Focus Colorado: Economic And Revenue Forecast

Colorado Legislative Council Staff
Economics Section

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Photograph captures the Sangre de Cristo Range, courtesy of C.T. Mullis.

Highlights

- **Colorado's economy** continues to expand, with gains in employment, wages, consumer spending, and residential construction activity. Drought and late freezes have hurt portions of the state's agricultural industries, although some of these losses have been offset by higher crop prices. Nationwide, momentum in the private sector appears to be offsetting the drag created by federal fiscal policies. Financial markets have begun to anticipate higher long run interest rates and an earlier pullback in the pace of monetary expansion from the Federal Reserve. Meanwhile, the global economy remains fragile, although conditions are improving in Asia and South America.

- The **General Fund revenue forecast** for FY 2012-13 was increased by $473 million, over half of which was due to higher-than-expected capital gains taxes as investors avoided a federal tax hike on January 1. Much of this is one-time money; the forecast for FY 2013-14 was increased by $228 million due to improved expectations for the economy.

- The General Fund will end FY 2012-13 with a surplus of $1.1 billion, which will be transferred to the **State Education Fund** in FY 2013-14. In addition, the State Education Fund is expected to receive another $290 million from the General Fund in FY 2014-15, or three quarters of the FY 2013-14 General Fund surplus pursuant to Senate Bill 13-260.

- The General Assembly will have $1.1 billion more to spend in the General Fund during **FY 2014-15** than the amount budgeted for FY 2013-14. This represents 12.6% of FY 2013-14 expenditures, and is net of transfers to the Highway Users Tax Fund and the Capital Construction fund pursuant to **Senate Bill 09-228**.

- Revenue subject to TABOR is expected to be $191 million below the **Referendum C** cap in FY 2014-15.

EXECUTIVE SUMMARY

Executive Summary

This report presents the budget outlook based on current law and the June 2013 economic, General Fund revenue, and cash fund revenue forecasts. Executive summaries of expectations for the national and Colorado economies are also included.

General Fund Budget Overview

Table 1 on page 4 presents the General Fund overview based on current law.

FY 2012-13. The FY 2012-13 forecast for General Fund revenue increased by $472.9 million relative to the March forecast. Revenue is expected to be $1.1 billion higher than the amount budgeted to be spent or retained in the reserve. Pursuant to House Bill 12-1338, this surplus will be transferred to the State Education Fund at the end of the fiscal year *(see line 20 of Table 1).*

FY 2013-14. The FY 2013-14 forecast for General Fund revenue increased by $227.7 million over the March forecast. Revenue is expected to be $417 million higher than the amount budgeted to be spent or retained in the reserve. Of this amount, $30 million will be transferred to the Colorado Water Conservation Board Construction Fund pursuant to Senate Bill 13-236 and $289.9 million will be transferred to the State Education Fund pursuant to Senate Bill 13-260. Net of these transfers, a surplus of $96.6 million is expected to remain in the General Fund at the end of the year *(see line 21 of Table 1).*

FY 2014-15. Because no budget has yet been enacted for FY 2014-15, Table 1 shows operating appropriations for FY 2014-15 at the same level budgeted for FY 2013-14. Therefore, the amount labeled “excess General Fund reserve” in line 21 of Table 1 shows that General Fund revenue will be $1,065.7 million higher in FY 2014-15 than what would be needed to fund General Fund operating appropriations and the statutorily required reserve at the same level budgeted for FY 2013-14. This amount, equal to 12.6 percent of total budgeted expenditures in FY 2013-14, includes the $96.6 million surplus from FY 2013-14, and would be lower if it was adjusted to account for expenditure pressures resulting from inflation and caseload growth.

State Education Fund. The State Constitution, pursuant to Amendment 23, requires the State Education Fund to receive one-third of one percent of taxable income from state income tax returns *(see Table 1, line 25).* In addition, the General Assembly has authorized the transfer of additional moneys from the General Fund to the State Education Fund *(see Table 1, lines 10 and 20).* Money in the State Education Fund is required to be used to fund kindergarten through twelfth grade public education. However, additional revenue in the State Education Fund provides flexibility to the entire General Fund budget, not just the education budget. Figure 1 shows a history and forecast for these revenue sources to the State Education Fund through the end of the forecast period.

Table 1
June 2013 General Fund Overview
(Dollars in Millions)

		FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
	FUNDS AVAILABLE	**Actual**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve /A	$156.7	$795.8	$373.0	$495.0
2	General Fund Nonexempt Revenue	6,262.7	6,733.6	6,977.2	7,334.9
3	General Fund Exempt Revenue (Referendum C)	1,473.4	1,841.9	1,920.4	2,148.3
4	Transfers to Other Funds /B	(5.0)	(4.6)	(51.1)	(1.9)
5	Transfers from Other Funds	142.1	0.4	0.4	0.4
6	**Total Funds Available**	**$8,029.9**	**$9,367.2**	**$9,219.9**	**$9,976.7**
7	Percent Change	8.8%	16.7%	-1.6%	8.2%
	EXPENDITURES	**Actual**	**Budgeted**	**Budgeted**	**Estimate /C**
8	General Fund Appropriations /C	7,027.9	7,459.2	7,967.4	7,967.4
9	Rebates and Expenditures *(Line 28 of Table 5) /D*	133.0	268.6	125.6	121.1
10	Transfers to the State Education Fund Pursuant to SB 13-234 /D	0.0	0.0	45.3	25.3
11	Reimbursement for Senior and Disabled Veterans Property Tax Cut	1.8	102.7	110.0	117.2
12	Transfer for Highway Construction /E	0.0	0.0	0.5	189.7
13	Capital Construction Transfers /E	49.3	61.8	186.2	91.9
14	Accounting Adjustments	(36.9)	NE	NE	NE
15	**Total Expenditures**	**$7,175.0**	**$7,892.3**	**$8,435.0**	**$8,512.6**
16	Percent Change	-0.7%	10.0%	6.9%	0.40%
	RESERVE	**Actual**	**Budgeted**	**Estimate**	**Estimate /C**
17	**Year-End General Fund Reserve *(line 6 minus line 15)***	**854.8**	**1,474.8**	**784.9**	**1,464.0**
18	Year-End Reserve As A Percent of Appropriations	12.2%	19.8%	9.9%	18.4%
19	**Statutorily-Required Reserve /C**	**281.1**	**373.0**	**398.4**	**398.4**
20	Transfers to the State Education Fund Pursuant to HB 12-1338 and SB 13-260	59.0	1,101.9	289.9	NA
21	**Reserve in Excess or (Deficit) of Statutory Reserve /A**	**$514.7**	**$0.0**	**$96.6**	**$1,065.7**
22	*Percent Change in General Fund Appropriations*	*3.0%*	*6.1%*	*6.8%*	*NE*
23	Addendum: TABOR Reserve Requirement	308.2	333.5	345.0	362.5
24	Addendum: 5% of Colorado Personal Income Appropriations Limit	10,231.2	10,627.3	11,270.5	11,766.4
25	Addendum: Amount Directed to State Education Fund Per Amendment 23	407.5	468.9	484.4	511.6

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

/A The beginning reserve (line 1) and the excess reserve (line 21) are net of transfers from the reserve to the State Education Fund and the $30 million transfer to the Water Conservation Board Construction Fund (included in line 4 during FY 2013-14).

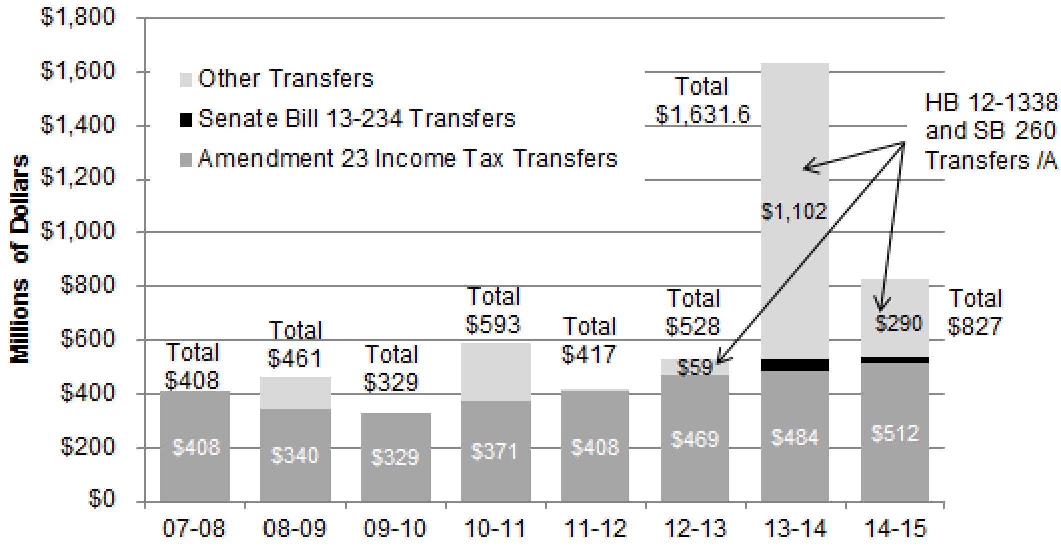
/B Table 3 on page 7 lists cash fund transfers to and from the General Fund. A transfer of $30 million from the General Fund reserve to the Water Conservation Board Construction Fund is included pursuant to SB 13-236. The transfer is shown in FY 2013-14, (line 4) although it will actually occur during the following year when the books for FY 2013-14 are closed.

/C Because the budget for FY 2014-15 has not yet been enacted, this analysis sets General Fund appropriations in FY 2014-15 equal to that budgeted for FY 2013-14 (line 8). Therefore, line 21 shows the amount of money available for expenditure in FY 2014-15 above the amount budgeted to be spent in FY 2013-14 .

/D Line 9 represents the total for General Fund expenditures forecast in lines 20 through 27 of Table 6. SB 13-234 paid off the state's outstanding liabilities to the old hire fire and police pension association (FPPA), increasing the amount paid to the FPPA in FY 2012-13 by $132.4 million. The bill also required transfers from the General Fund to the State Education Fund equal to the previously scheduled payments to the FPPA beginning in FY 2013-14; these are shown in line 10.

/E Colorado personal income is expected to increase 5.0 percent in 2013 (see Table 13 on page 54). Thus, transfers from the General Fund to the Highway Users Tax Fund (line 12) and the Capital Construction Fund (line 13) equal to 2.0 percent and 0.5 percent of General Fund revenue, respectively, are included during FY 2014-15 pursuant to SB 09-228.

Figure 1
Revenue to the State Education Fund
(Dollars in Millions)



Source: Colorado Legislative Council Staff.
/A House Bill 12-1338 and Senate Bill 13-260 transfers represent a percentage of the excess General Fund revenue and will change should revenue or expenditures differ from those assumed in Table 1.

Senate Bill 09-228 transfers. Senate Bill 09-228 requires a five-year block of transfers to capital construction and transportation as soon as Colorado personal income increases by at least 5 percent during or after calendar year 2012. Colorado personal income is expected to increase by 5.0 percent in 2013, triggering the first year of these transfers in FY 2014-15. An estimated $47.4 million, or 0.5 percent of General Fund revenue, is expected to be transferred to the Capital Construction Fund. The Highway Users Tax Fund will receive an estimated $189.7 million, or 2.0 percent of General Fund revenue.

These transfers will occur for five years unless the state incurs a large enough TABOR surplus (see line 10 of Table 4 on page 11). If, during any particular year, the state incurs a TABOR surplus equal to between 1 percent ($94.8 million in FY 2014-15) and 3 percent ($284.5 million in FY 2014-15) of General Fund revenue, state law requires these transfers to be cut in half. During any year in which the TABOR surplus is greater than 3 percent of General Fund revenue, these transfers will be eliminated. Transfers to the Highway Users Tax Fund remain at 2.0 percent of General Fund revenue for the full five years. Transfers to the Capital Construction Fund are equal to 0.5 percent of General Fund revenue for the first two years and 1.0 percent of General Fund revenue for the last three years of the five-year period.

General Fund reserve. Pursuant to Senate Bill 13-237, a General Fund reserve equal to at least five percent of General Fund operating appropriations is required beginning in FY 2012-13. In addition, three annual increases in the required reserve are triggered once Colorado personal income grows by at least 5.0 percent during a calendar year. To maintain consistency with the timing originally prescribed for these increases by Senate Bill 09-228, Senate Bill 13-237 included a three-year lag between this growth in personal income and the first year during which the reserve is required to increase. Colorado personal income is expected to increase 5.0 percent in 2013; therefore, the reserve is expected to rise to 5.5 percent in FY 2016-17, 6.0 percent in FY 2017-18, and 6.5 percent in FY 2018-19.

Tax policies dependent on sufficient General Fund revenue. Several tax policies are only available when the Legislative Council Staff forecast indicates that General Fund revenue will be sufficient to allow General Fund appropriations to increase by at least 6 percent. Based on the current forecast, revenue will be sufficient for 6 percent appropriations growth through at least the end of the forecast period in FY 2014-15. Table 2 illustrates the availability of these tax policies.

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 That Determines Availability	Tax Policy Availability
Instream flow income tax credit	June forecast during the tax year the credit will become available.	Available in tax years 2012, 2013, and 2014.
Sales and use tax exemption for clean rooms	If June forecast indicates sufficient revenue for the fiscal year that is about to end, the exemption will become available in July.	Available beginning July 2012.
Child care contribution income tax credit	December forecast immediately before the tax year when the credit becomes available.	Available beginning tax year 2013.
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.

General Fund Revenue

After increasing 9.2 percent in FY 2011-12, **General Fund revenue** is expected to increase 10.9 percent in FY 2012-13. Expectations for General Fund revenue in FY 2012-13 were revised up by $472.9 million relative to the March forecast. More than half of this upward revision was the result of a much larger windfall in income taxes on capital gains realized in tax year 2012 in advance of the increase in the federal tax rate on capital gains on January 1 than had been expected in March. The remainder of the increase is due to better economic conditions than had been expected and a one-time accrual adjustment. Much of the boost in FY 2012-13 is one-time money; therefore General Fund revenue is expected to increase at a slower rate of 3.8 percent in FY 2013-14. The forecast for FY 2013-14 was increased by $227.7 million over expectations in March. Table 6 on page 16 presents the forecast for General Fund revenue.

Cash Fund Revenue

Cash fund revenue subject to TABOR. Cash fund revenue subject to TABOR is expected to decrease slightly to $2.26 billion in FY 2012-13. Decreases in severance tax collections, other cash funds, and capital construction-related funds were offset by projected gains in hospital provider fee cash funds and gaming revenue in FY 2012-13. Transportation-related cash funds, including the Highway Users Tax Fund, will exhibit modest growth. This revenue will increase 2.5 percent to $2.63 billion in FY 2013-14, as severance tax revenue is expected to rebound due to increasing natural gas prices. Table 7 on page 18 summarizes the forecast for revenue subject to TABOR.

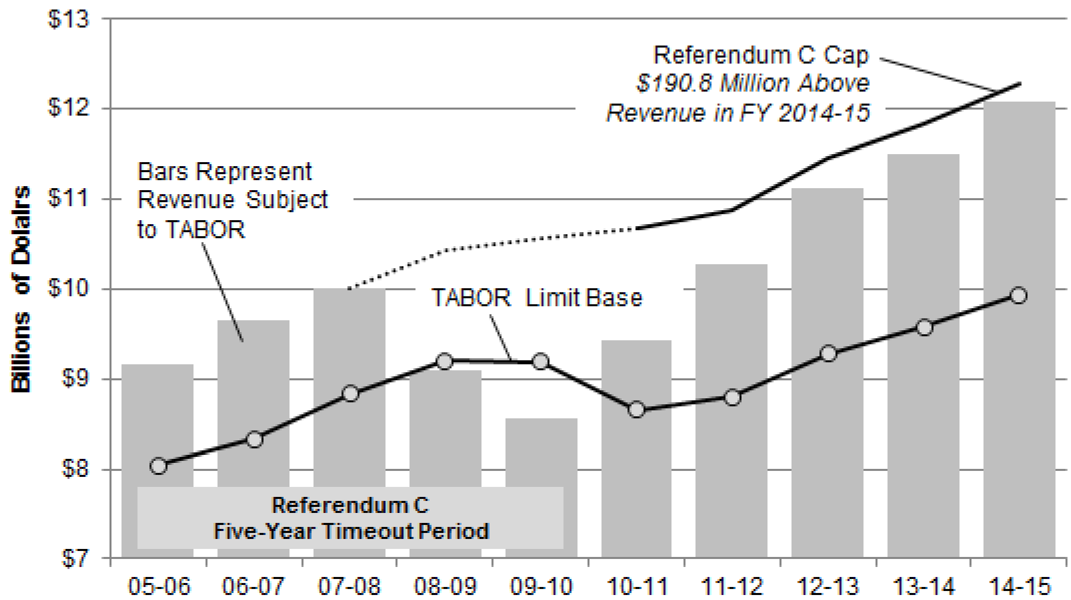
Other cash fund revenue forecasts. Forecasts for federal mineral leasing payments and unemployment insurance revenue, both exempt from TABOR, are provided on page 23.

Table 3
Cash Fund Transfers
(Dollars in Millions)

Bill	Title	2011-12	2012-13	2013-14	2014-15
SB 09-270	Amendment 35 Tobacco Transfers - Interest	0.5			
HB 10-1325	Natural Resource Damage Recovery Fund	0.09	0.16	0.16	0.16
HB 10-1388	Cash Fund Transfers	0.7			
SB 11-161	Diversion to Laboratory Cash Fund		(0.02)	(0.02)	(0.02)
SB 11-210	Supp. Old Age Health and Medical Care Fund	2.6			
SB 11-216	Pediatric Specialty Hospital Fund	0.2			
SB 11-219	Health Care Clinics	(1.0)			
SB 11-224	Tobacco Litigation Settlement Funds	0.6	1.8	1.8	1.8
SB 11-225	Tobacco Litigation Settlement Funds	0.1	0.2	0.2	0.2
SB 11-226	Transfer to Augment General Fund	127.4			
HB 12-1286	Transfer For Film Incentives		(3.0)		
HB 12-1315	Clean Renewable Energy Fund		(1.6)	(1.6)	(1.6)
HB 12-1343	State Rail Bank Fund	9.4			
HB 12-1360	Colorado Economic Development Fund	(4.0)			
HB 13-1001	Advanced Industries Acceleration Fund			(5.0)	
HB 13-1180	Tobacco Litigation Settlement Funds		(1.8)	(1.8)	(1.8)
HB 13-1193	Advanced Industries Export Acceleration Fund			(0.3)	(0.3)
SB 13-233	Transfers from Repealed Cash Funds			0.01	
SB 13-235	Colorado State Veterans Trust Fund			(3.9)	
SB 13-236	Water Conservation Board Construction Fund /A			(30.0)	
SB 13-269	Wildfire Risk Reduction Fund			(9.8)	
SB 13-270	Wildfire Emergency Response Fund			(0.5)	
CRS 26-2-210	Supplemental Security Income Stabilization Fund	0.5			
Total		**$137.1**	**($4.2)**	**($50.7)**	**($1.5)**

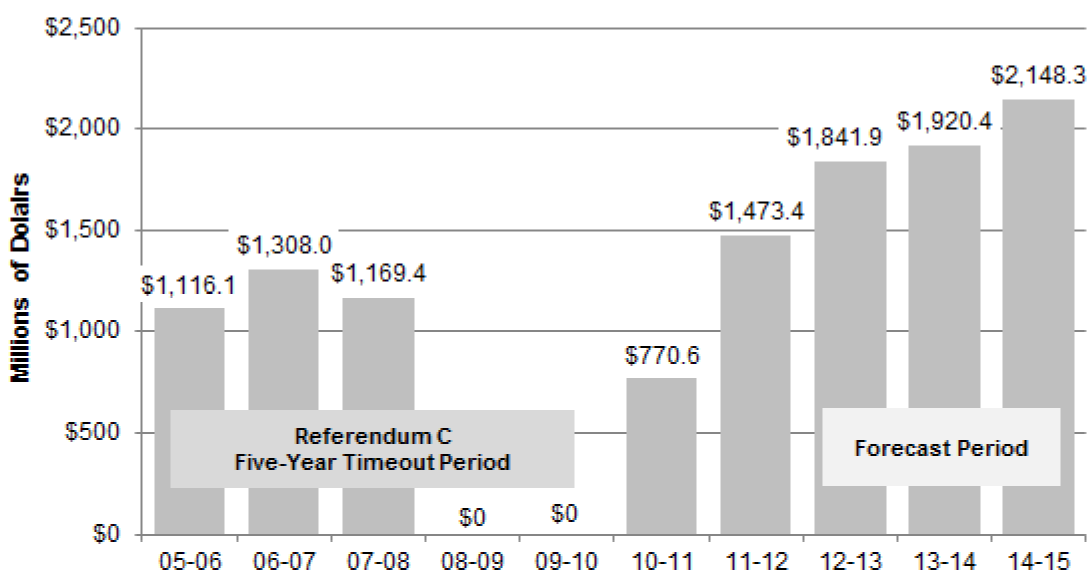
/A This transfer is equal to the first $30 million available in the FY 2013-14 General Fund excess reserve. Although it's shown here in FY 2013-14, the transfer will occur during FY 2014-15 when the books for FY 2013-14 are closed.

Figure 2
TABOR Revenue, the TABOR Limit Base, and the Referendum C Cap
(Dollars in billions)



Source: Colorado State Controllers Office and Legislative Council Staff.

Figure 3
History and Projections of Revenue Retained by Referendum C
(Dollars in Millions)



Source: Colorado State Controllers Office and Legislative Council Staff.

TABOR and Referendum C

Table 4 on page 11 shows the TABOR and Referendum C situation through FY 2014-15, which extends five years beyond the Referendum C timeout period. Figure 2 shows a history and forecasts for revenue subject to TABOR, the TABOR limit base, and the Referendum C cap, while Figure 3 focuses on the amount of money retained as a result of Referendum C.

Revenue subject to TABOR. The forecast for total revenue subject to TABOR, which includes both General Fund and cash fund revenue sources, increased $498.2 million in FY 2012-13 and $141.3 million in FY 2013-14 relative to the March forecast. The large majority of the increase in FY 2012-13 and all of the increase in FY 2013-14 was due to increased expectations for income taxes to the General Fund.

TABOR Limit/Referendum C Cap. The TABOR limit includes voter-approved revenue changes. Because revenue retained as a result of Referendum C is a voter-approved revenue change, the Referendum C cap is also the TABOR limit. The Referendum C cap will equal $11.5 billion in FY 2012-13, and revenue subject to TABOR is expected to be $341.7 million below the cap. By FY 2014-15, revenue is estimated to be $190.8 million below the cap *(see line 10 of Table X)*.

TABOR Refunds. Revenue will not be sufficient to produce a TABOR refund through at least FY 2014-15, the end of the forecast period. However, should the economy improve faster than currently expected, a surplus could occur in either FY 2013-14 or FY 2014-15. Barring another slowdown in the economy, a surplus is likely in FY 2015-16, one year beyond the forecast period.

Revenue Retained by Referendum C. The state has retained a total of $5.84 billion since the passage of Referendum C during FYs 2005-06 through 2011-12. As shown in Figure 3, the state is expected to retain $1.8 billion in FY 2012-13, $1.9 billion in FY 2013-14, and $2.1 billion in FY 2014-15.

Population Adjustment. During the decade between 2000 and 2010, the federal government overestimated Colorado’s population. TABOR requires the limit to be adjusted each decade in accordance with the Census count. Therefore, the population growth rate used to calculate the FY 2011-12 limit is only 0.1 percent and reflects a downward population adjustment estimated at 1.3 percentage points. The population growth rate used to calculate the FY 2011-12 limit includes the change in population between the July 1, 2009 and the Census date of April 1, 2010. Therefore, the population growth rate used to calculate the FY 2012-13 limit reflects the change in population between April 1, 2010, and July 1, 2011.

National Economy

The national economy continues to show steady improvement. Federal budget cuts have weakened the public sector, but this weakness has been offset by growth in the private sector. The private sector continues to add jobs and incomes are rising. Businesses are more profitable and have money available to make investments. These better fundamentals are helping to boost the stock market and home prices, which combine to increase net worth. The positive trends in economic data are boosting consumer confidence, which will help the economy weather any potential shocks that may come from a fragile Eurozone or the Federal Reserve curtailing monetary growth. Current law federal budget cuts and tax increases will add volatility to economic data through the summer, but underlying momentum in the private sector will boost economic growth in 2014. Expectations for the national economy are shown in Table 12 on page 40.

Colorado Economy

Colorado's economy continues to expand, with strong improvement in the state's labor market and one of the healthiest housing markets in the nation. Wages and consumer spending continue to improve, while construction activity and export growth remain strong. The oil industry continues to buoy economic activity in the northern region of the state. However, federal spending cuts will reduce growth in 2013 in areas of the state with high concentrations of federal workers, such as Colorado Springs and areas with national parks. Drought conditions and late freezes have hurt the southeastern and western portions of the state's agricultural industries, although some of these losses have been offset by higher crop prices. Expectations for the Colorado economy are shown in Table 13 on page 54. In addition, summaries of economic conditions in nine regions around the state begin on page 55.

Table 4
June 2013 TABOR Revenue Limit and Retained Revenue
(Dollars in Millions)

		Actual FY 2011-12	Estimate FY 2012-13	Estimate FY 2013-14	Estimate FY 2014-15
	TABOR Revenue:				
1	General Fund /A	$7,709.6	$8,555.6	$8,876.8	$9,461.4
2	Cash Funds	2,563.6	2,561.2	2,624.6	2,622.4
3	**Total TABOR Revenue**	**$10,273.2**	**$11,116.8**	**$11,501.4**	**$12,083.8**
	Revenue Limit				
4	Allowable TABOR Growth Rate	2.0%	5.4%	3.3%	3.7%
5	Inflation (from prior calendar year)	1.9%	3.7%	1.9%	2.2%
6	Population Growth (from prior calendar year) /B	0.1%	1.7%	1.4%	1.5%
7	TABOR Limit Base	$8,799.8	$9,274.9	$9,581.0	$9,935.5
8	Voter Approved Revenue Change (Referendum C)	$1,473.4	$1,841.9	$1,920.4	$2,148.3
9	Total TABOR Limit / Referendum C Cap	$10,871.4	$11,458.5	$11,836.6	$12,274.6
10	TABOR Revenue Above (Below) Referendum C Cap	($598.2)	($341.7)	($335.2)	($190.8)
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C /C	$1,473.4	$1,841.9	$1,920.4	$2,148.3
12	**Total Available Revenue**	**$10,273.2**	**$11,116.8**	**$11,501.4**	**$12,083.8**
13	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, and includes the change in population between July 1, 2009 and April 1, 2010. The population growth rate used to calculate the FY 2012-13 limit reflects the change in population between the census date of April 1, 2010 and July 1, 2011.

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

GENERAL FUND REVENUE

Table 6 on page 16 illustrates General Fund revenue collections for FY 2011-12 and projections for FY 2012-13 through FY 2014-15 based on current law. Table 5 on page 15 shows the list of major 2013 legislation affecting General Fund revenue.

General Fund revenue continues to improve and is on track to experience its third consecutive year of growth. In the current period, FY 2012-13, General Fund revenue will end the fiscal year at $8.6 billion, a 10.9 percent increase from the previous year. The increase is a result of an improving economy, higher revenue collections, and taxpayers continuing to take advantage of last year's lower tax rates, specifically with estimated income tax payments on capital gains. General Fund revenue will also increase 3.8 percent and 6.6 percent in FY 2013-14 and FY 2014-15, respectively.

Compared to the March forecast, General Fund revenue was revised upward by $472.9 million, or 5.8 percent, for the current fiscal year. This revision is due to higher revenue collections from individual income taxes and one-time accrual adjustments. Specifically, estimated income tax receipts in April were 57 percent higher than in April 2012. More than half of this large upward revision was the result of significantly more capital gains taxes realized in tax year 2012 in advance of the increase in federal capital gains tax rate. The change from the March forecast also reflected better economic conditions than had been expected and a large one-time accrual adjustment. Expectations for General Fund revenue in FY 2013-14 and FY 2014-15 were also revised upward by $227.7 million, and $224.1 million, respectfully.

Sales taxes. Sales tax collections continue to reflect improving consumer activity. In FY 2012-13, General Fund revenue from sales taxes will be $2.2 billion, a 5.5 percent increase from the previous year. This is based on healthy year-to-date collections. Sales taxes will grow 5.1 percent in FY 2013-14 and 3.8 percent in FY 2014-15 as the economy continues to improve.

Compared to the March forecast, sales tax collections were lowered by $14.1 million for the current period. The downward revision was from several large sales tax refunds. For FY 2013-14 the sales tax forecast was also revised downward, by $18.4 million. The change was because of the downward revision from the previous year and from 2013 legislation, including redirecting sales tax revenue on marijuana to the Marijuana Cash Fund. The sales tax growth rate for the forecast period is similar to what was expected in the March forecast.

Use Tax. Use tax collections are expected to increase 16.8 percent in FY 2012-13 and 4.2 percent in FY 2013-14. Compared with the March forecast, use tax revenue was increased $4.7 million in FY 2012-13 and $1.8 million in FY 2013-14 because of stronger year-to-date collections.

Individual income taxes. Total receipts from the state's largest source of tax revenue will end the current fiscal year at $5.6 billion, 12.3 percent higher than the previous year. This increase will mark the third consecutive year of growth for individual income taxes. Since FY 2009-10, revenue from individual income taxes has increased by

38 percent. Revenue in FY 2012-13 was especially aided by federal tax changes, with increases in taxable income and taxpayers pulling income forward from calendar year 2013 into 2012. Businesses paid dividends and bonuses earlier, and many taxpayers cashed out capital gains in advance of an anticipated increase in the capital gains tax rate on January 1, 2013. Individual income taxes will continue to grow in FY 2013-14, but at a slower pace as one-time income gains in FY 2012-13 will not re-occur. Individual income taxes will grow 7.4 percent in FY 2014-15.

Compared to the March forecast, expectations for individual income tax revenue for the current period were increased by $415.4 million, or 8.0 percent. More than half of this revision is attributable to higher revenue from capital gain taxes than had been expected. In addition, the upward revisions also reflect an improving economy, higher capital gains from both the real estate and stock markets, and a one-time year end accrual adjustment of $78.1 million. Individual income taxes were also revised upward for FY 2013-14 and FY 2014-15. The revisions are primarily from an improving labor market and economy.

Corporate income taxes. Corporate profits continue to grow in 2013. With the unemployment rate still relatively high, corporations have not felt pressure to raise salaries, allowing them to increase their profit margins through productivity growth. In addition, many corporations have been able to lower the cost of debt by refinancing to long term debt at lower interest rates.

FY 2012-13, corporate income tax collections will be $621.9 billion, a 27.8 percent increase from the previous year. Corporate income tax revenue is expected to continue to grow through 2013, although at a slower rate than in 2012.

The American Taxpayer Relief Act of 2012, passed on January 1, 2013, avoided most of the tax increases that would have occurred with the expiration of the 2001-2003 tax cuts. It also extended some tax breaks through 2014, but some will expire at the end of tax year 2013. Once these tax cuts expire, corporate income tax revenue is expected to increase $2.2 million in FY 2012-13, $86.6 million in FY 2013-14, and $114.2 million FY 2014-15. These increases are due to the expiration of accelerated expensing, bonus depreciation, and a few minor corporate income tax provisions which impact the treatment of donations of books and computers to schools, the depreciation of race horses, the depletion of oil and gas wells, the dispensation of electricity transmission equipment, and the expensing of brownfield remediation. This forecast has been adjusted upward to reflect the expiration of these tax cut provisions, however, if these tax incentives are extended beyond 2013, this revenue increase will not occur.

Table 5
Major 2013 Legislation Affecting General Fund Revenue
Millions of Dollars

		2012-13	2013-14	2014-15
Sales Tax				
HB 13-1144	Sales Taxes on Cigarettes		28.0	26.5
HB 13-1317	2.9% Medical Marijuana Sales Tax Diverted from General Fund		(4.2)	(2.7)
Total: Sales Tax			*23.8*	*23.8*
Income Tax				
HB 13-1012	Extend Wildfire Mitigation Financial Incentives	-	(0.03)	(0.06)
HB 13-1024	Modification for Military Families	-	(0.00)	(0.01)
HB 13-1042	Medical Marijuana Businesses Deduct Costs	-	(0.8)	(1.7)
HB 13-1080	Aircraft Manufacturer Employee Tax Credit	(0.01)	(0.01)	(0.01)
HB 13-1142	Urban And Rural Enterprise Zone Tax Credits	-	6.6	12.7
HB 13-1183	$45 Million Cap on Conservation Easement Credit	-	12.5	22.5
HB 13-1247	Innovative Motor Vehicle Income Tax Credit	(2.4)	(5.2)	(5.9)
HB 13-1287	Extend CO Job Growth Incentive Tax Credit	-	-	(0.5)
SB 13-283	Recreational Marijuana Businesses Deduct Costs	-	(0.7)	(1.4)
Total: Income Tax		*(2.4)*	*12.3*	*25.7*
Insurance Premium Tax to the General Fund				
HB13-1115	CoverColorado Repeal	2.5	5.0	5.0
HB13-1245	Funding Colorado Health Benefit Exchange	-	(7.5)	(5.0)
Total: Insurance Premium Tax to the General Fund		*2.5*	*(2.5)*	*0.0*
Total Sales, Income, and Insurance Premium Taxes		**$0.1**	**$33.6**	**$49.5**

		2013-14	2014-15
Sales & Income Legislation Conditional on Congressional Marketplace Fairness Act /A			
HB 13-1295	Simplify Sales Taxes for Marketplace Fairness Act	1.25	74.9
SB 13-001	Colorado Child Tax Credit	-11.4	-23.3
Sales & Excise Tax Legislation Conditional on a Statewide Vote /B			
HB 13-1318	Recreational Marijuana Taxes	22.2	44.5

/A S. 743, the Marketplace Fairness Act of 2013 has passed the U.S. Senate and is awaiting action in the Subcommittee on Regulatory Reform, Commercial and Antitrust Law of the Committee on the Judiciary of the U.S. House of Representatives.

/B Subject to voter approval of the measure, this revenue will be transferred from the General Fund to cash funds.

Table 6
June 2013 General Fund Revenue Estimates
(Dollars in Millions)

	Category	Actual FY 2011-12	Percent Change	Estimate FY 2012-13	Percent Change	Estimate FY 2013-14	Percent Change	Estimate FY 2014-15	Percent Change
1	Sales	$2,093.2	2.4	$2,208.5	5.5	$2,320.6	5.1	$2,408.8	3.8
2	Use	200.6	5.6	234.3	16.8	244.1	4.2	261.7	7.2
3	Cigarette	39.5	0.5	37.8	-4.3	36.4	-3.7	35.0	-3.9
4	Tobacco Products	16.0	16.1	16.6	3.4	17.1	3.2	17.6	2.6
5	Liquor	38.4	5.3	39.4	2.6	40.7	3.4	42.7	5.0
6	TOTAL EXCISE	$2,387.7	2.8	$2,536.6	6.2	$2,659.0	4.8	$2,765.8	4.0
7	Net Individual Income	$5,011.6	11.5	$5,629.3	12.3	$5,687.3	1.0	$6,109.4	7.4
8	Net Corporate Income	486.5	23.5	621.9	27.8	760.9	22.4	830.4	9.1
9	TOTAL INCOME TAXES	$5,498.1	12.4	$6,251.2	13.7	$6,448.1	3.2	$6,939.8	7.6
10	Less: Portion diverted to the SEF	-407.5	10.0	-468.9	15.1	-484.4	3.3	-511.6	5.6
11	INCOME TAXES TO GENERAL FUND	$5,090.6	12.6	$5,782.2	13.6	$5,963.7	3.1	$6,428.2	7.8
12	Estate	0.3	NA	0.0	NA	0.0	NA	0.0	NA
13	Insurance	197.2	4.0	206.2	4.5	221.6	7.5	232.7	5.0
14	Pari-Mutuel	0.6	14.2	0.6	-7.5	0.5	-5.0	0.5	-13.0
15	Investment Income	13.6	71.5	17.8	31.1	19.3	8.6	20.8	7.8
16	Court Receipts	2.6	-27.6	2.0	-21.0	1.8	-11.0	1.6	-12.0
17	Gaming	20.4	0.0	11.2	-0.5	12.0	7.9	13.0	0.1
18	Other Income	23.1	8.5	19.0	-17.8	19.6	3.1	20.6	5.2
19	TOTAL OTHER	$257.7	5.9	$256.7	-0.4	$274.9	7.1	$289.2	5.2
	GROSS GENERAL FUND	**$7,736.1**	**9.2**	**$8,575.5**	**10.9**	**$8,897.6**	**3.8**	**$9,483.2**	**6.6**
	REBATES & EXPENDITURES:								
20	Cigarette Rebate	$11.2	1.9	$11.1	-1.5	$10.7	-3.7	$10.2	-3.9
21	Old-Age Pension Fund	92.5	1.2	93.8	1.5	90.6	-3.5	86.5	-4.5
22	Aged Property Tax & Heating Credit	7.2	5.2	7.2	-0.3	7.1	-1.0	7.0	-1.0
23	Older Coloradans Fund	8.0	0.0	8.0	0.0	10.0	25.0	10.0	0.0
24	Old Age Supplemental Medical Care Fund	2.9	0.0	0.0	-100.0	0.0	0.0	0.0	0.0
25	Interest Payments for School Loans	0.7	-16.3	0.6	-7.0	1.7	173.5	1.8	7.8
26	Fire and Police Pension Association	9.7	125.4	147.0	1415.2	4.7	-96.8	4.7	0.0
27	Amendment 35 GF Expenditures	0.9	0.2	0.9	2.5	0.9	-4.5	0.8	-3.1
28	TOTAL REBATES & EXPENDITURES	$133.0	5.5	$268.6	102.0	$125.6	-53.2	$121.1	-3.5

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

CASH FUNDS

Table 7 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 gaming taxes. 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 restrictions.

Cash fund revenue subject to TABOR is expected to decrease slightly to $2.56 billion in FY 2012-13. Decreases in severance tax collections, other cash funds, and capital construction-related funds are offset by projected gains in hospital provider fee revenue, insurance-related and regulatory agencies cash funds, and gaming revenue in FY 2012-13. Transportation-related cash funds are expected exhibit modest growth. Total cash fund revenue subject to TABOR will increase 2.5 percent to $2.62 billion in FY 2013-14, as severance tax revenue is projected to rebound due to increasing natural gas prices.

In FY 2012-13, revenue from ***transportation-related*** cash funds is expected to be $1,115.5 million, which represents an increase of 0.3 percent over the previous year. The increase is due to transfers to the Aviation Fund outweighing decreases in motor fuels and local grant revenue to the State Highway Fund. For the rest of the forecast period, transportation revenue is expected to grow by less than 1.0 percent annually. Forecasts for transportation-related cash funds are shown in Table 8 on page 19.

Total revenue to the *Highway Users Tax Fund* (HUTF) is expected to reach $948.6 million in FY 2012-13, an increase of 0.8 percent over the previous year. Revenue is forecast to grow 0.2 percent annually thereafter during the forecast period, reaching $950.6 million in FY 2013-14 and $952.8 million in FY 2014-15. The largest source of revenue to the HUTF is the excise tax on motor fuels and special fuels. In FY 2012-13, fuels revenue is expected to be $555.8 million. This is a slight increase over the March 2013 forecast, as gasoline revenue has grown faster than expected. However, fuels revenue is expected to decline in FY 2013-14 and FY 2014-15, as vehicles become more fuel efficient.

Total registration revenue, comprised of motor vehicle registration fees, the road safety surcharge and late registration fees, is expected to bring in $336.6 million in FY 2012-13. **House Bill 13-1071**, which modifies the eligibility dates for cars to register as collector's vehicles, is expected to increase registration revenue in FY 2013-14 and decrease registration revenue in FY 2014-15. Finally, other HUTF receipt is expected to decline 1.6 percent to $56.2 million in FY 2012-13. **House Bill 12-1216** extends a diversion originally authorized by House Bill 10-1387 and Senate Bill 09-274. The diversion moves $22.7 million from various HUTF drivers' license and permit fees and transfers it to the Licensing Services Cash Fund in the *other transportation revenue* category.

The *State Highway Fund (SHF)* is expected to bring in $42.1 million subject to TABOR in FY 2012-13, a drop of 25.0 percent from the previous year. SHF revenue subject to TABOR can be volatile because the majority is derived from funds paid by local governments

Table 7
June 2013 Estimates for Cash Fund Revenue Subject to TABOR
(Dollars in Millions)

	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14	Estimate FY 14-15	FY 11-12 to FY 14-15 CAAGR *
Transportation-Related	**$1,112.2**	**$1,115.1**	**$1,121.7**	**$1,128.8**	
% Change	2.7%	0.3%	0.6%	0.6%	**0.5%**
Hospital Provider Fee	**$586.5**	**$659.1**	**$642.2**	**$574.8**	
% Change	32.5%	12.4%	-2.6%	-10.5%	**-0.7%**
Severance Tax	**$207.7**	**$155.6**	**$198.9**	**$233.8**	
% Change	39.0%	-25.1%	27.8%	17.6%	**4.0%**
Gaming Revenue /A	**$95.6**	**$98.0**	**$101.0**	**$104.0**	
% Change	-2.4%	2.5%	3.0%	3.0%	**2.8%**
Insurance-Related	**$22.6**	**$24.0**	**$25.2**	**$26.4**	
% Change	-14.5%	5.9%	4.9%	5.0%	**5.3%**
Regulatory Agencies	**$64.9**	**$67.9**	**$69.8**	**$71.1**	
% Change	-6.6%	4.6%	2.8%	1.8%	**3.1%**
Capital Construction Related - Interest /B	**$1.1**	**$0.7**	**$1.6**	**$0.7**	
% Change	-62.5%	-42.0%	143.1%	-54.6%	**-13.8%**
Other Cash Funds	**$472.9**	**$440.9**	**$464.2**	**$482.8**	
% Change	-4.3%	-6.8%	5.3%	4.0%	**0.7%**
Total Cash Fund Revenue	**$2,563.6**	**$2,561.2**	**$2,624.6**	**$2,622.4**	
Subject to the TABOR Limit	8.4%	-0.1%	2.5%	-0.1%	**0.8%**

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 8
Transportation Funds Revenue Forecast by Source, June 2013
(Dollars in Millions)

	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14	Estimate FY 14-15	FY 11-12 to FY 14-15 CAAGR *
Highway Users Tax Fund (HUTF)					
Motor Fuel and Special Fuel Taxes	$557.2	$555.8	$554.3	$552.7	0.7%
% Change	0.0%	-0.2%	-0.3%	-0.3%	
Total Registrations	$326.7	$336.6	$339.9	$343.3	1.7%
% Change	1.4%	3.0%	1.0%	1.0%	
Registrations	*$193.2*	*$203.1*	*$205.7*	*$207.9*	
Road Safety Surcharge	*$115.7*	*$116.8*	*$117.9*	*$119.1*	
Late Registration Fees	*$17.8*	*$16.8*	*$16.3*	*$16.3*	
Other HUTF Receipts /A	$57.1	$56.2	$56.4	$56.8	-0.2%
% Change	-0.9%	-1.6%	0.4%	0.8%	
Total HUTF	**$941.1**	**$948.6**	**$950.6**	**$952.8**	1.0%
% Change	0.4%	0.8%	0.2%	0.2%	
State Highway Fund	$56.1	$42.1	$42.9	$44.2	-5.6%
% Change	31.6%	-25.0%	2.0%	3.0%	
Other Transportation Funds	$114.6	$124.4	$128.2	$131.8	1.5%
% Change	11.0%	8.6%	3.0%	2.9%	
Aviation Fund /B	*$41.0*	*$49.0*	*$51.5*	*$53.7*	
Law-Enforcement-Related /C	*$10.9*	*$11.0*	*$11.1*	*$11.1*	
Registration-Related /D	*$62.6*	*$64.4*	*$65.6*	*$67.0*	
Total Transportation Funds	**$1,112.2**	**$1,115.1**	**$1,121.7**	**$1,128.8**	0.7%
% Change	2.7%	0.3%	0.6%	0.6%	

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

/A Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.

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

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

/D 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

	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14	Estimate FY 14-15	
Bridge Safety Surcharge	$101.5	$102.9	$104.0	$105.0	$96.1
% Change	42.4%	1.4%	1.0%	1.0%	

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

for transportation projects and interest paid on the fund's balance. So far this year, low interest rates and limited funds for transportation projects have caused the fund balance to fall. SHF revenue subject to TABOR is expected to grow 2.0 percent to $42.9 in FY 2013-14 and 3.0 percent to $44.2 million in FY 2014-15.

In June 2012, Congress approved funding for the U.S. Highway Trust Fund, thus keeping highway spending at current levels through 2014. The measure relies on a withdrawal of $20 billion from the U.S. Treasury and there is concern about keeping the fund solvent in the future. Future federal transportation funding will affect the *State Highway Fund* as the revenue to the fund comes from interest earnings on the fund balance, which is comprised of federal funds, as well as revenue from local governments for transportation projects that receive federal matching dollars.

Other transportation funds is expected to grow 8.6 percent to $124.4 million in FY 2012-13 due to a large transfer to the aviation fund. This one-time transfer trued-up the distribution of sales taxes between the General Fund and the aviation fund. Other transportation funds is expected to increase 3.0 in 2013-14 and 2.9 percent in 2014-15.

The **Hospital Provider Fee (HPF)** is expected generate $659.1 million in FY 2012-13, before falling to $642.2 million in FY 2013-14 and $574.8 million in FY 2014-15. The forecast also includes a $25 million transfer for FY 2012-13 authorized by **Senate Bill 11-212**.

Compared with the March 2013 forecast, this represents a decline of $75.4 million in FY 13-14 and $158.5 million in FY 2014-15, respectively. The Federal Patient Protection and Affordable Care Act is expected to go in effect fully in January 2014. Part of this law allows additional federal dollars to be obtained by the states if Medicaid coverage is expanded to certain lower-income and special needs populations. At the time of the March 2013 forecast, Colorado had not passed the necessary legislation to obtain these matching federal dollars. Since then, **Senate Bill 13-200**, which allows Colorado to secure these additional federal dollars, was signed into law. The June 2013 forecast was revised downward accordingly to reflect a decrease in the state's share of Medicaid and an increase in the federal share.

Total **severance tax** revenue, including interest earnings, is projected to be $155.6 million in FY 2012-13, an upward revision of 28.0 percent from the March forecast. The revision is primarily due to higher than expected collections in March and April and a modest increase in natural gas price expectations. Projected oil and natural gas collections for FY 2012-13 increased $36.1 million from the March forecast, based both on year-to-date collections through May and revised price expectations. Projected coal receipts declined, while projected molybdenum and metallic mineral receipts were also slightly down. Total collections are projected to rise to $198.9 million and $233.8 million in FY 2013-14 and FY 2014-15, representing increases of 0.4 and 1.7 percent, respectively, over the March forecast. Increases in the later years of the forecast period are due to modest increases in expectations for natural gas prices.

The price of natural gas is the largest determinant of state severance tax collections. Prices remained fairly stable last winter, before climbing to nearly $4.40 per Mcf (thousand cubic feet) in late April. Currently, prices have tapered to about $4.10 per Mcf, the same level as mid-March. Prices are projected to remain at about this level through the second quarter before rising gradually through the rest of 2013 on a quarterly average basis. On a year-to-year basis, oil and gas severance tax collections for FY 2012-13 are still expected to decline, though not as much as anticipated earlier. This decline results from falling prices and because of the impact of the ad valorem property tax credit, which producers can use to offset their severance tax liability. In FY 2011-12, oil and gas severance taxes totaled $187.1 million on an accrual accounting basis.

Oil prices have fluctuated around $95 per barrel since January. Oil prices are expected to gradually increase over the remainder of the forecast period on an annual average basis. Colorado oil drilling activity has remained strong, especially in Weld County, where monthly production has averaged nearly 3.5 million barrels through the first four months of 2013. This forecast assumes oil production in the Niobrara formation will continue to increase steadily throughout the forecast period.

Coal production represents the second largest source of severance taxes in Colorado after oil and natural gas. Relative to the March forecast, June's projected coal severance tax for FY 2012-13 decreased due to lower than anticipated collections since February of this year. In FY 2013-14 and FY 2014-15, collections are expected to total $10.3 million and $10.0 million, a moderate drop from the March forecast.

Severance tax from metallic minerals, including gold, represents a tiny fraction of total collections. It is expected to total $2.7 million in FY 2012-13, before increasing to $2.8 million in FY 2013-14, and $2.9 million FY 2014-15. These totals represent a slight reduction from the March forecast.

Finally, projected interest earnings for FY 2012-13 have been revised upward from the March forecast to $10.3 million. These revisions are primarily due to higher than anticipated, year-to-date interest income in the operational account of the Severance Tax Trust Fund. Over the remainder of the forecast period, interest earnings are expected to dip to $9.4 million in FY 2013-14, before rising to $10.1 million in FY 2014-15.

Gaming tax revenue includes limited gaming taxes, fees, and interest earnings collected in the Limited Gaming Fund and the Historical Society Fund. Table 9 summarizes the forecast for and distribution of gaming revenue, both subject to and exempt from TABOR. As the economic recovery gains traction, gaming establishments are adding capacity and new game technology. Despite the healthy economic recovery, consumers are pulling back on wagers and table bets and spending more on non-gaming amenities such as lodging, meals, and entertainment. Thus, growth in gaming tax revenue has slowed from the first year after bet limits were increased and table games were added in Colorado under Amendment 50. Total gaming revenue is expected to increase 2.5 percent to $107.4 million in FY 2012-13 and 3.0 percent in both FY 2013-14 and FY 2014-15.

Changes in gaming tax revenue are primarily driven by the economy. The economic recovery in Colorado is resulting in casinos spending more money to expand, remodel, and add amenities to their facilities to attract more customers. However, gaming tax revenue is growing more slowly as consumers seem to be spending more on non-gaming expenditures such as food, lodging, entertainment, and other tourist -related costs.

In Colorado, gaming tax revenue advanced 1.4 percent through the first ten months of FY 2012-13. Casinos saw moderate revenue growth in 2012, although consumers spent less on bets and table games in 2013. Casinos in South Dakota and Nevada are seeing the same gaming trends as consumers hang on to more of their money and increase spending on gaming amenities.

As Table 9 also shows, money from Amendment 50 is distributed to community colleges and local governments in gaming communities. Amendment 50 distributions will total $9.2 million in FY 2012-13, $9.4 million in

Table 9
June 2013 Gaming Revenue and Distributions
(Dollars in Millions)

	Preliminary FY 2011-12	Estimate FY 2012-13	Estimate FY 2013-14	Estimate FY 2014-15
Gaming Revenue				
Gaming Taxes				
Pre-Amendment 50 *(Subject to TABOR)*	92.7	95.0	97.8	100.8
Amendment 50 Revenue *(TABOR Exempt)*	9.2	9.4	9.7	10.0
Total Gaming Taxes	**$101.9**	**$104.4**	**$107.5**	**$110.8**
Fees and Interest Earnings *(Subject to TABOR)*				
To Limited Gaming Fund	1.6	1.6	1.7	1.7
To State Historical Fund	1.4	1.4	1.4	1.5
Total Gaming Revenue	**$104.80**	**$107.4**	**$110.6**	**$114.0**
% change	**-2.6%**	**2.5%**	**3.0%**	**3.0%**
Total Gaming Revenue Subject to TABOR	$95.6	$98.0	$101.0	$104.0
Distributions of Gaming Tax Revenue /A				
Amendment 50 Distributions				
Community Colleges	6.7	6.7	6.8	7.0
Gaming Counties and Cities	1.9	1.9	1.9	2.0
Amendment 50 Administrative Expenses	0.6	0.6	0.7	0.7
Total Amendment 50 Distributions	**$9.2**	**$9.2**	**$9.4**	**$9.7**
Pre-Amendment 50 Distributions				
State Historical Fund	22.4	23.1	23.5	24.1
Gaming Counties	9.6	9.9	10.1	10.3
Gaming Cities	8.0	8.2	8.4	8.6
General Fund /C	20.2	11.2	12.0	13.0
Economic Development Programs /C	19.7	30.0	30.0	30.0
Pre-Amendment 50 Administrative Expenses	11.9	13.0	14.1	15.0
Total Amendment 50 Distributions	**$91.8**	**$95.3**	**$98.1**	**$101.1**
Total Gaming Distributions /B	**$101.0**	**$104.5**	**$107.5**	**$110.8**

/A Distributions are made from gaming tax revenue, not total gaming revenue.

/B Administrative expenses were spent in FY 2011-12 above the total amount of revenue collected.

/C Beginning FY 2012-13, table amounts include the adoption of SB 13-133.

FY 2013-14, and $9.7 million in FY 2014-15. Community colleges will receive $6.7 million in FY 2012-13, and $6.8 million in FY 2013-14.

Gaming revenue distributed prior to expanded gaming is often referred to as "*Pre-Amendment 50*" revenue. This money is distributed to the State Historical Society, gaming cities and counties, the General Fund, and various economic development programs. These distributions incorporate **Senate Bill 13-133**, which increases distributions to economic development, tourism promotion, and other local government programs by $7.5 million. Due to the gaming formula distribution, the effect of Senate Bill 13-133 reduces General Fund transfers by $9.2 million. Total *Pre-Amendment 50* distributions will be $95.3 million in FY 2012-13, up from $91.8 million in the prior year. Distributions will increase to $98.1 million in FY 2013-14.

All ***other cash fund revenue*** subject to TABOR is expected to decrease 2.7 percent in FY 2012-13. This category includes revenue to a large number of sources credited to various other cash funds, such as revenue from court fines and fees, regulatory licensure fees, and fees paid for services provided by the Secretary of State's Office. For FY 2013-14, this total is expected to rebound, increasing by 7.0 percent. This increase in part reflects the passage of House Bill 13-1228, which is expected to provide $2.5 million in new revenue from instant criminal background checks.

Table 10 presents the June 2013 forecast for ***federal mineral leasing*** (FML) revenue in comparison with the March forecast. FML revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of energy production. Since FML revenue is not deposited into the General Fund and is exempt from the TABOR amendment, the forecast is presented separately from other sources of state revenue.

The forecast for FML revenue was decreased slightly compared with the March forecast, due to lower distributions year-to-date in FY 2012-13. This is in part due to federal sequestration, which reduced FML distributions by $6.7 million in FY 2012-13. In addition, two Colorado coal mines have negotiated reduced royalty rates with the U.S. Department of the Interior. The reduced rates are retroactive back to 2009, and are expected to result in a $3.3 million reduction in FML revenue in FY 2012-13. FML revenue is anticipated to total $124.1 million in FY 2012-13 representing a 9.2 percent decline from the March forecast. This forecast assumes, however, that while the impact of reduced royalty rates will be restricted to the current fiscal year, the impact of sequestration will continue. Revenue is then expected to increase to $143.7 million in FY 2013-14 and $162.0 million in FY 2014-15. This downward revision in the later years of the forecast period is due to the expected continuation of sequestration, which offsets modest increases in expectations for natural gas prices.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and the UI balance are shown in Table 11. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 7 on page 18. 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 7.

The UI Trust Fund closed FY 2011-12 with a fund balance of $512.9 million. As described below, the significant revenue increase from the prior year is mainly attributable to $640 million raised from a bond issue in June 2012. **House Bill 11-1288** provides that once the UI Trust Fund is solvent and all federal loans are repaid, a new premium rate table and new solvency surcharges become effective in the next calendar year. Because the receipts from the

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

Fiscal Year	June 2013 Forecast	Percent Change	March 2013 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	$149.5	22.0%	$149.5	
FY 2011-12	$165.0	10.4%	$165.0	
FY 2012-13	$124.1	-24.8%	$136.7	-9.2%
FY 2013-14	$147.9	19.2%	$160.2	-7.7%
FY 2014-15	$166.8	12.8%	$179.8	-7.2%

Note: FML distributions are federal funds and therefore not subject to TABOR.

bond sale were deposited to the UI trust fund prior to June 30, 2012, the new premium rates from House Bill 11-1288 are in effect for 2013. In addition, because the fund balance was greater than 0.5 percent of total wages at the end of 2012 and is expected to remain above this level, the solvency surcharge is not being levied in 2013, and will not be levied through the remainder of the forecast period. The solvency surcharge amount shown for FY 2012-13 in Table 11 is a half-year impact from calendar year 2012.

Total revenue to the UI fund is expected to decline 57.4 percent in FY 2012-13. The significant decrease is because FY 2011-12 revenue includes $640 million from the bond issue. However, because of the higher premium rates and the increase in the maximum chargeable wage base, revenue from UI premium and premium surcharges is expected to grow 27.1 percent in FY 2012-13. Total revenue is expected to decline in both FY 2013-14 and FY 2014-15 as the employment market improves and the higher year-end fund balance decreases the premium rates paid by employers.

The amount of UI benefits paid is expected to decline 8.1 percent in FY 2012-13 as the number of UI claims continue to fall. UI benefits paid are expected to fall 14.0 percent in FY 2013-14 and 16.0 percent in FY 2013-14 as unemployment declines.

Table 11
Unemployment Insurance Trust Fund Forecast, June 2013
Revenue, Benefits Paid, and Fund Balance
(Dollars in Millions)

	Preliminary FY 11-12	Estimate FY 12-13	Estimate FY 13-14	Estimate FY 14-15	FY 11-12 to FY 14-15 CAAGR*
Beginning Balance	($303.3)	$512.9	$565.1	$626.0	
Plus Income Received					
UI Premium & Premium Surcharge /A	$398.8	$506.9	$528.8	$631.5	16.6%
Solvency Surcharge	$414.3	$101.8	$0.0	$0.0	
Interest	$0.4	$10.0	$19.3	$25.4	
Plus Special Revenue Bonds	$640.0		$0.3		
Total Revenues	**$1,453.5**	**$618.7**	**$548.1**	**$656.9**	-23.3%
% Change	85.6%	-57.4%	-11.4%	19.8%	
Less Benefits Paid	($616.6)	($566.5)	($487.2)	($409.3)	-12.8%
Net Federal Loans	*$302.4*				
Accounting Adjustment	($323.1)	$0.0	$0.0	$0.0	
Ending Balance	**$512.9**	**$565.1**	**$626.0**	**$873.6**	
Solvency Ratio/B					
Fund Balance as a Percent of Total Annual Private Wages	0.60%	0.62%	0.65%	0.85%	

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 0.5 percent of total annual private wages, the solvency surcharge is triggered off.
Note: The Unemployment Insurance Trust Fund is no longer subject to TABOR starting in FY 2009-10.

Federal borrowing and Special Revenue Bonds. Colorado's UI fund has been struggling since the 2001 recession. In 2004, the solvency surcharge was first imposed. The 2007 economic recession put more pressure on the fund as high unemployment increased demand for UI benefits, while revenue to the fund was declining. In January 2010 the fund was insolvent. By law, 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 payments on loans outstanding in September 2011. A separate assessment was required to pay for interest on federal loans used to fund the UI program. During the summer of 2011, businesses were charged a special interest assessment to pay for the interest payment.

In order to restore the UI fund balance to a desired level of solvency and repay outstanding federal loans, the Colorado Housing and Finance Authority issued $640 million in bonds on behalf of the Colorado Unemployment Insurance Trust Fund in June 2012. The proceeds were used to pay back all outstanding federal loans with the remaining balance deposited into the UI trust fund. On June 28, 2012 the UI fund had paid all remaining federal debt. The terms of finance are five years at 1.4 percent total annual interest. There will be two interest payment assessments per year; the first payment of $4.2 million was paid on November 15, 2012, and the second payment of $4.5 million is due May 15, 2013. There will be five principal repayments of approximately $125 million each due May 15 every year through 2017. The principal will be repaid through a bond principal surcharge assessed against employers and incorporated into their base UI premium rate beginning in 2013.

The private economy is growing at a strong enough pace to offset declines in the public sector economy. Overall economic activity has been growing steadily, which is helping to add jobs and keep the unemployment rate from increasing. Personal income has been able to grow despite federal tax policy changes that took effect January 1, 2013 and this is helping to support household consumption. Business income and investment is on the rise and the global economy is improving.

These improvements in the economy are boosting consumer confidence, helping to reinforce positive economic trends. Households are more confident that they can make large purchases such as cars and homes. Increased demand for homes is helping boost home prices, giving homeowners more equity. Additional home equity and the stock market expansion are increasing household wealth, which further reinforces economic expansion. The improved economic conditions will allow the Federal Reserve to tighten monetary policy without hurting economic growth.

Despite the improvements in the economy, some areas continue to constrain growth. The unemployment rate is still above historical averages and it is falling slowly. To avoid defaulting on the country's debt and a government shutdown, the federal government needs to raise the debt ceiling and pass a budget. These issues are constraining economic growth, but underlying growth in the economy has emerged in the first half of 2013.

US Economic Growth is Improving

The nation's **gross domestic product (GDP),** the broadest measure of total economic activity, grew an annualized 2.4 percent in the first quarter of 2013 compared with the fourth quarter of 2012. In 2012, economic growth was 2.2 percent.

In the first quarter of 2013, consumption and investment contributed to growth while exports and government consumption subtracted from growth, as shown in Figure 4. Personal consumption expenditures increased 2.4 percent between the fourth quarter of 2012 and the first quarter of 2013, the largest increase since 2010. Private investment increased as firms bought equipment and software and increased inventories. Government consumption and investment decreased as federal government agencies prepared for the automatic spending cuts known as the sequester.

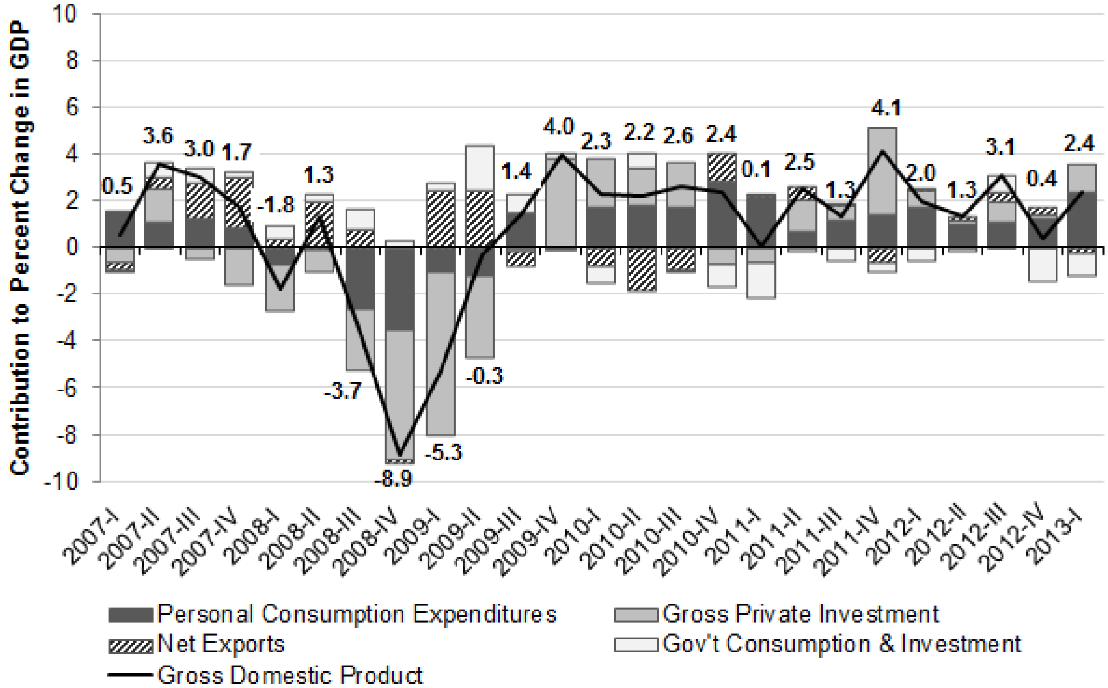
- Inflation-adjusted GDP growth is expected to grow 2.1 percent in 2013 as private sector spending and investment will offset declines in government spending through the year. In 2014, inflation-adjusted GDP growth is expected to accelerate to 4.0 percent after federal spending policies have been more fully implemented.

Global Conditions Still Fragile

The world economy is slowly improving as Europe pulls itself out of a recession and the Asian and South American economies regain momentum.

Europe is in the midst of a very long process of deleveraging. According to the International Monetary Fund (IMF), fiscal austerity subtracted 1.5 percentage points from the Eurozone's GDP in 2012, and the IMF

Figure 4
Contributions to Real Gross Domestic Product
Seasonally Adjusted Annual Rates



Source: Bureau of Economic Analysis.

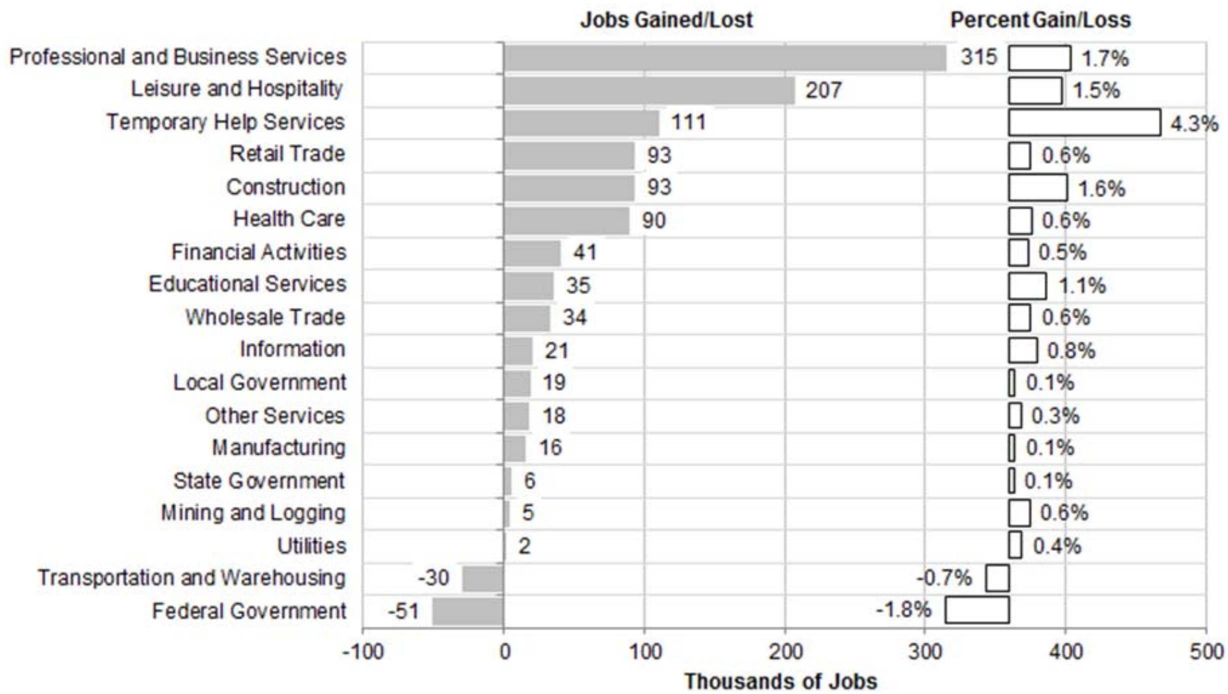
expects that drag to shrink somewhat to 0.75 percentage points in 2013. Periphery countries such as Spain, Italy, and Greece continue to struggle with low growth amid high levels of political uncertainty, debt, deficits, and higher interest rates. Eurozone GDP will continue to contract slightly in 2013, although by a little less than the 0.6 percent contraction experienced in 2012. This forecast assumes continued progress in repairing these countries bank and sovereign balance sheets and further progress implementing structural reforms, such as a stronger banking union. The IMF warns that political fatigue over austerity and structural reforms pose risks to continued improvement in the periphery countries. The long road of fiscal austerity will begin to ease in late 2014 through 2015.

Growth has begun to accelerate in Asia, led by growth in the Chinese economy. The IMF forecasts economic output in Asia to grow 5.7 percent in 2013 after growing 5.3 percent in 2012. China's economic growth will accelerate from 7.8 percent in 2012 to 8.0 percent in 2013. The IMF expects GDP growth in South America to be 3.4 percent in 2013 after growing 2.6 percent in 2012. The two largest economies on the continent, Brazil and Argentina, are accelerating. GDP growth in Brazil will be 3.0 percent in 2013 following 0.9 percent growth in 2012. Economic activity in Argentina is expected to grow 2.8 percent in 2013 after growing 1.9 percent in 2012.

The Labor Market Steadily Improves

The nation continues to add jobs at a consistent pace. After adding 2.2 million jobs in 2012, the nation added 946,000 jobs in the first five months of 2013. Between January and May 2013, the nation added an average of 189,000 jobs per month, higher than the 183,000 jobs per month added in 2012.

Figure 5
U.S. Nonfarm Employment Gains/Losses in 2013 YTD
January to May 2013 over January to May 2012 Levels



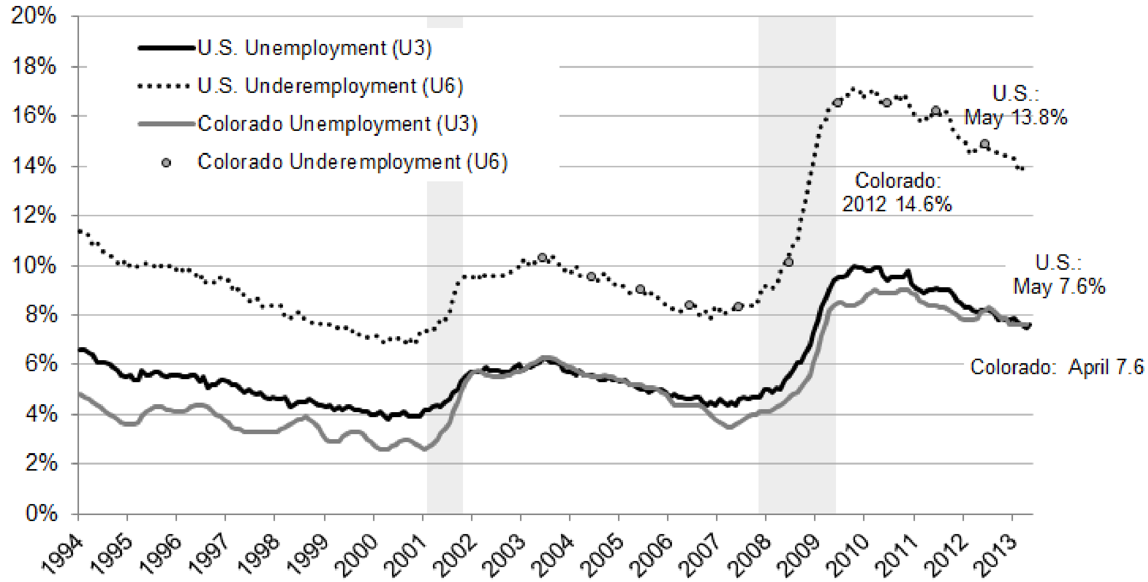
Source: Bureau of Labor Statistics. Data through May 2013.

As shown in Figure 5, all but one sector of private employment added jobs in the first five months of 2013. The number of jobs in January to May of 2013 was 1.6 percent higher than the same period in 2012. The professional and business services sector added the most, at 315,000 jobs. The temporary help services industry grew the most in percentage terms, growing 4.3 percent, or by 111,000 jobs. In contrast to private employment, government employment decreased by 26,000 jobs in the first five months of 2013. Federal employment decreased by 51,000 jobs, while state and local governments increased payrolls by 6,000 and 19,000 jobs, respectively. The decrease in federal government employment is due to federal agencies not filling vacant positions in response to lower federal spending.

The constant addition of jobs has generally lowered the unemployment rate. As shown in Figure 6, the unemployment rate was 7.6 percent in May 2013, a slight increase from 7.5 percent in April, but still 0.6 percentage points lower than May 2012. In addition, the underemployment rate, a measure that includes unemployed workers, part-time workers looking for full-time work, and discouraged workers who have dropped out of the labor force, has also fallen. In May, this measure was at 13.8 percent, a slight decrease from 13.9 percent in April 2013.

Private sector job growth will offset declines in public sector employment throughout 2013. Employment growth will accelerate in 2014 after government agencies have adjusted payrolls to new spending levels.

Figure 6
Unemployment and Underemployment Rates in Colorado and the Nation
Seasonally Adjusted Data



Source: U.S. Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment statistics. National Data through May, 2013. Colorado data through April 2013.

- Non-farm employment is expected to grow 1.4 percent in 2013. Private sector employment will continue to add jobs while the public sector adjusts to new federal spending levels by not filling vacancies. In 2014, non-farm employment will grow 2.1 percent.

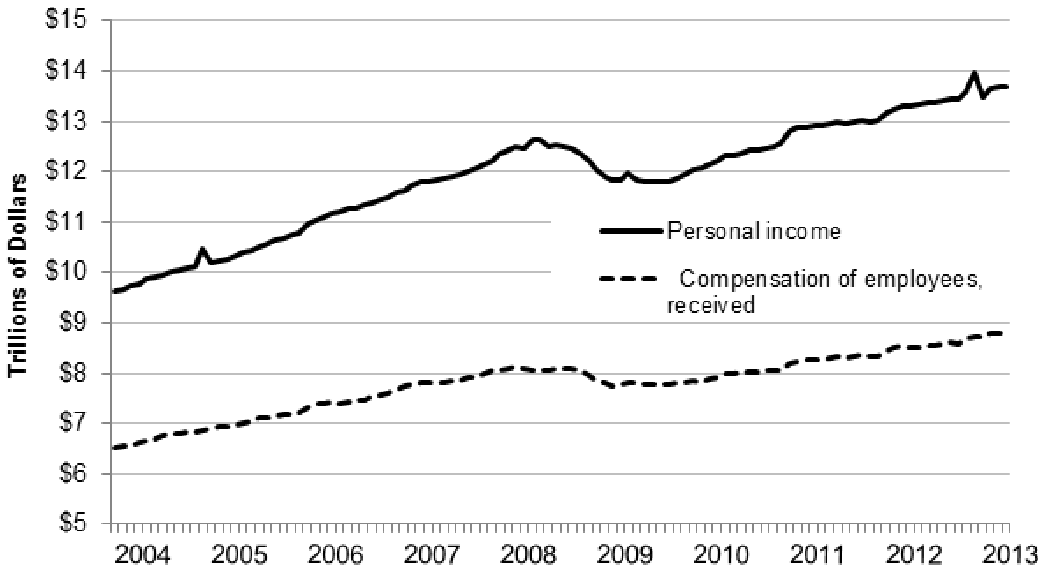
- The unemployment rate will average 7.2 percent in 2013 and 6.9 percent in 2014.

The Improving Economy is Helping Increase Personal Income

Household income from wages, investments, interest, and other sources increased 2.8 percent between January and April 2013 compared with the same period in 2012. This is below annual growth rates for 2012 and 2011, which were 3.6 percent and 5.1 percent respectively. Changes to federal tax policies are partially responsible for the slowdown in the growth. Taxpayers shifted some income from 2013 into December of 2012 to avoid anticipated capital gains and individual income tax increases. This shifting increased income into 2012 and lowered income in 2013, which can be seen in Figure 7. In addition, the employee share of the payroll tax increased from 4.2 percent to 6.2 percent starting on January 1, 2013.

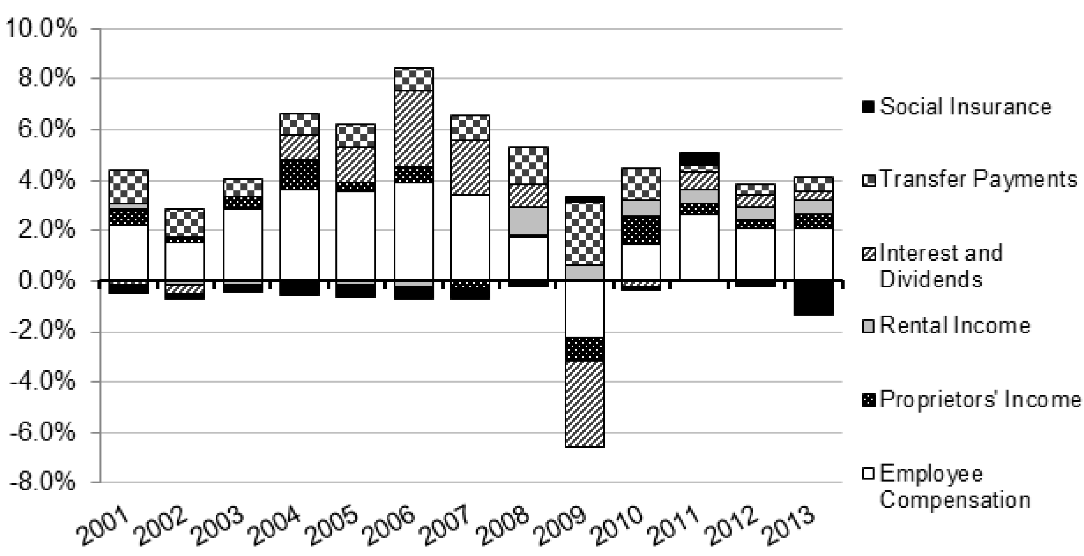
Figure 8 shows the extent to which different types of income contributed to overall growth in personal income. Employee compensation accounted for 2.1 percent of the 2.8 percent growth in personal income during the first four months of 2013. Proprietor's income, rental income, interest and dividends, and transfer payments each contributed less than 1.0 percent to growth in personal income. Social insurance payments grew with the increase in the payroll tax rate; this lowered personal income growth by 1.4 percent between January and April of 2013 compared with the same period in 2012.

Figure 7
Personal Income and Wage and Salary Income
Seasonally Adjusted Data, January 2004 to April 2013



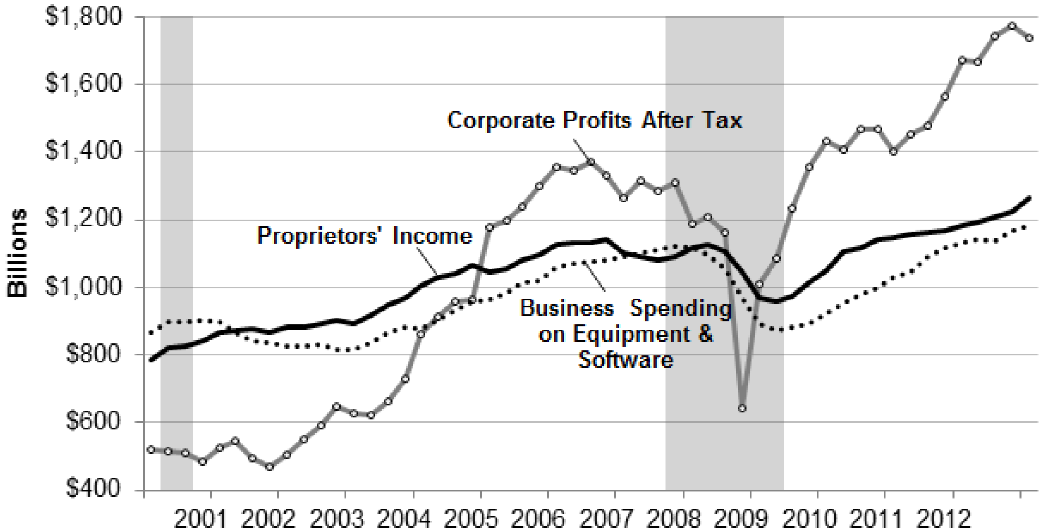
Source: Bureau of Economic Analysis. Data through April 2013.

Figure 8
Contributions to Personal Income Growth
Seasonally Adjusted Data, January to April 2013 over January to April 2012



Source: Bureau of Economic Analysis. Data through April 2013.

Figure 9
Business Income and Spending
Seasonally Adjusted Data



Source: Bureau of Economic Analysis, National Income Product Accounts and Personal Income Statistics. Data through fourth quarter 2012.

- Personal income will increase 3.2 percent in 2013 as the economy strengthens in the second half of the year. In 2014, personal income will grow 5.5 percent because of the combination of a strengthening economy and including the full payroll tax in the baseline.

- Improvement in the job market will help increase wage and salary income, which will grow 4.0 percent in 2013 and 5.5 percent in 2014.

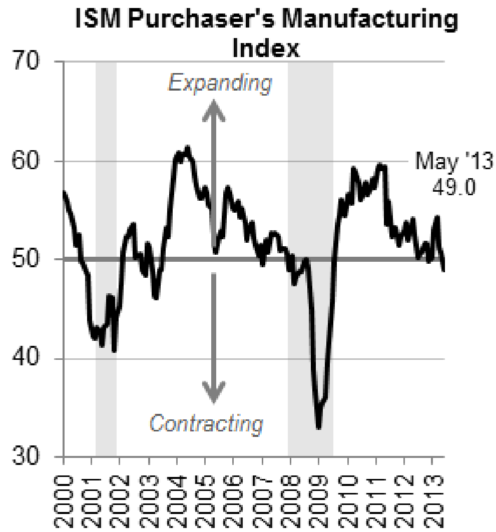
Business Income and Investments Above Pre-Recession Peak

Corporate profits declined slightly between the third and fourth quarters of 2012, but they are still above pre-recession peaks. Corporate profits were 4.0 percent higher in the fourth quarter of 2012 than in the fourth quarter of 2011. In addition, proprietors' income has increased each quarter since the first quarter of 2009. Proprietors' income was 6.7 percent higher in the fourth quarter of 2012 than the same period in 2011. The rebound in corporate profits and proprietors' income has allowed firms to make investments in software and equipment, which was 4.5 percent higher in the fourth quarter of 2012 than a year earlier. Figure 9 shows the trends in corporate profits, proprietors' income, and business spending on equipment and software.

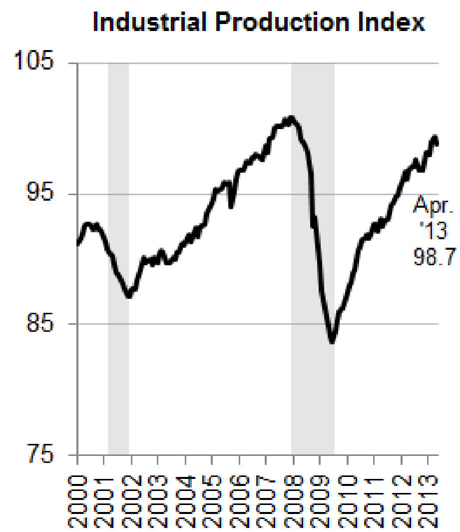
Mixed Signs of Manufacturing Activity

Two indicators of manufacturing activity have implied differing directions for manufacturing activity in recent months. Figure 10 shows two measures of manufacturing activity, the Institute for Supply (ISM) Purchaser's Manufacturing Index and the Federal Reserve's industrial production index. A level of 50 or higher for the ISM manufacturing index represents expansion in the manufacturing sector. After reaching 54.2 in February 2013, the index has declined for three straight months and was 49.0 in May 2013. The industrial production index, a

Figure 10
Manufacturing and Industrial Production
Seasonally Adjusted Data

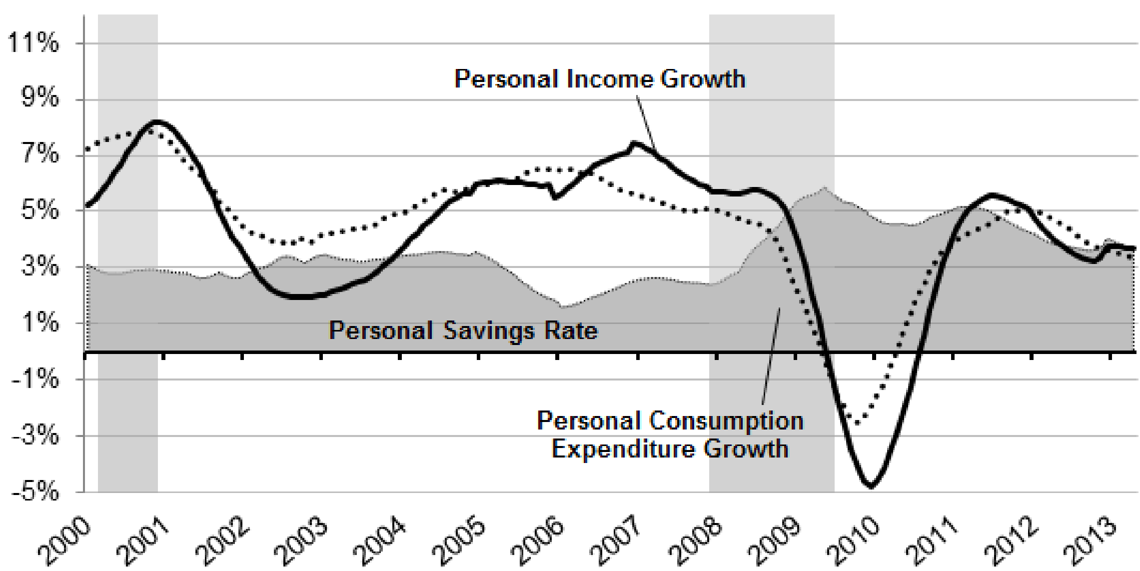


Source: Institute for Supply Management.



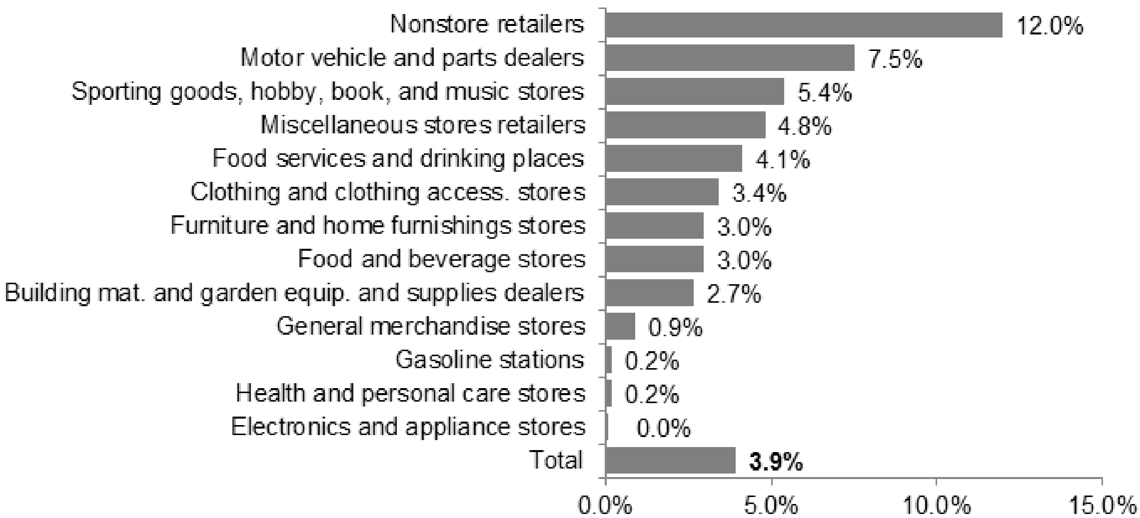
Source: Federal Reserve.

Figure 11
U.S. Personal Income Outlays
12-Month Averages; Seasonally Adjusted



Source: Bureau of Economic Analysis, Data through April 2013.

Figure 12
Growth in Sectors of Retail Trade
January to April 2013 over January to April 2012



Source: U.S. Census Bureau, Data through April 2013. Seasonally adjusted data.

measure of industrial output, declined slightly between March and April 2013, going from 99.3 to 98.7. Even with the recent decline, industrial production in April 2013 is still 1.9 percent above April 2012 levels.

Households Continue to Buy Durable Goods

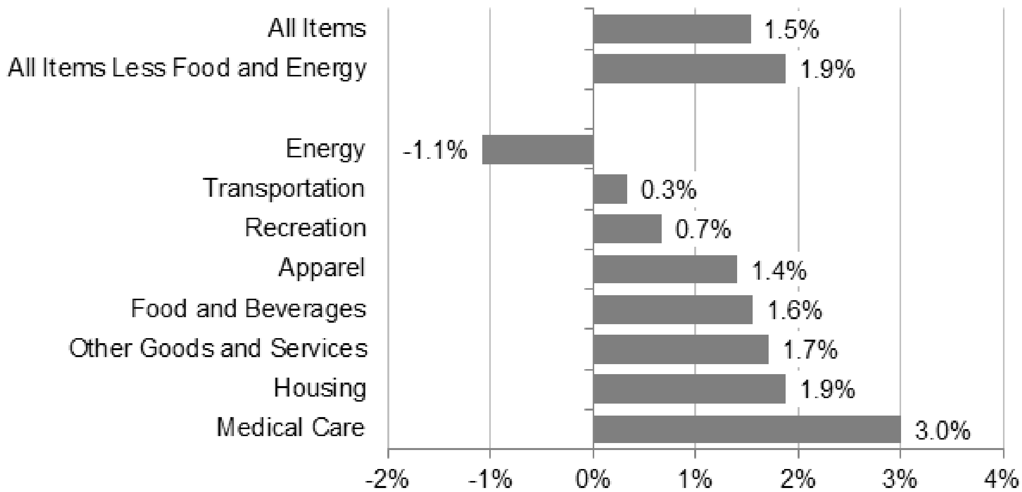
Households continue to spend their gains in personal income on consumption, rather than using it to increase savings. Figure 11 shows that personal income growth and consumption growth have tracked each other very closely. Personal consumption was 3.2 percent higher in the period from January to April 2013 compared with the same period in the previous year. The personal savings rate averaged 2.4 percent through the first four months of 2013, which was lower than the average savings rate of 3.6 percent during the same period last year.

Another measure of consumption, retail trade, was 3.9 percent higher between January and April 2013 compared with the same period in the previous year. Non-store retailers, motor vehicles, and sporting goods and hobby stores all grew by more than 5.0 percent, and none of the retail sectors had declines in sales over the first four months of 2013 over year ago levels. General merchandise stores, gasoline stations, health and beauty stores, and electronic retailers all grew by less than 1.0 percent. Figure 12 shows growth in retail sales by sector between January and April 2013 compared with the same period in 2012.

Inflation Remains Subdued

Inflation, a measure of the price of goods and services purchased by consumers, remained modest in the first part of 2013. Figure 13 shows the change in the consumer price index for different kinds of goods and services. Prices for all goods and services increased 1.5 percent between January and April 2013 when compared with the same period in the previous year. Energy prices declined 1.1 percent, which helped to keep inflation low. Core inflation, a measure that excludes volatile food and energy prices,

Figure 13
Change in the Consumer Price Index
January to April 2013 over January to April 2012



Source: Bureau of Labor Statistics.

increased 1.9 percent. Other than medical care, which grew 3.0 percent, the prices of all other goods and services increased by less than 2.0 percent in the first four months of 2013 when compared with the same time period in 2012.

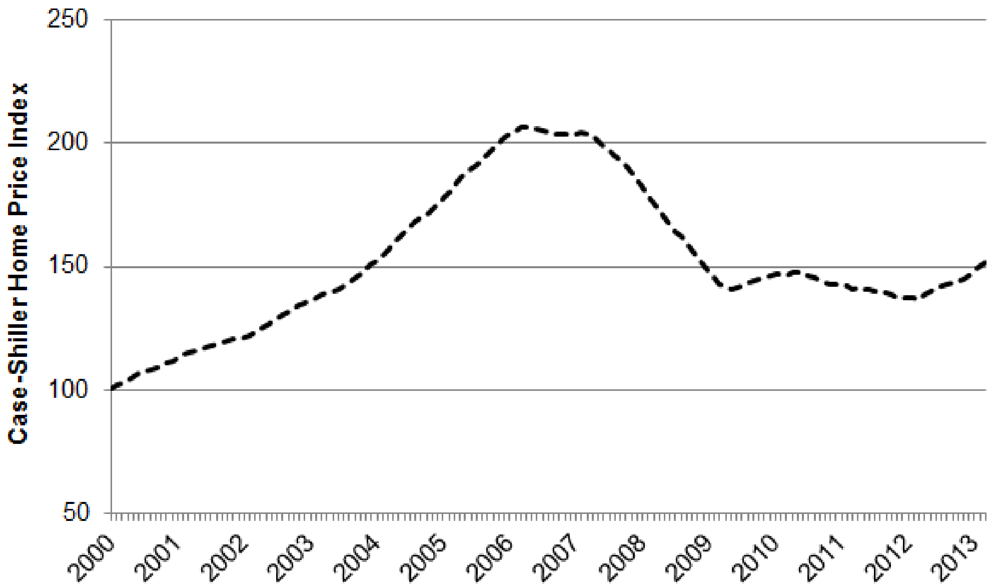
- There will be little inflationary pressure as long as the unemployment rate stays elevated and the global economy remains weak. As the U.S. economy improves, the Federal Reserve will tighten monetary policy, keeping inflation in check throughout the forecast period. Prices will increase 2.1 percent in 2013 and 2.2 percent in 2014.

The Value of Homes is Rising because of Low Interest Rates and Inventory

The nation's housing prices are increasing, which is the first step in a housing recovery. According to the Case-Shiller home price index, housing prices increased 10.9 percent between March 2013 and March 2012 in 20 large metropolitan areas. Prices rose in all 20 markets over the past year. The increase in home prices between March 2013 and March 2012 was the largest increase since April of 2006. Even with the recent appreciation in home prices, they are still only worth 73.4 percent of their peak value reached during April 2006. Figure 14 shows the trends in housing prices for the 20-city composite price index between January 2000 and March 2013.

In addition to an improving economy, there are at least two temporary reasons that the price of homes are rising: low interest rates and low supply of homes for sale. Interest rates are at historically low levels even with a recent increase in the 30-year mortgage interest rates. Loose monetary policy by the Federal Reserve is keeping rates low, which helps make monthly payments more affordable. The Federal Reserve is expected to tighten monetary policy in the second half of 2013, which could slow the growth in housing prices.

Figure 14
Case-Shiller Home Price Index
20 City Composite Index



Source: Standard & Poors, data through March 2013.

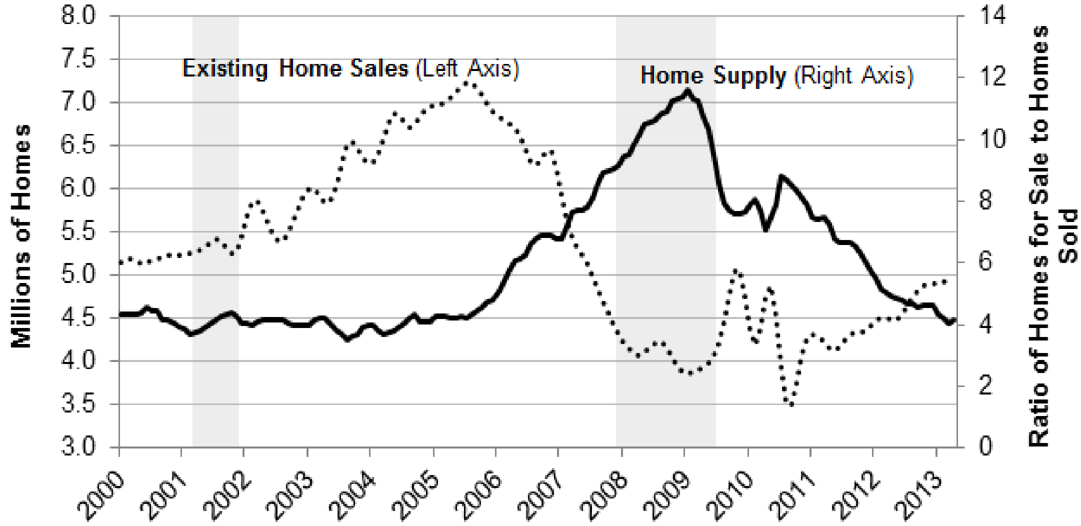
The second major reason for the increase in house prices is that the supply of homes for sale does not satisfy the demand for homes to buy. A six month supply of houses on the market is generally considered a healthy housing market. In April 2013, there was a 4.1 month supply of homes on the market. As the number of homes sold increases, there is not enough inventory to replace the sold homes. Figure 15 shows the supply of homes on the market and the number of home sales between January 2000 and April 2013.

One reason that the supply of homes is so low is that residential construction industry has only just begun to build new homes. After the housing bubble, many construction firms and residential developers slowed down the number of homes that they built, but construction has recently begun to increase. The number of residential building permits between January 2013 and April 2013 increased 25.9 percent compared with the same period in 2012. Single-family permits increased 25.8 percent, while multi-family permits increased 26.1 percent. Figure 16 shows trends in single and multi-family permits and the value of non-residential construction.

Better Economic News Driving Consumer Sentiment

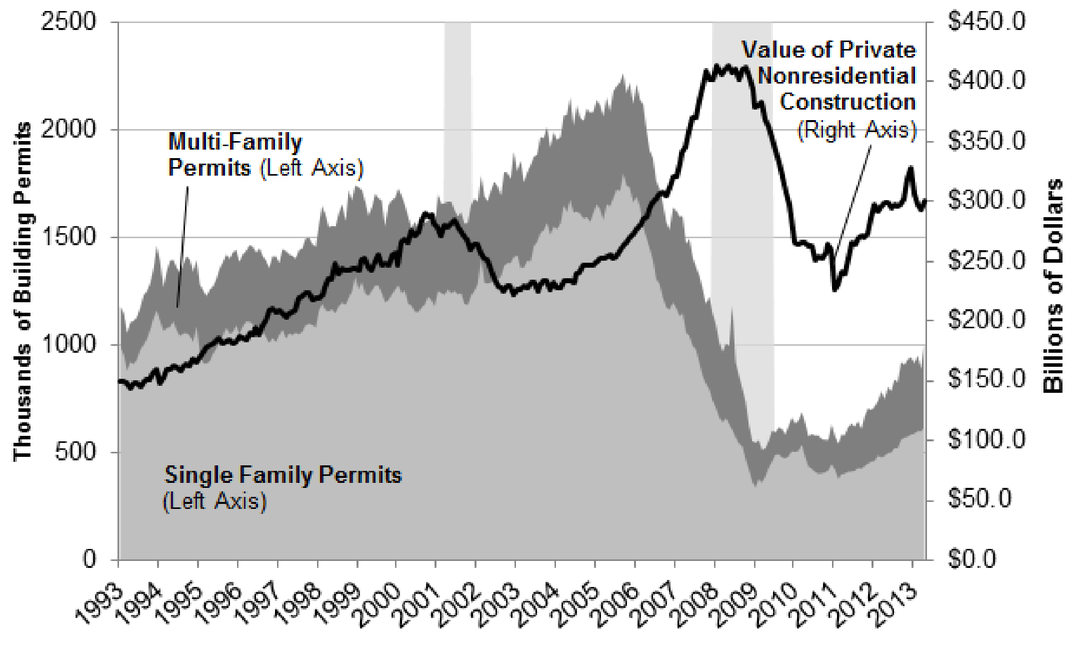
As the economy continues to strengthen, consumer sentiment is also improving. As sentiment improves, consumers will feel more comfortable buying homes and making other purchases. As demand increases, firms will expand to meet this demand, causing additional jobs and business investments. In a self-sustaining economic recovery, consumer confidence is boosted by economic conditions, which helps to drive economic activity higher. Figure 17 shows two measures of consumer confidence and the S&P 500 Stock Index.

Figure 15
Housing Inventory Lower than Demand
Seasonally Adjusted



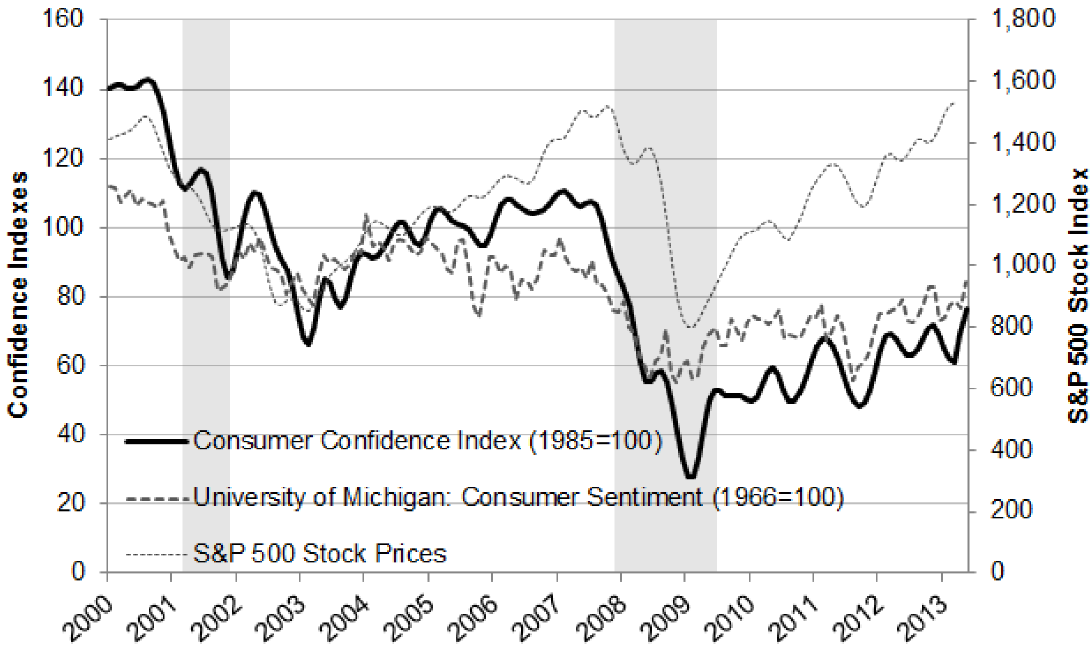
Source: U.S. Census Bureau and National Association of Realtors. Data through April 2013.

Figure 16
Residential Building Permits and Non-Residential Construction
Seasonally Adjusted Data, January 1993 to April 2013



Source: U.S. Census Bureau.

Figure 17
Consumer Confidence and S&P 500 Stock Index



Source: Conference Board, Standard and Poor's, and University of Michigan via Moody's Analytics. Three-month moving averages. Data through May 2013.

Both of the consumer confidence indices are at multi-year highs. The consumer confidence index, published by the conference board, had a value of 76.2 in May 2013, which was the highest value since March 2008. Consumer sentiment, published by the University of Michigan, had a value of 84.5, the highest value since July 2007. The performance of the stock market is helping to reinforce consumer attitudes about the recovering economy. Consumer confidence is supported by increasing household wealth and low debt payments, giving the Federal Reserve more flexibility to taper some of its policies meant to help the economy recover.

Summary

The nation's private sector economy continues to build strength, which is helping boost confidence among businesses and consumers. This confidence will boost economic activity further, which could be the beginning of a self-sustaining economic expansion. Private sector growth in both GDP and employment is offsetting declines in the public sector caused by decreases in federal spending. The unemployment rate has generally trended downward and there are improvements in corporate profits and investments. Personal income is growing modestly, and this growth would be stronger without the volatility caused by the changes to federal tax policy that took effect January 1, 2013. The global economy is improving as the European Union pulls itself out of recession and economic growth in China and Brazil accelerates.

This confidence created by improving economic news is helping to boost retail sales, especially for durable goods such as automobiles. Home prices are appreciating and the stock market is nearing record highs; both of these help boost household wealth and reinforce the impression that the economy is improving. Eventually, the economy will be healthy enough that the Federal Reserve will be able to unwind the expansionary monetary policy that was in place to help the economy recover.

Risks to the Forecast

Upside risks. Consumers and businesses may unleash more pent up demand that would cause the economy to grow even more quickly than forecast. Household wealth has grown because of increases in home prices and recent gains in the stock market, which could make consumers even more comfortable making large purchases and taking risks. Businesses have been repairing their balance sheets and becoming more efficient since the recession, which could lead to more investments than forecast. The positive signs in economic data may only be capturing the beginning of an accelerating economy.

Downside risks. This forecast is prepared assuming that Congress will raise the federal debt ceiling, which will prevent the country from defaulting. In addition to congressional action, the Federal Reserve is expected to start tightening monetary policy. If the economy does not transition smoothly to the tapering of Federal Reserve policies, economic growth will be slower than forecast. Finally, the Eurozone is growing slowly and there are still unresolved structural issues that could slow down global economic growth.

Table 12
National Economic Indicators, June 2013 Forecast
(Calendar Years, Dollar Amounts in Billions)

	2008	2009	2010	2011	2012	Forecast 2013	Forecast 2014	Forecast 2015
Inflation-adjusted GDP	$13,161.9	$12,757.9	$ 13,063.0	$13,299.1	$13,593.2	$13,878.7	$14,433.8	$15,054.5
percent change	-0.3%	-3.1%	2.4%	1.8%	2.2%	2.1%	4.0%	4.3%
Nonagricultural Employment (millions)	136.8	130.9	129.9	131.5	133.7	135.6	138.5	142.1
percent change	-0.6%	-4.4%	-0.7%	1.2%	1.7%	1.4%	2.1%	2.6%
Unemployment Rate	5.8%	9.3%	9.6%	8.9%	8.1%	7.2%	6.9%	6.5%
Personal Income	$12,460.2	$11,867.0	$12,321.9	$12,947.3	$13,431.2	$13,860.9	$14,623.3	$15,471.5
percent change	4.6%	-4.8%	3.8%	5.1%	3.7%	3.2%	5.5%	5.8%
Wage and Salary Income	$6,550.9	$6,270.4	$6,404.6	$6,661.3	$6,906.0	$7,182.2	$7,577.2	$8,031.8
percent change	2.0%	-4.3%	2.1%	4.0%	3.7%	4.0%	5.5%	6.0%
Inflation (Consumer Price Index)	3.8%	-0.3%	1.6%	3.1%	2.1%	2.1%	2.2%	2.3%

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

COLORADO ECONOMY

Colorado's economy continues to improve. Strong employment growth is helping lower the unemployment rate and supporting growth in retail sales. Low housing inventories and favorable federal monetary policies have caused price appreciation in the housing market. The agricultural sector is suffering from drought, but higher agricultural prices are partially offsetting these losses. Increases in federal taxes and federal spending cuts have slowed growth, but the underlying economy continues to expand at a moderate pace. Table 13 on page 54 shows the Colorado economic forecast.

While overall, the state's economy is growing at a moderate pace, there is significant variation in economic growth across regions of the state. Employment growth in the Denver metro area is steady, as is growth in retail sales. Low housing inventories also continue to push up housing prices in the metro area. The northern area of the state has also seen strong growth in employment where a robust real estate market, a diverse economy, high agricultural prices, and oil development have all created the lowest unemployment rate in Colorado. The northern area's retail sales continue to grow considerably above Colorado as a whole.

Economic growth in Pueblo has been slow. Through the first four months of 2013 there has been little employment growth or retail sales growth. The Colorado Springs region is showing signs of improvement as strong employment gains in the first three months of 2013 have caused the unemployment rate to fall. The Colorado Spring's real estate market also maintained momentum as both residential and nonresidential construction were growing. Colorado Springs could see some slowing in the second half of 2013 as sequestration cuts take effect in that area.

The continued drought is still having an impact on the San Louis Valley and eastern plains regions. High crop prices are offsetting limited production and employment is growing slowly in these regions. The mountain and southwest mountain regions are also growing, as building activity has increased in the area. A decent winter buoyed tourism in the area, which has helped employment and retail sales to grow.

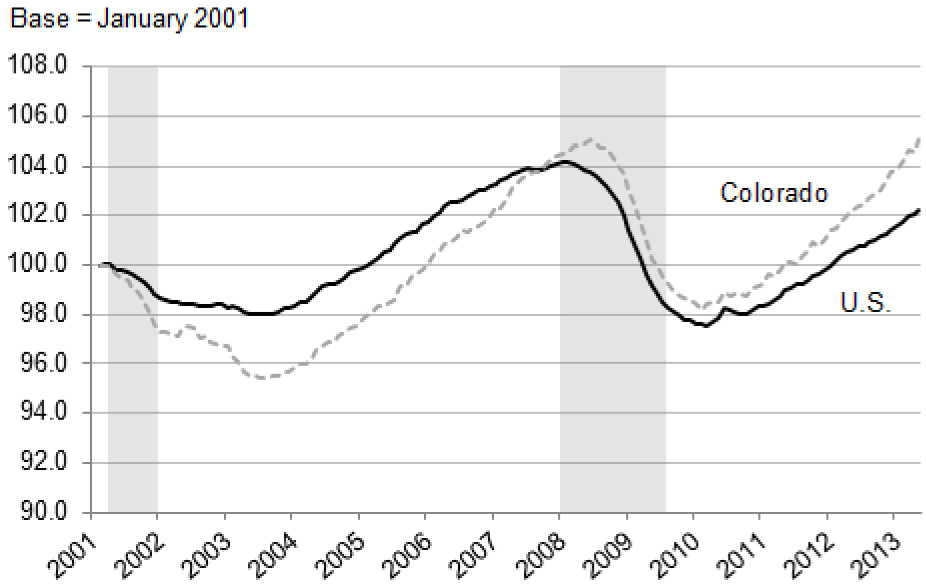
Certain areas of the state will feel the effects of federal spending cuts more than others. Regions with higher concentrations of federal workers, like Colorado Springs, will be impacted as employees are furloughed or pay is reduced. Areas with national parks will see less tourism activity as federal government services are reduced. These effects will build over time and eventually ripple to all areas of the state. More details on each region in the state can be found starting on page 55.

Colorado's Labor Market

Colorado continued to add jobs through the first few months of 2013 at a faster rate than the nation. In addition, the unemployment rate continued to fall as employment gains outpaced growth in the labor force.

Every spring, the U.S. Bureau of Labor Statistics (BLS) revises its employment data to incorporate information from unemployment insurance premium forms. In the spring of 2012, the published growth rate for 2011 was revised from 0.8 percent to 1.5 percent using unemployment insurance data through the second quarter of that year. This spring, the

Figure 18
Colorado Continues to Outpace National Employment Trends
Seasonally Adjusted Data



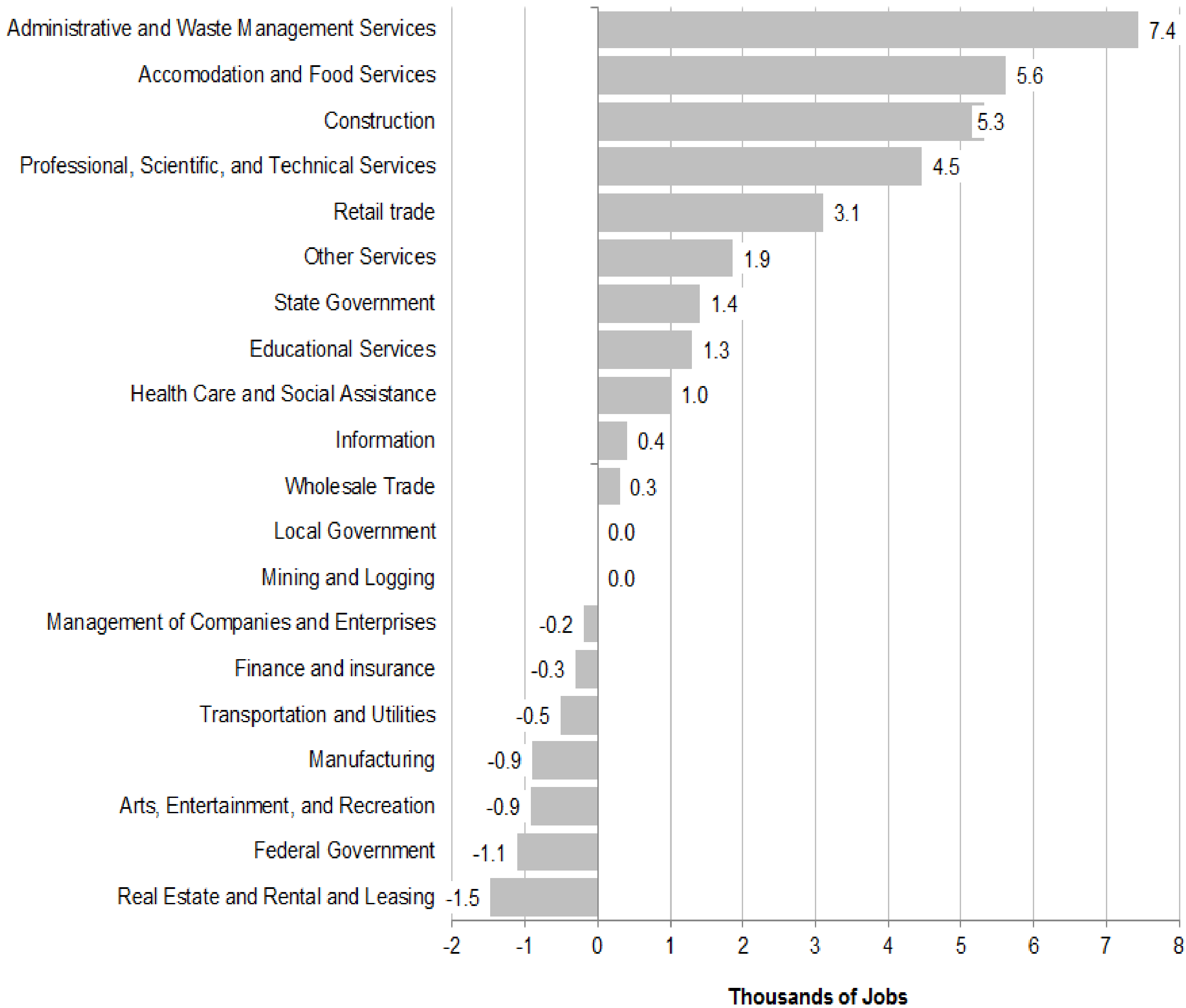
Source: U.S. Bureau of Labor Statistics. Seasonally adjusted data through May 2013. Colorado data incorporates revisions expected by Legislative Council Staff. Seasonally adjusted data through April 2013.

U.S. Bureau of Labor Statistics revised both 2011 and 2012 employment estimates. The Colorado Department of Labor and Employment reports that this upward revision increased published non-farm employment growth from 1.5 percent to 1.6 percent in 2011 and from 1.9 percent to 2.3 percent for 2012. Legislative Council Staff estimates the size of revisions to 2012 and 2013 and has incorporated this information in our forecast and analysis below.

Legislative Council Staff estimates Colorado nonfarm employment grew at a rate of 2.2 percent in 2012, adding 52,500 jobs, about 4,000 fewer jobs than published data. Employment grew 2.4 percent, or by 26,900 jobs, through April compared with the same period last year. As shown in Figure 18 Colorado's employment growth is outpacing that of the nation as a whole. Job growth is expected to slow slightly in the second half of 2013 as hiring by the federal government is restrained somewhat due to federal spending cuts.

Employment growth has varied across Colorado's employment sectors in 2013. Between December and April, employment grew in 11 out of 20 sectors. The largest gains have been in the administrative support, waste management, and remediation services sector, which added 7,400 jobs since December. This was followed by the accommodation and food services sector, which added 5,600 jobs and construction, which added 5,300 jobs. The largest declines in jobs have been in real estate and rental and leasing industries, which lost 1,500 during the first four months of the year. Housing job losses are due to the low supply of houses for sale. The Federal Government also shed 1,100 jobs during the first four months of 2013. Figure 19 shows the change in nonfarm employment by industry between December 2012 and April 2013.

Figure 19
Change in Nonfarm Employment by Sector
Seasonally Adjusted Data, December 2012 to April 2013



Source: Published data from the U.S. Bureau of Labor Statistics, Current Employment Statistics. Data incorporates revisions expected by Legislative Council Staff.

The state's unemployment rate fell from 7.5 percent in December 2012 to 6.9 percent in April, because the number of people looking for work grew more slowly than the number of people finding new jobs. The unemployment rate is expected to rise during the second half of 2013 as more people enter the labor force to take advantage of the improved job market and, as a result of federal fiscal policies, slowing job growth. In 2014, the unemployment rate will slowly decline as employment growth slightly outpaces growth in the labor force. Between 2009 and 2013 the labor force grew 0.4 percent, significantly slower than the historical growth. Labor market will take time to reabsorb workers reentering the job market.

- Nonfarm employment in Colorado is expected to grow 2.5 percent in 2013 and 2.4 percent in 2014.

- As people reenter the labor force looking for work, the unemployment rate will increase to 7.1 percent in 2013 before falling slightly to 6.9 percent in 2014.

Personal Income

On a seasonally adjusted basis, Colorado personal income and wages and salaries each grew 3.9 percent in 2012. Figure 20 compares annual growth in personal income and wage growth in Colorado since 2007. Farm proprietor income declined 31 percent in 2012, largely due to historic highs in 2011 and drought conditions over the last two years. Dividends, interest, and rent grew 6.5 percent in 2012, after growing 8.5 percent in 2011.

Personal income is expected to grow faster in 2013 than in 2012. Increases in wages and salary from new hiring will outweigh losses in disposable income from federal government furloughs and January's increase in the social security payroll tax from 4.2 to 6.2 percent.

- Personal income will increase 5.0 percent in 2013, due to the gains in employment, and 5.7 percent in 2014.

- Wage and salary income will grow 4.3 percent in 2013 and 5.3 percent in 2014 as the labor market continues to improve.

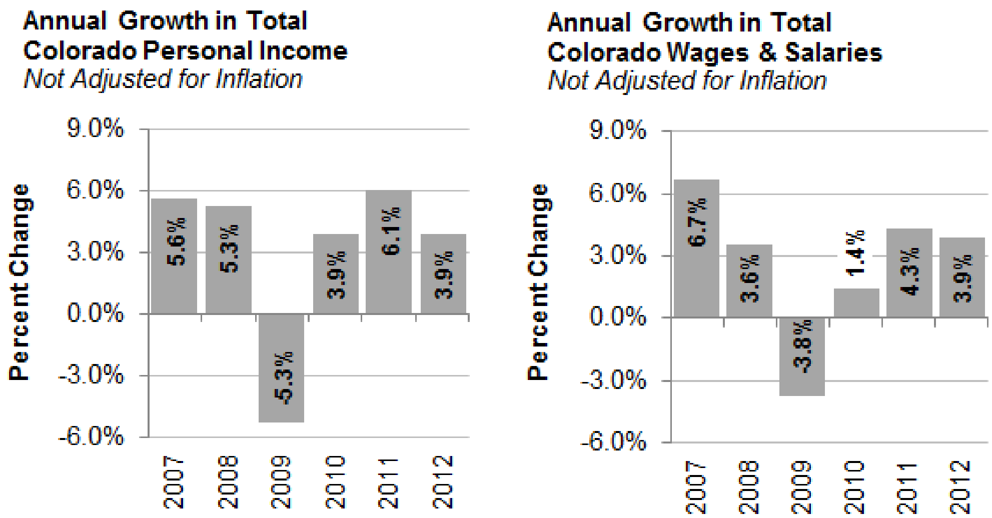
Retail Sales

Colorado retail sales are slowing after very strong growth rates in 2012. Retail sales grew 6.1 percent in 2012 and are up 2.5 percent in the first three months of 2013 compared with the same period last year. Strong growth rates over the last 18 months have begun to taper off as the effects of the federal payroll tax increase and spending cuts have slowed consumer spending. Retail sales have been volatile in Colorado during 2013 as several large food retailers filed sales tax returns on a different schedule than usual. The retail trade trend is expected to return to normal through the rest of the year. Figure 21 indexes growth in retail sales for the nation and Colorado, both including and excluding food and beverage stores.

The two sectors exhibiting the fastest growth are building materials and sporting goods, which increased 14.4 percent and 11.2 percent, respectively, year-to-date through March compared with the same period last year. Food and beverage stores and electronics stores were the two sectors with the largest declines in 2013 compared with the same period in 2012.

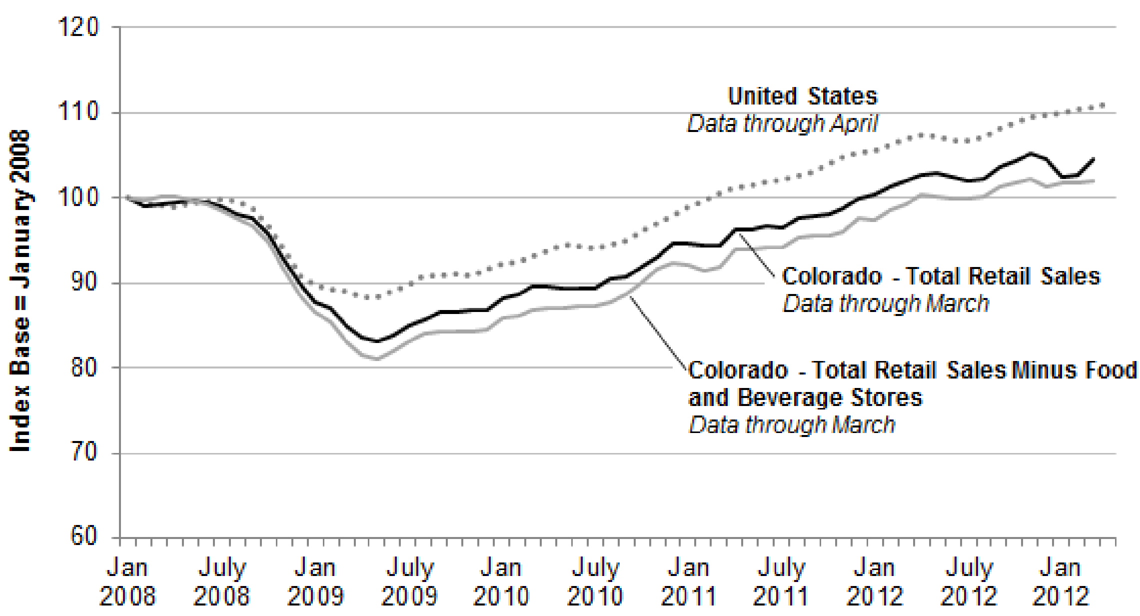
- After increasing 6.1 percent in 2012, Colorado retail sales are expected to grow 3.5 percent in 2013 and 6.2 percent in 2014.

Figure 20
Personal Income Growth in Colorado
Seasonally Adjusted Data



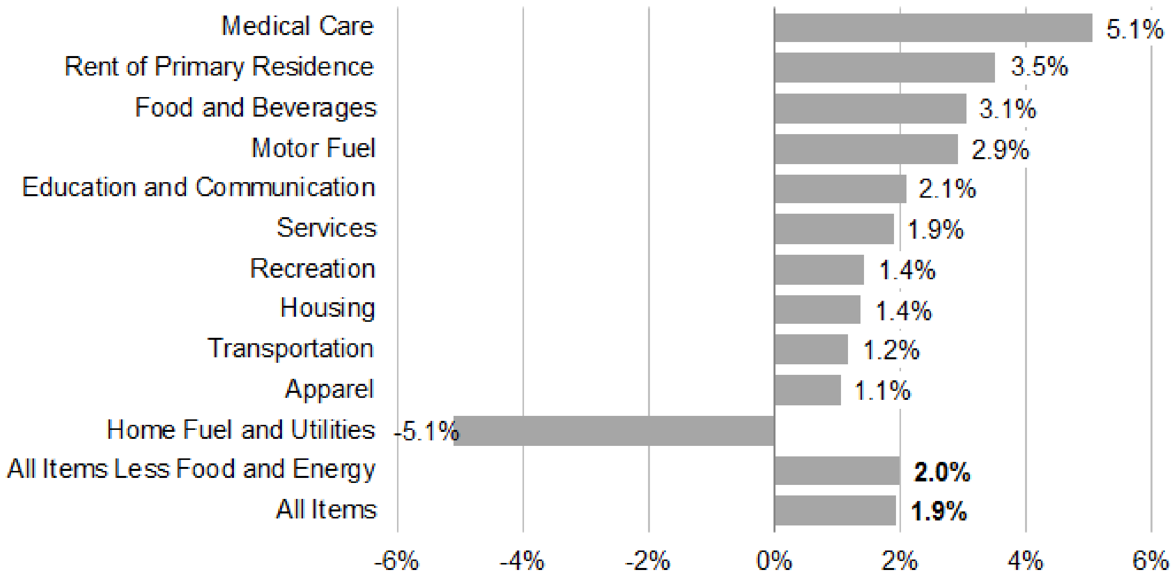
Source: U.S. Bureau of Economic Analysis, data through fourth quarter of 2012.

Figure 21
Colorado and National Retail Trade Growth
Index of Three-Month Moving Average, Seasonally Adjusted



Source: U.S. Census Bureau and Colorado Department of Revenue, data through April 2013.

Figure 22
Components of Inflation for Boulder-Denver-Greeley CPI
Change between 2012 and 2011



Source: Bureau of Labor Statistics.

Inflation

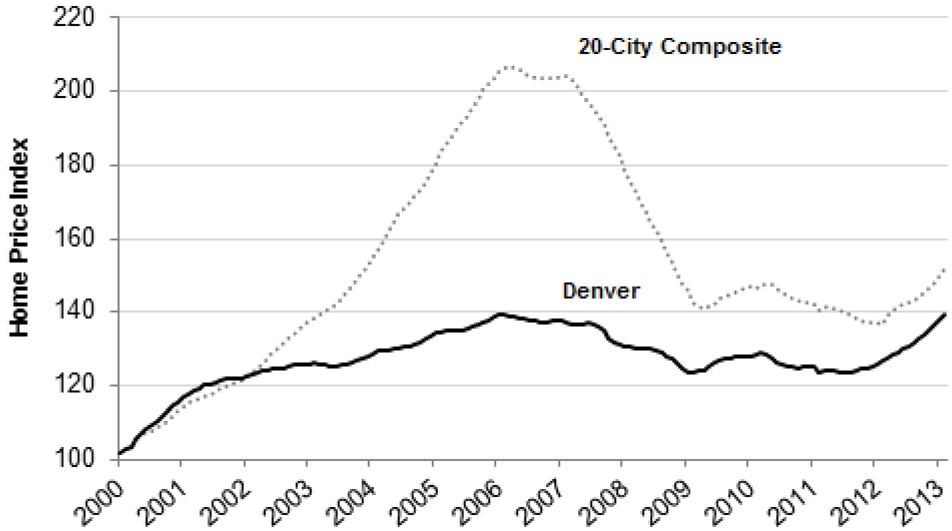
Prices for goods and services in Colorado increased 1.9 percent between 2011 and 2012. Figure 22 shows the components of inflation in Colorado. Core inflation, which excludes food and energy, increased 2.0 percent. Prices for medical care grew the fastest, at 5.1 percent, and rent grew the second fastest, at 3.5 percent. Increasing housing prices will continue to contribute to inflation in the Boulder-Denver-Greely CPI through the forecast period.

- Prices in Colorado will increase 2.2 percent in 2013 and 2.3 percent in 2014. There will be little inflationary pressure as long as the global economy continues to grow slowly. Once the U.S. economy begins to expand more rapidly, the Federal Reserve is expected to tighten monetary policy to keep inflation in check.

Real Estate Market and Construction

The Colorado housing market continues to show improvement and remains one of the strongest in the nation. Moderate job growth, pent-up housing demand, low inventory levels, and low mortgage rates are working together to boost housing prices in the Denver metro area. Figure 23 shows the Case Shiller Composite-20 City Index and the Denver Case Shiller Index. Housing prices in Denver advanced 9.9 percent in February 2013 over the prior 12-month period. This puts prices close to peak levels seen in 2006. With inventory at record lows, price appreciation can be largely attributed to a low supply of houses for sale and historically low interest rates. Mortgage rates are extremely low because of federal fiscal and monetary policies designed to support the national housing market. As housing prices climb, fewer individuals will be underwater and the supply of homes for sale is expected to

Figure 23
The Case Shiller Composite-20 Index and Denver Index
Through March 2013



Source: Standard and Poor's.

increase. The Federal Reserve could also alter monetary policies sooner than expected, which would cause an increase in mortgage rates. An increase in rates would reduce the demand for houses and could cause price appreciation to slow.

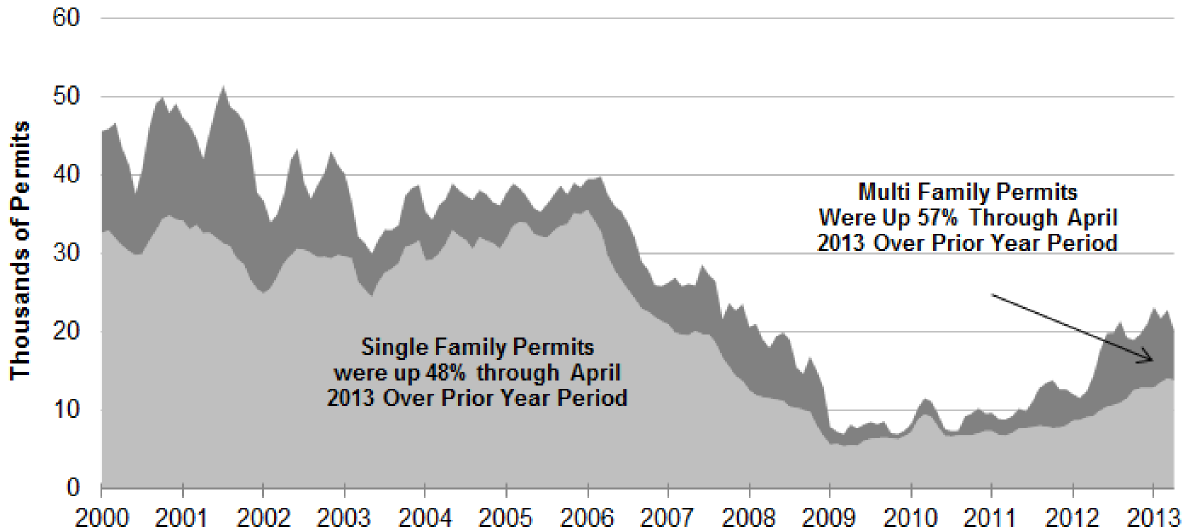
The low inventory is also helping sellers in the homebuilding industry, which are beginning to gain more confidence in the real estate market. As shown in Figure 24, builders are pulling more permits. Single family permits have increased 48.3 percent through April compared with the same period last year, while multi-family permits increased by 57.2 percent.

Nonresidential Construction

The nonresidential construction market continues to struggle, despite improvement in other areas of the economy. Figure 25 shows the value of nonresidential construction through April, 2013. The value of nonresidential construction permits is up 17 percent since the trough of the recession in July 2010, although it declined 6.5 percent in 2012 and is down another 23.9 percent year-to-date through April compared with the same time in 2012. Several large health care projects were completed in the middle of 2012, which explains the decline in value in the second half of 2012 and the beginning of this year. Nonresidential construction will remain slow until the market can absorb the excess commercial space available and the government increases spending for public projects.

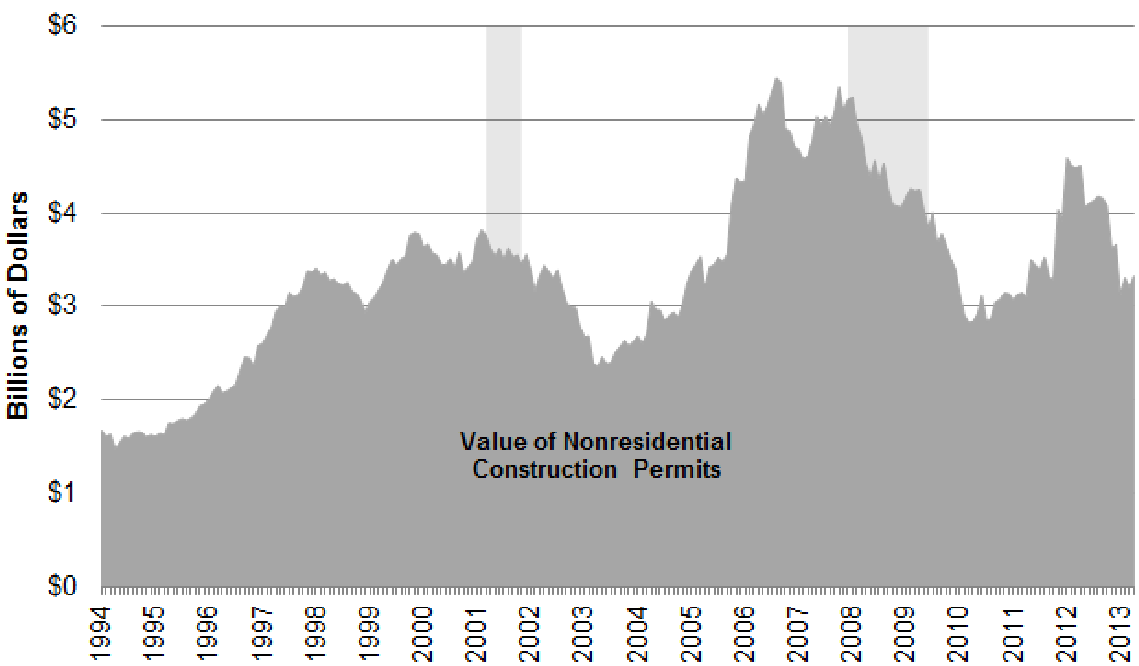
- The supply of houses for sale will remain low, putting upward pressure on home prices and residential construction. In 2013, the number of residential permits will increase 45.5 percent. In 2014, growth in multi-family permits will slow, causing growth in total residential permits to decelerate to 31.5 percent. The level of permits will remain lower than historical levels.

Figure 24
Single Family and Multi Family Residential Permits
3-Month Moving Average, Seasonally Adjusted Data



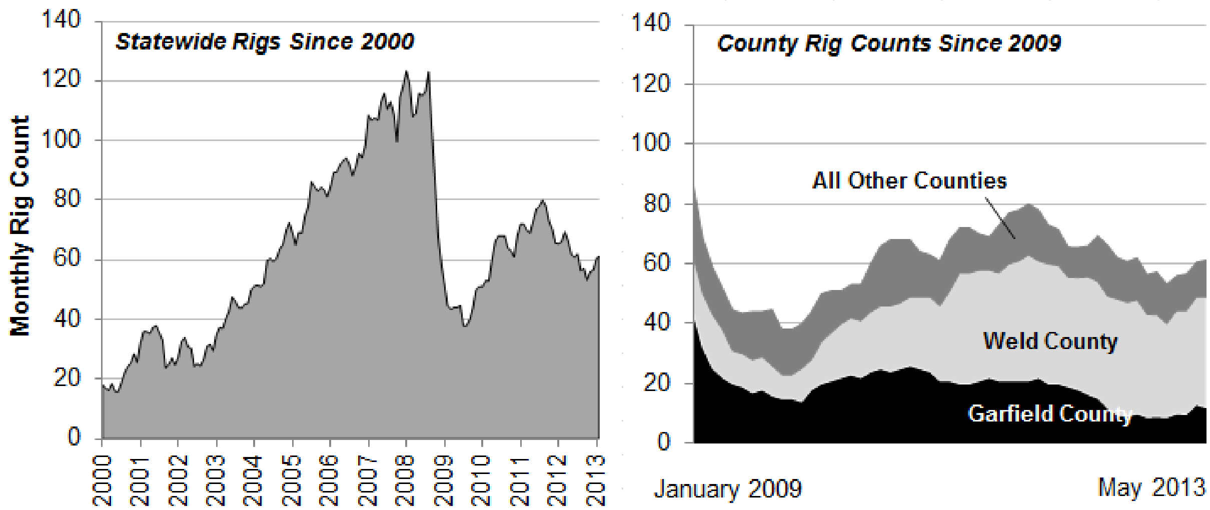
Sources: U.S. Census Bureau, Seasonally Adjusted by Legislative Council Staff, data through April 2013.

Figure 25
Value of Nonresidential Construction in Colorado
Seasonally Adjusted Data, Annualized Data



Source: F.W. Dodge. Data through April 2013.

Figure 26
Oil and Natural Gas Rigs in Colorado and by Selected Counties



Sources: Baker Hughes. Data through May 2013.

- Nonresidential construction will be flat in 2013, growing 0.4 percent, as unused commercial space continues to be prevalent. In 2014, nonresidential construction will increase 20.1 percent as the economy gains momentum.

Banking

While the worst is largely behind the Colorado banking sector, there are still challenges ahead that could erode its recovery. Colorado banks have stabilized and many are beginning to grow again. Unprofitable institutions fell from 21.3 percent in December 2011, to 18.1 percent in September 2012, to 13.5 percent in December 2012. Assets and core deposits have held steady over the last few quarters, while noncurrent loans and leases and nonperforming assets continued to decline.

Despite gains, there are several risks ahead for the banking sector. The low housing inventory is translating into a low volume of home loans. When a loan is possible, banks are finding many applicants do not meet lending standards. Extremely high competition between banks is translating into very low returns for their effort. Also, increased regulation costs and large capital requirements could force some smaller banks to consolidate.

Oil and Gas Production

The oil and natural gas industry is an important regional economic driver in several parts of the state. Figure 26 shows the number of oil and natural gas rigs operating in Colorado since 2000 and the oil and natural gas rigs operating in Garfield, Weld, and other counties in the state. Garfield and Mesa counties face competition from other natural gas fields around the country. Although natural gas prices have increased steadily in 2013, the number of wells in the state has only increased slightly. The total number of oil and natural gas rigs has risen from 53 rigs in January 2013 to 61 rigs in May of 2013. This is still down from 73 rigs in January 2012.

Oil drilling technology has advanced to the point that they can drill horizontally under the ground, so a single well has access to a larger area. Thus, a decline in the number of oil wells does not equate to a proportionate decline in production. According to Baker Hughes, there were an average of 19 horizontal wells statewide in January 2012 and 40 horizontal wells in May of 2013. The majority of these wells are in Weld County, which had 33 horizontal wells as of May, 2013, an increase over 20 horizontal wells in May, 2012.

Agricultural Production

The last few years have been turbulent for Colorado's agricultural sector as damaging drought conditions have hurt crop production and diminished livestock herds. In 2012, limited production caused record high prices for field crops. Wheat prices rose 33.6 percent, corn prices were 19.3 percent higher in 2012 than in 2011. Corn and wheat are the second and third largest agricultural products in Colorado, respectively, behind hay.

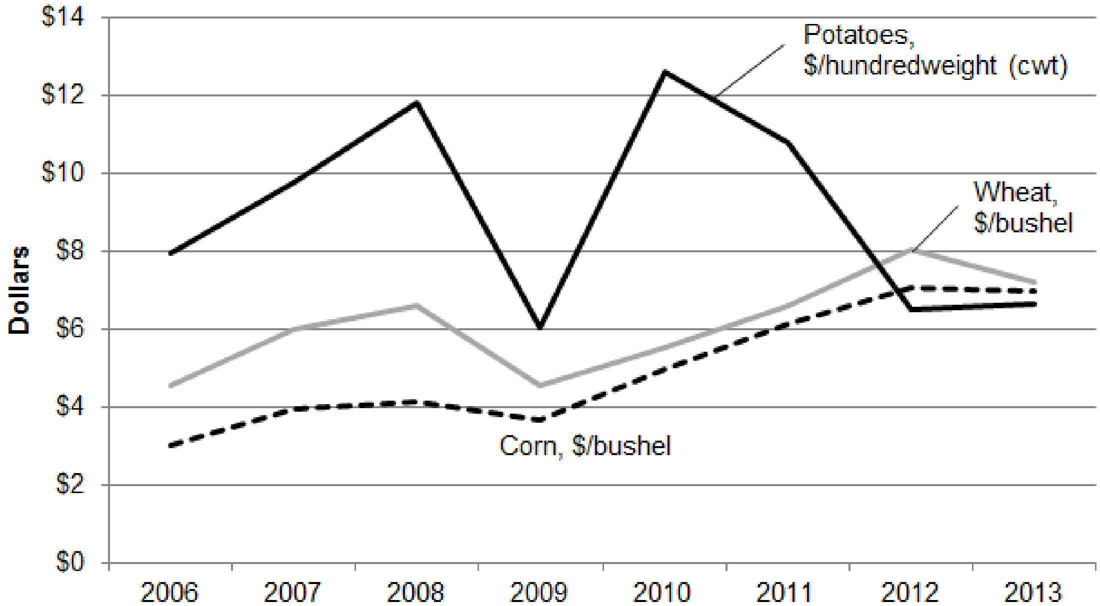
The United States Department of Agriculture measures droughts on a scale of D0 (abnormally dry) to D4 (exceptionally dry). Southeastern Colorado has experienced the most severe drought conditions going from moderate drought (D1) in January 2011, to an extreme drought (D3) in May 2011. The state as a whole joined Southeastern Colorado in June 2012 at an extreme drought (D3) level. As of May 2013, southeastern Colorado was again elevated to an exceptional drought (D4), while the majority of the state is rated at a severe drought (D2) level, although some extreme drought (D3) areas are still in affect along the border with Kansas.

Many of Colorado's farms are irrigated, allowing them to water crops, which has helped mitigate some of the drought conditions. Additionally, Kansas, Texas, and Oklahoma are experiencing exceptional drought (D4) conditions, which has limited their production and helped to bolster the prices of Colorado's agricultural products. The total value of crops increased from \$2.3 billion in 2011 to \$2.4 billion in 2012, a gain of 0.4 percent.

While precipitation did return to many of the regions of Colorado, the continued drought as well as a late freeze has decimated wheat crops in southeastern Colorado. The late freeze also destroyed large portions of the peach harvest. The continued agricultural hardships have caused wheat prices to rise to \$7.18 per bushel in May, a 20.3 percent jump over May 2012, when the per-bushel price was \$5.97. Corn prices were \$6.99 per bushel in May, 12.6 percent higher than in May 2012. In regions of the state that produce potatoes, such as the San Luis Valley, prices are down. Potato prices in May declined 37.3 percent to \$6.65 (measured in hundredweight (CWT)) from \$10.60 in May 2012. Figure 27 shows crop price changes since 2006 for selected field crops.

Colorado meat production has also been affected by the drought. Last year many states, including Colorado, saw corn and soybean prices rise as crops were hit hard by a combination of heat and drought. These crops are largely used for animal feed, and cattle herds in Colorado were sold off because ranchers could no longer afford to feed them. Cattle and calf inventory in stockyards declined 9.6 percent in 2012 because of the drought. Between 2010 and 2011, total livestock receipts grew 11.5 percent. As the drought worsened in 2011, livestock had to be slaughtered, which caused prices to fall as more livestock products were moved to market. In 2012, total livestock receipts fell 2.5 percent, as farmers faced smaller herds and continued drought conditions. By May of this year, inventory for cattle and calf on feed for slaughter market was up 7.0 percent, likely due to the selloff in 2012. The cattle and calf herds are expected to take years to be rebuilt in regions hit hardest by the drought.

Figure 27
History of Colorado Crop Prices
May 2006 to May 2013



Sources: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

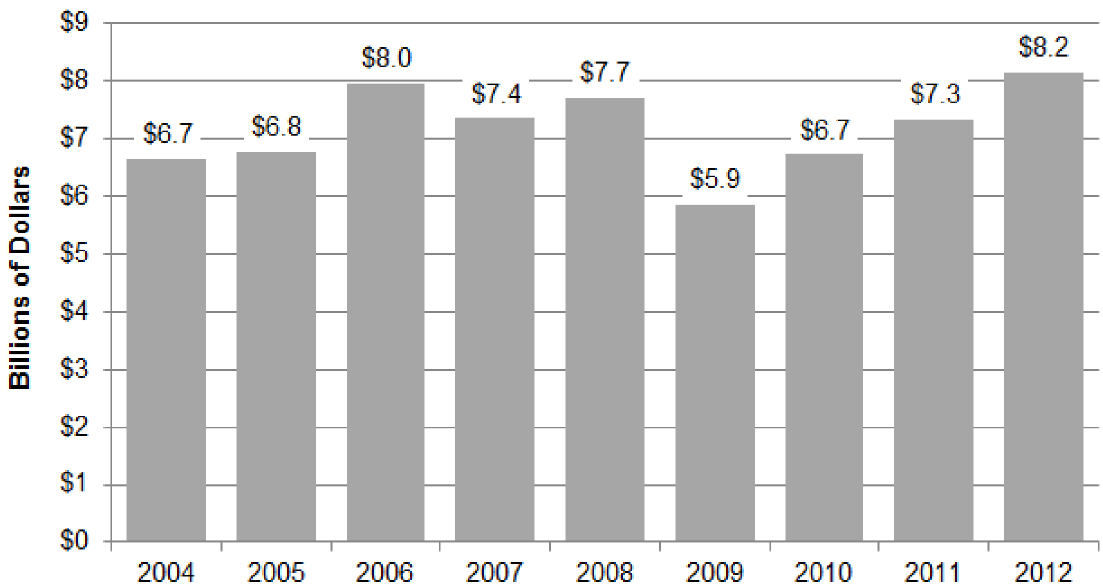
Colorado Exports

Despite a weak global economy, Colorado exports to other nations increased 11.3 percent in 2012 due to our three largest trading partners, Canada, Mexico, and China, outperforming the global economy. Through March 2013, Colorado exports have increased by 4.0 percent compared with the same time last year. Exports to Canada, Mexico, and China have all declined in the first quarter, but increased trade with Japan, Southeast Asia, Oceania, and Europe is offsetting these declines. In the first quarter of 2013, the dollar depreciated compared to the Euro and Australian dollar, which caused Colorado exports to rise. So far in the second quarter of 2013 the dollar has appreciated compared with the Euro, Australian dollar, Canadian dollar, Japanese yen, and British pound. This could cause Colorado exports to fall over the next several months. Figure 28 shows Colorado exports between 2004 and 2012.

Colorado Leading Indicators

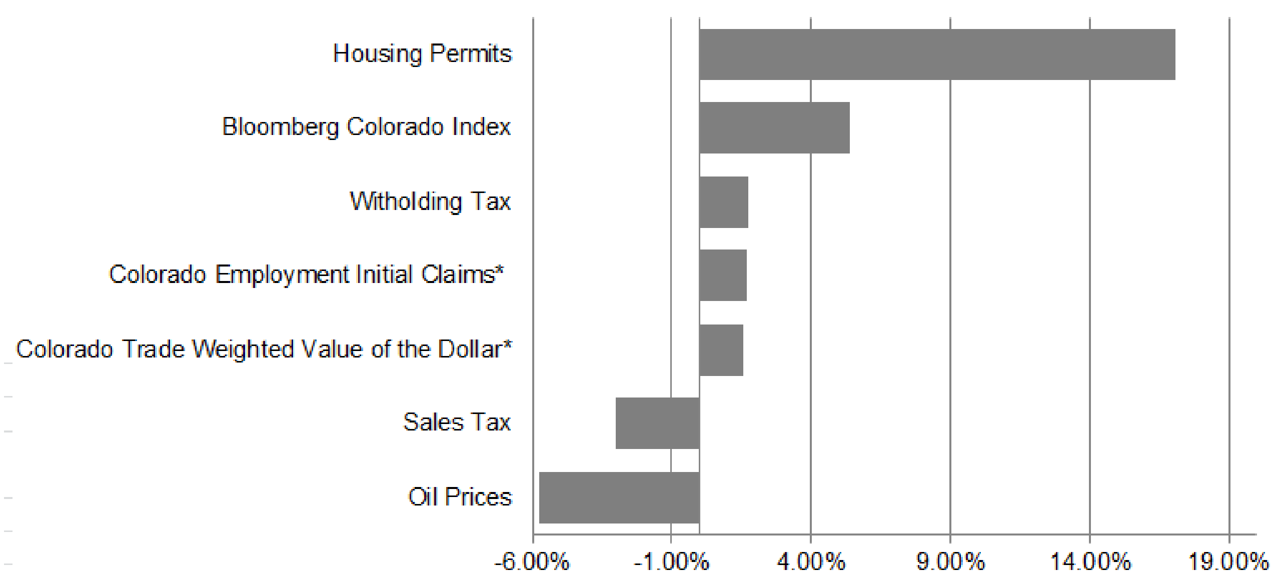
Indicators that lead Colorado employment suggest growth in the future in employment. These indicators have been shown to be helpful in predicting changes in Colorado employment over the coming three to six months. Four of the six measures shown in Figure 29 indicate employment growth will be rising over the next three to six months. However, the two indicators that are signaling a decline, sales taxes and oil prices, tend to be longer range indicators. This could mean employment growth will slow later in this year as the impact of the sequestration is felt.

Figure 28
Total Colorado Exports
Seasonally Adjusted



Sources: Wiser Trade, data through March 2013.
**Year-to-date through March.*

Figure 29
Colorado Leading Indicators
Percent Change Over Last 3 Months of Available Data



**These variables are inversely related to Colorado employment growth, so they are displayed as inverted values.*

Summary

Colorado's economy continues to improve. Employment is growing and the unemployment rate is falling. Retail sales are also growing and the real estate market is seeing price appreciation due to historically low housing inventories and loose federal monetary policy. Exports from Colorado are strong and leading indicators suggest that there will be job growth over next six months.

Despite the strength of the economy, there are still several obstacles that will prevent the Colorado economy from accelerating beyond a moderate pace in 2013. Over the next six to nine months, higher federal payroll taxes and federal spending cuts will limit employment and wage growth. Drought conditions and early freezes have hurt the southeastern and western portions of the state's agricultural production, although higher prices have helped those farmers able to produce a crop. Once consumers and business adjust to these changes, the expansion will build in 2014.

Table 13
Colorado Economic Indicators, June 2013 Forecast
(Calendar Years)

	2008	2009	2010	2011	2012	Forecast 2013	Forecast 2014	Forecast 2015
Population (thousands, July 1)	4,889.7	4,972.2	5,047.7	5,116.8	5,187.6	5,265.4	5,349.6	5,435.2
percent change	1.8%	1.7%	1.5%	1.4%	1.4%	1.5%	1.6%	1.6%
Nonagricultural Employment (thousands)	2,350.6	2,245.2	2,222.2	2,258.2	2,307.8	2,365.5	2,422.3	2,482.8
percent change	0.8%	-4.5%	-1.0%	1.6%	2.2%	2.5%	2.4%	2.5%
Unemployment Rate	4.8	8.1	9.0	8.6	8.0	7.1	6.9	6.7
Personal Income (millions)	$216,030	$204,625	$212,545	$225,410	$235,329	$247,095	$261,179	$276,850
percent change	5.3%	-5.3%	3.9%	6.1%	4.4%	5.0%	5.7%	6.0%
Wage and Salary Income (millions)	$116,999	$112,588	$114,191	$119,148	$124,748	$130,112	$137,008	$145,639
percent change	3.6%	-3.8%	1.4%	4.3%	4.7%	4.3%	5.3%	6.3%
Retail Trade Sales (millions)	$74,760	$66,345	$70,738	$75,548	$80,073	$82,875	$88,014	$93,030
percent change	-0.8%	-11.3%	6.6%	6.8%	6.0%	3.5%	6.2%	5.7%
Home Permits (thousands)	19.0	9.4	11.6	13.5	23.3	33.9	44.6	47.4
percent change	-35.5%	-50.8%	23.9%	16.5%	72.6%	45.5%	31.5%	6.4%
Nonresidential Building (millions)	$4,117	$3,352	$3,111	$3,923	$3,666	$3,681	$4,420	$4,712
percent change	-21.7%	-18.6%	-7.2%	26.1%	-6.6%	0.4%	20.1%	6.6%
Denver-Boulder Inflation Rate	3.9%	-0.6%	1.9%	3.7%	1.9%	2.2%	2.3%	2.4%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, F.W. Dodge, and Legislative Council Staff.
2012 nonfarm employment figures are rebenchmarked figures based on Legislative Council Staff analysis.

Colorado Economic Regions

Metro Denver Region
Northern Region
Colorado Springs Region
Pueblo — Southern Mountains Region
San Luis Valley Region
Southwest Mountain Region
Western Region
Mountain 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 is based on survey data from a "sample" of individuals representative of the population as a whole. Monthly employment data is based on the surveys received at the time of data publication and this data is revised over time as more surveys are collected to more accurately reflect actual employment conditions. Because of these revisions, the most recent months of employment data may reflect trends that are ultimately revised away. Additionally, employment data undergoes an annual revision, which is 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. This data is revised periodically. Retail trade sales data typically has few revisions because the data reflects actual sales by Colorado retailers. Nonresidential construction data in the current year reflects reported construction activity, which is revised the following year to reflect actual construction activity.

Metro Denver Region

The economy in metro Denver has gained strength in 2013. The region's job market, which represents over half of the state's labor market, maintained healthy momentum in employment gains from 2012 into 2013. The real estate market continues to show strong growth with increased home values and quick turnover on home sales. Spending continues to grow, but at slower rate than in 2012. Nonresidential construction growth has cooled — a likely result of the recent decrease in federal government spending. Table 14 shows economic indicators for the region.

Job market. The metro Denver area labor market continues to exhibit signs of improvement. After 2012, the area has gained another 4,300 jobs through April, 2013. Figure 30 shows employment in the metro Denver area since January 2006. The unemployment rate, shown in Figure 31, was 6.8 percent in April 2013, down 1.2 percentage points from the same time last year. This decline in unemployment occurred amid an increase in the area's labor force. As reported by CareerCast through the employment index, Denver was third among metro areas with the largest increases in managerial hiring in May 2013. Job growth in the metro Denver area is expected to continue through 2013.

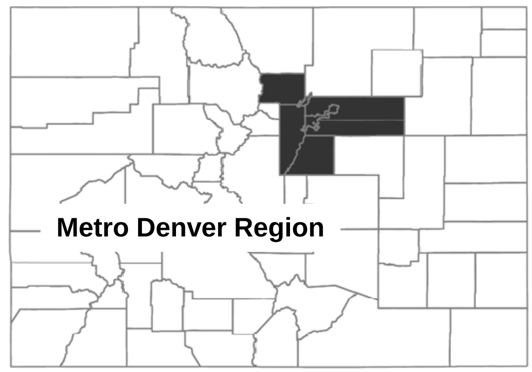


Table 14
Metro Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson Counties

	2009	2010	2011	2012	YTD 2013
Employment Growth /1	-4.3%	-0.5%	1.6%	2.3%	2.7%
Unemployment Rate /2 (2013 Figure is April Only)	8.2%	8.8%	8.1%	7.2%	6.8%
Housing Permit Growth /3					
Single-Family (Denver-Aurora)	-31.8%	35.5%	-0.4%	58.3%	12.7%
Single-Family (Boulder)	-27.6%	101.0%	-5.2%	24.6%	36.8%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-20.3%	7.3%	21.9%	-0.6%	-43.9%
Square Footage of Projects	-47.8%	-5.4%	24.8%	17.4%	-2.7%
Level (1,000s)	8,246	7,799	9,737	11,429	3,832
Number of Projects	-15.1%	-37.9%	-0.8%	4.2%	30.5%
Level	940	584	579	604	252
Retail Trade Sales Growth /5	-11.4%	6.9%	4.3%	8.0%	2.8%

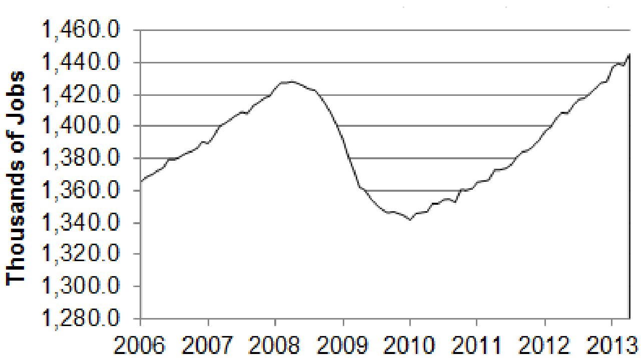
MSA = Metropolitan statistical area. NA = Not available.
1/ U.S. Bureau of Labor Statistics. CES (establishment) survey for Denver-Aurora-Broomfield and Boulder MSAs. Seasonally adjusted. Data through April 2013.
2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2013.
3/ U.S. Census. Growth in the number of housing units authorized for construction. Data through April 2013.
4/ F.W. Dodge. Data through April 2013.
5/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2013.

Consumer spending. Consumers appear to be unfazed by current changes in economic trends as evident in the continued increase in consumer confidence which, in May, was at its highest level in over five years. After increasing 8.0 percent in 2012, retail trade growth in the metro area continues to grow, but has slowed. Despite the strong confidence, retail trade's three-month moving average index fell in the first quarter of 2013. Figure 32 compares retail sales in metro Denver with the state and the nation.

Housing market. The housing market continues to add strength to the metro Denver area economy. With high demand and low supply, home inventory is moving quickly despite interest rates beginning to slowly increase. Denver home prices increased for the 17^{th} consecutive month in February, advancing 9.9 percent over the prior year. Single-family permits increased 12.7 percent year-to-date 2013 compared with the same time period in 2012. Figure 33 shows residential permits between 2005 and 2013.

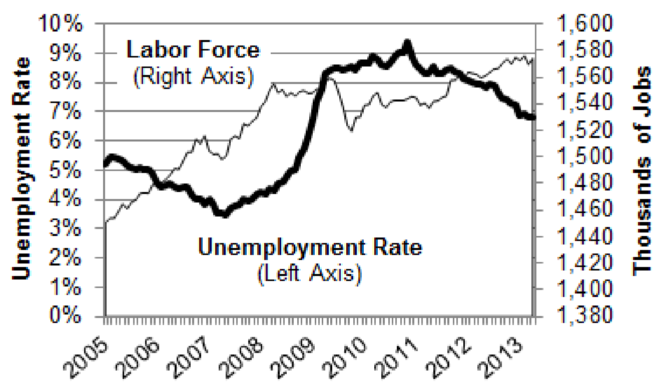
Nonresidential construction market. Nonresidential construction has cooled. After experiencing some growth early in 2012, increased cost for building materials, business uncertainty, and constricted federal spending halted growth at the end of 2012 into 2013. Nonresidential construction is down 43.9 percent year-to-date through April compared with the first four months of 2012. Although the value of nonresidential building projects decreased, the number of projects increased 30.5 percent, indicating smaller projects. Figure 34 shows nonresidential building permits in square feet from 2008 through 2013.

Figure 30
Metro Denver Employment Continues to Improve
Seasonally Adjusted



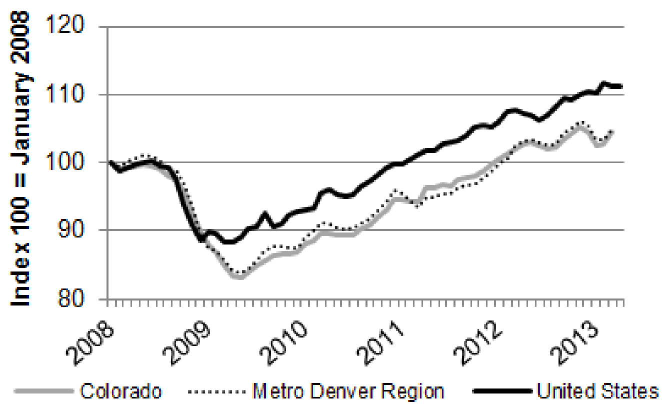
Source: U.S. Bureau of Labor Statistics; CES. Data through April 2013.

Figure 31
Metro Denver Labor Force and Unemployment Rate
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2013.

Figure 32
Retail Trade Trends Since January 2008
Index 100= January 2008
Three-Month Moving Average;
Seasonally Adjusted Nominal Data

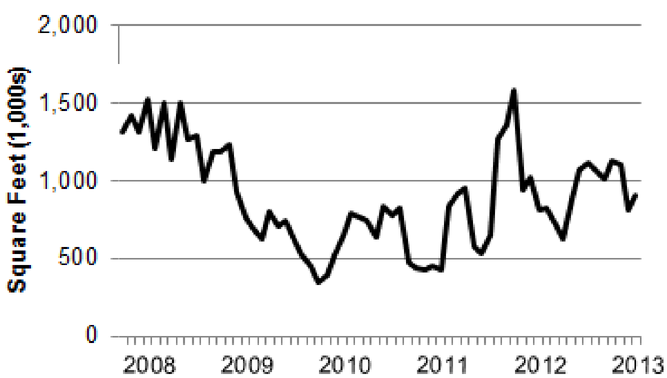


Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through March 2013; U.S. data through April 2013.

Figure 33
Metro Denver Residential Building Permits
Three-Month Moving Average;
Seasonally Adjusted Data

Source: U.S. Census Bureau. Data through April 2013.

Figure 34
Metro Denver Total Nonresidential
Building Permits: Square Feet
Three-Month Moving Average; Non-Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2013.

Northern Region

The northern region's economy, which encompasses Weld and Larimer counties, continues to be one of the strongest in the state. The most recent data available shows the unemployment rate for the Fort Collins-Loveland area is the lowest in the state. Consumer spending continues to grow, and housing permits in the Fort Collins-Loveland MSA are up 62.1 percent through April 2013 compared with the same period one year ago. Nonresidential construction in the region is also showing encouraging signs of improvement. Table 15 shows economic indicators for the region.

Table 15
Northern Region Economic Indicators
Weld and Larimer Counties

	2009	2010	2011	2012	YTD 2013
Employment Growth /1					
Fort Collins-Loveland MSA	-3.2%	0.4%	1.9%	2.6%	2.0%
Greeley MSA	-4.9%	-0.6%	4.0%	3.6%	1.5%
Unemployment Rate /2 (2013 Figure is April Only)					
Fort Collins-Loveland MSA	7.0%	7.5%	6.6%	6.0%	5.7%
Greeley MSA	9.1%	10.2%	9.0%	8.3%	7.7%
State Cattle and Calf Inventory Growth /3	-5.5%	7.0%	4.0%	-9.6%	7.0%
Housing Permit Growth /4					
Fort Collins-Loveland MSA Total	-66.0%	154.5%	1.0%	61.8%	62.1%
Fort Collins-Loveland MSA Single-Family	-49.2%	32.1%	45.7%	65.8%	113.4%
Greeley MSA Total	-20.6%	10.4%	-3.1%	55.3%	36.5%
Greeley MSA Single-Family	-13.7%	2.7%	-2.6%	60.8%	29.0%
Growth in Value of Nonresidential Construction/ 5					
Value of Projects	13.1%	-57.1%	5.9%	8.8%	287.1%
Square Footage of Projects	-35.3%	-27.6%	-6.5%	33.9%	154.9%
Level (1,000s)	2,094	1,516	1,418	1,899	700
Number of Projects	-35.9%	-14.8%	-7.6%	19.4%	2.3%
Level	161	137	127	152	47
Retail Trade Sales Growth /6					
Larimer County	-8.9%	7.7%	7.9%	5.8%	5.2%
Weld County	-15.0%	9.9%	26.3%	5.6%	4.0%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2013.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2013.

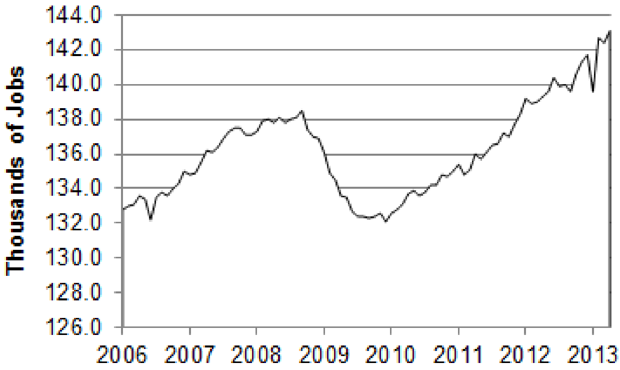
3/ National Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares May 1, 2013 over prior year period in 2012.

4/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through April 2013.

5/ F.W. Dodge. Data through April 2013. Prior forecasts reported Weld and Larimer Counties separately.

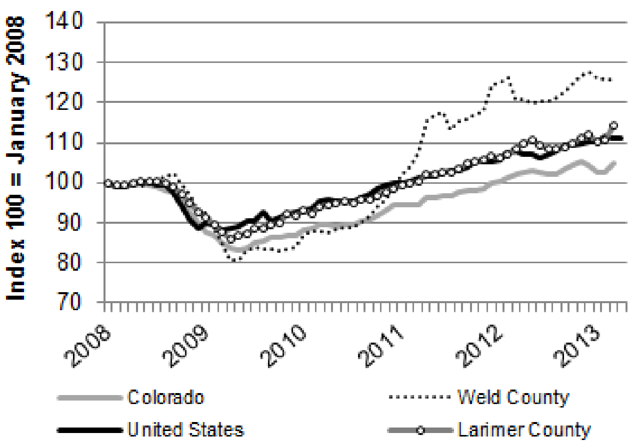
6/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2013.

Figure 35
Fort Collins-Loveland and Greeley MSA Nonfarm Employment
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; CES. Data through April 2013.

Figure 36
Trends in Retail Trade Sales Since January 2008
Index of Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through March 2013; U.S. data through April 2013.

The strong recovery in the region's labor market continued through the first four months of this year. Through April 2013, nonfarm employment grew 2.0 percent in the Fort Collins-Loveland area and 1.5 percent in Greeley. In April 2013, the Fort Collins-Loveland area unemployment rate was 5.6 percent, the lowest of all the regions in the state, while the Greeley MSA's unemployment rate was 7.8 percent. Figure 35 shows total employment for both major metro areas in the region between January 2006 and April 2013.

With over 4,000 farms in the region, agriculture is a key component of the Northern region's economy. Compared with one year ago, the number of cattle and calves on feed for the slaughter market in the northern region is seven percent higher as of May 1, 2013. However, the increase is mainly attributable to lower inventory levels. In 2012, many cattle and calve operations were forced to sell off their herds because of the high price of feed.

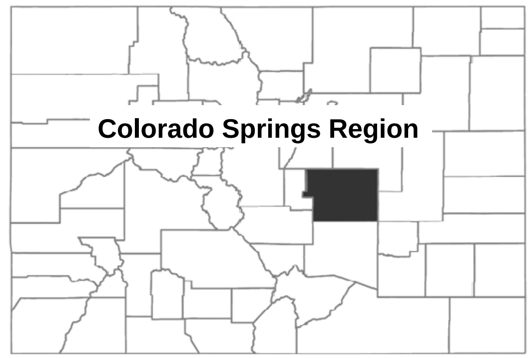
The northern region's real estate market is robust relative to many areas of the nation and state. New residential construction permits ended strong in 2012 in both metropolitan areas compared with 2011. Through April 2013, total residential permits were up 62.1 percent in the Fort Collins and Loveland area. Total residential permits for the Greeley area were up 36.5 percent compared with the same period one year ago. Median home prices in the northern region have recovered and are near or above peak 2006 levels.

The value of nonresidential projects in the region grew 6.6 percent in 2012. These projects will add about 45.5 percent more square feet to the region's nonresidential inventory in 2012 than was added in 2011.

Retail sales continue to be strong in both Larimer and Weld County. As Figure 36 shows, consumer spending in both counties has outperformed the state.

Colorado Springs Region

The economy in the Colorado Springs region is beginning to show signs of improvement. After struggling to maintain modest growth in 2012, the area's job market began to show progress in employment and a decline in the unemployment rate through early 2013. The housing market continues to recover, and nonresidential construction activity has picked up after struggling in 2012. Consumer spending, as measured by retail trade sales, was also up year-to-date. Table 16 shows economic indicators for the region.



Job market. After closing 2012 out without many gains, the region's employment increased 1.6 percent year-to-date through April despite the onset of federal sequestration cuts in March. Additionally, the unemployment rate softened to 8.3 percent, after months of not budging from 9 percent range in 2012. Figure 37 shows the Colorado Spring MSA unemployment rate and labor force through April 2013.

Consumer spending. As the economy in Colorado Springs begins to gain momentum, consumer spending has begun to gain strength. Consumer spending, as measured by retail trade sales, grew 2.8 percent overall year-to-date through March compared with the first two months of 2012. The area saw a large portion of their sales in parts, food and beverage, and general merchandise. Figure 38 compares changes in the region's consumer spending to changes for the nation and state.

Table 16
Colorado Springs Region Economic Indicators
El Paso County

	2009	2010	2011	2012	YTD 2013
Employment Growth /1					
Colorado Springs MSA	-3.9%	-0.9%	1.3%	0.7%	1.6%
Unemployment Rate /2 (2013 Figure is April Only)	8.8%	9.8%	9.4%	8.7%	8.3%
Housing Permit Growth /3					
Total	-33.4%	27.9%	29.1%	41.6%	35.0%
Single-Family	-16.7%	23.2%	-3.8%	50.2%	60.6%
Growth in Value of Nonresidential Const. /4					
Value of Projects	1.8%	-21.1%	28.9%	-6.2%	43.6%
Square Footage of Projects	-19.1%	-33.7%	40.3%	-15.9%	120.5%
Level (1,000s)	2,249	1,492	2,093	1,760	893
Number of Projects	-8.6%	23.4%	11.6%	-10.9%	-17.6%
Level	295	364	406	362	108
Retail Trade Sales Growth /5	-6.1%	7.8%	8.3%	5.5%	2.8%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. Seasonally adjusted. Data through April 2013.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2013.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through April 2013.

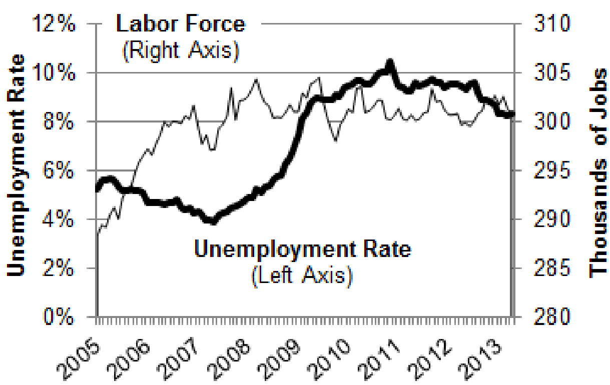
4/ F.W. Dodge. Data through April 2013.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2013.

Housing market. Total housing permits were up 35 percent year-to-date through April 2013, pushed up by a surge in single family permits, which grew 60.6 percent during the same time period. Additionally, the area continues to see strong growth in demand for multi-family units. With the military presence in the area, investors are seeing lucrative opportunities in constructing, purchasing, updating, and renting multi-family homes. Figure 39 shows the number of total and single family permits for the region from January 2004 to April 2013.

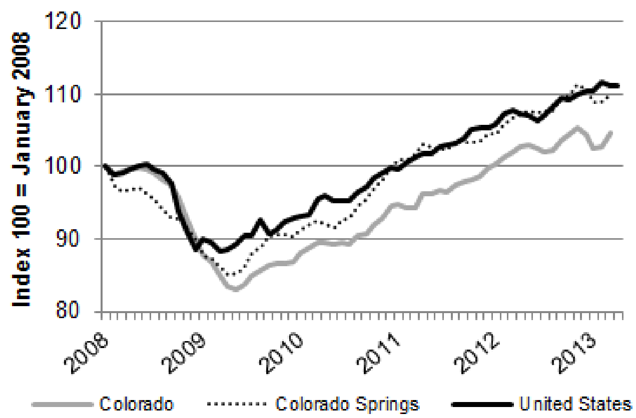
Nonresidential construction market. Nonresidential construction activity in the region is up after a weak year in 2012. The value of nonresidential construction grew 43.6 percent despite a decline of 17.6 percent in the number of projects, which means larger projects are in the works. Figure 40 shows nonresidential building permits in square feet from 2008 through April 2013.

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



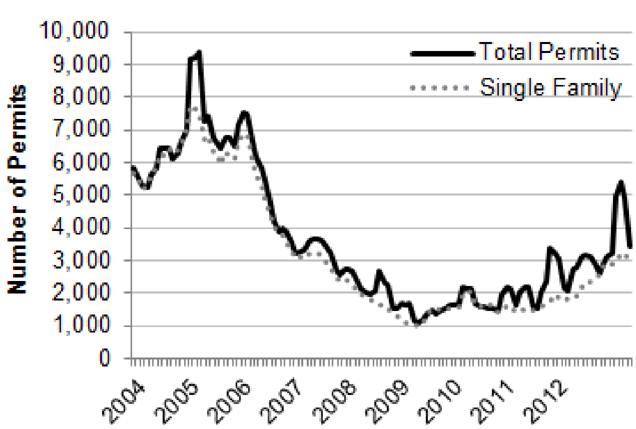
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through April 2013.

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



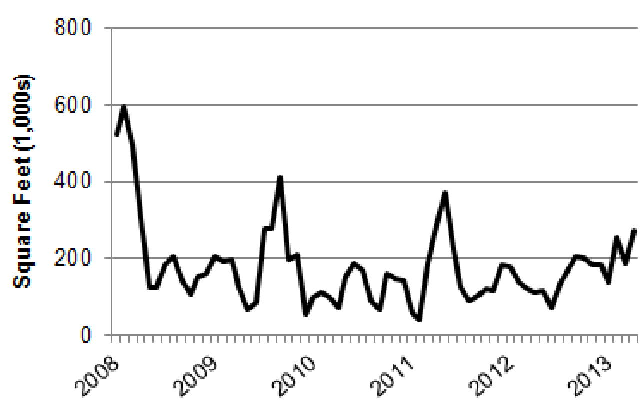
Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through March 2013; U.S. data through April 2013.

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



Source: F.W. Dodge. Data through April 2013.

Figure 40
Colorado Springs Nonresidential Building Permits:
Square Feet
Three-Month Moving Average;
Seasonally Adjusted Data



Source: U.S. Census Bureau. Data through April 2013.

Pueblo — Southern Mountains Region

The Pueblo region continues to experience sluggish economic growth, lagging behind many other regions of the state. Employment growth was nearly flat in early 2013 and the region's unemployment rate remains much higher than the average rate statewide. The region is seeing some growth in housing permit activity, but nonresidential construction activity in early 2013 is much lower than in the prior year. Consumer spending was also depressed in the first part of 2013. Table 17 shows economic indicators for the region.

Employment growth in Pueblo was slow in early 2013, growing 1.1 percent year-to-date through April compared with the first four months of last year, following a slight decrease in 2012. In the region, job growth was sluggish through April, advancing 0.8 percent. As shown in Figure 41, the region's unemployment rate was the highest in the state, but ticked downward slightly to 9.7 percent in April from 10.5 percent in 2012.

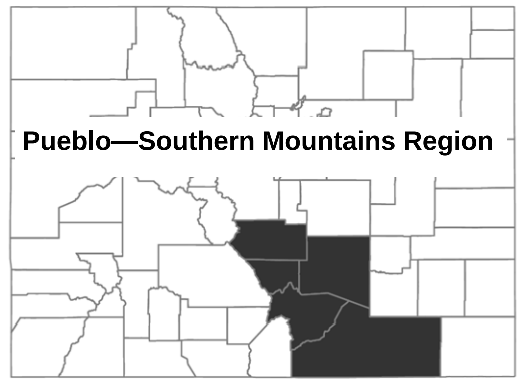


Table 17
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties

	2009	2010	2011	2012	YTD 2013
Employment Growth					
Pueblo Region /1	-2.0%	-1.3%	0.1%	-0.9%	0.8%
Pueblo MSA /2	-2.3%	0.1%	1.6%	-0.1%	1.1%
Unemployment Rate /1 (2013 Figure is April Only)	9.1%	10.4%	10.3%	10.5%	9.7%
Housing Permit Growth /3					
Pueblo MSA Total	-9.4%	-37.9%	-49.6%	116.7%	13.6%
Pueblo MSA Single-Family	-51.5%	13.6%	-45.5%	48.2%	13.6%
Growth in Value of Nonresidential Construction /4					
Value of Projects	-64.6%	-71.2%	60.9%	296.9%	-88.1%
Square Footage of Projects	-71.6%	-68.0%	-37.9%	1837.5%	-91.2%
Level (1,000s)	362	116	72	1,393	21
Number of Projects	-49.8%	-31.3%	26.0%	-45.5%	28.0%
Level	51	35	44	24	11
Retail Trade Sales Growth /5	-4.7%	6.8%	9.5%	3.0%	0.6%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2013.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2013.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through April 2013.

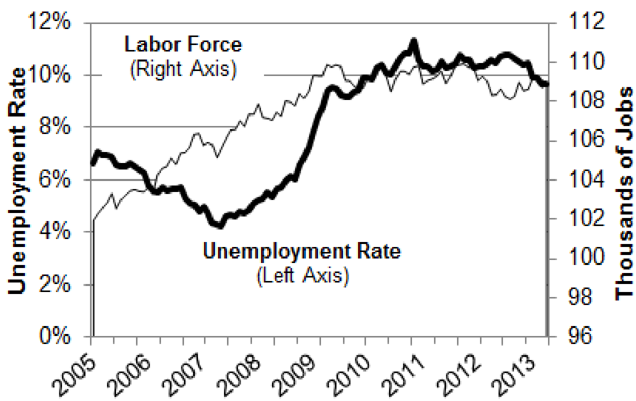
4/ F.W. Dodge. Data through April 2013. Prior Forecast Documents only had nonresidential construction data for Pueblo County.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2013.

Consumer spending, as measured by retail sales, was nearly flat through March 2013, growing 0.6 percent, as shown in Figure 42. After seeing strong spending in 2011, the region saw a slow Christmas season for sales in 2012 as consumer spending advanced 3.0 percent in 2012.

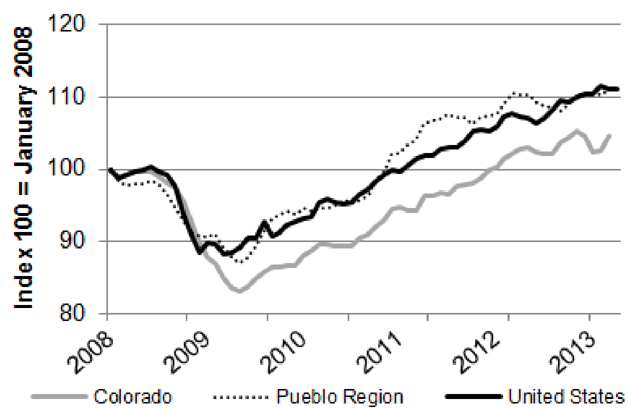
After five years of housing permit declines in Pueblo, the housing market began to improve in 2012. Permits from residential construction grew 13.6 percent through the first four months of 2013, although the growth was from very low levels of building activity. The value and square footage of nonresidential construction grew significantly in 2012, mainly due to the construction of the new Pueblo County Judicial Building, which broke ground in February 2012. The completion of this project is resulting in a decline in the value of nonresidential construction through the first four months of 2013. Nonresidential construction is expected to slowly recover in 2013.

Figure 41
Pueblo Region Nonfarm Employment
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; CES. Data through April 2013.

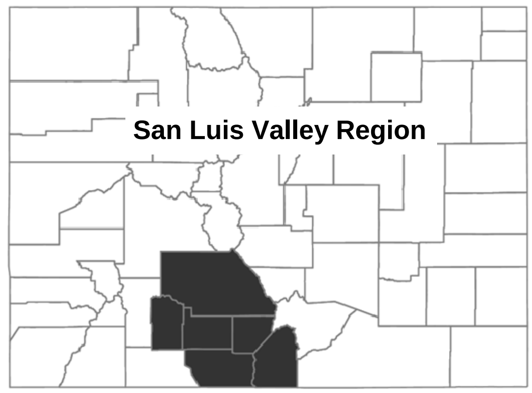
Figure 42
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through March 2013; U.S. data through April 2013.

San Luis Valley Region

The economy in the San Luis Valley region is reliant on its agricultural industry and the availability of water to sustain its regional economic health. The ongoing drought will continue to affect crop production in 2013 as new water sources and conservation efforts become more important to the economic well-being of agriculture producers in the six-county region. The region's economy saw moderate growth in the first quarter of 2013 with gains in employment, housing construction, and the value of nonresidential construction projects. Despite these gains, unemployment in the region is high and consumer spending was slightly depressed in early 2013 when compared to spending in 2012. Table 18 shows economic indicators for the region.



Nonfarm employment in the region grew at a strong 4.0 percent through the first four months of the year, the first significant advance after declining in 2010 through 2012. As shown in Figure 43, the region's unemployment rate ticked downward slightly to 8.7 percent in April from 9.6 percent in 2012, although it is still the second-highest rate in the state below the Pueblo region. As more workers return to the labor-force, the ranks of the unemployed are higher than in

Table 18
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2009	2010	2011	2012	YTD 2013
Employment Growth /1	4.7%	-2.1%	-1.6%	-0.7%	4.0%
Unemployment Rate /1 (2013 Figure is April Only)	7.6%	8.7%	9.3%	9.6%	8.7%
Statewide Crop Price Changes /2					
Barley (U.S. average for all)	-15.5%	197.2%	40.9%	19.5%	197.2%
Alfalfa Hay (baled)	-20.7%	-2.0%	84.6%	0.0%	-2.0%
Potatoes	-46.6%	-37.3%	-16.9%	38.8%	-37.3%
SLV Potato (Inventory CWT) /2	5.0%	-1.3%	4.0%	-1.3%	N/A
Housing Permit Growth /3	-33.2%	28.0%	-8.5%	39.1%	80.7%
Growth in Value of Nonresidential Construction /3					
Value of Projects	430.9%	-55.4%	83.1%	-100.0%	/5
Square Footage of Projects	-96.3%	10964.0%	-31.1%	-100.0%	495.5%
Level (1,000s)	2	189	130	32	193
Number of Projects	0.0%	62.5%	-23.1%	45278.8%	-99.8%
Level	8	13	10	10	11
Retail Trade Sales Growth /4	-1.6%	3.7%	5.8%	2.8%	2.4%

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2013.

2/ National Agricultural Statistics Service. Crop price changes reflect May 2013 prices over prior year period. The most recent SLV Potato (production CWT) for commercial storage facilities in the San Luis Valley are for 2012.

3/ F.W. Dodge. Data through April 2013. Prior forecasts only used data for Alamosa County.

4/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2013.

5/ The value of nonresidential construction increased from 1.9 million during the first four months of 2012 to 6.6 million during the first four months of 2013.

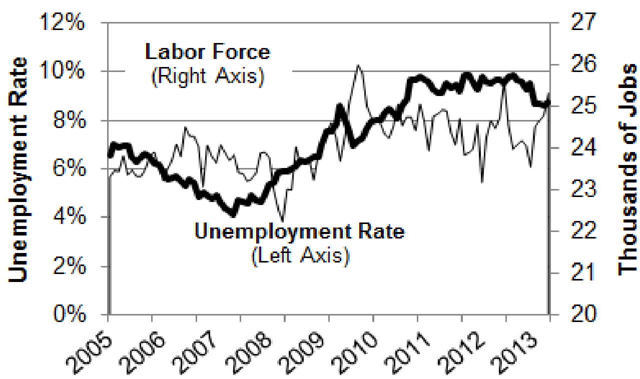
prior years. It is important to note that labor market data for rural areas can contain meaningful error and are frequently revised. In addition, due to the reliance on agriculture-based industries, the region experiences different economic trends than more urban areas of the state.

Consumer spending grew 2.4 percent in the region in the first quarter of 2013, slightly slower than spending in 2012. Retail sales increased 2.8 percent in 2012 after increasing 5.8 percent in 2011. Figure 44 shows changes in the region's consumer spending and compares them to changes in the nation and the state.

The value of nonresidential construction grew at a moderately healthy pace with new permits for commercial and education projects. New building permits for residential housing rose 80.7 percent through April but are increasing from very low levels of building activity. The San Luis Valley region has the smallest economy of all regions of the state and thus, economic indicators tend to be particularly volatile.

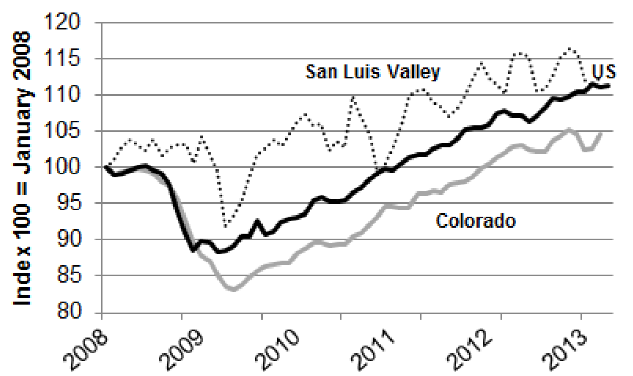
The region's agricultural industry continues to boost the region's economy as it recovers from the worst drought in 25 years. This spring, much needed precipitation fell across the region. Growers made up for a slow start as planting progress improved significantly along with weather conditions.

Figure 43
San Luis Valley Region
Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2013.

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

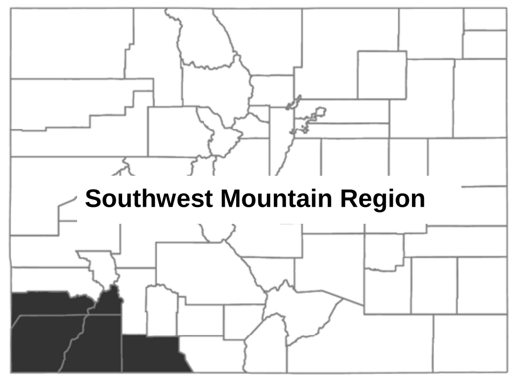


Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through March 2013. U.S. data through April 2013.

Southwest Mountain Region

The southwest mountain region's economy is posting moderately good economic gains. Employment, residential home building activity, and nonresidential construction are advancing. Consumers continued to spend money in early 2013 but not at the same pace as in 2012. Table 19 shows economic indicators for the region.

The labor market in the southwest mountain region is healthy and out-performing most regions of the state. As shown in Figure 45, nonfarm employment grew 3.9 percent through April 2013, well above the statewide average. The region's unemployment rate was 6.4 percent in April, more than a percentage point below the statewide average. It may be important to note that inaccurate seasonal adjustments by the Bureau of Labor Statistics have created significant volatility in these employment numbers during prior revisions.



Aside from employment, there are also some other positive economic signs in the region. Residential housing permits posted a 33.4 percent gain through April 2013. However, residential permits continue to be at very low levels historically after declining for six of the prior seven years. Although prices are rising, the housing market still has a long way to go before it is fully-recovered. Nonresidential construction is also showing signs of healthy growth, as the value of permits for commercial and educational facilities grew significantly through April

Table 19

Southwest Mountain Region Economic Indicators

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

	2009	2010	2011	2012	YTD 2013
Employment Growth /1	-3.0%	-3.3%	-0.9%	0.8%	3.9%
Unemployment Rate /1 (201 Figure is April Only)	7.1%	8.3%	7.6%	7.1%	6.4%
Housing Permit Growth /2	-21.8%	39.7%	-29.8%	-0.8%	33.4%
Growth in Value of Nonresidential Construction /2					
Value of Projects	-18.4%	-13.9%	81.9%	82.5%	13229.6%
Square Footage of Projects	14.4%	-70.4%	21069.3%	70.8%	23046.1%
Level (1,000s)	422	125	26,396	45,079	2,743
Number of Projects	-8.3%	-6.0%	-38.4%	1.5%	524.1%
Level	24	22	14	14	25
Retail Trade Sales Growth /3	-13.9%	1.6%	9.1%	6.2%	4.0%

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2013.

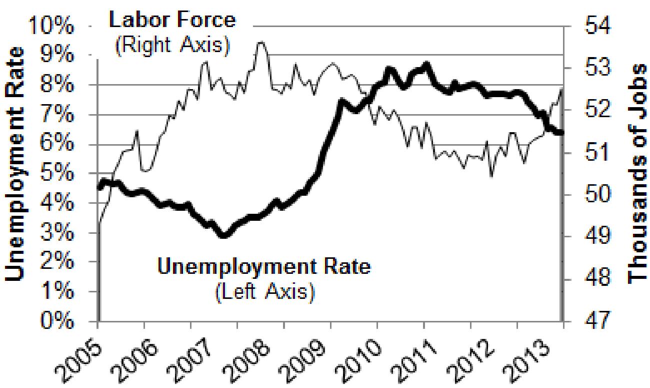
2/ F.W. Dodge. Data through April 2013. Prior forecasts had data for La Plata County only.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2013.

2013 after increasing 82.5 percent in 2012. The square footage of these projects has also risen substantially.

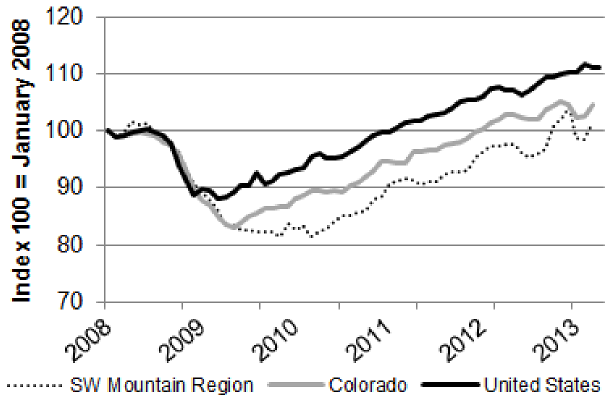
Figure 46 compares changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state. Through March, retail trade advanced 4.0 percent, slightly slower than the 6.2 percent level of spending in 2012.

Figure 45
Southwest Mountain Region Nonfarm Employment
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2013.

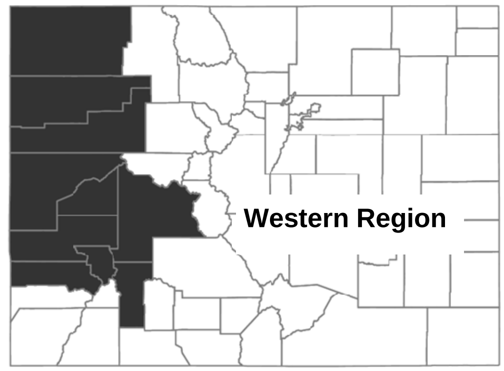
Figure 46
Trends in Retail Trade Sales since January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through March 2013; U.S. data through April.

Western Region

The western region's economy is showing signs of recovering in 2013. The region's economy stalled in 2012 due to a weak natural gas sector and is now one of the last regions in the state to show a true recovery. The region is seeing some growth in employment, housing permit activity, and the value of nonresidential construction. However, consumer spending declined in early 2013. Table 20 shows economic indicators for the region.



After nearly flat job growth in 2012, the region's employment grew 1.9 percent through April 2013. The job growth drove the unemployment rate down to 7.6 percent in April, a half-point higher than the statewide average rate of 6.9 percent. Figure 47 shows the relationship between the labor force and the unemployment rate in the western region. It is important to note that inaccurate seasonal adjustments by the Bureau of Labor Statistics have created significant volatility in these employment numbers.

In April, the region's peach industry suffered one of the worst freezes in years. The freeze will result in the need for fewer workers to thin the region's peach orchards as the season continues.

Figure 48 indexes consumer spending, as measured by retail trade, in the region to that in the state and nation. Sales in the western region were weak in 2012, growing at 1.2 percent. Retail sales fell 0.2 percent through March 2013 as consumers were reluctant to spend money given the region's slow economic recovery.

Table 20
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2009	2010	2011	2012	YTD 2013
Employment Growth					
Western Region /1	-5.6%	-5.5%	-0.6%	0.5%	1.9%
Grand Junction MSA /2	-6.6%	-4.4%	0.6%	1.4%	0.4%
Unemployment Rate /1	8.4%	10.1%	8.8%	8.4%	7.6%
(2013 Figure is April Only)					
Housing Permit Growth /3	-49.8%	-0.5%	-20.5%	21.8%	44.5%
Growth in Value of Nonresidential Construction /3					
Value Projects	5.8%	4.5%	-63.7%	18.3%	114.7%
Square Footage of Projects	-32.7%	7.9%	-69.3%	93.0%	166.5%
Level (1,000s)	1,275	1,376	422	814	247
Number of Projects	-6.9%	-30.8%	-31.9%	11.9%	-5.6%
Level	140	97	66	74	22
Retail Trade Sales Growth /4	-19.1%	1.8%	8.8%	1.2%	-0.2%

MSA = Metropolitan statistical area. NA = Not Available.

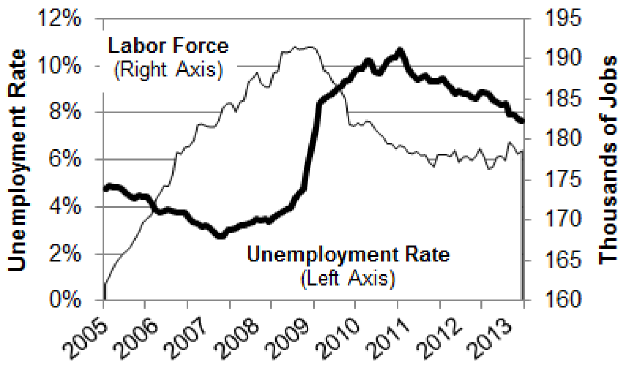
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2013.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2013.

4/ F.W. Dodge. Data through April 2013. Prior forecasts had data for Mesa and Montrose counties only.

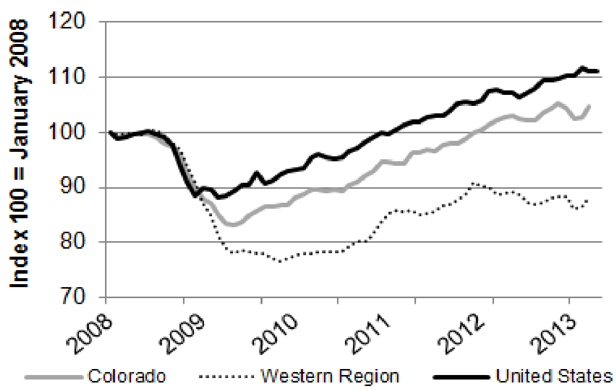
5/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2013.

Figure 47
Western Region Nonfarm Employment
Seasonally Adjusted



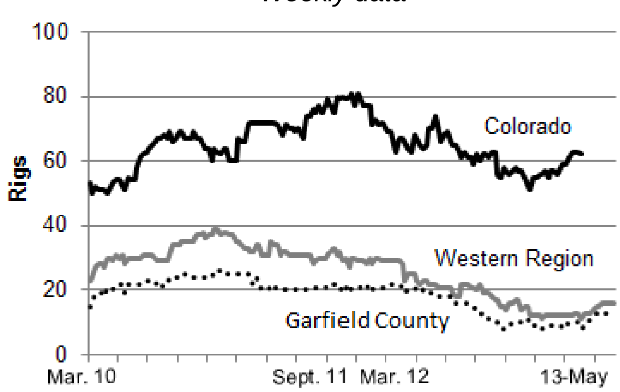
Source: U.S. Bureau of Labor Statistics; CES.
Data through April 2013.

Figure 48
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 March 2013 and U.S. data through April 2013.

Figure 49
Colorado and Western Region Operating Rig Count
Weekly data



Source: Baker Hughes. Data through May 23, 2013.

The region's residential housing market is seeing some building activity as housing permits rose 44.5 percent through April 2013 compared with the same period in 2012 after advancing 21.8 percent in 2012. The growth in housing permit activity is coming off very low levels after declining for six consecutive years.

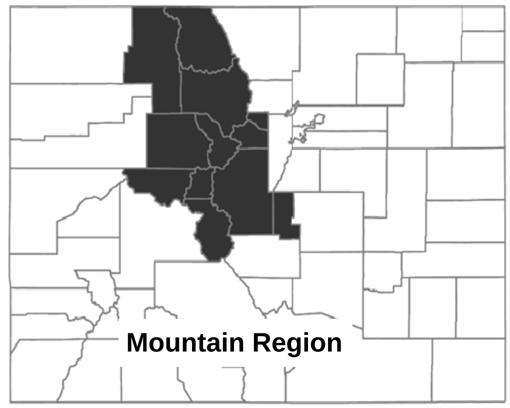
The region's outlook for more home sales and increased permitting activity looks positive. Recent studies are showing that homes within walking distance to shops and restaurants will drive housing markets in Colorado mountain communities. A recent study by the Sonoran Institute (Western Colorado Program), a nonprofit public policy group, shows that homebuyers are willing to pay 18.5 percent more for a home near commercial areas of western Colorado. Thus, several large towns in the western region, namely resort towns of Colorado, may see more home-buying activity as the region's economy improves.

Nonresidential construction has also improved as the value of permits increased 114.7 percent through April 2013 compared with an 18.3 percent gain in 2012. The square footage of nonresidential construction rose 166.5 percent through the first four months of 2013, mainly due to commercial construction projects.

Figure 49 shows the Western region's operating rig count. Low natural gas prices have continued to keep rig counts down across the region. In 2012, the number of rigs operating in the region declined to 12 rigs in November from a high of 35 rigs in March 2011. In May 2013, there were 16 rigs operating in the region, or 25.8 percent of 62 total rigs in the state. During the peak period of operating rigs in March 2011, the region had 52.2 percent of total operating rigs in the state.

Mountain Region

The economy of the mountain region continued to improve through the first quarter of 2013. The region, whose economy is primarily dependent on the ski and gaming industries, saw more workers in the region compared to the same period a year ago. The number of residential construction permits is off to a great start this year, and the region started 18 new nonresidential construction projects. Finally, the extended ski season increased visitation, which helped buoy consumer spending. Table 21 shows economic indicators for the region.



The employment situation in the mountain region shows encouraging signs of improvement through the first four months of 2013. It appears the region benefited from good snowfall for the ski season as employment was 4.4 percent higher compared with the same period one year ago. The unemployment rate also continued to improve as the 6.4 percent rate in April 2012 was lower by 1.3 percent from the same month in 2012. Figure 50 shows the region's nonfarm employment from January 2005 to April 2013, the most recent data available.

Similar to other regions in the state, the residential construction market continues to be a bright spot for the mountain region through the first four months of this year. Residential permits increased by 20.2 percent compared with the same period last year. Figure 51 shows residential building permits from 2008 to 2013 for the region.

Table 21
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2009	2010	2011	2012	YTD 2013
Employment Growth /1	-5.9%	-3.7%	-0.5%	1.5%	4.4%
Unemployment Rate /1 (2013 Figure is April Only)	7.5%	9.1%	7.9%	7.2%	6.4%
Housing Permit Growth /2	-50.2%	-16.7%	4.1%	7.0%	20.2%
Growth in Value of Nonresidential Construction /2					
Value of Projects	-84.6%	17.5%	82.7%	-21.9%	393.7%
Square Footage of Projects	-88.7%	32.9%	75.1%	8.4%	-19.8%
Level (1,000s)	204	271	475	515	4,229,154
Number of Projects	-23.0%	-13.9%	-15.0%	8.6%	34.8%
Level	54	46	39	43	18
Retail Trade Sales Growth /3	-16.2%	4.9%	7.5%	1.3%	6.5%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2013.

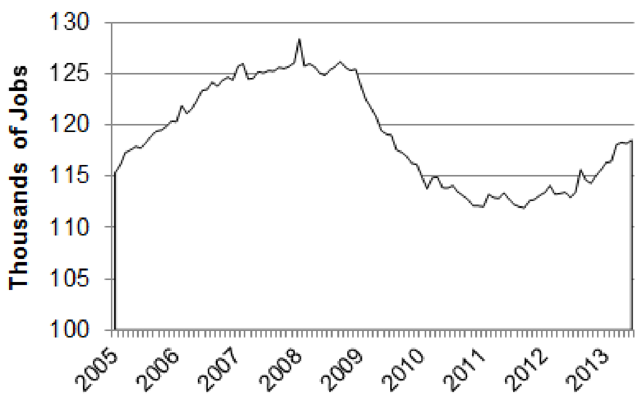
2/ F.W. Dodge. Data through April 2013. Prior forecasts reported Eagle, Pitkin & Summit Counties and Routt County separately.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2013.

The region reported 18 nonresidential construction project starts through April 2013, a 28 percent increase from the same period last year. These projects will add over 4.2 million square feet to the region's nonresidential inventory. Two projects are the Four Points Lodge, located in the Steamboat Springs Ski Area and the renovation and upgrades to Woodward at Copper Barn, a 19,400-square-foot indoor facility being used this summer as a training complex for athletes who will compete in the 2014 Winter Olympic Games in Sochi, Russia.

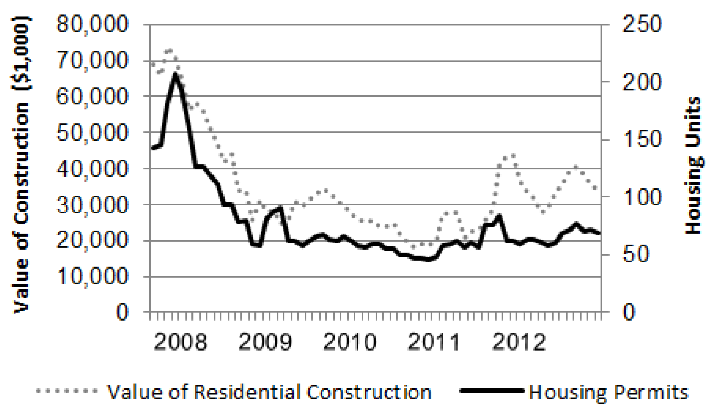
Consumer spending growth, as measured by retail trade sales, grew 6.5 percent through the first three months of 2013 compared with the same period one year ago. The region benefited from an extended ski season as hotels, restaurants, and shops were able to stay open longer. Figure 52 indexes the region's retail sales growth with the state as a whole and the nation.

Figure 50
Mountain Region Nonfarm Employment
Seasonally Adjusted



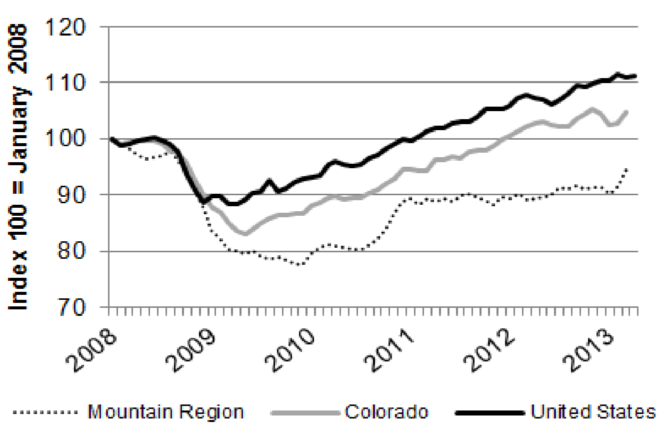
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2013.

Figure 51
Mountain Region Residential Building Permits
Three-Month Moving Average; Non Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2013.

Figure 52
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 March 2013; U.S. data through April 2013.

Eastern Region

The eastern region's economy continues to grow despite suffering one of the worst droughts in nearly 30 years. In 2012, crop and livestock prices rose; they continue to edge up slowly in 2013, fueling profits for the agricultural industry. Nonfarm employment growth in the region is slow, although the region's unemployment rate is lower than the statewide average. Meanwhile, consumer spending was weak in the first quarter of 2013. Table 22 shows economic indicators for the region.

Nonfarm employment in the eastern region grew slowly at 1.5 percent in the first four months of 2013, after falling 1.8 percent in 2012. The slow growth is partially attributable to region's recovery from drought and the continued rise of crop prices in 2013. As shown in Figure 53, the region's unemployment rate was 5.6 percent in April, lower than the statewide rate of 6.9 percent. It is important to note that labor market data does not include agricultural workers and employment data for rural areas can contain meaningful error and are frequently revised.

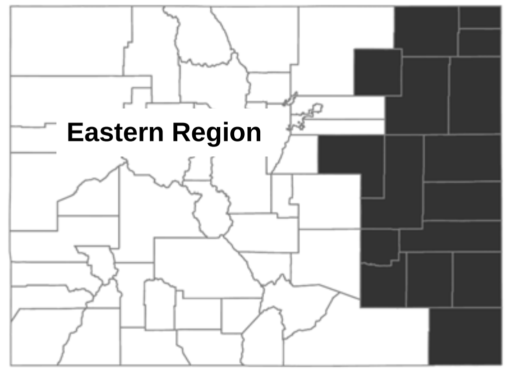


Table 22
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca Counties

	2009	2010	2011	2012	YTD 2013
Employment Growth /1	5.3%	-3.7%	0.9%	-1.8%	1.5%
Unemployment Rate /1 (2013 Figure is April Only)	5.9%	6.7%	6.3%	6.5%	5.6%
Crop Price Changes /2					
Wheat	-32.5%	20.3%	-1.3%	33.7%	20.3%
Corn	-10.9%	12.6%	25.8%	19.3%	12.6%
Alfalfa Hay (Baled)	-20.7%	-2.0%	84.6%	0.0%	-2.0%
Dry Beans	-9.5%	70.2%	76.7%	-19.4%	-35.9%
State Crop Production Growth /3					
Sorghum production	50.0%	30.9%	-17.0%	-34.7%	30.9%
Corn	9.5%	12.1%	-11.3%	-22.6%	12.1%
Winter Wheat	71.9%	-16.0%	-26.2%	-5.4%	-16.0%
Sugar Beets	27.0%	-7.2%	-2.3%	18.9%	-7.2%
State Cattle and Calf Inventory Growth /4	-5.5%	7.0%	4.0%	-9.6%	7.0%
Retail Trade Sales Growth /5	-12.5%	9.9%	13.7%	4.3%	0.9%

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through April 2013.

2/ National Agricultural Statistics Service. Price changes reflect May 2013 over prior year. period

3/ National Agricultural Statistics Service. Estimates for state crop production are year over year for annual figures. 2013 estimates are for forecast acres planted rather than production quotas.

4/ National Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares year-to-date May 1, 2013 over prior year period in 2012.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2013.

After one of the state's worst droughts, ranchers in the region sold off and reduced the size of beef cattle herds because of high feed and fuel prices. The drought drove up feed prices significantly in 2012. In 2013 through May, state cattle and calf inventory grew 7.0 percent after a decline of 9.6 percent in 2012.

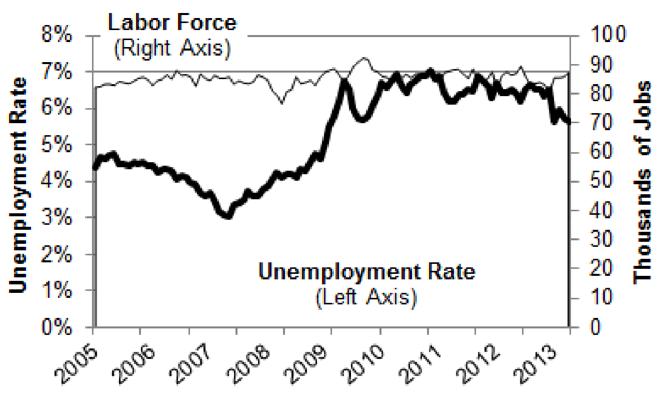
In addition, farmers are making progress in crop plantings as corn and other field crops are getting off to a good start in 2013. Corn crops were 93 percent planted, surpassing the 5-year average by 2 percent in mid-May. Fall potatoes were 90 percent planted by the end of May, a considerable gain over the prior-year period. Hay stocks on farms and ranches as of May 1 totaled 360,000 tons, up 57 percent from hay on hand in 2012. The planting statistics are signs that production levels for some of these crops may be higher in 2013 than in the prior year.

Crop prices for wheat and corn rose to record highs in 2012, driven by the drought. Prices will likely continue to edge up in 2013. In May 2013, wheat prices rose to $7.18 per bushel, 20.3 percent higher than in May 2012, when the per bushel price was $5.97. Corn prices were $6.99 per bushel in May 2013, 12.6 percent higher than in May 2012.

Despite the rising crop prices, ongoing drought and late-spring freezes are resulting in one of the region's worst wheat crops after an April freeze damaged crops. However, statewide, better weather in the northeast part of the state may salvage the state's wheat crop. Winter wheat production in Colorado is forecast at nearly 62 million bushels, 16 percent below last year's production levels at nearly 74 million bushels and 21 percent below levels planted in 2011, two years ago. Currently, crop development is about three weeks behind normal levels, although the eastern region's wheat crop may experience significant damage from the spring freeze.

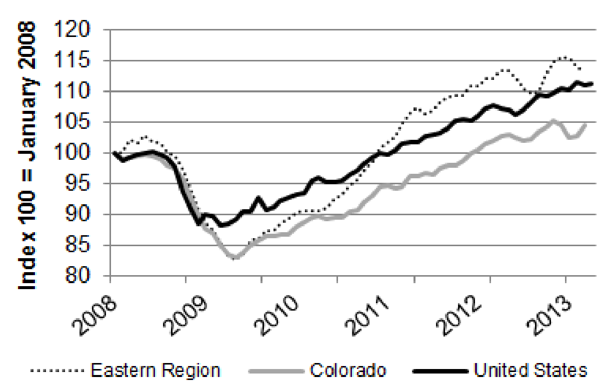
The eastern region experiences different economic trends than the more urban areas of the state because of the heavy influence of agricultural industries. Consumers in the region increased spending at rates faster than both the nation and the state in 2010 and 2011 as the region's farmers enjoyed profitable years. Spending has continued to grow through 2012, but at the slower rate of 4.3 percent. Consumer spending through March 2013 grew 0.9 percent, a much slower rate than consumer spending in 2012. Figure 54 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.

Figure 53
Eastern Region
Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2013.

Figure 54
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 March 2013. U.S. data through April 2013.

Appendix A
Historical Data

National Economic Indicators

(Dollar Amounts in Billions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Domestic Product percent change	\$8,793.5 5.5%	\$9,353.5 6.4%	\$9,951.5 6.4%	\$10,286.2 3.4%	\$10,642.3 3.5%	\$11,142.2 4.7%	\$11,853.3 6.4%	\$12,623.0 6.5%	\$13,377.2 6.0%	\$14,028.7 4.9%	\$14,291.5 1.9%	\$13,973.7 -2.2%	\$14,498.9 3.8%	\$15,075.7 4.0%	\$15,684.8 4.0%
Real Gross Domestic Product (inflation-adjusted, chained to 2005) percent change	\$10,274.7 4.4%	\$10,770.7 4.8%	\$11,216.4 4.1%	\$11,337.5 1.1%	\$11,543.1 1.8%	\$11,836.4 2.5%	\$12,246.9 3.5%	\$12,623.0 3.1%	\$12,958.5 2.7%	\$13,206.4 1.9%	\$13,161.9 -0.3%	\$12,757.9 -3.1%	\$13,063.0 2.4%	\$13,299.1 1.8%	\$13,593.2 2.2%
Unemployment Rate	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%	8.9%	8.1%
Inflation (Consumer Price Index)	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%	3.1%	2.1%
10-Year Treasury Note	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%	2.8%	1.9%
Personal Income percent change	\$7,525.4 7.5%	\$7,910.8 5.1%	\$8,559.4 8.2%	\$8,883.3 3.8%	\$9,060.1 2.0%	\$9,378.1 3.5%	\$9,937.2 6.0%	\$10,485.9 5.5%	\$11,268.1 7.5%	\$11,912.3 5.7%	\$12,460.2 4.6%	\$11,867.0 -4.8%	\$12,321.9 3.8%	\$12,947.3 5.1%	\$13,431.2 3.7%
Wage and Salary Income percent change	\$4,181.6 7.9%	\$4,460.0 6.7%	\$4,827.7 8.2%	\$4,952.2 2.6%	\$4,997.3 0.9%	\$5,139.6 2.8%	\$5,425.7 5.6%	\$5,701.0 5.1%	\$6,068.9 6.5%	\$6,421.7 5.8%	\$6,550.9 2.0%	\$6,270.4 -4.3%	\$6,404.6 2.1%	\$6,661.3 4.0%	\$6,906.0 3.7%
Nonfarm Employment (millions) percent change	126.0 2.6%	129.1 2.4%	131.9 2.2%	131.9 0.0%	130.4 -1.1%	130.1 -0.3%	131.5 1.1%	133.7 1.7%	136.1 1.8%	137.6 1.1%	136.8 -0.6%	130.9 -4.4%	129.9 -0.7%	131.5 1.2%	133.7 1.7%

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

Colorado Economic Indicators

(Dollar Amounts in Millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Nonagricultural Employment (thous.)	2,056.9	2,132.1	2,214.3	2,227.1	2,184.7	2,152.5	2,179.3	2,225.9	2,279.7	2,331.0	2,350.6	2,245.2	2,222.2	2,258.2	2,307.8
percent change	3.9%	3.7%	3.9%	0.6%	-1.9%	-1.5%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.2%
Unemployment Rate (%)	3.6	3.1	2.8	3.8	5.6	6.1	5.6	5.1	4.3	3.8	4.8	8.1	9.0	8.6	8.0
Personal Income	$120,100	$130,663	$147,056	$156,468	$157,752	$159,918	$168,587	$179,695	$194,390	$205,242	$216,030	$204,625	$212,545	$225,410	$234,143
percent change	9.1%	8.8%	12.5%	6.4%	0.8%	1.4%	5.4%	6.6%	8.2%	5.6%	5.3%	-5.3%	3.9%	6.1%	3.9%
Per Capita Income	$29,174	$30,919	$33,986	$35,355	$35,131	$35,312	$36,849	$38,795	$41,181	$42,724	$44,180	$41,154	$42,107	$44,053	$45,135
percent change	6.5%	6.0%	9.9%	4.0%	-0.6%	0.5%	4.4%	5.3%	6.2%	3.7%	3.4%	-6.8%	2.3%	4.6%	2.5%
Wage and Salary Income	$69,862	$76,643	$86,416	$89,109	$88,106	$89,284	$93,619	$98,902	$105,833	$112,962	$116,999	$112,588	$114,191	$119,148	$123,801
percent change	11.3%	9.7%	12.8%	3.1%	-1.1%	1.3%	4.9%	5.6%	7.0%	6.7%	3.6%	-3.8%	1.4%	4.3%	3.9%
Retail Trade Sales	$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	$75,548	$80,073
percent change	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%	6.8%	6.0%
Housing Permits	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	13,502	23,301
percent change	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%	16.5%	72.6%
Nonresidential Construction	$2,952	$3,799	$3,498	$3,476	$2,805	$2,686	$3,245	$4,275	$4,641	$5,259	$4,117	$3,352	$3,111	$3,923	$3,666
percent change	-11.5%	28.7%	-7.9%	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.7%	-18.6%	-7.2%	26.1%	-6.6%
Denver-Boulder Inflation Rate	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%	3.7%	1.9%
Population (thousands, July 1)	4,116.6	4,226.0	4,326.9	4,425.7	4,490.4	4,528.7	4,575.0	4631.9	4,720.4	4,803.9	4,889.7	4,972.2	5,047.7	5,116.8	5,187.6
percent change	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%	1.4%	1.4%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and F.W. Dodge. 2012 nonfarm employment figures are rebenchmarked figures based on Legislative Council Staff analysis.
NA = Not Available.