Focus Colorado: Economic And Revenue Forecast

Colorado Legislative Council Staff
Economics Section

DECEMBER 20, 2011

Table Of Contents | **Page**

The Legislative Council Staff is the nonpartisan research staff of the Colorado General Assembly.

Natalie Mullis, Chief Economist
Marc Carey
Ron Kirk
Ryan Brendle
Larson Silbaugh
Kate Watkins
Debbie Grunlien

Legislative Council Staff
029 State Capitol Building
Denver, Colorado 80203
(303) 866-3521
www.colorado.gov/lcs

Photograph captures Wolf Creek Pass near Pagosa Springs, courtesy of Simon Maghakyan

Highlights

- The **economy** has stabilized and continues to expand at a modest pace. Although the business climate continues to improve, job growth is being restrained by weakness in the real estate and financial markets, slow wage growth, higher commodity prices, and general uncertainty about the direction of the economy. The greatest risk to the forecast is the European debt crisis and its potential impact on the U.S. and global financial markets.

- The **FY 2011-12** General Fund budget is in balance. Revenue is expected to be $148.0 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.

- The General assembly will have $470.4 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 $148.0 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 $224.8 million.

- **School districts** statewide will experience a 1.5 percent increase in property tax assessed values and a 1.2 percent increase in student FTE enrollment during the 2012-13 school year.

- The adult incarcerated **prison** population will decrease by 1,027 inmates and the **parole** population will decrease by 733 parolees between 2011 and 2014.

EXECUTIVE SUMMARY

This report presents the current budget outlook based on the December 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 is in balance. Revenue is $288.9 million higher than the amount budgeted to be spent or retained in the reserve. Pursuant to Senate Bill 11-156 and Senate Bill 11-230, $221.4 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 $148.0 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 $470.4 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 6.6 percent of total expenditures in FY 2011-12. Because no budget has yet been enacted for FY 2012-13, Table 1 shows operating appropriations in FY 2012-13 at the same level as that currently budgeted for FY 2011-12. Therefore, the $470.4 million figure would be lower if it were adjusted to account for expenditure pressures resulting from inflation and caseload growth or the backfill of any one-time money used in FY 2011-12 for the operating budget.

In addition, this forecast does not anticipate that the transfers to transportation and capital construction and the reserve increase required by Senate Bill 09-228 will occur during the forecast period. 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. In FY 2012-13, the first year affected by these provisions, personal income is expected to increase 2.9 percent. This estimate is based on current federal law as of the date of this forecast and assumes that the federal payroll tax break and extended unemployment insurance benefits will expire on December 31, 2011. Personal income will grow faster than 2.9 percent if these provisions are extended. 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 $224.8 million of the $470.4 million available.

Table 1
December 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	$427.3	$749.7
2	General Fund Nonexempt Revenue	6,315.6	6,328.7	6,745.2	7,206.9
3	General Fund Exempt Revenue (Referendum C)	770.3	986.3	850.6	862.7
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**	**$7,370.7**	**$7,593.8**	**$8,017.2**	**$8,810.4**
8	Percent Change	7.5%	3.0%	5.6%	9.9%
	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	8.5	0.0	0.0	0.0
11	Rebates and Expenditures *(Lines 20-25 of Table 6)*	115.2	133.3	145.5	141.0
12	Reimbursement for Senior and Disabled Veterans Property Tax Cut	1.6	1.7	96.1	102.7
13	Capital Construction Transfers	12.0	49.3	43.7	43.7
14	Accounting Adjustments	(23.1)	NE	NE	NE
15	**Total Expenditures**	**$6,925.2**	**$7,166.6**	**$7,267.5**	**$7,269.7**
16	Percent Change	3.1%	3.5%	1.4%	0.0%
	BUDGET SUMMARY	**Preliminary**	**Estimate**	**Estimate/A**	**Estimate/A**
17	**Amount Available for Expenditure** *(Line 7 minus Line 23)*	**7,214.0**	**7,314.5**	**7,737.9**	**8,531.1**
18	Dollar Change	493.4	100.5	423.4	793.2
19	Percent Change	7.3%	1.4%	5.8%	10.3%
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	445.5	427.3	749.7	1,540.7
22	Year-End Reserve As A Percent of Appropriations	6.5%	6.1%	10.7%	22.1%
23	Statutorily-Required Reserve	156.7	279.3	279.3	279.3
24	Reserve in Excess or (Deficit) of Statutory Reserve	$288.9	$148.0	$470.4	$1,261.4
25	*Percent Change in General Fund Appropriations*	*2.7%*	*2.5%*	*NE*	*NE*
26	Addendum: TABOR Reserve Requirement	282.7	294.4	305.2	320.4
27	Addendum: 5% of Colorado Personal Income Appropriations Limit	10,797.6	10,271.9	10,660.1	11,235.7
28	Addendum: Amount Directed to State Education Fund Per Amendment 23	370.5	387.6	403.6	430.5
29	Addendum: Amount Directed to State Education Fund Per SB 11-156	221.4	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 Estimated. NA= Not Applicable.

/A Because the budget for FY 2012-13 has not yet been enacted, this analysis assumes General Fund appropriations as budgeted for FY 2011-12 (line 9) will occur in FY 2012-13 and FY 2013-14. Therefore, line 24 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.

Tax polices dependent on sufficient General Fund revenue. Several tax policies are only available when the Legislative Council Staff forecast for General Fund revenue is projected to be sufficient to allow General Fund appropriations to grow by at least 6 percent. Based on the current forecast, revenue will be sufficient for 6 percent appropriations growth in FY 2010-11, FY 2012-13, and FY 2013-14. Table 2 illustrates the availability of these tax policies. Revenue will not be sufficient in FY 2011-12. As a result, the following tax policies are not available in tax year 2012 or beginning January 2012:

- child care contribution income tax credit;
- historic property preservation income tax credit; and
- clean technology medical device sales tax refund.

While this forecast expects that the instream flow income tax credit and the sales and use tax exemption for clean room infrastructure will not become available in 2012, their actual availability will be determined by the June 2012 Legislative Council Staff 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 on Which Trigger is Based	Anticipated Forecast Availability
Child care contribution income tax credit	December forecast immediately before the tax year when the credit becomes available.	Available in tax years 2013 and 2014.
Historic property preservation income tax credit		
Clean technology medical device sales tax refund	December forecast immediately before the calendar year when the credit becomes available.	Available beginning January 2013.
Sales and use tax exemption for clean room infrastructure	If the June forecast indicates sufficient revenue for the current fiscal year, the exemption will become available in July.	Available beginning July 2013.
Instream flow income tax credit	June forecast during the tax year the credit will become available.	Available in tax year 2011; not available in 2012; and available in tax years 2013 and 2014.

Based on the current forecast, the following tax credits and exemptions are expected to be available starting in either tax year 2013 or at some time during calendar year 2013:

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

The actual availability of these tax credits and exemptions will be set by subsequent Legislative Council Staff forecasts.

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.

Revenue Forecast

The FY 2011-12 forecast for total revenue subject to TABOR increased $59.2 million relative to the September forecast. The forecast for General Fund revenue subject to TABOR increased $79.5 million, while the cash fund forecast decreased $20.3 million. The FY 2012-13 forecast for revenue subject to TABOR decreased $177.8 million, with the General Fund revenue forecast rising $15.3 million and the cash fund revenue forecast dropping $193.1 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 3.2 percent and 3.8 percent, respectively. Those forecasts were both revised up from the September forecast because of slightly higher expectations for income taxes and sales and use taxes.

- 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 7.8 percent and 3.1 percent in the next two fiscal years, respectively. However, compared with the September forecast, the cash fund projection was reduced in both FY 2011-12 and FY 2012-13, primarily because of reductions in the hospital provider fee.

- 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. This year the state will retain an estimated $986.3 million as a result of Referendum C. Table 4 presents the history and forecast for revenue retained by Referendum C.

- 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.

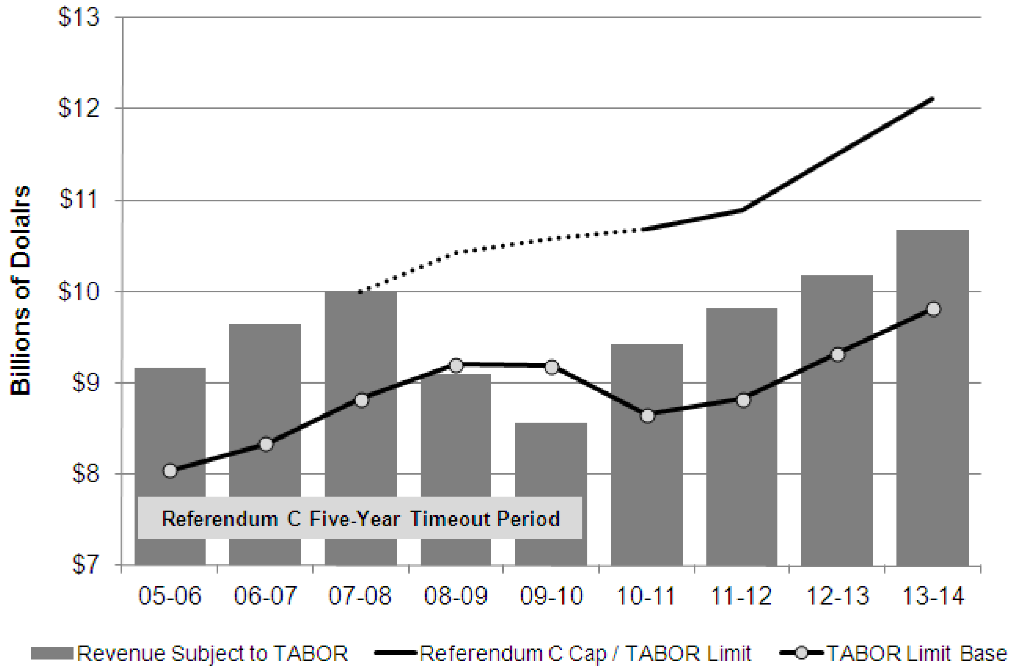
- During the decade between 2000 and 2010, the federal government overestimated Colorado's population. TABOR requires the limit to be adjusted each decade in according with the Census count. Therefore, the population growth rate used to calculate the FY 2011-12 TABOR limit is only 0.1% and reflects a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

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	$986.3
FY 2012-13	$850.6
FY 2013-14	$862.7

**Preliminary*

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).

National Economy

The U.S. economy continues to expand. Yet growth is being restrained by a number of weak industries, including state and local government, finance, and construction. While the labor market is improving, household consumption remains constrained by access to credit, slow wage growth, high commodity prices, and general uncertainty about the direction of the economy. Despite financial scares from Europe, the U.S. business climate continues to improve at a modest pace.

The economy will grow at a very slow pace in 2012, and at a slightly stronger pace in 2013. The European sovereign debt crisis is expected to impact consumer and business confidence in the near term, which will temper expansion. The debt crisis poses the greatest threat to the U.S. outlook. If it is not addressed in a timely and effective manner, it could spread to U.S. financial markets and adversely affect the U.S. much more than already expected.

Colorado Economy

The recovery in the Colorado economy has stabilized. Job growth and consumer spending gained momentum through the summer and fall of 2011. While the economy is expected to continue to grow through 2012, growth will be at rates below the long run potential, weighed down by continuing imbalances in the real estate and credit markets, high levels of consumer debt, and rising prices. The greatest risk to the forecast is the European sovereign debt crisis and its potential impact on the U.S. and global financial markets.

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 increased activity this year in the northern region 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 and economic activity in the Metro Denver and Pueblo regions is strengthening gradually.

In contrast, the economy in the western region remains the weakest in the state. Growth in the region's natural gas industry has slowed as a result of falling natural gas prices. In addition, the economy in the Colorado Springs region is showing only weak signs of recovery.

Assessed Value Forecast

Total assessed values for all property classes decreased 5.1 percent in 2011, reaching $87.9 billion. However, values are expected to rise 1.5 percent in 2012 to a total value of $89.2 billion. The modest increase will come as the economy gains traction and some limited new construction occurs. Values in 2013 are expected to increase 0.6 percent, reflecting a continuing slowdown in the residential housing market coupled with slow growth in nonresidential property values. The residential assessment rate is expected to remain at 7.96 percent throughout the forecast period.

Kindergarten through 12th Grade (K-12) Enrollment Forecast

Enrollment in K-12 public schools in Colorado increased 1.3 percent in the current school year, or by 9,918 students. In the 2012-13 school year, K-12 enrollment is projected to increase 1.2 percent, or by 9,537 students. Enrollment in the following school year is expected to increase 1.3 percent, or by 10,187 students. The northern, metro Denver, and Colorado springs regions will continue to drive statewide enrollment growth throughout the forecast period. These regions have the largest student populations and growing job opportunities, which will attract families to those areas. Enrollment in other regions of the state is expected to remain flat or decrease throughout the forecast period.

Prison and Parole Population Forecasts

The **adult incarcerated prison population** is expected to decrease from 22,610 in June 2011 to 21,583 in June 2014, or by 1,027 inmates. This represents an average annual rate of decline of 1.5 percent, or about 342 inmates per year. The in-state parole population is projected to decrease from 8,181 in June 2011 to 7,333 in June 2014, falling at an annual average rate of 3.6 percent. The total number of parolees (those supervised in-state and out-of-state) is expected to decrease from 10,103 to 9,115 during the three-year forecast period.

The **juvenile commitment population** is expected to decrease from an average daily population of 1,038 in June 2011 to 981 in June 2011. By June 2014, the commitment population will fall to 947 juveniles, representing an average annual decrease of 3.0 percent.

Table 5
December 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	$7,080.9	$7,286.1	$7,566.9	$8,040.6
2	Cash Funds	2,343.7	2,527.6	2,605.5	2,637.9
3	**Total TABOR Revenue**	**$9,424.6**	**$9,813.8**	**$10,172.4**	**$10,678.6**
	Revenue Limit				
4	Allowable TABOR Growth Rate	1.2%	2.0%	5.6%	5.3%
5	Inflation (from prior calendar year)	-0.6%	1.9%	4.1%	3.7%
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	$9,321.8	$9,815.9
8	Voter-Approved Revenue Change (Referendum C)	$770.3	$986.3	$850.6	$862.7
9	Total TABOR Limit / Referendum C Cap	$10,683.1	$10,896.8	$11,507.0	$12,116.9
	Retained/Refunded Revenue				
10	Revenue Retained under Referendum C /C	$770.3	$986.3	$850.6	$862.7
11	**Total Available Revenue**	**$9,424.6**	**$9,813.8**	**$10,172.4**	**$10,678.6**
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 began recovering and because of revenue-augmenting legislation passed during the 2009 and 2010 legislative sessions. Table 6 on page 14 illustrates 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 $628 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 much more slowly, by 3.2 percent and 3.8 percent, respectively.

The General Fund revenue forecast for FY 2011-12 was increased by almost $80 million compared with the September forecast, or by 1.1 percent. The increase was primarily due to upward revisions in the forecasts for sales and use taxes as well as income taxes. This change resulted from slightly better revenue collections in the first five months of the year than previously anticipated. In FY 2012-13, expectations for General Fund revenue were relatively unchanged, increasing just over $15 million, or 0.2 percent.

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 0.3 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 accounting basis, sales tax revenue is projected to increase 3.0 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.

Retail trade growth has been strong in several regions of the state through June 2011, the most recent data available. This trend is consistent with sales tax collections through November despite economic uncertainty and declining consumer confidence in the late summer of 2011. Retail trade is expected to grow in 2012, but at a slower rate than in 2011.

Compared with the September forecast, the sales tax forecast was increased by $41 million in FY 2011-12 and $42 million in FY 2012-13, reflecting a modest increase in consumer spending and the fact that sales taxes continue to grow faster than the economy.

Use tax revenue rebounded sharply in FY 2010-11 from the recession trough, increasing 22.0 percent. It is expected to increase at a more moderate pace next year, growing 6.6 percent in FY 2011-12 before decreasing 0.8 percent in FY 2012-13. Compared with the September forecast, the outlook for use tax revenue is slightly higher in FY 2011-12 and slightly lower in FY 2012-13, leaving the two-year total essentially unchanged.

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

Table 6
December 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	$2,043.5	12.0	$2,037.4	-0.3	$2,062.4	1.2	$2,137.2	3.6
2	Use	190.1	22.0	202.6	6.6	200.9	-0.8	210.1	4.5
3	Cigarette	39.3	-3.8	38.8	-1.3	38.2	-1.5	37.7	-1.4
4	Tobacco Products	13.8	-14.2	15.4	11.8	16.0	3.6	12.6	-21.3
5	Liquor	36.4	2.8	34.4	-5.7	35.2	2.6	35.9	1.9
6	TOTAL EXCISE	$2,323.1	12.1	$2,328.5	0.2	$2,352.8	1.0	$2,433.4	3.4
7	Net Individual Income	$4,496.1	10.1	$4,716.3	4.9	$4,925.8	4.4	$5,258.1	6.7
8	Net Corporate Income	393.9	5.9	404.7	2.7	417.1	3.1	440.1	5.5
9	TOTAL INCOME TAXES	$4,890.0	9.7	$5,121.0	4.7	$5,342.9	4.3	$5,698.1	6.6
10	Less: Portion diverted to the SEF	-370.5	12.6	-387.6	4.6	-403.6	4.1	-430.5	6.7
11	INCOME TAXES TO GENERAL FUND	$4,519.5	9.5	$4,733.4	4.7	$4,939.3	4.4	$5,267.7	6.6
12	Estate	-0.1	NA	0.0	NA	45.0	NA	94.0	108.9
13	Insurance	189.6	1.5	196.7	3.7	206.5	5.0	220.2	6.6
14	Pari-Mutuel	0.5	-0.4	0.5	-10.5	0.4	-19.4	0.3	-19.3
15	Investment Income	7.9	-21.6	9.2	17.0	10.7	15.9	13.2	23.3
16	Court Receipts	3.6	-80.0	1.8	-49.5	0.7	-61.1	0.5	-28.6
17	Gaming	20.4	NA	20.2	NA	20.2	NA	20.2	NA
18	Other Income	21.280	-18.1	24.7	16.0	20.2	-18.1	114.1	464.7
19	TOTAL OTHER	$243.3	-5.6	$253.1	4.0	$303.8	20.0	$368.5	21.3
	GROSS GENERAL FUND	**$7,085.8**	**9.7**	**$7,315.0**	**3.2**	**$7,595.8**	**3.8**	**$8,069.6**	**6.2**
	REBATES & EXPENDITURES:								
20	Cigarette Rebate	$11.0	-5.3	$11.3	2.9	$11.2	-1.5	$11.0	-1.4
21	Old-Age Pension Fund	91.3	-12.6	102.6	12.4	110.2	7.4	90.2	-18.1
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	0.9	17.0	1.1	15.9	1.3	23.3
24	Fire and Police Pension Association	4.3	1.3	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	-0.6	0.9	-0.9
26	TOTAL REBATES & EXPENDITURES	$115.2	-12.1	$133.3	15.7	$145.5	9.2	$141.0	-3.1

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	0.2	0.2
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*	*$120.7*	*$64.2*

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.

Individual income taxes in FY 2011-12 and FY 2012-13 are expected to grow more slowly than in FY 2010-11, increasing 4.9 percent and 4.4 percent, respectively. These forecasts were marginally increased relative to the September forecast because of slightly higher income tax collections in the first five months of the fiscal year. Compared with the prior forecast, the individual income tax forecast was increased by $23 million and $30 million for FY 2011-12 and FY 2012-13, respectively.

Nationally, corporate profits have soared, growing by 37.7 and 15.1 percent in the last two fiscal years. While corporate profits in Colorado did not grow quite as rapidly, increasing 27.2 and 5.9 percent during this same two-year period, they still exhibited growth, and this trend is projected to continue, though at a more modest pace. In FY 2010-11, Colorado **corporate income** tax collections totaled $394 million on an accrual accounting basis.

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	37.0
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 /C	-	-	-	-	-
HB 11-1300	Conservation Easement Tax Credit	-	-	2.0	4.0	(2.0)
H.R. 4853 /D	Accelerated Expensing and Bonus Depreciation	-	-	(70.1)	(98.1)	(25.4)
Total Income Taxes		*0.0*	*5.0*	*(25.2)*	*(27.1)*	*40.3*
Estate Taxes						
H.R. 4853 /D	Reinstates Federal Credit for State Estate Taxes	-	-	-	-	45.0
Pari-mutuel Taxes						
SB 09-174	Horse and Greyhound Racing Regulation	-	0.2	0.2	0.2	0.2
Insurance Premium Taxes						
SB 09-259	Cash Fund the Division of Insurance	-	2.5	2.5	2.5	2.5
Total State Revenue Measures		**$16.1**	**$115.7**	**$167.5**	**$96.3**	**$152.2**

/A These bills are effective only during years in which General Fund revenue is sufficient to allow General Fund appropriations to increase 6 percent. The trigger is removed from the Child Care Contribution credit beginning tax year 2013. Please see the executive summary for the availability of these incentives during the forecast period.

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

/C HB 11-1081 begins to impact revenue in FY 2013-14.

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

Corporate income taxes are projected to rise to $405 million in FY 2011-12, a 2.7 percent increase from the prior year. Over the remainder of the forecast period, corporate income tax revenue is expected to rise another 3.1 percent in FY 2012-13 and 5.5 percent in FY 2013-14.

This pattern of projected corporate tax collections accounts for 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. This also means, however, that businesses will have fewer equipment deductions in future years than they otherwise would have. Thus, corporate income tax revenue will increase 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 growth in revenue similar to income taxes. After receiving $371 million in FY 2010-11, it will receive $388 million in FY 2011-12 and $404 million in FY 2012-13.

The **tax amnesty program,** enacted by Senate Bill 11-184, will result in the collection of additional income tax and sales tax revenue. To date, about $7.5 million in income and sales tax revenue has been deposited into the Tax Amnesty Cash Fund, up to another $3 million expected to be collected before December 31, 2011. From this amount, the legislation specifies that the Department of Revenue retain $1 million for administrative expenses related to the program and to prepare biennial tax profile and expenditure reports. Another $175,000 may be transferred to the family medicine residency training program under certain conditions. The balance, estimated at approximately $9 million, is to be transferred to the **State Education Fund** on December 31, 2011.

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

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 on page 20 summarizes the forecast for revenue to cash funds subject to TABOR. The largest sources of this revenue are fuel taxes and other transportation-related revenue, revenue from the hospital provider fee, severance taxes, and revenue from gaming.

The end of this section also presents the forecasts for federal mineral leasing and unemployment insurance revenue. These forecasts are presented separately because they 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 7.8 percent over FY 2010-11. The increase is mostly attributable to the projected increase in revenue from the hospital provider fee and severance tax collections compared with the previous year. These increases will offset the decline in insurance-related revenue attributable to 2009 legislation that reduced workers compensation-related premiums. Cash fund revenue will increase 3.1 percent to $2.6 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 2011-12 provided for in **Senate Bill 11-212**. In addition, **Senate Bill 11-125** provides for an increase in fee revenue of $15 million to the Medicaid Nursing Facility Cash Fund in 2011-12 and 2012-13.

The **tax amnesty program**, enacted by **Senate Bill 11-184**, has collected a total of $10.3 million to date, with potentially up to an additional $3 million expected to be collected by the end of the year. Of this, $9.0 million was collected from state revenue sources and $1.3 million was collected in sales taxes on behalf of local governments. State revenue collected thus far includes $7.5 million in sales, use, and income taxes that have been deposited into the Tax Amnesty Cash Fund, $1.5 million in oil and gas severance taxes, and $3,455 in motor fuel taxes.

Revenue to ***transportation-related*** cash funds will see a slight increase in FY 2011-2012 and continue to grow slowly through the forecast period. Forecasts for transportation-related cash funds are shown in Table 9 on page 21.

Revenue to the *Highway Users Tax Fund (HUTF)* grew 1.8 percent in FY 2010-11, but is expected to decrease 0.9 percent in FY 2011-12. The forecast for HUTF revenue was reduced compared with the September forecast to account for the continued slowing in special fuels revenue, larger than expected declines in late registration fees, and slower than expected growth in FASTER revenue. Revenue growth from these sources is expected to be modest through the forecast period.

FASTER revenue subject to TABOR is expected to decrease 3.6 percent in FY 2011-12 to $156.6 million. Revenue from both the road safety surcharge and the late registration fee continue to decline. Late registration fee revenue is expected to decline 22.3 percent in FY 2011-12. The number of oversize and overweight vehicle permits issued has rebounded slightly since September but will not offset losses in other FASTER revenues

Table 8
Cash Fund Revenue Subject to TABOR, December 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**	**$1,093.9**	**$1,108.0**	**$1,124.1**	
% Change	2.2%	1.0%	1.3%	1.5%	**1.3%**
Hospital Provider Fee	**$442.6**	**$566.5**	**$601.2**	**$546.5**	
% Change	46.1%	28.0%	6.1%	-9.1%	**7.3%**
Severance Tax	**$149.4**	**$170.5**	**$165.2**	**$181.8**	
% Change	209.6%	14.1%	-3.1%	10.1%	**6.8%**
Gaming Revenue /A	**$98.0**	**$91.6**	**$94.4**	**$97.2**	
% Change	-3.2%	-6.5%	3.0%	3.0%	**-0.3%**
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**	**$62.8**	**$63.9**	**$64.9**	
% Change	3.3%	-9.6%	1.7%	1.6%	**-2.3%**
Capital Construction Related - Interest /B	**$3.0**	**$1.2**	**$0.5**	**$0.3**	
% Change	-8.1%	-61.1%	-60.9%	-28.6%	**-52.3%**
Other Cash Funds	**$472.0**	**$525.0**	**$555.9**	**$606.3**	
% Change	1.7%	11.2%	5.9%	9.1%	**8.7%**
Total Cash Fund Revenue	**$2,343.7**	**$2,527.6**	**$2,605.5**	**$2,637.9**	
Subject to the TABOR Limit	12.2%	7.8%	3.1%	1.2%	**4.0%**

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, December 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	$555.5	$560.5	$566.7	0.6%
% Change	0.6%	2.6%	-0.3%	0.9%	1.1%	
Registrations	$182.7	$185.0	$188.9	$191.1	$193.6	1.5%
% Change	0.4%	1.3%	2.1%	1.2%	1.3%	
FASTER Revenue /A	$155.3	$162.5	$156.6	$156.9	$158.6	-0.8%
% Change		4.6%	-3.6%	0.2%	1.0%	
Other Receipts /B	$39.0	$32.2	$27.8	$50.1	$50.9	16.5%
% Change	-26.3%	-17.3%	-13.7%	80.3%	1.5%	
Total HUTF	**$919.9**	**$936.9**	**$928.8**	**$958.7**	**$969.8**	
% Change	18.7%	1.8%	-0.9%	3.2%	1.2%	
State Highway Fund	$53.1	$42.6	$53.4	$54.2	$55.1	9.0%
% Change	-23.4%	-19.8%	25.3%	1.5%	1.7%	
Other Transportation Funds	$86.5	$103.2	$111.7	$95.1	$99.2	-1.3%
% Change	10.9%	19.3%	8.2%	-14.9%	4.3%	
Aviation Fund /C	*$25.3*	*$36.2*	*$38.1*	*$39.0*	*$40.1*	3.4%
Law-Enforcement-Related /D	*$11.6*	*$11.0*	*$10.8*	*$11.0*	*$11.2*	0.7%
Registration-Related /E	*$49.7*	*$56.0*	*$62.8*	*$45.1*	*$47.9*	-5.1%
Total Transportation Funds	**$1,059.5**	**$1,082.7**	**$1,093.9**	**$1,108.0**	**$1,124.1**	
% Change	14.9%	2.2%	1.0%	1.3%	1.5%	

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

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

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

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

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

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

Addendum: TABOR-Exempt FASTER Revenue

	Actual FY 09-10	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.

The Bridge Safety Surcharge 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).

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 matching revenue from local governments. As the economy begins to recover, local matching revenue will rebound and the State Highway Fund is expected to grow 25.3 percent FY 2011-12. In FY 2012-13 and 2013-14, growth is expected to remain limited due to low interest rates.

Congress has yet to approve a multi-year federal transportation funding program, but the current program (SAFETEA-LU) has been extended through March 2012. Future federal transportation funding will have an effect on the *State Highway Fund* because the majority of revenue to the fund derives from interest earnings on the fund balance, which is comprised of federal funds, as well as revenue from local governments for transportation projects that often receive federal matching dollars. Currently it is believed that SAFETEA-LU will be extended in some form for six months, although the details are unknown at this time.

After generating $442.5 million in FY 2010-11, the **hospital provider fee** program is expected to generate $566.5 million in FY 2011-12 and $601.2 million in FY 2012-13. These totals were reduced by $38.1 million and $181.1 million, respectively, from the September forecast due to the imposition of new caps on the eligibility of the childless adult population through 2013. The caps were imposed as a result of decisions made by the U.S. Department of Health and Human Services. The forecast also accounts for transfers authorized by Senate Bill 11-212.

Total **severance tax** revenue, including interest earnings, is projected to be $170.5 million in FY 2011-12, almost unchanged from the September forecast. Projected natural gas collections and interest earnings for FY 2011-12 were all revised downward from the September forecast. In contrast, coal receipts and molybdenum and metallic mineral receipts were revised slightly upward. Oil receipts were also revised upward to reflect the discovery of new reserves in the Wattenberg field. Collections in FY 2012-13 and FY 2013-14 are projected at lower levels than the September forecast, primarily due to a downward revision in future natural gas prices. The forecast incorporates the receipt of $1.5 million of oil and gas severance taxes resulting from the tax amnesty program enacted by **Senate Bill 11-184.**

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 $4.16 per Mcf (thousand cubic feet), then increase to $4.47 in 2012. The sharp decline in prices which occurred this fall, while not expected to continue, will keep average annual prices lower in the short term. Natural gas prices are projected to remain below the $5.00 per Mcf level in 2013 and 2014, even as the national economy begins to gain traction. Oil prices, which rose sharply through the fall, are expected to continue a gradual increase 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. In particular, this forecast assumes a modest bump in oil production over the next three years as a result of the announcement of Andarko's new discovery in the Wattenberg field.

Coal production represents the second-largest source of severance taxes in Colorado after oil and natural gas. Relative to the September forecast, December's projected severance tax collections related to coal for FY 2011-12 rose 2.8 percent. This increase was primarily the result of larger than expected coal receipts collected year-to-date. In FY 2012-13 and FY 2013-14, collections are expected to increase 8.1 percent and 4.2 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 to rise.

Severance tax from metallic minerals, including gold, represents a tiny fraction of total collections. This revenue source grew sharply in FY 2010-11 because of increases 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 slightly relative to the September forecast based on earnings to date. Total severance-related interest earnings are projected to fall by 5.9 percent in FY 2012-13, due to declining earnings from both the perpetual base account and the operational account of the Severance Tax Trust Fund. Interest earnings in these funds are projected to level off in FY 2013-14 and beyond.

Gaming tax revenue includes limited gaming taxes, fees, and interest earnings collected in the Limited Gaming Fund and the Historical Society Fund. Table 11 on page 24 summarizes the forecast for total gaming revenue, both subject to and exempt from TABOR, and the distribution of gaming tax revenue. Total gaming revenue is expected to decrease from $107.6 million in FY 2010-11 to $100.7 million in FY 2011-12.

Changes in gaming revenue are driven by the trend in gaming tax revenue. As the novelty of expanded gaming waned, high gas prices combined with a weak economy resulted in a 2.7 percent decline in total gaming tax revenue to $104.8 million in FY 2010-11. Revenue is expected to decrease by another 6.5 percent to $98.0 million in FY 2011-12, mainly due to the continued weak recovery and a change in the gaming tax rate structure. As the economy improves and casinos gain traction, gaming tax revenue is expected to increase by a modest 3.0 percent to $100.9 million in FY 2012-13.

The Colorado Limited Gaming Control Commission voted in May to lower the graduated gaming tax rate structure beginning July 1, 2011. The graduated rate structure is annually reviewed by the commission. Table 10 shows the change in annual rates effective July 1, 2011.

As shown in Table 11, money from Amendment 50 is distributed to community colleges and local governments in gaming communities. After administrative expenses, these distributions totaled $9.0 million in FY 2010-11 and will decrease to $7.8 million in FY 2011-12 before growing to $8.0 million in FY 2012-13. Community colleges received $7.0 million in FY 2010-11, and are expected to receive $6.1 million in FY 2011-12 and $6.2 million FY 2012-13.

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 distributed prior to expanded gaming (effective July 1, 2010), is often referred to as "*Pre-Amendment 50*"

Table 11
Gaming Revenue and Distributions, December 2011
(Dollars in Millions)

	Preliminary FY 2010-11	Estimate FY 2011-12	Estimate FY 2012-13	Estimate FY 2013-14
Gaming Revenue				
Gaming Taxes				
Pre-Amendment 50 *(Subject to TABOR)*	95.2	89.0	91.6	94.4
Amendment 50 Revenue *(TABOR Exempt)*	9.7	9.0	9.3	9.6
Total Gaming Taxes	**$104.8**	**$98.0**	**$100.9**	**$104.0**
Fees and Interest Earnings *(Subject to TABOR)*				
To Limited Gaming Fund	1.7	1.6	1.7	1.7
To State Historical Fund	1.1	1.0	1.1	1.1
Total Gaming Revenue	**$107.6**	**$100.7**	**$103.7**	**$106.8**
% change	**-3.1%**	**-6.5%**	**3.0%**	**3.0%**
Total Gaming Revenue Subject to TABOR	$98.0	$91.6	$94.4	$97.2
Distributions of Gaming Tax Revenue /A				
Amendment 50 Distributions				
Community Colleges	7.0	6.1	6.2	6.4
Gaming Counties and Cities	2.0	1.7	1.8	1.8
Amendment 50 Administrative Expenses	1.1	1.2	1.3	1.4
Total Amendment 50 Distributions	**$10.0**	**$9.0**	**$9.3**	**$9.6**
Pre-Amendment 50 Distributions				
State Historical Fund	24.2	21.6	22.0	22.5
Gaming Counties	10.4	9.2	9.4	9.6
Gaming Cities	8.6	7.7	7.9	8.0
General Fund	20.4	20.2	20.2	20.2
Economic Development Programs	22.8	18.4	19.1	19.9
Pre-Amendment 50 Administrative Expenses	11.0	11.9	13.0	14.1
Total Amendment 50 Distributions	**$97.4**	**$89.0**	**$91.6**	**$94.4**
Total Gaming Distributions /B	**$107.4**	**$98.0**	**$100.9**	**$104.0**

/A Distributions are made from gaming tax revenue only.

/B Administrative expenses were spent in FY 2010-11 above the total amount of revenue collected.

Table 12
Federal Mining Leasing Revenue Distributions
(Dollars in Millions)

Fiscal Year	December 2011 Forecast	Percent Change	September 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%	$152.5	
FY 2011-12	$161.8	6.0%	$163.3	-0.9%
FY 2012-13	$165.4	2.3%	$174.9	-5.4%
FY 2013-14	$174.7	5.6%	$184.3	-5.2%

Source: Colorado Department of the Treasury (history) and Legislative Council Staff (forecast).

revenue. This money is distributed as required by the state constitution and state statutes to the State Historical Society, gaming cities and counties, the General Fund, and various economic development programs. After administrative expenses, these distributions totaled $86.4 million in FY 2010-11. Distributions will decline to $77.0 million in FY 2011-12 and increase to $78.7 million in FY 2012-13 as the economy improves.

Table 12 presents the December 2011 forecast for ***federal mineral lease (FML) revenue*** compared with the September forecast. FML revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of energy production. Since FML revenue is not deposited into the General Fund and is exempt from the TABOR amendment, the forecast is presented separately from other sources of state revenue.

The forecast for FML revenue was decreased slightly from the September forecast, due to a downward revision in expectations for natural gas prices. Revenue is projected to increase 6.0 percent in FY 2011-12, reaching $161.8 million. FML revenue is anticipated to increase modestly over the remainder of the forecast period, reaching $165.4 million in FY 2012-13 and $174.7 million in FY 2013-14. These totals are slightly lower than the projected totals from the September forecast as expectations for natural gas prices have been revised downward. Natural gas prices plummeted nationally during the later half of 2011. In Colorado, prices dropped from nearly $5.00 per

Mcf in early June to just below $3.00 per Mcf in November. This drop was precipitous enough to warrant a downward revision for the current year. Gas prices are expected to remain relatively stable over the remainder of the forecast period.

After two years of deficits, the **Unemployment Insurance (UI) Trust Fund** is expected to have a positive fund balance of $59.6 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. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 8 on page 14. 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 14.8 percent between FY 2010-11 and FY 2011-12.

Revenue to the UI Trust Fund continues to rise due to higher benefit payments to employees. Benefit payments made by employers make up the revenue to fund. 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 made its first interest payment of $11.4 million on loans outstanding in September. 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 did not owe a special interest assessment. As of December 15, 2011, the state had $316.4 million outstanding in federal loans.

Table 13
Legislative Council Staff
Unemployment Insurance Trust Fund Forecast, December 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)	$59.6	$253.8	
Plus Income Received						
UI Premium & Premium Surcharge /A	$233.9	$371.4	$653.9	$575.7	$662.9	21.3%
Solvency Surcharge	$257.8	$411.3	$385.3	$198.5	$177.6	
Interest	$5.4	$0.3	$0.0	$2.1	$14.5	
Plus Federal UI Modernization Payment	*$128.0*					
Total Revenues	**$625.1**	**$783.0**	**$1,009.3**	**$776.3**	**$855.0**	3.0%
% Change	48.3%	25.3%	28.9%	-23.1%	10.1%	
Less Benefits Paid	($1,063.3)	($760.8)	($648.2)	($582.1)	($544.2)	-10.6%
% Change	43.3%	-28.5%	-14.8%	-10.2%	-6.5%	
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)**	**$59.6**	**$253.8**	**$564.6**	
Solvency Ratio /B						
Fund Balance as a Percent of Total Annual Private Wages	-0.23%	-0.37%	0.07%	0.30%	0.64%	

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.

NATIONAL ECONOMY

Economic growth in the U.S. accelerated through 2011. The business climate and labor market continue to improve, boosting business and household spending. Growth is expected to continue over the next several years, but at a slow pace. Federal, state, and local government budget struggles, a weak financial sector, and slow to recover housing and construction markets will temper growth. The U.S. and global financial markets face a significant downside risk with the European Debt crisis. How the crisis is addressed in the coming months will play a large role in the health of the U.S. economy.

A summary of the forecast for selected national indicators is available in Table 14 on page 41.

- Annual GDP growth will be 1.8 percent in 2011. Growth is expected to slow at the start of 2012 in light of uncertainty surrounding the Eurozone debt crisis. This uncertainty is expected to cause many businesses and households to limit spending until a more stable economic outlook emerges. Trouble in the Eurozone is also expected to impact exports to the area, which will dampen growth in 2012. Government spending and investment is expected to continue to decline over the next year amid budgetary pressures at all levels of government. Household and business spending and investment will lead growth in 2012, which will round out the year growing 2.3 percent.

Economic Activity Accelerates

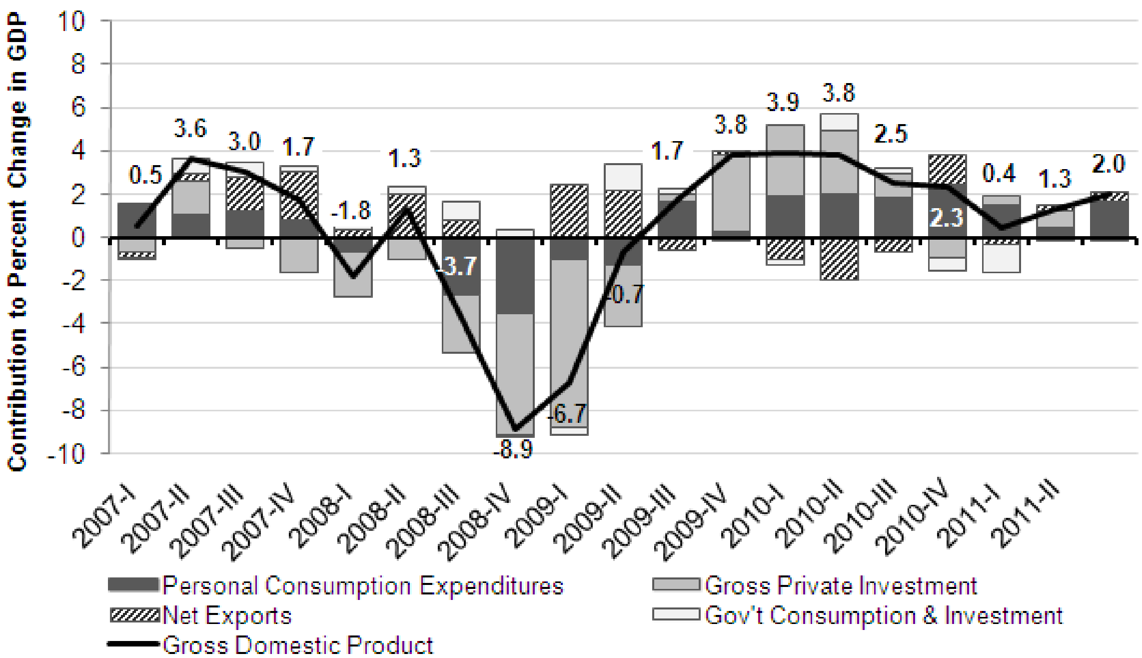
Gross domestic product (GDP) is a measure of total economic activity in the U.S. The measure is composed of household, business, and government spending and investment as well as net foreign exports. Real (inflation-adjusted) GDP accelerated through the third quarter of 2011. Real GDP increased 2.0 percent at an annualized rate in the third quarter of 2011, after growing 1.3 percent in the second quarter, and 0.4 percent in the first quarter. Personal consumption expenditures, or household spending, led growth in the third quarter. Also boosting growth, U.S. exports outpaced foreign imports. Tempering growth, government consumption and investment saw its fourth consecutive quarter of declines and gross private investment (business spending) decreased slightly. Figure 2 shows contributions to GDP since 2007.

Uncertain Global Financial Outlook

The debt crisis in Europe continues to dominate the headlines and lend uncertainty to the global financial business climate. This uncertainty has given markets around the world pause, creating stock market volatility and concern among consumers. If European leaders are unable to resolve the crisis in a timely and effective manner, the crisis will continue to deepen and spread. The U.S. is not immune to these contagion effects. A troubled global financial system does not bode well for the nation’s already struggling financial sector.

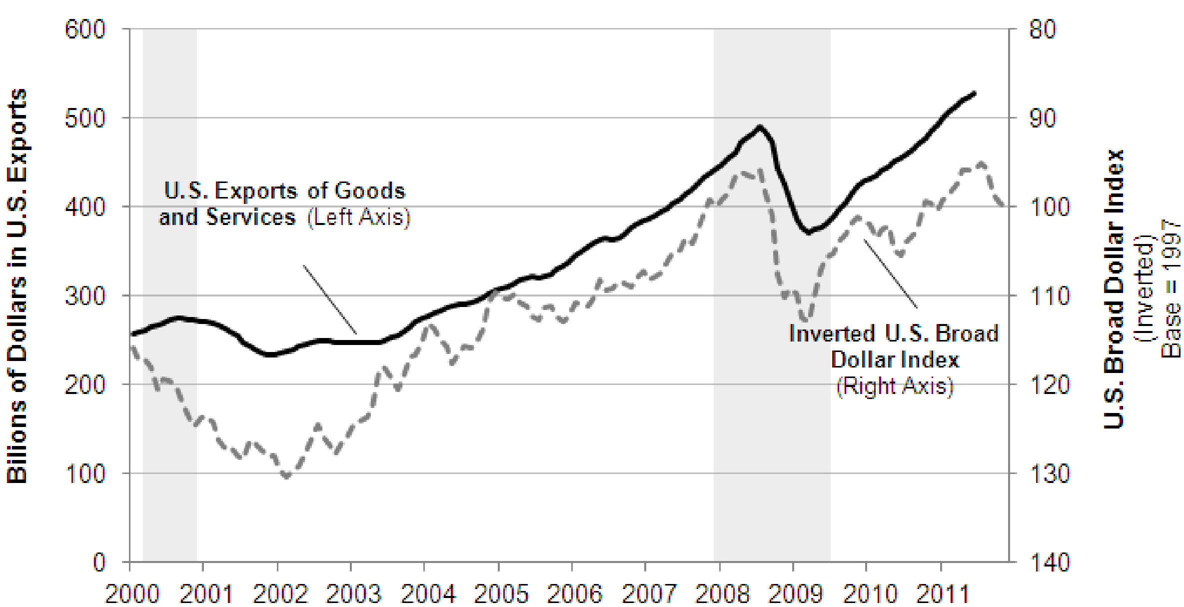
The Eurozone is already considered by many to be in recession, which will likely affect U.S. exports to the area. Europe is a major trading partner for the U.S. Historically, the Eurozone has made up about 15 percent of total U.S. exports. Through September, U.S.

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



Source: Bureau of Economic Analysis.

Figure 3
U.S. Exports Up, Value of the Dollar Down
Seasonally Adjusted Annual Rates



Source: Bureau of Economic analysis; Federal Reserve Board. Exports data through June 2011. Broad Dollar Index data through October 2011.

Exports to Europe have remained fairly steady and exports to Mexico, Canada, and China continue to climb. Contributing to the strength of exports has been the declining value of the U.S. dollar relative to other currencies. When the dollar is weak relative to other currencies, the price of U.S. goods are relatively cheaper. Over the past decade, the value of the dollar has exhibited a strong inverse relationship with exports. In Figure 3, the value of the dollar is inverted to demonstrate this relationship.

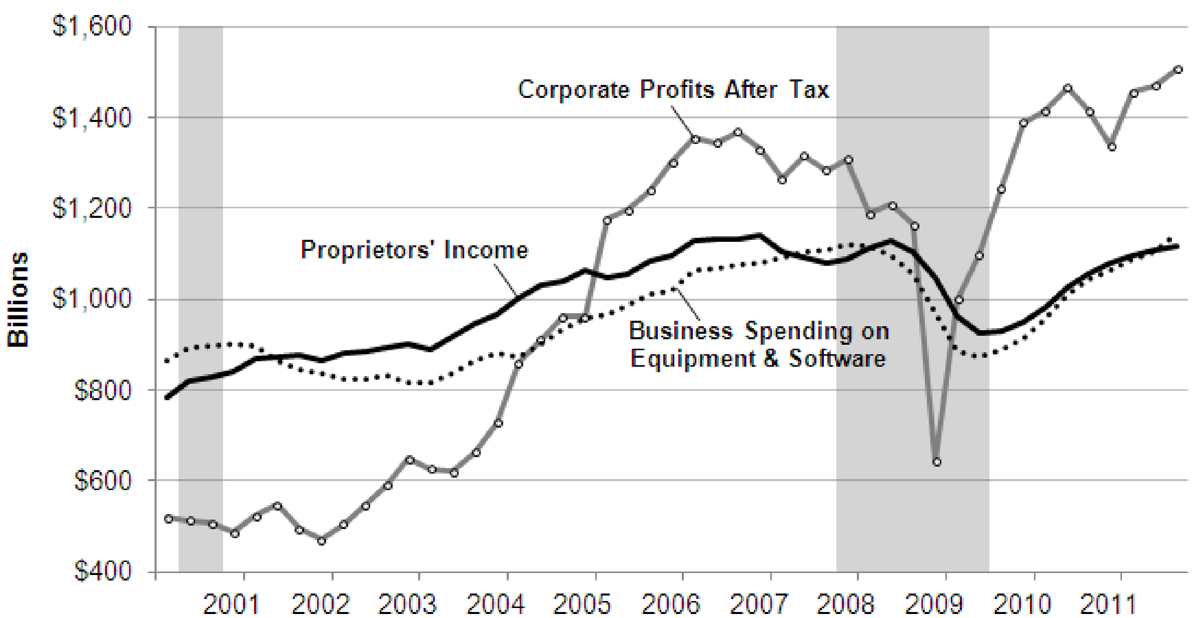
The value of the dollar over the near term could play a large role in export growth for the U.S. The debt crisis in the Eurozone will put a drag on exports to the area in 2012 and the effects of the crisis on the Euro may lead to a higher U.S. dollar value, which will also dampen growth. Europe is not the only country to watch. While some countries such as Japan are intentionally devaluing their currencies in efforts to boost exports, other countries – most notably China – are coming under increasing pressure to increase the value of their currencies.

Improvements in the Business Climate

Business spending and investment continue to rise. As shown in Figure 4, **corporate profits** are up above pre-recessionary levels, and **proprietors' income** (income to non-corporate businesses, such as partnerships or sole proprietors) continues to grow. Businesses are also dedicating more to investments, as demonstrated by sustained growth in **spending on equipment and software**.

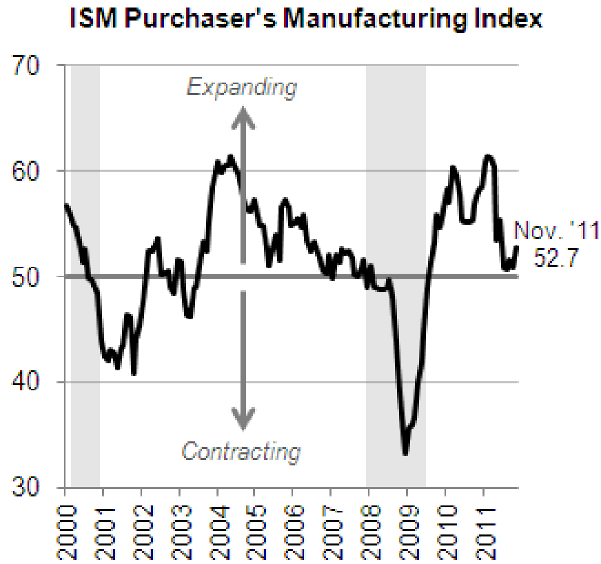
The nation's manufacturing sector continues to expand, as indicated by the Institute for Supply Management's **Purchaser's Manufacturing Index** (shown at left in

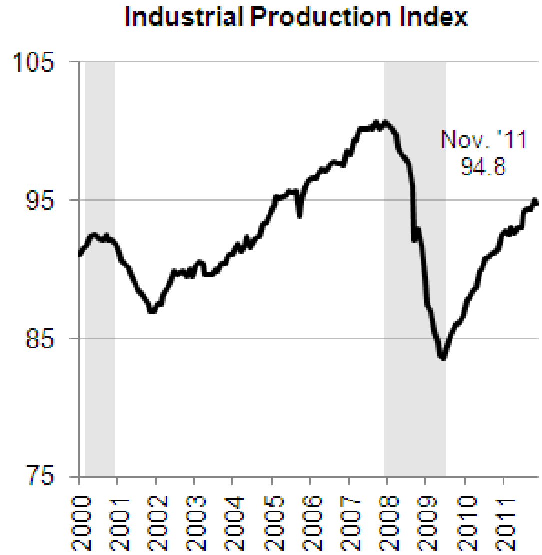
Figure 4
Business Profits, Spending, and Investment Continue to Improve
Seasonally Adjusted Annual Levels



Source: U.S. Bureau of Economic Analysis. Data through 2011 quarter two.

Figure 5
Manufacturing and Industrial Production
Seasonally Adjusted





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

Figure 5). As of November, the index began to pick up slightly, hovering just above 50, the benchmark level for expansion.

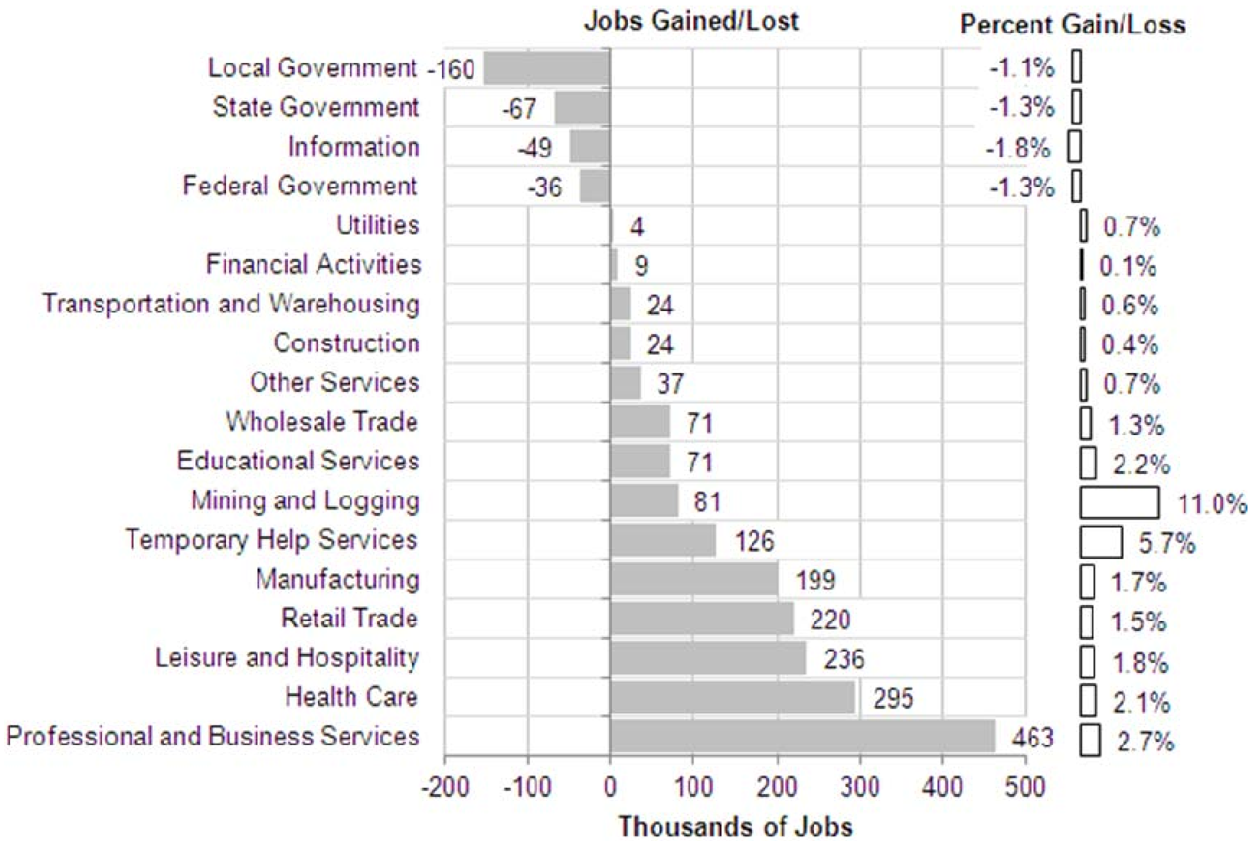
Industrial production also continues to improve, as measured by the Federal Reserve Board's **Industrial Production Index**, shown at right in Figure 5. This index measures the volume of U.S. goods produced. While the index has yet to reach pre-recessionary levels, the trend is toward continued expansion.

Labor Market Improving Slowly

November marked the thirteenth consecutive month of job gains for the nation. Through November, total **nonfarm employment** has grown 1.1 percent, adding 1.45 million jobs since the start of the year. Private sector employment has grown 1.6 percent, adding over 1.7 million jobs since the start of the year. Job losses in the government sector – particularly for state and local governments – have put a drag on job growth in 2011, with a loss of 263,000 jobs at the local, state, and federal level since December 2010.

Figure 6 shows employment trends for the nation through November. Most industries showed gains over December 2010 levels. Growth in professional and business services, which represent the largest share of the private nonfarm workforce, gained the most jobs in 2011. Health care, leisure and hospitality, retail trade, and manufacturing also experienced employment gains of at least 200,000 jobs. The mining and logging industries have grown the most of all industries in percentage terms, as the rise in energy prices has renewed demand for drilling activity. The government and information sectors saw losses job losses through November.

Figure 6
U.S. Nonfarm Employment Gains/Losses in 2011
November 2011 over December 2010 Levels, Seasonally Adjusted Data
Total Nonfarm Employment: up 1.45 million jobs (1.1%)
Total Private Nonfarm Employment: up 1.71 million jobs (1.6%)



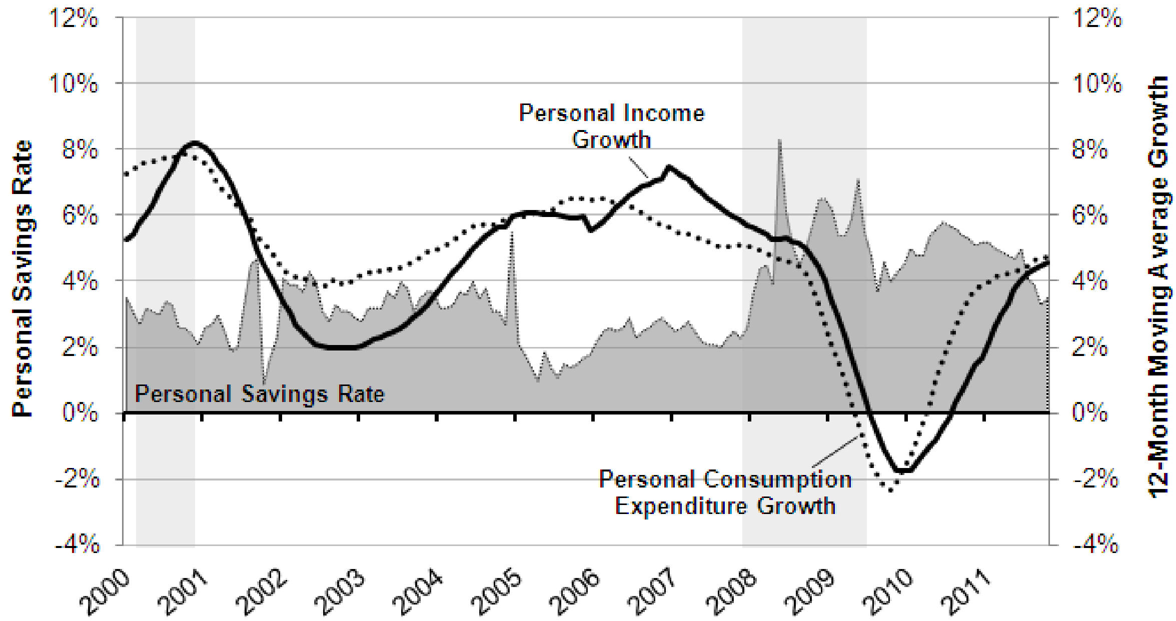
Source: Bureau of Labor Statistics.

The **unemployment rate** continues to slowly tick downward. As of November, the national unemployment rate stands at 8.6 percent, down from a high of 10.1 percent in October 2009. The nation's under-employment rate remains elevated, standing at 15.6 percent as of November. This rate represents the unemployed, those working part-time put seeing more hours of employment, and those wanting to work but who have stopped seeking work.

While the unemployment rate is falling, the average time spent unemployed continues to rise. The **duration of unemployment** reached an average of 40.4 weeks (over nine months) in the third quarter of 2011. Most state's unemployment insurance benefits are exhausted after 26 weeks (about six months). Since the 2007-2009 recession, the average duration of unemployment has more than doubled. Employment data suggests that those unemployed for more than six months are finding it particularly difficult to find work.

- The U.S. unemployment rate will fall slightly to 8.9 percent on average in 2012 and fall to an average rate of 8.3 percent in 2013 as the economy continues expand and

Figure 7
Income and Consumption Maintain Growth; Savings Rate Dips
Growth Rates are 12-Month Moving Averages; Seasonally Adjusted Data



Source: Bureau of Economic Analysis. Data through October 2011.

slowly add jobs. Nonfarm employment is expected to grow at a modest but steady rate of 0.9 percent in both 2012 and 2013.

Household Income and Spending on the Rise

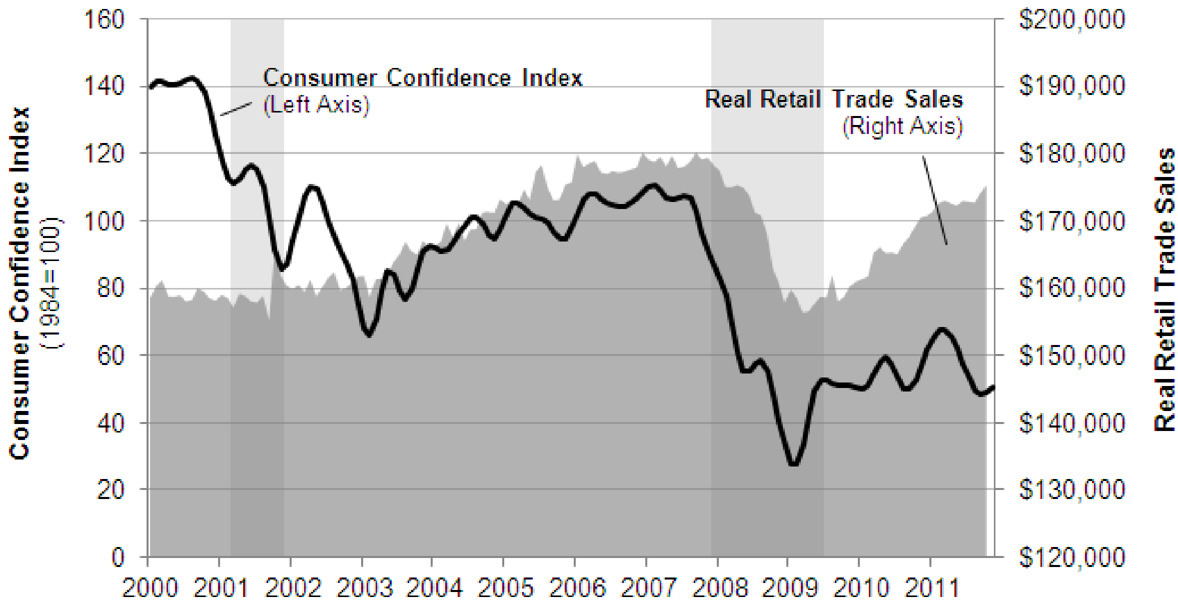
Historically, household spending has made up more than two-thirds of U.S. economic activity (as measured by GDP). Household consumption is expected to grow. However, growth will be restrained in 2012 and 2013 due high unemployment, slow job and wage growth, and consumers continuing to pay down debts.

Contributing to growth in consumption, **personal income –** a measure of all household income – is up 4.9 percent through October over the same ten-month period last year. Growth in wages and salaries accounted for the largest share of personal income growth. This component was propped up by wage and salary growth of 4.3 percent for the private sector. Income from dividends and rent also led growth, increasing 10.9 percent and 14.0 percent, respectively. Figure 7 shows growth in personal income and consumption since 2000.

Retail sales continue to climb and a dip in the savings rate indicates that consumers may be tapping into savings to support consumption. The **savings rate** is the amount of savings relative to disposable income for U.S. households. Figure 7 shows the saving rate, and Figure 8 shows real (inflation adjusted) retail sales. Despite the uptick in spending, consumer confidence remains low. In October, the **Consumer Confidence Index** rose to 56 from 40.9, a sizable increase but still a low level, as shown in Figure 8.

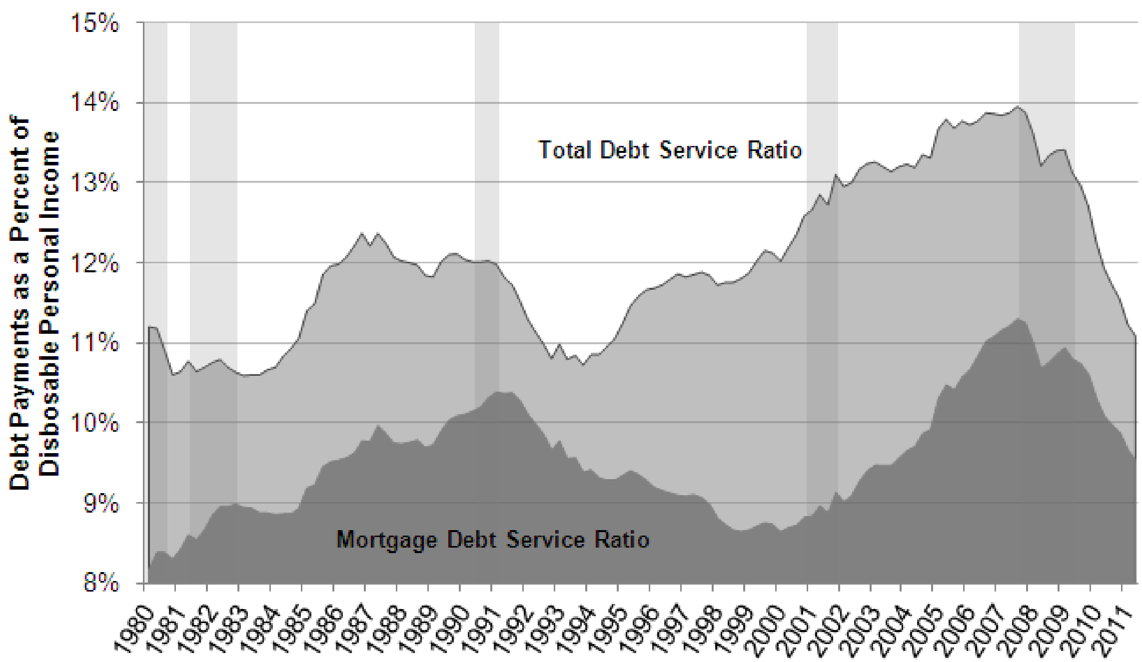
Households continue to pay down debt and improve their balance sheets. Additionally, tighter lending standards are keeping many from accessing lines of credit – particularly for mortgages. Figure 9

Figure 8
Retail Sales Are Up but Consumer Confidence Remains Low



Source: Conference Board and U.S. Census Bureau. Three-month moving averages for the Consumer Confidence Index. Retail trade data is seasonally adjusted. Data through October 2011.

Figure 9
Household Debt Payments Continue to Fall



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

shows the U.S. debt service ratio for the past decade. This ratio measures household spending on debt payments relative to total disposable income (income after taxes).

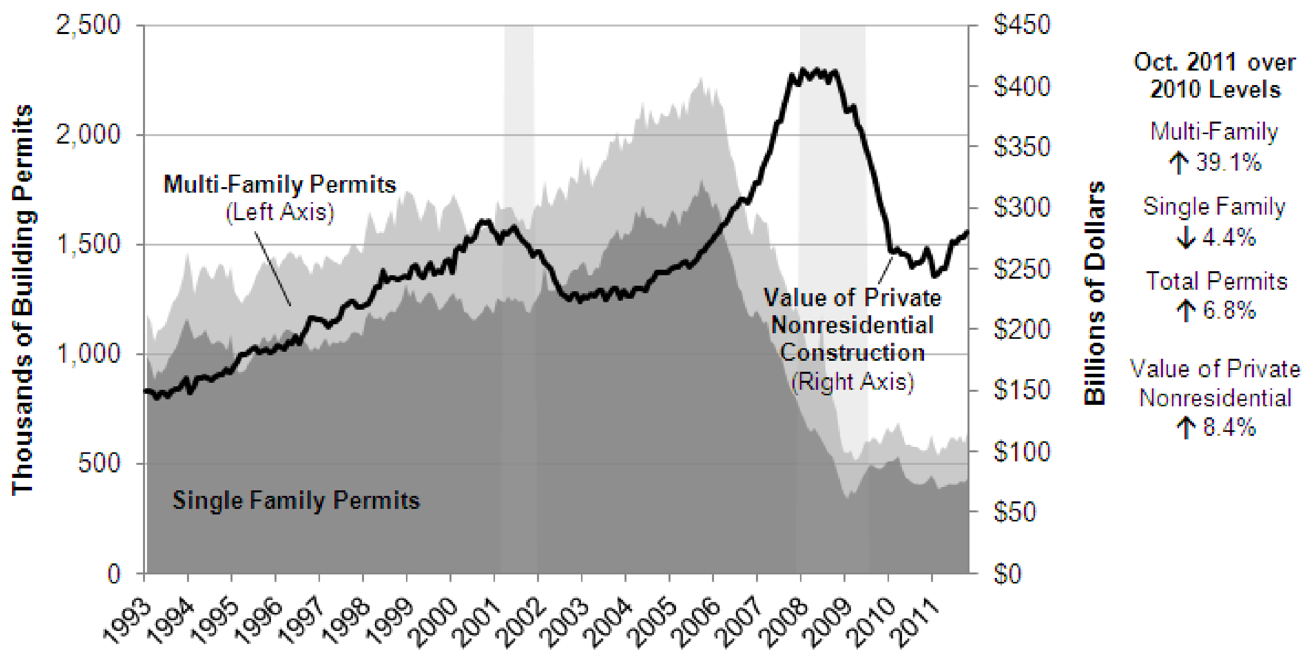
Housing and Construction Remain at Historical Lows

Housing and construction markets remain at a floor and are not expected to rise much over the next several years. Both residential and nonresidential construction improved slightly in 2011 relative to 2010, with multi-family housing experiencing the greatest growth. Yet, home prices continue to fall, and home sales and construction remain at historical lows. Figure 10 illustrates the low levels of construction activity for residential building permits and the value of nonresidential construction.

Demand for homes remains low amid a weak labor market, low wage growth, and tighter mortgage lending requirements. New home sales remain at historical lows as shown in Figure 11. The number of monthly sales dropped 80.3 percent from the high in 2005 to October. Existing home sales are also down relative to historical highs but are up slightly so far in 2011 over 2010 levels. The U.S. home supply, as measured by the ratio of homes sold relative to those for sale, remains elevated, as shown in Figure 11. Yet, this ratio has fallen considerably, indicating that the housing market is working through excess supply.

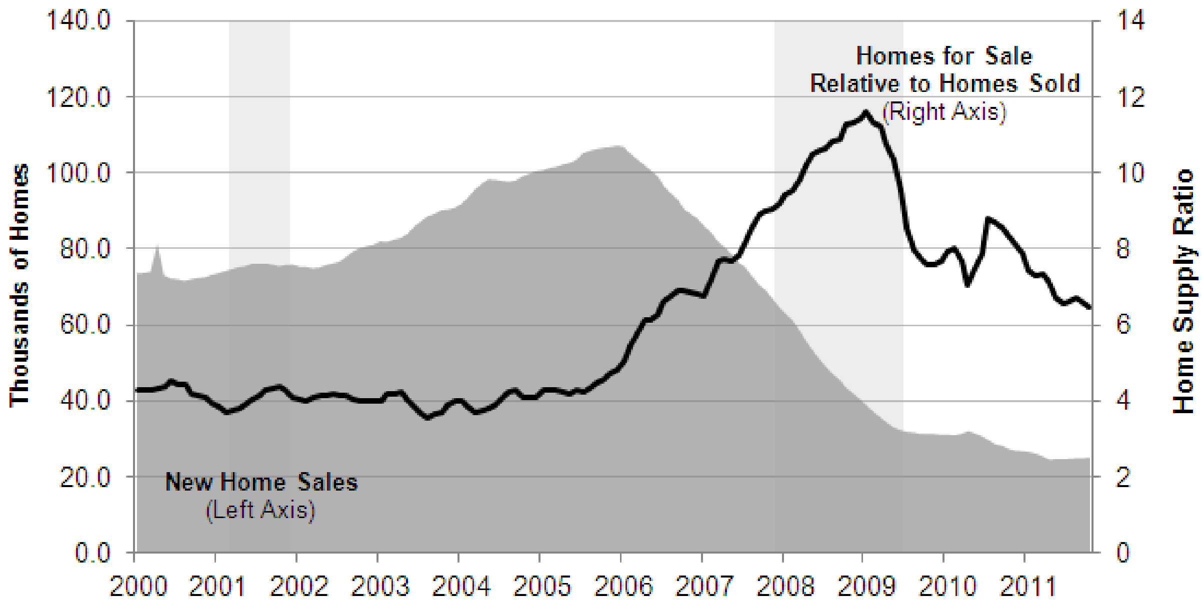
With supply fairly steady and demand down, home prices continue to tick downward. The Case-Shiller home price index is down

Figure 10
Construction Remains Weak
Seasonally Adjusted Annual Rates



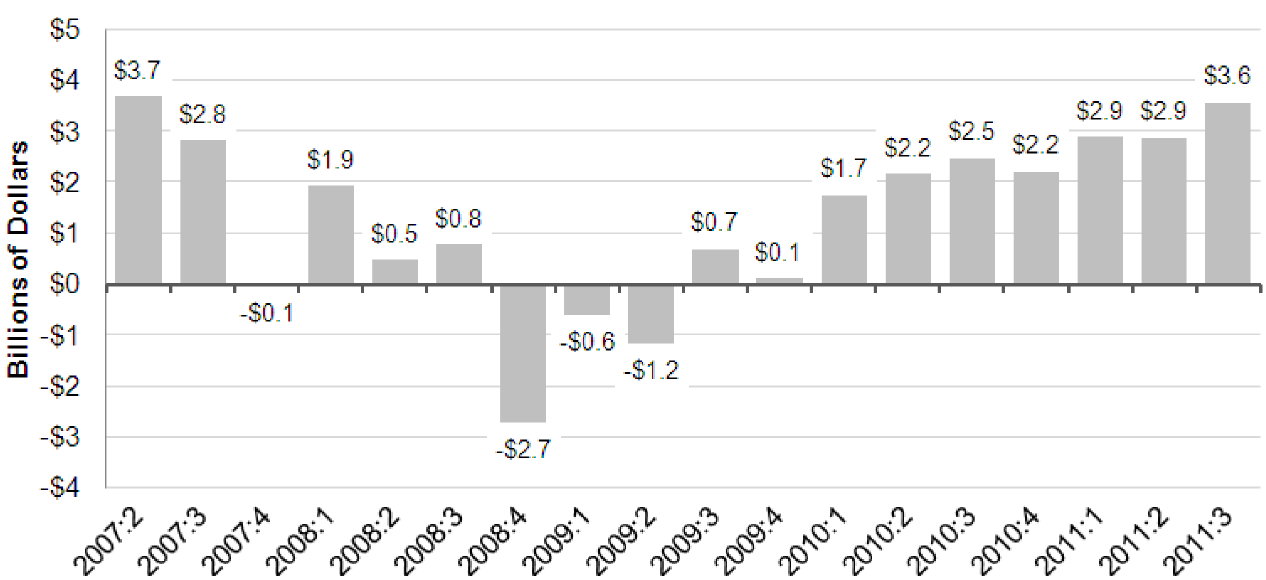
Source: U.S. Census Bureau. Data through October 2011.

Figure 11
Home Demand Down, Supply Steady, and Prices Down



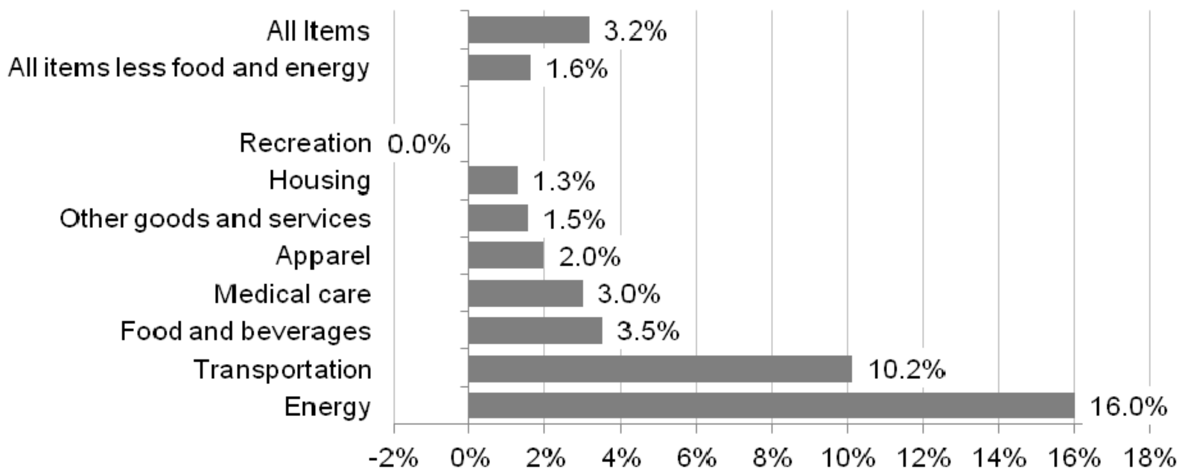
Source: U.S. Census Bureau. Home sales are seasonally adjusted three-month averages; housing supply data is not seasonally adjusted and is shown as a twelve-month average. Data through October 2011.

Figure 12
Net Income Rebounds at FDIC-Insured Institutions



Source: Federal Deposit Insurance Corporation.

Figure 13
Energy and Food Prices are Driving Inflation
January through October of 2011 over 2010 Levels, Seasonally Adjusted Data



Source: Bureau of Labor Statistics.

3.9 percent through September over the same period last year.

Banking and Credit Markets

Banking and credit conditions remain a drag on the economy as banks continue to work through problem loans. As shown in Figure 12, institutions insured by the Federal Deposit Insurance Corporation (FDIC) on average have posted profits each quarter since the fourth quarter of 2009. In addition, the share of unprofitable FDIC-insured institutions dropped from 21 percent at the end of 2010 to 15.6 percent in the third quarter of 2011.

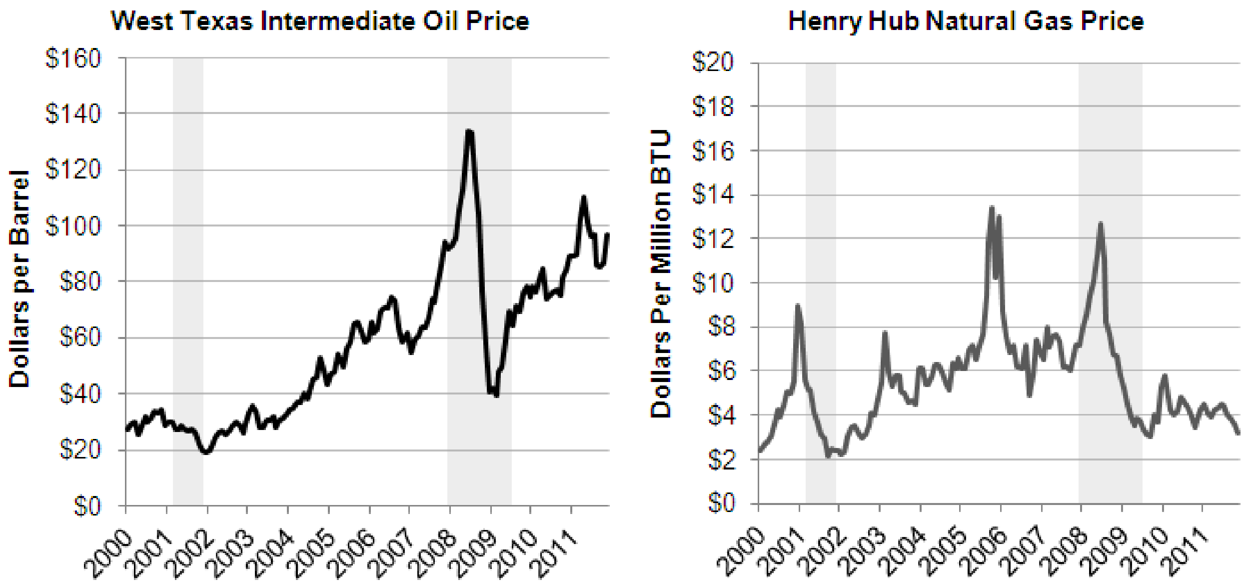
While there has been some loosening in recent months, loan standards are tighter than they were a few years ago, as banks work to strengthen their balance sheets. Lending remains particularly tight for residential mortgages. Downward pressure on home prices is keeping a relatively high percentage of 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 suggested continued, but very slow, 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. Meanwhile, lending standards for both residential and commercial real estate loans continued to remain tight.

Energy Prices and Inflation

Consumer prices are rising, driven primarily by food and fuel components, as shown in Figure 13. Through November, prices are up 3.2 percent over 2010 levels. The annual average U.S. inflation rate since 1990 is 2.6 percent. Higher oil prices in particular are

Figure 14
Energy Prices Down from 2011 Levels



Source: Dow Jones & Company. Data through October 2011.

driving up the fuel component of consumer prices. West Texas Intermediate spot prices peaked in April of this year at $110 a barrel and were at $97.21 a barrel in November. Oil prices have seen a 20.6 percent increase through November over the same period last year. Natural gas prices remain below pre-recessionary levels and have dropped 7.5 percent in the first eleven months of this year over last. Figure 14 shows oil and natural gas prices over the past ten years.

Food prices have also risen due to higher agricultural prices amid greater demand and unfavorable weather conditions that have constrained the supply of certain crops. Corn, wheat, soy, and certain livestock products, in particular, are driving up prices.

The producer price index is also on the rise. In November, crude material prices increased 15.1 percent, intermediate materials 7.7 percent, and finished goods 5.7 percent over prices in the same month a year ago. Prices increased the most for products that use food, fuel, and certain metals.

- Consumer prices with grow 3.2 percent in 2012 and 2.3 percent in 2013, boosted primarily by fuel and food components. The housing component, which is influenced heavily by the rental market, is also expected to put upward pressure on prices in the coming years.

Summary

The U.S. economy continues to expand. Yet growth is restrained by a number of weak industries, including state and local government, finance, and construction. While the labor market is improving, household consumption remains constrained by access to credit, slow wage growth, higher commodity prices, and general uncertainty about the direction of the economy. Despite financial scares from Europe, the U.S. business climate continues to improve at a modest pace.

The economy will grow at a very slow pace in 2012, and at a slightly stronger pace in 2013. The European debt crisis is expected to impact consumer and business confidence in the near term, which will temper expansion. The debt crisis poses the greatest threat to the U.S. outlook. If it is not addressed in a timely and effective manner, it could spread to U.S. financial markets and adversely affect the U.S. much more than already expected.

Risks to the Forecast

The European debt crisis poses the greatest downside risk to the forecast in the near term. How European leadership addresses the crisis in the coming weeks and the years ahead could have a significant impact on global financial markets and economic growth.

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

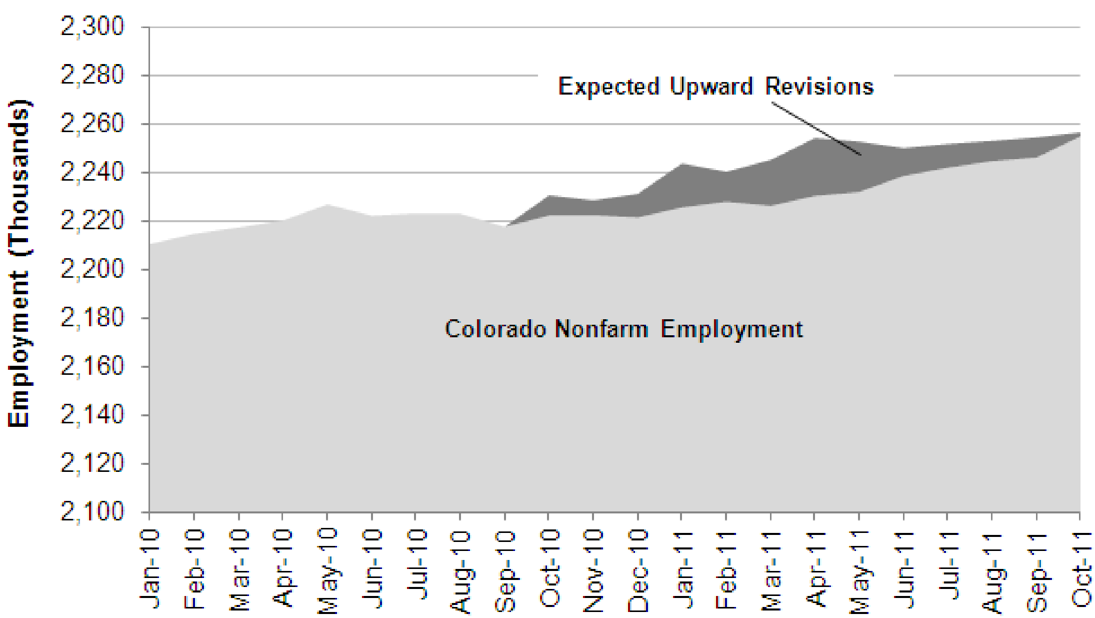
	2007	2008	2009	2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014
Inflation-adjusted GDP	$13,206.4	$13,161.9	$12,703.1	$ 13,088.0	$13,323.6	$13,630.0	$14,107.1	$14,671.4
percent change	1.9%	-0.3%	-3.5%	3.0%	1.8%	2.3%	3.5%	4.0%
Nonagricultural Employment (millions)	137.6	136.8	130.8	129.8	131.0	132.2	134.0	136.6
percent change	1.1%	-0.6%	-4.4%	-0.7%	0.9%	0.9%	1.4%	1.9%
Unemployment Rate	4.6%	5.8%	9.3%	9.6%	9.0%	8.9%	8.3%	7.9%
Personal Income	$11,912.3	$12,460.2	$11,930.2	$12,373.5	$12,992.2	$13,407.9	$13,997.9	$14,781.8
percent change	5.7%	4.6%	-4.3%	3.7%	5.0%	3.2%	4.4%	5.6%
Wage and Salary Income	$6,421.7	$6,550.9	$6,270.3	$6,408.2	$6,670.9	$6,964.5	$7,326.6	$7,773.5
percent change	5.8%	2.0%	-4.3%	2.2%	4.1%	4.4%	5.2%	6.1%
Inflation (Consumer Price Index)	2.9%	3.8%	-0.3%	1.6%	3.2%	2.3%	2.7%	3.0%

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

The recovery in the Colorado economy has stabilized. Although the economy appeared to be on the brink of recession in the fall, significant upward revisions to economic data indicate that job growth and consumer spending (as measured by state sales tax revenue) gained momentum through the summer and fall of 2011. As shown in Table 15 on page 56, the economy is expected to continue to grow through 2012. However, growth will be at rates below the long run potential, weighed down by continuing imbalances in the real estate and credit markets, high levels of consumer debt, and rising prices. The greatest risk to the forecast is the potential impact of the European sovereign debt crisis on the health of the U.S. and global financial markets. How the crisis is addressed in the coming months will play a large role in the health of the U.S. and Colorado economies.

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 increased activity this year in the northern region 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 and economic activity in the Metro Denver and Pueblo regions is strengthening gradually.

Figure 15
Nonfarm Employment Statistics Are Expected To Be Revised Upward
Seasonally Adjusted



Source: Published data are from the U.S. Bureau of Labor Statistics, Current Employment Statistics. Expected revisions are from a Legislative Council Staff analysis of anticipated revisions to employment based on Quarterly Census of Employment and Wages data from the U.S. Bureau of Labor Statistics.

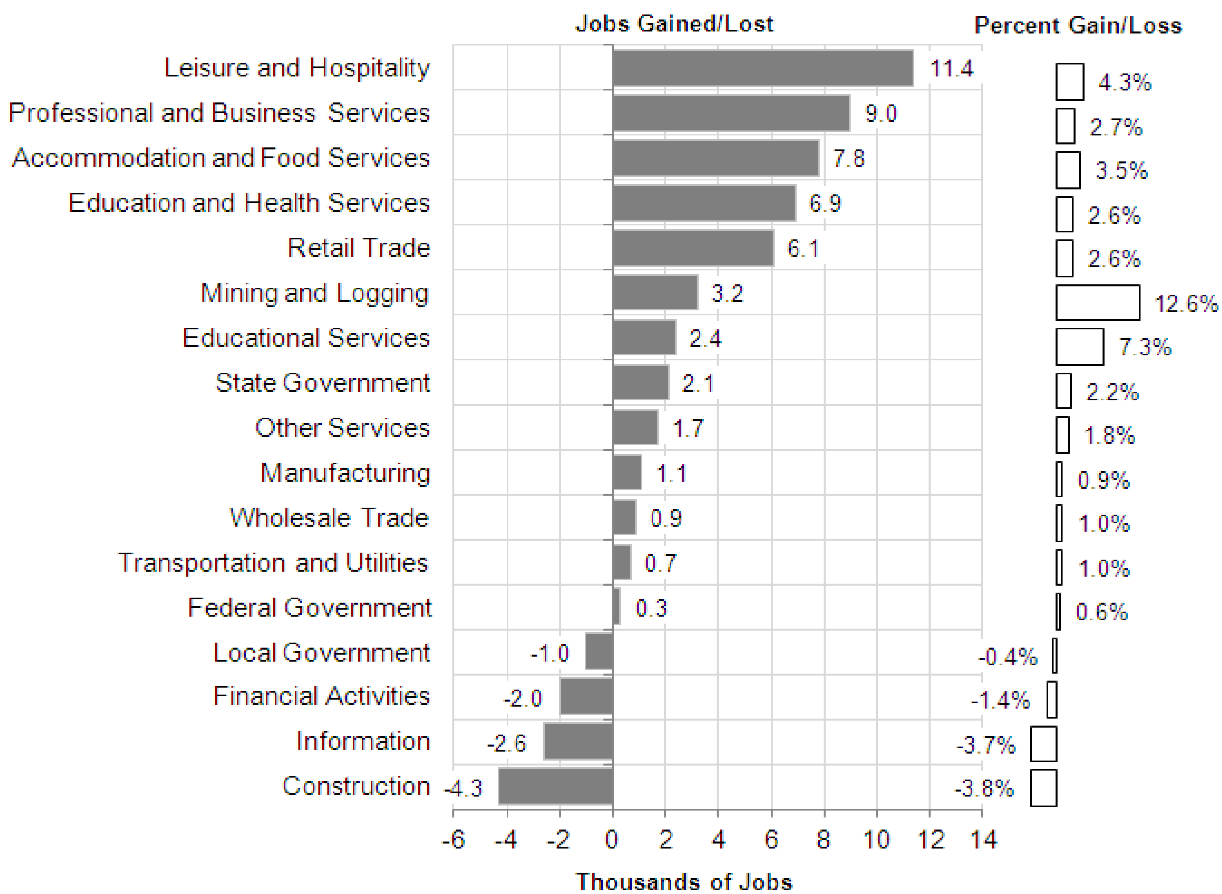
In contrast, the economy in the western region remains the weakest in the state. Growth in the region's natural gas industry has slowed as a result of falling natural gas prices. In addition, the economy in the Colorado Springs region is showing only weak signs of recovery.

Labor Market Steadily Gaining

As shown in Figure 15, Colorado's labor market has shown significant improvement since employment hit a trough in January 2010. Seasonally adjusted data currently published by the U.S. Bureau of Labor Statistics show that Colorado gained 44,500 jobs from the bottom in January 2010 through October 2011. A Legislative Council Staff analysis expects that an additional 1,500 jobs will be added to this total when the U.S. Bureau of Labor Statistics publishes revisions in March 2012.

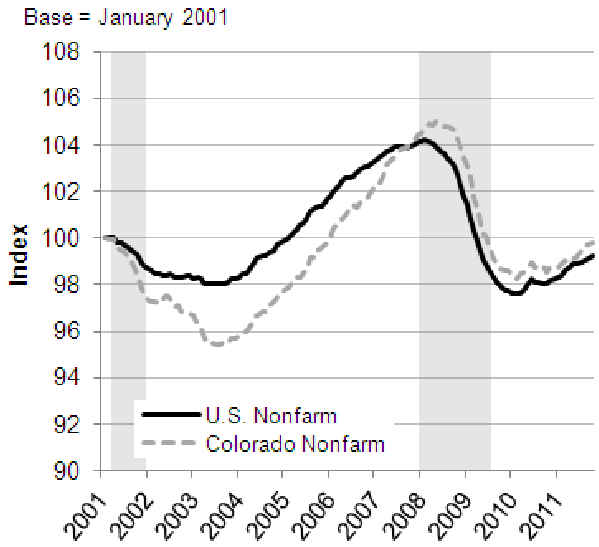
Figure 16 summarizes nonfarm employment gains and losses by sector through October 2011. Similar to the nation, job gains have occurred in the manufacturing and broad-based service industries, while the information and local government sectors have lost jobs through October. Colorado's construction and financial services industries

Figure 16
Colorado Nonfarm Employment Gains/Losses in 2011
October over December 2010 Levels; Seasonally Adjusted Data
Total Nonfarm Employment: up 33,500 jobs (1.5%)

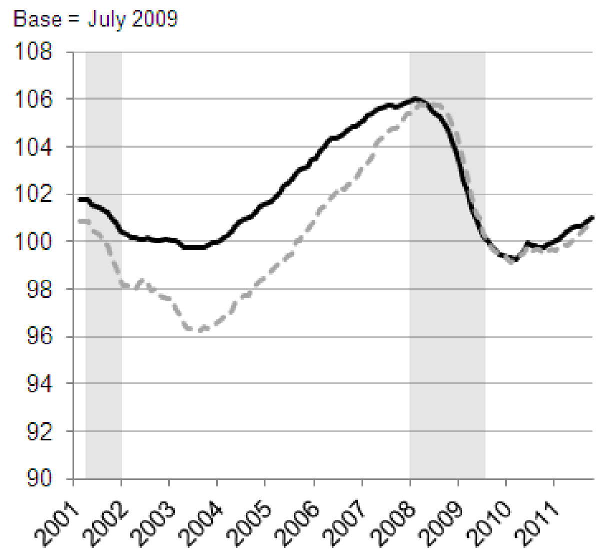


Source: U.S. Bureau of Labor Statistics; published Current Employment Statistics.

Figure 17
Nonfarm Employment Growth, Colorado vs. the Nation
Seasonally Adjusted Data



As measured by employment growth, Colorado experienced a deeper recession than the nation in the early 2000s but showed stronger growth in the years leading up to the 2007-2009 recession.



Since the start of the recent recovery, Colorado employment has been growing at a slightly slower rate than national employment.

Source: Bureau of Labor Statistics. National data trough November 2011. Colorado data through October 2011.

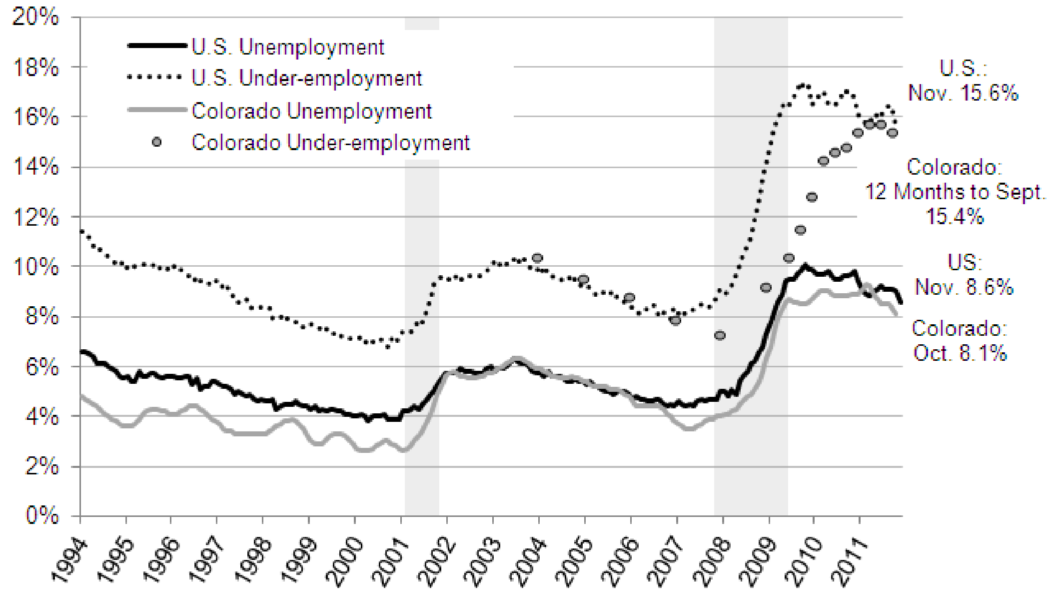
continue to shed jobs. The financial activities and construction industries are still working out the imbalances that led to the recession. Legislative Council Staff anticipates upward revisions in the construction, professional and business services, and financial activities sectors and downward revisions in the leisure and hospitality sector.

Figure 17 shows an index of nonfarm employment growth for Colorado relative to the nation. The chart at the left in the figure shows employment growth indexed to January 2001, just prior to the 2001 recession. This chart demonstrates that Colorado employment suffered a deeper recession than the nation in 2001. However, in the years leading up to the recent recession, the state showed a faster rate of growth relative to the nation. The chart at the right shows growth indexed to July 2009, the end of the 2007-2009 recession and start of the recent recovery. This index shows that, with unrevised data, Colorado employment is growing at a slightly slower rate than the nation through the third quarter of 2011.

Unemployment statistics have also been signaling improvement in the labor market. Figure 18 compares Colorado's and the nation's unemployment rates and underutilization rates. Colorado's unemployment rate has historically been slightly below the national rate. After peaking at 9.3 percent in February 2011, Colorado's unemployment rate has declined to 8.1 percent in October.

The underutilization rate is a broader measure of unemployment that includes those working part-time or seeking additional work and discouraged workers who have dropped out of

Figure 18
Unemployment and Underutilization Rate
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics.
**The Colorado underutilization rate is published each quarter as an average for the previous twelve-month period.*

the labor force. In 2010, the monthly national underutilization rate began to level off and is declining in 2011, indicating improvement in the labor market. Colorado's underutilization rate averaged 15.4 percent during the twelve months between October 2010 and September 2011. State level data are not available for a single month but only as an average over a twelve month period. Thus Colorado's underutilization rates will fall more slowly than the national rate and current economic conditions.

- 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 1.4 percent in 2011 and 1.0 percent in 2012.

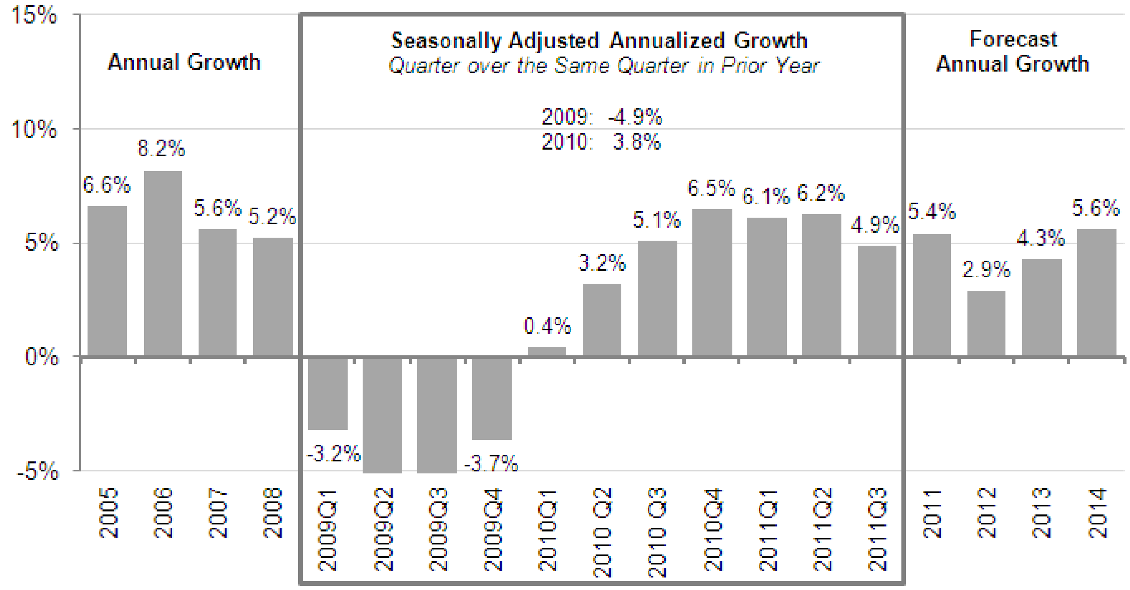
- The unemployment rate will continue to trend downward in 2011, averaging 8.6 percent for the full year before decreasing to 8.3 percent in 2012. As the labor market slowly begins to heal, the rate will fall to 7.2 percent by 2014.

Personal Income and Wages

Personal income increased 5.7 percent through the first three quarters of 2011 after increasing 1.3 percent in 2010, as shown in Figure 19. Growth was driven by increases in proprietors' income, dividends interest and rent receipts, and personal current transfer receipts. Proprietors' income advanced 11.2 percent through the third quarter of 2011, primarily due to growth in farm incomes.

Over half of personal income comes from **wages and salaries**, which increased 3.9 percent through the first three quarters of 2011 after increasing only 1.5 percent in 2010. Although businesses may begin to restore some pay cuts

Figure 19
Continued Modest Growth in Colorado Personal Income Expected



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

for existing employees, the ongoing high level of unemployment means many workers are competing for vacant positions. This competition will restrain wages until the labor market is able to absorb the unemployed and underemployed.

- Personal income will increase 5.4 percent in 2011 and wages and salaries are expected to rise 3.7 percent. In 2012, personal income is expected to grow 2.9 percent and wages and salaries will grow 4.5 percent. Income growth will slowly strengthen but remain subdued over the remainder of the forecast period.

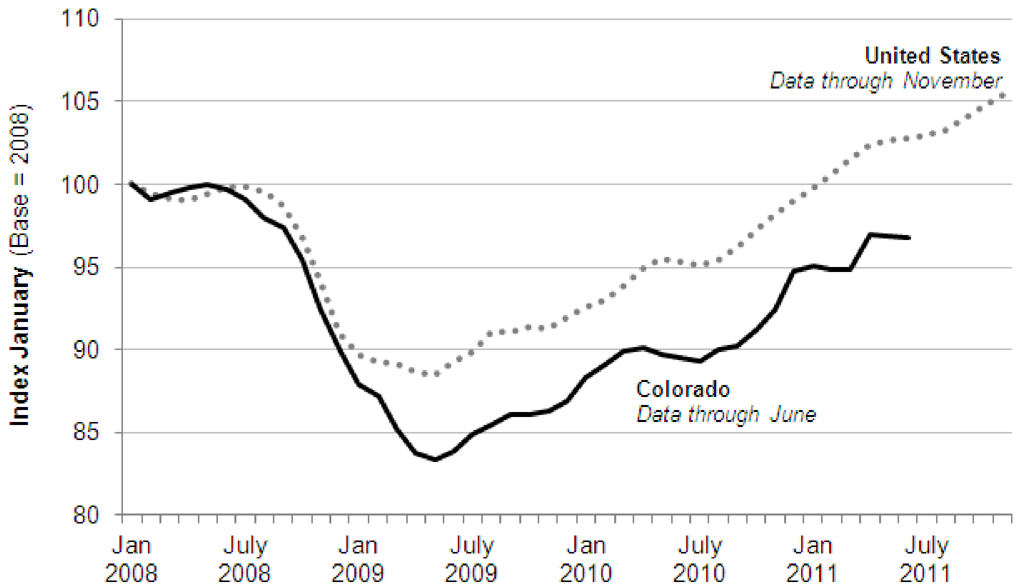
- Based on current law, this forecast assumes that on January 1, 2012, the federal payroll tax rate will increase two percentage points and extended unemployment benefits will expire. The expiration of these two federal policies will restrain Colorado personal income growth by 1.4 percentage points in 2012.

Consumer Spending

After strong gains between July 2010 and March 2011, growth in Colorado retail sales moderated in the spring of 2011 as consumers paid off debt and responded to rising food and gasoline prices. As shown in Figure 20, retail sales in Colorado bottomed out in the summer of 2009, after falling farther than the nation as a whole. Even after increasing 5.6 percent in 2010 and 7.2 percent in the first half of 2011 compared with the same period in 2010, retail sales in Colorado have not yet returned to pre-recessionary peaks.

- Despite high consumer debt and economic uncertainty, growth in national retail trade is expected to increase 6.0 percent in 2011 and 5.5 percent in 2012.

Figure 20
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.

Agriculture is Booming

After increasing 21.7 percent in 2010, Colorado farm income increased 52.9 percent through the third quarter of 2011 compared with the same period in 2010. Strong increases in global demand for these goods have resulted in robust price increases for agricultural products in Colorado and the nation. Partially as a result of this, 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 not included as part of the official published employment statistics.

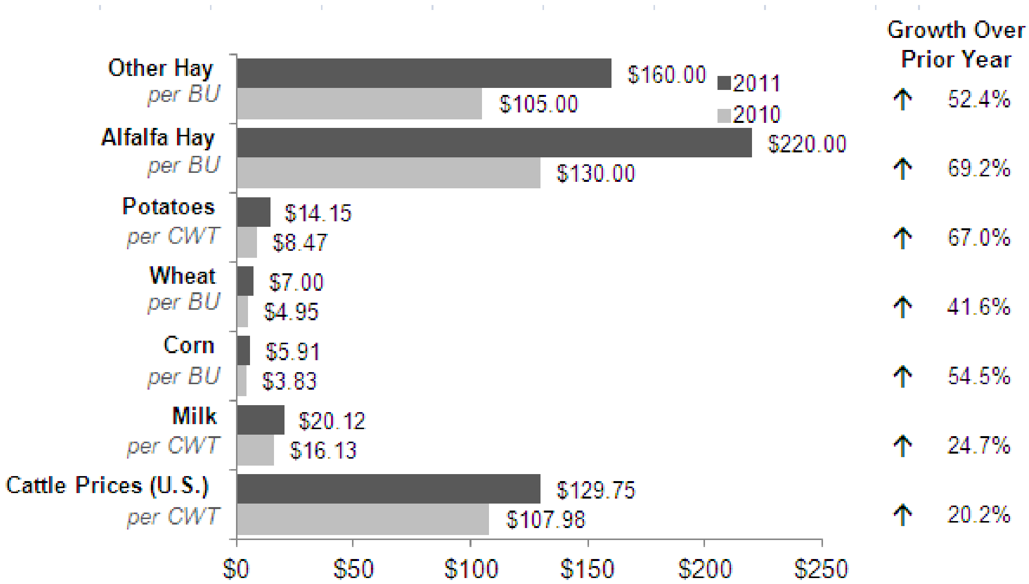
Figure 21 shows the average price for Colorado agriculture prices for the first ten months of 2010 and 2011. Colorado's top five agricultural products are cattle and calves, dairy products, corn for grain, greenhouse and nursery products, and hogs. Over sixty percent of the state's total agricultural revenue is provided by cattle and calves. Year-to-date through October 2011, beef cattle prices nationwide were up to just under an average $130 per hundredweight, rising 20.2 percent over the same period in 2010. Colorado "all milk" prices were up 24.7 percent on average through October compared with the same time period in 2010.

Every Colorado crop price increased over the last year. On average through October 2011 compared with the first ten months of 2010, Alfalfa hay prices were up 69.2 percent, corn prices rose 54.5 percent, potato prices increased 67.0 percent, and wheat prices advanced 41.6 percent.

Consumer Prices

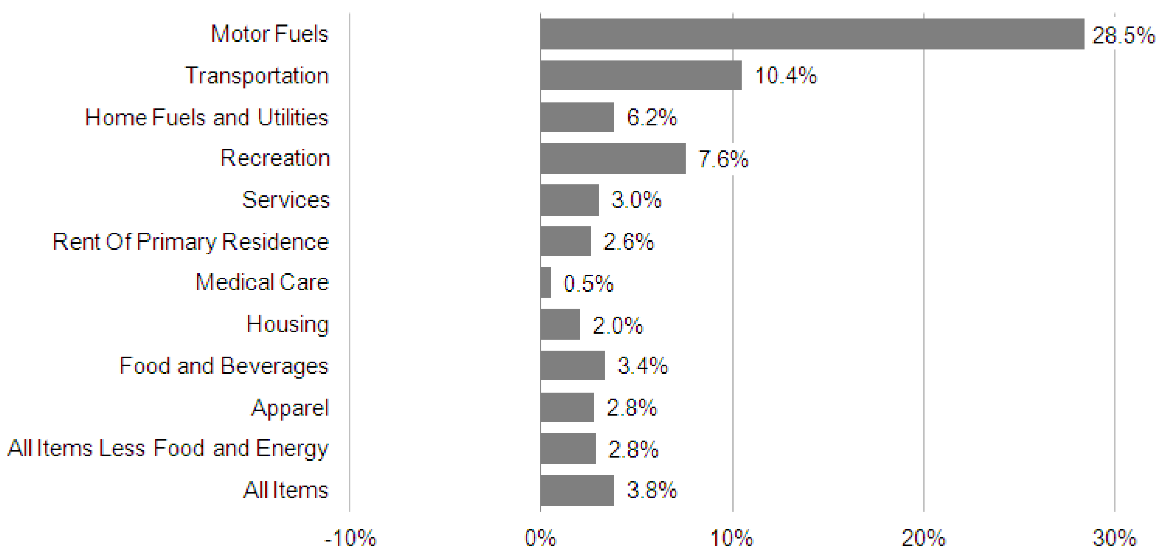
After increasing 1.9 percent in 2010, prices increased 3.8 percent in the first half of 2011 compared with the first half of 2010. As

Figure 21
Colorado Livestock and Agricultural Prices
Average Price, January through October



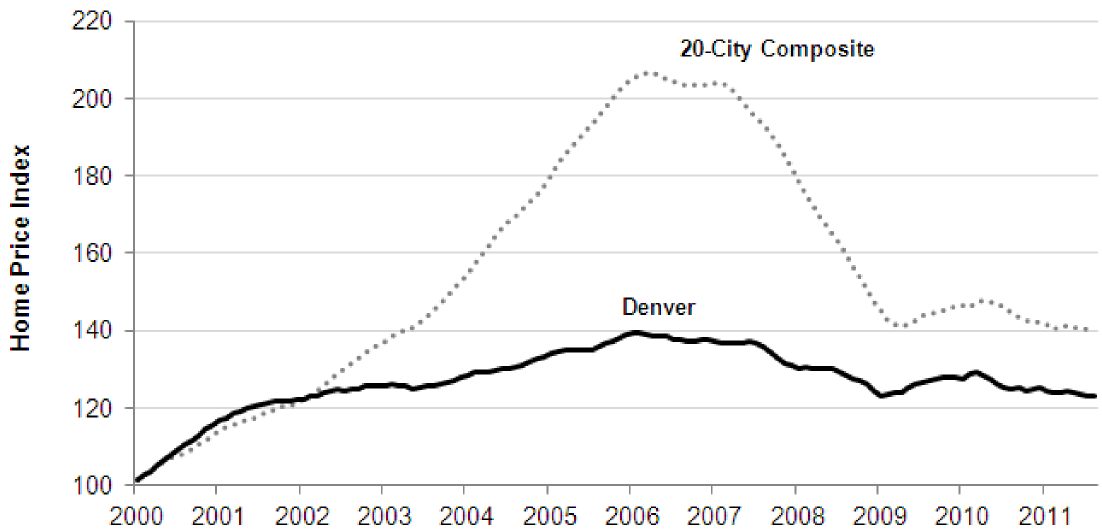
Source: National Agricultural Statistics Service.
CWT = hundredweight (100 lbs). BU = bushel.

Figure 22
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.

Figure 23
S&P/Case-Shiller Home Price Index
Seasonally Adjusted



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

shown in Figure 22, price increases were largely driven by energy, transportation, and recreation. Core inflation (excluding energy and food) rose 2.8 percent during the same time period.

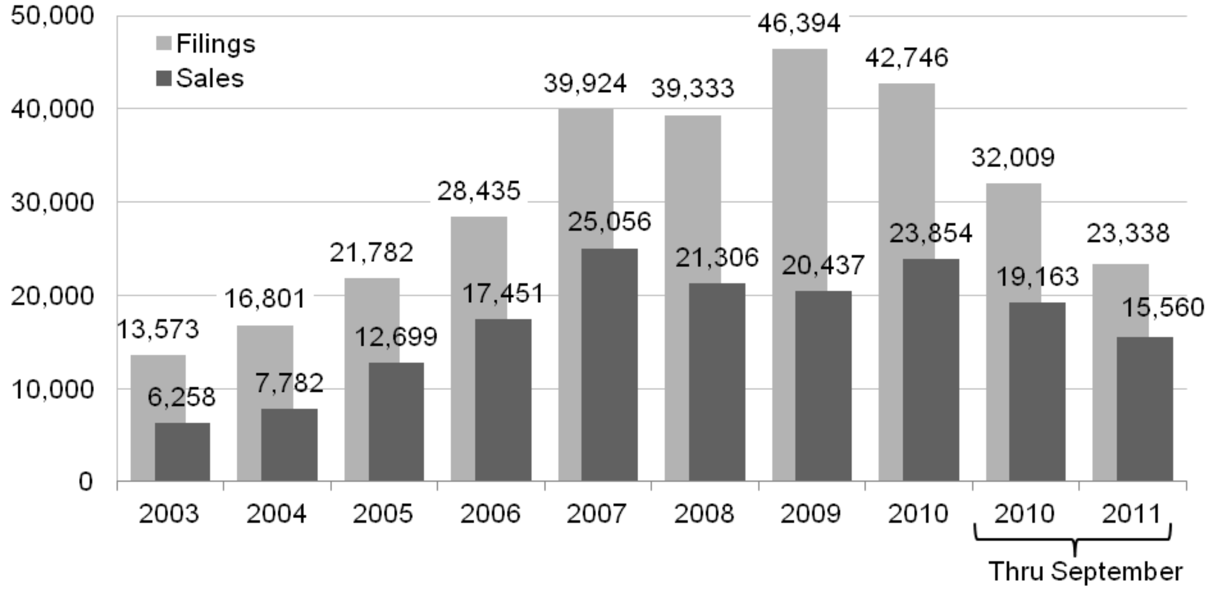
- Consumer prices in Colorado are expected to accelerate in the second half of the year and increase 4.1 percent overall in 2011. Energy prices are expected to continue to exert upward pressure on prices. In addition, significant upward pressure will be exerted by the housing portion of the index, which is measured using the rental market as a proxy for home prices. Prices in the rental market have been rising as households move from homeownership to rentals.

Colorado's Housing Market Slow to Recover

Colorado's housing market continues to struggle. Many homeowners are unable to sell their homes because home values are lower than their outstanding mortgage, home vacancies and foreclosures continue to place downward pressure on prices, and lending institutions continue to work through the administrative and financial aftermath of the housing crisis. Consumers are having difficulties getting home loans approved because of tight lending standards and uncertainty among banks and appraisers about home values. Although markets have begun to improve in localized areas around the state, recovery in the overall housing market is being stalled by uncertainty in the global economy and anemic employment and wage growth.

Although still falling, home prices in the Denver area have held up much better than in other metropolitan areas of the country, as indicated by the S&P/Case-Shiller Home Price Index. Figure 23 shows Denver's home prices and a composite home price index for 20 other metropolitan areas from January 2000 through September 2011. While the overall index decreased 32.5 percent since home prices peaked in April 2006, home prices in the

Figure 24
Colorado Foreclosure Filings and Sales



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

Denver index have fallen only 11.4 percent from its peak. In September, Denver home prices fell 0.1 percent, while home prices in the composite index fell 0.6 percent.

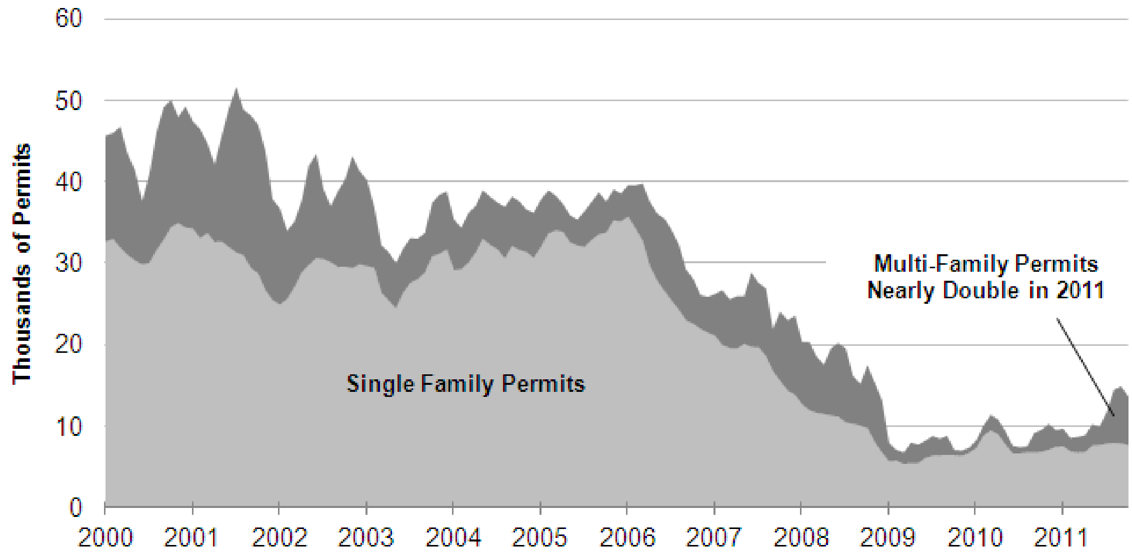
As shown in Figure 24, both foreclosure filings and sales at auction in Colorado were down through the first three quarters of 2011 compared with the same period in 2010. Foreclosure filings declined 27.1 percent, while foreclosure sales decreased 18.8 percent. Foreclosure filings are important because they provide a picture of the number of borrowers who have become seriously delinquent on their loans.

Statewide filings have been falling since their peak in 2009. The sustained decline in filings may suggest that households are participating in lender programs to avoid foreclosure. In addition, many of the more risky loans made between 2005 and 2007 have worked their way through the markets. The continued decline in foreclosure filings will depend on the pace at which banks can process foreclosures. Future job gains will also work to lower the rate of foreclosures through the close of the year.

Residential construction activity has begun to increase from very low levels. Figure 25 shows a three-month moving average for permits issued to build or renovate single-family and multi-family residences. In total, the number of permits issued for residential construction rose 19.4 percent through October 2011 compared with the first ten months of 2010. The increase was driven by a surge in multi-family permits, as a growing number of people moved from distressed single-family homes to apartments and fewer households were able to qualify for home loans. Multi-family permits grew from 1,929 permits issued in the first ten months of 2010 to 3,301 permits issued during the same period of 2011, an increase of 65.1 percent.

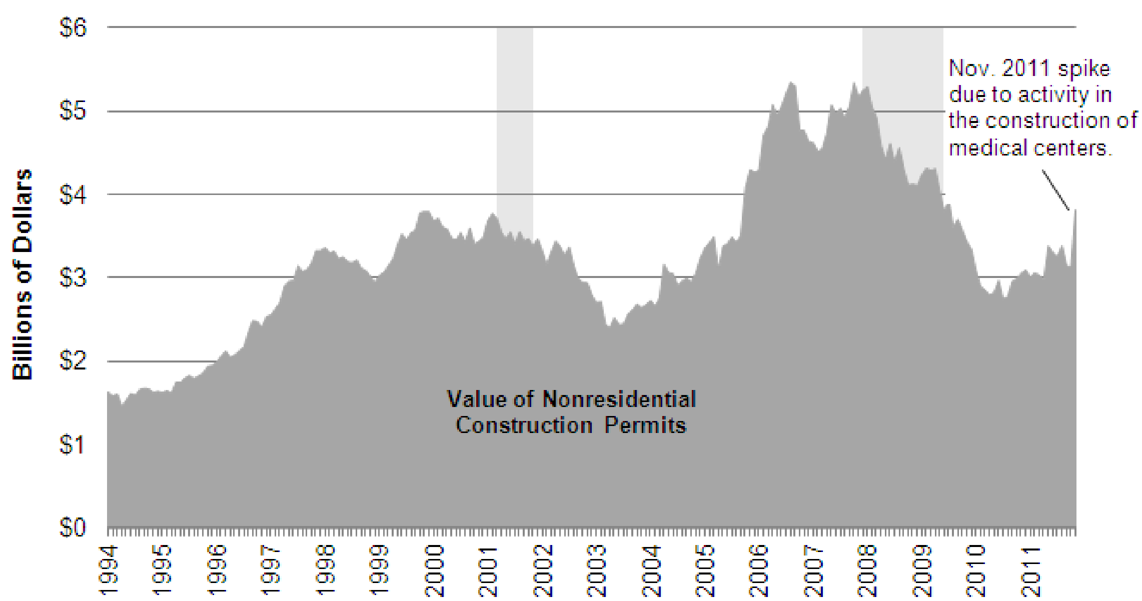
Permits for the construction of single-family homes rose 7.3 percent through October 2011 compared with the first ten

Figure 25
Multi-Family Drives Increases in Permits for Residential Construction
Three-Month Moving Average; Seasonally Adjusted Annualized Data



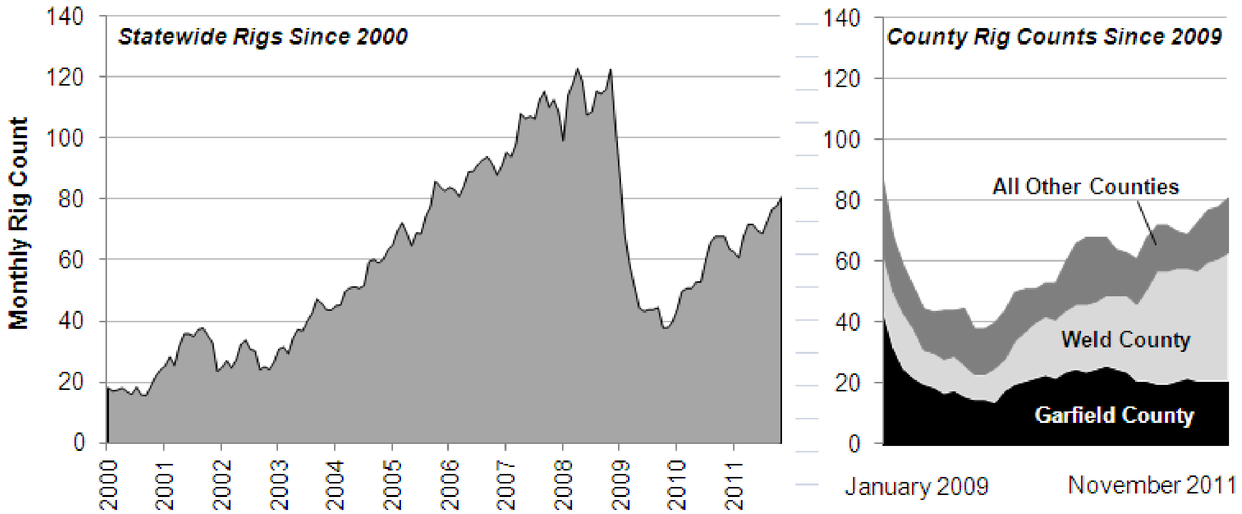
Source: U.S. Census Bureau. Data through October 2011.

Figure 26
Nonresidential Construction Activity at Low Levels
Annualized Data



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

Figure 27
Drilling Rigs Operating in Colorado



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

months of 2010. Permits will remain at historically low levels until employment and population growth pick up and the high inventory of existing homes is absorbed.

- In total, the number of home permits issued for residential construction will increase 19.0 percent in 2011 and 19.8 percent in 2012. The number of permits issued in 2012, however, will still only be around 16,500 – a relatively low level by historical standards. The bulk of the increase will be driven by multi-family home permits.

Nonresidential Construction

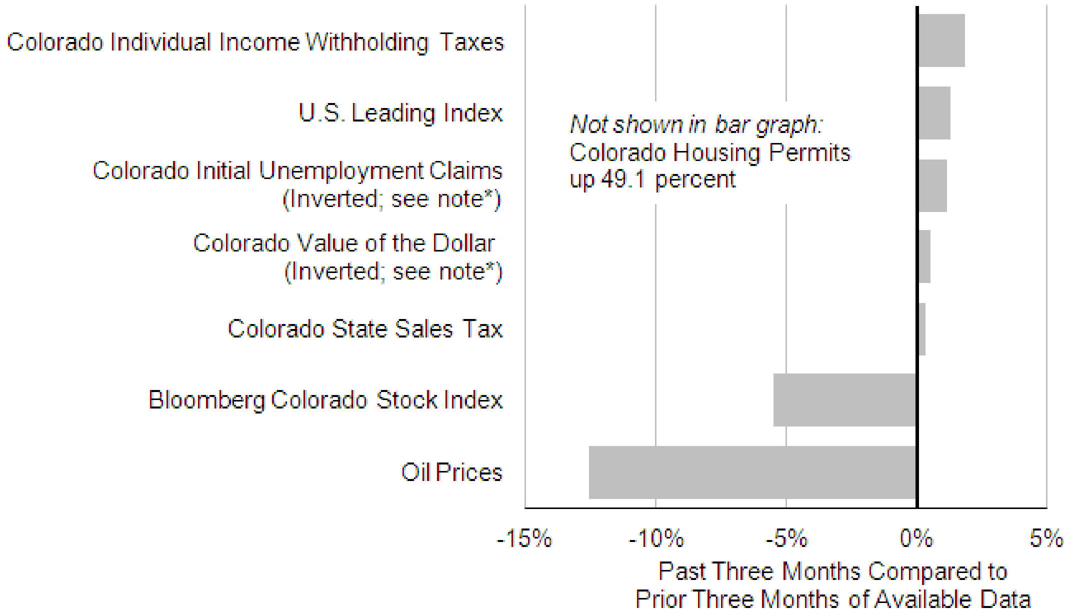
The value of permits filed for nonresidential construction remains at very low levels, as shown in Figure 26. Through October 2011, the value of permits had increased 1.0 percent compared with the first ten months of 2010. By November, however, the increase had surged to 25.0 percent. A total of $716.4 million in permits for construction in the hospital and health treatment sector was filed in November, mostly in Adams County. This spike is not expected to continue, however. Given the high vacancy rate for office space, tight commercial lending standards, and the slow recovery in the economy, growth in the value of nonresidential construction is expected to resume its slow growth at low levels through the remainder of the forecast period.

- The value of nonresidential construction contracts will increase 22.4 percent in 2011, reflecting a spike in construction in the hospital and health treatment sector and decreasing or relatively flat activity in other sectors. Because the spike in the hospital sector is not expected to repeat in 2012, the value of activity will decrease 15.3 percent from 2011 levels.

Energy

The oil and gas industry is an important economic driver for regional economies in

Figure 28
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.*

Colorado, especially in Weld, Mesa, Garfield, and La Plata counties. Figure 27 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 in the second panel.

The number of drilling rigs operating in Colorado has continued to climb through the fall, reaching 80 in November. This represents a doubling of operating rigs since the trough, about two years ago. However, 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. Nationally, the price of oil has climbed through the fall, rising from around $75 per barrel at the end of September to around $100 per barrel in November. The mid-November announcement by Andarko of the discovery of significant new reserves in the Wattenberg field may lead to even more activity in the region.

In contrast, energy activity on the western slope of Colorado remains stagnant. The primary energy commodity in that region is natural gas, and prices have plummeted through the fall. The Colorado composite gas price approached $3.20 per Mcf in mid-December, when it had been about $4.50 six months earlier. The figure below suggests that many rigs that had previously operated on the western slope have been shifted to Weld County. The majority of the rigs continuing to operate on the western slope are in Garfield County.

Leading Indicators

Indicators that lead Colorado employment suggest that slow and steady job growth will continue in the state. These indicators have been shown to be helpful in predicting changes in Colorado employment over the coming three months. On the whole, four out of the eight measures shown in Figure 28 indicate that employment growth will continue but at a slow rate. Two indicators signal stronger expansion, specifically Colorado housing permits and individual income tax withholding. Two indicators are indicating recession, specifically oil prices and the Bloomberg Colorado Index. Since this analysis was complete, however, oil prices have begun to increase again.

Conclusion

The recovery in Colorado's economy has stabilized. Job growth and consumer spending (as measured by state sales tax revenue) gained momentum through the summer and fall of 2011. Growth will continue in 2012 at a rate below the long run potential. 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. The unemployment rate will remain high as employment growth will be further weighed down by tight lending standards, high levels of consumer debt, rising prices, and concern about global financial markets. The greatest risk to the forecast is the European sovereign debt crisis and its potential impact on the U.S. and global financial markets.

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

	2007	2008	2009	2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014
Population (thousands, July 1)	4,803.9	4,889.7	4,972.2	5,049.1	5,124.8	5,208.4	5,304.7	5,401.9
percent change	1.8%	1.8%	1.7%	1.5%	1.5%	1.6%	1.8%	1.8%
Nonagricultural Employment (thousands)*	2,331.5	2,350.6	2,245.0	2,219.9	2,251.0	2,273.5	2,309.9	2,358.4
percent change	2.3%	0.8%	-4.5%	-1.1%	1.4%	1.0%	1.6%	2.1%
Unemployment Rate	3.7	4.8	8.3	8.9	8.6	8.3	7.8	7.2
Personal Income (millions)	$205,242	$215,952	$205,437	$213,202	$224,715	$231,232	$241,175	$254,680
percent change	5.6%	5.2%	-4.9%	3.8%	5.4%	2.9%	4.3%	5.6%
Wage and Salary Income (millions)	$112,962	$116,991	$112,633	$114,344	$118,575	$123,911	$130,478	$138,307
percent change	6.7%	3.6%	-3.7%	1.5%	3.7%	4.5%	5.3%	6.0%
Retail Trade Sales (millions)	$75,329	$74,760	$66,345	$70,738	$74,982	$79,106	$83,220	$88,462
percent change	6.9%	-0.8%	-11.3%	6.6%	6.0%	5.5%	5.2%	6.3%
Home Permits (thousands)	29.5	19.0	9.4	11.6	13.8	16.5	20.3	24.2
percent change	-23.2%	-35.5%	-50.8%	23.9%	19.0%	19.8%	22.9%	19.3%
Nonresidential Building (millions)	$5,259	$4,117	$3,349	$3,156	$3,864	$3,272	$3,449	$3,694
percent change	13.3%	-21.7%	-18.7%	-5.7%	22.4%	-15.3%	5.4%	7.1%
Denver-Boulder Inflation Rate	2.2%	3.9%	-0.6%	1.9%	4.1%	3.7%	3.4%	3.2%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, F.W. Dodge, and Legislative Council Staff.
*** Estimated employment growth for 2011 incorporates expected upward revisions to previously-published employment data based on a rebenchmarking analysis conducted by Legislative Council Staff.*

ASSESSED VALUE PROJECTIONS

This section provides preliminary projections of assessed values for residential and nonresidential properties in Colorado and the residential assessment rate through 2014. Assessed values are an important component in determining local property tax revenue for Colorado's public schools, because the values are the tax base to which property tax rates are applied. Local property tax revenue is the primary, local contribution to public school funding that is complimented by state equalization payments. Assessed values are thus an important determinant of the amount of state aid provided to public schools.

Summary

Total assessed values for all property classes decreased 5.1 percent in 2011 to $87.9 billion. However, values are expected to rise 1.5 percent in 2012 to a total value of $89.2 billion. The modest increase will come as the economy grows modestly with some limited new construction.

Assessed values are projected to grow even more modestly in 2013, the next reassessment year. Gains from new construction will offset further expected declines in assessed values of existing real property resulting from the economic downturn. Continued low levels of construction activity and slow growth in values for nonresidential property classes, most notably oil and gas properties, will contribute to the slow growth. In 2014, another non-reassessment year, growth is expected to remain modest. Table 16 shows the actual and forecasted residential, nonresidential, and total assessed values from 2007 through 2014. Figure 29 illustrates the actual and forecasted level of property values from 2003 through the forecast period.

- After falling 1.9 percent in 2011, **nonresidential assessed values** are expected to increase 1.7 percent in 2012. The decline in 2011 was primarily attributable to the drop in commercial, industrial, and vacant land values as a result of the economic downturn and poor real estate market. However, this decrease was somewhat offset by a recovery in energy prices, which boosted oil and gas values. Nonresidential assessed values are projected to post modest gains in both 2013 and 2014.

- After falling 8.9 percent in the reassessment year of 2011, **residential assessed values** are expected to rise 1.3 percent in 2012. The drop in the 2011 value reflected the fall in home prices across most of Colorado. Every region of the state except the San Luis Valley posted declines in the 2011 reassessment year. Residential values are expected to grow very modestly in 2012 because properties will not be assessed and little new construction will occur. However, residential values are projected to drop further in the 2013 reassessment year as well, reflecting a further decline in value since the June 2010 reappraisal. The housing market recovery will be uneven across the state. While most regions will post slight increases in value, a couple will continue to see property values decline through the forecast period.

Table 16
Residential and Nonresidential Assessed Values
(Dollars in Millions)

Year	Residential Assessed Value	Percent Change	Nonresidential Assessed Value	Percent Change	Total Assessed Value	Percent Change
2007	$39,331	14.5%	$45,816	14.6%	$85,147	14.2%
2008	$40,410	2.7%	$47,140	2.9%	$87,550	2.8%
2009	$42,298	4.7%	$55,487	17.7%	$97,785	11.7%
2010	$42,727	1.0%	$49,917	-10.9%	$92,644	-5.3%
2011	$38,908	-8.9%	$48,986	-1.9%	$87,894	-5.1%
2012*	$39,422	1.3%	$49,824	1.7%	$89,246	1.5%
2013*	$38,776	-1.6%	$50,975	2.3%	$89,750	0.6%
2014*	$39,435	1.7%	$51,872	1.8%	$91,307	1.7%

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

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

Assessed values increased 52.9 percent between 2004 and 2009 due to a widespread strengthening of the economy and a rapid expansion in the natural resource extraction industries. However, the recession, which was triggered in part by the collapse in the real estate market, significantly impacted home values, commercial values, and activity in the energy industry. As a result, assessed values dropped by $9.9 billion from the peak in 2009. This is a decline of 10.1 percent over this two-year period.

Real property, including residential, commercial, industrial, and vacant land properties, is assessed over a two-year cycle. Much of the deterioration of the real estate market and the economic downturn had not yet occurred by June 2008, the reappraisal date for the 2009 assessment year. The 2011 assessment year captured much of the decline in value that occurred during the recession. Any further declines occurring between the June 2010 and June 2012 reappraisals will be captured in the next reassessment cycle in 2013.

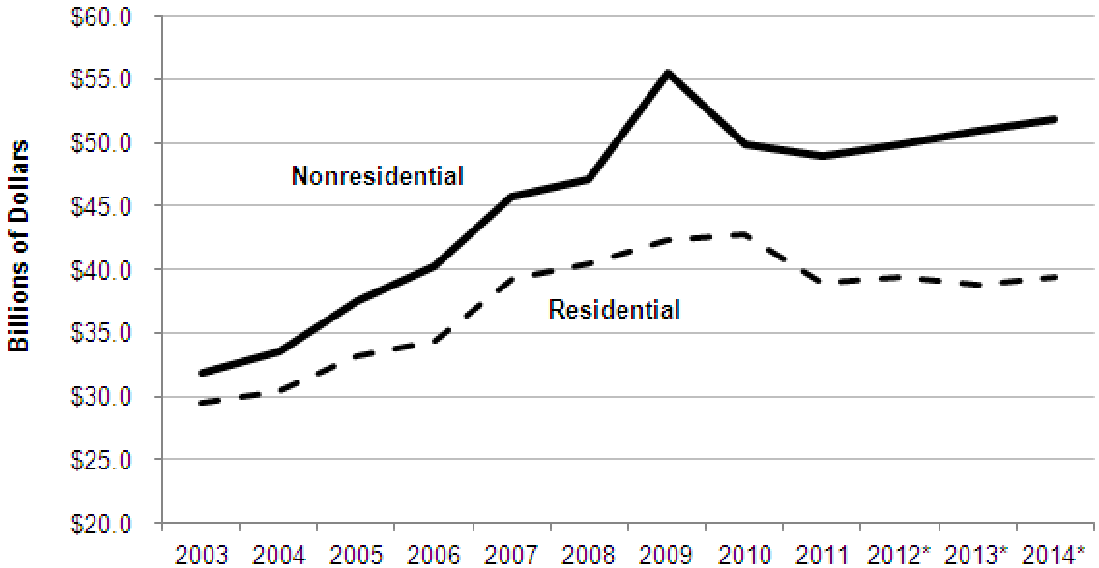
In contrast to real property, which comprises the vast majority of the state's assessed value, "producing" properties in the agricultural, mining, natural resource, and oil and gas property classes are assessed annually. The value of these properties increased sharply in 2011, especially in the producing mine and oil and gas property classes.

Values in most property classes will be slow to recover over the forecast period due to a sluggish economic recovery, minimal new construction, and tight credit markets. Overall, assessed values are expected to total $89.2 billion in 2012, $89.8 billion in 2013, and $91.3 billion in 2014.

Nonresidential Assessed Values

Nonresidential property includes eight property classes: commercial, oil and gas, vacant land, industrial, agriculture, natural resources, producing mines, and state-assessed. Assessed values in these classes totaled $49.0 billion in 2011, 1.9 percent lower than in 2010. Nonresidential assessed values are

Figure 29
Residential and Nonresidential Assessed Values



Source: Colorado Department of Local Affairs, Division of Property Taxation.
**Legislative Council Staff forecast.*
Note: The residential assessment rate has been 7.96 since 2003 and will remain constant through the forecast period.

expected to increase 1.7 percent in 2012. While values in real property classes such as commercial and vacant land will remain essentially flat during this non-reassessment year, the value of agricultural, mining, and oil and gas properties should continue to rise. There will be modest growth in nonresidential values in 2013 and 2014, but overall values will remain below the peak levels registered in 2009.

Commercial property represents about one-half of all nonresidential assessed value. Strong consumer spending and growth in residential developments in the middle of the last decade fueled growth in the value of commercial properties. However, consumer spending dropped markedly during the recession, and commercial property values have fallen accordingly. The steepest declines are occurring in areas that had the largest real estate boom before the recession. This includes mountain communities and urban areas such as Colorado Springs and metro Denver. The tight credit market is making it difficult to obtain loans to buy commercial property or start businesses. The current softness in the commercial real estate market is expected to continue through the forecast period as modest new construction offsets further declines in the value of existing properties.

Oil and gas is the second-largest nonresidential property class in terms of value. Values in this property class include the production value of oil and natural gas and the value of the equipment used in the extraction and production processes. Assessed values in this class of properties rose sharply in 2011 due to an increase in energy prices. After falling 47.3 percent in 2010, the assessed value of oil and gas property rose 37.3 percent in 2011. Oil and gas assessed values are expected to increase 10.5 percent in 2012 as prices of both commodities will rise, and production and the amount of production-related equipment operating in the state will increase. Values could go even higher depending on the production realized from the new reserves discovered in the Wattenberg field. Values should continue to rise through the remainder of the forecast period.

Vacant land is the third-largest nonresidential property class in the state in terms of value. The bursting of the real estate bubble caused values in this property class to decrease 8.7 percent in 2011. Demand for vacant land has fallen due to the over-supply of residential and commercial properties, placing downward pressure on values.

Residential Assessed Values

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

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

Residential market values. Residential market values decreased 8.9 percent in 2011, equating to a loss of $38 billion in market value. The high level of foreclosures and constrained residential lending caused a fall in home prices throughout Colorado. Areas that increased the most during the housing boom saw the largest declines in value, including the mountain, southwest mountain, and western regions. Rural areas of the state, such as the eastern plains and the San Luis Valley, generally did not participate in the real estate boom and thus did not experience the same degree of decline. The same is true for the Fort Collins and Pueblo urban areas, which experienced a smaller drop in value. Minimal new residential construction in 2011 increased assessed values by a meager 0.9 percent.

Growth in values will be modest in the 2012 due to continued weakness in the residential construction sector. Growth in value along the front range, including the northern, metro Denver, Colorado Springs, and Pueblo regions is expected to range from 0.9 to 1.3 percent. Areas such as the mountain and western regions, which saw the largest declines, will see slightly larger increases in value, but still less than 2.5 percent. Most regions will see a further decline in residential market values ranging from 0.7 to 8.5 percent in the 2013 reassessment cycle, reflecting value changes that are expected to occur in 2011 and 2012.

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

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

7.96 percent over that period. By comparison, most nonresidential property is assessed at 29 percent of its value.

The residential assessment rate has remained constant since 2003. Residential values in Colorado were negatively impacted by the recession in the early 2000s and did not increase as much as many other areas of the nation. In contrast, nonresidential values grew faster due to growth in the commercial and oil and gas property classes. Under the Gallagher Amendment, the faster growth in nonresidential values should have triggered an increase in the residential assessment rate to maintain the required proportions in total assessed values. However, because the TABOR Amendment specifically prohibits an increase in assessment rates without voter approval, the residential assessment rate has remained at 7.96 percent. Based on the Gallagher Amendment calculation, the residential assessment rate should have increased to 9.24 percent for 2009 and 2010.

Although both residential and nonresidential property values declined in 2011, residential values declined more than nonresidential values, which should have triggered an increase in the residential assessment rate. It is estimated that the residential assessment rate should be 8.71 percent in 2011 and 2012. For the following reassessment period in 2013 and 2014, growth will be stronger in nonresidential values, causing the calculated residential assessment rate to rise to 8.96 percent. The actual rate will remain fixed at 7.96 percent unless voters approve an increase.

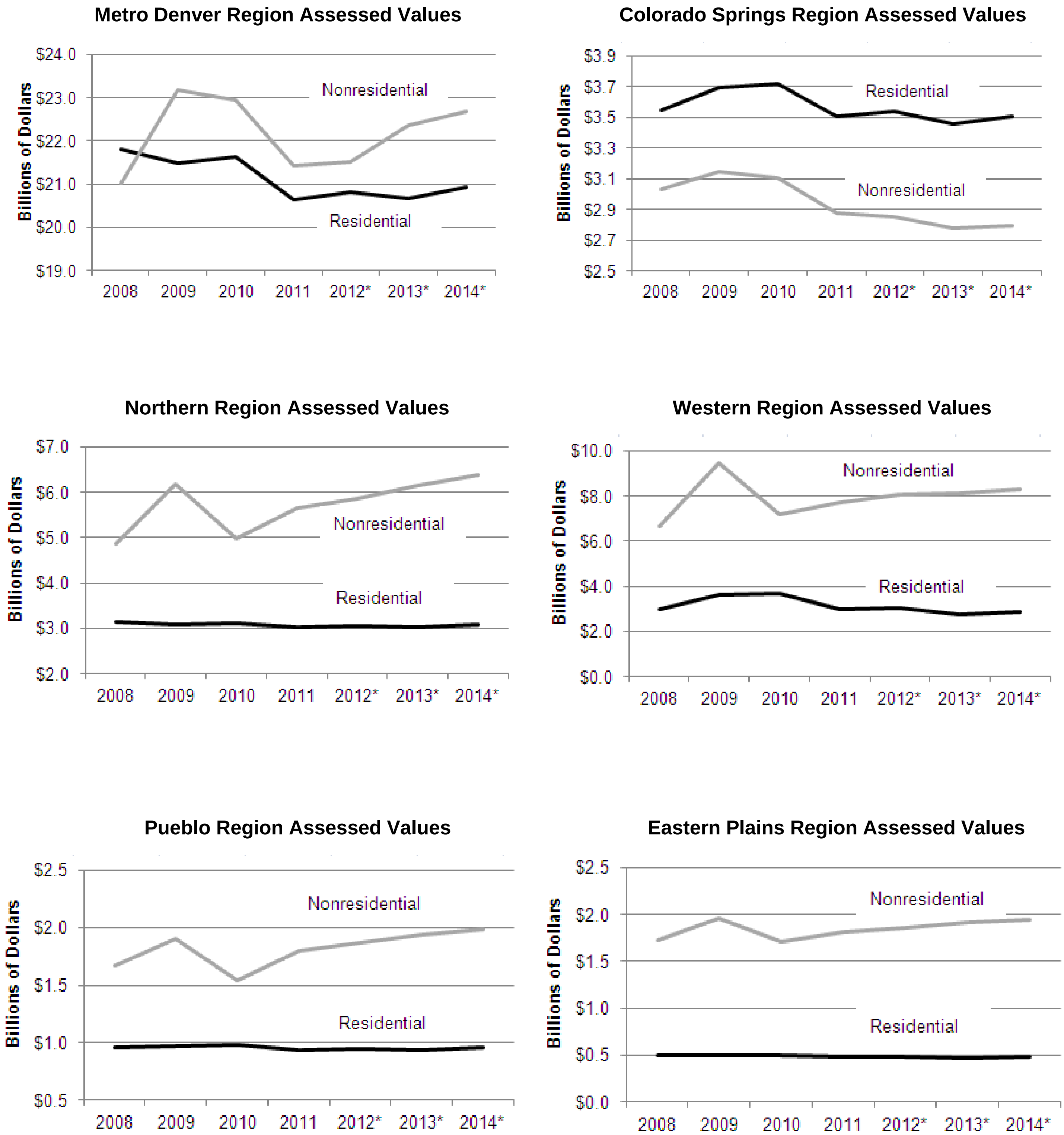
Regional Assessed Values

Assessed values are projected for each school district and are used in forecasting state expenditures for pre-kindergarten through twelfth grade public education. The following section highlights trends for each region in the state. Table 17 on page 64 summarizes how regional assessed values will change through 2014. Figure 30 shows actual and forecasted residential and nonresidential assessed values from 2008 through the forecast period by region. Figures 31 and 32 on pages 69 and 70 illustrate geographically the anticipated change from 2011 to 2012 at the regional and school district-level.

As the **metro Denver** region continues to recover from the economic downturn, housing markets in some areas are recovering faster than others. In 2011, residential assessed values decreased 4.6 percent region-wide. This reflects the changes in residential market value between 2008 and 2010. Residential values in all school districts decreased in 2011, ranging from 0.3 percent in Aurora to 24.3 percent in Deer Trail. In 2012 there will be a 0.9 percent increase in residential assessed values due to new construction. In 2013, a reassessment year, residential assessed values will decrease another 0.7 percent due to ongoing weakness in the housing market.

Changes in nonresidential assessed values in the region have varied depending on the mix of property classes in the tax base. Districts with a large share of commercial property saw decreases as new lower commercial values were applied to the tax roles. Other classes like state assessed and agricultural land increased in value, offsetting commercial losses in some districts. Overall, it is expected that nonresidential property will increase 0.4 percent in 2012. In 2013, the next reappraisal year for commercial property, nonresidential assessed values are anticipated to increase 4.0 percent because large properties between $200 and $400 million in value are expected to increase, while more typical commercial property values will decrease.

Figure 30
Regional Residential and Nonresidential Assessed Values

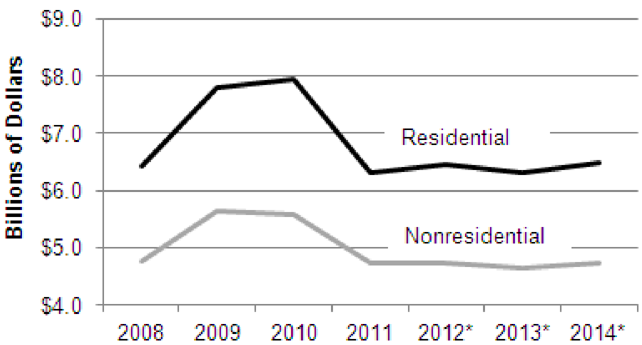


**Legislative Council Staff forecast.*

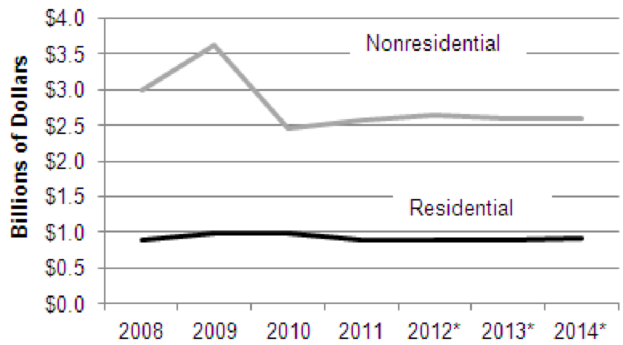
Source: Department of Local Affairs, Division of Property Taxation.

Figure 30 (Continued)
Regional Residential and Nonresidential Assessed Values

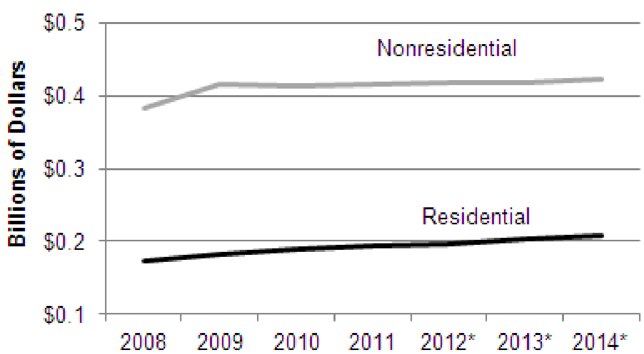
Mountain Region Assessed Values



Southwest Mountain Region Assessed Values



San Luis Valley Region Assessed Values



**Legislative Council Staff forecast.*

Source: Department of Local Affairs, Division of Property Taxation.

Overall, total assessed values in the region will increase at an annual average rate of 1.2 percent over the next three years, with residential assessed values increasing 0.5 percent and nonresidential assessed values increasing 1.9 percent.

Both residential and nonresidential assessed values in the **Colorado Springs** region declined in the 2011 property tax year. Residential values declined 5.8 percent in 2011. All but one school district in this region saw decreases in residential assessed value, ranging from 4.5 to 10.9 percent. Residential values have continued to trend down, and an additional 2.4 percent decrease in value is anticipated in 2013, the next reassessment year.

Nonresidential properties declined 7.4 percent in 2011 due to the weak economy and declines in commercial and vacant land values. Changes in nonresidential value varied significantly across school districts depending on the mix of property classes within the district tax base. Colorado Springs and Academy, the two districts in the region with the most commercial property, saw decreases of 7.4 and 8.0 percent, respectively. The sluggish economy has contributed to an increase in vacant business properties and weaker business performance.

Table 17
Regional Total Assessed Values and Growth Rates
(Dollars in Millions)

Region	Preliminary 2011*	Forecast Percent Change 2012	2013	2014	3-Year Average Annual
Metro Denver	$42,057	0.6%	1.7%	1.3%	1.2%
Colorado Springs	$6,384	0.2%	-2.5%	1.1%	-0.4%
Northern	$8,660	2.9%	3.0%	3.0%	2.9%
Western	$10,661	4.2%	-1.6%	2.3%	1.6%
Pueblo	$2,735	2.8%	2.1%	2.6%	2.5%
Eastern Plains	$2,288	2.5%	1.7%	1.9%	2.0%
Mountain	$11,042	1.3%	-1.9%	2.1%	0.5%
Southwest Mountain	$3,458	2.2%	-1.5%	1.2%	0.6%
San Luis Valley	$609	0.9%	1.1%	1.2%	1.1%
Statewide Total	**$87,894**	**1.5%**	**0.6%**	**1.7%**	**1.3%**

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

Increases in the value of commercial property are not expected before the next reappraisal date in June 2012. The other nonresidential property classes will grow modestly throughout the forecast period, but make up only a small share of the region's tax base.

Overall, total assessed values will decrease at an annual average rate of 0.4 percent over the next three years, with residential assessed values unchanged and nonresidential assessed values declining 1.0 percent.

The assessed value in the **northern** region, containing school districts in Larimer and Weld counties, posted strong growth in 2011. A 13.5 percent jump in nonresidential value was primarily due to large increases in oil and gas property values in Weld County, which constitutes a significant share of the region's value. Because the region's nonresidential tax base is largely comprised of oil and gas, state assessed, and agricultural properties, nonresidential values in this region are expected to continue to increase through the forecast period, albeit at a more modest rate.

The soft housing market has had less of an impact on this region than many others. Residential assessed values decreased 2.7 percent in 2011, the smallest decline of any region in the state, and much lower than the 8.7 percent decline statewide. Residential values are expected to decease another 0.5 percent in 2013, the next reassessment year.

Total assessed values are projected to grow the fastest of any region in the state, increasing at an annual average rate of 2.9 percent over the next three years. Residential assessed values will grow 0.7 percent and nonresidential assessed values will increase 4.1 percent annually, through the forecast period.

The **western region** was the last area of the state to enter the recession, and looks to be the last region in the state to recover. However, there are some promising signs. Nonresidential values rose 7.1 percent in 2011, with increases in the oil and gas, state assessed, and natural resource classes offsetting declines in commercial property value. Districts in

Garfield and Rio Blanco counties, where values are closely tied to oil and gas production, saw the largest increases. For example, nonresidential values in the Rifle and Parachute districts, consisting primarily of oil and gas properties, increased 32.9 percent and 32.6 percent, respectively. In districts with large amounts of commercial property, nonresidential values decreased. Values of nonresidential property, excluding commercial property and vacant land, are expected to increase modestly through the forecast period. Commercial property and vacant land will decrease in value in 2013, the next reassessment year.

Residential assessed values decreased 19.6 percent in 2011, the second largest decline of any region in the state. The impact was especially pronounced because residential properties were last assessed when home values peaked during the boom in the region's energy sector. Residential values are expected to decrease another 8.5 percent in 2013, reflecting the change in market value of residential property in 2011 and 2012. If the outlook for the energy industry continues to improve this decline could moderate.

Over the next three years, total assessed values will increase at an annual average rate of 1.6 percent. Residential assessed values will decrease at an annual average rate of 1.0 percent, while nonresidential assessed values will increase 1.9 percent annually, through the forecast period.

The economy of the **Pueblo** region, encompassing districts located in Pueblo, Fremont, Las Animas, Huerfano, and Custer counties, has not yet embarked on a strong recovery from the recession. Residential values in the Pueblo City and Pueblo rural school districts, decreased 6.9 and 5.0 percent, respectively, in 2011. Values in the Trinidad school district lost 1.4 percent. Overall, residential values in the region declined 4.6 percent in 2011. While there will be some new residential construction in 2012, decreases in value since the last reassessment date will lead to a further 1.1 percent drop in 2013.

The biggest influence on nonresidential value in the region is the large amount of natural gas property in Las Animas County. Districts such as Aguilar, Primero, and Trinidad also receive a large share of their value from oil and gas properties. After declining 19.1 percent in 2010, nonresidential values jumped 16.9 percent in 2011. Other important property classes in the Pueblo region are industrial and state assessed. These property classes are expected to increase in value throughout the forecast period.

Overall, total assessed values in the region will increase at an annual average rate of 2.5 percent over the next three years. Residential assessed values will increase 0.7 percent and nonresidential values will increase 3.3 percent per year through the forecast period.

School districts in the **eastern plains** region are typically among the slowest growing in terms of assessed value. This is partially the result of slow population growth and relatively low demand in the region for residential and commercial development. While residential assessed values had remained relatively stable, they decreased 3.8 percent in 2011. Values are expected to decrease another 2.4 percent in 2013, the next reassessment year.

The bulk of nonresidential value in this region is comprised of agricultural property. Nonresidential values increased 5.4 percent in 2011 due to the high price of agricultural commodities. State assessed property and natural resources are also important to the tax base in some school districts in Cheyenne and Yuma counties. Values in each of these property classes are expected to grow through the forecast period.

Total assessed values in the region will grow at an average annual rate of 2.0 percent over the next three years. Residential assessed values will decrease 0.1 percent and nonresidential assessed values will increase 2.5 percent annually, through the forecast period.

Colorado's **mountain** region experienced large declines in assessed values in 2011. Residential values dropped 20.6 percent, representing the worst decline of all the regions in the state. A lack of demand for high-price vacation homes and a tight credit market were the largest factors contributing to the decrease. The decline in value slowed in the second half of 2010 and into 2011, and in some counties, prices have stabilized. Modest amounts of new construction will increase residential values slightly in 2012. However, in 2013, values are expected to decrease another 2.0 percent.

Values for commercial properties and vacant land experienced similar declines due to the recession's impact on tourism and consumer spending. Nonresidential values decreased 14.9 percent in 2011. Like the western region, property values were last assessed during their peak, which contributed to the sharp drop. Nonresidential values will remain stable in 2012, but are projected to decrease by another 1.7 percent in 2013.

Total assessed values in the region will increase at an annual average rate of 0.5 percent over the next three years. Residential values will increase 1.0 percent and nonresidential values will decrease 0.1 percent annually, through the forecast period.

The **southwest mountain** region showed mixed results with respect to assessed values in 2011. Residential assessed value decreased 11.1 percent across the region. The largest decrease was 25.9 percent in Archuleta County, reflecting the collapse in the market for second homes. While a small amount of new construction will increase residential values in 2012, the value of existing properties is not expected to rebound before the next appraisal date, resulting in a modest decrease of 0.8 percent in 2013.

On the nonresidential side, many counties in the region are more reliant on oil and gas production, which saw significant gains in 2011. These gains were somewhat offset by decreases in commercial property values. Overall, nonresidential values increased 4.9 percent in 2011, and are expected to increase in 2012 as gas production remains high. Commercial and vacant land values are expected to decrease further in 2013.

Overall, total assessed values in the region will increase at an annual average rate of 0.6 percent over the next three years, with residential assessed values increasing 1.5 percent and nonresidential assessed values increasing 0.3 percent.

Residential assessed values in the **San Luis Valley** region increased 2.1 percent in 2011, the only region in the state to post an increase. Housing values are expected to remain flat and a low level of new construction will increase residential assessed values in 2012. Residential assessed values in the region are projected to increase 3.1 percent in 2013.

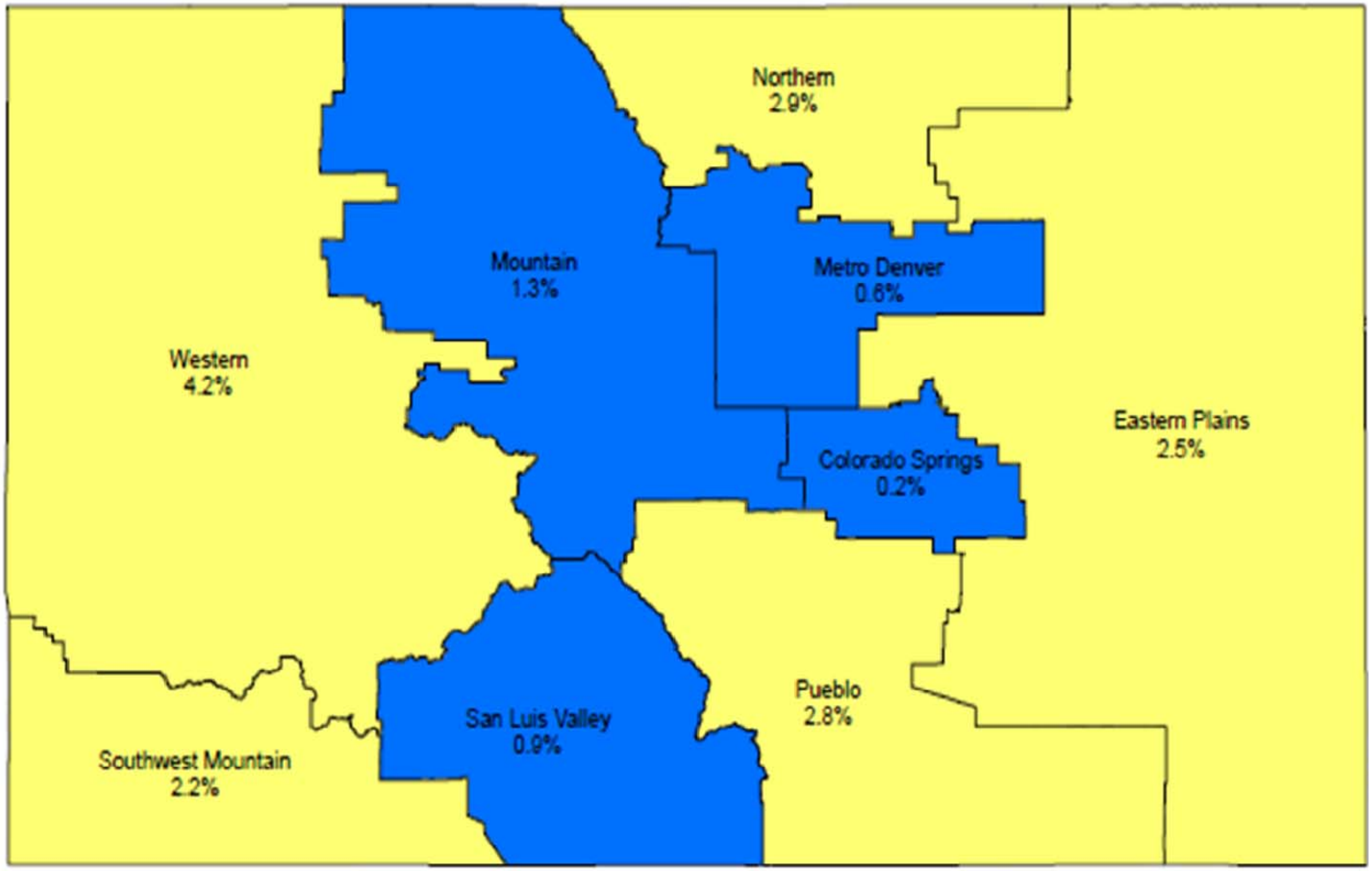
Nonresidential assessed values increased 0.7 percent in 2011, and are projected to grow by less than 1.0 percent each of the next 3 years. Commercial, agricultural, and vacant land property classes are the largest components of the nonresidential tax base. Commercial and vacant land values will remain stable through the forecast period and agricultural land value will increase slightly due to projected increases in commodity prices.

Total assessed values in the region will increase at an annual average rate of 1.1 percent over the next three years. Residential assessed values will increase 2.4 percent and nonresidential assessed values will increase 0.5 percent per year through the forecast period.

Risks to the forecast. The overall performance of the economy over the next several years will influence the strength or weakness in property values. This forecast assumes that the economic recovery will continue at a modest pace. It is possible that the recovery will gain greater momentum than expected, and produce higher levels of investment and stronger job growth. However, it is also possible that a weakening of the economy will cause both residential and nonresidential values to decrease further than projected.

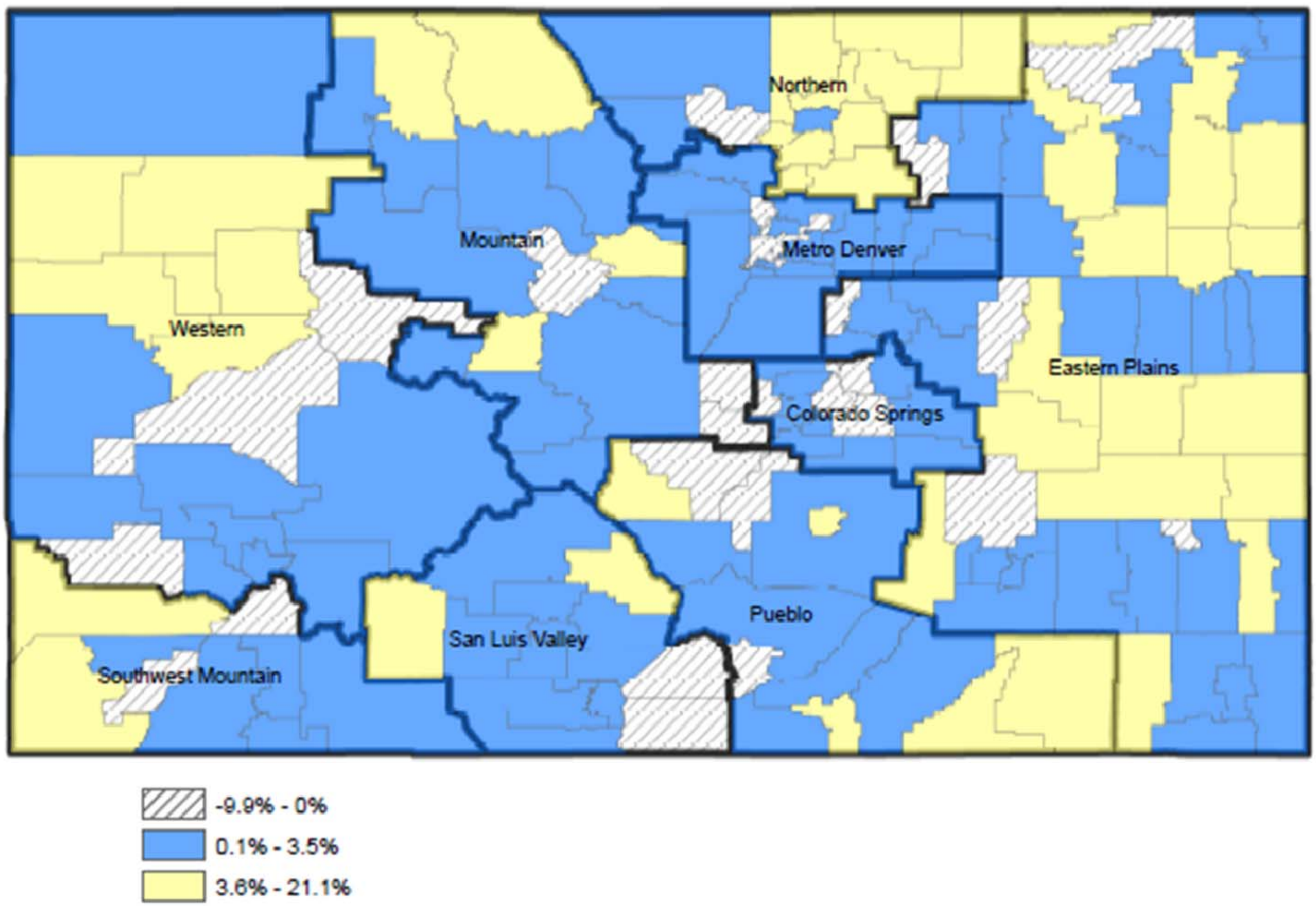
Finally, oil and gas properties are a significant driver of assessed values, especially in the northern and western regions. Energy prices are highly variable, and assessed values in these areas are particularly susceptible to price swings in energy commodities. This forecast assumes that oil and gas prices will continue to rise slowly throughout the forecast period.

Figure 31
Forecast Percent change in total Assessed Valuation by Region
2011 Assessment Year (Budget Year 2011-12)



Note: These regions are defined by school district boundaries, which differ slightly from those defined by county boundaries.

Figure 32
Forecast Percent Change in Total Assessed Valuation by District
2012 Assessment Year (Budget Year 2012-13)



Note: These regions are defined by school district boundaries, which differ slightly from those defined by county boundaries.

SCHOOL ENROLLMENT PROJECTIONS

This section of the forecast presents the Legislative Council Staff enrollment projections for kindergarten through twelfth grade in Colorado's public schools. These projections are presented in full-time equivalent (FTE) terms, and are used to determine funding levels for Colorado's 178 school districts. Table 18 on page 73 summarizes current and forecast enrollment from the current 2011-12 school year through the 2013-14 school years. Figures 34 and 35 on pages 77 and 78 show regional and district enrollment growth projections for the state.

- Overall kindergarten through twelfth grade enrollment is projected to increase by 9,537 FTE students, or 1.2 percent, in the 2012-13 school year. Enrollment in the following school year (2013-14) is expected to increase 1.3 percent, or 10,187 FTE students statewide.

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

Statewide forecast results. Last December, Legislative Council Staff projected student enrollment would reach 791,839 FTE in the 2011-12 school year, an increase of 0.9 percent or 7,000 FTE from the prior year. Actual enrollment came in at 794,754 FTE students, up 1.3 percent from the prior year, or 9,918 FTE. In the current forecast, statewide enrollment is expected to grow at a similar pace in the following two years, given that economic activity in the state is picking up slowly and in-migration is not expected to slowdown.

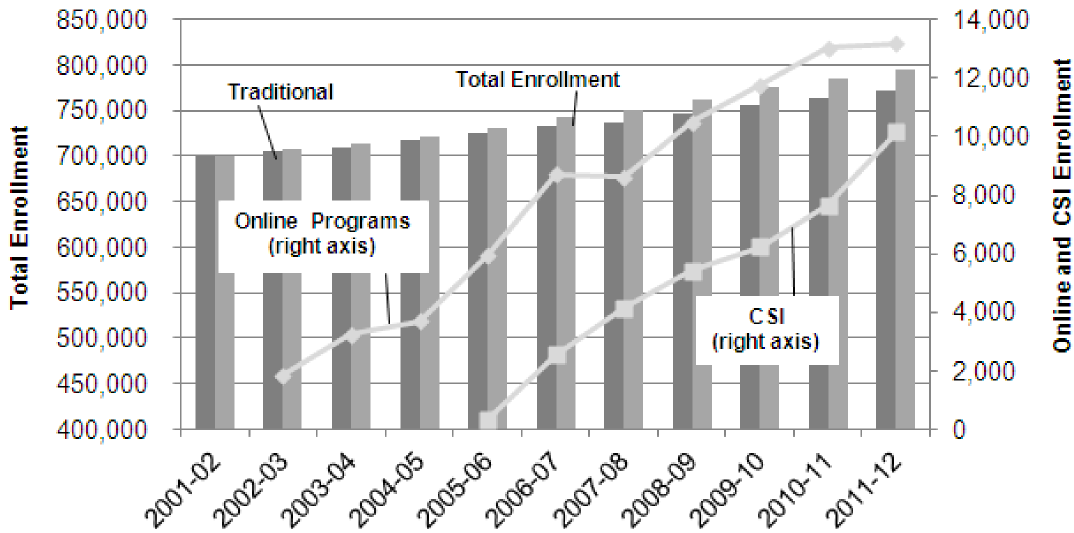
Enrollment in school districts along the I-25 corridor in the metro Denver, Colorado Springs, and northern regions will continue to dominate growth through the forecast period. These more metropolitan areas offer greater and more diverse job opportunities, which is particularly attractive in the current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

The impact of the housing bust and economic recession had a considerable impact on enrollment in other regions of the state. Outside of the metro-Denver, northern, and Colorado Springs regions, all other regions experienced enrollment declines in the current school year. With the loss of construction jobs, many families have left these regions in search of work elsewhere. However, as the economy recovers and the housing market stabilizes, regions such as the mountain region are expected to resume growing. Similarly, rising energy prices will fuel growth in the oil and gas industry and boost enrollment in school districts in the western region.

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

Enrollment in online programs and charter schools authorized by the Charter School Institute (CSI) continues to show strong

Figure 33
Traditional, Online, and Charter School Institute Enrollment
2001-02 through 2011-12 School Years
Full-Time Equivalent Students



Source: Colorado Department of Education.

growth. Charter schools are public schools formed by a group of parents, teachers, and/or community members as a semi-autonomous school of choice. Charter schools can be authorized by school districts or through the CSI. In the current 2011-12 school year, online and CSI students accounted for 2.9 percent of total enrollment. Figure 33 shows the growth in online, CSI, and traditional enrollment for the past ten years.

Regional forecast results. Table 18 shows anticipated regional enrollment growth over the forecast period and Figures 34 and 35 on pages 77 and 78 show forecasted growth for the 2012-13 school year, by region and school district.

Accounting for 58 percent of total Colorado enrollment, the **metro Denver region** plays an important role in determining statewide enrollment trends. Enrollment in the region has been increasing for over a decade, and growth increased relatively strongly in the 2011-12 school year, rising 2.0 percent. Enrollment is expected to grow at a slightly slower pace in the next couple of years, averaging 1.6 percent per year, accounting for 14,322 new FTE students. The slow economic recovery and soft residential construction market is expected to continue to dampen net migration to the region. In the current academic year, ninety-seven percent of Denver metro students are enrolled in traditional schools, and growth in these classrooms are driving the bulk of the enrollment increase. However, growth in online and CSI enrollment is increasing briskly.

Regional school districts that will experience relatively strong growth include Denver, Douglas County, Aurora, Brighton, and St Vrain. However, this growth will moderate over the next three years due to the slowdown in development and migration. Denver, the second largest district in the state with about 73,000 FTE students, saw

Table 18
Regional Growth in K-12 Public School Enrollment
Full-Time Equivalent Students

Region	Actual 2011-12	Percent Change	Estimated 2012-13	Percent Change	Estimated 2013-14	Percent Change	Average Growth (2011-12 through 2013-14)
Metro Denver	**458,368**	**2.0%**	**465,540**	**1.6%**	**472,713**	**1.5%**	**1.6%**
Colorado Springs	106,509	1.3%	108,151	1.5%	109,804	1.5%	1.5%
Northern	78,325	1.9%	79,333	1.3%	80,379	1.3%	1.3%
Western	49,708	-0.5%	49,848	0.3%	50,261	0.8%	0.6%
Pueblo	33,709	-0.6%	33,611	-0.3%	33,564	-0.1%	-0.2%
Eastern Plains	25,069	-4.6%	24,934	-0.5%	24,885	-0.2%	-0.3%
Mountain	23,771	-0.2%	23,745	-0.1%	23,818	0.3%	0.1%
Southwest Mountain	12,002	-0.9%	11,926	-0.6%	11,907	-0.2%	-0.4%
San Luis Valley	7,293	-0.2%	7,203	-1.2%	7,148	-0.8%	-1.0%
Statewide Total	**794,754**	**1.3%**	**804,291**	**1.2%**	**814,478**	**1.3%**	**1.2%**

enrollment grow 3.4 percent in the current school year. This growth rate is expected to slow over the next two years, but should remain around 2 percent per year. The economic downturn has increased enrollment in districts that include more affordable housing options.

Jefferson County school district, the largest district in the state with over 80,000 FTE students, continues to experience small declines in enrollment, a trend that is expected to continue through the forecast period. Enrollment declines are also expected in the Englewood, Littleton, and Westminster school districts.

FTE enrollment in the **Colorado Springs** region will increase 1.5 percent in both the 2012-13 and 2013-14 school years, after growing 1.3 percent in the 2011-12 school year. Growth in the region is expected from additional soldiers and their families relocating from other parts of the nation to the Fort Carson army base. However, additional assignments and troop deployments are subject to change and therefore the region could see higher or lower growth than expected. In addition to a growing military population, the diverse economy of the region is expected to offer an increasing number of job opportunities in a range of fields as the state and national economies improve, which will attract young families to the area.

The **northern region**, including Larimer and Weld counties, continues to see enrollment growth, including increases to the CSI and online programs. In the 2012-13 school year, enrollment is projected to increase 1.3 percent, or 1,009 FTE students. Growth at traditional schools increased 1.8 percent in the 2011-12 school year. Growth at traditional schools is expected to moderate, but remain above 1 percent during the forecast period, adding just under 2,000 FTE students over the next two years. Growth at the CSI and online programs has moderated somewhat after a strong increase in 2010-11. This region was not hit as hard as others by the economic downturn, and continued enrollment growth reflects relatively stable economic conditions and low out-migration in the region.

Over the past two years, many families left the **western region** with the loss in jobs in the oil and gas drilling and construction industries. While construction is expected to remain at a standstill in the near term, the oil and gas industry is recovering, which will cause modest enrollment growth in the next two years. Enrollment is projected to increase 0.3 percent, or by 140 students, in the 2012-13 school year.

The **Pueblo region**, consisting of Custer, Fremont, Huerfano, Las Animas, and Pueblo counties, is expected to see enrollment decline 0.3 percent in the 2012-13 school year and 0.1 percent the following year. The major drivers of the decline are the weak economy and continued high unemployment in the Pueblo area. Although enrollment in the Pueblo City School District decreased 1.3 percent in the current school year, it is expected to remain relatively flat in the forecast period. Similarly, enrollment growth in the Pueblo Rural School District is also projected to remain stable.

In other parts of the region, enrollment in Fremont County, where the state prison system is the largest employer, is expected to continue its decline. However, this could change if the state opens the new CSP II prison. Enrollment is projected to stabilize in Las Animas County, where natural gas production and prices have modestly recovered.

Enrollment in the **eastern plains** region is projected to fall 0.5 percent in the 2012-13 school year. In the current school year, the region experienced a 4.6 percent decrease in enrollment. Most of this drop was attributable to a sizable decrease in enrollment at the Insight School of Colorado, a multi-district online program offered by the Julesburg School District in Sedgwick County. This program grew from 528 students in the 2008-09 school year to 1,527 students in the 2010-11 school year. In the current school year, enrollment fell to 631 students. Because it is unknown how enrollment in this online program will respond in the future, enrollment was assumed to be flat.

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

Enrollment in the **mountain region** has been impacted by the struggling housing market and declining tourism levels. Over the last two years, many families have left the area in search of job opportunities elsewhere. As a result, enrollment decreased by 0.2 percent in the 2011-12 school year and is expected to see a slight decrease of 0.1 percent in 2012-13 as job opportunities remain limited and construction activity minimal.

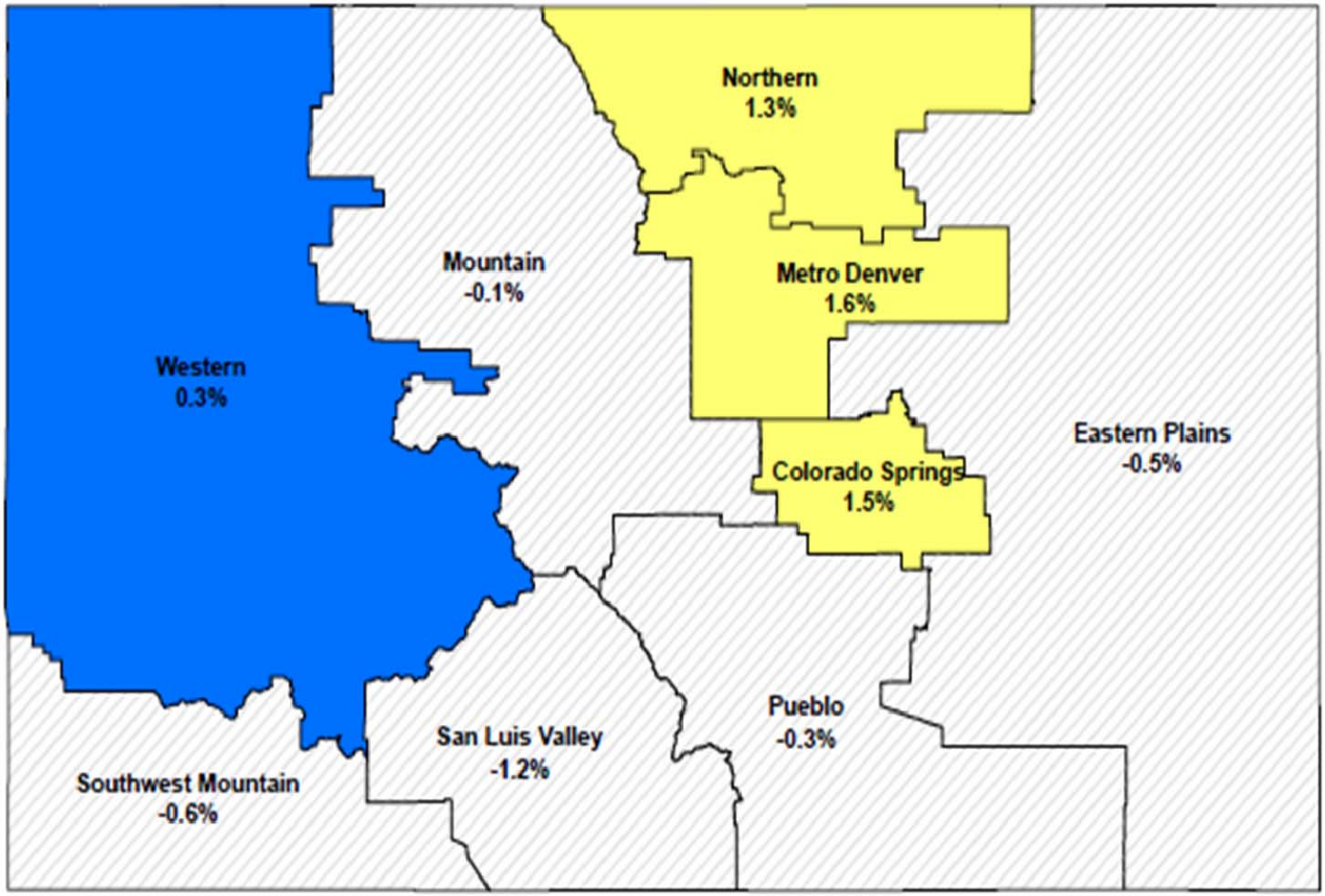
The mountain region has become an increasingly attractive retirement destination, requiring growth in health care, nutrition, and transportation services in the region. Demand for these services will drive some growth in the region in the coming years, although limited affordable housing in the area will constrain growth. The decrease in regional home prices may make housing more affordable for young families, which could boost future enrollment starting in the 2013-14 school year.

Enrollment in the **southwest mountain** region, including districts in Archuleta, Dolores, La Plata, Montezuma, and San Juan counties, is expected to decrease 0.6 percent in the 2012-13 school year, or 76 students. This rate of decline is slower than the 0.9 percent decrease that the region experienced in the current school year. Enrollment is expected to fall again in 2013-14, although at an even slower pace as the outlook for tourism and the natural gas industry improves. In the 2013-14 school year, enrollment will fall 0.2 percent.

Enrollment within the **San Luis Valley**, including districts within Alamosa, Conejos, Costilla, Mineral, Rio Grande and Saguache counties, is projected to decline throughout the forecast period. In 2012-13, the region is expected to lose 90 students, or a decrease of 1.2 percent, as out-migration continues from the largely agricultural region. In the following school year, enrollment is expected to decrease another 0.8 percent.

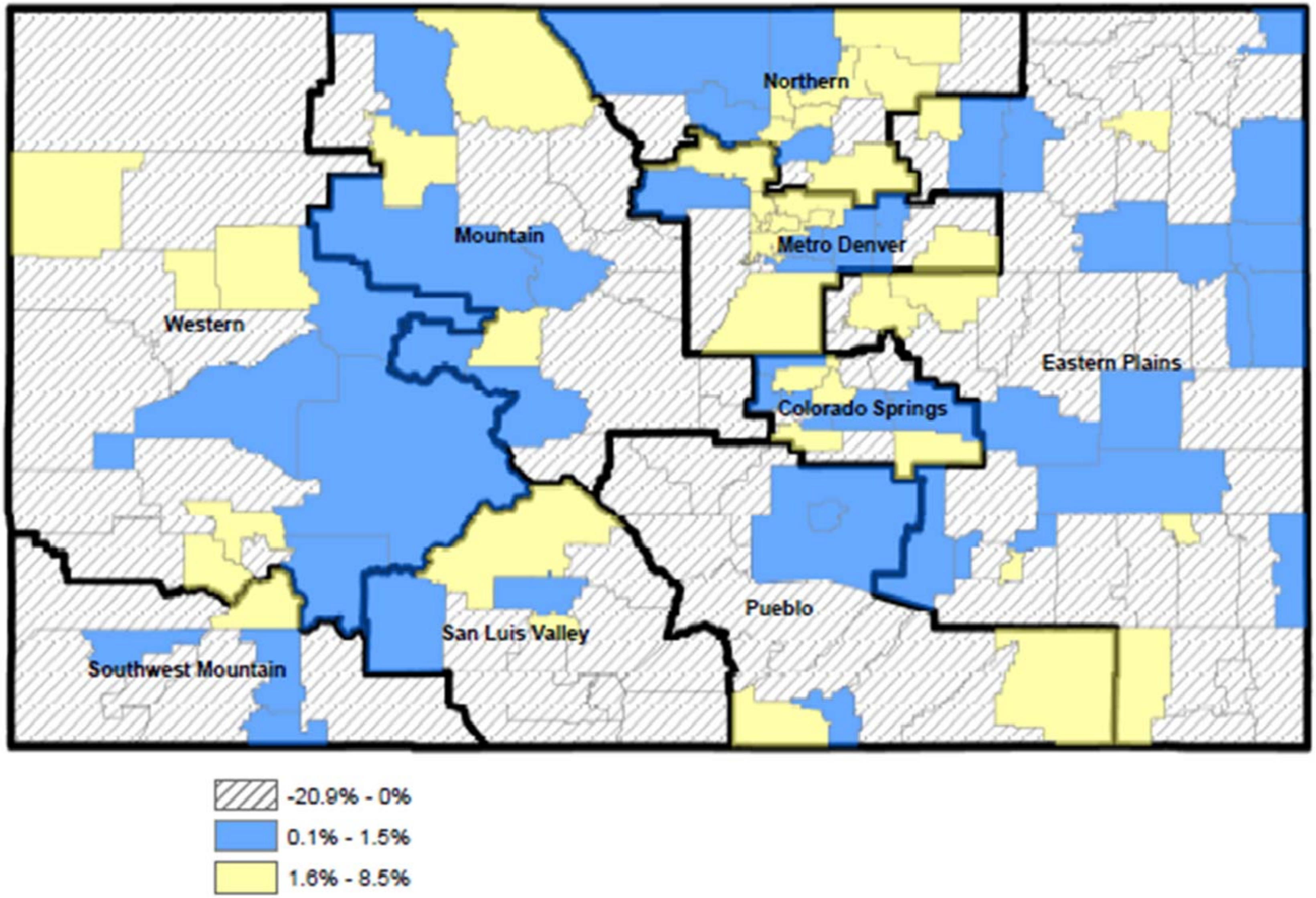
Risks to the forecast. Job opportunity remains the primary driver of enrollment growth in the state. While high unemployment is expected to continue over the next few years, job growth is projected to gradually pick up, fueling more in-migration to the state. Job growth will, however, occur unevenly across the state as businesses hire and expand, attracting families from other areas of the state and nation. If the growth in employment exceeds the current outlook, some regions may experience stronger than expected enrollment growth. Conversely, if the state's economy performs more poorly than anticipated, some school districts may see enrollment declines greater than projected.

Figure 34
Forecast Percent Change in Enrollment by Region
2012-13 School Year (Budget Year 2012-13)



Note: These regions are defined by school district boundaries, which differ slightly from those defined by county boundaries.

Figure 35
Forecast Percent Change in Enrollment by District
2012-13 School Year (Budget Year 2012-13)



Note: These regions are defined by school district boundaries, which differ slightly from those defined by county boundaries.

ADULT PRISON & PAROLE POPULATION PROJECTIONS

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

- The Department of Corrections (DOC) inmate population is projected to decrease from 22,610 in June 2011 to 21,583 in June 2014. This represents an average annual rate of decline of 1.5 percent. In comparison, over the past two years, the total inmate population decreased at an average annual rate of 1.2 percent. The projected decline through the forecast period is the result of recent trends, changes in the parole board, and legislation.

- Over the three-year forecast period, the male population is expected to decrease about 871 inmates, or about 290 per year. The female population is projected to decrease by 156 people, or about 52 inmates per year. Both populations will continue to decline through the forecast period, although the decrease will taper off in later years.

- Compared with the December 2010 forecast, inmate projections were increased for the forecast period. The change is the result of fewer than expected releases over the past several years.

- The total in-state parole population is projected to decrease from 8,181 in June 2011 to 7,333 in June 2014, declining at an average annual rate of 3.6 percent. The total number of parolees (those supervised in-state and out-of-state) is expected to decrease from 10,103 to 9,115 during the forecast period, declining at an average annual rate of 3.4 percent. The parole forecast was decreased compared with the December 2010 forecast due to lower than expected prison admissions and the timing of releases.

Adult Prison Population Trends. From June 2000 to June 2009, the prison population grew at an average annual rate of 4.2 percent. During this time, male and female inmate populations grew at average annual rates of 4.0 percent and 7.0 percent, respectively. The prison population reached its peak in July 2009 at 23,220. In FY 2009-10, the inmate population began to decrease and has fallen at an annual average rate of 1.2 percent. This inmate reduction was due to lower admissions into prison, especially in drug-related crimes. In FY 2010-11, overall prison admissions fell 6.1 percent with an 8.7 percent decrease in drug-related crimes. Similarly, releases decreased 6.7 percent in FY 2010-11 compared to an increase of 2.0 percent in FY 2009-10. Table 19 shows the historical prison population by gender.

Adult Prison Forecast. Table 19 presents the projected inmate population over the next three years. Between June 2011 and June 2014, the prison population is expected to decrease at an average annual rate of 1.5 percent. The male and female populations are expected to decline by an average annual rate of 1.4 percent and 2.5 percent, respectively. The decline is a continuation of the trend that began two years ago for men but has been occurring since FY 2007-08 for women. The

Table 19
History and Forecast of Adult Prison Population, by Gender

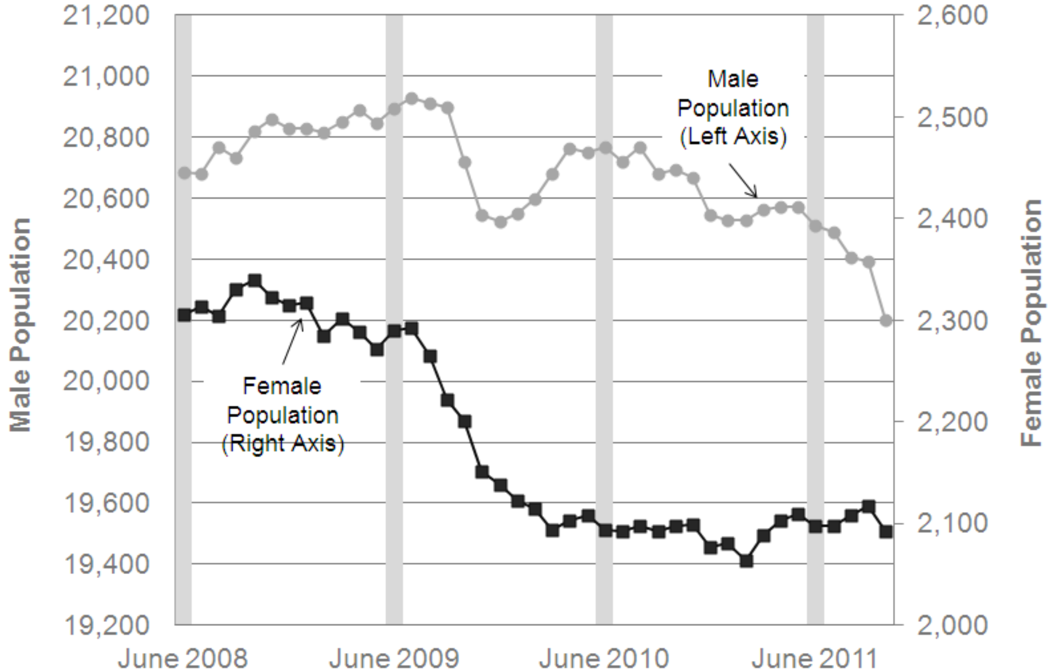
Prison Population Trends						
Fiscal Year	**Population Male**	**%Change**	**Population Female**	**% Change**	**Totals**	**% Change**
1995	10,000	6.6%	669	7.4%	10,669	6.6%
1996	10,808	8.1%	769	14.9%	11,577	8.5%
1997	11,681	8.1%	909	18.2%	12,590	8.8%
1998	12,647	8.3%	1,016	11.8%	13,663	8.5%
1999	13,547	7.1%	1,179	16.0%	14,726	7.8%
2000	14,733	8.8%	1,266	7.4%	15,999	8.6%
2001	15,493	5.2%	1,340	5.8%	16,833	5.2%
2002	16,539	6.8%	1,506	12.4%	18,045	7.2%
2003	17,226	4.2%	1,620	7.6%	18,846	4.4%
2004	17,814	3.4%	1,755	8.3%	19,569	3.8%
2005	18,631	4.6%	2,073	18.1%	20,704	5.8%
2006	19,792	6.2%	2,220	7.1%	22,012	6.3%
2007	20,178	2.0%	2,341	5.5%	22,519	2.3%
2008	20,684	2.5%	2,305	-1.5%	22,989	2.1%
2009	20,896	1.0%	2,290	-0.7%	23,186	0.9%
2010	20,766	-0.6%	2,094	-8.6%	22,860	-1.4%
2011	20,512	-1.2%	2,098	0.2%	22,610	-1.1%
2012*	**20,020**	**-2.4%**	**1,969**	**-6.2%**	**21,988**	**-2.7%**
2013*	**19,779**	**-1.2%**	**1,948**	**-1.1%**	**21,727**	**-1.2%**
2014*	**19,641**	**-0.7%**	**1,942**	**-0.3%**	**21,583**	**-0.7%**

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

trend is extended by a series of bills, passed during the 2010 legislative session, which put downward pressure on the inmate population.

As shown in Figure 36, the male populations peaked in July 2009 before beginning to decrease. The female population trended downward from October 2008 through March 2010, but has been essentially flat since then. Since June 2011, the male inmate population has declined another 2.5 percent while the female population has declined 1.5 percent. This was caused by a combination of lower than usual admissions and an increase in discretionary releases by the new parole board appointed in June. During the first five months of FY 2011-12, admissions and releases are down 12.6 percent and 2.3 percent, respectively, compared with the same period in the prior year. The combination of these trends has produced significant decreases among males and a slight decrease among females so far this fiscal year. Due to the limited size of certain crime populations, this trend is not expected to continue.

Figure 36
Historical Monthly Prison Population Levels, by Gender
June 2008 through November 2011



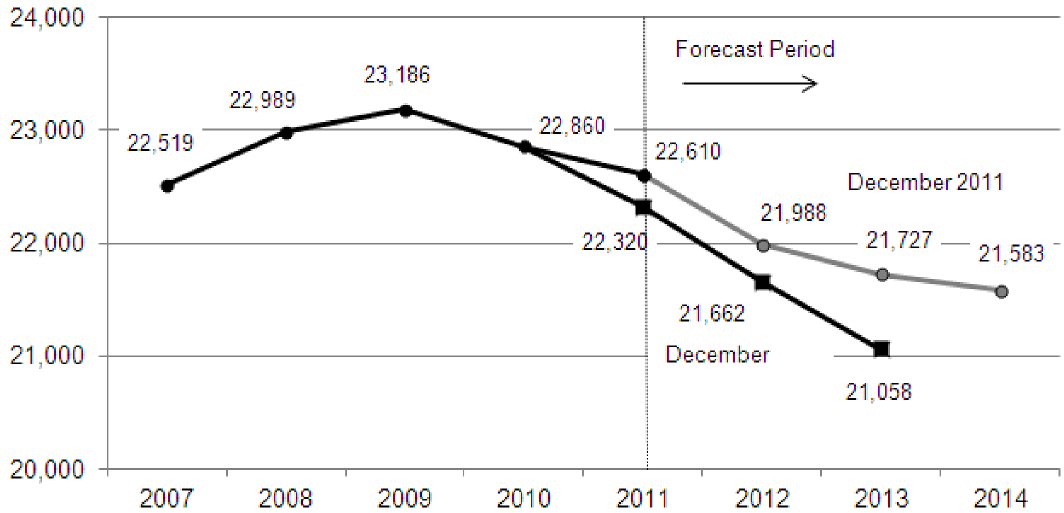
Source: Colorado Department of Corrections.

Figure 37 shows the change in this year's inmate population forecast from the projection issued in December 2010. In FY 2010-11, the population was expected to be 22,320. The actual FY 2010-11 population increased by 192 more inmates than had been projected. The December 2011 forecast for FY 2011-12 was revised upward to reflect the higher than anticipated population in 2011.

The 2010 forecast expected the inmate population on June 30, 2012 to reach 21,622, representing a monthly decline of about 55 inmates. Through the first five months of FY 2011-12, the prison population has fallen more sharply, losing 109 inmates per month. This growth rate is not expected to continue and the December 2011 forecast expects this rate to flatten out through the remainder of the year. Thus, a similar annual rate of decline was maintained for FY 2011-12.

The December 2011 forecast also projects a declining inmate population for subsequent years in the forecast period, primarily due to legislation that was passed in the 2010 legislative session and due to lower admissions in FY 2010-11 and FY 2011-12. Admissions reductions seem to be caused by several factors. As state and local law enforcement budgets have tightened, fewer resources may have been available to investigate and arrest potential offenders. This may have contributed to a decrease in admissions, especially for certain crimes such as vandalism and motor vehicle theft. In these classes, admissions have fallen at an annual average rate of 7 percent and 17 percent, respectively, from October 2008 to October 2011. Also, the expansion of drug courts and the use of alternative sentencing by judges seem to have reduced admissions for drug related offenses. As releases decline due to

Figure 37
Adult Inmate Population, Forecast to Forecast Comparison
December 2011 and December 2010



Source: Colorado Department of Corrections.

reduced inmate populations in subsequent years, the declines in the prison population are expected to slow.

Factors Affecting the Adult Prison Population. The following paragraphs describe how both external factors, including demographic and economic trends, changes within the criminal justice system, new legislation, and internal factors such as the DOC or Parole Board administrative policies, can influence the growth or decline of the inmate population.

- ***Population.*** All other things being equal, a larger population results in a greater number of criminal offenses, arrests, criminal felony filings, and prison commitments. Colorado's adult population between the ages of 20 and 49 increased at an average annual rate of 2.5 percent between 1990 and 2000. Correspondingly, the 1990s were a decade of strong prison population growth, with an average annual rate of growth of 7.4 percent between June 1990 and June 2000. From 2000 through 2010, the growth in this population cohort slowed to an average annual rate of 0.7 percent, and the growth in the prison population slowed to 3.6 percent. As this cohort is projected to grow at an average annual rate of 1.5 percent through the forecast period, we expect this trend to put mild upward pressure on the inmate population.

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

- ***Criminal Justice System***. The actions of the judicial system also affect inmate population growth. In particular, the commitment of more (fewer) offenders to prison will increase (decrease) the inmate population. The mix of crimes prosecuted also affects the prison population. If prosecutors prioritize more serious offenses with corresponding longer prison sentences, the average length of stay will increase, and so will inmate population growth. For example, the maximum sentence for convicted sex offenders is a lifetime sentence. The population of such offenders has grown recently, which exerts upward pressure on the inmate population.

- ***Legislation.*** Although no legislation was introduced in 2011 that should have a large impact on the prison population, several pieces of legislation passed in 2010 are affecting the prison population. In the 2010 legislative session, four bills were passed that are anticipated to reduce the prison population both by reducing admissions and the length of stay for inmates: House Bill 10-1338, House Bill 10-1352, House Bill 10-1360, and House Bill 10-1374.

  House Bill 10-1338 allows individuals with two or more felony convictions to be sentenced to probation under certain circumstances. The bill applies to offenders convicted of a class 2 through class 6 felony, and is anticipated to reduce prison admission by 90 offenders annually.

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

  House Bill 10-1360 allows certain parolees to be placed in a community return-to-custody facility rather than a state correctional facility. It is anticipated the bill will reduce technical parole violations at correctional facilities by 150 inmates annually.

  Finally, **House Bill 10-1374** reduces inmate bed-days by allowing inmates up to 12 days of earned time under certain circumstances. While all of these bills will place downward pressure on the prison population, the timing of the impact is uncertain. Indeed, at the time of passage, it was anticipated that the impact would be greater than what has been seen thus far. This forecast assumes a lagged impact such that the population reductions will be accelerated in the later years of the forecast period.

- ***DOC and Parole Board Administrative Policies***. In July 2011 four new members were appointed to the State Parole Board. Increases in discretionary parole seem to indicate a shift in policy that favors parole to incarceration. Parole Board policies that increase parole revocations or reduce releases to parole will increase inmate population growth, while policies that decrease parole revocations or increase prison releases to parole will reduce inmate population growth.

Adult Parole Population Trends and Forecast. From June 2000 until June 2009, the parole population supervised in-state grew at

Table 20
History and forecast of June 30 Parole Population, In-State and Out-of-State Parolees

Parole Population Trends						
Fiscal Year	Parole In-State	%Change	Parole Out-State	%Change	Total	%Change
1995	2,026	3.5%	744	7.8%	2,770	4.6%
1996	2,322	14.6%	924	24.2%	3,246	17.2%
1997	2,695	16.1%	1,155	25.0%	3,850	18.6%
1998	3,219	19.4%	1,433	24.1%	4,652	20.8%
1999	3,722	15.4%	1,569	9.5%	5,291	13.7%
2000	3,685	-1.0%	1,537	-2.0%	5,222	-1.3%
2001	4,192	13.8%	1,646	7.1%	5,838	11.8%
2002	4,037	-3.7%	1,680	2.1%	5,717	-2.1%
2003	4,858	20.3%	1,906	13.5%	6,764	18.3%
2004	5,244	7.9%	1,994	4.6%	7,238	7.0%
2005	5,714	9.0%	2,097	5.2%	7,811	7.9%
2006	6,551	14.6%	2,291	9.3%	8,842	13.2%
2007	7,947	21.3%	2,596	13.3%	10,543	19.2%
2008	8,783	10.5%	2,728	5.1%	11,511	9.2%
2009	9,016	2.7%	2,029	-25.6%	11,045	-4.0%
2010	8,535	-5.3%	2,100	3.5%	10,635	-3.7%
2011	8,181	-4.1%	1,922	-8.5%	10,103	-5.0%
2012*	**7,840**	**-4.2%**	**1,874**	**-2.5%**	**9,714**	**-3.9%**
2013*	**7,590**	**-3.2%**	**1,827**	**-2.5%**	**9,417**	**-3.1%**
2014*	**7,333**	**-3.4%**	**1,782**	**-2.5%**	**9,115**	**-3.2%**

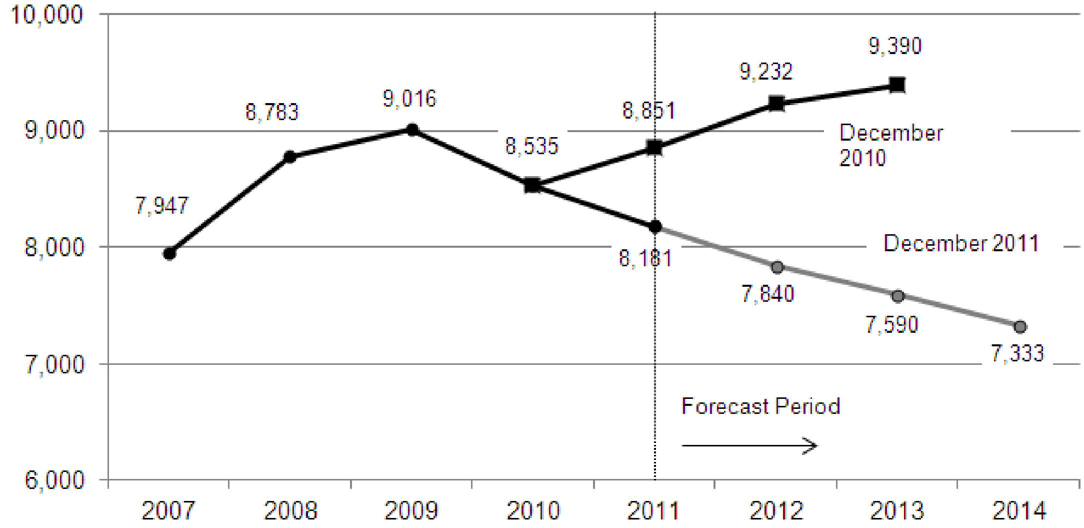
Source: Colorado Department of Corrections.
**Legislative Council Staff Projections.*

an average annual rate of 9.5 percent. In FY 2009-10, the in-state parole population began to decline, falling at an average annual rate of 4.7 percent in the last two years. Table 20 provides a history of the parole population supervised in-state and out-of-state, as well as the forecast for these populations through June 2014. The out-of-state population includes parole *absconders* — parolees who have not reported and are considered fugitives.

The number of parolees *supervised in-state* is expected to decrease at an average annual rate of 3.6 percent throughout the forecast period — from 8,181 parolees in June 2011 to 7,333 parolees in June 2014. The *total* number of parolees will decrease at an average annual rate of 3.4 percent over the forecast period, from 10,103 parolees in June 2011 to 9,115 parolees in June 2014.

Figure 38 shows the change in the December 2011 in-state parole forecast from the corresponding December 2010 projection. The change occurred in part because the actual in-state caseload was 770 below projected

Figure 38
Adult In-State Parole Population, Forecast to Forecast Comparison
December 2011 and December 2010



Source: Colorado Department of Corrections.

levels in 2011. This deviation suggested that a reduction from the December 2010 parole forecast was necessary in the current fiscal year. For the remainder of the forecast period, the impact of the declining inmate population will begin to be felt and the caseload of the in-state parolee population is expected to decline.

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

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

- ***Parole Board release and revocation decisions.*** The Parole Board is a key influence on the growth of the prison population (as described above) and the parole population. Board decisions to revoke parole reduce the parole population, but increase the prison population. Discretionary decisions to release inmates to parole increase the parole population and reduce the prison population. The Board also determines when parolees are released from parole into the general population.

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

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

The Parole Board has a tremendous influence on both the parole population and the population of parole revocations to prison. Discretionary releases to parole decrease the inmate population and increase the parole population, while parole revocations do the reverse. The parole and prison forecasts assume that the Parole Board will not significantly change its present practices regarding release or revocation decisions.

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

Finally, as the economy continues to recover an increase (decrease) in law enforcement budgets could increase (decrease) the number of people arrested by having more officers available to combat crime.

YOUTH CORRECTIONS POPULATION PROJECTIONS

This section presents the forecast for the population of juvenile offenders administered by the Division of Youth Corrections (DYC) in the Department of Human Services. The three major populations administered by the DYC are juveniles committed to custody, juveniles sentenced to a detention facility, and juveniles sentenced to community parole.

- The DYC **commitment population** will decrease from an average daily population of 1,038 in FY 2010-11 to 981 in FY 2011-12. By FY 2012-13 and 2013-14, the commitment population will further decrease to 958 and 947, respectively.
- The average daily **parole population** will correspondingly fall from 418 in FY 2010-11 to 390 in FY 2011-12. In FY 2012-13 and 2013-14, the parole population with decrease to 381 and 375, respectively.

Juvenile Offender Sentencing Options

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

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

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

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

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

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

Division of Youth Corrections Sentencing Placements and Population Overview

Commitment. The commitment population consists of juveniles adjudicated for a crime and committed to DYC custody. In FY 2010-11, the average daily commitment population was 1,038, representing an 11.3 percent decrease from the prior year. In

FY 2009-10, the average daily commitment population decreased 4.7 percent.

Detention. The DYC manages eleven secure detention facilities and contracts for additional detention beds. In 2003, the detention population was capped at 479 youths. *As a result, Legislative Council Staff no longer forecasts detention bed need.* Through October 2011, the average daily detention population was 333.

Community Parole. Juveniles who have satisfactorily served their commitment sentence and are approved by the Juvenile Parole Board are eligible for community parole. The DYC continues to be closely involved with parolees, preparing the parole plan for the board and supervising and monitoring the youth's progress while on parole. In FY 2010-11, the average daily parole population was 418, representing a 5.6 percent decrease from the prior year. In FY 2009-10, the average daily parole population increased 1.9 percent.

Influences on the Juvenile Offender Population

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

Population growth. The growth in the Colorado population of juveniles age 10 to 17 increased by an average of 3.4 percent annually between 1990 and 2000. Likewise, the commitment population grew at an average annual rate of 8.5 percent in that ten-year period. However, from 2000 to 2010, this population cohort increased by an average annual rate of only 0.7 percent annually. During this period, the commitment population declined at an average annual rate of 1.9 percent. This population cohort grew 1.1 percent in 2011 and is expected to increase at a rate of 1.6 percent annually through the forecast period, which could put slight upward pressure on the commitment population.

Court Sentencing Practices. Juvenile filings increased at an average annual rate of 4.8 percent from 1990 through 2000. However, since peaking in 1998, filings have declined steadily. Over the last decade, filings have dropped at an average annual rate of 4.2 percent. In FY 2010-11 they decreased 3.1 percent and are down 11 percent through the first four months of FY 2011-12 compared to the same period last year. This significant decline in filings puts downward pressure on the population committed to DYC supervision.

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

DYC Commitment Population Projections

In FY 2010-11, the commitment population averaged 1,038, representing a 11.4 percent decrease over the prior year. By June 2012, the commitment population will drop further to 981, representing a further decrease of 5.5 percent. Table 21 provides the forecast for the average annual commitment population from FY 2010-11 to FY 2013-14.

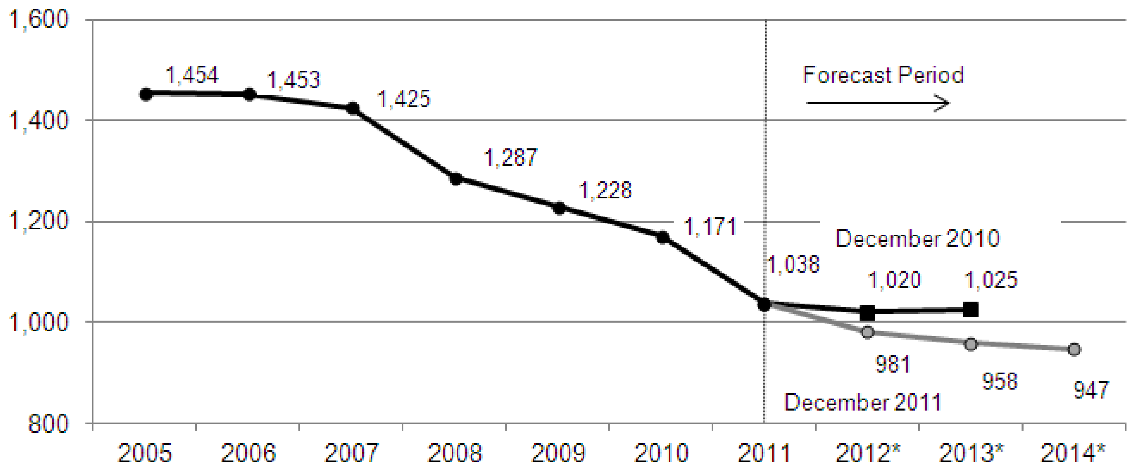
Projected DYC commitments have been adjusted downward from the projections made in December 2010. At that time, the average daily commitment population was projected to fall at an average annual rate of 6.5 percent through FY 2011-12 before

Table 21
DYC Commitment Population
Forecast-to-Forecast Comparison

FY	Dec-11 Forecast	Dec-10 Forecast	Forecast Difference	Percent Difference
2011	1,038*	1,037	0	0.0
2012	981	1,020	(39)	(3.8)
2013	958	1,025	(67)	(6.5)
2014	947	-	-	-

**Actual Commitment Population through June 2011.*

Figure 39
Comparison of DYC Average Daily Commitment Population Forecasts, December 2011 and December 2010



Source: Division of Youth Corrections, Colorado Department of Human Services.
**Legislative Council Staff Forecast.*

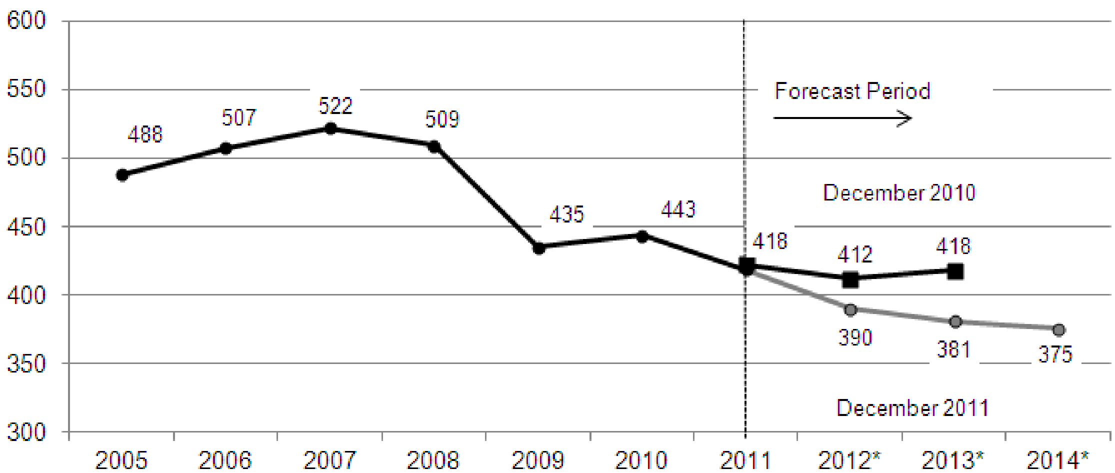
rebounding slightly in FY 2012-13. However, the population of new commitments has fallen more rapidly than expected. In October 2011, the average daily population of commitments was at 1,003, a 3.4 percent decrease from June 2011 levels. Commitments are expected to continue to decline through the winter months before rebounding slightly in the spring, leading to a projected average daily population of 981 in June 2012. This would represent a decline of 5.5 percent during the current fiscal year. Through the forecast period, the impact of the decrease in juvenile filings will lead to a continued decline in commitments through FY 2012-13. However, the decline in juvenile filings is expected to moderate over time, leading to a leveling in the commitment population forecast in FY 2013-14. Figure 39 graphically compares the current commitment population forecast with the 2010 forecast.

Table 22
DYC Parole Population
Forecast-to-Forecast Comparison

FY	Dec-11 Forecast	Dec-10 Forecast	Forecast Difference	Percent Difference
2011	418*	422	0	0.0
2012	390	412	(22)	(5.3)
2013	381	418	(37)	(8.9)
2014	375	-	-	-

**Actual Commitment Population through 2011.*

Figure 40
Comparison of DYC Average Daily Parole Population Forecasts, December, 2011 and December, 2010



Source: Division of Youth Corrections, Colorado Department of Human Services.
**Legislative Council Staff Forecast.*

Juvenile Parole Population Projections

Table 22 compares the projected juvenile parole average daily population with the projections from December 2010. In FY 2010-11, the parole population averaged 418, representing a 5.6 percent decrease over FY 2009-10. By FY 2011-12, the parole population is projected to drop to 390, representing a further decrease of 6.8 percent. In FY 2012-13 and 2013-14 the population is expected to fall to 381 and 375, respectively.

Projected DYC parolees have been adjusted downward from the projections made in December 2010. At that time, the average daily parole population was expected to fall at an average annual rate of 1.9 percent through FY 2012-13. However, the declines in new commitments imply the parole population will likely decrease more rapidly over the forecast period than previously anticipated. By October 2011, the average daily population of parolees had fallen to 381, below the low point of last year's forecast. As the decrease in commitments levels off in the later part of the forecast period the decline in parole numbers is expected to slow as well. Figure 40 graphically compares the current parole population forecast with the 2010 forecast.

Risks to the forecast

The DYC provides a continuum of services for juveniles committed to its custody. State budget cuts that impede the ability of the DYC to provide a full range of services may, in theory, tend to increase the length of stay and put upward pressure on the commitment population. The current briefing from JBC staff outlines several budget reduction proposals. However, because the declining commitment levels have resulted in an increased expenditure per committed youth during the last few years, it is not clear that these proposed cuts would be substantial enough to significantly impact the average daily population of committed youths.

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

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

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

As the economy continues to recover an increase (decrease) in law enforcement budgets could increase (decrease) the number of youths arrested by having more enforcement available to combat crime.

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

Colorado Economic Regions

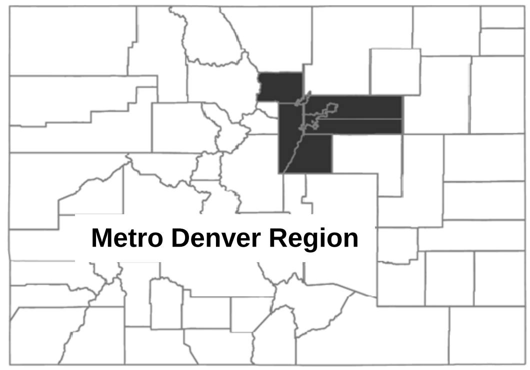
Metro Denver Region
Colorado Springs Region
Pueblo — Southern Mountains Region
San Luis Valley Region
Southwest Mountain Region
Western Region
Mountain Region
Northern Region
Eastern Region

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

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

Metro Denver Region

Economic activity in the metro Denver region is strengthening gradually. The region's job market, which represents over half of the statewide labor force, continues to see moderate employment gains, and the unemployment rate has drifted lower. After stalling in the spring of 2010, consumer spending has rebounded. Construction remains at historically low levels, with nonresidential construction falling further but residential construction inching upward. Table 23 shows economic indicators for the region.



Job market. The metro Denver job market continues to improve, with job growth rising 0.7 percent year-to-date through October 2011, compared with the same period 2010, as shown in Figure 41. Job gains have begun to offset the number of workers entering the labor force. As a result, area unemployment was 8.3 percent in October. Figure 42 shows these trends.

Consumer spending. Consumer spending, as measured by retail trade sales, has flattened after growing at the end of 2010. Figure 43 shows this trend. Retail sales increased 4.2 percent through June 2011, compared with the same time period in 2010. As Figure 44 shows, sales in metro Denver continued to decline after the nation's consumer spending picked up in 2009. Retail trade grew faster in Denver in late 2010 than in the nation. Consumer spending is expected to continue to grow, though at a pace dampened by high levels of consumer debt and unemployment.

Table 23
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%	0.7%
Unemployment Rate /2 (2011 Figure is October Only)	3.7%	4.9%	8.4%	8.8%	8.3%
Housing Permit Growth /3					
Single-Family Permits (Denver-Aurora)	-38.7%	-50.1%	-31.8%	35.5%	-2.6%
Single-Family Permits (Boulder)	-20.6%	-53.5%	-27.6%	101.0%	-5.5%
Growth in Value of Nonresidential Const. /4	34.5%	-14.3%	-37.5%	12.6%	22.8%
Retail Trade Sales Growth /5	6.5%	-0.8%	-11.4%	6.9%	4.2%

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 October 2011.

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

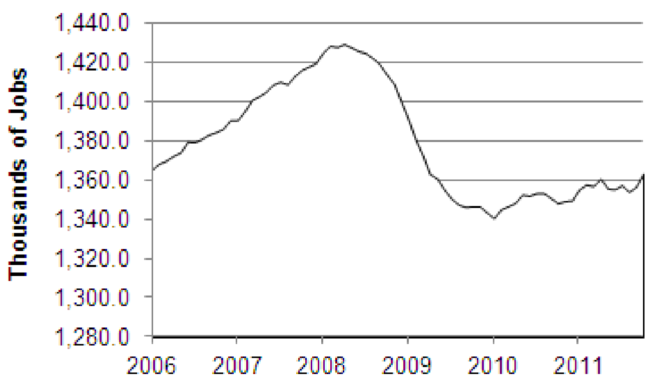
4/ F.W. Dodge. Data through September 2011.

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

Housing market. The region's housing market continues to struggle. Home prices have drifted lower, as expected, as markets continue to adjust to a high number of foreclosures. Residential construction remains at historically low levels, though activity continues to inch upward. Figure 45 shows slow and uneven growth in single- and multi-family residential building permits.

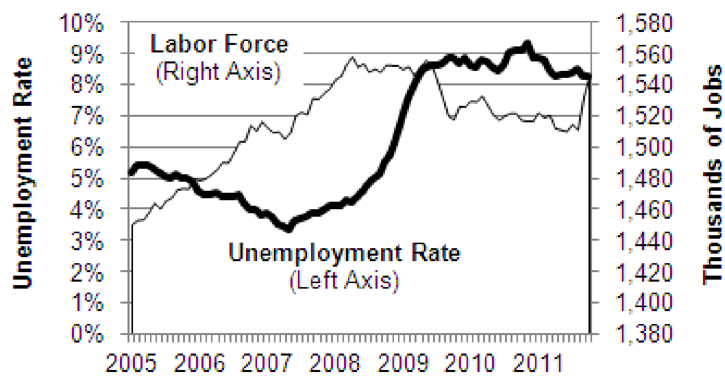
Nonresidential construction. As shown in Figure 46, the region's nonresidential construction activity accelerated in the second and third quarters of 2011 from historically low levels. The recession led many businesses to downsize or close their doors, leaving little demand for new commercial properties 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 41
Metro Denver Employment Picks Up
Seasonally Adjusted



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

Figure 42
Metro Denver's Unemployment Rate Declines
Seasonally Adjusted

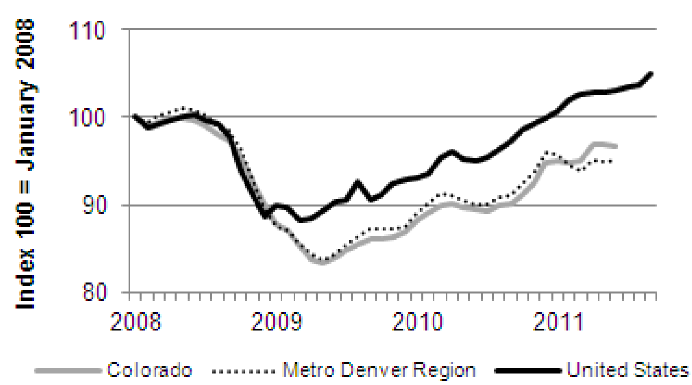


Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2011.

Figure 43
Metro Denver Retail Trade Sales
Three-Month Moving Average;
Seasonally Adjusted Annualized Data

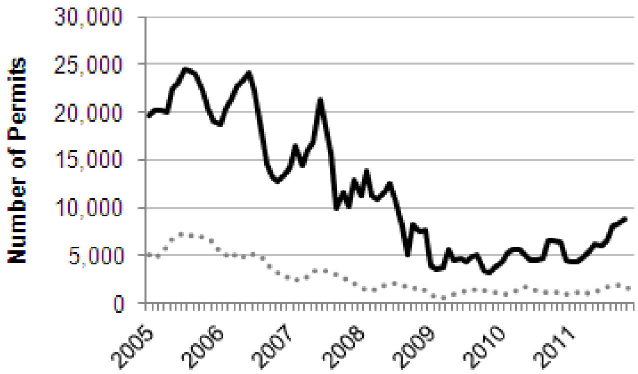
Source: Colorado Department of Revenue. Data through June 2011.

Figure 44
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average;
Seasonally Adjusted Annualized Nominal Data



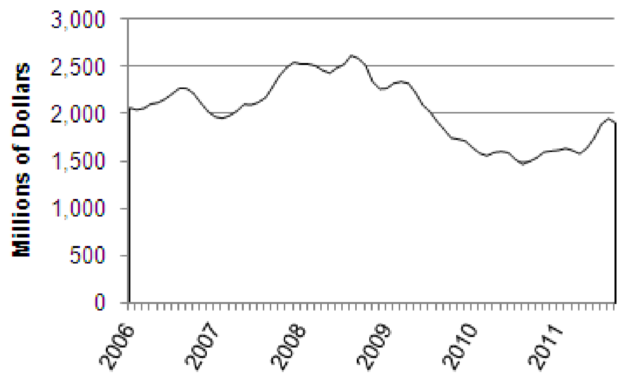
Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through June 2011. U.S. data through September 2011.

Figure 45
Metro Denver Residential Building Permits At Historically Low Levels
Three-Month Moving Average; Seasonally Adjusted Annualized Data



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

Figure 46
The Value of Nonresidential Construction Contracts in Metro Denver Will Remain at Historically Low Levels
Three-Month Moving Average; Seasonally Adjusted Annualized Data

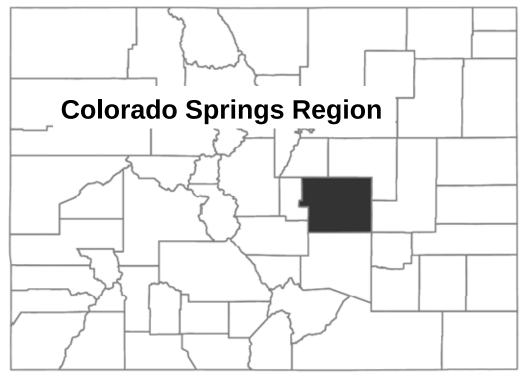


Source: F.W. Dodge. Data through September 2011.

Colorado Springs Region

The Colorado Springs region is showing only weak signs of recovery. The labor market has begun to improve but remains one of the weakest areas 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 24 shows economic indicators for the region.

Job Market. After showing signs of stabilizing, area employment dipped sharply in April, as shown in Figure 47. Nonfarm employment fell at an average annual rate of 0.9 percent in 2010 over 2009 levels. Year-to-date through October 2011, job growth has fallen 0.7 percent compared with the same time period in 2010. Figure 48 shows the rise in the region's unemployment rate, which peaked at 10.2 percent in November 2010. The unemployment rate has fallen nearly a percentage point to 9.4 percent in October 2011. Still, the October unemployment rate was higher than the 8.1 percent posted for the state and the 9.0 percent rate posted for the nation.



Consumer Spending. Consumer spending, as measured by retail trade sales, has made a faster recovery than the labor market. As shown in Figure 49, after dipping sharply in 2008 and 2009, sales have recovered and accelerated in late 2010 and the first half of 2011. Sales grew 7.8 percent in 2010, and are above pre-recessionary levels of spending.

Table 24
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 October Only)	4.2%	5.7%	9.0%	9.7%	9.4%
Housing Permit Growth /3					
Total	-29.7%	-36.1%	-33.4%	27.9%	37.7%
Single-Family	-34.3%	-42.2%	-16.7%	23.2%	-6.0%
Growth in Value of Nonresidential Const. /4	6.8%	-44.6%	-2.8%	-18.9%	-3.9%
Retail Trade Sales Growth /5	5.4%	-2.7%	-6.2%	7.8%	10.3%

MSA=Metropolitan statistical area.

1/ U.S. Bureau of Labor Statistics. Seasonally adjusted. Data through October 2011.

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

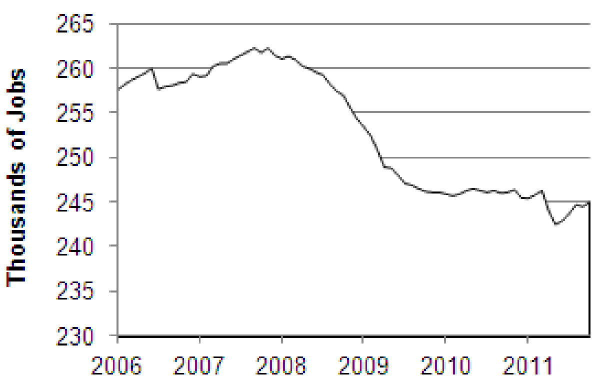
3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through October 2011.

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

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

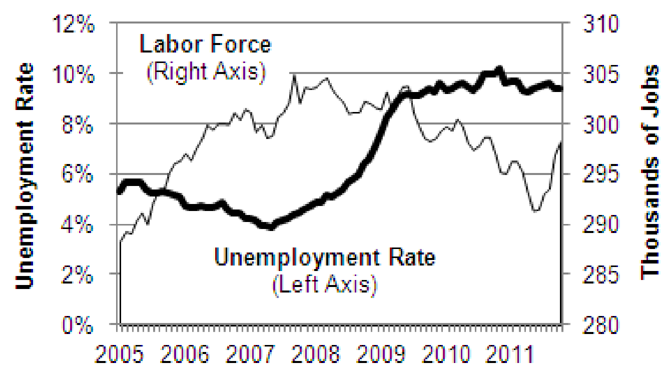
Construction. With some growth thus far in 2011, home building remains at historically low levels in the region, as shown in Figure 50. The area continues to see high levels of foreclosures, which contributes to depressed home prices and a glut of homes on the market. However, multifamily permits have increased. Nonresidential construction activity remains sluggish and at low levels when compared to the boom years of the mid-2000s. Nonresidential construction fell 3.9 percent in El Paso County in January to September of 2011, when compared with the same time period in 2010. A surplus of empty commercial spaces continues to dampen demand for new construction.

Figure 47
Colorado Springs MSA Nonfarm Employment
Seasonally Adjusted



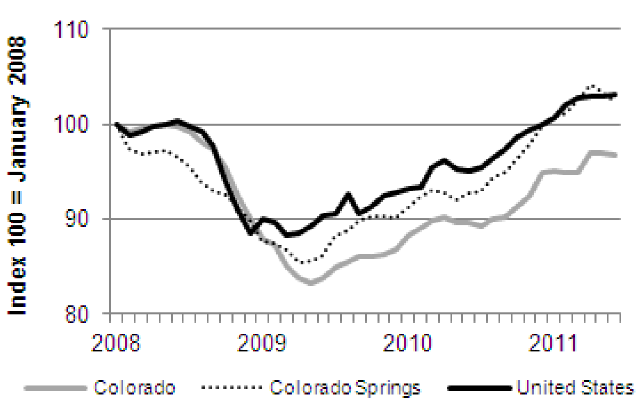
Source: U.S. Bureau of Labor Statistics; CES. Data through October 2011.

Figure 48
Colorado Springs MSA
Unemployment Rate and Labor Force
Seasonally Adjusted



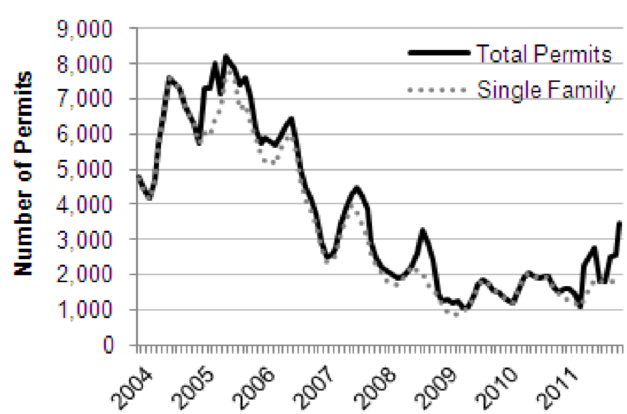
Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2011.

Figure 49
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 June 2011; U.S. data through October 2011.

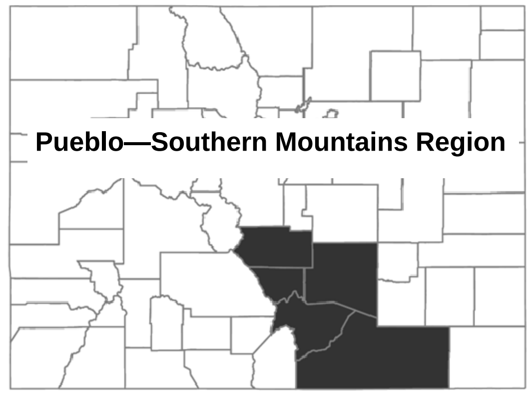
Figure 50
Colorado Springs MSA
Residential Building Permits
Three-Month Moving Average;
Seasonally Adjusted Annualized Data



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

Pueblo — Southern Mountains Region

The economic recovery in the five-county Pueblo region is beginning to catch up with the rest of the state. Although unemployment remains high, consumer spending is recovering at a faster pace, and job growth in the first nine months of 2011 is mirroring the state. Job growth in the Pueblo metropolitan area, however, is growing at an even faster pace. Like most other areas of the state, residential construction activity has yet to show any improvement. Table 25 illustrates economic indicators for the region.



After losing jobs through 2010, the Pueblo region added about 4,000 seasonally adjusted jobs in the first ten months of 2011. Current employment levels now exceed 2010 levels, although the region has only regained about half of the jobs lost during the recession. These trends can be shown in Figure 51. Job growth in the Pueblo metropolitan area increased 1.7 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 10.2 percent in October. This decrease occurred even with a rise in the labor force in the first ten months of 2011.

Consumer spending, as measured by retail trade sales, continued to show strong growth in the first six months of 2011. Seasonally adjusted retail sales are up 11.1 percent between January and June, compared with the same period in 2010. Retail trade sales data includes information only through June 2011. Figure 52 indexes changes in the region's consumer spending to changes in consumer spending in the state and the nation.

Table 25
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%	-2.3%	1.0%
Pueblo MSA /2	3.2%	0.5%	-2.3%	-0.1%	1.7%
Unemployment Rate /1	4.6%	6.0%	9.4%	10.4%	10.2%
(2011 Figure is July Only)					
Housing Permit Growth /3					
Pueblo MSA Total	-48.1%	-38.6%	-9.4%	-37.9%	-45.5%
Pueblo MSA Single-Family	-44.8%	-42.8%	-51.5%	13.6%	-39.9%
Growth in Value of Nonresidential Construction /4					
Pueblo County	-62.4%	75.1%	-65.9%	-77.7%	59.1%
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 October 2011.

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

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

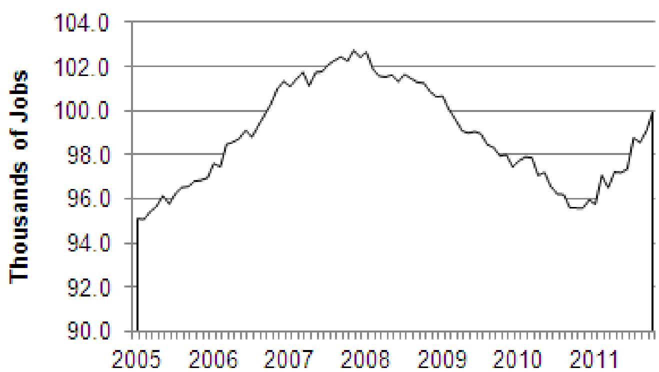
4/ F.W. Dodge. Data through September 2011.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through June 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 53 shows recent trends in the number of permits filed for home building in the Pueblo metropolitan area.

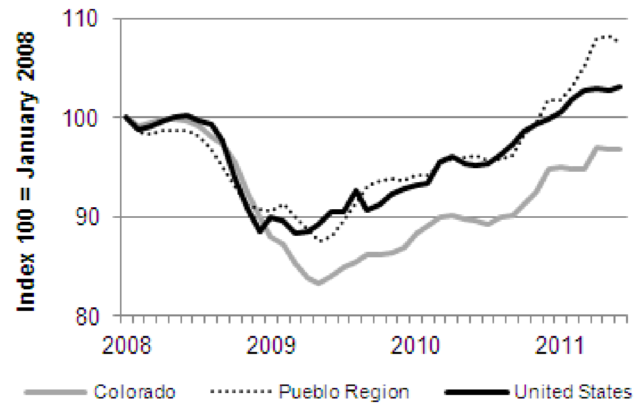
Nonresidential construction in the region remains at low levels. Pueblo County had a surge of construction beginning at the end of 2008 that peaked in mid-2009. However, as shown by Figure 54, construction has been at a near standstill recently. Until the regional economy can support business expansion, nonresidential construction is expected to remain weak.

Figure 51
Pueblo Region Nonfarm Employment
Seasonally Adjusted



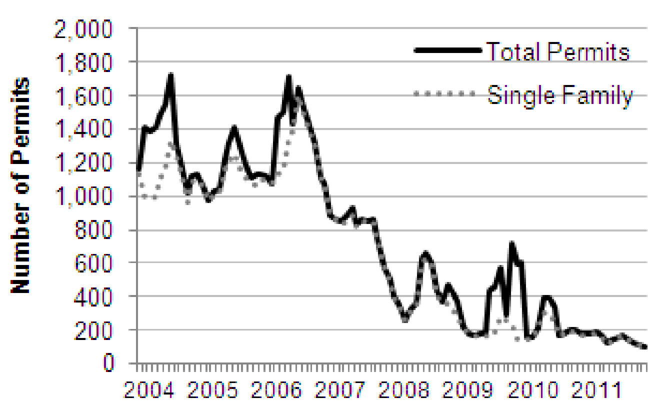
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

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



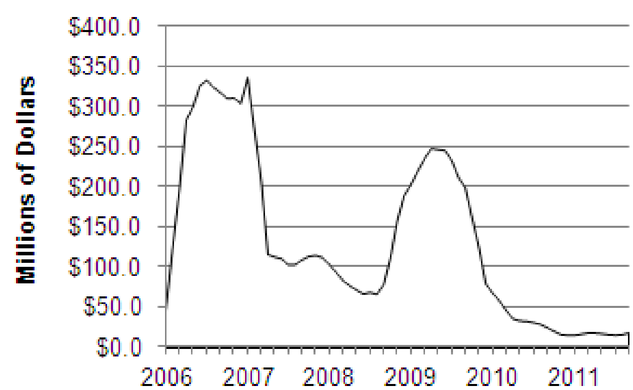
Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through April 2011. U.S. data through June 2011.

Figure 53
Pueblo MSA Residential Building Permits
Three-Month Moving Average;
Seasonally Adjusted Annualized Data



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

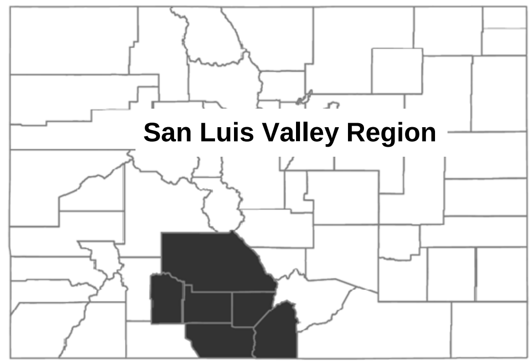
Figure 54
Pueblo County Nonresidential Construction
Three-Month Moving Average;
Seasonally Adjusted Annualized Data



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

San Luis Valley Region

The six-county San Luis Valley region's economy grew slowly in 2010 and is gaining some momentum from high crop prices as the recovery continues in 2011. However, nonfarm employment fell in 2011 and the ranks of the jobless grew. Due to the reliance on agriculture-based industries, the region experiences different economic trends than more urban areas of the state. The region is seeing some growth in consumer spending in 2011, but nonresidential and housing construction is down. Table 26 shows economic indicators for the region.



The labor market in the region has weakened thus far this year, with nonfarm employment falling 1.5 percent through October 2011 compared with the same period in 2010. After averaging 8.5 percent in 2010, the region's unemployment rate increased from 8.8 percent in September to 9.2 percent in October. Figure 55 shows these labor force changes. It is important to note that these job statistics are based on nonfarm employment data that is not affected by the stabilizing influence of the agricultural industries in the region.

Figure 56 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. Consumers in the San Luis Valley were spending during the recession at a higher level than the rest of the state and the nation.

Table 26
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%	0.6%	-1.5%
Unemployment Rate /1 (2011 Figure is October Only)	4.5%	6.1%	7.8%	8.5%	9.2%
Statewide Crop Price Changes /2					
Barley (U.S. average for all)	32.0%	49.6%	-15.5%	-12.3%	44.8%
Alfalfa Hay (baled)	5.3%	18.0%	-20.7%	0.0%	76.0%
Potatoes	22.6%	21.0%	-46.6%	87.3%	4.6%
SLV Potato (Inventory CWT) /2	-7.5%	4.4%	5.0%	-2.5%	-2.4%
Housing Permit Growth /3					
Alamosa County	-41.0%	139.1%	-47.3%	0.0%	-14.3%
Growth in Value of Nonresidential Construction /3					
Alamosa County	414.1%	-88.0%	2620.7%	-16.1%	-51.6%
Retail Trade Sales Growth /4	6.9%	3.4%	-1.6%	3.8%	4.9%

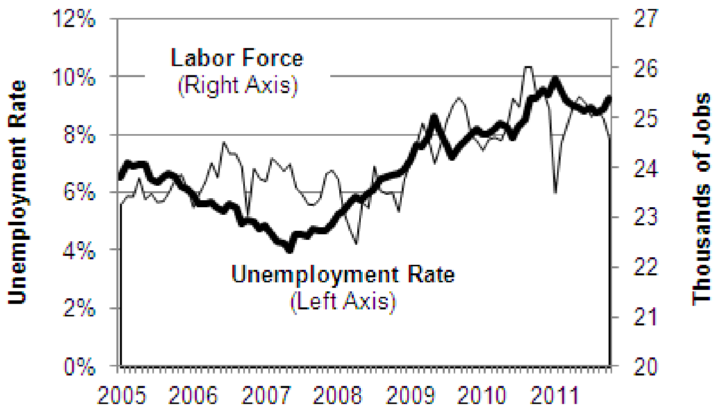
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2011.

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

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

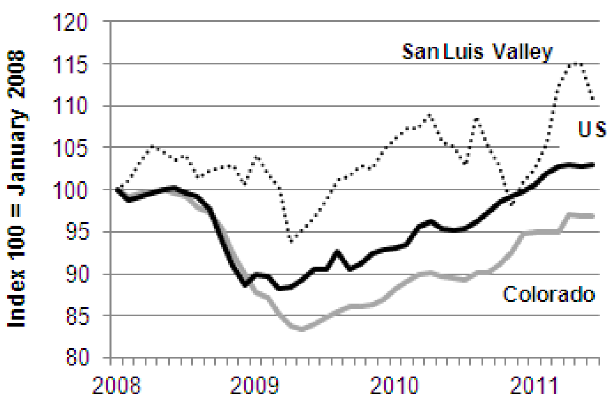
4/ Colorado Department of Revenue. Seasonally adjusted. Data through June 2011.

Figure 55
San Luis Valley Region Unemployment Rate and Labor Force
Seasonally Adjusted



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

Figure 56
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average;
Seasonally Adjusted Nominal Data



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

Consumer spending increased 4.9 percent year-to-date through June 2011 compared with the first half of 2010 after increasing 3.8 percent in 2010.

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 51.6 percent through September 2011 almost entirely because of the completion of several educational facilities in the area. Meanwhile, the residential housing industry has slowed as the number of permits filed for new homes fell 14.3 percent through September 2011 compared with the first nine months of 2010.

The agricultural industry in the region is fairly healthy despite dry weather conditions this year. For example, the potato industry, which is one of the main agricultural industries in the region, saw potato prices rise to $11.30 per hundredweight in October, up 4.6 percent compared with a year before. Crop prices for corn, wheat, dry beans, alfalfa hay, and barley are also up. Fall potato growers in the San Luis Valley produced an estimated 21.3 million hundredweight of potatoes this year, down 2.4 percent from the prior year.

Southwest Mountain Region

Despite an ongoing slowdown in the housing and construction markets, the southwest mountain region is exhibiting relatively strong growth in other segments of its economy. Consumer spending is up, the unemployment rate is down, and job growth is the highest in the state. Table 27 shows economic indicators for the region.

As shown in Figure 57, nonfarm employment in the region has accelerated in 2011. In the first ten months of this year, the southwest mountain region added about 3,000 jobs after bottoming out in the second half of 2010.

Over the last three years the unemployment rate has climbed from a low of 2.9 percent in 2007 to a high of 8.8 percent in November 2010. As shown in Figure 58, the unemployment rate has fallen as employment gains have offset the increase in the number of people in the labor force. The unemployment rate stood at 7.7 percent in October 2011, which was one of the lowest rates for all regions in the state.

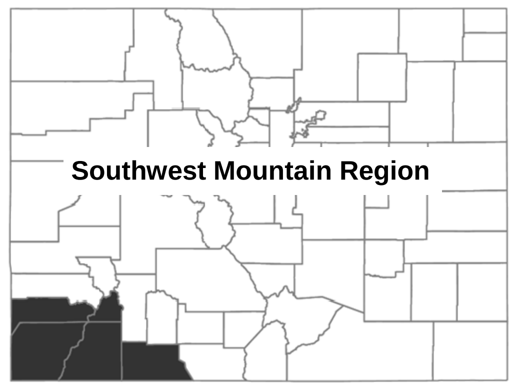


Figure 59 compares changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state. Although consumer spending in the region was growing at a faster pace than the state for much of 2011, it has decelerated in the last two months. The recent slowdown in the national economic recovery is possibly contributing to some of this slowdown. In the first half of 2011, the region's retail trade posted a 10.5 percent gain, compared with the same period last year.

Table 27
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%	2.2%
Unemployment Rate /1 (2011 Figure is October 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%	-6.9%
La Plata County Single-Family	-29.3%	-40.3%	-15.2%	15.0%	-3.9%
Growth in Value of Nonresidential Construction /2					
La Plata County	907.3%	-84.6%	103.7%	-82.5%	-76.9%
Retail Trade Sales Growth /3	5.9%	-0.7%	-13.9%	1.6%	10.5%

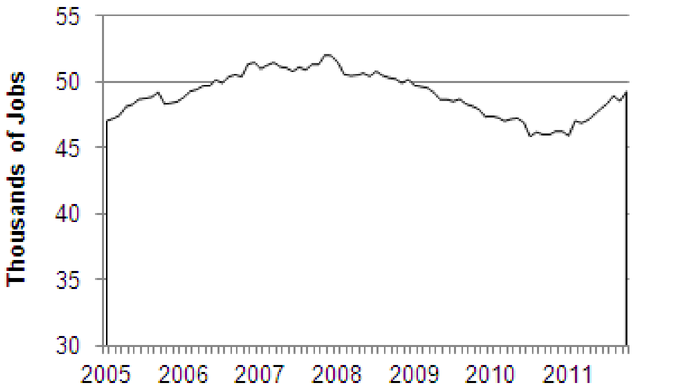
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2011.

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

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

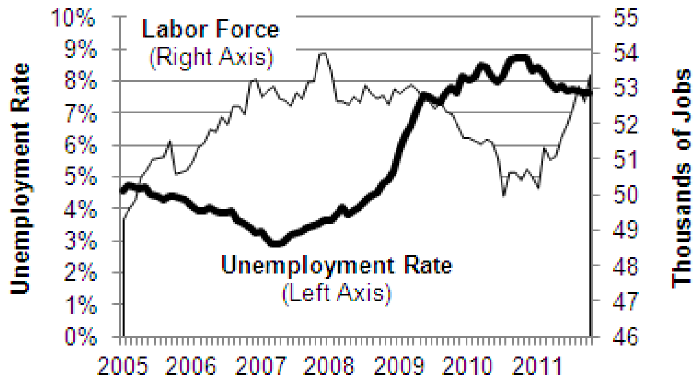
Residential home construction, as measured by area home permits, increased significantly in 2010 over the prior year but has fallen off during the first nine months of 2011 in La Plata County, the largest county in the region. Meanwhile, nonresidential construction in La Plata County has come to a near standstill. Figure 60 shows the value of nonresidential construction from 2006 through 2011.

Figure 57
Southwest Mountain Region Nonfarm Employment
Seasonally Adjusted



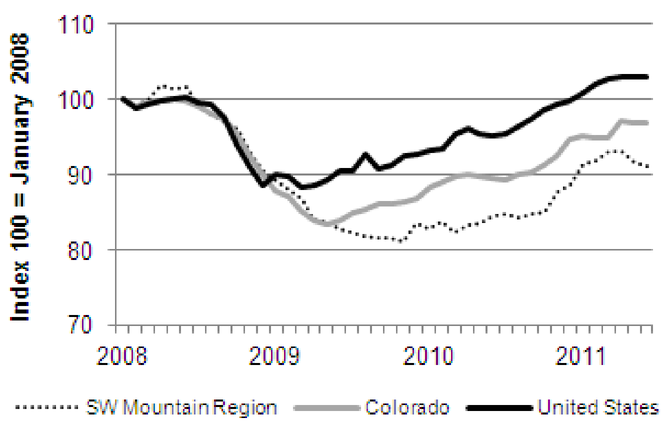
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

Figure 58
Southwest Mountain Region Unemployment Rate and Labor Force



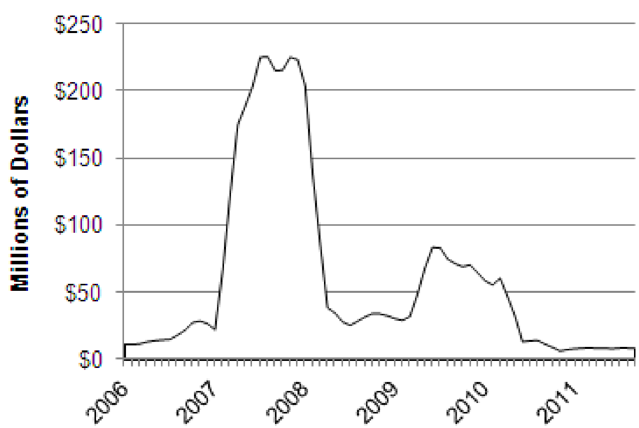
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2011.

Figure 59
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.

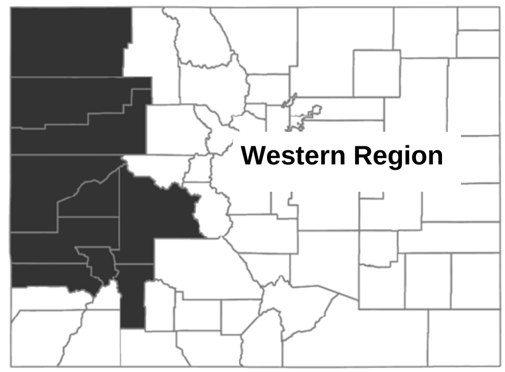
Figure 60
La Plata County Nonresidential Construction
Three-Month Moving Average;
Seasonally Adjusted Annualized Data



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

Western Region

While the economy in western region remains among the weakest in the state, there are small signs of improvement. The Grand Junction labor market has made recent gains and the unemployment rate continues to fall from its previously historic levels. After stabilizing in 2010, consumer spending turned upward in the first half of 2011. On the downside, both residential and nonresidential construction activity remained sluggish, and the number of drilling rigs operating in the region remains flat and shows little signs of improvement. Table 28 shows economic indicators for the region.



Expansion of the region's energy production sector, which had been among the most vibrant in the state over the last decade, has slowed. Figure 61 shows that the western region still accounts for more than half of the number of rigs operating in the state, with most of activity occurring in Garfield County. However, through the first 10 months of 2011, the number of rigs operating in the region has remained constant while the statewide total continues to climb.

Although the region's job market remains weak, there are signs of improvement. As shown in Figure 62, while employment in the Grand Junction metropolitan area is still down 1.7 percent year-to-date in 2011, the area has gained roughly 2,000 jobs since August. Nonfarm employment for the full ten-county region has risen 1.0 percent year-to-date over the same period last year. These changes are markedly different than the declines of the last two years, perhaps indicating the beginnings of a recovery. The unemployment rate fell to 8.9 percent in October, as shown in Figure 63.

Table 28

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%	1.0%
Grand Junction MSA /2	6.1%	4.8%	-6.6%	-4.3%	-1.7%
Unemployment Rate /1	3.0%	3.9%	8.6%	10.0%	8.9%
(2011 Figure is October Only)					
Housing Permit Growth /3					
Mesa County Total Permits	-10.7%	-37.0%	-56.3%	10.6%	-26.7%
Montrose County Total Permits	-31.0%	-45.7%	-56.9%	-28.7%	-18.4%
Growth in Value of Nonresidential Construction /3					
Mesa County	222.6%	-53.9%	-21.0%	18.4%	-48.6%
Montrose County	-36.2%	-59.8%	-87.4%	457.1%	185.4%
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 October 2011.

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

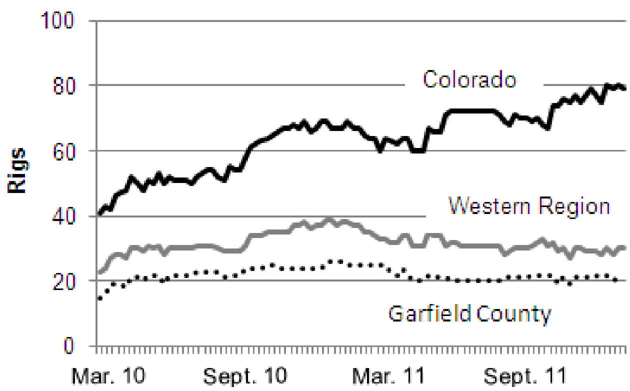
3/ F.W. Dodge. Data through September 2011.

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

Figure 64 indexes consumer spending changes in the region to changes in consumer spending in the state and nation. Sales in the western region fell further and have recovered more slowly than other parts of the state. However, sales are beginning to show signs of improvement, posting a gain of 9.2 percent between January and June of 2011 compared with the same period in 2010. Retail trade sales data includes information only through June 2011, which is before the national economic recovery weakened last summer.

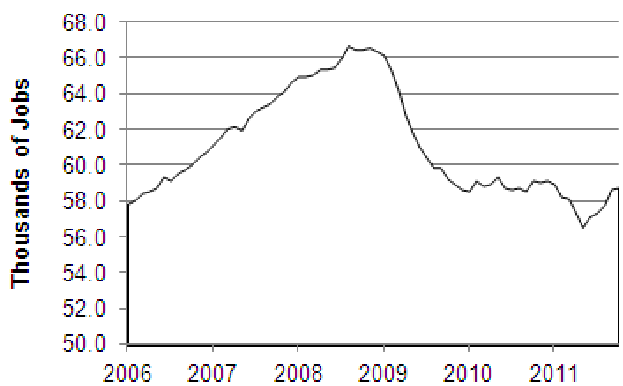
Both the residential housing market and nonresidential construction activity in this region remain sluggish. Residential housing permits fell 26.7 percent in Mesa County and 18.4 percent in Montrose County year-to-date through September compared with the first nine months of 2010. Although nonresidential construction activity in Montrose County appears to show strong growth, this is primarily because it had fallen to almost nothing in 2009. Year-to-date levels in 2011 are just beginning to approach levels seen in the middle of the previous decade.

Figure 61
Drilling Rigs Operating in Colorado and on the Western Slope
Weekly data; Not Seasonally Adjusted



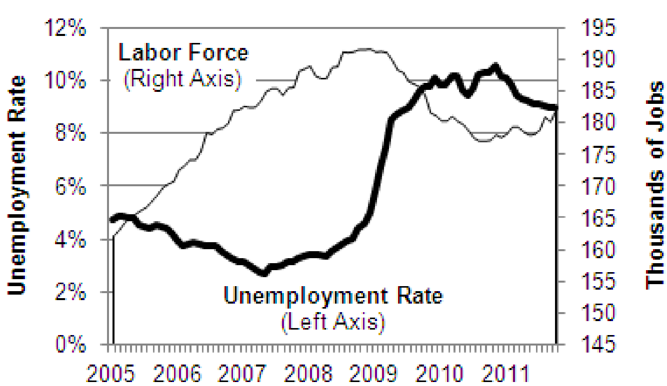
Source: Baker Hughes. Data through November 15, 2011.

Figure 62
Grand Junction MSA Nonfarm Employment
Seasonally Adjusted



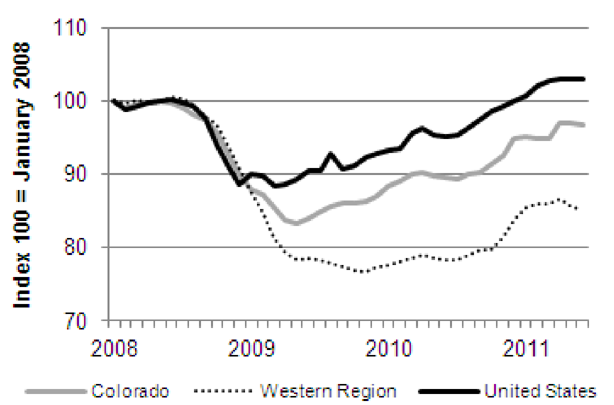
Source: U.S. Bureau of Labor Statistics; CES. Data through October 2011.

Figure 63
Western Region Unemployment Rate and Labor Force
Seasonally Adjusted



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

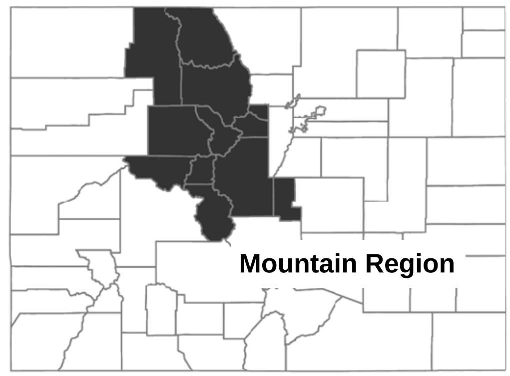
Figure 64
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average;
Annualized Seasonally Adjusted Nominal Data



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

Mountain Region

The mountain region's economy has begun to show clear signs of recovery. The region was hit hard during the recession, with sharp contraction in two of the region's largest industries: tourism and construction. High levels of 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 29 shows economic indicators for the region.



Job market. The mountain region's labor market began to improve in late 2010. The unemployment rate was 8.0 percent in October, the lowest rate since August of 2009. Employment has been increasing since early 2010. Figure 65 shows recent trends in the area's nonfarm employment and Figure 66 shows recent trends in the unemployment rate and labor force for the region.

Consumer Spending. Boosted by favorable weather for the ski season, tourism appears to be on the rise. Regional retail trade sales accelerated in late 2010 and early 2011, but has since flattened. Figure 67 indexes changes in the region's retail trade sales to changes in consumer spending in the nation and the state. After falling faster than the nation and the state in 2009 and early 2010, retail trade growth has not returned to pre-2008 levels.

Table 29
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%	1.5%
Unemployment Rate /1 (2011 Figure is October Only)	3.0%	4.0%	7.6%	9.0%	8.0%
Housing Permit Growth /2					
Eagle, Pitkin, & Summit counties Total	-0.6%	-43.1%	-59.0%	-26.1%	25.9%
Routt County Total	11.6%	-43.5%	-73.5%	-59.8%	33.3%
Growth in Value of Nonresidential Construction /2					
Eagle, Pitkin, & Summit counties	13.1%	-0.9%	-78.7%	147.9%	132.8%
Routt County	80.2%	-54.9%	-70.1%	-16.9%	168.3%
Retail Trade Sales Growth /3	9.9%	-1.5%	-16.3%	4.9%	10.2%

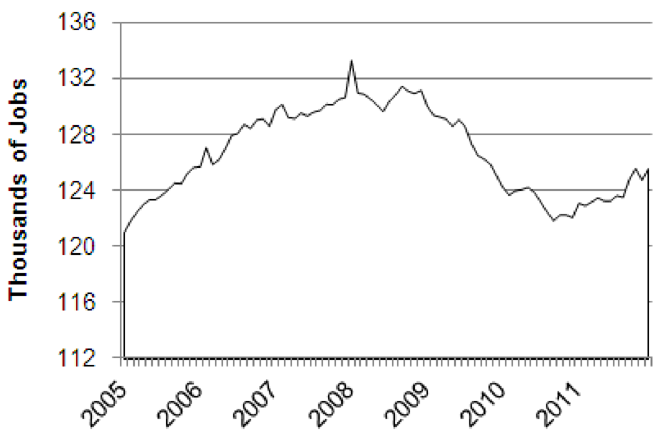
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2011.

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

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

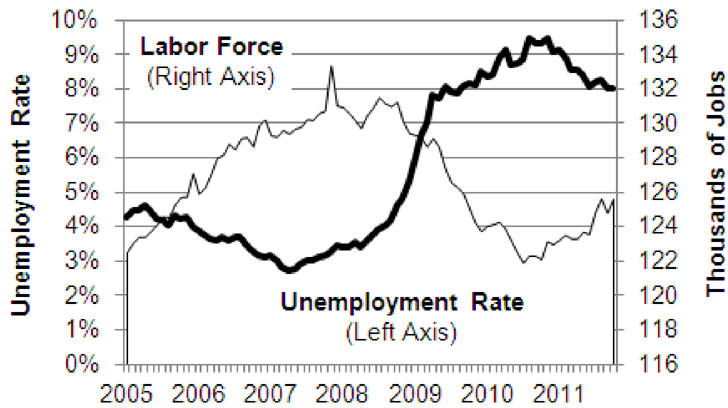
Construction. The construction market is showing signs of improvement for nonresidential properties in Eagle, Pitkin, and Summit Counties. However, activity in Routt county remains at historically low levels, and residential housing permits continue to fall. Figure 68 shows nonresidential construction in the ski counties of Eagle, Pitkin and Summit.

Figure 65
Mountain Region Nonfarm Employment
Seasonally Adjusted



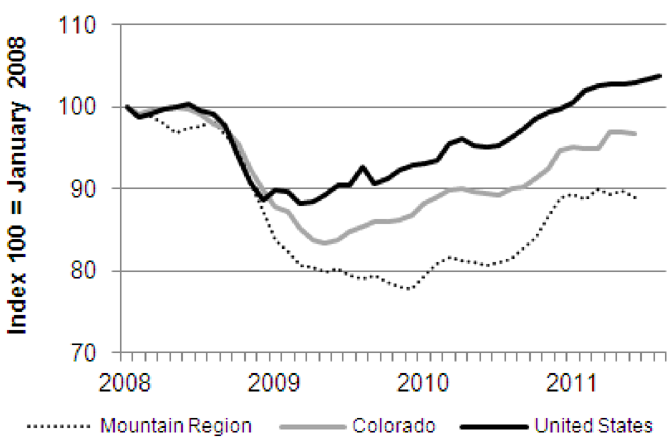
Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2011.

Figure 66
Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



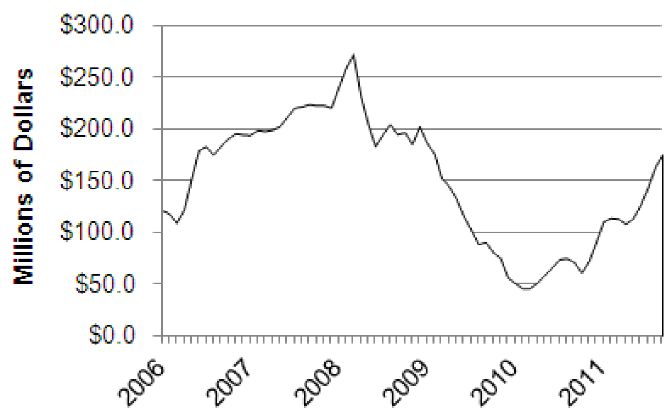
Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2011.

Figure 67
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 June 2011; U.S. data through September 2011.

Figure 68
Eagle, Pitkin, and Summit Counties
Nonresidential Construction
Three-Month Moving Average;
Seasonally Adjusted Annualized Nominal Data



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

Northern Region

The recovery of the northern region's economy, which had been among the strongest in the state, has slowed slightly. Regional employment, while still up through the first nine months of 2011, declined slightly from June through September. Regional gains in consumer spending remain above the statewide average, but have also slowed recently. Home building activity has ticked slightly upward, but remains at very low levels. Reasons for optimism include the recent findings of petroleum reserves in the Wattenberg field, and the number of drilling rigs operating in the region continues to increase at a brisk pace. Table 30 shows regional economic indicators.

The regional labor market, which had been the strongest in the state, has cooled somewhat recently. As shown in Figure 69, regional employment, which had been climbing steadily since December, 2009, has fallen off recently. Since June, the area has shed almost 2,000 jobs on a seasonally adjusted basis. The unemployment rate in the Fort Collins-Loveland area in October was 6.9 percent, which was the lowest among major urban areas statewide. In contrast, the Greeley area's unemployment rate of 9.7 percent remains among the highest in the state's urban areas.

Table 30
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 October Only)					
Fort Collins-Loveland MSA	3.4%	4.2%	7.2%	7.5%	6.9%
Greeley MSA	4.1%	5.2%	9.3%	10.2%	9.7%
State Cattle and Calf Inventory Growth /3	1.9%	1.9%	-5.5%	1.9%	7.0%
Housing Permit Growth /4					
Fort Collins-Loveland MSA Total	-41.3%	-1.0%	-66.0%	154.5%	33.2%
Fort Collins-Loveland MSA Single-Family	-22.2%	-36.4%	-49.2%	32.1%	53.0%
Greeley MSA Total	-38.6%	-46.8%	-20.6%	10.4%	-8.8%
Greeley MSA Single-Family	-40.5%	-45.1%	-13.7%	2.7%	-9.0%
Growth in Value of Nonresidential Construction/ 5					
Larimer County	-34.5%	-9.9%	-51.7%	-34.1%	59.8%
Weld County	19.4%	25.3%	77.2%	-72.7%	-67.8%
Retail Trade Sales Growth /6					
Larimer County	6.5%	-0.7%	-8.9%	7.7%	7.2%
Weld County	7.7%	2.0%	-15.1%	9.9%	27.1%

MSA = Metropolitan statistical area.

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

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

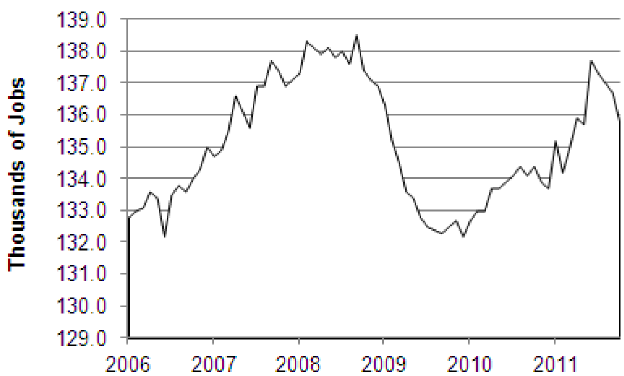
3/ National Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares October 1, 2011 over prior year period in 2010.

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

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

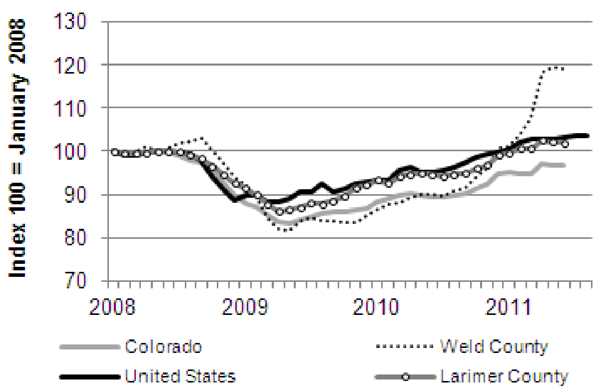
6/ Colorado Department of Revenue. Seasonally adjusted. Data through June 2011.

Figure 69
Fort Collins-Loveland and Greeley MSA Nonfarm Employment



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

Figure 70
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data

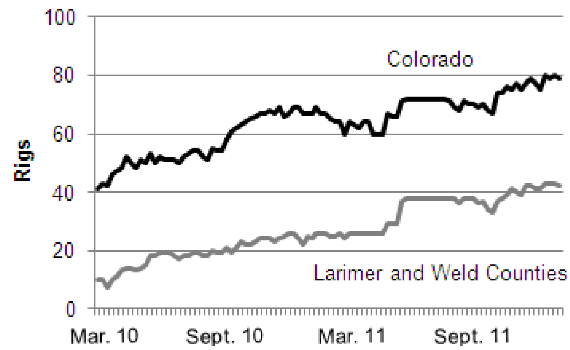


Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through April 2011. U.S. data through June 2011.

Consumer spending in the region, especially in Weld County, is up. Figure 70 indexes changes in retail trade sales for Larimer County and Weld County to retail trade sales statewide. Year-to-date sales through June 2011 increased 7.2 percent and 27.1 percent in Larimer County and Weld County, respectively, compared with the same time period in 2010. Retail trade sales data only includes information through June 2011, which is before the national economic recovery weakened in the late summer.

The northern region is a leading agricultural region in the state, especially for livestock production. State cattle and calf

Figure 71
Colorado and Northern Region Operating Rig Count
Weekly Data; Not Seasonally Adjusted



Source: Baker Hughes. Data through November 15, 2011.

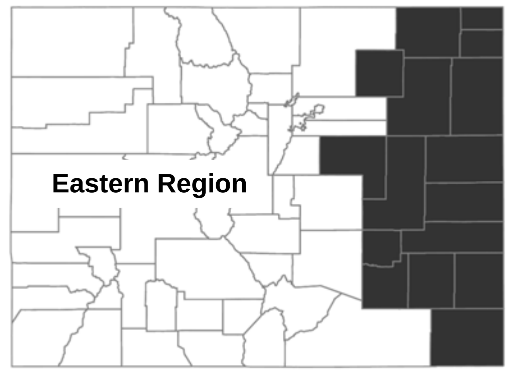
production increased 7.0 percent in October 2011 over the same time period in 2010.

Oil and natural gas production in Larimer and Weld Counties has accelerated through 2011 and may well continue with the recent announcement of significant findings in the Wattenberg field by Andarko Corporation. Figure 71 shows the rig count for the northern region and the state as a whole. The rig count in the northern region has increased by 61.5 percent between the end of 2010 and mid-November 2011, compared with 23.4 percent for the state as a whole over the same period.

While residential construction activity in the region remains low, activity is slightly up in both Larimer and Weld counties from September levels. The number of housing permits for single family homes in the Fort Collins-Loveland area is up 53.0 percent for the period of January to October 2011, compared with the same period in 2010, while single-family permits in the Greeley area fell by 9.0 percent during the same period. Through September 2011, the value of nonresidential construction increased by 59.8 percent in Larimer County, but fell 67.8 percent in Weld County compared to a similar period in 2010. Nonresidential construction in both counties is expected to remain low until the existing commercial vacancies are absorbed.

Eastern Region

The agricultural industry continues to contribute moderate growth to the eastern region's economy, as crop prices are at record highs. In addition, national and local beef prices rose nearly 25 percent through October 2011 over the prior year period. However, job growth in the region is weak and the unemployment rate edged up slightly in 2011. Table 31 shows economic indicators for the region.



The Eastern region experiences different economic trends than the more urban areas of the state because of the heavy influence of agricultural industries. Consumers in the region increased spending at rates faster than both the nation and the state in 2010. Consumer spending in the region for 2011 rose 15.5 percent through June, likely due to higher fuel prices and large agricultural purchases.

Nonfarm employment in the eastern region increased 0.2 percent through October 2011 after decreasing

Table 31
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%	-4.3%	0.2%
Unemployment Rate /1 (2011 Figure is October Only)	3.4%	4.3%	6.1%	6.7%	6.8%
Crop Price Changes /2					
Wheat	32.4%	10.1%	-32.5%	25.1%	3.4%
Corn	31.1%	4.5%	-10.9%	37.9%	40.7%
Alfalfa Hay (Baled)	5.3%	18.0%	-20.7%	0.0%	76.0%
Dry Beans	38.7%	14.7%	-9.5%	-33.6%	92.7%
State Crop Production Growth /3					
Sorghum production	64.2%	-18.9%	50.0%	11.4%	-17.0%
Corn	10.6%	-6.8%	9.5%	20.6%	-11.3%
Winter Wheat	129.7%	-37.8%	71.9%	7.9%	-26.2%
Sugar Beets	-13.9%	-0.9%	27.0%	-14.5%	-2.3%
State Cattle and Calf Inventory Growth /4	1.9%	1.9%	-5.5%	1.9%	7.0%
Retail Trade Sales Growth /5	5.9%	6.2%	-12.5%	9.9%	15.5%

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

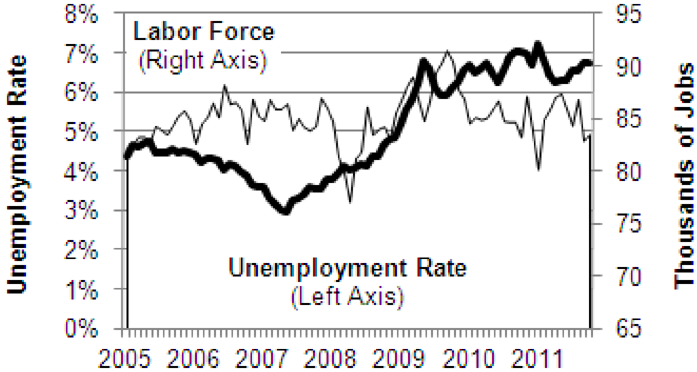
2/ National Agricultural Statistics Service. Price changes reflect October 2011 over prior year.

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

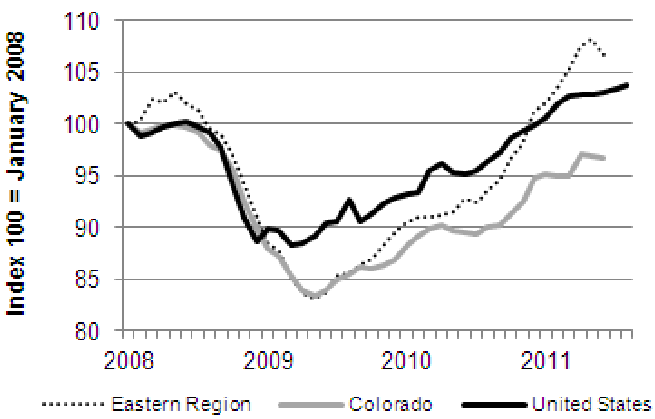
5/ Colorado Department of Revenue. Seasonally adjusted. Data through June 2011.

Figure 72
Eastern Region Unemployment Rate and Labor Force
Seasonally Adjusted



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

Figure 73
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted
Nominal Data



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

4.3 percent in 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 that the agricultural industry contributed to overall job growth during the year. As shown in Figure 72, the region's unemployment rate was 6.8 percent in October 2011.

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. Prices continued to edge up in 2011 as winter wheat was 3.4 percent higher in October 2011 over the prior year. Corn prices have also been rising significantly, posting a 40.7 percent gain between October 2010 and October 2011.

Meanwhile, cattle inventory in October increased 7.0 percent over the prior year period. Although 2010 was a very good year for agriculture, it is likely that crop prices and meat production will rise in 2011 as the global demand for food commodities remains strong and will continue to keep crop prices high.

Figure 73 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 2011, with a 15.5 percent increase through June 2011, one of the fastest growth rates in the state.

Appendix A
Historical Data

Colorado Economic Indicators
(Dollar Amounts in Millions)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Nonagricultural Employment (thous.)	1,901.2	1,979.7	2,056.9	2,132.1	2,214.2	2,227.1	2,184.8	2,152.6	2,179.2	2,225.9	2,279.7	2,331.5	2,350.6	2,245.0	2,219.9
percent change	3.6%	4.1%	3.9%	3.7%	3.9%	0.6%	-1.9%	-1.5%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.1%
Unemployment Rate (%)	4.2	3.4	3.6	3.1	2.8	3.8	5.6	6.1	5.6	5.1	4.3	3.7	4.8	8.3	8.9
Personal Income	$101,777	$110,110	$120,100	$130,663	$147,056	$156,468	$157,752	$159,918	$168,587	$179,695	$194,390	$205,242	$215,952	$205,437	$213,202
percent change	8.2%	8.2%	9.1%	8.8%	12.5%	6.4%	0.8%	1.4%	5.4%	6.6%	8.2%	5.6%	5.2%	-4.9%	3.8%
Per Capita Income	$25,964	$27,402	$29,174	$30,919	$33,986	$35,355	$35,131	$35,312	$36,849	$38,795	$41,181	$42,724	$44,164	$41,317	$42,226
percent change	5.7%	5.5%	6.5%	6.0%	9.9%	4.0%	-0.6%	0.5%	4.4%	5.3%	6.2%	3.7%	3.4%	-6.4%	2.2%
Wage and Salary Income	$57,442	$62,754	$69,862	$76,643	$86,416	$89,109	$88,106	$89,284	$93,619	$98,902	$105,833	$112,962	$116,991	$112,633	$114,344
percent change	8.1%	9.2%	11.3%	9.7%	12.8%	3.1%	-1.1%	1.3%	4.9%	5.6%	7.0%	6.7%	3.6%	-3.7%	1.5%
Retail Trade Sales	$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	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	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	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	$2,543	$3,336	$2,952	$3,799	$3,498	$3,476	$2,805	$2,686	$3,245	$4,275	$4,641	$5,259	$4,117	$3,349	$3,156
percent change	29.9%	31.2%	-11.5%	28.7%	-7.9%	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.7%	-18.7%	-5.7%
Denver-Boulder Inflation Rate	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)	3,920.0	4,018.3	4,116.6	4,226.0	4,326.9	4,425.7	4,490.4	4,528.7	4,575.0	4,631.89	4,720.4	4,803.9	4,889.7	4,972.2	5,049.1
percent change	2.4%	2.5%	2.4%	2.7%	2.4%	2.3%	1.5%	0.9%	1.0%	1.2%	1.9%	1.8%	1.8%	1.7%	1.5%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and F.W. Dodge.

National Economic Indicators
(Dollar Amounts in Billions)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross Domestic Product	$7,838.5	$8,332.4	$8,793.5	$9,353.5	$9,951.5	$10,286.2	$10,642.3	$11,142.2	$11,853.3	$12,623.0	$13,377.2	$14,028.7	$14,291.5	$13,939.0	$14,526.5
percent change	5.7%	6.3%	5.5%	6.4%	6.4%	3.4%	3.5%	4.7%	6.4%	6.5%	6.0%	4.9%	1.9%	-2.5%	4.2%
Real Gross Domestic Product (inflation-adjusted, chained to 2005)	$9,425.8	$9,845.9	$10,274.7	$10,770.7	$11,216.4	$11,337.5	$11,543.1	$11,836.4	$12,246.9	$12,623.0	$12,958.5	$13,206.4	$13,161.9	$12,703.1	$13,088.0
percent change	3.7%	4.5%	4.4%	4.8%	4.1%	1.1%	1.8%	2.5%	3.5%	3.1%	2.7%	1.9%	-0.3%	-3.5%	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)	2.9%	2.3%	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.6%
10-Year Treasury Note	6.4%	6.4%	5.3%	5.6%	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%
Personal Income	$6,591.6	$7,000.7	$7,525.4	$7,910.8	$8,559.4	$8,883.3	$9,060.1	$9,378.1	$9,937.2	$10,485.9	$11,268.1	$11,912.3	$12,460.2	$11,930.2	$12,373.5
percent change	6.3%	6.2%	7.5%	5.1%	8.2%	3.8%	2.0%	3.5%	6.0%	5.5%	7.5%	5.7%	4.6%	-4.3%	3.7%
Wage and Salary Income	$3,616.3	$3,876.6	$4,181.6	$4,460.0	$4,827.7	$4,952.2	$4,997.3	$5,139.6	$5,425.7	$5,701.0	$6,068.9	$6,421.7	$6,550.9	$6,270.3	$6,408.2
percent change	5.8%	7.2%	7.9%	6.7%	8.2%	2.6%	0.9%	2.8%	5.6%	5.1%	6.5%	5.8%	2.0%	-4.3%	2.2%
Nonfarm Employment (millions)	119.7	122.8	125.9	129.0	131.8	131.8	130.3	130.0	131.4	133.7	136.1	137.6	136.8	130.8	129.8
percent change	2.0%	2.6%	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.4%	-0.7%

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