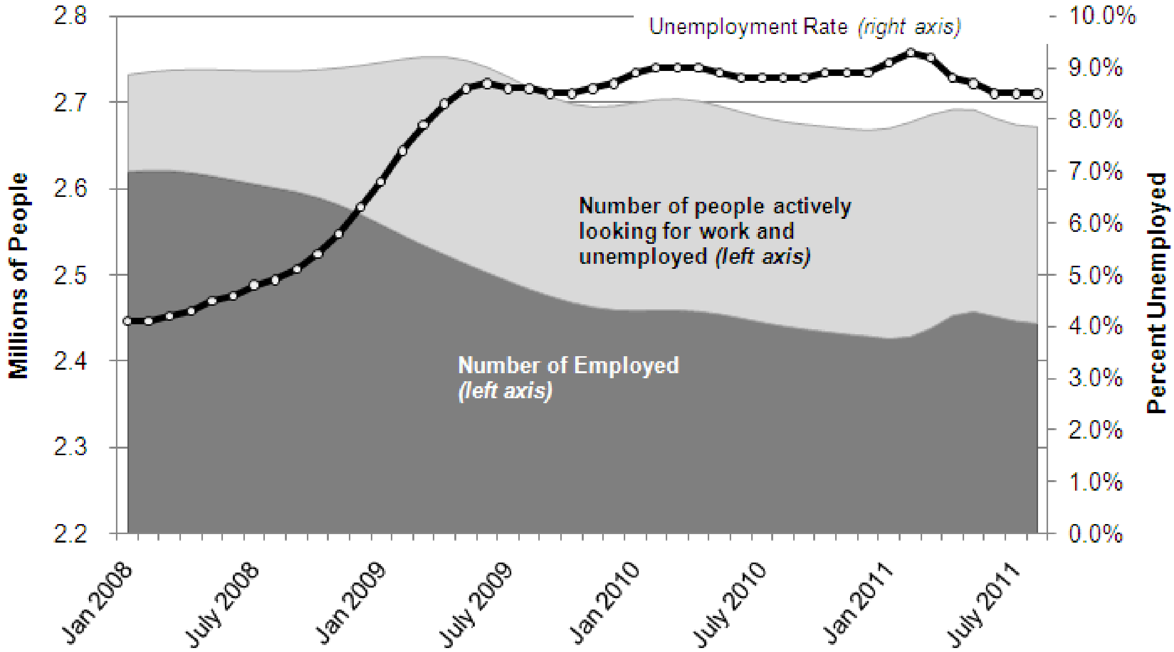
Source: Published data are from the U.S. Bureau of Labor Statistics, CES. Revisions are estimated by Legislative Council staff based on U.S. Bureau of Labor Statistics, QCEW data.

improvement in the labor market. Colorado's underutilization rate showed a similar pattern as the nation. Through the second quarter of 2011, Colorado's underutilization rate is 15.7 percent. Although this is slightly higher than the rate reported for the fourth quarter of 2010, it is important to note that data reported for Colorado are an average of activity during the previous twelve months and will therefore fall at rates slower than the national rate or current economic conditions would suggest.

- Hiring will remain relatively slow as the economy works through the recent uncertainty in the national and global economies. Nonfarm employment is expected to increase 1.3 percent in 2011 and 1.2 percent in 2012. The forecast for employment growth in 2011 incorporates upward revisions to published employment data as estimated by Legislative Council Staff.

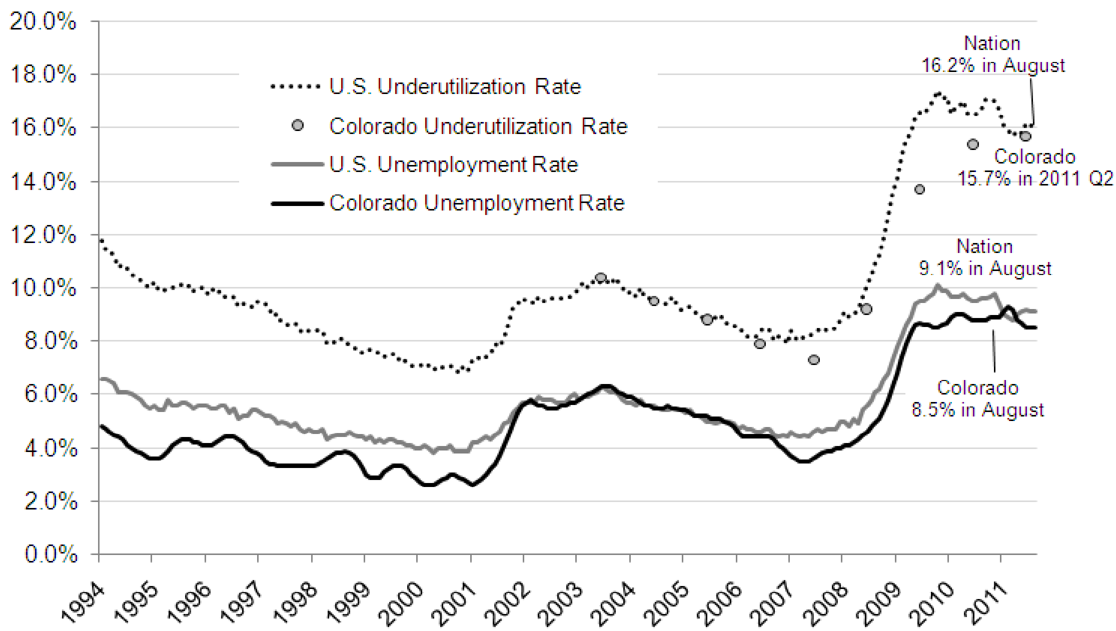
- The unemployment rate will remain high in 2011, averaging 8.7 percent, before decreasing to 8.3 percent in 2012. As the labor market slowly begins to heal the rate will fall to 7.1 percent by 2014.

Figure 19
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 20
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

Personal income increased 5.2 percent in the first quarter of 2011 after increasing 2.5 percent in 2010, as shown in Figure 21. Growth was driven by increases in proprietors' income and government transfer payments. Government transfer payments grew 6.3 percent in the first quarter of 2011, and proprietors' income increased 7.0 percent, primarily due to growth in farm incomes.

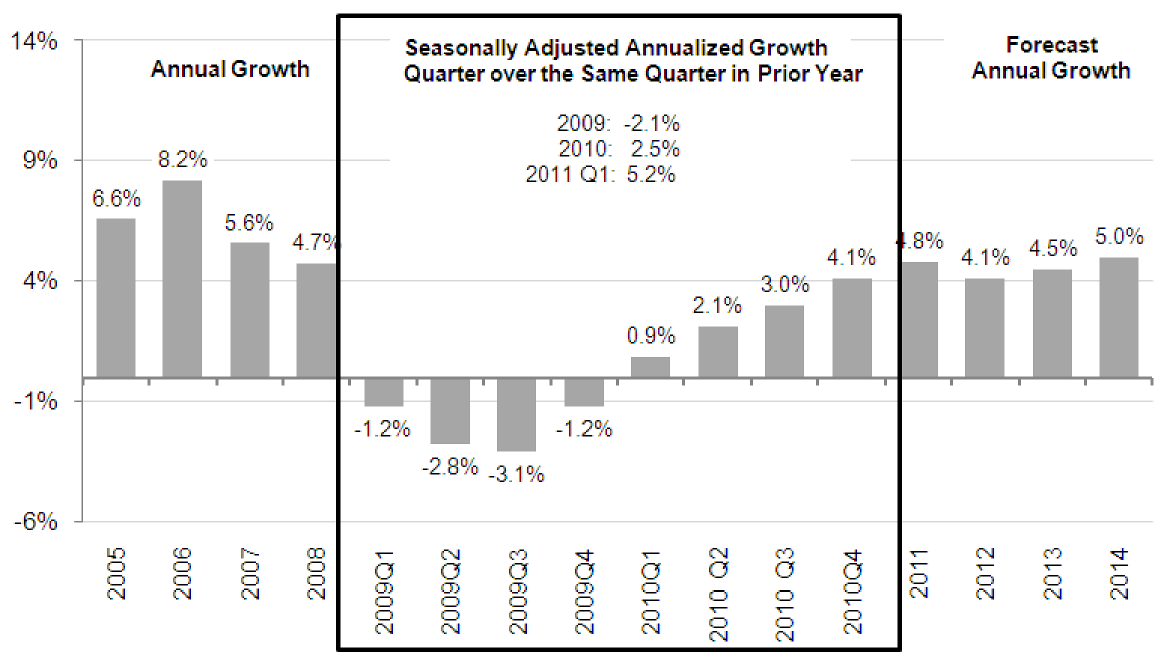
Over half of personal income comes from **wages and salaries**, which increased 4.0 percent in the first quarter of 2011 after increasing only 1.0 percent in 2010. Wages and salaries will increase only modestly over the next several years. Although businesses may begin to restore some pay cuts for existing employees, the ongoing high level of unemployment means 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.

- Personal income will grow 4.8 percent in 2011. Wages and salaries are expected to rise 3.9 percent in 2011 after growing 1.0 percent in 2010. Income growth will slowly strengthen but remain subdued over the course of the forecast period. Personal income growth will remain lower than 5 percent through 2013.

Consumer Spending

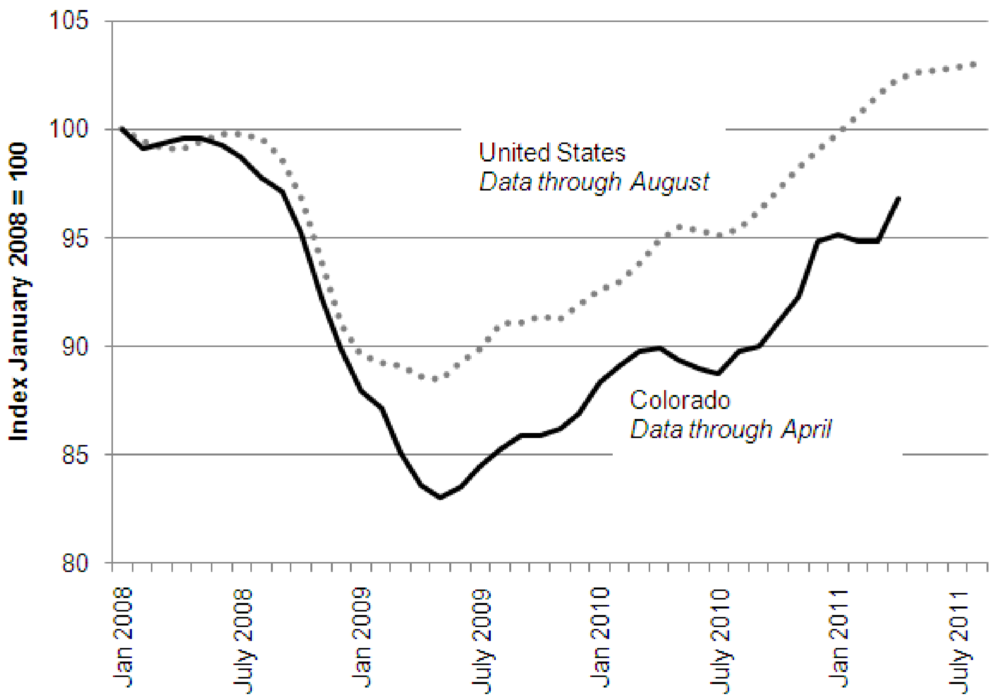
After picking up steam in the last quarter of 2010, consumer spending slowed during the first half of 2011 as consumers sought to pay off debt, grappled with continued high unemployment, rising food and gasoline prices, and slow wage growth. As shown in Figure 22, retail sales in Colorado fell faster than in the nation in 2009, before accelerating at rates faster than in the nation in the second half of 2010. After decreasing 11.3 percent in 2009, retail trade grew at a brisk 6.6 percent rate in 2010 as consumers recovered from the fright of the financial crisis.

Figure 21
Continued Modest Growth in Colorado Personal Income Expected



Source: U.S. Bureau of Economic Analysis (history) and Legislative Council Staff (forecast).

Figure 22
U.S. and Colorado Retail Trade Sales
Index 100 = January 2008
Three-Month Moving Average, Seasonally Adjusted Data



Source: Colorado Department of Revenue and U.S. Census Bureau.

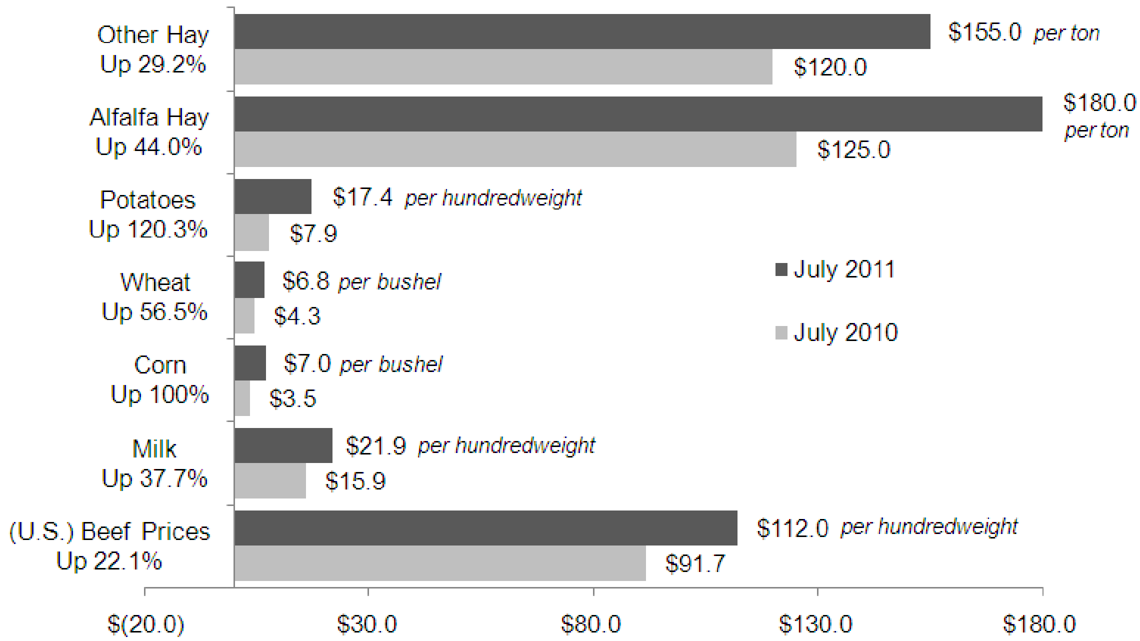
The Federal Reserve Bank reported that **consumer credit** increased at an annual rate of 4.3 percent in the second quarter of 2011, increasing to $2.43 trillion from $2.40 trillion in the prior quarter. Total consumer credit advanced 7.7 percent. The increase in nonrevolving credit advanced 7.6 percent while revolving credit, or credit card use, increased 7.9 percent.

- Consumers continue to struggle with high debt and economic uncertainty. Growth in retail trade is expected to slow over the rest of the year and remain subdued through 2012. Retail sales will increase 5.2 percent in 2011 and 4.5 percent in 2012.

Agriculture is Booming

After increasing 20.2 percent in 2010, Colorado farm income was 73.3 percent higher in the first quarter of 2011 than the first quarter of 2010. As shown in Figure 23, the agricultural industry in Colorado (and the nation) is seeing robust price increases for livestock and crops. This has provided a boost to rural economies nationwide. As can be seen in the regional economic summaries of this forecast document, consumer spending has been increasing at robust rates in the rural regions of the state. The boost from Colorado's agriculture industry is not reflected in Colorado's employment statistics because farm employment is very difficult to count and is therefore not included as part of the official published employment statistics.

Figure 23
Agricultural Prices Advance
July Colorado Agricultural Prices, 2010 and 2011



Source: National Agricultural Statistics Service. A hundred weight is 100 lbs.

Colorado's top five agricultural products are cattle and calves, dairy products, corn for grain, greenhouse and nursery products, and hogs. Over sixty percent of the state's agricultural revenue is provided by cattle and calves. Prices in the cattle industry are rising. In July 2011, beef cattle prices nationwide were up to $112 per hundredweight, rising 22.1 percent over July 2010 prices. The dairy industry is also seeing significant price gains. July "all milk" prices rose 37.7 percent from the prior year to almost $22 per hundredweight. Crop prices are also above prior year levels.

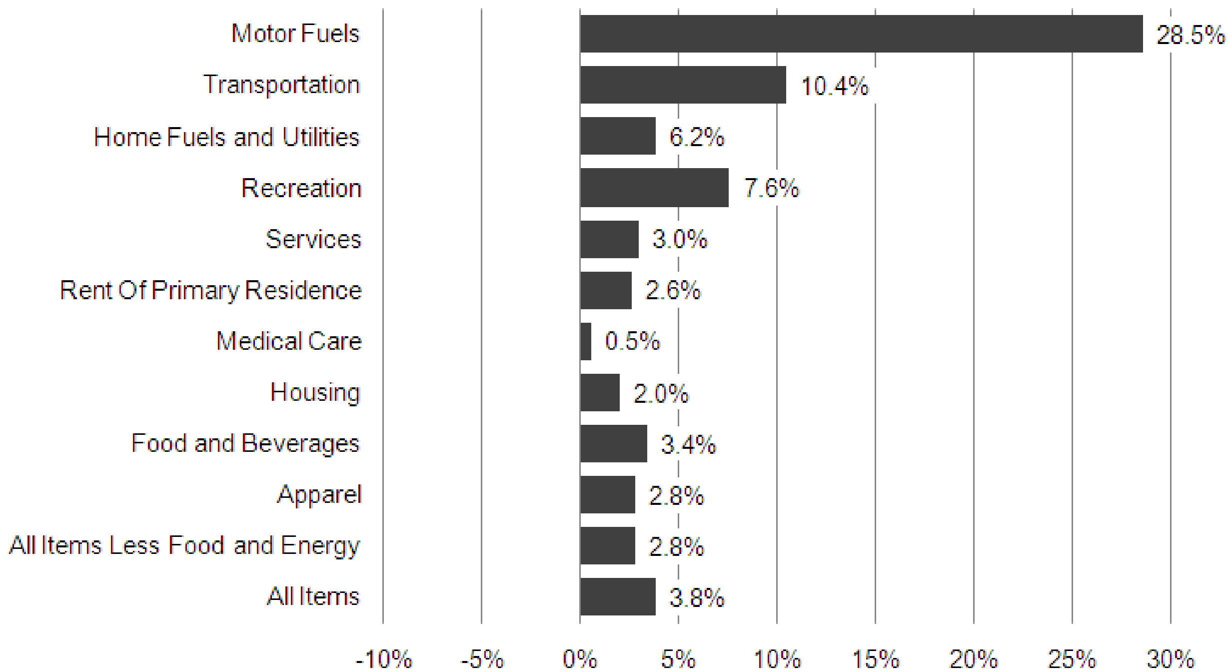
Every Colorado crop price increased over the last year. Corn prices were twice as high in July compared with a year earlier, increasing to $7.01 from $3.48 per bushel. Wheat prices advanced to $6.79 per bushel from $4.34 per bushel a year earlier, rising 56.5 percent.

Banking and Credit Conditions

Banking and credit conditions are slowly improving but there are still a number of industry concerns that affect consumers and the housing markets. Given the weak and slowing economy, banks are looking at ways to operate more efficiently by cutting jobs, consolidating businesses, and finding new sources of income. Many of these market responses will be a drag on economic growth.

Some of the changes affect revolving credit, such as credit cards. Banks are looking to boost profits by charging a number of new fees to compensate for lost federal government assistance. These changes will impose more costs on consumers. While there has been some easing in recent months, loan standards are tighter than they were a few years ago. Lending remains particularly tight for

Figure 24
Increase in the Denver-Boulder-Greeley CPI-U
First Half of 2011 over the First Half of 2010



Source: U.S. Bureau of Labor Statistics.

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.

Inflation

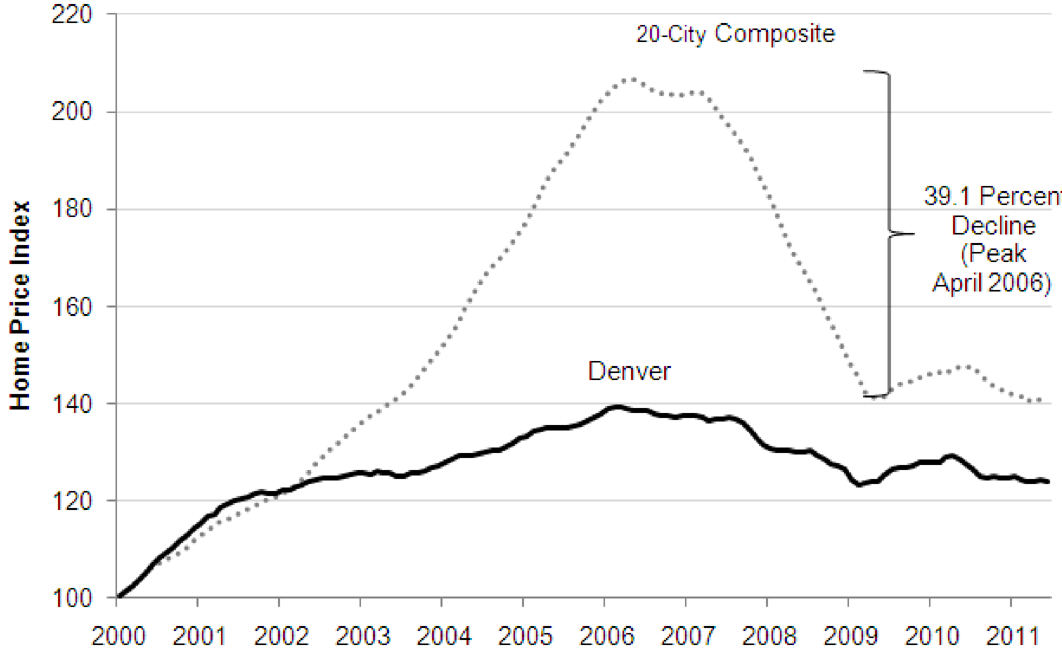
After increasing 1.9 percent in 2009, prices increased 3.8 percent in the first half of 2011 compared with the first half of 2010. As shown in Figure 24, price increases were largely driven by energy and recreation. Core inflation (excluding energy and food) also rose 2.8 percent during the same time period.

- Inflation will increase 3.2 percent in 2011 after increasing 1.9 percent in 2011. Energy prices have retreated since the first half of the year and the slowing economy will provide less pressure overall in the second half of 2011. Prices will increase at a more moderate 2.2 percent rate in 2012 because of ongoing weakness in the economy.

Colorado's Housing Market Slow to Recover

Colorado's housing market is seeing a very slow recovery as economic growth is slowing and consumers are less confident about the economy. Many homeowners are unable to sell their homes because home values are less than mortgages owed, and home vacancies and foreclosures continue to place downward pressure on prices. The softness in the housing market is driven by more uncertainty in the national and global economies as consumers are less confident about the economic recovery. Other factors adding to the housing market's weakness include anemic employment and wage

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



Source: Standards & Poors & FiServ. Data through June 2011.

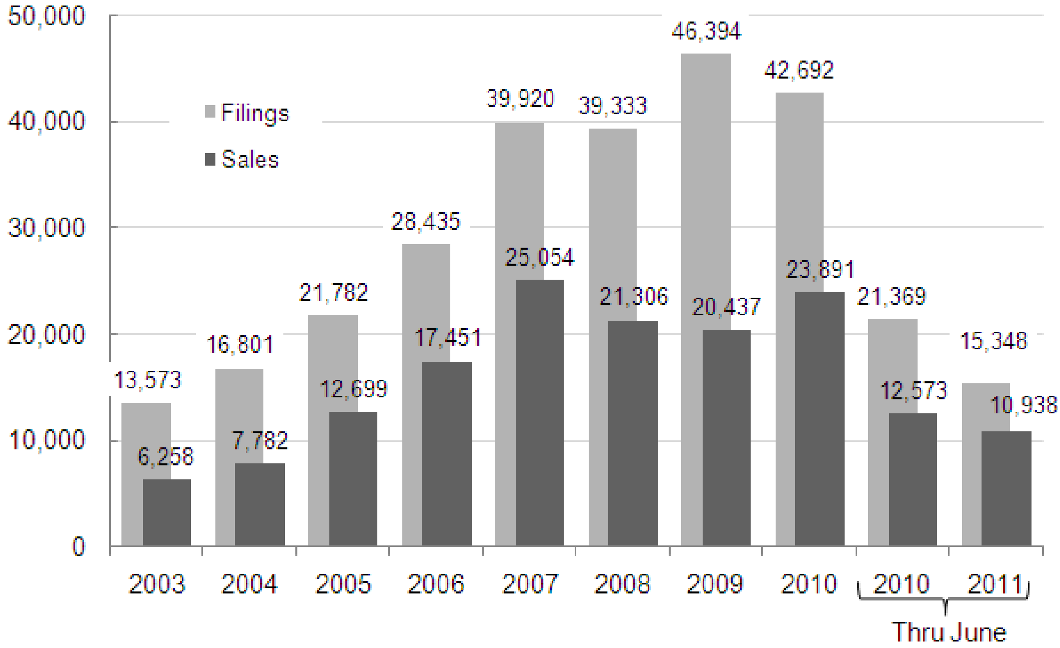
and salary growth. In addition, consumers are having difficulties getting home loans approved because of low appraisals.

Home prices for the Denver index are holding up much better than in other metropolitan areas of the country, as indicated by the S&P/Case-Shiller Home Price Index. Figure 25 shows Denver's home prices and a composite home price index for 20 other metropolitan areas. While the overall index declined 31.9 percent since home prices peaked in April 2006, home prices in the Denver index have held up much better, declining only 10.9 percent from its peak. In the most recent month, home prices in Denver fell 0.1 percent, while home prices in the 20-city composite index fell 2.6 percent.

As shown in Figure 26, both foreclosure filings and sales at auction were down through the second quarter of 2011 over the prior year period in Colorado. Through June 2011, foreclosure filings declined by 28.2 percent, while foreclosure sales decreased by 13.0 percent. Foreclosure filings are important because they provide a picture of the number of borrowers who have become seriously delinquent on their loans.

Overall, statewide filings have been falling since their peak in 2009. The sustained declines in filings suggest that households are participating in lender programs to avoid foreclosure. Also, many of the more risky loans that were made between 2005 and 2007 and resulted in default have worked their way through the markets. The continued decline in foreclosure filings activity will depend on the pace of the recovery and job gains through the close of the year. Foreclosure sales, which have also been decreasing, generally indicate how many borrowers have lost all equity in the property as the result of the property having been sold to another party at auction, including the mortgage company, investor, or others.

Figure 26
Colorado Foreclosure Filings and Sales



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

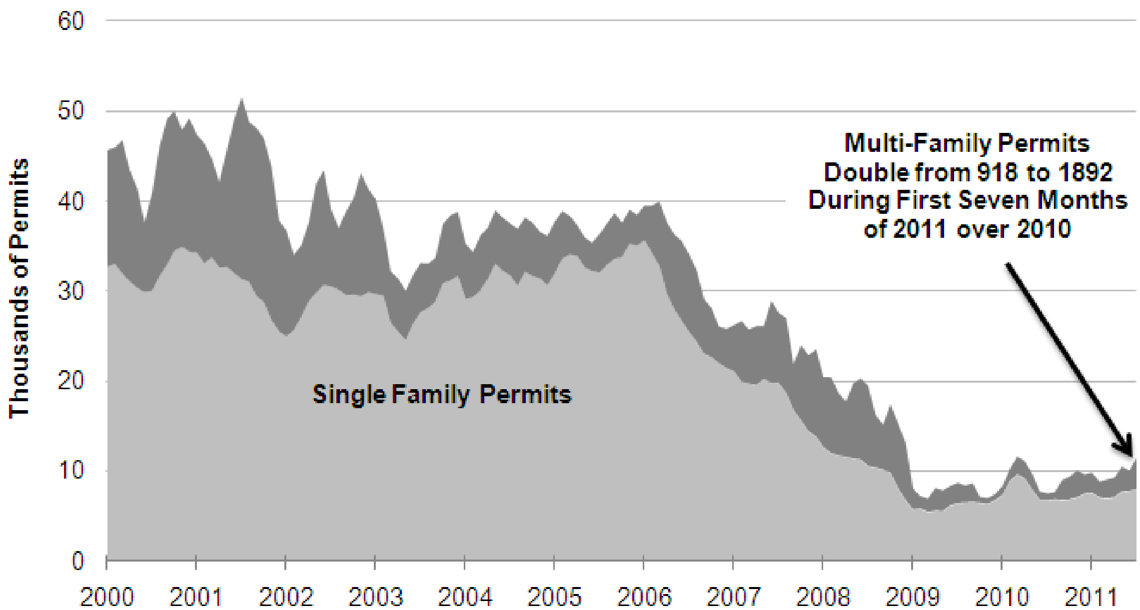
Figure 27 shows a three-month moving average for total and single-family permits. Statewide, seasonally adjusted residential building permits rose 9.1 percent through July 2011 compared with the first seven months of 2010. The increase was driven by a surge in multi-family permits, primarily because of the growing number of people moving from distressed single-family homes to apartments and fewer purchasers being able to qualify for home loans. Multi-family permits more than doubled during this time period growing from 918 permits in the first seven months of 2010 to 1,892 permits during the same period of 2011.

Meanwhile, permits granted for the construction of single-family homes continued to decline through July 2011. On a seasonally adjusted basis, single family permits decreased 7.0 percent through July over the same time period in 2010. Permits will remain at historically low levels until employment and population growth pick up and the high level of home inventory is absorbed.

The value of **nonresidential construction** increased 3 percent through July 2011 over the prior year. Aside from the completion of several large manufacturing and educational facilities, some activity occurred in the commercial building sector. Given the high vacancy rate for office space, nonresidential construction is expected to remain low. Nonresidential construction will remain at historically low levels through the remainder of the forecast period.

- Residential home permits will decrease 39.7 percent in 2011 and increase 24.9 percent in 2012. The increase in multi-family permits will be offset by ongoing weakness in single-family home construction.

Figure 27
Residential Construction Permits Rise From Historically Low Levels Driven by Multifamily Housing Permits
Three-Month Moving Average; Seasonally Adjusted Annualized Data



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

- The value of nonresidential construction contracts will decrease 3.0 percent in 2011 and grow very slowly in 2012 increasing by 1.2 percent.

Energy

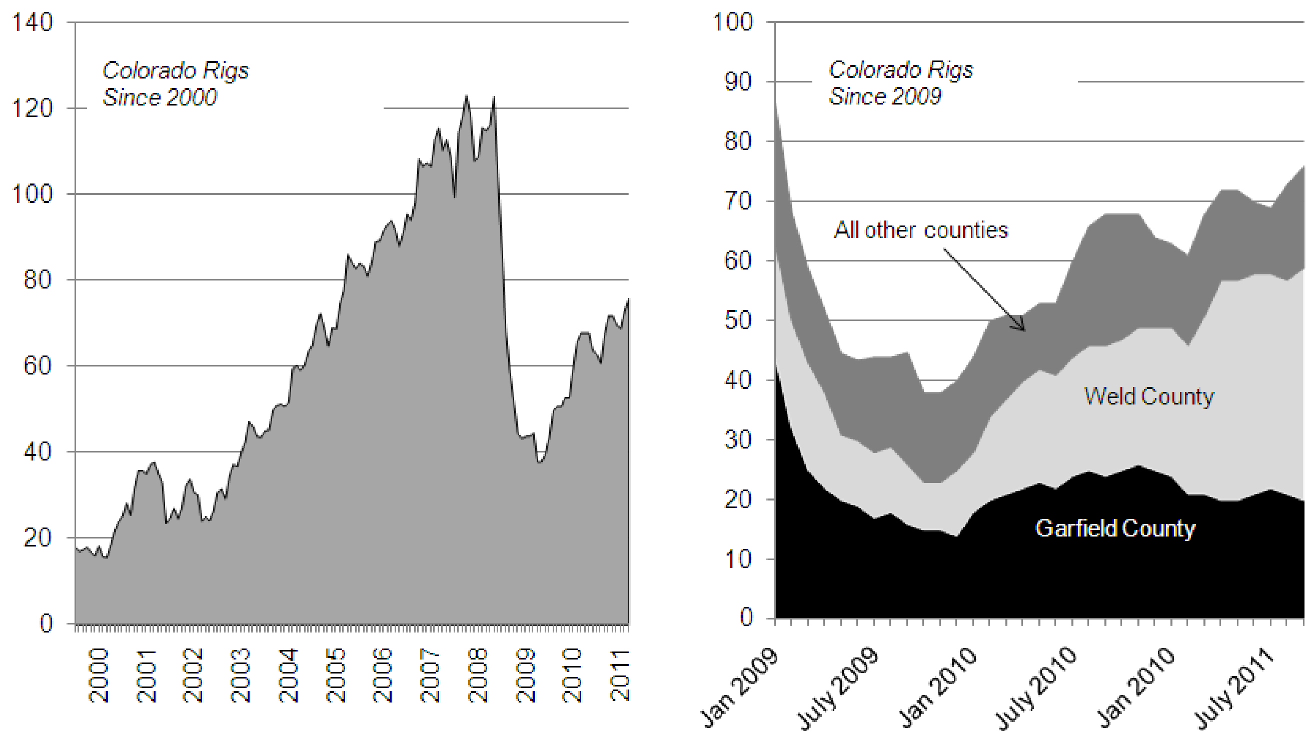
The oil and gas industry is an important economic driver for regional economies in Colorado, especially in Weld, Mesa, Garfield, and La Plata counties. Figure 28 shows the number of drilling rigs operating in Colorado since January 2000 in the first panel and the number operating in Garfield County, Weld County, and all other Colorado counties since January 2009.

All of the recent increase in drilling activity has occurred in Weld County. The oil industry is booming in northern Colorado as a result of increases in the price of oil and new drilling technologies. The economy on the western slope of Colorado, however, is in recession. Natural gas prices have remained low, and energy companies have pulled back on the number of rigs operating in the area. Most of the rigs operating on the western slope are in Garfield county.

Leading Indicators

Indicators that lead Colorado employment suggest a slowing of job growth in the state. These indicators have been shown to be helpful in predicting changes in Colorado employment. As shown in Figure 29, data through August indicates that six of the eight measures suggest that employment will continue to grow, but at weakened rates than previously expected. Two indicators are indicating recession: sales tax revenue and the Bloomberg Colorado Index.

Figure 28
Drilling Rigs Operating in Colorado



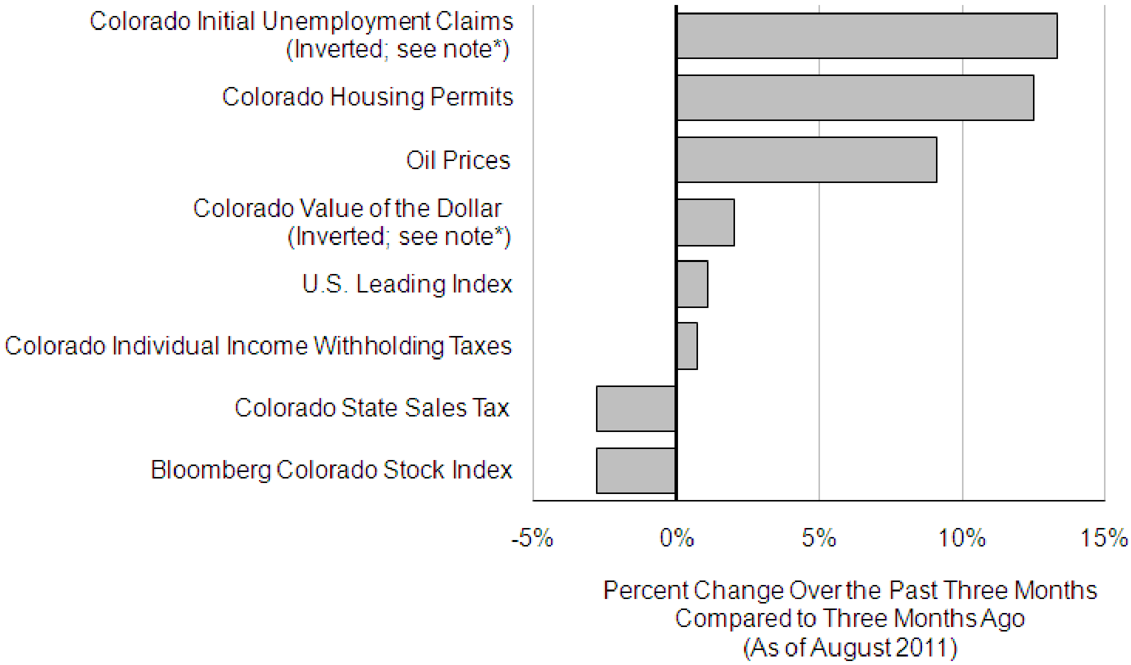
Source: Baker Hughes. Data through mid-September 2011.

Conclusion

The recovery in Colorado's economy is losing momentum along with the national economy. Employment growth will be restrained through the remainder of 2011 and the unemployment rate will remain high. Consumer spending will also be restrained as consumers continue to pay off debt and grapple with uncertain job prospects. Meanwhile, the state's northern and rural regions are expected to continue to enjoy stronger growth as a result of high prices for oil and agricultural commodities.

The chances of a nationwide recession, however, are rising. Whether or not Colorado's economy continues to grow at a slow pace or falls into recession will depend on how the nation's households and businesses respond to federal policy changes, financial market volatility, and changes in the housing and banking industries.

Figure 29
Indicators That Tend to Lead Colorado Employment
Point to Continued but Weakened Growth



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.
**Note: These are shown inverted in the chart because decreases in initial unemployment claims and the Colorado value of the dollar indicates employment expansion.*

Table 15
Colorado Economic Indicators, September 2011 Forecast
(Calendar Years)

	2007	2008	2009	2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014
Population (thousands)*	4,842.3	4,935.2	5,024.7	5,029.2	5,104.7	5,187.9	5,283.8	5,380.6
percent change	1.9%	1.9%	1.8%	0.1%	1.5%	1.6%	1.8%	1.8%
Nonagricultural Employment (thousands)**	2,331.3	2,350.3	2,245.6	2,220.1	2,249.0	2,275.9	2,316.9	2,365.6
percent change	2.3%	0.8%	-4.5%	-1.1%	1.3%	1.2%	1.8%	2.1%
Unemployment Rate	3.7	4.8	8.3	8.9	8.7	8.3	7.8	7.1
Personal Income (millions)	$205,242	$214,977	$210,513	$215,259	$225,591	$234,840	$245,408	$257,678
percent change	5.6%	4.7%	-2.1%	2.3%	4.8%	4.1%	4.5%	5.0%
Wage and Salary Income (millions)	$112,962	$117,168	$112,810	$113,918	$118,361	$123,687	$130,242	$138,057
percent change	6.7%	3.7%	-3.7%	1.0%	3.9%	4.5%	5.3%	6.0%
Retail Trade Sales (millions)	$75,329	$74,760	$66,345	$70,738	$74,416	$78,137	$82,200	$87,050
percent change	6.9%	-0.8%	-11.3%	6.6%	5.2%	5.0%	5.2%	5.9%
Home Permits (thousands)	29.5	19.0	9.4	11.6	16.2	20.2	22.4	24.0
percent change	-23.2%	-35.5%	-50.8%	23.9%	39.7%	24.9%	10.8%	7.3%
Nonresidential Building (millions)	$5,251	$4,193	$3,192	$2,967	$2,878	$2,913	$3,117	$3,273
percent change	18.9%	-20.2%	-23.9%	-7.0%	-3.0%	1.2%	7.0%	5.0%
Denver-Boulder Inflation Rate	2.2%	3.9%	-0.6%	1.9%	3.2%	2.2%	2.6%	3.0%

** Population Data is for July 1, except for 2010, which is the April census.*
*** Estimated employment growth for 2011 incorporates expected upward revisions to previously-published employment data based on a rebenchmarking analysis conducted by 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

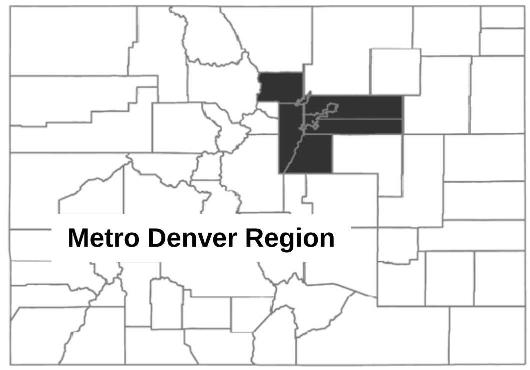
A note on data revisions. Economic indicators reported in this forecast document are often revised by the publisher of the data and are therefore subject to change. Employment data are based on survey data from a "sample" of individuals representative of the population as a whole. Monthly employment 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 gradually strengthened through the summer of 2011. The region's job market, which represents over half of the statewide labor force, continues to see moderate employment gains, resulting in a lower unemployment rate. After accelerating late 2010, consumer spending growth slowed in 2011. Construction remains at historically low levels, with both nonresidential and residential construction inching upward. Table 16 shows economic indicators for the region.

Job market. The metro Denver job market improved through the summer, with employment rising 0.6 percent year-to-date through July 2011 compared with the same period in 2010, as shown in Figure 30. Job gains and workers leaving the labor force have caused area unemployment to drift lower since the end of 2010. Figure 31 shows these trends. As of July, the unemployment rate was 8.4 percent, slightly below the statewide average rate of 8.5 percent for the same month.



Consumer spending. Consumer spending, as measured by retail trade sales, grew modestly in the first four months of 2011 after accelerating in the second half of 2010. Figure 32 shows this trend. Retail sales increased 4.1 percent in the first four months of 2011 compared with the same period in 2010. As Figure 33 shows, sales in metro Denver continued to decline after the nation's consumer spending picked up in 2009. Consumer spending is expected to continue to grow, though at a pace dampened by high levels of consumer debt and unemployment.

Table 16
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%	0.6%
Unemployment Rate /2 (2011 Figure is July Only)	3.7%	4.9%	8.4%	8.9%	8.4%
Housing Permit Growth /3					
Single-Family Permits (Denver-Aurora)	-38.7%	-50.1%	-31.8%	35.5%	-7.6%
Single-Family Permits (Boulder)	-20.6%	-53.5%	-27.6%	101.0%	0.0%
Growth in Value of Nonresidential Const. /4	34.5%	-14.3%	-37.5%	12.6%	54.9%
Retail Trade Sales Growth /5	6.5%	-0.8%	-11.4%	6.9%	4.1%

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

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

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

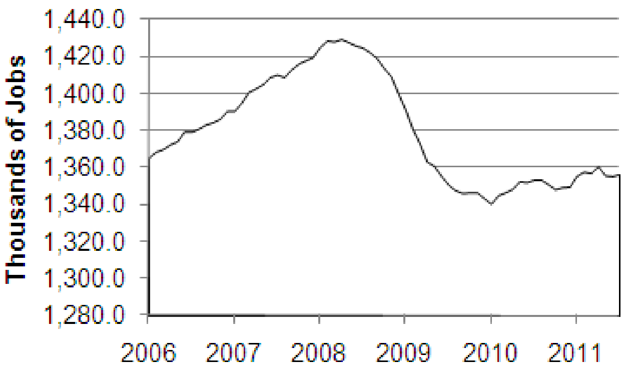
4/ F.W. Dodge. Data through July 2011.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through April 2011.

Housing market. The region's housing market continues to struggle. Home prices remained essentially unchanged between February and June. Markets continue to adjust to a high number of foreclosures and uncertainty about the national and global economies. Residential construction remains at historically low levels, though activity continues to inch upward. Figure 34 shows the variable growth in single- and multi-family residential building permits since 2004.

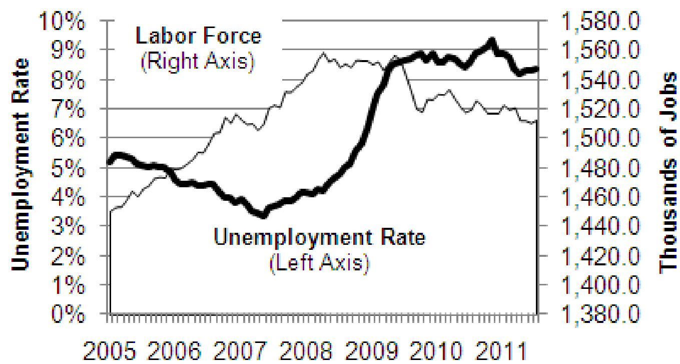
Nonresidential construction. As shown in Figure 35, the region's nonresidential construction activity increased in the first half of 2011, but it remains at historically low levels. The recession led many businesses to downsize or close their doors, leaving little demand for new commercial properties 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
Seasonally Adjusted



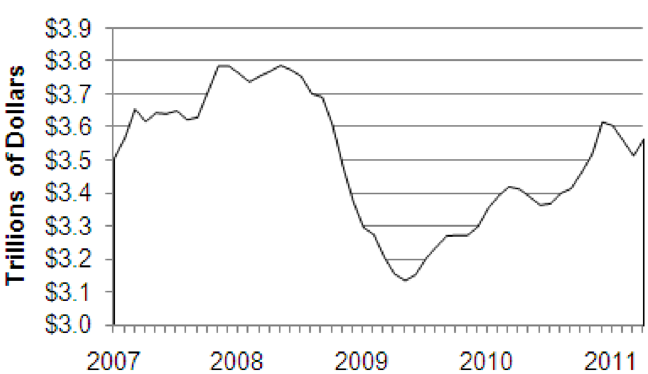
Source: U.S. Bureau of Labor Statistics; CES. Data through July 2011.

Figure 31
Metro Denver's Unemployment Rate
Seasonally Adjusted



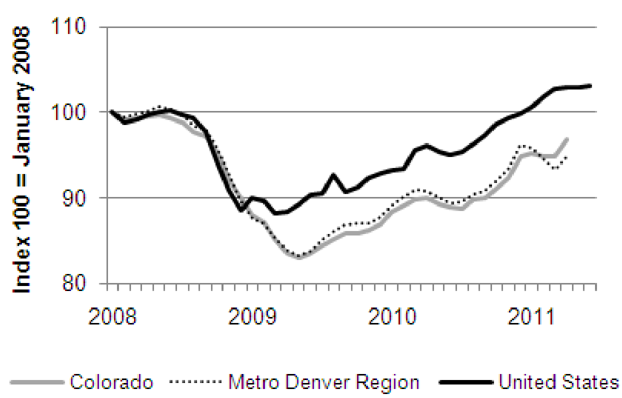
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

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



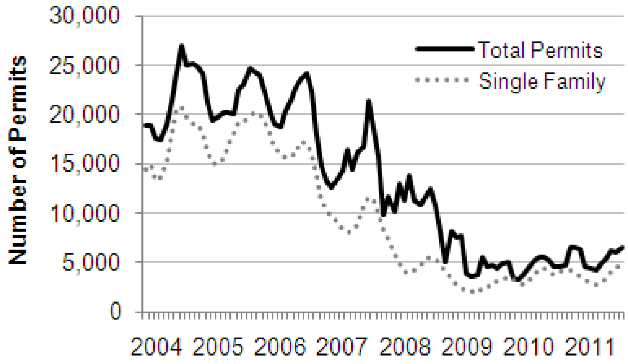
Source: Colorado Department of Revenue. Data through April 2011.

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



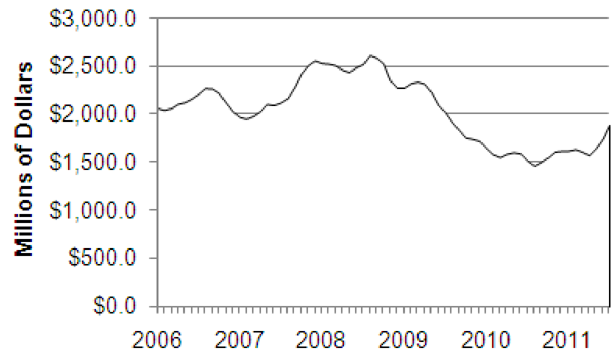
Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through April 2011. U.S. data through June 2011.

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



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

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

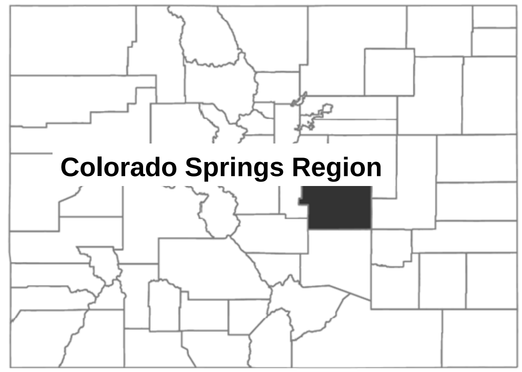


Source: F.W. Dodge. Data through July 2011.

Colorado Springs Region

The Colorado Springs region is showing only weak signs of recovery. The region's labor market remains one of the weakest in 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 17 shows economic indicators for the region.

After showing signs of stabilizing, area employment dipped sharply in April, as shown in Figure 36. Year-to-date through July 2011, employment has fallen 0.7 percent compared with the same 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 to 9.6 percent in July 2011, which is higher than the 8.5 percent average rate posted for the state and the 9.1 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 grew 7.8 percent in 2010 and have grown 11.2 percent year-to-date through April 2011, compared with the same period in 2010. In January consumer spending returned to pre-recessionary levels of spending. Retail trade sales data includes information only through April 2011, which is before the national economic recovery weakened.

Table 17
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%	-0.7%
Unemployment Rate /2 (2011 Figure is July Only)	4.2%	5.7%	9.0%	9.7%	9.6%
Housing Permit Growth /3					
Total	-29.7%	-36.1%	-33.4%	27.9%	5.3%
Single-Family	-34.3%	-42.2%	-16.7%	23.2%	-15.4%
Growth in Value of Nonresidential Const. /4	6.8%	-44.6%	-2.8%	-18.9%	-3.2%
Retail Trade Sales Growth /5	5.4%	-2.7%	-6.2%	7.8%	11.2%

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

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

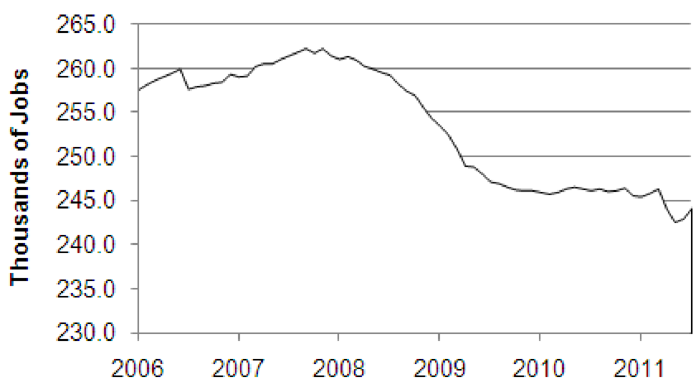
3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through July 2011.

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

5/ Colorado Department of Revenue. Seasonally adjusted. Data through April 2011.

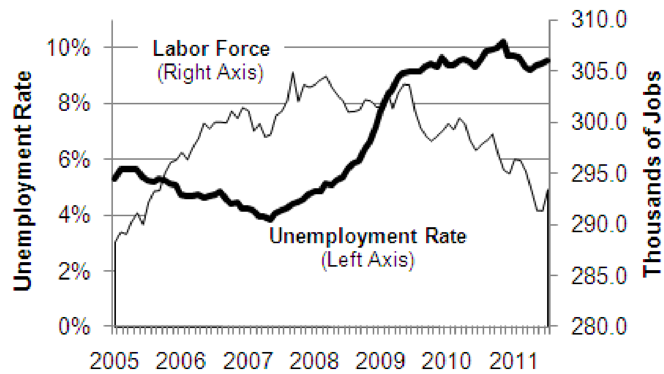
With little growth in the first half of 2011, home building remains at historically low levels in the region, as shown in Figure 39. The area continues to see high levels of foreclosures, which are contributing to depressed home prices and a glut of homes on the market. Multifamily permits have increased, however. Nonresidential construction activity remains sluggish and at low levels when compared to the boom years of the mid-2000s. Between January and July 2011 nonresidential construction fell 3.2 percent in El Paso County compared with the same time period in 2010. A surplus of empty commercial spaces continues to dampen demand for new construction.

Figure 36
Colorado Springs MSA Nonfarm Employment
Seasonally Adjusted



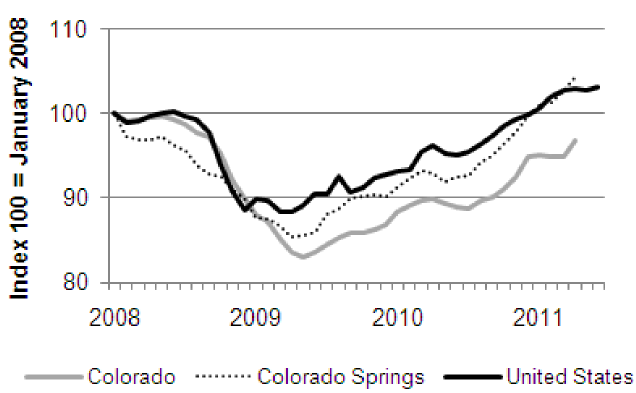
Source: U.S. Bureau of Labor Statistics; CES. Data through July 2011.

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



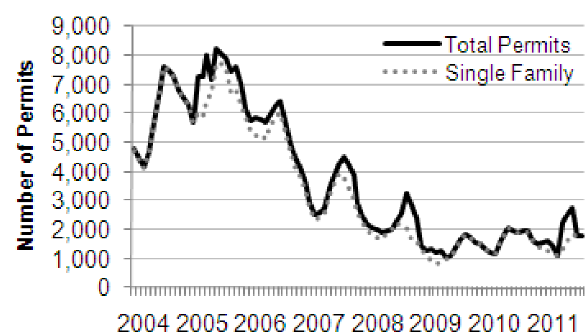
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

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



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through April 2011; U.S. data through June 2011.

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

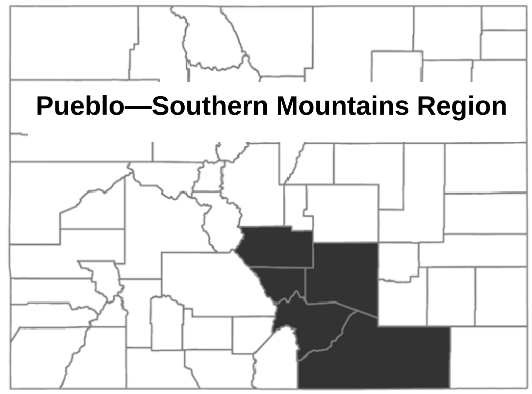


Source: U.S. Census Bureau. Data through July 2011.

Pueblo — Southern Mountains Region

The economic recovery in the five-county Pueblo region is lagging behind the rest of the state. While consumer spending in the region continues to recover at a higher rate, unemployment remains high and there has been inconsistent job growth in the first half of 2011. Unlike other areas of the state, construction activity has yet to show any improvement. Table 18 shows economic indicators for the region.

After losing jobs through 2010, the Pueblo region added about 2,600 seasonally adjusted jobs in the first half of 2011. Even with this growth, 2011 employment is below 2010 levels year-to-date. These trends can be shown in Figure 40. In the Pueblo metropolitan area employment rose about 1.1 percent year-to-date in 2011.



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 2010, the region's unemployment rate fell to 10.1 percent in July. This decrease is partially the result of an increase in the labor force in the first half of 2011.

Consumer spending, as measured by retail trade sales, continued to show strong growth in the first four months of 2011. Seasonally adjusted retail sales are up 11.1 percent between January and April of 2011, compared with the same period in 2010. Retail trade sales data includes information only through April 2011, which is before the national economic recovery slowed. Figure 41 indexes changes in the region's consumer spending to changes in consumer spending in the state and the nation.

Table 18
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%	-0.1%
Pueblo MSA /2	3.2%	0.5%	-2.3%	-1.0%	1.1%
Unemployment Rate /1 (2011 Figure is July Only)	4.6%	6.0%	9.4%	10.4%	10.1%
Housing Permit Growth /3					
Pueblo MSA Total	-48.1%	-38.6%	-9.4%	-37.9%	-46.4%
Pueblo MSA Single-Family	-44.8%	-42.8%	-51.5%	13.6%	-40.9%
Growth in Value of Nonresidential Construction /4					
Pueblo County	-62.4%	75.1%	-65.9%	-77.7%	2.9%
Retail Trade Sales Growth /5	6.4%	-1.7%	-4.7%	6.8%	11.1%

MSA = Metropolitan statistical area.

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

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

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

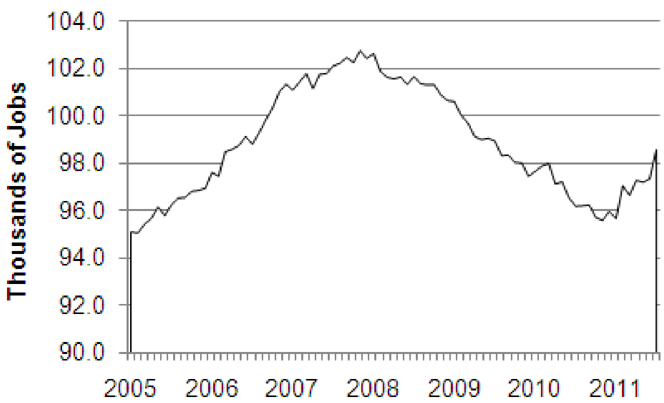
4/ F.W. Dodge. Data through July 2011.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through April 2011.

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 remained at very low levels since the middle of 2010. Residential construction activity is expected to remain modest for several years. Figure 42 shows recent trends in the number of permits filed for residential construction in the Pueblo metropolitan area.

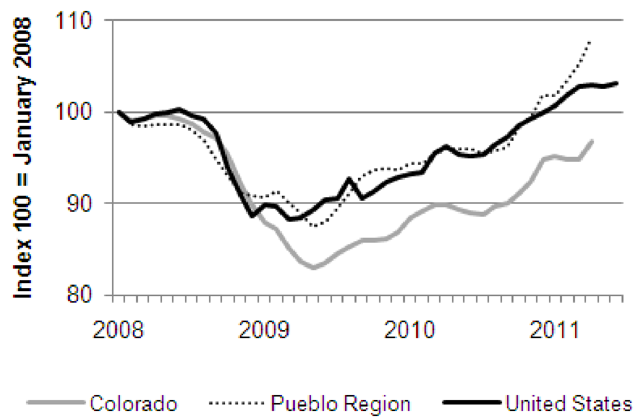
With little demand for new business space, nonresidential construction in the region remains at low levels. The Pueblo region had a surge of construction beginning at the end of 2008 that peaked in mid-2009. However, as shown by Figure 43, construction has been at a near standstill recently. Until the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

Figure 40
Pueblo Region Nonfarm Employment
Seasonally Adjusted



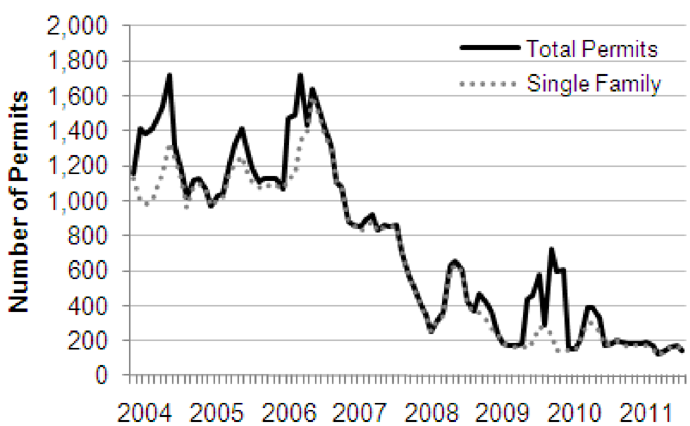
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

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



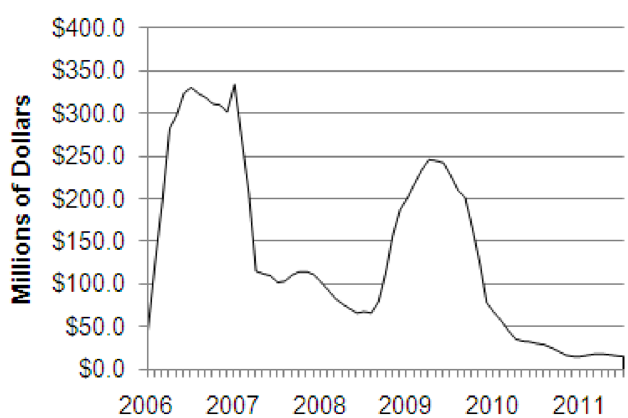
Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through April 2011. U.S. data through June 2011.

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



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

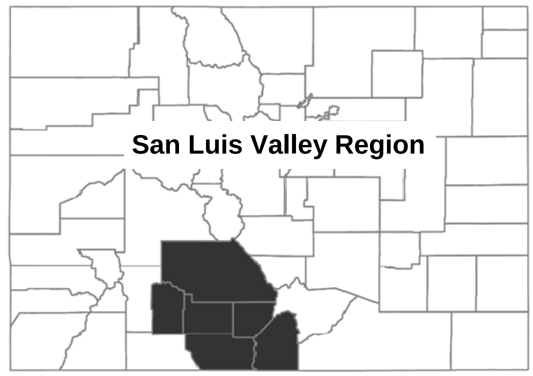
Figure 43
Pueblo County Nonresidential Construction
Three-Month Moving Average;
Seasonally Adjusted Annualized Data



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

San Luis Valley Region

The six-county San Luis Valley region's economy continued to show signs of a weak recovery in the first half of 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. Crop prices are high and consumer spending is growing, but the labor market has not recovered and construction is falling. Table 19 shows economic indicators for the region.



The labor market in the region has weakened thus far this year, with nonfarm employment through July 2011 decreasing 1.0 percent compared with the first seven months of 2010. It is important to note that these 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 45, the unemployment rate began to fall early in 2011, after averaging 8.5 percent in 2010. The rate remains at a historically high level.

Figure 46 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. Following a decrease at the end of 2010, retail sales in the San Luis Valley increased 3.3 percent for the period January to April 2011, compared with the same period in 2010. Retail trade sales data includes information only through April 2011, which is before the national economic recovery weakened.

Table 19
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%	-1.0%
Unemployment Rate /1 (2011 Figure is July Only)	4.5%	6.1%	7.8%	8.5%	8.9%
Statewide Crop Price Changes /2					
Barley (U.S. average for all)	32.0%	49.6%	-15.5%	-12.3%	33.0%
Alfalfa Hay (baled)	5.3%	18.0%	-20.7%	0.0%	44.0%
Potatoes	22.6%	21.0%	-46.6%	87.3%	120.3%
SLV Potato (Inventory CWT) /2	-7.5%	4.4%	5.0%	-2.5%	-3.0%
Housing Permit Growth /3					
Alamosa County	-41.0%	139.1%	-47.3%	0.0%	-11.8%
Growth in Value of Nonresidential Construction /3					
Alamosa County	414.1%	-88.0%	2620.7%	-16.1%	-33.4%
Retail Trade Sales Growth /4	6.9%	3.4%	-1.6%	3.8%	3.3%

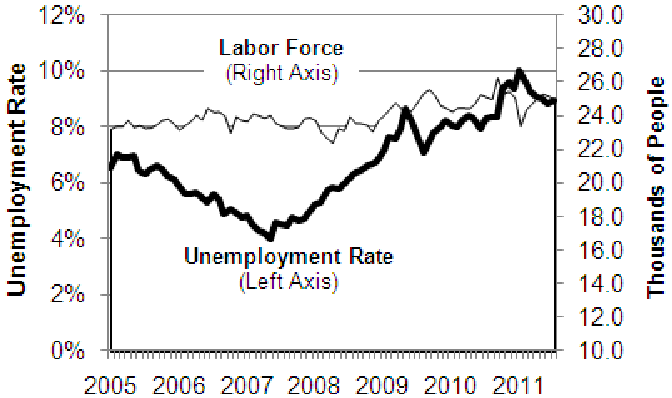
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2011.

2/ National Agricultural Statistics Service. 2011 crop price changes compares July 1, 2011 to the prior year period. SLV Potato (production CWT) for Fall Potato Growers.

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

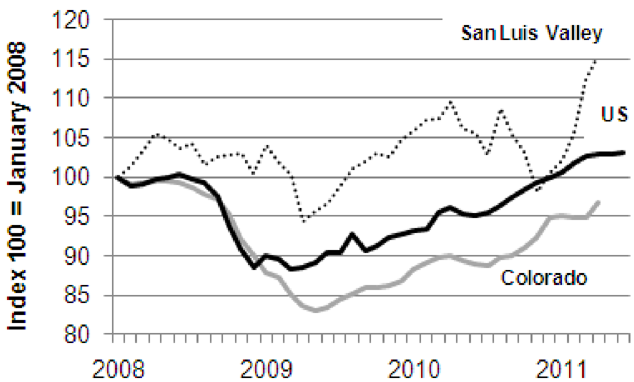
4/ Colorado Department of Revenue. Seasonally adjusted. Data through April 2011.

Figure 45
San Luis Valley Region Unemployment Rate and Labor Force
Seasonally Adjusted



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

Figure 46
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 April 2011. U.S. data through June 2011.

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 33.4 percent in the first half of 2011, almost entirely because of the completion of a single construction project in the area. Meanwhile, the number of permits filed for the construction of residential homes fell 11.8 percent through July 2011, compared with the first seven months of 2010.

The agricultural industry in the region is healthy. The potato industry, which is one of the main agricultural industries in the region, saw potato prices rise to $17.40 per hundredweight in May, up 120.3 percent compared with a year earlier. 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 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 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. In 2011, consumer spending continues to increase, employment is growing, and the unemployment rate is falling. Construction activity in both the residential and nonresidential sectors is at very low levels. Table 20 shows economic indicators for the region.

As shown in Figure 47, nonfarm employment in the region began to pick up slightly in early 2011 after shedding jobs the previous three years. The southwest mountain region added about 2,600 jobs between January and July of 2011.

Over the last four years the unemployment rate has climbed from a low of 2.9 percent in April 2007 to a high of 8.8 percent in November, 2010. As shown in Figure 48, the unemployment rate has begun to fall as some employment gains have offset the increase in the number of people in the labor force. The unemployment rate reached 7.7 percent in July 2011.

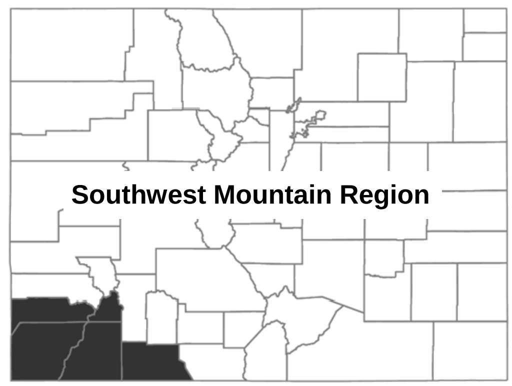


Figure 49 compares changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state. Consumer spending is picking up in the region. Retail trade in the region posted a 12.7 percent gain in the first four months of 2011 compared with the same period last year. Some of the strength in consumer spending is likely due to strong growth in farm income in the area. Retail trade sales data includes information only through April 2011, which is before the national economic recovery weakened.

Table 20
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%	0.6%
Unemployment Rate /1 (2011 Figure is July Only)	3.2%	4.3%	7.2%	8.4%	7.7%
Housing Permit Growth /2					
La Plata County Total	-16.9%	-57.4%	-15.8%	29.8%	-15.6%
La Plata County Single-Family	-29.3%	-40.3%	-15.2%	15.0%	-12.2%
Growth in Value of Nonresidential Construction /2					
La Plata County	907.3%	-84.6%	103.7%	-82.5%	-72.1%
Retail Trade Sales Growth /3	5.9%	-0.7%	-13.9%	1.6%	12.7%

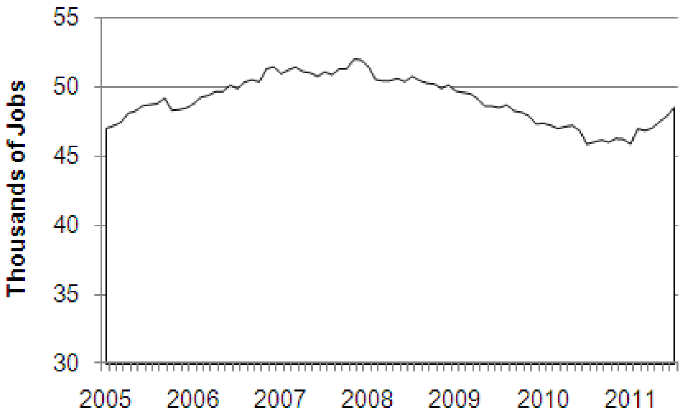
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2011.

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

3/ Colorado Department of Revenue. Seasonally adjusted. Data through April 2011.

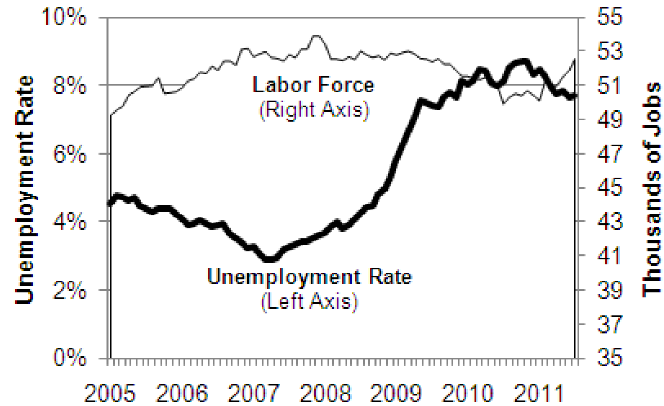
Residential home construction, as measured by residential permits, increased significantly in 2010 over the prior year, but has fallen off during the first seven months of 2011 in La Plata County, the largest county in the region. Meanwhile, nonresidential construction in La Plata County has come to a near standstill. Figure 50 shows the value of nonresidential construction from 2006 through 2011.

Figure 47
Southwest Mountain Region Nonfarm Employment
Seasonally Adjusted



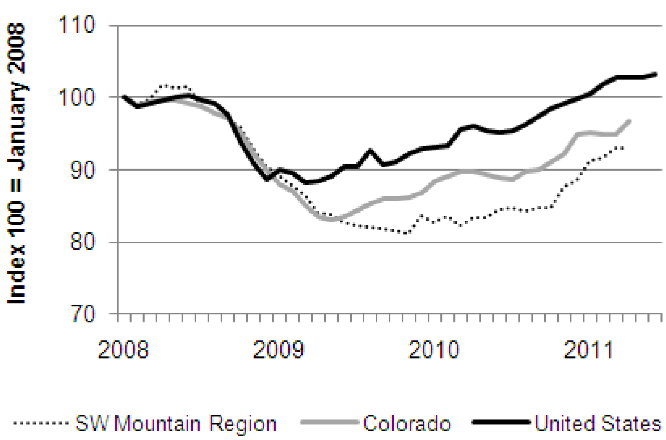
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

Figure 48
Southwest Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



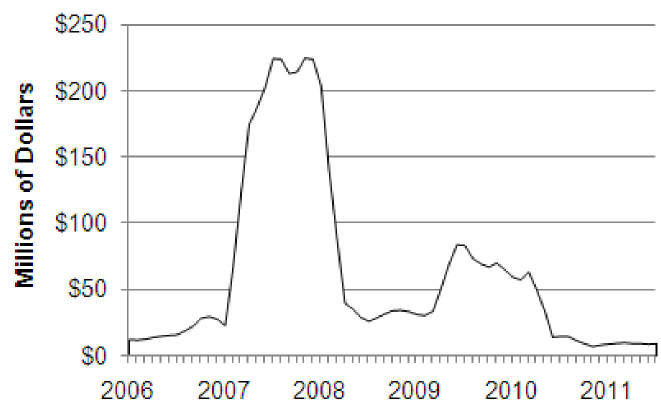
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

Figure 49
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average;



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

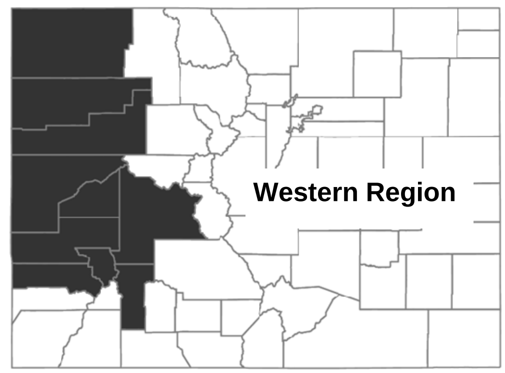
Figure 50
La Plata County Nonresidential Construction
Three-Month Moving Average; Seasonally Adjusted Annualized Data



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

Western Region

The economy in the 10-county western region remains among the weakest in the state. The labor market continues to struggle with little to no job growth. Consumer spending increased in the first half of 2011, but remains at relatively low levels. Meanwhile construction activity has remained at historically low levels. Table 21 shows economic indicators for the region.



Energy activity was an important driver of economic energy growth in the region. However, the collapse of energy prices at the end of 2008 heavily impacted employment. According to Baker Hughes, the number of rigs operating in the western region has been declining since the fall of 2010, as shown by Figure 51. This may be causing some of the weakness in the region's job market.

As shown in Figure 52, employment in the Grand Junction metropolitan area has declined in 2011 and is down 2.1 percent on an average annual basis from 2010. Nonfarm employment for the full ten-county region was down 0.1 percent year-to-date over the same period last year. These declines are considerably lower than last year's, showing signs that declines may be close to bottoming out. The unemployment rate fell to 9.0 percent in July down from 10.3 percent in December 2010, as shown in Figure 53.

Table 21

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%	-0.1%
Grand Junction MSA /2	6.1%	4.8%	-6.6%	-4.3%	-2.1%
Unemployment Rate /1 (2011 Figure is July Only)	3.0%	3.9%	8.6%	10.0%	9.0%
Housing Permit Growth /3					
Mesa County Total Permits	-10.7%	-37.0%	-56.3%	10.6%	-30.3%
Montrose County Total Permits	-31.0%	-45.7%	-56.9%	-28.7%	-12.8%
Growth in Value of Nonresidential Construction /3					
Mesa County	222.6%	-53.9%	-21.0%	18.4%	-63.8%
Montrose County	-36.2%	-59.8%	-87.4%	457.1%	221.8%
Retail Trade Sales Growth /4	12.0%	1.2%	-19.1%	1.8%	9.2%

MSA = Metropolitan statistical area.

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

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

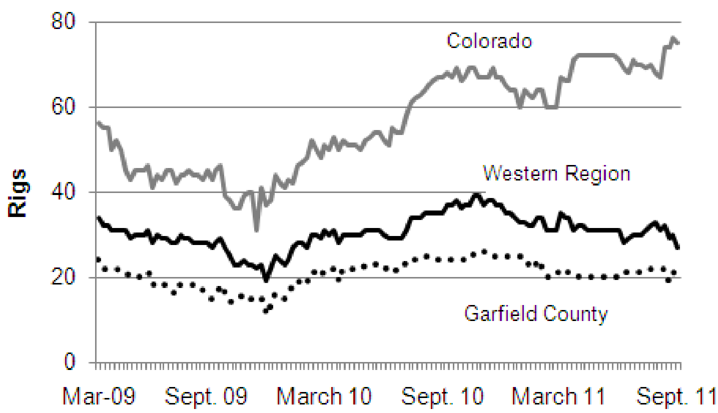
3/ F.W. Dodge. Data through July 2011.

4/ Colorado Department of Revenue. Seasonally adjusted. Data through April 2011.

Figure 54 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 and grew 9.2 percent between January and April of 2011 compared with the same period in 2010. Retail trade sales data includes information only through April 2011, which is before the national economic recovery weakened.

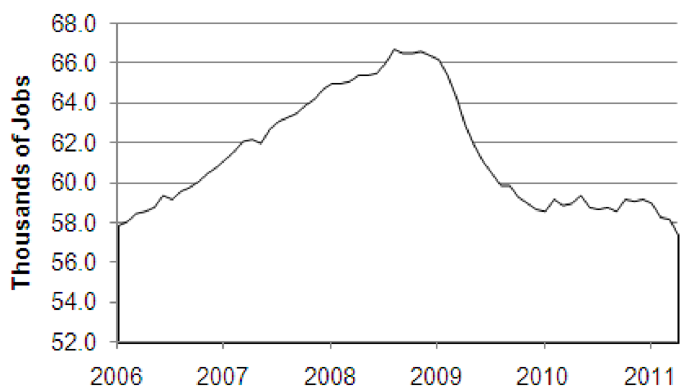
The residential housing market is still very slow in this region. Residential housing permits decreased 30.3 percent in Mesa County and 12.8 percent in Montrose County year-to-date through July compared with the first seven months of 2010. Both residential and nonresidential construction activity are at historically low levels. While nonresidential construction activity is growing at a strong rate in Montrose County, the level of construction activity remains at a very low level.

Figure 51
Drilling Rigs Operating in Colorado and on the Western Slope
Weekly data; Not Seasonally Adjusted



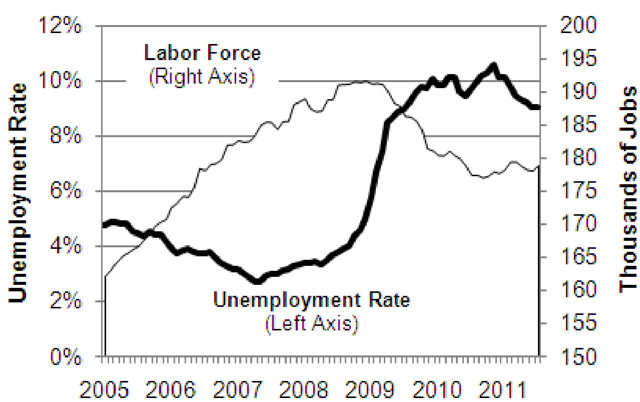
Source: Baker Hughes. Data through September 2, 2011.

Figure 52
Grand Junction MSA Nonfarm Employment
Seasonally Adjusted



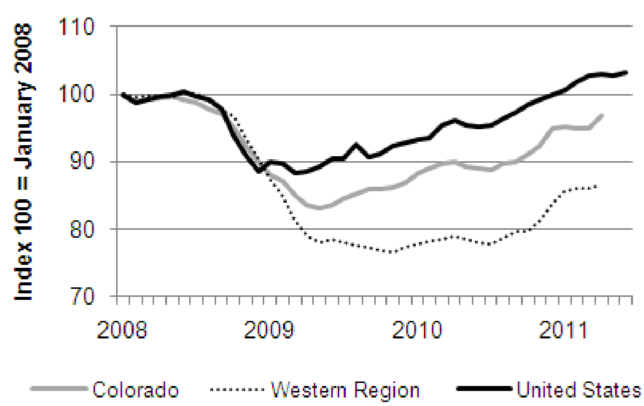
Source: U.S. Bureau of Labor Statistics; CES. Data through July 2011.

Figure 53
Western Region Unemployment Rate and Labor Force
Seasonally Adjusted



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

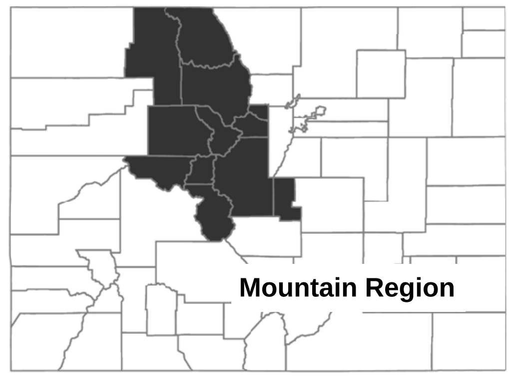
Figure 54
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average;
Annualized Seasonally Adjusted Nominal Data



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

Mountain Region

The mountain region's economy began to show clear signs of recovery through July. 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 foreclosure 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 22 shows economic indicators for the region.



The mountain region's labor market began to improve in late 2010 and has continued to improve through the first half of 2011, adding about 2,900 jobs in the first 7 months of 2011. The unemployment rate peaked at 9.5 percent in November 2010, before falling more than a percentage point to 8.1 percent in July. Employment has increased for 11 consecutive months. Figure 55 shows recent trends in the area's nonfarm employment and Figure 56 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 leveled off in the first four months of 2011 after strong growth in the second half of 2010. Figure 57 indexes changes in the region's retail trade sales to changes in consumer spending in the nation and the state.

Table 22

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%	0.4%
Unemployment Rate /1 (2011 Figure is April Only)	3.0%	4.0%	7.7%	9.0%	8.1%
Housing Permit Growth /2					
Eagle, Pitkin, & Summit counties Total	-0.6%	-43.1%	-59.0%	-26.1%	14.1%
Routt County Total	11.6%	-43.5%	-73.5%	-59.8%	-15.0%
Growth in Value of Nonresidential Construction /2					
Eagle, Pitkin, & Summit counties	13.1%	-0.9%	-78.7%	147.9%	62.5%
Routt County	80.2%	-54.9%	-70.1%	-16.9%	/4
Retail Trade Sales Growth /3	10.0%	-1.5%	-16.3%	4.9%	9.1%

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

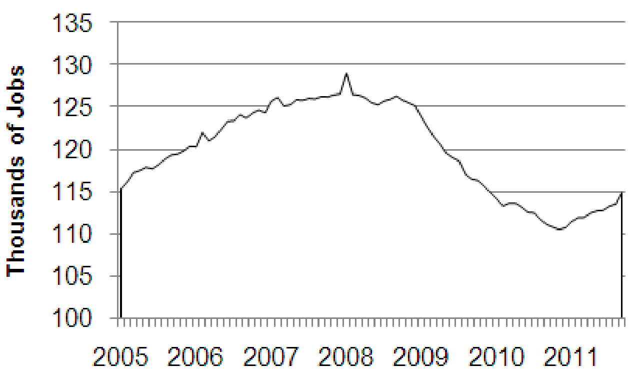
2/ F.W. Dodge. Data through July 2011.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through April 2011.

4/ Nonresidential construction in Routt County increased from $0 between January and July of 2010 to $15.8 million between January and July of 2011.

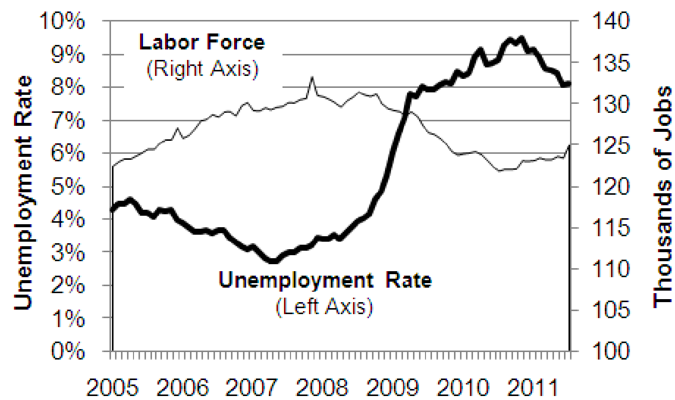
The construction market is showing some signs of improvement for nonresidential properties across the mountain region. However, the increase in nonresidential construction activity in Routt County is due to one construction project at Colorado Mountain College in Steamboat Springs. Residential housing permits increased in Eagle, Pitkin and Summit Counties, but fell in Routt County. Figure 58 shows nonresidential construction in the ski counties of Eagle, Pitkin and Summit.

Figure 55
Mountain Region Nonfarm Employment
Seasonally Adjusted



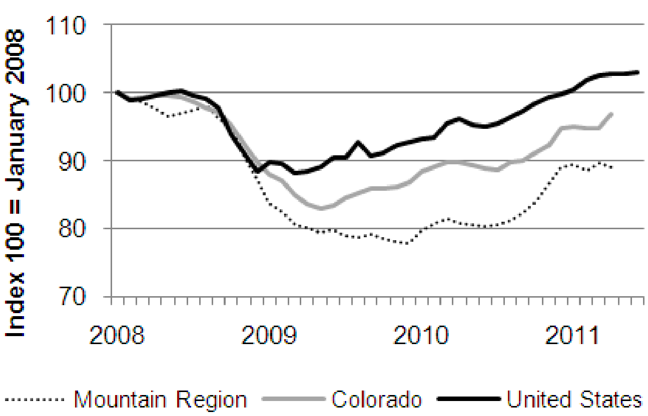
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

Figure 56
Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



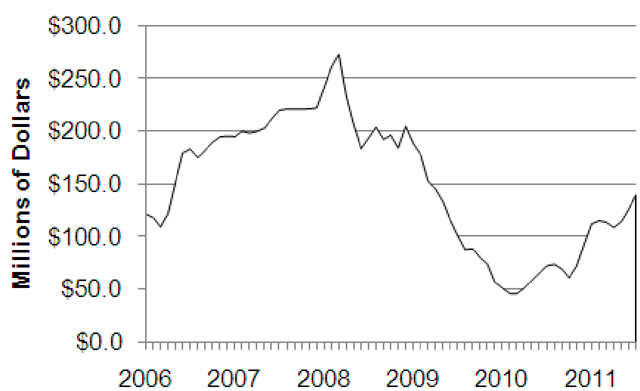
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

Figure 57
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average;
Seasonally Adjusted Annualized Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August; U.S. data through June 2011.

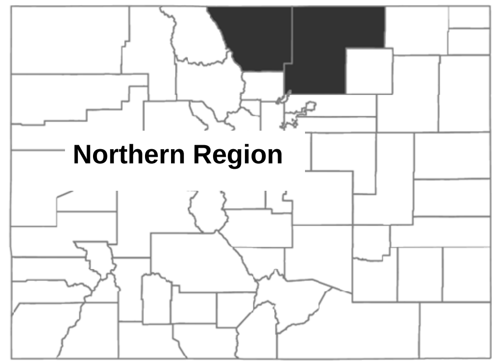
Figure 58
Eagle, Pitkin, and Summit Counties
Nonresidential Construction
Three-Month Moving Average;
Seasonally Adjusted Annualized Nominal Data



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

Northern Region

Buoyed by strength in the agriculture and oil markets, the northern region's economy is the healthiest in the state. Employment in the region has continued to increase through the first half of 2011, 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 23 shows economic indicators for the region.



As shown in Figure 59, the labor market in the northern region has embarked on a slow recovery. The Fort Collins-Loveland area experienced their lowest employment level in December 2009. Since then, through July 2011, the Fort Collins-Loveland area has added 5,000 jobs on a seasonally adjusted basis, with 3,500 of them added in 2011 alone. The unemployment rate in the Fort Collins-Loveland area was 6.9 percent in July, and remains one of the lowest urban unemployment rates statewide. The Greeley area's

Table 23
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%	1.8%
Greeley MSA	2.9%	1.4%	-4.9%	-1.1%	0.7%
Unemployment Rate /2 (2011 Figure is July Only)					
Fort Collins-Loveland MSA	3.4%	4.2%	7.2%	7.4%	6.9%
Greeley MSA	4.1%	5.2%	9.3%	10.2%	9.9%
State Cattle and Calf Inventory Growth /3	1.9%	1.9%	-5.5%	1.9%	8.7%
Housing Permit Growth /4					
Fort Collins-Loveland MSA Total	-41.3%	-1.0%	-66.0%	154.5%	21.7%
Fort Collins-Loveland MSA Single-Family	-22.2%	-36.4%	-49.2%	-32.1%	48.4%
Greeley MSA Total	-38.6%	-46.8%	-20.6%	10.4%	-16.5%
Greeley MSA Single-Family	-40.5%	-45.1%	-13.7%	2.7%	-16.1%
Growth in Value of Nonresidential Construction/ 5					
Larimer County	-34.5%	-9.9%	-51.7%	-34.1%	87.0%
Weld County	19.4%	25.3%	77.2%	-72.7%	-68.6%
Retail Trade Sales Growth /6					
Larimer County	6.5%	-0.7%	-8.9%	7.7%	7.5%
Weld County	7.6%	2.0%	-15.1%	9.9%	27.6%

MSA = Metropolitan statistical area.

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

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

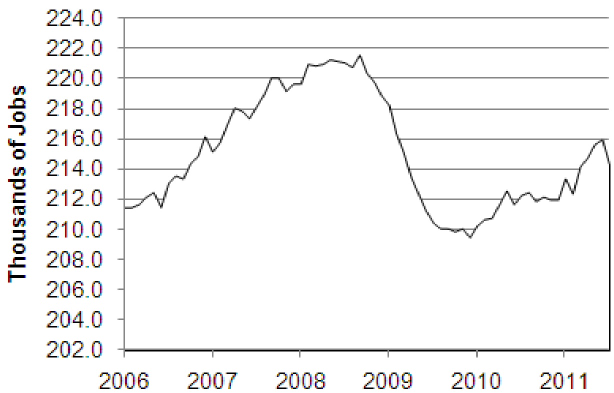
3/ National Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares July 1, 2011 over prior year period in 2010.

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

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

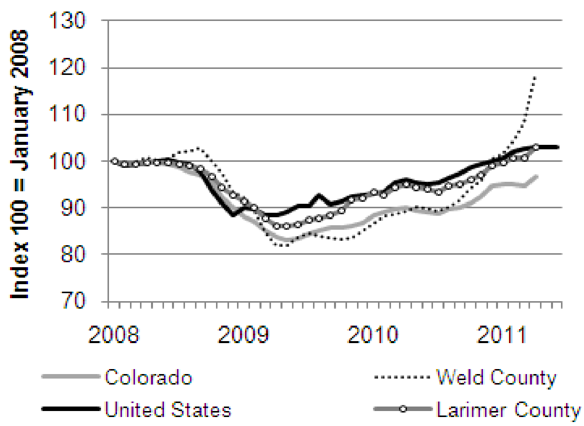
6/ Colorado Department of Revenue. Seasonally adjusted. Data through April 2011.

Figure 59
Fort Collins-Loveland and Greeley MSA Nonfarm Employment
Seasonally Adjusted



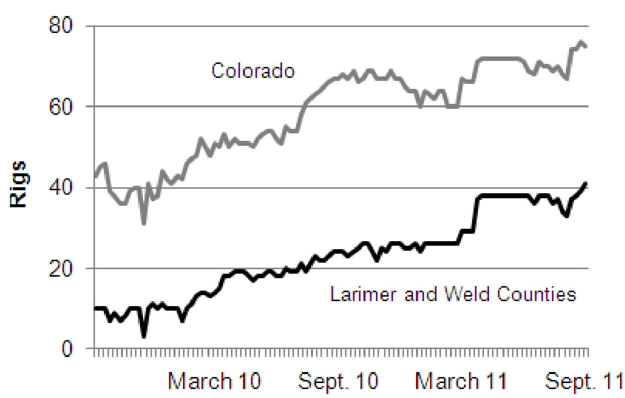
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

Figure 60
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 April 2011. U.S. data through June 2011.

Figure 61
Colorado and Northern Region Operating Rig Count
Weekly Data; Not Seasonally Adjusted



Source: Baker Hughes. Data through September 2, 2011.

unemployment rate ticked up from 9.3 percent in April to 9.9 percent in July, and is still among the highest rates in the state.

Consumer spending was up sharply in the region through the spring of 2011. Figure 60 indexes changes in retail trade sales for Larimer County and Weld County to retail trade sales for the nation and the state. Sales increased 7.5 percent and 27.6 percent in Larimer County and Weld County, respectively, year-to-date through April 2011 compared with the same time period in 2010. Retail trade sales data includes information only through April 2011, which is before the national economic recovery weakened.

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 8.7 percent in July 2011 over the same time period in 2010.

Oil and natural gas production accelerated in Larimer and Weld Counties since the end of 2010. Figure 61 shows the rig count for the northern region and the state as a whole. The rig count in the northern region has increased by 70.8 percent between January and September 2011, compared with 25.0 percent for the state as a whole over the same period.

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, residential construction in the Fort Collins-Loveland area remains at historically low levels, but the number of housing permits increased by 48.4 percent for the period of January to July 2011, compared with the same period in 2010.

Eastern Region

The agricultural industry has bolstered the 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 in recovery, 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 the first part of 2011. Table 24 shows economic indicators for the region.

Nonfarm employment in the eastern region has decreased 0.3 percent year-to-date through July compared with the first seven months of 2010. It is important to note that these job growth statistics are based on nonfarm employment data that is not affected by the positive influence of the agricultural industries in the region. Although statistics are not available, it is likely the agricultural industry has driven job growth recently. As shown in Figure 62, the region's unemployment rate has

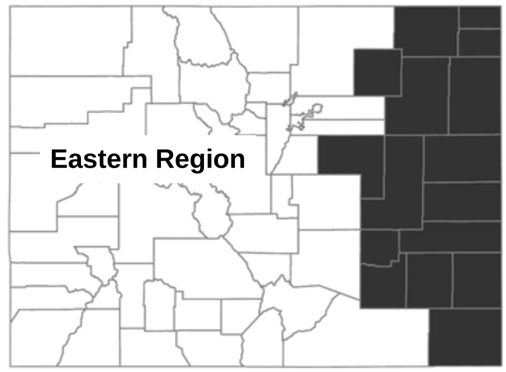


Table 24
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca counties

	2007	2008	2009	2010	YTD 2011
Employment Growth /1	0.6%	-4.0%	4.6%	-4.2%	-0.3%
Unemployment Rate /1 (2011 Figure is July Only)	3.4%	4.3%	6.1%	6.7%	6.5%
Crop Price Changes /2					
Wheat	32.4%	10.1%	-32.5%	25.1%	56.5%
Corn	31.1%	4.5%	-10.9%	37.9%	101.4%
Alfalfa Hay (Baled)	5.3%	18.0%	-20.7%	0.0%	44.0%
Dry Beans	38.7%	14.7%	-9.5%	-33.6%	6.3%
State Crop Production Growth /3					
Sorghum production	64.2%	-18.9%	50.0%	11.4%	-34.7%
Corn	10.6%	-6.8%	9.5%	20.6%	-11.1%
Winter Wheat	129.7%	-37.8%	71.9%	7.9%	-24.4%
Sugar Beets	-13.9%	-0.9%	27.0%	-14.5%	1.1%
State Cattle and Calf Inventory Growth /4	1.9%	1.9%	-5.5%	1.9%	8.7%
Retail Trade Sales Growth /5	5.9%	6.2%	-12.5%	10.0%	16.1%

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

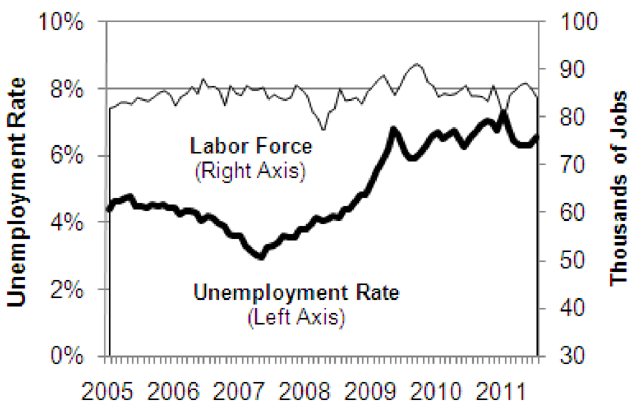
2/ National Agricultural Statistics Service.

3/ National Agricultural Statistics Service. 2011 crop price changes compares July 2011 to July 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 July 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 July 1, 2011 over prior year period in 2010.

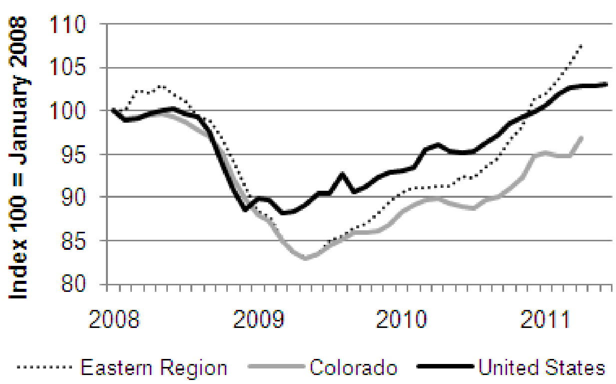
5/ Colorado Department of Revenue. Seasonally adjusted. Data through April 2011.

Figure 62
Eastern Region Unemployment Rate and Labor Force
Seasonally Adjusted



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

Figure 63
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 April 2011. U.S. data through June 2011.

begun to decrease, falling nearly a full percentage point in six months time from its high of 7.3 percent in January, 2011 to 6.5 percent in July 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 56.5 percent higher in July 2011 than in July 2010. Corn prices have also been rising significantly, posting a 101.4 percent gain between July 2010 and July 2011. Both winter wheat and corn production have declined thus far in 2011.

Meanwhile, cattle inventory in July increased 8.7 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.

Figure 63 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 the first four months of 2011, with a 16.1 percent increase over 2010, one of the fastest growth rates in the state. Retail trade sales data includes information only through April 2011, which is before the national economic recovery weakened.

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.)	1,834.7	1,900.9	1,980.2	2,057.6	2,132.6	2,213.8	2,226.9	2,184.2	2,152.8	2,179.6	2,226.0	2,279.1	2,331.3	2,350.3	2,245.6	2,220.1
percent change	4.5%	3.6%	4.2%	3.9%	3.6%	3.8%	0.6%	-1.9%	-1.4%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.1%
Unemployment Rate (%)	4.0	4.2	3.4	3.5	3.0	2.7	3.8	5.7	6.1	5.6	5.1	4.3	3.7	4.8	8.3	8.9
Personal Income	$94,039	$101,777	$110,110	$120,100	$130,663	$147,056	$156,468	$157,752	$159,918	$168,587	$179,695	$194,390	$205,242	$214,977	$210,513	$215,259
percent change	8.7%	8.2%	8.2%	9.1%	8.8%	12.5%	6.4%	0.8%	1.4%	5.4%	6.6%	8.2%	5.6%	4.7%	-2.1%	2.3%
Per Capita Income	$25,157	$26,694	$28,296	$30,260	$32,214	$33,891	$35,296	$35,023	$35,156	$36,652	$38,555	$40,898	$42,386	$43,560	$41,895	$42,802
percent change	6.2%	6.1%	6.0%	6.9%	6.5%	5.2%	4.1%	-0.8%	0.4%	4.3%	5.2%	6.1%	3.6%	2.8%	-3.8%	2.2%
Wage and Salary Income	$53,162	$57,442	$62,754	$69,862	$76,643	$86,416	$89,109	$88,106	$89,284	$93,619	$98,902	$105,833	$112,962	$117,168	$112,810	$113,918
percent change	7.9%	8.1%	9.2%	11.3%	9.7%	12.8%	3.1%	-1.1%	1.3%	4.9%	5.6%	7.0%	6.7%	3.7%	-3.7%	1.0%
Retail Trade Sales	$39,919	$42,629	$45,142	$48,173	$52,609	$57,955	$59,014	$58,850	$58,689	$62,288	$65,492	$70,437	$75,329	$74,760	$66,345	$70,738
percent change	4.8%	6.8%	5.9%	6.7%	9.2%	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	-0.8%	-11.3%	6.6%
Housing Permits	38,622	41,135	43,053	51,156	49,313	54,596	55,007	47,871	39,569	46,499	45,891	38,343	29,454	18,998	9,355	11,591
percent change	3.7%	6.5%	4.7%	18.8%	-3.6%	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-16.4%	-23.2%	-35.5%	-50.8%	23.9%
Nonresidential Construction	$1,957	$2,544	$3,274	$2,880	$3,783	$3,476	$3,500	$2,770	$2,593	$3,291	$4,221	$4,415	$5,251	$4,193	$3,192	$2,967
percent change	18.5%	30.0%	28.7%	-12.0%	31.4%	-8.1%	0.7%	-20.9%	-6.4%	26.9%	28.3%	4.6%	18.9%	-20.2%	-23.9%	-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)	3,738.1	3,812.7	3,891.3	3,969.0	4,056.1	4,339.0	4,433.1	4,504.3	4,548.8	4,599.7	4660.78	4,753.0	4,842.3	4,935.2	5,024.7	5,029.2
percent change	2.3%	2.0%	2.1%	2.0%	2.2%	7.0%	2.2%	1.6%	1.0%	1.1%	1.3%	2.0%	1.9%	1.9%	1.8%	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 percent change	$7,838.5 5.7%	$8,332.4 6.3%	$8,793.5 5.5%	$9,353.5 6.4%	$9,951.5 6.4%	$10,286.2 3.4%	$10,642.3 3.5%	$11,142.2 4.7%	$11,853.3 6.4%	$12,623.0 6.5%	$13,377.2 6.0%	$14,028.7 4.9%	$14,291.5 1.9%	$13,939.0 -2.5%	$14,526.5 4.2%
Real Gross Domestic Product (inflation-adjusted, chained to 2005) percent change	$9,425.8 3.7%	$9,845.9 4.5%	$10,274.7 4.4%	$10,770.7 4.8%	$11,216.4 4.1%	$11,337.5 1.1%	$11,543.1 1.8%	$11,836.4 2.5%	$12,246.9 3.5%	$12,623.0 3.1%	$12,958.5 2.7%	$13,206.4 1.9%	$13,161.9 -0.3%	$12,703.1 -3.5%	$13,088.0 3.0%
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%	5.7%	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%
Personal Income percent change	$6,591.6 6.3%	$7,000.7 6.2%	$7,525.4 7.5%	$7,910.8 5.1%	$8,559.4 8.2%	$8,883.3 3.8%	$9,060.1 2.0%	$9,378.1 3.5%	$9,937.2 6.0%	$10,485.9 5.5%	$11,268.1 7.5%	$11,912.3 5.7%	$12,460.2 4.6%	$11,930.2 -4.3%	$12,373.5 3.7%
Wage and Salary Income percent change	$3,616.3 5.8%	$3,876.6 7.2%	$4,181.6 7.9%	$4,460.0 6.7%	$4,827.7 8.2%	$4,952.2 2.6%	$4,997.3 0.9%	$5,139.6 2.8%	$5,425.7 5.6%	$5,701.0 5.1%	$6,068.9 6.5%	$6,421.7 5.8%	$6,550.9 2.0%	$6,270.3 -4.3%	$6,408.2 2.2%
Nonfarm Employment (millions) percent change	119.7 2.1%	122.8 2.6%	125.9 2.6%	129.0 2.4%	131.8 2.2%	131.8 0.0%	130.3 -1.1%	130.0 -0.3%	131.4 1.1%	133.7 1.7%	136.1 1.8%	137.6 1.1%	136.8 -0.6%	130.8 -4.4%	129.8 -0.8%

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