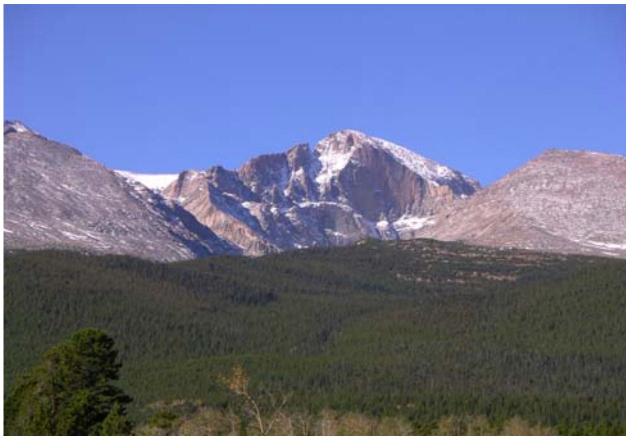

Focus Colorado: Economic And Revenue Forecast

Colorado Legislative Council Staff
Economics Section

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Photograph captures Longs Peak, courtesy of Andy Keim.

Highlights

- **Colorado's economy** is continuing to expand and should see solid growth through the remainder of 2013 and 2014. Employment is expected to continue to grow and the unemployment rate will decrease. Retail sales will grow, although at a modest rate as personal income and wages and salaries are constrained. The housing market is projected to remain strong throughout the forecast period.

- The **General Fund revenue** forecast decreased by $100.4 million in FY 2013-14 and $180.1 million in FY 2014-15 because of lower expectations for corporate and individual income taxes.

- In **FY 2013-14**, the General Fund is expected to end the year with a $512 million surplus. Of this amount, $30 million will be transferred to the Colorado Water Conversation Board Construction Fund. Pursuant to Senate Bill 13-260, three quarters of the remaining surplus, or $361.5 million, will be transferred to the State Education Fund. Net of these transfers, the General Fund will end FY 2013-14 with $120.5 million more than the required reserve.

- The General Assembly will have just under $1.37 billion, or 16.2 percent, more to spend in **FY 2014-15** than the amount budgeted for FY 2013-14. This figure includes the $120.5 million surplus.

- Revenue subject to TABOR is expected to be $290 million, $204 million, and $210 million below the **Referendum C cap** in FYs 2013-14, 2014-15, and 2015-16, respectively.

- **School districts** statewide will experience a 2.2 percent increase in assessed values and a 1.5 percent increase in student FTE enrollment during the 2014-15 school year.

- The adult incarcerated **prison** population will increase by 980 inmates and the **in-state parole** population will decrease by 269 parolees between 2013 and 2016.

EXECUTIVE SUMMARY

Executive Summary

This report presents the budget outlook based on current law and the December 2013 economic, General Fund revenue, and cash fund revenue forecasts. Three annual forecasts related to the budget are also presented. Forecasts for property assessed values and kindergarten through twelfth grade enrollment are presented to inform the budget for school finance. Forecasts for adult prison and parole populations and the Division of Youth Corrections population are presented to inform the budgets for the Department of Corrections and the Department of Human Services. Finally, a summary of expectations for the national and Colorado economies and of current economic conditions in nine regions around the state are presented.

General Fund Budget Overview

Table 1 on page 4 presents the General Fund overview based on current law. Tables 2 and 4 on pages 7 and 9 provide estimates for General Fund rebates and expenditures (*line 8 of Table 1*) and detail for cash fund transfers to and from the General Fund (*lines 3 and 9 of Table 1*).

FY 2012-13. The FY 2012-13 General Fund budget ended the year with $1.07 billion more 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 when the books for FY 2012-13 are closed (*see line 19 of Table 1 and Figure 1 on page 6*).

FY 2013-14. General Fund revenue will be $512.0 million higher at the end of FY 2013-14 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 $361.5 million will be transferred to the State Education Fund pursuant to Senate Bill 13-260. Net of these transfers, an additional $120.5 million is expected to remain in the General Fund at the end of the year (*see line 20 of Table 1*).

It is important to note that any legislation that reduces the amount of money in excess of the required reserve will also reduce the transfer to the State Education Fund required by Senate Bill 13-260 by 75 cents on the dollar. This includes legislation to increase the size of the required reserve, spend General Fund, or reduce General Fund revenue. If the cumulative fiscal impact of legislation exceeds $482.0 million, the $30 million transfer to the Colorado Water Conservation Board Construction Fund will also be reduced.

The FY 2013-14 forecast for General Fund revenue decreased by $100.4 million compared with the September forecast, primarily because of lower expectations for income taxes.

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

		FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
FUNDS AVAILABLE		**Preliminary**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve /A	$795.8	$373.0	$518.9	*
2	General Fund Revenue	$8,554.8	$9,006.7	$9,547.8	$10,049.8
3	Transfers to Other Funds *(Table 4)*	0.3	2.4	2.4	2.4
4	**Total Funds Available**	**$9,350.9**	**$9,382.1**	**$10,069.1**	*
5	Percent Change	16.4%	0.3%	7.3%	*
EXPENDITURES		**Budgeted**	**Budgeted**	**Estimate**	**Estimate**
6	General Fund Appropriations	$7,459.2	$7,967.4	*	*
7	Adjustments for Appropriations	5.4	*	*	*
8	Rebates and Expenditures *(Table 2)*	380.2	250.7	262.0	274.1
9	Transfers to Other Funds /B *(Table 4)*	4.6	51.1	1.9	1.9
10	Transfers to the State Education Fund Pursuant to SB 13-234	0.0	45.3	25.3	25.3
11	Transfers for Highway Construction /C	0.0	0.5	0.0	201.0
12	Transfers to the Capital Construction Fund /C	61.4	186.7	44.3	96.4
13	**Total Expenditures**	**$7,910.9**	**$8,501.7**	*	*
14	Percent Change	9.6%	7.5%		
15	Accounting Adjustments	6.4	*	*	*
RESERVE		**Preliminary**	**Estimate**		
16	Year-End General Fund Reserve	$1,446.5	$880.3	*	*
17	Year-End Reserve As A Percent of Appropriations	19.4%	11.0%	*	*
18	Statutorily-Required Reserve	373.0	398.4	*	*
19	Transfers from Reserve to the State Education Fund	**$1,073.5**	**$361.5**	*	*
20	Amount in Excess or (Deficit) of Statutory Reserve /A	**$0.0**	**$120.5**	*	*
21	Excess Reserve as a Percent of FY 2013-14 Expenditures	NA	1.4%	*	*
ALTERNATIVE PERSPECTIVES ON UNBUDGETED YEARS				**Estimate**	**Estimate**
Money Available in FY 2014-15 in Excess of FY 2013-14 Expenditures /D					
22	Amount in Excess of Statutory Reserve			$1,369.7	*
23	As a Percent of FY 2013-14 Expenditures			16.2%	*
Assuming Appropriations Increase by the 15-Year Historical Average Annual Rate of 3.58% /E					
24	Amount in Excess of Statutory Reserve			$1,070.5	$1,961.7
25	As a Percent of FY 2013-14 Expenditures			12.6%	23.2%
Assuming Appropriations Increase by the Historical Average Rate During Economic Expansions of 5.96% /F					
26	Amount in Excess of Statutory Reserve			$871.2	$1,354.3
27	As a Percent of FY 2013-14 Expenditures			10.3%	16.0%
ADDENDUM		**Preliminary**	**Estimate**	**Estimate**	**Estimate**
28	Percent Change in General Fund Appropriations	6.1%	6.8%	*	*
29	5% of Colorado Personal Income Appropriations Limit	$10,530.4	$11,301.6	$11,873.1	$12,336.1
30	Transfers to State Education Fund Per Amendment 23	$486.3	$494.1	$515.9	$543.2

Totals may not sum due to rounding.

** Not estimated. NA = Not applicable.*

/A The beginning reserve (line 1) and the excess reserve (line 20) 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 9 during FY 2013-14).

/B 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 9) although it will actually occur during the following year when the books for FY 2013-14 are closed.

/C Colorado personal income is expected to increase by at least 5.0 percent in 2014 (see Table 14 on page 60). Thus, transfers from the General Fund to the Highway Users Tax Fund (line 11) and the Capital Construction Fund (line 12) equal to 2.0 percent and 0.5 percent of General Fund revenue, respectively, are included during FY 2015-16 pursuant to SB 09-228.

/D This holds appropriations in FY 2014-15 equal to appropriations in FY 2013-14 to determine the total amount of money available above FY 2013-14 expenditures.

/E The average annual rate of growth in appropriations from FY 1998-99 through FY 2013-14.

/F The average growth rate of appropriations over the last 15 years, only during years when the economy expanded: Fiscal Years 1999-00 and 2000-01, fiscal Years 2004-05 through 2007-08, and Fiscal Years 2011-12 and 2012-13.

Unbudgeted years: FYs 2014-15 and 2015-16. Because a budget has not yet been enacted for FYs 2014-15 and 2015-16, lines 22 through 27 of Table 1 show three alternative perspectives on the General Fund budget situation during those years. The budget situations described for each perspective assume that the $120.5 million surplus from FY 2013-14 is carried forward into FY 2014-15, and that any surplus in excess of the budget and required reserve in FY 2014-15 is carried forward into FY 2015-16.

- Perspective 1, shown in lines 22 and 23 of Table 1, assumes no growth in appropriations between FY 2013-14 and FY 2014-15 to illustrate the amount of money available to the General Assembly above the amount budgeted to be spent and retained in the reserve during FY 2013-14. This amount is expected to be $1.37 billion, or 16.5 percent of budgeted expenditures in FY 2013-14.

- Perspective 2, shown in lines 24 and 25 of Table 1, assume General Fund appropriations increase by 3.58 percent each year. The 3.58 percent growth rate is equal to the average annual growth in General Fund appropriations over the last 15 years, or from FY 1998-99 through FY 2013-14. In this case, there would be 12.6 percent and 23.2 percent more to spend in excess of the budget and required reserve during FYs 2014-15 and 2015-16, respectively, than is being spent in FY 2013-14.

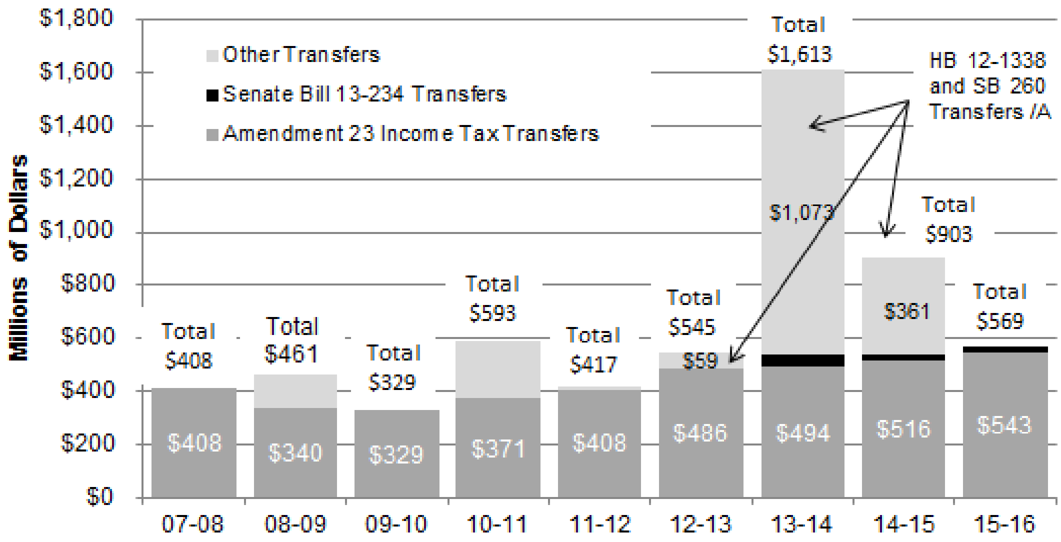
- Perspective 3, shown in lines 26 and 27 of Table 1, assume a historical growth rate for General Fund appropriations over the last 15 years using only those years during which the economy expanded. This average rate of growth is equal to 5.96 percent. If General Fund appropriations were increased each year by this amount, there would be 10.3 percent and 16.0 percent more to spend in excess of the budget and required reserve during FYs 2014-15 and 2015-16, respectively, than is being spent in FY 2013-14.

State Education Fund. The State Constitution requires the State Education Fund to receive one-third of one percent of taxable income (*see Table 1, line 30*). 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 19*). 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 does not diminish the flexibility of the entire General Fund budget. Figure 1 shows a history and forecast for State Education Fund revenue sources through the end of the forecast period.

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 5.7 percent in 2014, triggering the first year of these transfers in FY 2015-16. An estimated $50.3 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 $201.0 million, or 2.0 percent of General Fund revenue.

These transfers will occur for five years unless the TABOR surplus reaches a certain level. If, during any particular year, the state incurs a TABOR surplus between 1 percent ($100.5 million in FY 2015-16) and 3 percent ($301.5 million in FY 2015-16) of General Fund revenue, these transfers

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



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

will be cut in half. If 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 by 5.7 percent in 2014; therefore, the reserve is expected to rise to 5.5 percent in FY 2017-18, 6.0 percent in FY 2018-19, and 6.5 percent in FY 2019-20.

Tax benefits dependent on sufficient General Fund revenue. Several tax benefits 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 2015-16. Table 3 illustrates the availability of these tax benefits.

Table 2
General Fund Rebates and Expenditures
(Dollars in Millions)

Category	Preliminary FY 2012-13	Estimate FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16
Senior & Veterans Property Tax Exemptions	$102.7	$111.6	$119.1	$127.0
Percent Change	*NA*	*8.6%*	*6.7%*	*6.7%*
Cigarette Rebate	10.7	10.8	10.5	10.3
Percent Change	*-4.4%*	*0.2%*	*-2.0%*	*-2.1%*
Old-Age Pension Fund	103.9	106.0	110.3	114.8
Percent Change	*12.4%*	*1.9%*	*4.1%*	*4.1%*
Aged Property Tax & Heating Credit	6.6	6.4	6.2	6.0
Percent Change	*-9.3%*	*-2.2%*	*-3.1%*	*-3.1%*
Older Coloradans Fund	8.0	10.0	10.0	10.0
Percent Change	*0.0%*	*25.0%*	*0.0%*	*0.0%*
Interest Payments for School Loans	0.7	0.4	0.4	0.4
Percent Change	*7.9%*	*-40.6%*	*-13.6%*	*12.0%*
Fire and Police Pension Association	146.6	4.7	4.7	4.7
Percent Change	*NA*	*-96.8%*	*0.0%*	*0.0%*
Amendment 35 Distributions	0.9	0.8	0.9	0.8
Percent Change	*2.5%*	*-6.6%*	*1.7%*	*-1.8%*
TOTAL REBATES & EXPENDITURES	**$380.2**	**$250.7**	**$262.0**	**$274.1**

Totals may not sum due to rounding.

General Fund Revenue

In FY 2012-13, General Fund revenue totaled about $8.6 billion, a 10.6 percent increase from the previous fiscal year. Improving economic conditions contributed to the strong growth, but the fund also benefited from several federal tax rate increases that became effective in tax year 2013. General Fund revenue will continue to grow through the forecast period, but at slower pace because of the one-time income gains in FY 2012-13. General Fund revenue will increase 5.3 percent in the current FY 2013-14 and 6.0 percent in FY 2014-15.

Compared with the September forecast, General Fund revenue was slightly reduced. The revisions were not necessarily a result of changes in expectations for the economy, but instead due to revised expectations in revenue growth from estimated payments and corporate income taxes. Estimated payments and corporate income taxes are still expected to grow in FY 2013-14, but at a slower pace than previously projected. General Fund revenue was revised downward by $100.4 million in FY 2013-14, and $180.1 million in FY 2014-15.

Table 3
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 year 2013. Expected to be available in tax years 2014 and 2015. Repealed in tax year 2016.
Sales and use tax exemption for clean rooms	If the June forecast indicates sufficient revenue for the fiscal year that is about to end, the exemption will become available in July.	Currently available through at least June 2014. Expected to continue to be available through at least June 2016.
Child care contribution income tax credit	December forecast immediately before the tax year when the credit becomes available.	Available in tax year 2013 and 2014. Expected to be available in tax years 2015 through 2016.
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.	Currently available through December 2014. Expected to continue to be available through at least December 2016.

Cash Fund Revenue

Cash fund revenue subject to TABOR decreased 0.8 percent in FY 2012-13 from $2.56 billion to $2.54 billion. Cash Fund revenue is expected to increase 0.7 percent to $2.56 billion in FY 2013-14 and 3.1 percent in FY 2014-15. Increases in severance tax collections, regulatory agencies cash funds, other cash funds, and capital construction-related funds will be offset by decreases in hospital provider fee revenue, gaming revenue, and insurance-related cash funds.

TABOR and Referendum C

Table 5 on page 13 illustrates the current status of the TABOR limit and Referendum C cap through FY 2015-16, six years after 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, including both General Fund and cash fund revenue sources, decreased $135.9 million in FY 2013-14 and $152.1 million in FY 2014-15 relative to the September forecast. The large majority of the decrease was due to lower expectations for hospital provider fee revenue and individual income tax revenue to the General Fund.

Table 4
Cash Fund Transfers
(Dollars in Millions)

Bill #	Bill Title	2012-13	2013-14	2014-15
Transfers from the General Fund to Other Funds				
HB 10-1325	Natural Resource Damage Recovery Fund	0.08	0.16	0.16
SB 11-225	Tobacco Litigation Settlement Funds	0.2	0.2	0.2
HB 13-1317	Marijuana Cash Fund		2.0	2.0
Subtotal: Transfer from Other Funds		*0.3*	*2.4*	*2.4*
Transfers to Other Funds from the General Fund				
SB 11-161	Diversion to Laboratory Cash Fund		0.02	0.02
HB 12-1286	Transfer for Film Incentives	3.0		
HB 12-1315	Clean Renewable Energy Fund	1.6	1.6	1.6
HB 13-1001	Advanced Industries Acceleration Fund		5.0	
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 /A	Water Conservation Board Construction Fund		30.0 /A	
SB 13-269	Wildfire Risk Reduction Fund		9.8	
SB 13-270	Wildfire Emergency Response Fund		0.5	
Subtotal: Transfers to Other Funds		*4.6*	*51.1*	*1.9*
Net Impact on the General Fund		**($4.3)**	**($48.7)**	**$0.5**

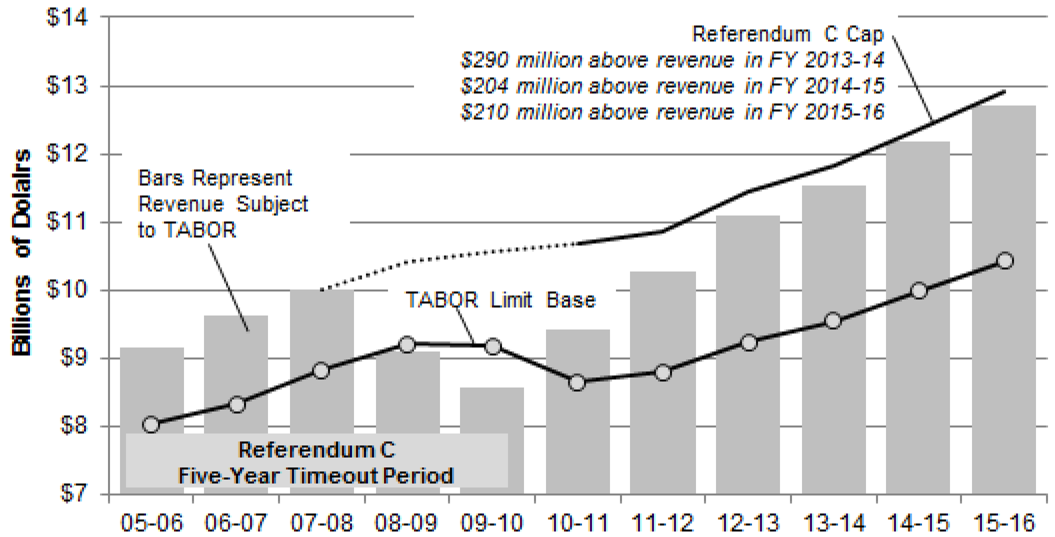
/A This transfer is equal to the first $30 million available in the FY 2013-14 General Fund excess reserve. Although it's shown here in FY 2013-14, the transfer will occur during FY 2014-15 when the books for FY 2013-14 are closed.

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 $11.8 billion in FY 2013-14. Revenue subject to TABOR is expected to be $289.8 million, $203.9 million, and $210.2 million below the cap in FYs 2013-14, 2014-15, and 2015-16, respectively.

Revenue Retained by Referendum C. The state has retained a total of $7.7 billion since the passage of Referendum C during FYs 2005-06 through 2012-13. As shown in Figure 3, the state is expected to retain $2.0 billion in FY 2013-14, $2.2 billion in FY 2014-15, and $2.3 billion in FY 2015-16.

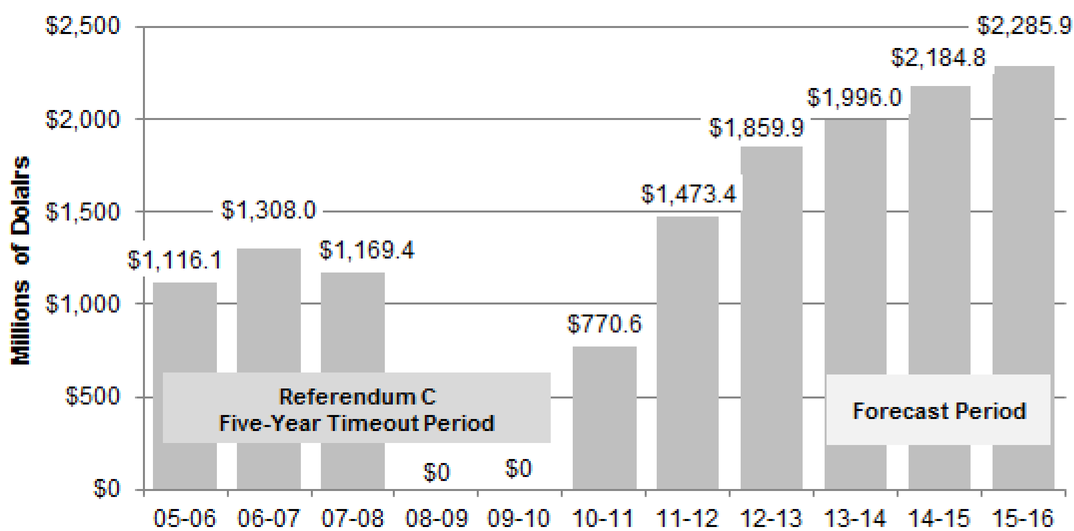
TABOR Refunds. Revenue will not be sufficient to produce a TABOR refund through at least FY 2015-16, the end of the forecast period. However, the amount by which revenue subject to TABOR is below the Referendum C cap is within normal forecasting error. Thus, should the economy and revenue improve faster than currently expected, a surplus could occur as early as this year.

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



Source: Colorado State Controller's Office and Legislative Council Staff.

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



Source: Colorado State Controller's Office and Legislative Council Staff.

National Economy

Although the nation's economic growth slowed in 2013 relative to 2012, many underlying sectors of the economy continued to make significant improvements, placing the economy on healthier footing for stronger expansion in the coming years. Businesses continued to make income gains, while activity in the manufacturing sector gained momentum. The labor market continued to slowly heal, with modest employment growth and incremental gains amongst those displaced from the labor force. Consumers, buoyed by historically low household debt and gains in income and wealth continued to increase spending, particularly on durable goods. Gains in construction, mostly in the residential sector, helped drive the recovery amidst rising home prices.

Economic activity will grow at a more earnest pace in 2014 and 2015. Headwinds created by federal spending cuts and tax increases will wane and the global economy will continue to incrementally improve, allowing the private sector to gain momentum. Most economic uncertainty in 2014 and 2015 will center on the pace of economic activity relative to the pace of adjustments in monetary policy, especially given the recent approval of the federal budget plan through 2015. The economy is recovering sufficiently for the Federal Reserve to begin tapering back its security purchases from $85 billion a month to $75 billion a month in January. Monthly purchases are expected to be reduced gradually over the course of 2014, and the Federal Reserve is expected to begin increasing short term interest rates at some point during the second half of 2015. Expectations for the national economy are shown in Table 13 on page 48.

Colorado Economy

Colorado's economy is continuing to expand and should see solid growth through the remainder of 2013 and 2014. Employment is expected to continue to grow and the unemployment rate will decrease. Retail sales will continue to grow, although at a modest rate as personal income and wages and salaries are constrained. The housing market is projected to remain strong throughout the forecast period. Expectations for the Colorado economy are shown in Table 14 on page 60.

Assessed Values

Total assessed values for all property classes decreased 0.8 percent in 2013 to $88.7 billion. Values are expected to rise 2.2 percent in the 2014 non-reassessment year to a total value of $90.6 billion. Increasing levels of residential new construction and growth in values for nonresidential property classes, most notably oil and gas properties in Weld County, will contribute to the growth in assessed values. Values in 2015 are expected to increase another 5.8 percent, reflecting the increased traction of the economic recovery. The residential assessment rate is expected to remain at 7.96 throughout the forecast period.

Kindergarten through Twelfth Grade Enrollment

Enrollment in Colorado's kindergarten through twelfth (K-12) grade public schools increased 1.5 percent during the current 2013-14 school year, or by 11,676 students. K-12 enrollment is expected to increase 1.5 percent in the 2014-15 school year, or by 12,192 students. The metro Denver and northern regions will drive statewide enrollment growth throughout the forecast period. These regions are expected to the strongest economic growth in the state. Other regions continue to struggle with slow economic activity and an aging population. Enrollment growth in for these regions is expected to increase modestly through the forecast period.

Prison and Parole Populations

The **adult incarcerated prison population** is expected to increase from 20,135 inmates in June 2013 to 21,115 inmates in June 2016, an increase of 980 people. This represents an average annual rate of increase of about 1.6 percent, or about 327 inmates per year. The **in-state parole population** is projected to decrease from 8,746 inmates in June 2013 to 8,477 inmates in June 2016, falling by about 90 people per year.

The **juvenile commitment population** is expected to decrease from an average daily population of 850 youths in FY 2012-13 to 616 youths in FY 2015-16, a decrease of 234 youths over the three-year forecast period. The **juvenile detention population** is expected decrease by 44 youths, from an average daily population of 309 youths in FY 2012-13 to an average daily population of 265 youths in FY 2015-16. The average daily parole population is expected to fall to 235 youths by FY 2015-16, a reduction of 93 youths from a total of 328 youths in FY 2012-13.

Table 5
December 2013 TABOR Revenue Limit and Retained Revenue
(Dollars in Millions)

		Preliminary FY 2012-13	Estimate FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16
	TABOR Revenue:				
1	General Fund /A	$8,564.7	$8,987.9	$9,528.1	$10,030.4
2	Cash Funds	2,542.6	2,560.7	2,639.1	2,687.2
3	**Total TABOR Revenue**	**$11,107.3**	**$11,548.6**	**$12,167.3**	**$12,717.63**
	Revenue Limit				
4	Allowable TABOR Growth Rate	5.4%	3.3%	4.5%	4.5%
5	Inflation (from prior calendar year)	3.7%	1.9%	2.9%	2.9%
6	Population Growth (from prior calendar year)	1.7%	1.4%	1.6%	1.6%
7	TABOR Limit Base	$9,247.5	$9,552.6	$9,982.5	$10,431.7
8	Voter Approved Revenue Change (Referendum C)	$1,859.9	$1,996.0	$2,184.8	$2,285.9
9	Total TABOR Limit / Referendum C Cap	$11,460.2	$11,838.4	$12,371.2	$12,927.9
10	**TABOR Revenue Above (Below) Referendum C Cap**	**($352.9)**	**($289.8)**	**($203.9)**	**($210.2)**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C /B	$1,859.9	$1,996.0	$2,184.8	$2,285.9
12	**Total Available Revenue**	**$11,107.3**	**$11,548.6**	**$12,167.3**	**$12,717.6**
13	Revenue to be Refunded to Taxpayers	$0.0	$0.0	$0.0	$0.0
14	TABOR Reserve Requirement	$333.2	$346.5	$365.0	$381.5

Totals may not sum due to rounding.

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

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

GENERAL FUND REVENUE

In FY 2012-13**,** General Fund revenue totaled about $8.6 billion, a 10.6 percent increase from the previous fiscal year. Improving economic conditions contributed to the strong growth, but the fund also benefited from several federal tax rate increases that became effective in tax year 2013. Many Coloradans cashed out capital gains in tax year 2012 in anticipation of these federal tax changes. General Fund revenue will continue to grow through the forecast period, but at a slower pace because of the one-time income gains in FY 2012-13. General Fund revenue will increase 5.3 percent in FY 2013-14 and 6.0 percent in FY 2014-15.

Table 7 on page 18 illustrates General Fund revenue collections in FY 2012-13 and projections for FY 2013-14 through FY 2015-16 based on current law. Table 6 on page 16 shows the list of major 2013 legislation affecting General Fund revenue.

An improving economy will continue to aid General Fund revenue in the current fiscal year. In FY 2014-15, growth will come from all major revenue categories. Sales taxes will increase 4.5 percent as the impact from the federal government shutdown in October appears to have had a minimal impact on consumers. Employment gains, a rising stock market, and expected increases in wages and salaries will support higher collections for individual income taxes, and revenue from corporate income taxes will remain strong.

Compared with the September forecast, General Fund revenue was slightly reduced. The revisions were not necessarily a result of changes in expectations for the economy, but instead due to revised expectations in revenue growth from estimated payments and corporate income taxes. Estimated payments and corporate income taxes are still expected to grow in FY 2013-14, but at a slower pace than previously projected. General Fund revenue was revised downward by $100.4 million in FY 2013-14, and $180.1 million in FY 2014-15.

Sales taxes. Tax collections from the sales of certain goods continues to improve. After growing 5.7 percent in FY 2012-13, sales taxes will grow 4.5 percent in FY 2013-14. Strong automobile sales are helping to increase sales tax collections and the real estate recovery is helping drive sales at furniture and home improvement stores. However, the rate of growth will slow in FY 2013-14 because of a one-time accounting adjustment that moved sales tax revenue from FY 2013-14 to FY 2012-13. Sales tax collections will increase 5.1 percent in FY 2014-15.

Compared with the September forecast, sales tax revenue was revised upward by $18.5 million in FY 2013-14. The revision is mainly from early indications that the government shutdown in October did not disrupt retail sales as much as expected in the September forecast. The sales tax forecast for FY 2014-15 was increased $15.7 million.

Use taxes. After increasing 21.0 percent in FY 2012-13, use tax collections will decline 4.2 percent to $232.6 million in FY 2013-14. Use tax collections are expected to increase 9.7 percent in FY 2014-15 to $255.2 million as the economy improves and businesses make more investments. To account for lower year-to-date use tax collections, the revenue forecast was decreased

Table 6
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**

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.

$11.1 million in FY 2013-14 and $10.9 million in FY 2014-15 compared with the September 2013 forecast.

Individual income taxes. Total receipts from the state's largest source of tax revenue totaled $5.9 billion in FY 2012-13, 11.7 percent higher than the previous year. Revenue gains were especially aided by federal tax changes that increased taxable income and caused many taxpayers to shift income from tax year 2013 to tax year 2012. Businesses paid dividends and bonuses earlier, and many taxpayers cashed out capital gains in advance of the capital gains tax increase 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. Growth will be supported by improving labor market conditions, a rising stock market, and the continual recovery in the real estate market. Individual income tax revenue will increase 4.3 percent in FY 2013-14 and 5.5 percent in FY 2014-15.

Compared with the September forecast, individual income tax revenue was reduced by $78.4 million for FY 2013-14. The revision is primarily related to slower growth from estimated payments than previously anticipated. Tax collections from earnings in self-employment, interest, dividends, and rents are still expected to grow in FY 2013-14, but at a slower pace.

Corporate income taxes. Corporate profits are expected to continue to grow in 2014 and 2015, although at a slower pace than previously expected. With the unemployment rate falling modestly, corporations will face slightly higher pressure to raise wages and salaries, putting downward pressure on profit margins which may not be offset by productivity gains.

Colorado corporate income tax collections totaled $636.3 million in FY 2012-13. In the next two fiscal years, corporate income tax revenue is expected to rise another 17.4 percent and 12.4 percent, respectively. Revenue growth will be dampened in FY 2013-14 by pent-up demand for two corporate income tax incentives that were capped during tax years 2011, 2012, and 2013: the enterprise zone investment tax credit and the cap on net operating losses. Corporations were allowed to carry forward whatever portion of these incentives they were unable to claim and begin claiming them in tax year 2014, subject to available tax liability.

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 $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 that impact the treatment of book and computer donations to schools, 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. Instead, corporate income tax revenue will increase 3.4 percent in FY 2013-14 and 10.3 percent in FY 2014-15.

Table 7
December 2013 General Fund Revenue Estimates
(Dollars in Millions)

	Category	Preliminary FY 2012-13	Percent Change	Estimate FY 2013-14	Percent Change	Estimate FY 2014-15	Percent Change	Estimate FY 2015-16	Percent Change
1	Sales	$2,211.7	5.7	$2,311.6	4.5	$2,428.6	5.1	$2,553.8	5.2
2	Use	242.7	21.0	232.6	-4.2	255.2	9.7	267.4	4.8
3	Cigarette	38.3	-3.1	36.8	-3.9	36.0	-2.0	35.2	-2.1
4	Tobacco Products	15.6	-2.9	17.6	13.2	18.1	2.6	18.7	3.3
5	Liquor	39.2	2.2	40.6	3.5	41.7	2.8	42.5	1.9
6	TOTAL EXCISE	$2,547.5	6.7	$2,639.2	3.6	$2,779.6	5.3	$2,917.7	5.0
7	Net Individual Income	$5,596.3	11.7	$5,835.7	4.3	$6,158.8	5.5	$6,557.8	6.5
8	Net Corporate Income	636.3	30.8	747.2	17.4	840.1	12.4	821.2	-2.2
9	TOTAL INCOME TAXES	$6,232.6	13.4	$6,582.9	5.6	$6,998.9	6.3	$7,379.0	5.4
10	Less: Portion diverted to the SEF	-486.3	19.3	-494.1	1.6	-515.9	4.4	-543.2	5.3
11	INCOME TAXES TO GENERAL FUND	$5,746.2	12.9	$6,088.8	6.0	$6,483.0	6.5	$6,835.8	5.4
12	Insurance	210.4	6.7	222.8	5.9	230.8	3.6	239.6	3.8
13	Pari-Mutuel	0.7	10.3	0.5	-19.3	0.5	-9.5	0.5	-7.0
14	Investment Income	17.4	28.6	25.0	43.2	21.6	-13.6	24.2	12.0
15	Court Receipts	2.3	-9.0	2.1	-11.0	1.8	-12.0	1.6	-12.3
16	Gaming	12.1	-0.4	10.0	-17.1	10.9	9.0	10.7	-2.2
17	Other Income	18.1	-21.6	18.3	1.0	19.5	6.9	19.9	1.7
18	TOTAL OTHER	$261.1	1.3	$278.7	6.8	$285.2	2.3	$296.4	3.9
19	**GROSS GENERAL FUND**	**$8,554.8**	**10.6**	**$9,006.7**	**5.3**	**$9,547.8**	**6.0**	**$10,049.8**	**5.3**

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

CASH FUND REVENUE

Table 8 summarizes the forecast for revenue to cash funds subject to TABOR. The largest sources of this revenue are fuel taxes and other transportation-related revenue, 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 increase slightly from $2.54 billion in FY 2012-13 to $2.56 billion in FY 2013-14. Increases in severance tax collections, regulatory agencies cash funds, other cash funds, and capital construction-related funds were mostly offset by projected decreases in hospital provider fee revenue, gaming revenue, and insurance-related cash funds. Transportation-related cash funds are projected to remain essentially unchanged in FY 2013-14. Total cash fund revenue subject to TABOR will increase 3.1 percent to $2.64 billion in FY 2014-15, as severance tax revenue is projected to continue to climb with increased oil and gas activity.

Revenue to ***transportation-related*** cash funds is forecast at $1,108.8 million for FY 2013-14, a 0.9 percent increase over FY 2012-13. The September forecast was revised upward, as revenue to these funds grew more quickly in the first four months of the current fiscal year than it has during similar periods in recent years. At this point, it is unclear whether the increase will be sustained. The largest gains concentrated in fuel tax revenue and local grants to the State Highway Fund. Slow growth is projected during the remainder of the forecast period. Forecasts for transportation-related cash funds are shown in Table 9 on page 21.

Total revenue to the *Highway Users Tax Fund* (HUTF) is expected to reach $949.9 million in FY 2013-14, an increase of 1.5 percent over the previous year. Revenue is expected to reach $951.9 million in FY 2014-15 and $959.8 million in FY 2015-16. The largest source of revenue to the HUTF is the excise tax on motor fuels and special fuels. Anticipated growth in this revenue is the largest factor in the projected expansion of HUTF revenue in the current fiscal year. Between July and October, fuel tax collections outpaced collections from the first four months of FY 2012-13 by $4.7 million. Fuel tax collections are projected to decline from this year's higher levels in FY 2014-15 before rebounding slightly in FY 2015-16.

Registration fees, comprised of motor vehicle registration fees, the road safety surcharge, and late registration fees, are forecast at $332.5 million in FY 2013-14, an increase of 1.6 percent. The state's expanding population is expected to drive increased revenue from vehicle registrations over the duration of the forecast period.

The *State Highway Fund (SHF)* is funded primarily by transfers from the Highway Users Tax Fund and by federal government appropriations. SHF revenue subject to TABOR comes from local governments and interest earnings on the fund balance. Local government revenue is volatile and can be difficult to forecast. Over the first four months of FY 2013-14, SHF revenue subject to TABOR is up $2.3 million relative to a similar period last year. Revenue in FY 2013-14 is projected to reach $43.9 million, a 6.5 percent increase over FY 2012-13.

Table 8
December 2013 Cash Fund Revenue Subject to TABOR Estimates
(Dollars in Millions)

	Preliminary FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	FY 12-13 to FY 15-16 CAAGR *
Transportation-Related	**$1,098.4**	**$1,108.8**	**$1,117.9**	**$1,134.1**	
% Change	-1.2%	0.9%	0.8%	1.5%	**1.1%**
Hospital Provider Fee	**$652.6**	**$601.9**	**$576.6**	**$565.0**	
% Change	11.3%	-7.8%	-4.2%	-2.0%	**-4.7%**
Severance Tax	**$138.6**	**$182.3**	**$249.7**	**$263.7**	
% Change	-33.3%	31.5%	37.0%	5.6%	**23.9%**
Gaming Revenue /A	**$98.1**	**$93.9**	**$96.2**	**$95.9**	
% Change	2.6%	-4.3%	2.4%	-0.3%	**-0.7%**
Insurance-Related	**$26.4**	**$20.7**	**$21.2**	**$21.7**	
% Change	16.6%	-21.7%	2.3%	2.6%	**-6.3%**
Regulatory Agencies	**$64.8**	**$73.3**	**$75.1**	**$77.3**	
% Change	-0.2%	13.0%	2.5%	3.0%	**6.1%**
Capital Construction Related - Interest /B	**$0.8**	**$1.4**	**$0.7**	**$0.4**	
% Change	-29.0%	80.7%	-50.0%	-41.5%	**-19.1%**
Other Cash Funds	**$462.9**	**$478.4**	**$501.8**	**$528.9**	
% Change	-2.1%	3.3%	4.9%	5.4%	**4.5%**
Total Cash Fund Revenue	**$2,542.6**	**$2,560.7**	**$2,639.1**	**$2,687.2**	
Subject to the TABOR Limit	-0.8%	0.7%	3.1%	1.8%	**1.9%**

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

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

/B Includes interest earnings to the Capital Construction Fund, the Controlled Maintenance Trust Fund, and transfers from the Canteen Fund into TABOR.

Table 9
Transportation Funds Revenue Forecast by Source, December 2013
(Dollars in Millions)

	Preliminary FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	FY 12-13 to FY 15-16 CAAGR *
Highway Users Tax Fund (HUTF)					
Motor Fuel and Special Fuel Taxes	$552.2	$558.3	$549.8	$550.8	-0.1%
% Change	-0.9%	1.1%	-1.5%	0.2%	
Total Registrations	$327.3	$332.5	$340.4	$346.4	1.9%
% Change	0.2%	1.6%	2.4%	1.8%	
Registrations	*$192.9*	*$197.9*	*$202.8*	*$206.9*	
Road Safety Surcharge	*$117.1*	*$118.3*	*$121.2*	*$123.7*	
Late Registration Fees	*$17.3*	*$16.3*	*$16.3*	*$15.8*	
Other HUTF Receipts /A	$56.8	$59.2	$61.7	$62.6	3.3%
% Change	-2.1%	4.2%	4.4%	1.4%	
Total HUTF	**$936.2**	**$949.9**	**$951.9**	**$959.8**	0.4%
% Change	-0.6%	1.5%	0.2%	0.8%	
State Highway Fund /B	$41.3	$43.9	$47.2	$52.4	8.3%
% Change	-22.3%	6.5%	7.5%	11.0%	
Other Transportation Funds	$120.9	$115.0	$118.7	$121.9	0.3%
% Change	5.6%	-4.9%	3.3%	2.7%	
Aviation Fund /C	*$44.9*	*$39.5*	*$41.2*	*$42.9*	
Law-Enforcement-Related /D	*$11.0*	*$10.5*	*$11.3*	*$11.3*	
Registration-Related /E	*$65.0*	*$64.9*	*$66.2*	*$67.7*	
Total Transportation Funds	**$1,098.4**	**$1,108.8**	**$1,117.9**	**$1,134.1**	1.1%
% Change	-1.1%	0.9%	0.8%	1.5%	

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 only SHF revenue subject to Article X of the Colorado Constitution (TABOR).

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

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

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

Addendum: TABOR-Exempt FASTER Revenue

	Preliminary FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16
Bridge Safety Surcharge	$97.3	$96.7	$99.1	$99.6
% change	1.5%	-0.6%	2.5%	0.5%

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

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. Because the SHF obtains a substantial portion of its funding from the federal government, future federal policy will affect both the fund's balance and its interest earnings.

Revenue to *other transportation funds* is expected to decline 4.9 percent to $115.0 million in FY 2013-14. Revenue to the Aviation Fund is decreasing in FY 2013-14 after a large one-time transfer of sales taxes to the fund in FY 2012-13. For the rest of the forecast period, other transportation fund revenue is expected to increase 3.3 percent in FY 2014-15 and 2.7 percent in 2015-16.

The Bridge Safety Surcharge has reached full implementation. Revenues generated under the fee are expected to reach $96.7 million in 2013-14, $99.1 million in 2014-15, and $99.6 million in 2015-16. Revenue from the fee is exempt from TABOR (see Addendum to Table 9).

The **Hospital Provider Fee (HPF)** is expected to generate $601.9 million in FY 2013-14. This represents a decline of $50.7 million from the previous fiscal year. The downward trend in revenue collection is projected to continue with revenues falling to $576.6 million in FY 2014-15 and $565.0 million in FY 2015-16. Compared with the September 2013 forecast, these projections signify a reduction of $40.3 million and an increase of $1.8 million to the FY 2013-14 and FY 2014-15 HPF forecasts, respectively.

Total **severance tax** revenue, including interest earnings, is projected to be $182.3 million in FY 2013-14, a downward revision of 1.2 percent from the September forecast. The revision is primarily due to a modest decrease in oil price expectations, offset by a slight increase in natural gas price expectations. Projected coal receipts declined another 6.3 percent, while projected molybdenum and metallic mineral receipts were also slightly down. In FY 2014-15, total severance tax collections are projected to be $249.7 million, representing a 9.4 percent increase from the September forecast. Collections are projected to be to $263.7 million in FY 2015-16.

The price of natural gas remains the largest determinant of state severance tax collections. From April 2012 through April 2013 prices climbed steadily, reaching $4.40 per Mcf (thousand cubic feet) in early May. Prices tapered somewhat over the summer, but rose gradually through the fall. The first week in December saw a sharp spike, with prices at regional hubs rising as high as $7.00 per Mcf. While this was likely a weather-related short-term spike, regional prices are currently about $4.30 per Mcf. Prices are projected to remain at higher levels through the first quarter of 2014. For FY 2013-14, oil and gas severance tax collections are expected to rise to $164.6 million.

While oil prices rose sharply in the early part of the summer, they have fallen off through the fall to their current level of around $98 per barrel. Oil prices are expected to remain at this level through the first quarter of 2014, and 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 3.6 million barrels through the first nine months of 2013. This average monthly production represents a 32 percent increase compared with the average production during a similar period in 2012, and nearly a three-fold increase from average production in the first six months of 2008. This forecast assumes oil production in the Niobrara formation will continue to increase throughout the forecast period.

Coal production represents the second largest source of severance taxes in Colorado after oil and natural gas. Relative to the September forecast, December's projected coal severance tax collections for FY 2013-14 decreased by 6.3 percent. The decline was due to a recent announcement that the Elk Creek mine in Gunnison County is suspending operations until further notice. Colorado coal production decreased 17 percent through the first ten months of 2013 compared with the same period in 2012. Of Colorado's top nine producing mines in 2012, only two have increased production in the first ten months of 2013, and four are showing production declines of between 10 and 30 percent. The market is soft as electric utilities continue to transition from coal to natural gas. In FY 2014-15 and FY 2015-16, collections are expected to total $7.2 million and $6.8 million, respectively, representing a modest drop from the September forecast.

Severance tax from metallic minerals, including gold, represents a tiny fraction of total collections. This component is expected to total $2.6 million in both FY 2013-14 and FY 2014-15, before increasing to $2.7 million in FY 2015-16.

Finally, projected interest earnings for FY 2013-14 have been revised downward from the September forecast to $7.9 million. Over the remainder of the forecast period, interest earnings are expected to rise to $9.6 million in FY 2014-15, and $10.6 million in FY 2015-16.

Gaming tax revenue includes limited gaming taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. Table 10 summarizes the forecast for gaming revenue and its distribution, both subject to and exempt from TABOR.

Despite the economic recovery, consumers are spending less on casino gaming. The first four months of this fiscal year generated the lowest level of gaming tax revenue of any similar four month period since FY 2008-09. Relative to the first four months of FY 2012-13, revenue dropped $1.5 million, or 6.2 percent. For FY 2013-14, total gaming tax revenue, which includes revenue both subject to and exempt from TABOR, is projected to fall 3.6 percent to $100.5 million. In FY 2014-15, gaming revenue will rebound slightly as casinos build capacity and consumers spend more money. However, revenue is not projected to reach FY 2012-13 levels before the end of the forecast period.

Table 10 also shows the distribution of tax revenues collected from limited gaming subject to TABOR, as well as from extended limited gaming authorized by Amendment 50. Revenue from extended limited gaming is distributed to community colleges and the five local governments with gaming activity: Gilpin and Teller counties, and the municipalities of Black Hawk, Central City, and Cripple Creek. Amendment 50 distributions will total $9.3 million in FY 2013-14 and $9.5 million in FY 2014-15. Community colleges received $6.5 million in gaming tax revenue in FY 2012-13 and are expected to receive a similar amount annually through the forecast period.

Under enabling legislation for Amendment 50, a portion of annual gaming revenue is considered "*Pre-Amendment* 50" revenue and is subject to TABOR. Pre-Amendment 50 distributions are expected to total $91.2 million in FY 2013-14 and $93.4 million in FY 2014-15. After administrative expenses, half of the remaining revenue is distributed to gaming counties and municipalities and the State Historical Fund. The other half is set aside for appropriation by the General Assembly, which established the current distribution scheme in **Senate Bill 13-133**. Under this legislation, $30.0 million is set aside annually to fund various economic development

Table 10
December 2013 Gaming Revenue and Distributions
(Dollars in Millions)

	Preliminary FY 2012-13	Estimate FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16
Gaming Revenue				
Gaming Taxes				
Pre-Amendment 50 *(Subject to TABOR)*	94.5	91.2	93.4	93.2
Amendment 50 Revenue *(TABOR Exempt)*	9.6	9.3	9.5	9.5
Total Gaming Taxes	**$104.1**	**$100.5**	**$102.8**	**$102.6**
Fees and Interest Earnings *(Subject to TABOR)*				
To Limited Gaming Fund	1.4	0.9	1.4	1.5
To State Historical Fund	2.2	1.7	1.4	1.3
Total Gaming Revenue	**$107.71**	**$103.17**	**$105.67**	**$105.40**
% change	**2.0%**	**-4.2%**	**2.4%**	**-0.3%**
Total Gaming Revenue Subject to TABOR	$98.1	$93.9	$96.2	$95.9
Distributions of Gaming Tax Revenue /A				
Amendment 50 Distributions				
Community Colleges	6.5	6.4	6.5	6.5
Gaming Counties and Cities	1.8	1.8	1.8	1.8
Amendment 50 Administrative Expenses	1.3	1.1	1.1	1.1
Total Amendment 50 Distributions	**$9.6**	**$9.3**	**$9.5**	**$9.5**
Pre-Amendment 50 Distributions				
State Historical Fund	23.6	22.4	22.9	22.8
Gaming Counties	10.1	9.6	9.8	9.8
Gaming Cities	8.4	8.0	8.2	8.1
General Fund	12.1	10.0	10.9	10.7
Economic Development Programs	30.1	30.0	30.0	30.0
Pre-Amendment 50 Administrative Expenses	10.1	11.2	11.5	11.8
Total Amendment 50 Distributions	**94.5**	**$91.2**	**$93.4**	**$93.2**
Total Gaming Distributions /B	**$104.1**	**$100.5**	**$102.8**	**$102.6**

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

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

Table 11
Federal Mining Leasing Revenue Distributions
(Dollars in Millions)

Fiscal Year	December 2013 Forecast	Percent Change	September 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	$120.8	-26.8%	$120.8	
FY 2013-14	$143.0	18.4%	$145.4	-1.6%
FY 2014-15	$156.8	9.7%	$157.4	-0.3%
FY 2014-15	$167.9	17.4%	$165.5	1.4%

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

programs, including moneys in the Travel and Tourism Promotion Fund, the Bioscience Discovery Evaluation Cash Fund, and the Local Government Limited Gaming Impact Fund. The remaining portion of the state share is transferred to the General Fund at the end of each fiscal year.

All ***other cash fund revenue*** subject to TABOR is expected to increase 3.3 percent in FY 2013-14. 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 2014-15, this total is expected to increase by 4.9 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 for firearms transfers.

Table 11 presents the December 2013 forecast for **federal mineral leasing (FML)** revenue in comparison with the September forecast. FML revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral 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.

For FY 2013-14, FML revenue is anticipated to total $143.0 million in FY 2013-14, representing a 1.6 percent decline from the September forecast. The decrease is the result of the combination of decreased coal production offset by a modest increase in expectations for natural gas prices. In Colorado, roughly 75 percent of coal production occurs on federal lands, and coal production is down 17 percent thus far in 2013 compared with 2012. Revenue is then expected to increase to $156.8 million in FY 2014-15 and $167.9 million in FY 2015-16. This increase in projected revenue during the later years of the forecast period assumes that the federal government will continue to distribute the full amount of FML revenue to states as part of the impending budget package agreed to by congress. These totals would be lower if this does not occur.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and the UI balance are shown in Table 12. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 5 on page 13. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is still subject to TABOR and is included in the revenue estimates for other cash funds in Table 8.

The UI Trust Fund closed FY 2012-13 with a fund balance of $546.8 million, a 6.6 percent increase from the previous fiscal year. The fund balance will continue to increase through the forecast period as unemployment declines and revenue increases. Revenues to the UI trust have been steadily increasing since the fund became solvent on June 30, 2012. **House Bill 11-1288** states that once the UI Trust Fund is solvent a new premium rate table becomes effective the next calendar year. The new premium rate table has been in effect for calendar year 2013 and has supported revenue to the fund.

Total revenue to the UI fund declined 55.3 percent in FY 2012-13. This was primarily due to a $640 million bond issuance in FY 2011-12, without which revenue to the fund would have only declined 9.6 percent. In addition, the solvency surcharge was only levied through the first six months of FY 2012-13. Since the fund balance was greater than 0.5 percent on June 30, 2012, the solvency surcharge was eliminated for tax year 2013. The solvency surcharge will not be levied again through the remainder of the forecast period.

Table 12
Unemployment Insurance Trust Fund Forecast, December 2013
Revenue, Benefits Paid, and Fund Balance
(Dollars in Millions)

	Preliminary FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	FY 12-13 to FY 15-16
Beginning Balance					
Plus Income Received					
UI Premium & Premium Surcharge /A	$637.5	$673.6	$676.6	$715.0	3.9%
Solvency Surcharge	$97.5	$0.0	$0.0	$0.0	
Interest	$13.7	$12.1	$14.2	$15.6	
Plus Special Revenue Bonds					
Total Revenues	**$748.6**	**$685.8**	**$690.8**	**$730.6**	-0.8%
% Change	-55.3%	-8.4%	1.2%	5.5%	
Less Benefits Paid	($570.7)	($530.1)	($479.4)	($434.7)	-8.7%
% Change	-7.4%	-7.1%	-9.6%	-9.3%	
UI Bonds Principal Repayment	($125.0)	($125.0)	($125.0)	($125.0)	
Accounting Adjustment	($19.0)	$0.0	$0.0	$0.0	
Ending Balance	**$546.8**	**$577.4**	**$663.8**	**$834.6**	15.1%
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	0.60%	0.60%	0.77%	1.00%	

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.

In FY 2012-13, the amount of UI benefits declined 7.4 percent. The decrease is from a declining number of UI claims. UI benefits paid will continue falling through the forecast period as unemployment declines.

Federal borrowing and Special Revenue Bonds. Colorado's UI fund began struggling in the 2001 recession. In 2004, the solvency surcharge was first imposed. The 2008 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. 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 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 was paid on 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.

NATIONAL ECONOMY

Although the nation's economic growth slowed in 2013 relative to 2012, many underlying sectors of the economy continued to make significant improvements, placing the economy on healthier footing for stronger expansion in the coming years. Businesses continued to make income gains, while activity in the manufacturing sector gained momentum. The labor market continued to slowly heal, with modest employment growth and incremental gains amongst those displaced from the labor force. Consumers, buoyed by historically low household debt burdens and gains in income and wealth continued to increase spending, particularly on durable goods. Gains in construction, mostly in the residential sector, helped drive the recovery amidst rising home prices.

Economic activity will grow at a more earnest pace in 2014 and 2015. Headwinds created by federal spending cuts and tax increases will wane and the global economy will continue to incrementally improve, allowing the private sector to gain momentum. Most economic uncertainty in 2014 and 2015 will center on the pace of economic activity relative to the pace of adjustments in monetary policy, especially given the recent approval of the federal budget plan through 2015. The economy is recovering sufficiently for the Federal Reserve to begin tapering back its security purchases from $85 billion a month to $75 billion a month in January. Monthly purchases are expected to be reduced gradually over the course of 2014, and the Federal Reserve is expected to begin increasing short term interest rates at some point during the second half of 2015. Expectations for the national economy are shown in Table 13 on page 48.

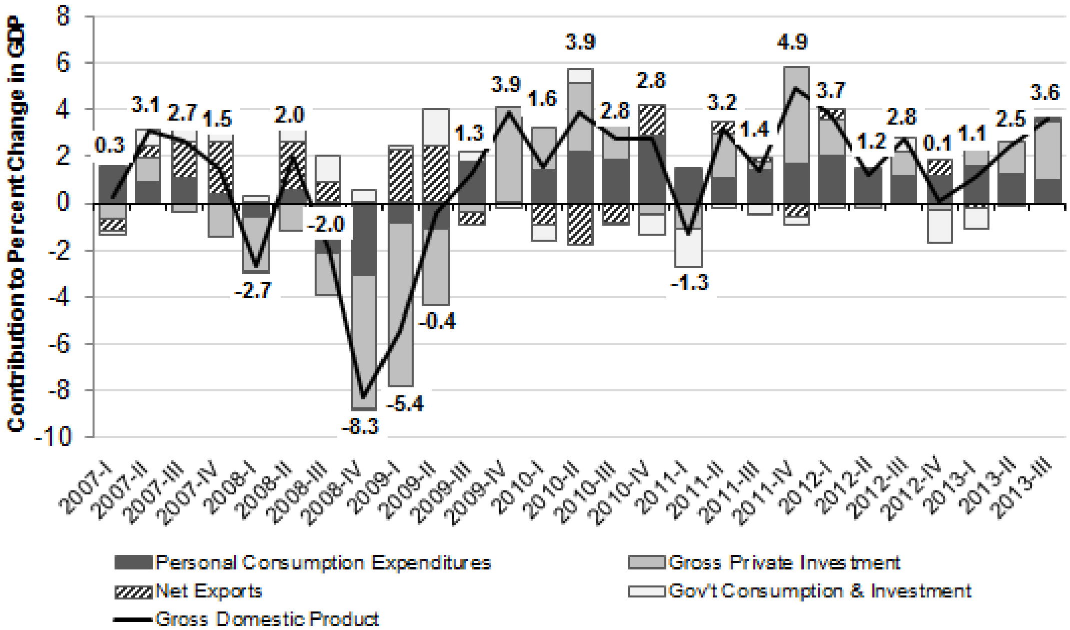
Gross Domestic Product

The nation's inflation-adjusted **gross domestic product (GDP)**, the broadest measure of total economic activity, grew at an average annualized rate of 2.4 percent through the first three quarters of the year. Growth accelerated from a seasonally adjusted annualized rate of 1.1 percent in the first quarter, to 2.5 percent in the second, and 3.6 percent in the third. As shown in Figure 4, all of the growth in 2013 was the result of gains in consumer spending and private investment.

Although consumer spending was a significant contributor to growth, most of the GDP acceleration throughout the year came from increasingly larger gains in the buildup of inventories, a component of private investment. Inventories contributed more than three-fourths of the growth in private investment during the first three quarters of 2013, with the remainder occurring in the residential real estate sector. In the third quarter, the buildup in inventories was responsible for just under half of the 3.6 percentage point overall gain in economic activity. Retailers and manufacturers may have been stocking up in advance of the holiday season. Unless holiday sales are exceptionally strong, economic growth will slow in the fourth quarter and the first quarter of 2014. Consumer spending continued to grow throughout 2013, but at slower rates as the year progressed.

The overall acceleration in GDP growth was also aided by reduced drag from Federal spending cuts that occurred early in the year. Meanwhile, trade has been neutral

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



Source: Bureau of Economic Analysis.

on average thus far in 2013, neither significantly subtracting nor adding to growth.

- Inflation-adjusted GDP is expected to increase 2.2 percent on average in 2013, as growth is expected to be slow in the fourth quarter, partially as a result of the federal government's shutdown in October and partially because consumer spending is not expected to be sufficient to support recent inventory accumulation.

- Growth in inflation-adjusted GDP will increase to 3.1 percent in 2014 as a result of moderate gains in private investment within the real estate, equipment, and intellectual property sectors and stronger gains in consumer spending. Government will also no longer subtract from growth.

Federal Fiscal Policy

Federal spending cuts and tax increases created headwinds for overall growth in 2013, as gains in household income and consumer spending lost momentum because of federal spending cuts and tax increases. In October, the federal government was shutdown for two weeks and the federal debt ceiling was nearly reached. This hit consumer confidence and incrementally slowed overall economic growth in the fourth quarter. However, data indicate that the business and financial communities were not overly affected by the shutdown. This could indicate that the impact of uncertainty over federal fiscal policies is losing potency among decision-makers within the economy.

Economic uncertainty stemming from federal fiscal policies appears to be abating somewhat given the spending plan recently approved by Congress. The plan modifies the sequestration cuts, increasing spending by $45 billion and $20 billion in Federal FYs 2013-14 and 2014-15, respectively, over current law levels. Although the plan specifies a level of spending, it does not actually extend spending authority. Therefore, Congress still must pass a continuing resolution by mid-January. In addition, the plan does not address the nation's debt ceiling, which will be reinstated on February 7, 2014. Another round of debates over the debt ceiling will therefore need to take place at some point in March or early April.

Monetary Policy and Inflation

Much of the discussion about the economy in 2014 and through the forecast period will center on the pace of economic activity relative to the pace of adjustments in monetary policy. The Federal Reserve has supported the nation's recovery over the last five years with an unprecedented expansion of assets on its balance sheet, which is shown in Figure 5. The Federal Reserve has been purchasing $85 billion of U.S. treasury and mortgage-backed securities each month. In addition, it has held the effective federal funds rate, the rate at which banks lend money to each other overnight, close to zero since late 2008.

Figure 5 also shows core consumer inflation, the change in consumer prices excluding the volatile food and energy sectors. Inflationary pressure has remained muted even as the Federal Reserve has rapidly expanded the money supply. Weak global economic conditions and slack in manufacturing capacity and the labor market have contributed to this situation. However, a significant contributor to the lack of inflationary pressure is the increasingly low rate at which money moves through the economy.

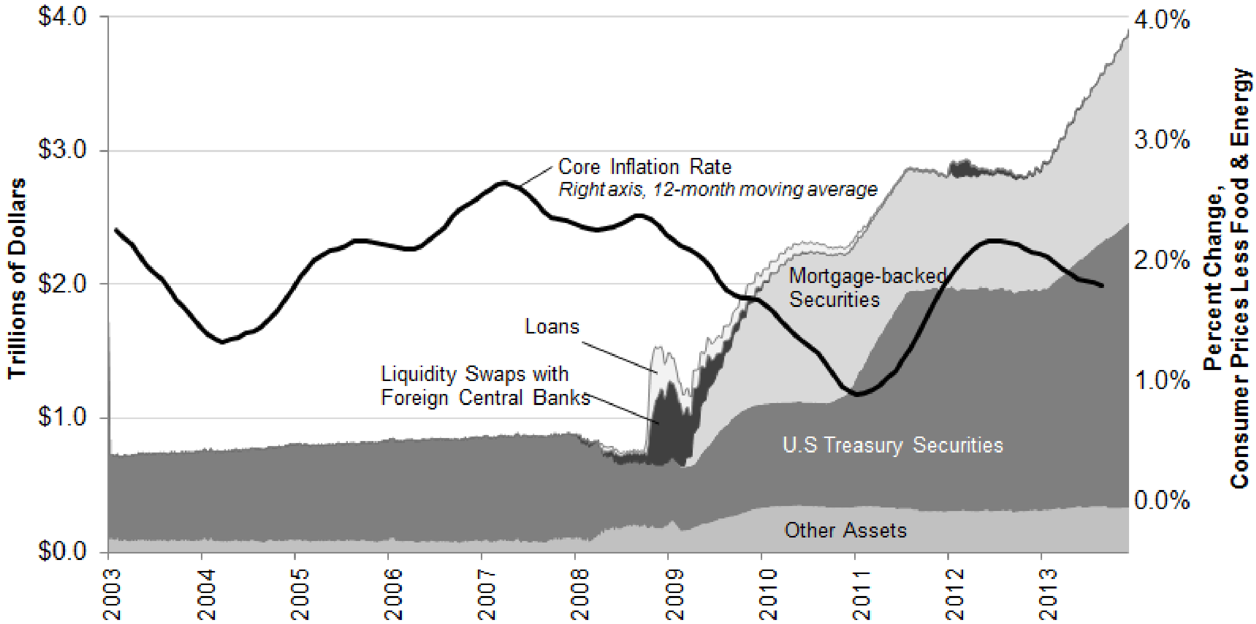
As shown in Figure 6, the velocity of money has continued to fall throughout the recovery. Velocity has been restricted relative to before the recession by deleveraging and higher rates of savings by both households and businesses. Banks are holding more money in their reserves in response to new regulations and financial conditions favorable to reserves. In addition, uncertainty stemming from both fiscal and monetary policy has been a contributor, as many large firms and institutional investors continue to hold large amounts of cash on hand.

The Federal Reserve Open Market Committee (FOMC) announced on December 18 that they would begin to taper its expansionary monetary policy starting in January. The FOMC will decrease the amount of both mortgage and treasury backed securities by $5 billion per month, so they will buy $75 billion of securities each month. This announcement is consistent with the forecast which assumes that purchases will gradually be reduced over time until ceasing at some point during the first half 2015.

Tightening, or a reduction in the money supply, will not occur in earnest until the Federal Reserve begins selling securities in order to increase its target for the federal funds rate. The FOMC has indicated it will not move to tighten until the unemployment rate is 6.5 percent or lower. This forecast assumes that tightening will begin in late 2015.

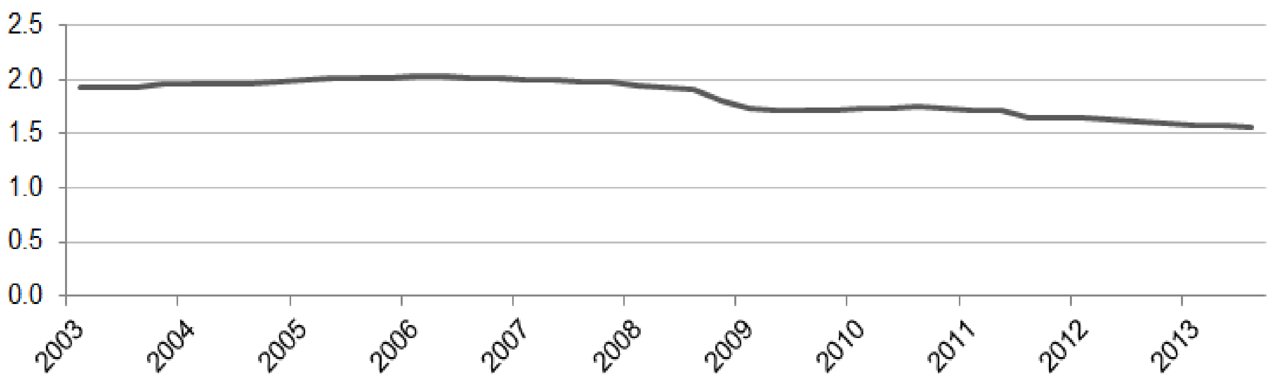
In a fully mature economic expansion, the Federal Reserve's balance sheet should be close to $1 trillion and the federal funds rate should be around 4 percent. Many analysts do not expect monetary policy to return to these levels until 2017 or 2018. This requires the economy to recover gradually and assumes that long-term interest rates rise steadily and in an orderly fashion.

Figure 5
Federal Reserve Assets and Core Consumer Inflation



Source: Federal Reserve Assets: Federal Open Market Committee, nominal data through mid-November 2013. Consumer Price Index, all items less food and energy: U.S. Bureau of Labor Statistics, data through October 2013.

Figure 6
Velocity of M2 Money Stock
The Rate at Which Money Changes Hands
Seasonally Adjusted



Source: Federal Reserve Bank of St. Louis. Data through 2013 quarter three.

There continues to be very little inflationary pressure, allowing the Federal Reserve room to navigate these uncertainties. Prices for all goods and services increased 1.5 percent through the first ten months of 2013 compared with year-ago levels. Core inflation, a measure that excludes volatile food and energy prices, was 1.8 percent. Energy prices fell 0.6 percent, while the price index for medical care services increased 2.5 percent.

- Little inflation pressure is expected as long as slack remains in the labor market 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 1.5 percent in 2013 and 1.9 percent in 2014.

Global Conditions Improve, But Remain Fragile

After a slowdown in 2012, the world economy is slowly showing improvement. It appears Europe has avoided a breakup of the European Union. The Euro region's economy is expected to gain momentum in 2014 as the budget reduction policies passed last year begin to improve confidence and financial conditions. The emerging and developing economies, which include Asia and Latin America, are expected to pick up momentum and experience a more broad-based recovery. The Organization for Economic Co-operation and Development (OECD) expects world output to grow 2.7 percent in 2013, 3.6 percent in 2014, and 3.9 percent in 2015. The OECD indicated that this forecast is dependent on an orderly process for monetary adjustment and the avoidance of a debt ceiling and government budget crisis in the United States. Many analysts are concerned about the ability of emerging market countries to withstand a tightening in global liquidity once the Federal Reserve begins to taper its securities purchases.

The Eurozone economy should slowly recover in 2014 and 2015. The region's recovery recently lost momentum, causing the European Central Bank to announce a surprise cut in interest rates in November. There remains a large gap between the strength of the German economy and those in periphery countries such as Spain, Italy, and Greece, which continue to struggle with low growth amid high interest rates and high levels of political uncertainty, debt, and deficits. Deleveraging measures adopted last year, including both spending cuts and tax increases, were designed to respond to unsustainable government balance sheets in these periphery countries. According to the International Monetary Fund, these measures subtracted 1.5 percentage points from Eurozone GDP in 2012 and are expected to subtract 0.75 percentage points in 2013. However, the deleveraging measures are expected to reduce fiscal drag and improve confidence in the financial markets in the coming years.

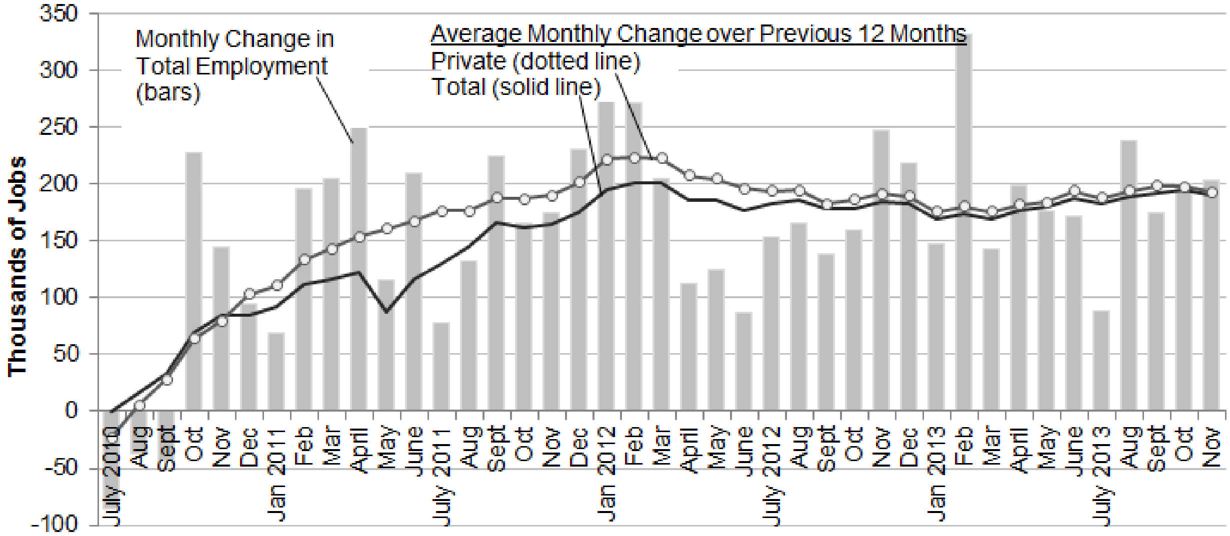
The recovery in the Japanese economy is expected to continue, aided by loose monetary policy and a fiscal stimulus package. However, the OECD expects growth to soften in 2014 and 2015 because of the winding down of the stimulus and a consumption tax increase.

Economic growth in China rebounded somewhat in the third quarter after slowing somewhat during the summer months, in part because of a small fiscal stimulus. Growth in China's economy has also been aided by increased global demand and rapidly expanding credit. However, many analysts are concerned that credit has expanded too quickly and should be reined in to maintain a healthy economy in the coming years.

Labor Market

The nation's labor market continues to steadily improve. As of November, seasonally

Figure 7
Monthly Change in Nonfarm Employment
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics. Data through November 2013.

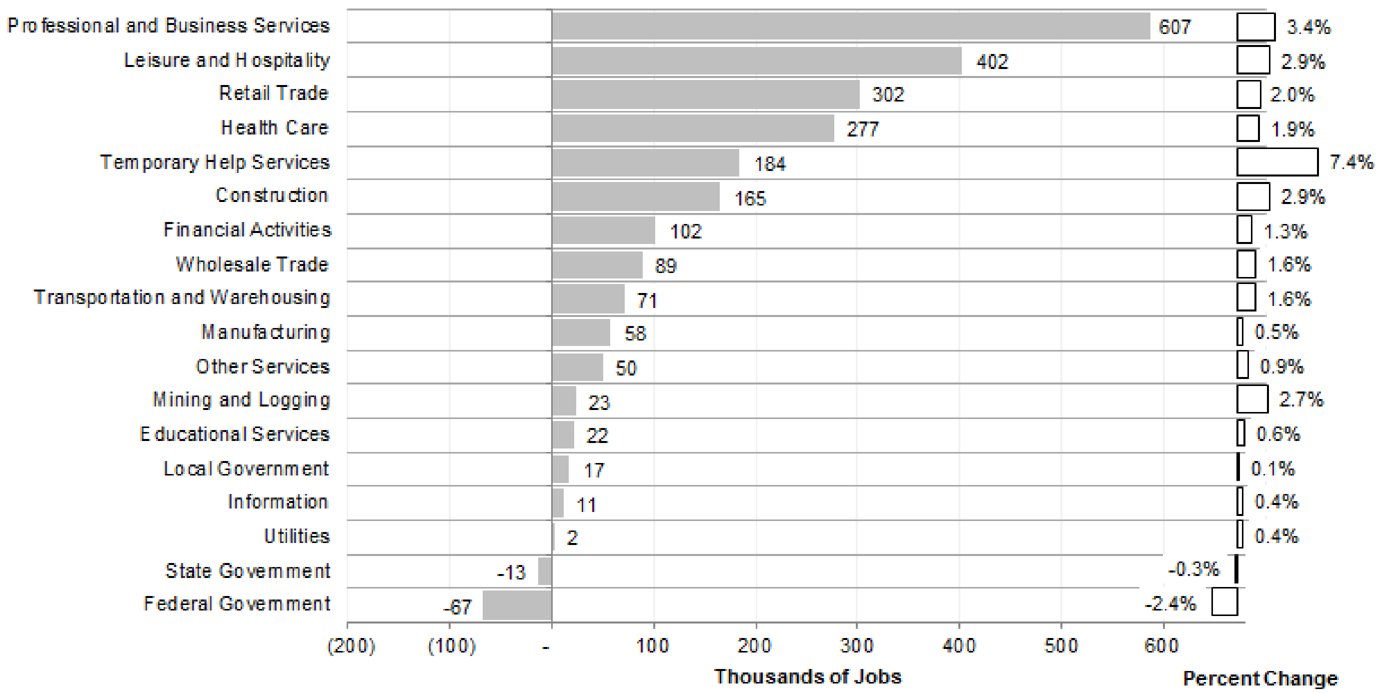
adjusted nonfarm employment was only 129,000 jobs short of the pre-recession peak of 138.1 million jobs last reached in January 2008. Job gains continue to plod along, however, and were broad-based in 2013 with gains in every industry except state and federal government. The unemployment rate is falling. However, the number of persons displaced from the labor force and working part-time for economic reasons remains stubbornly high.

Figure 7 shows monthly changes in nonfarm employment since the middle of 2010, when the nation began to add jobs again following the recession. The bars represent monthly changes in total nonfarm employment, while the lines represent the average monthly change over the previous 12-month period for private and total nonfarm employment. The nation has added 191,000 jobs per month, on average, over the last twelve months prior to November. Though still relatively slow, this represents a slight improvement over the monthly average gain of 183,000 jobs in 2012.

Throughout the recovery, government employment has been a drag on total employment; however that drag has begun to dissipate through 2013 along with improvements in the fiscal condition of state and local governments.

As shown in Figure 8, gains thus far in 2013 have been broad-based, with gains in every industry except state and federal government. Average employment through November 2013 was 1.6 percent higher than during the same period in 2012. The professional and business services sector added the most, at 607,000 jobs. Temporary help services employment increased the most in percentage terms, growing 7.4 percent, or by 184,000 jobs. Total private employment increased 2.0 percent and 2.25 million jobs year-to-date through November, while government employment decreased 0.3 percent, or by 63,000 jobs.

Figure 8
U.S. Nonfarm Employment Gains/Losses in 2013
January to November 2013 Average over Year-Ago Levels

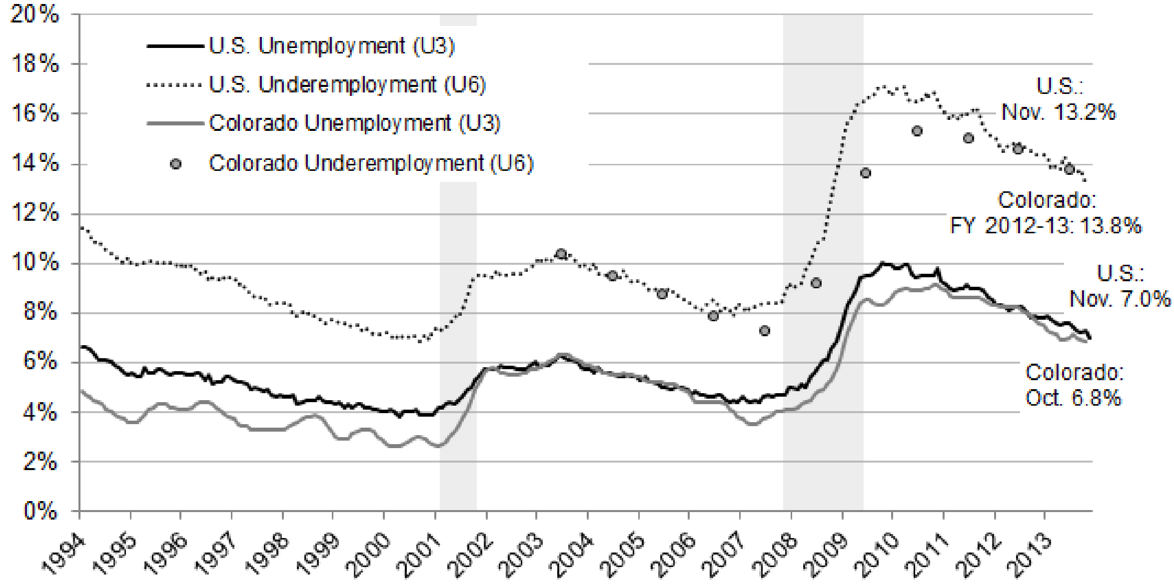


Source: U.S. Bureau of Labor Statistics, Current Employment Statistics. Data through November 2013.

As shown in Figure 9, the nation's unemployment rate fell to 7.0 percent in November, the lowest level since November 2008 and 0.8 percentage points lower than a year ago in November 2012. The underemployment rate, a broader measure of the number of people who are looking for full time work, fell to 13.2 percent in November. The size of the gap between these rates and the pace at which it closes is an excellent indicator of the strength of the recovery in the labor market. During years of full employment, the gap is generally about 4 percent. The gap spiked to over 7 percent during the recession. Throughout the recovery it has fallen very slowly, averaging 6.4 percent in 2013 through November. This indicates slow and consistent improvements in the labor market. However, it also indicates that only a fraction of the damage the recession wreaked on the labor market has fully healed and that considerable slack remains.

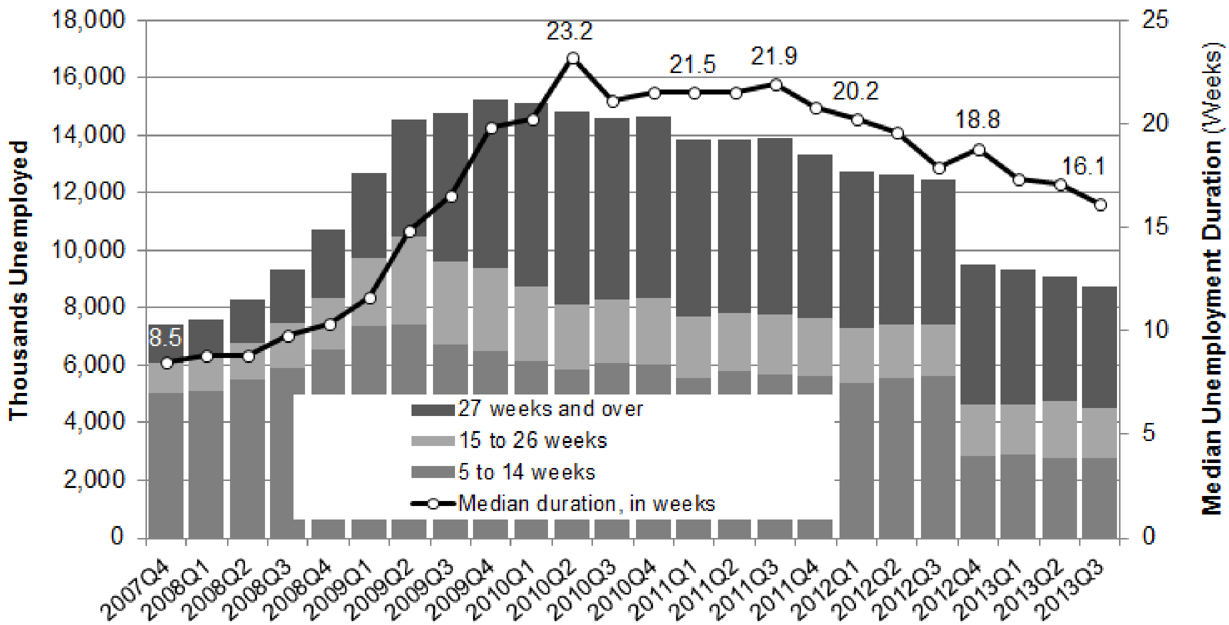
Individuals in the gap include discouraged workers, or people who would like to work but have stopped looking because they have become discouraged, and people who work part-time for economic reasons. The number of discouraged workers has fallen only slowly through the recovery, from an average of just under 1.2 million people in 2010 to about 856,000 people on average in 2013 through November. Meanwhile, the number of people employed part-time for economic reasons has fallen by an average annual rate of 3.6 percent between 2010 and 2013, from an average of 8.9 million people in 2010 to 8.0 million people year-to-date in 2013 through November.

Figure 9
Unemployment and Underemployment Rates in Colorado and the Nation
Seasonally Adjusted



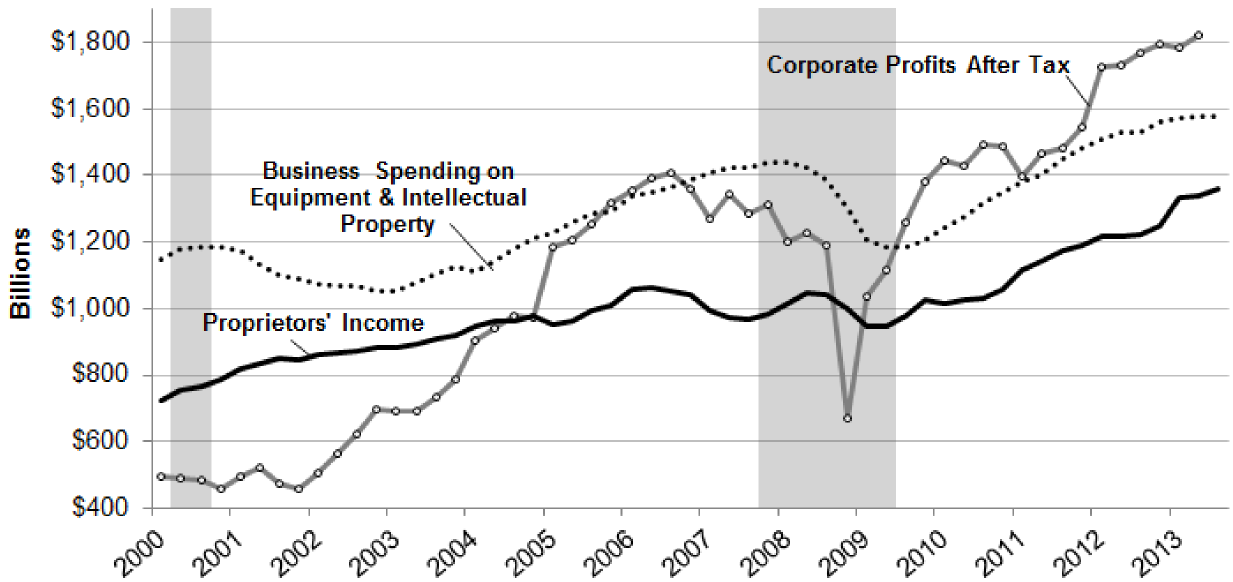
Source: U.S. Bureau of Labor Statistic, Current Population statistics and Local Area Unemployment statistics. National data through November 2012. Colorado data through October 2013. Shaded areas represent periods of recession.

Figure 10
Duration of Unemployment
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, Current Population Statistics. Data through the third quarter of 2013.

Figure 11
Business Income and Spending
Seasonally Adjusted



Source: Bureau of Economic Analysis, National Income Product Accounts and Personal Income statistics. Shaded areas represent periods of recession.

Much of the drop in both the unemployment and underemployment rates has been a result of consistent decreases in the labor force participation rate, which hit a historical low of 63.0 percent in November. People have left the labor force for many reasons, including retirement, education, or to care for a family.

The median duration of unemployment has fallen from a high of 23.2 weeks (just under 6 months) in the second quarter of 2010 to just over 16 weeks (4 months) in the third quarter of 2013. As shown in Figure 10, many unemployed for more than 27 weeks (just less than seven months) are finding it particularly difficult to find work. Indeed, the overall improvement in the length of unemployment has mostly occurred among the short-term unemployed, or those that have been looking for work for less than 14 weeks (or 3.5 months).

- Nonfarm employment is expected to grow 1.6 percent in 2013 and 1.8 percent in 2014. While private employment is expected to continue to grow at its current pace of around 200,000 jobs per month, government employment is no longer expected to drag down the overall rate.

- The unemployment rate will average 7.4 percent in 2013. The rate will hover around 7.0 percent in 2014 as continued improvement in the labor market will encourage people to return to the labor force.

Business Income and Activity

As shown in Figure 11, business income and investment continued to make gains through 2013. After a sharp rebound from the depths of the recession in 2009, gains in corporate profits continue although the pace of gains has slowed, coming in 4.4 percent higher during the first half of the year compared with the first half of 2012. Proprietor's income for small- and medium-sized businesses has shown steady gains since the recession. Although growth in proprietor's income leveled off somewhat in 2013, it remained 10.5 percent higher through the first three quarters of the year compared with year-ago levels.

Many larger corporations fared better than smaller businesses immediately after the recession in 2009 through 2011 because they had better access to capital and global markets. However, these advantages waned as credit markets for small businesses improved and the global economy slowed over the last few years. As shown in Figure 11, corporate profits and proprietors' income have grown at similar rates since early 2012.

Figure 11 also shows that businesses have chosen to invest some of the rebound in income on new equipment and intellectual property. Many firms have thus been able to make their businesses more efficient. Although this will, in some cases, slow the rebound in employment following the recession, it will also leave the nation's businesses more competitive in a global economy and capable of responding to faster growth in the future. Intellectual property, a new category of investment within the national income product accounts system, includes spending on software, research and development, and the creation of entertainment, literary, and artistic originals.

Figure 12 shows four measures of business activity, including the Institute for Supply Management's (ISM) indices for manufacturing and non-manufacturing activity, the Federal Reserve's industrial production index, and new orders from manufacturers. All four measures indicate slowly improving conditions for business activity.

The ISM Purchaser's non-manufacturing index, a proxy for conditions in the services sector, has consistently indicated moderate expansion since the middle of 2011 and is expected to continue to do so throughout the forecast period. A level of 50 or higher for the ISM indices represents expansion, while a value below 50 represents contraction.

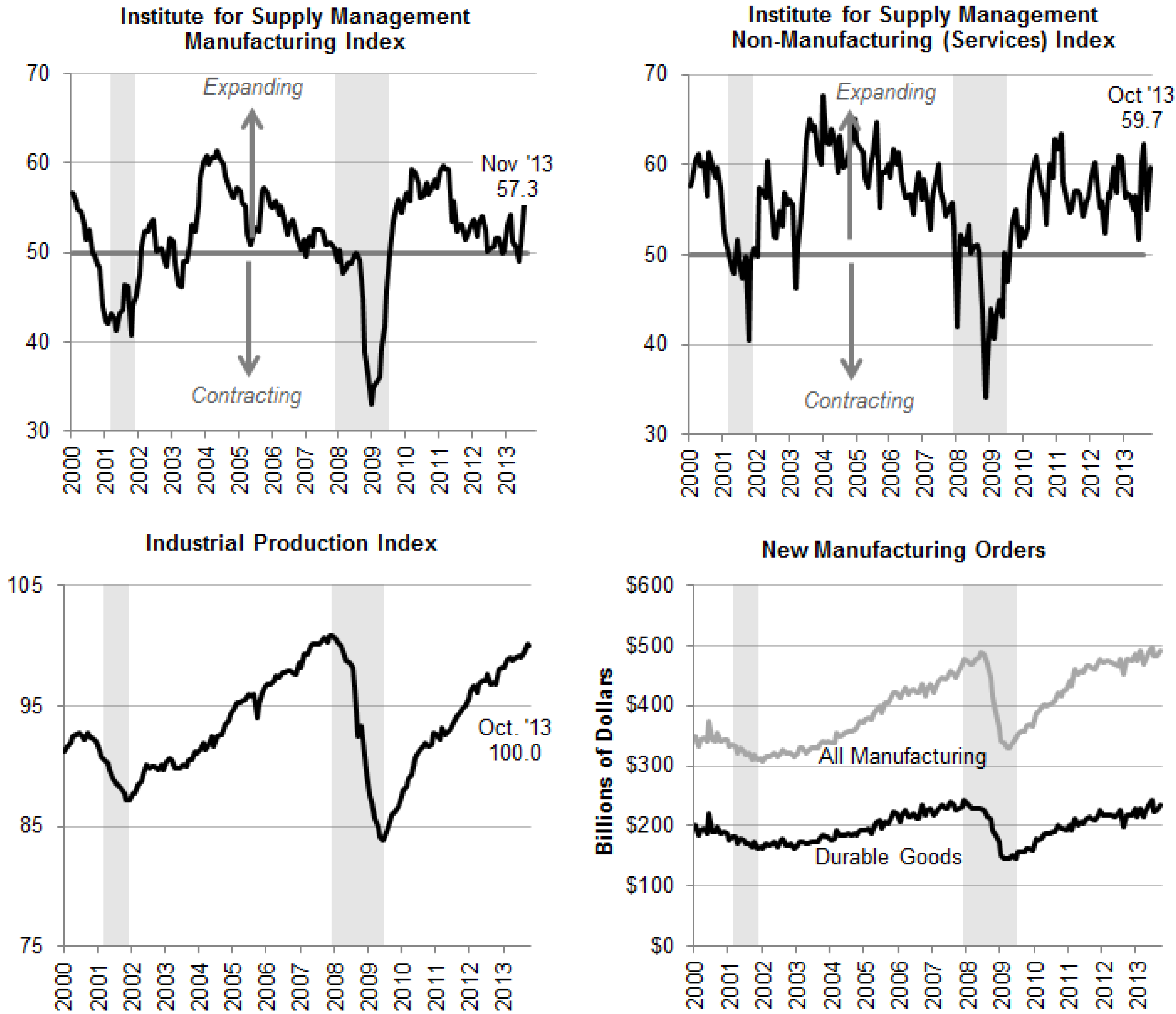
The ISM Purchaser's manufacturing index continued to gain throughout the fall, pointing to strengthening activity through the end of the year. However, the ISM survey is better at predicting the direction of activity than the pace of expansion. The industrial production index and new orders from manufacturers also indicate continued gains in manufacturing, but at a slow pace. Growth in new orders has been dominated by durable goods; new durable goods orders increased 5.0 percent year-to-date through September compared with year-ago levels, while new goods orders from all manufacturers increased 2.8 percent.

The pace of manufacturing activity is expected to slow in the fourth quarter of 2013, as new orders for durable goods turned down in September. In addition, the large buildup of inventories in the GDP data during the first three quarters of the year, coupled with slower growth in consumer spending, should contribute to the short-term weakness.

Households and Consumers

Households continue to recover from the recession amidst incremental improvements in the labor market and more significant improvements in household balance sheets. Personal income continues to rise, even on a per-capita inflation-adjusted basis, and household debt is falling while consumer spending is rising. Gains in personal income and consumer spending have both lost momentum in 2013, likely due to the payroll tax increase in January 2013.

Figure 12
Indicators of Business Activity
Seasonally Adjusted



Source: Institute for Supply Management, Federal Reserve (industrial production) and U.S. Census Bureau (new orders). Shaded areas represent periods of recession.

As shown in Figure 13, both personal income and inflation-adjusted per-capita disposable income continued to increase in 2013 through October. Personal income, or household income from wages, investments, and other sources increased 3.3 percent year-to-date through October compared with year-ago levels. Compensation of employees, which includes wages and salaries, increased 3.2 percent, while income from dividends, interest, and rents increased 4.5 percent. Nonfarm proprietors' income increased 6.1 percent. Meanwhile, inflation-adjusted per-capita disposable income increased 0.3 percent year-to-date.

Consumer spending continues to grow, although it lost some momentum in 2013 due to the higher federal payroll tax rate and federal spending cuts. Personal consumption expenditures increased 1.8 percent year-to-date through the third quarter of 2013 after increasing 2.2 percent on average in 2012. Retail trade sales, another measure of consumer spending, were 4.2 percent higher year-to-date through November 2013 after increasing 5.1 percent in 2012.

Consumers continue to spend more and are spending an ever larger share of their budget on durable goods, such as furniture and automobiles. Figure 14 shows gains in consumer spending, as measured by personal consumption expenditures in the National Income Products Accounts, on services, durable goods, and non-durable goods while Figure 15 shows the share of spending in each of these sectors. Spending on durable goods is more sensitive to the business cycle than spending on services and non-durable goods. Thus, an increasing share of spending on durable goods is solid evidence of an improving economy.

Households continue to spend income gains, rather than boost savings. The personal savings rate averaged 4.6 percent through October 2013, which was lower than the average savings rate of 5.6 percent during the same period last year. Despite the lower savings rate, the condition of household balance sheets continues to improve. Household debt is down sharply since the recession and household wealth is growing in the form of stock market gains and higher home values. Figure 16 shows that household debt payments as a percent of disposable personal income have fallen sharply since the recession and are at historically low levels. Lower debt payments and the effect of higher wealth has supported consumer spending throughout this recovery.

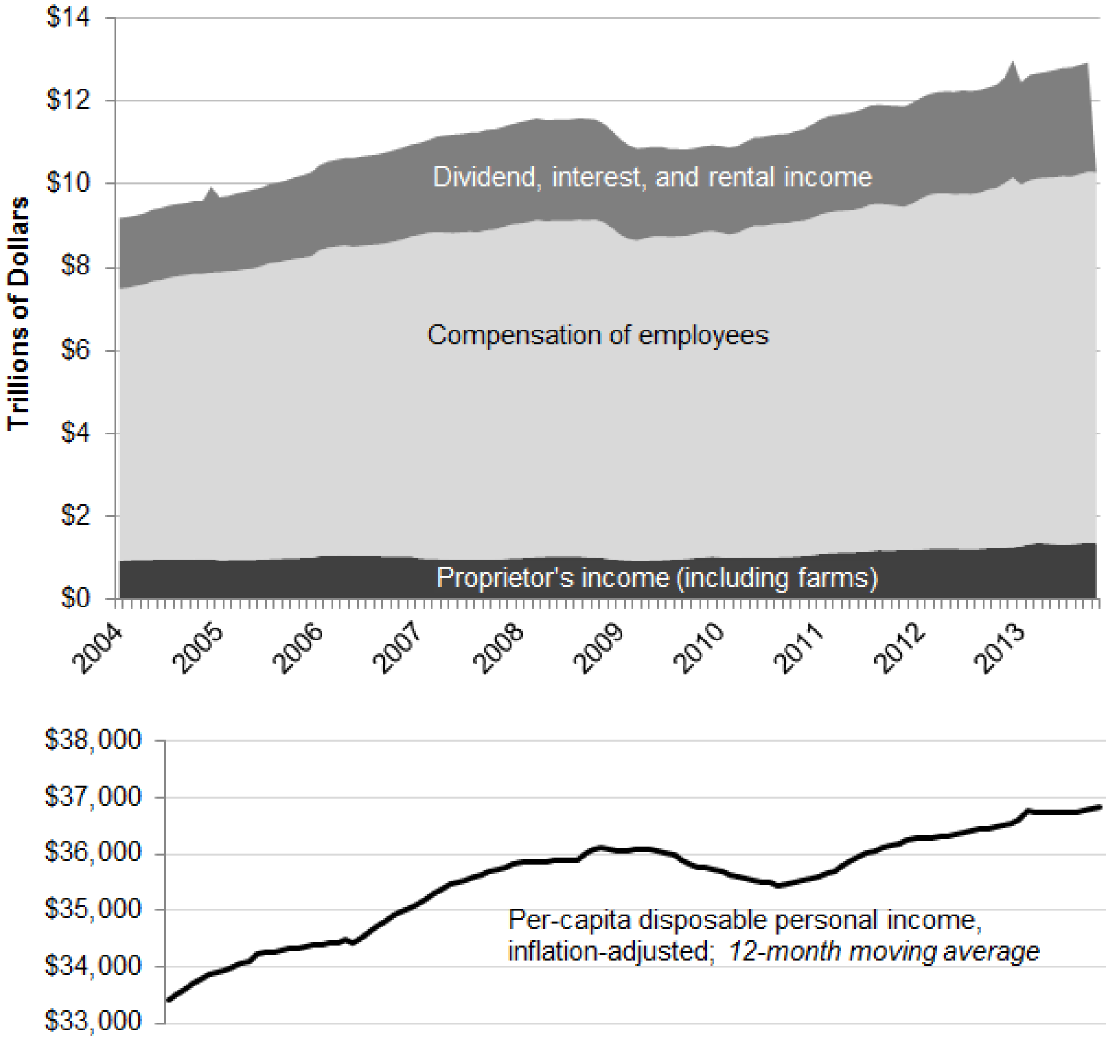
- Personal income will increase 3.4 percent in 2013. In 2014, personal income will gain momentum, increasing 5.1 percent as the economy strengthens and the impact of the payroll tax increase is fully absorbed.

- Incremental improvements in the labor market will help increase wage and salary income, which will grow 3.4 percent in 2013 and 4.8 percent in 2014.

Housing Market and Construction

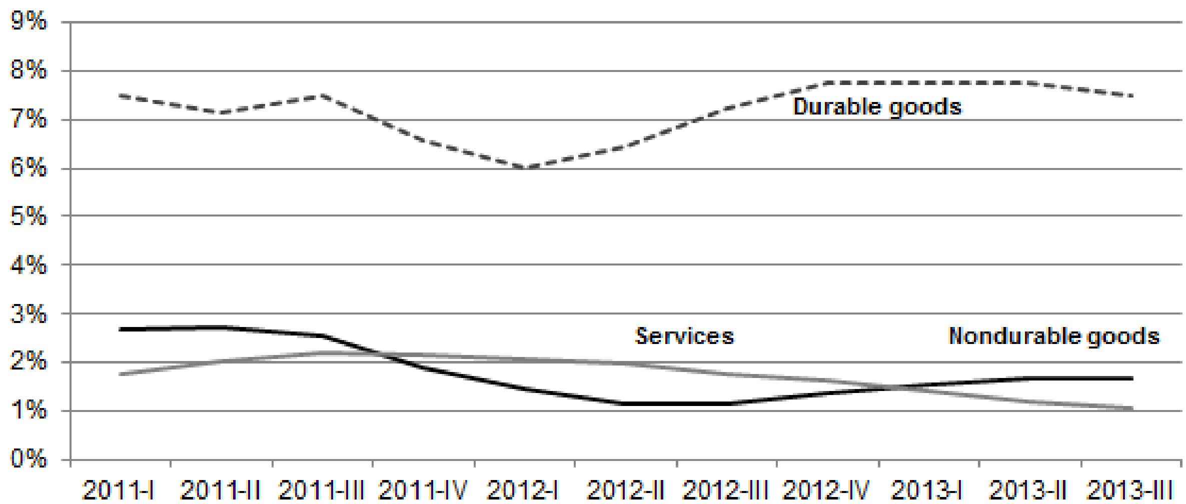
The improvement in the nation's housing market has been a major contributor to overall economic growth during the recovery. Limited inventory continues to put upward price pressure on homes despite rising mortgage rates. Figure 17 shows the 20-city composite Case-Shiller index for home prices, which has gained back 43.6 percent of its losses since the peak in 2006. During the 12 months leading up to September, home prices rose in all the 20 large metropolitan areas tracked by the index. Several states reported a significant improvement in the residential real estate market because rising home prices and mortgage interest rates have

Figure 13
Major Components of U.S. Personal Income
And Real Per-Capita Disposable Personal Income Continue to Grow



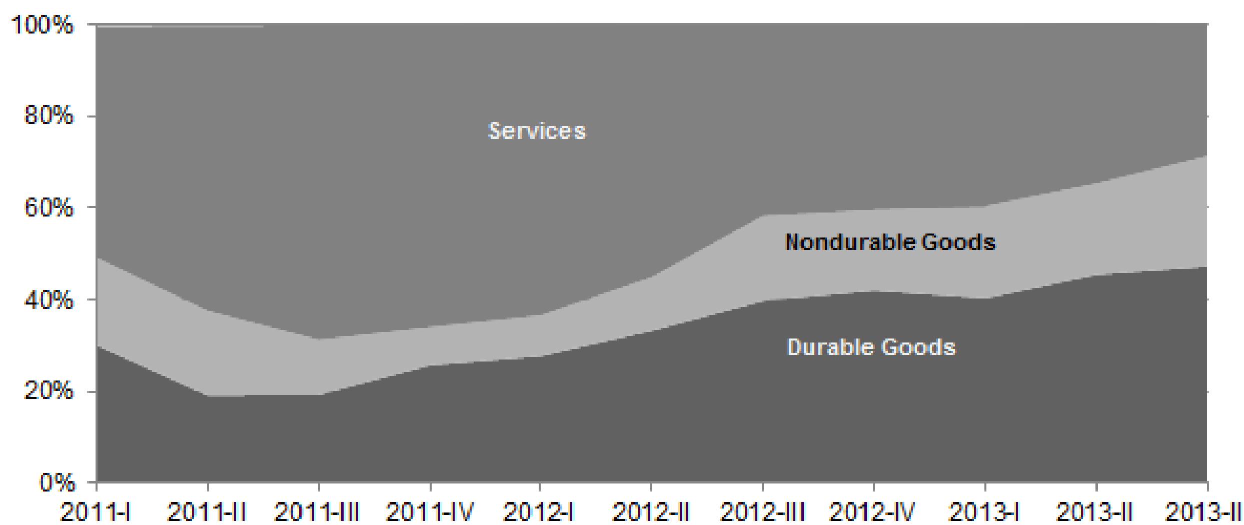
Source: Bureau of Economic Analysis, data through October 2013. Compensation of employees includes wages and salaries and supplements to wages and salaries.

Figure 14
Growth in Consumer Spending on Goods and Services
Inflation Adjusted, 4-quarter Moving Average of Seasonally Adjusted Annualized Data



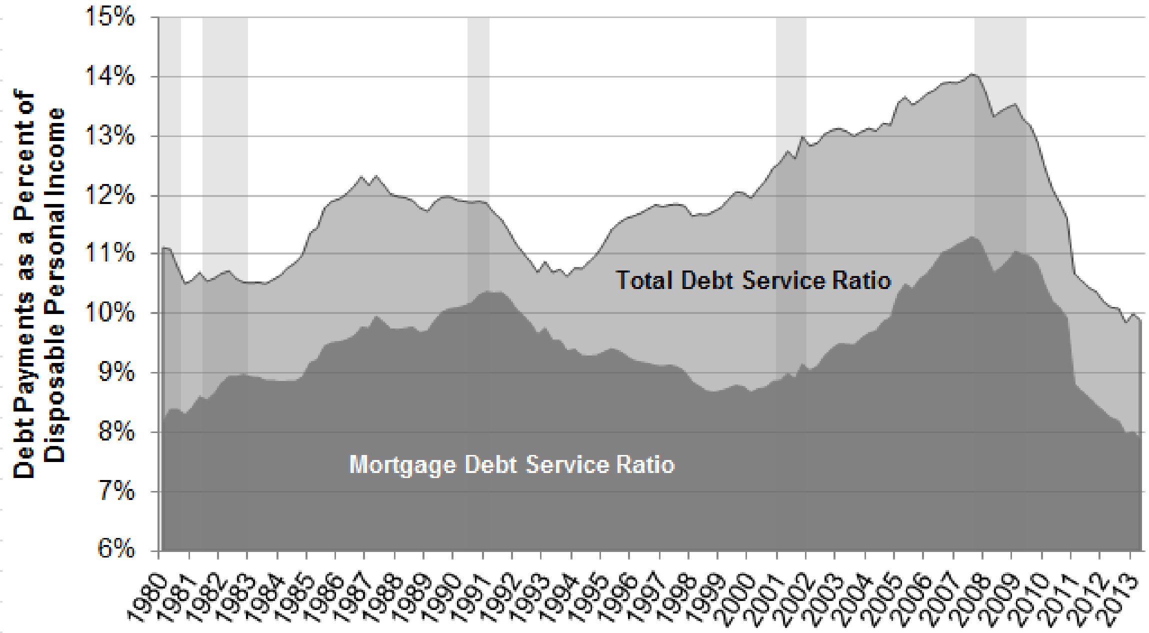
Source: U.S. Bureau of Economic Analysis, National Income Product Accounts.

Figure 15
Share of Consumer Spending on Goods and Services
Inflation Adjusted, 4-quarter Moving Average of Seasonally Adjusted Annualized Data



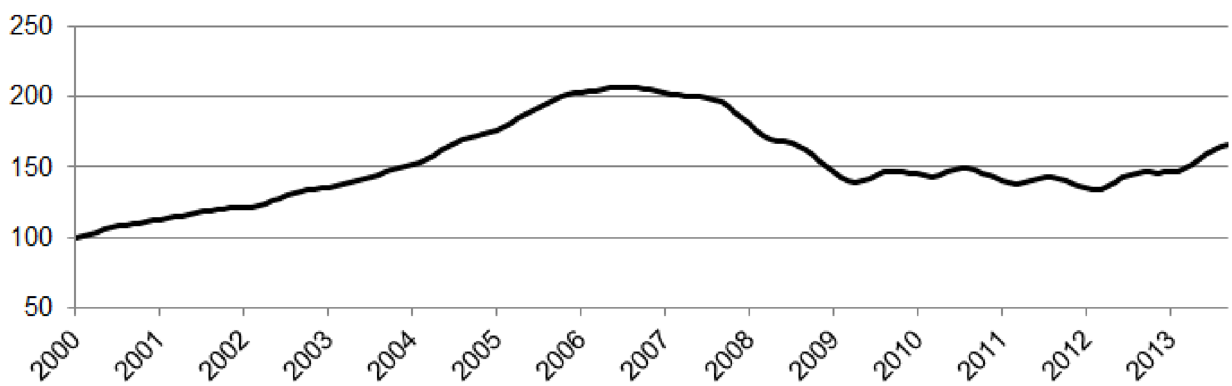
Source: U.S. Bureau of Economic Analysis, National Income Products Accounts.

Figure 16
U.S. Households' Debt Burdens
Debt Payments as a Percent of Disposable Personal Income



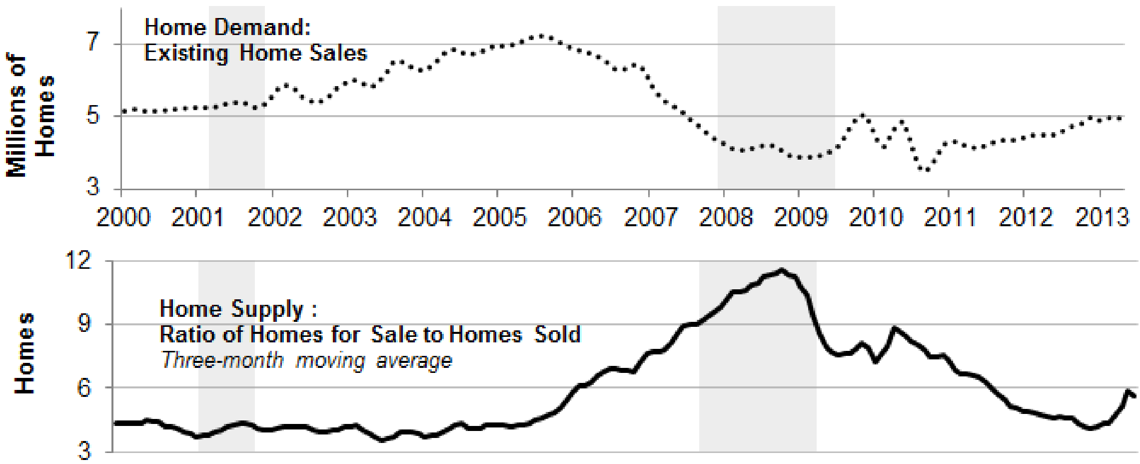
Source: Federal Reserve Board. Data through 2013 quarter two. Shaded areas represent periods of recession.

Figure 17
Case-Shiller 20-City Composite Home Price Index



Source: Standard & Poor's. Data through September 2012.

Figure 18
Housing Inventory and Home Sales
Three-Month Moving Average



Source: Existing home sales: National Association of Realtors; data through September 2012. Home supply ratio: U.S. Census Bureau; data through August 2013. Shaded areas represent periods of recession.

prompted many potential buyers to commit to purchases.

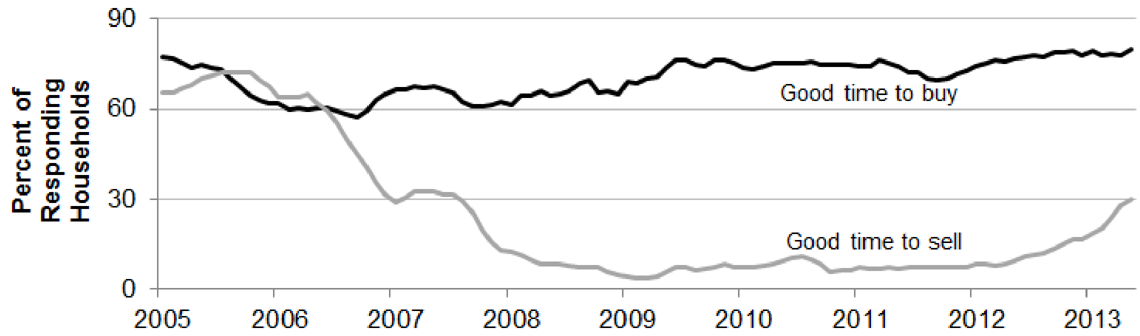
An excess of demand for homes relative to supply has been responsible for much of the upward pressure in home prices. Figure 18 shows measures for home demand and supply in the form of existing home sales and the number of homes available for sale for every hold sold, respectively. Existing home sales have consistently shown slow but steady growth since late 2010 and have returned to about 5 million homes a year, consistent with levels last seen at the turn of the century. Home inventories, however, fell off rather steeply during this time period.

However, this trend has begun to reverse, with the number of homes on the market for every home sold beginning to creep up. Home supply hit a low of 3.9 homes available for every home sold in January 2013. The ratio has begun to move upward at a healthy pace, reaching 6.4 by September 2013. Inventory is moving up for several reasons. Improving home prices are leaving fewer homeowners underwater. The improving labor market is allowing for more job mobility. Finally, as shown in Figure 19, consumer confidence in the housing market is improving. The percent of respondents responding to the University of Michigan consumer sentiment survey indicating that it is a good time to sell a home began increasing steadily in 2012 and is accelerating through 2013.

Mortgage interest rates have been rising and are expected to slowly continue to do so through at least 2014. This will likely not dampen housing demand so much as it will reduce the price of home demanded by buyers. In addition, expectations for higher mortgage rates could spur some buyers to purchase earlier than otherwise.

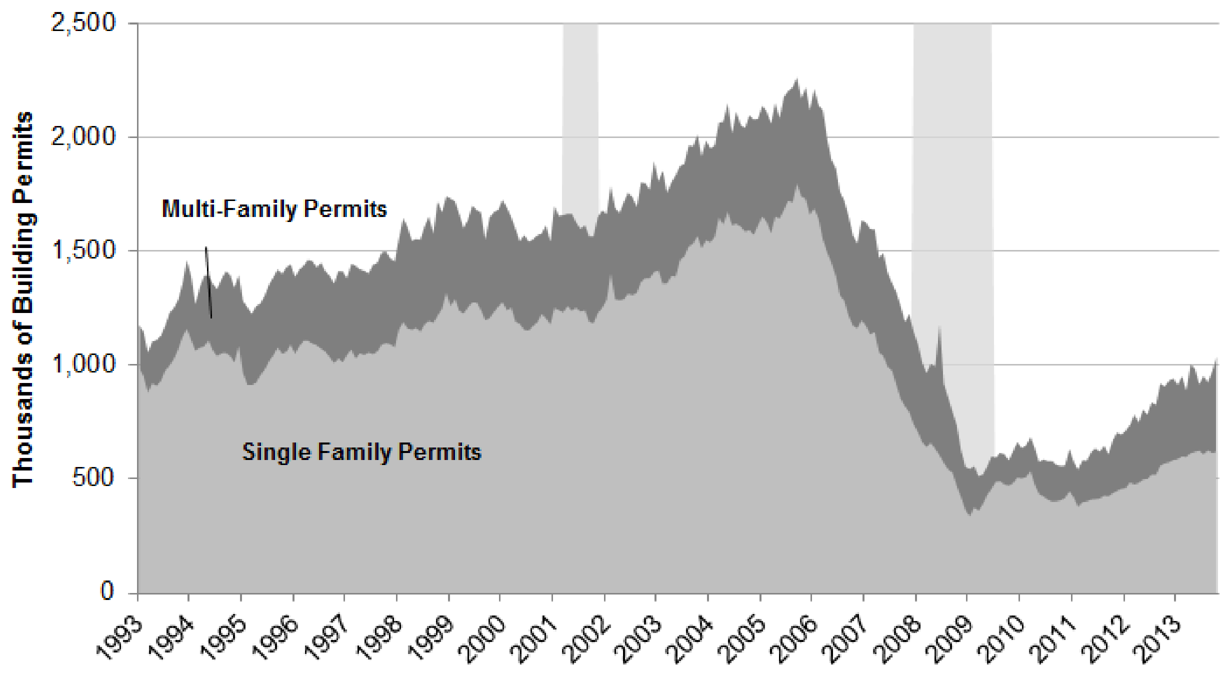
Figure 20 shows that the number of permits issued for residential construction continues to grow. Although most of the growth since the end of the recession has occurred in the multi-family sector, the single-family sector is also beginning to

Figure 19
University of Michigan Survey on Housing Market Confidence
Share of Respondents Who Believe it is a Good Time to Buy or Sell a House
Three-Month Moving Average



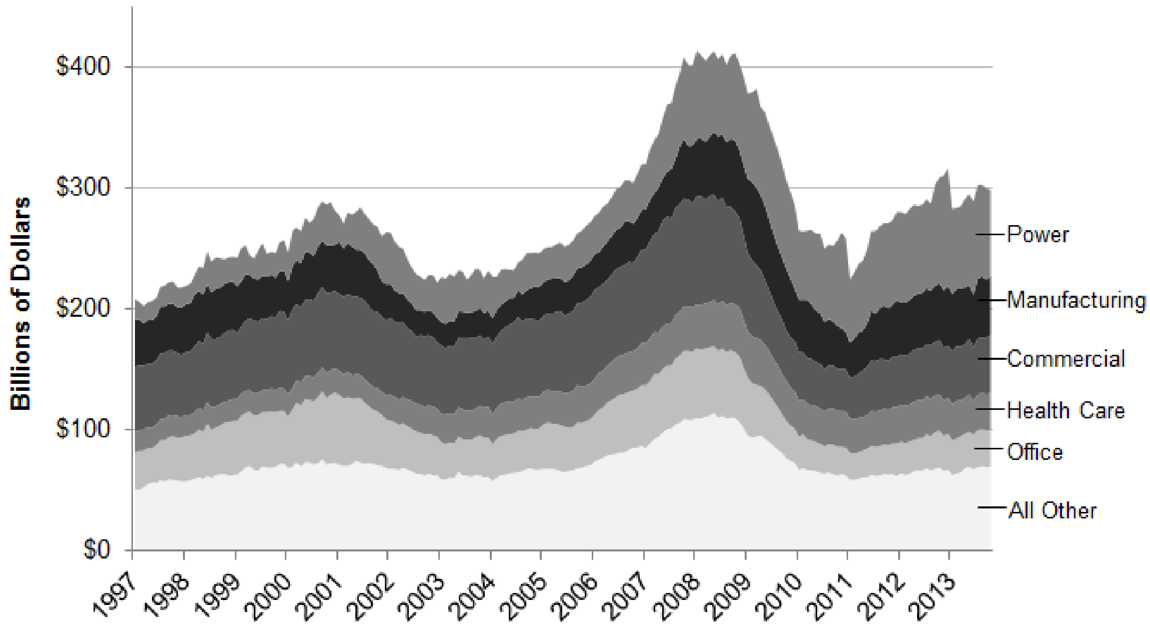
Source: Thomas Reuters/University of Michigan Consumer Surveys. Data through May 2013.

Figure 20
Residential Construction Permits
Seasonally Adjusted Annual Rate



Source: U.S. Census Bureau. Data through October 2013. Shaded areas represent periods of recession.

Figure 21
Private Nonresidential Construction Spending
Seasonally Adjusted Annual Rate



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

show gains. The number of permits issued for single-family and multi-family residential construction increased 20.05 percent and 14.8 percent, respectively, year-to-date through October compared with year-ago levels. During much of 2013, builders were reporting several constraints on home construction. A survey by the National Association of Home Builders noted a shortage of buildable lots as a key factor. In addition, builders also indicated rising construction costs due to a shortage in skilled labor and, in some areas of the country, some building materials such as drywall and roofing shingles.

Figure 21 shows the value of private nonresidential construction spending by sector. Many of the constraints faced by residential builders are also dampening growth in nonresidential construction spending, including shortages of labor and building materials. The value of nonresidential construction increased 1.4 percent in 2013 year-to-date through October relative to year-ago levels. Construction in the office, manufacturing, and commercial sectors contributed to growth, while activity in the power and health care sectors reduced growth. Most of the growth in commercial and office construction has occurred in the central business districts of major cities; growth has been more subdued in suburban and rural areas.

Summary

Economic activity will gain momentum in 2014 and 2015. Although growth slowed in 2013 relative to 2012, significant improvements occurred in most major sectors of the economy, placing the economy on healthier footing for stronger expansion in the coming years. The labor market continued to incrementally improve, while gains in the housing market and residential construction activity helped drive growth. Households, businesses, and banks improved their balance sheets and the global economy made slow gains. Federal spending cuts and tax increases and uncertainty over federal fiscal policy provided a headwind to overall economic growth in 2013, which should diminish in 2014, allowing growth in the private sector to gain momentum.

Most uncertainty in 2014 and 2015 will center on the pace of economic activity relative to the pace of adjustments in monetary policy. The economy is recovering sufficiently for the Federal Reserve to begin reducing their monthly security purchases in January. They are expected to begin targeting a higher federal funds rate at some point during the second half of 2015.

Risks to the Forecast

Upside risks. Consumers and businesses may unleash more pent up demand, causing the economy to grow 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 are more efficient, which could lead to greater investment growth than expected. The global economy could expand faster than expected, buoying exports and the manufacturing sector.

Downside risks. The FOMC will need to continuously balance the pace of monetary adjustment with the pace of the economy. Should the economy recover too slowly relative to the pace of adjustment, credit markets would be adversely affected and the recovery would lose momentum. Should the economy expand too quickly, inflationary pressure and disruptions in bond markets could cause long-term yields to rise too quickly. If this were to occur, housing and stock markets would be affected, causing the recovery to lose momentum.

Table 13
National Economic Indicators, December 2013 Forecast
(Dollars Amounts in Billions)

	2009	2010	2011	2012	Forecast 2013	Forecast 2014	Forecast 2015
Inflation-adjusted GDP	$14,417.9	$ 14,779.4	$15,052.4	$15,470.7	$15,811.1	$16,301.2	$16,969.5
percent change	-2.8%	2.5%	1.8%	2.8%	2.2%	3.1%	4.1%
Nonagricultural Employment (millions)	130.9	129.9	131.5	133.7	135.9	138.3	141.1
percent change	-4.4%	-0.7%	1.2%	1.7%	1.6%	1.8%	2.0%
Unemployment Rate	9.3%	9.6%	8.9%	8.1%	7.4%	7.0%	6.7%
Personal Income	$12,082.1	$12,435.2	$13,191.3	$13,743.8	$14,211.1	$14,935.9	$15,757.3
percent change	-2.8%	2.9%	6.1%	4.2%	3.4%	5.1%	5.5%
Wage and Salary Income	$6,252.2	$6,377.5	$6,638.7	$6,926.8	$7,162.3	$7,506.1	$7,888.9
percent change	-4.3%	2.0%	4.1%	4.3%	3.4%	4.8%	5.1%
Inflation (Consumer Price Index)	-0.4%	1.6%	3.2%	2.1%	1.5%	1.9%	2.1%

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 with growth in employment, personal income, wages and salaries, and retail sales in 2013. The unemployment rate has also fallen, although much of the decrease is due to ongoing slack in the labor market as evidenced by declining labor force participation. Housing prices are also rising as a limited supply of homes is pushing up prices. Inflation, though, remains low as limited wage and salary growth and low fuel prices have offset increases in rent. Table 14 on page 60 shows the Colorado economic forecast.

The economy will continue to face challenges in 2014. The congressional spending limit, commonly known as the debt ceiling, was temporarily suspended until February 7, 2014, with any new debt incurred before this deadline added to the existing ceiling. If a new limit is not approved or suspended by then, the Treasury could face another default situation in March 2014. Additionally, Congress provided temporary spending authority for federal agencies through January 15, 2014, so a new budget deal will need to be reached to avoid another government shutdown after January 15, 2014. Finally, the effects of the federal government spending cuts will continue to have an impact throughout 2013 and 2014. Some areas of the state could be affected more than others and more details on each can be found starting on page 93.

Monetary policy could also impact the state's economy in 2014 as the Federal Reserve begins considering a slowdown in its expansion of the money supply. If the Federal Reserve starts to decrease or decelerate the expansion of the money supply, it could cause the housing market to slow as well as stock prices to fall.

Colorado's Labor Market

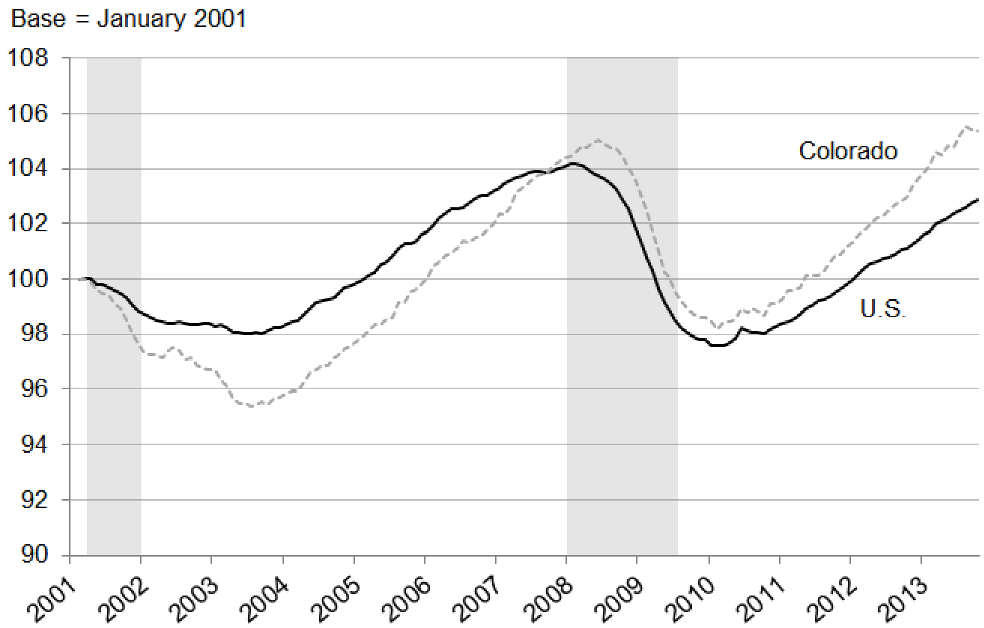
Colorado's labor market continues to exhibit relatively strong growth, growing at a faster rate than the nation. In addition, the unemployment rate has fallen modestly.

Colorado nonfarm employment grew 2.3 percent in 2012, adding about 51,200 jobs. In the first ten months of 2013, employment grew 2.5 percent, or by 57,200 jobs. As shown in Figure 22 Colorado's employment growth is outpacing that of the nation as a whole. Job growth in 2014 is expected to be similar to 2013.

Figure 23 shows that employment growth has varied across Colorado's employment sectors thus far in 2013 with 15 sectors gaining jobs and five sectors losing jobs in the first ten months of 2013 compared with the same period in 2012. The largest gains have been in the accommodation and food services industry, which added 10,600 jobs since December. The largest job losses occurred in the federal government and real estate/rental and leasing sectors, which lost 1,400 and 900 jobs, respectively.

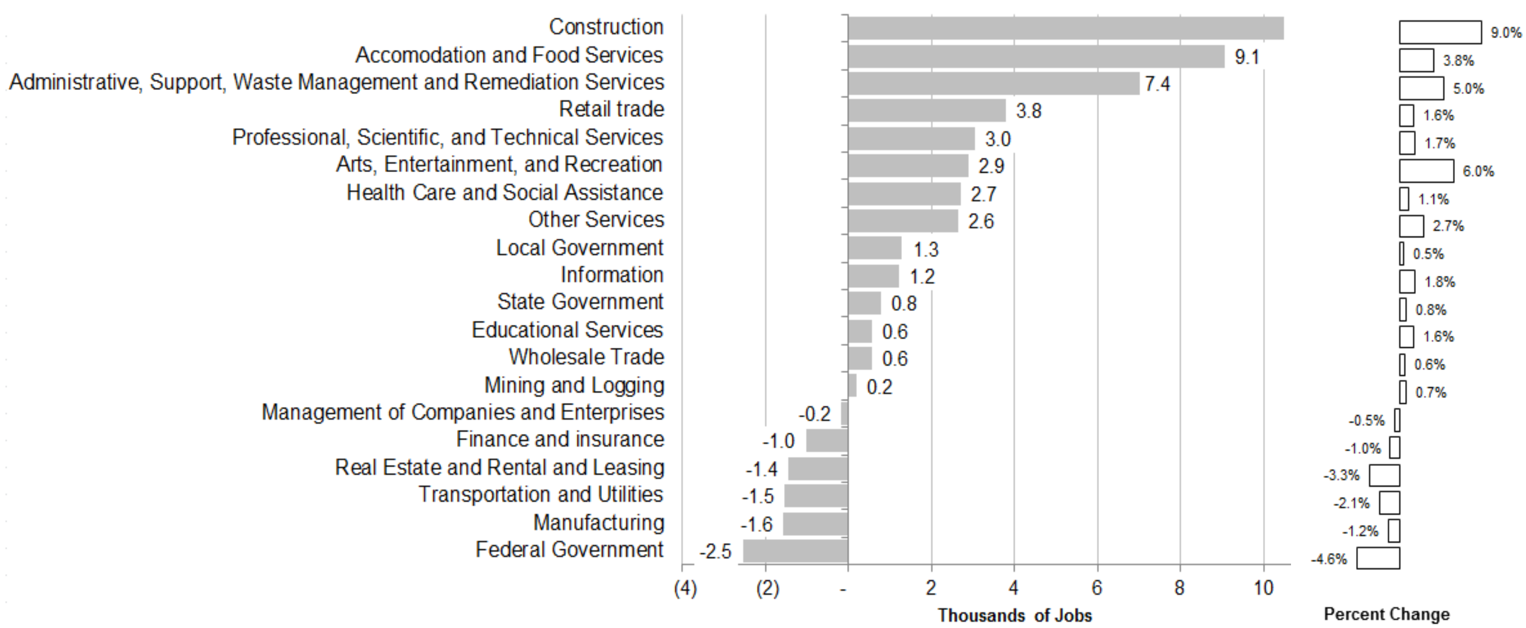
The state's unemployment rate fell from 7.5 percent in December 2012 to 6.8 percent in October. In 2014, the unemployment rate is projected to slowly decline as employment growth slightly outpaces growth in the labor force. However, the rate will remain high as the labor market will require time to reabsorb workers reentering the job market.

Figure 22
Colorado Continues to Outpace National Employment Trends
Seasonally Adjusted Data



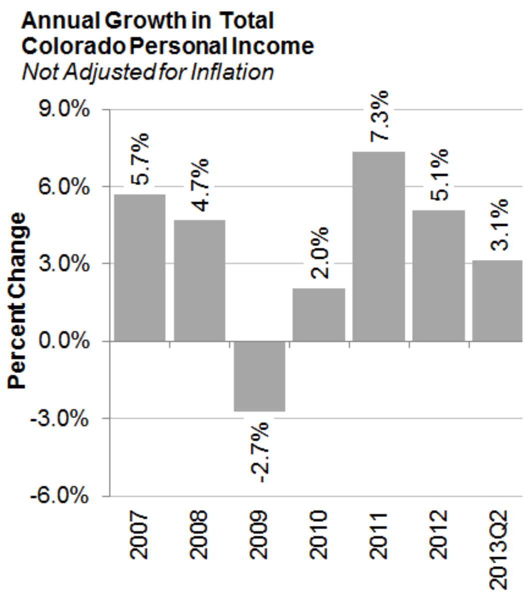
Source: U.S. Bureau of Labor Statistics Seasonally adjusted data through October 2013.

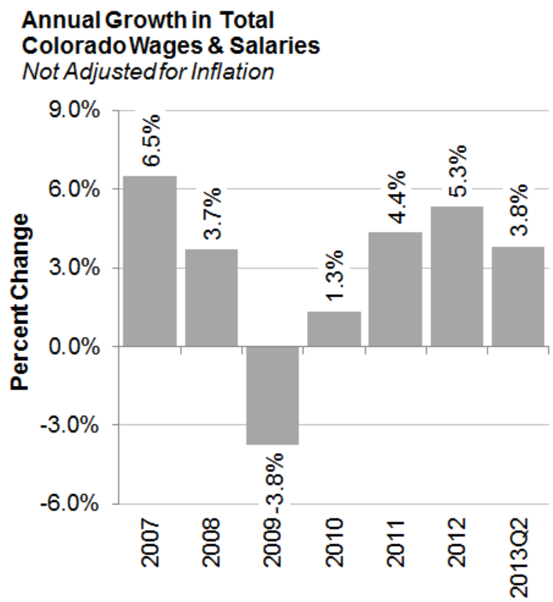
Figure 23
Ten-Month average Change in Nonfarm Employment by Sector
Not Seasonally Adjusted Data
January 2013 to October 2013 compared with January 2012 to October 2012



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

Figure 24
Personal Income Growth in Colorado
Seasonally Adjusted Data





Source: U.S. Bureau of Economic Analysis, data through second quarter of 2013.

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

- The unemployment rate will average 7.0 percent in 2013 before falling to an average of 6.7 percent in 2014.

Personal Income

Figure 24 compares annual growth in personal income and wage growth in Colorado from 2007 through 2012. It also shows the first half of 2013 over the first half of 2012. On a seasonally adjusted basis, Colorado personal income increased 3.1 percent in the first half of 2013 compared with the first half of 2012, while wages and salaries increased 3.8 percent. Farm proprietor income increased 7.8 percent over the same period, as drought conditions over the last two years have increased crop prices. Dividends, interest, and rent grew 3.5 percent in the first half of 2013, after growing 5.8 percent in 2012 and 16.2 percent in 2011.

In 2013, personal income is expected to grow at a slower pace than in 2012. Increases in wages and salary from new hiring will be partly offset by losses in disposable income due to the January 2013 increase in the social security payroll tax from 4.2 to 6.2 percent.

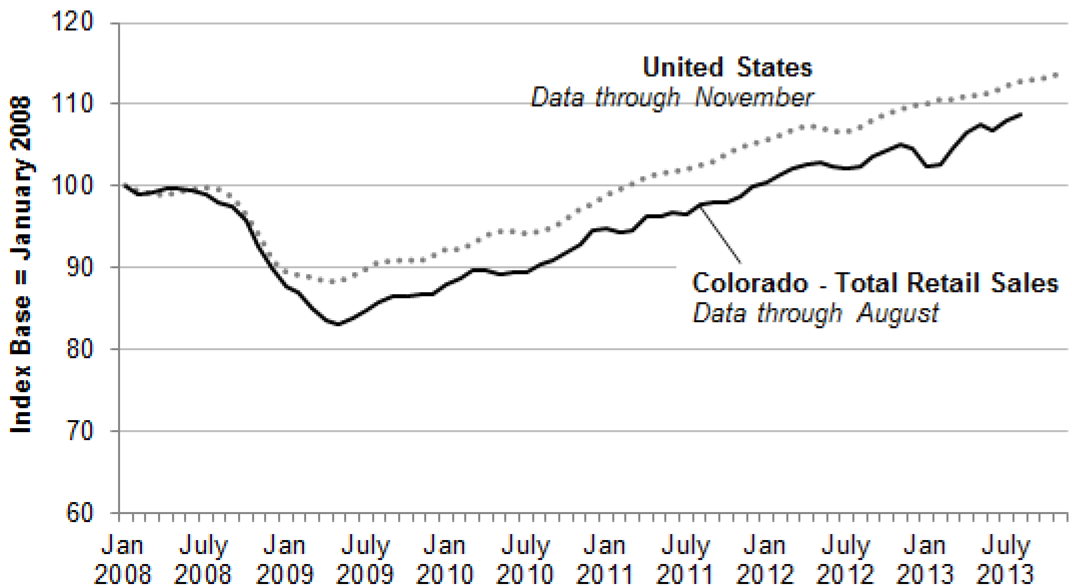
- Personal income will increase 3.9 percent in 2013 and 5.7 percent in 2014.

- Wage and salary income will grow 4.2 percent in 2013 and 5.3 percent in 2014 as the labor market continues to slowly improve.

Retail Sales

Colorado retail sales are slowing after very strong growth in 2012. Retail sales grew

Figure 25
Colorado and National Retail Trade Growth
Index of Three-Month Moving Average, Seasonally Adjusted



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

6.1 percent in 2012 and are up 4.2 percent in the first eight months of 2013 compared with the same period last year. Consumers are likely responding to the federal payroll tax increase and federal government spending cuts. Reported retail sales were volatile in Colorado during the first few months of 2013 as several large grocery stores filed sales tax returns on a different schedule than usual. However, the retail trade trend has returned to normal and is expected to continue making gains through the rest of the year. Figure 25 indexes growth in retail sales for the nation and Colorado.

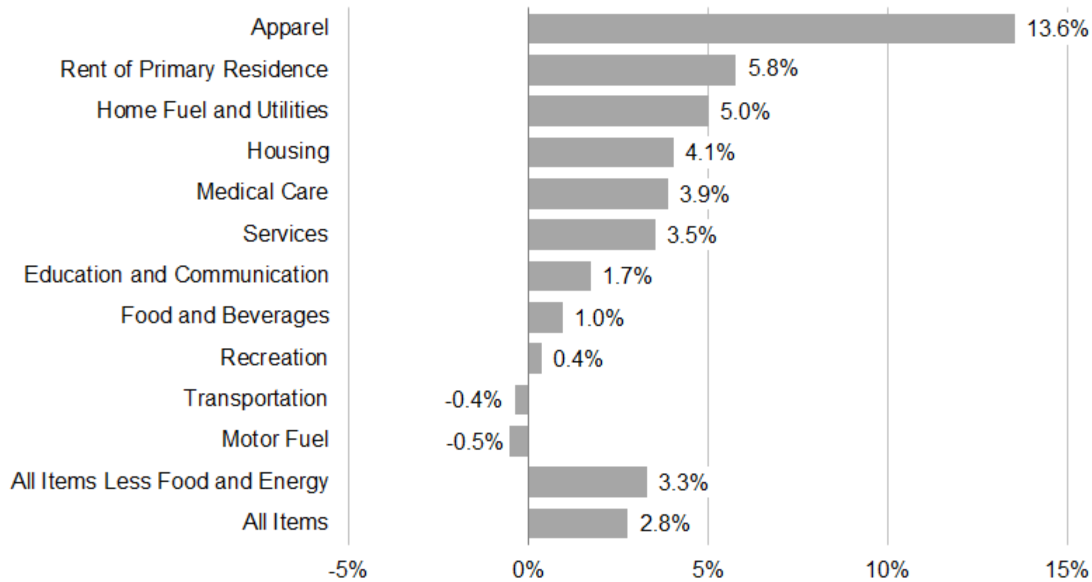
Partly reflecting a rebound in the housing market, several sectors exhibited growth exceeding 7.0 percent in the first eight months of 2013 relative to the same period in 2012: building materials, health and personal care, motor vehicles and auto parts, and furniture and furnishings.

- After increasing 6.1 percent in 2012, Colorado retail sales are expected to advance 4.3 percent in 2013 and 5.3 percent in 2014.

Inflation

Prices for goods and services in Colorado increased 2.8 percent between the first half of 2012 and the first half of 2013. Figure 26 shows the components of inflation in Colorado. Core inflation, which excludes food and energy, increased 3.3 percent. Prices for apparel grew the fastest, increasing 13.6 percent, followed by increases in housing. Specifically, rent, utilities, and housing increased 5.8 percent, 5.0 percent, and 4.1 percent, respectively. Increasing prices in the housing component of the index, which is determined primarily by the rental sector, will continue to contribute to inflation in the

Figure 26
Components of Inflation for Boulder-Denver-Greeley CPI
First Half of 2013 over First Half of 2012



Source: U.S. Bureau of Labor Statistics.

Boulder-Denver-Greeley CPI throughout the forecast period. Motor fuel showed a slight decrease in prices, as fuel fell by 0.5 percent. Limited growth in fuel prices could be a benefit to consumers helping offset some of the losses in disposable income from rising housing costs.

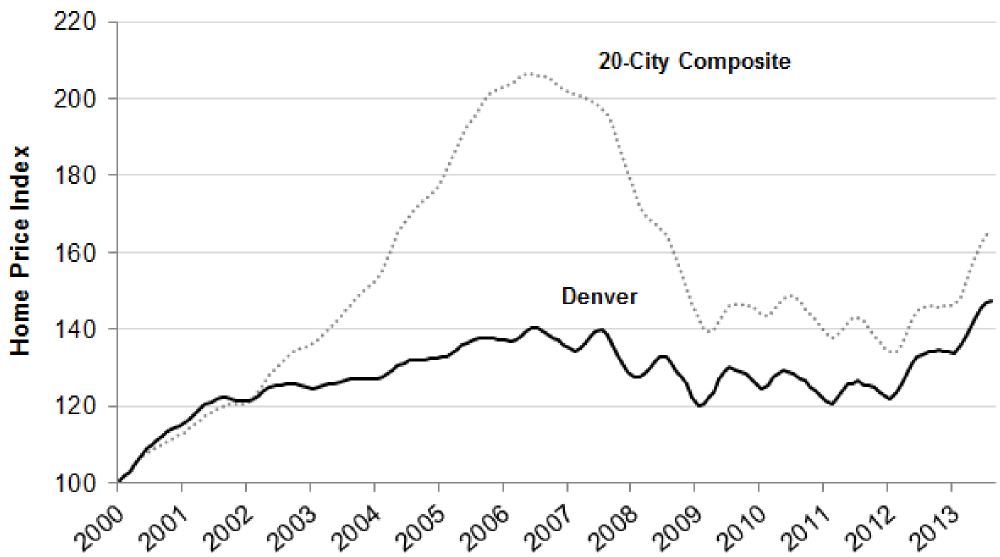
- Prices in Colorado will increase 2.9 percent in 2013 and 2.9 percent in 2014. Inflationary pressure will remain moderate as long as overall economic growth remains restrained. Once the U.S. economy begins to expand more rapidly, the Federal Reserve is expected to tighten monetary policy to keep inflation in check.

Real Estate Market and Construction

Colorado's housing market continues to improve and demonstrate strong growth. Employment gains and population growth coupled with low housing inventory levels are working to boost housing prices in the Denver metro area, despite recent increases in interest rates. Figure 27 shows the Case Shiller Composite-20 City Index and the Denver Case Shiller Index. Housing prices in Denver advanced 9.9 percent in September 2013 over the prior year; placing prices 7.6 percent above peak levels in early 2006.

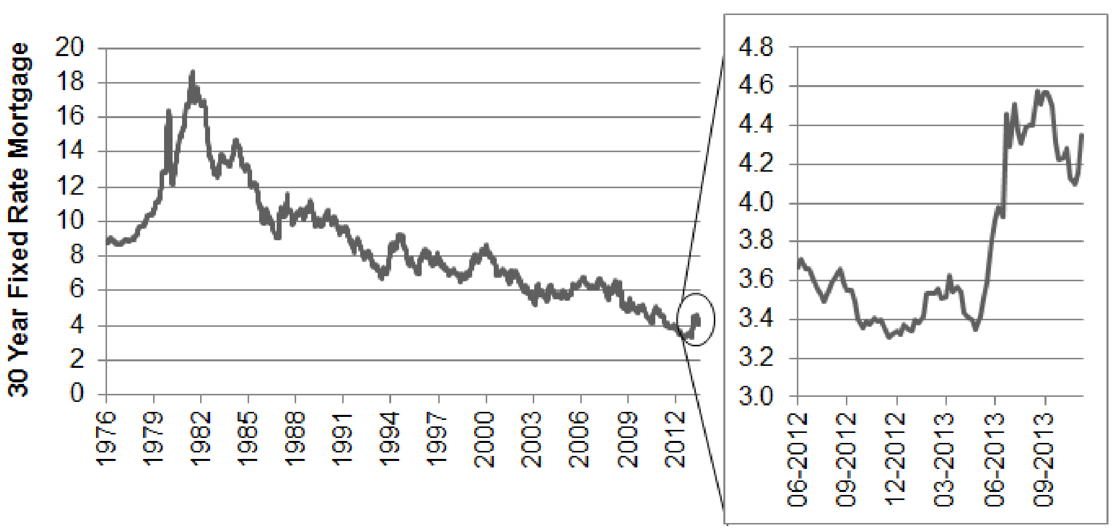
Mortgage rates have been rapidly rising in the past several weeks as the Federal Reserve is expected to slow its quantitative easing programs. This has already begun to decrease the number of people who can qualify for loans. Despite this, housing prices are still expected to climb as the demand for housing seems to be significantly higher than the supply. While housing inventories have climbed by around 30 percent since record lows in the first quarter of 2013, they still remain very low by historical standards. However, as prices climb and fewer individuals are underwater, the supply of homes for sale is expected to increase over the next 12 months. Price appreciation in housing

Figure 27
The Case Shiller Composite-20 Index and Denver Index



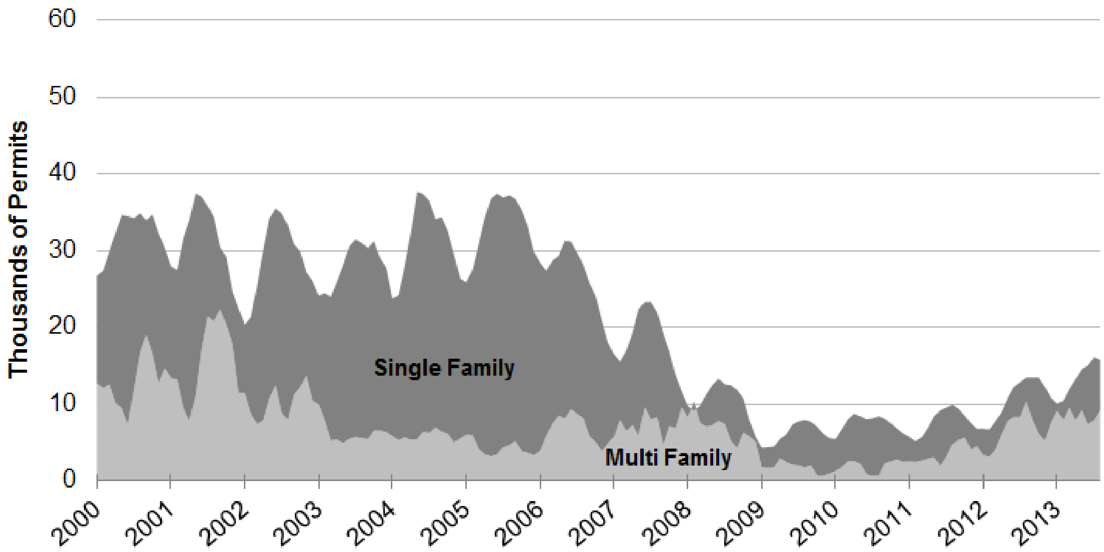
Source: Standard and Poor's. Data through August 2013.

Figure 28
Historical U.S. Average 30 Year Fixed Rate Mortgage



Source: Federal Reserve Bank of St. Louis. Data through November 2013.

Figure 29
Single Family and Multi Family Residential Permits
3-Month Moving Average, Seasonally Adjusted Data



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

prices will eventually level off, although it is expected to take some time. Figure 28 shows the average historical rate for the U.S. 30-year fixed mortgage.

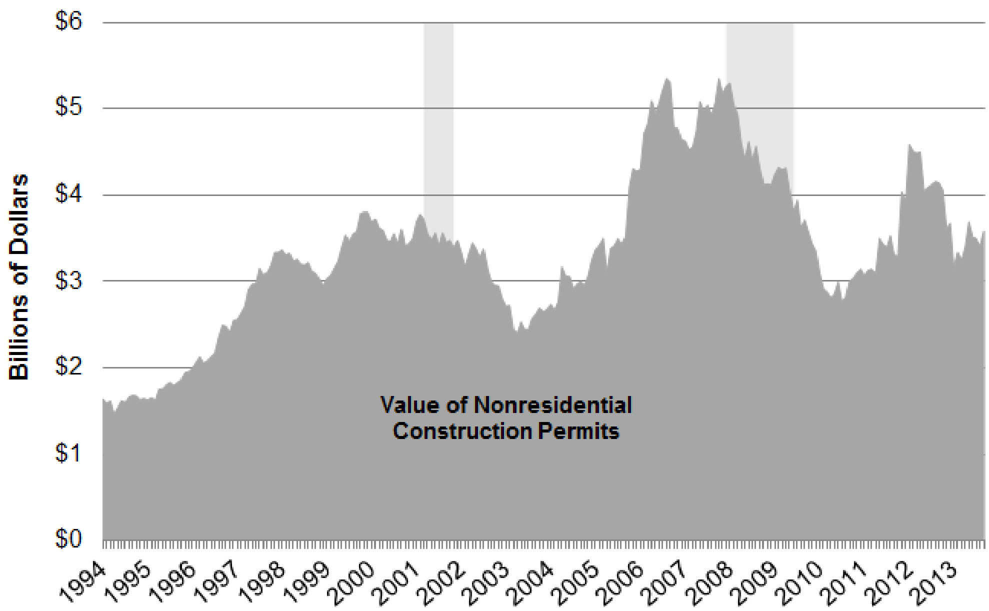
The low inventory is helping the homebuilding industry, which is beginning to gain more confidence in the real estate market. As shown in Figure 29, builders are pulling more permits. Single family permits have increased 18.9 percent through August compared with the same period last year, while multi-family permits increased 53.6 percent.

The nonresidential construction market continues to struggle, despite improvement in other areas of the economy. Figure 30 shows the value of nonresidential construction through September, 2013. The value of nonresidential construction permits is up 29 percent since the trough of the recession in July 2010, although it declined 6.5 percent in 2012 and is down another 3.3 percent year-to-date through September 2013 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 first half of 2013. As levels return to normal following the completion of these projects, we should see growth in the second half of 2013. However, nonresidential construction will remain slow until the market can absorb excess commercial space.

- 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 22.7 percent. In 2014, multi-family permits will slow, causing growth in total residential permits to slow to 18.0 percent.

- Nonresidential construction will see a slight increase in 2013, growing 1.3 percent. In 2014, nonresidential construction will increase 20.1 percent as the economy gains momentum and commercial vacancy rates fall.

Figure 30
Value of Nonresidential Construction in Colorado
Seasonally Adjusted, Annualized Data



Source: F.W. Dodge. Data through September 2013. Shaded areas reflect recession periods.

Banking

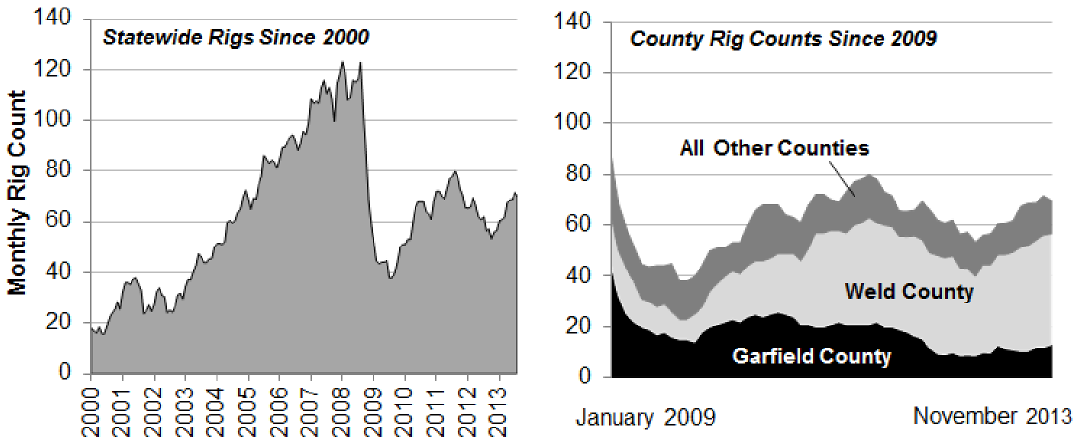
While the worst is largely behind the Colorado banking sector, there are still challenges ahead that could affect its recovery. Colorado banks have stabilized and many are beginning to grow again. The percentage of all banks that were unprofitable fell from 18.1 percent in September 2012 to 13.0 percent in September 2013. Assets and core deposits have held steady over the last few quarters, while noncurrent loans and leases and nonperforming assets to 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. Meanwhile, banks are finding many applicants do not meet lending standards. Extremely high competition between banks for those who can meet standards is translating into very low returns. 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 31 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. The total number of oil and natural gas rigs has risen from 53 rigs in January 2013 to 71 rigs in November of 2013. This is still down from a peak of 80 rigs in November 2011. Natural gas prices have increased about 50 percent in the first eight months of 2013 over the same time last year and Colorado could benefit from these increased prices in the future. However, natural gas prices remain at historically low levels and Garfield and Mesa counties face competition from other natural gas fields around the country.

Figure 31
Oil and Natural Gas Rigs in Colorado and by Selected Counties



Sources: Baker Hughes. Data through November 2013.

Most wells now use horizontally drilling, so a single well has access to a larger area. Thus, a change in the number of oil wells does not equate to a proportionate change in production. According to Baker Hughes, there were an average of 19 horizontal wells statewide in January 2012 and 44 horizontal wells in November of 2013. The majority of these wells are in Weld County, which had 41 horizontal wells as of November, 2013.

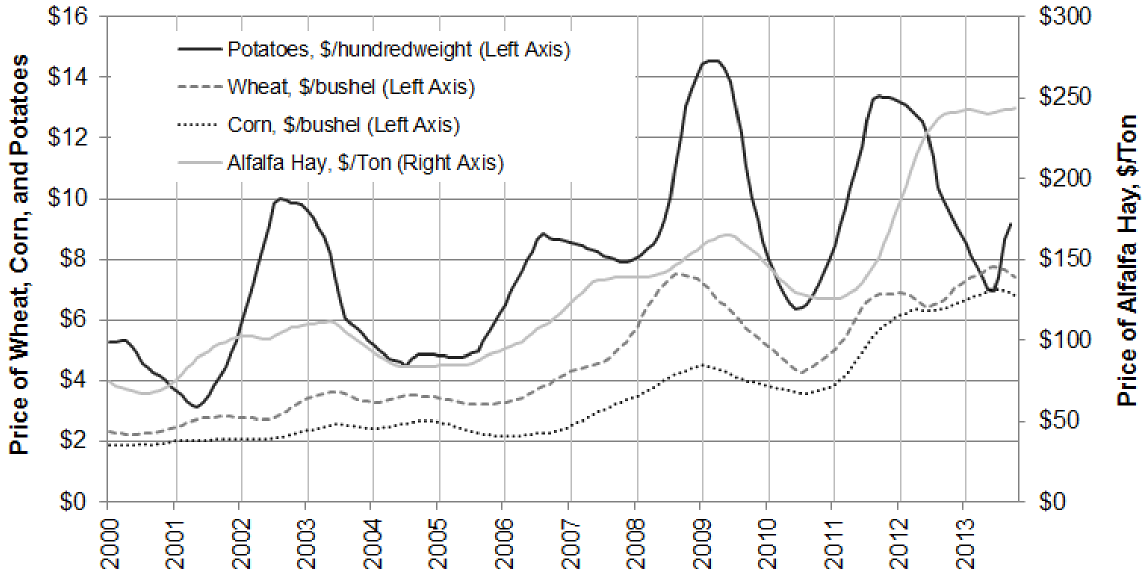
Agricultural Production

The last few years have been turbulent for Colorado's agricultural sector, as damaging drought conditions have hurt crop production and diminished livestock herds. More recently, the September floods in northern and eastern Colorado may constrain the production of corn, sugar beets, onions, hay, and other crops in the region. According to the Colorado Department of Agriculture, corn production statewide is expected to increase 2.7 percent in 2013, while sugar beet production is expected to decrease almost 12 percent in 2013.

The United States Department of Agriculture measures droughts on a scale of D0 (abnormally dry) to D4 (exceptionally dry). Southeastern Colorado has experienced an extreme (D3) and exceptional (D4) drought since May 2011. The state as a whole had joined Southeastern Colorado in June 2012 at an extreme drought (D3) level. As of November 2013, drought conditions in the majority of the state have improved, falling between abnormally dry (D0) and a moderate drought (D1). Some areas of southeastern Colorado, however, such as Crowley, Otero, Kiowa, and Bent counties continue to experience severe (D2) to exceptional drought (D4).

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

Figure 32
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).

The easing of drought conditions in many regions of Colorado, coupled with production increases has caused some agricultural prices to fall in 2013. Wheat prices fell from $8.24 per bushel in October 2012 to $7.12 in November 2013, a decline of 14 percent. Corn prices were $6.45 per bushel in October 2012, but have fallen to $5.13 in October 2013. In regions of the state that produce potatoes, such as the San Luis Valley, prices are up, however. Potato prices in October 2012 were $5.85 per hundredweight (cwt) and have risen to $12.60 per cwt in September 2013.

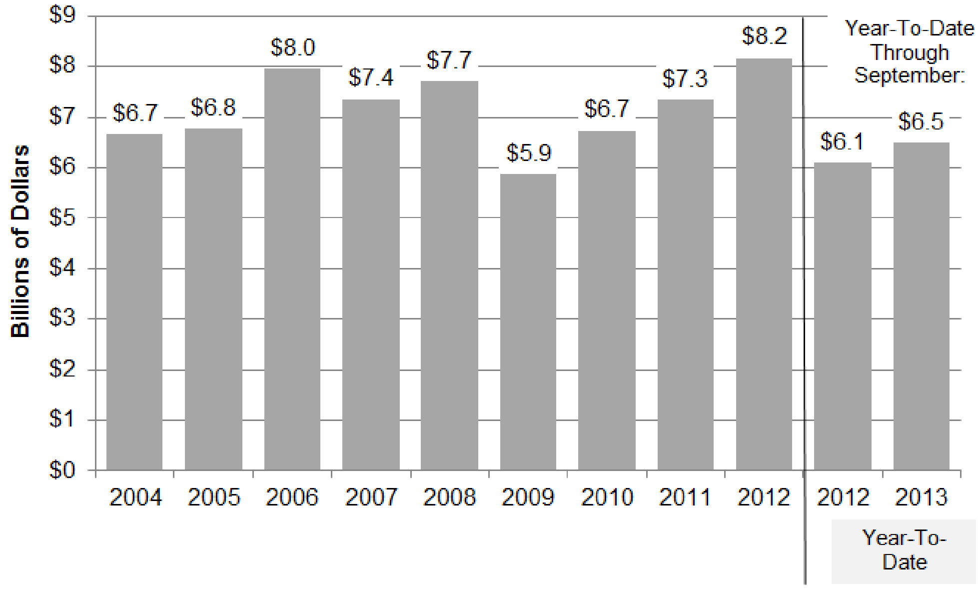
Figure 32 shows crop price changes since 2000 for elected field crops.

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 3.4 percent in 2012 because of the drought. In the first ten months of 2013 the cattle and calf inventory has fallen by 9.2 percent.

Colorado Exports

Colorado's exports to other nations increased 6.5 percent in the first nine months of 2013 compared with the same period in 2012. Canada continued to be the state's strongest export partner, although exports fell 0.6 percent in the first nine months of 2013. Exports to Mexico and China increased 7.4 percent and 14.7 percent, respectively. Colorado exports to Japan and Europe also increased. Through November 2013, the dollar depreciated against the Euro and the Chinese

Figure 33
Total Colorado Exports
Seasonally Adjusted



Sources: U.S. Department of Commerce, International Trade Administration.

yuan, which caused increased demand for Colorado exports. However, the dollar has strengthened against the Canadian dollar, Japanese yen, and British pound. If this continues, it could cause Colorado exports to slow in the fourth quarter. Figure 33 shows Colorado exports between 2004 and September 2013.

Summary

Colorado's economy is continuing to expand and should see solid growth through the remainder of 2013 and 2014. Employment is expected to continue to grow and the unemployment rate will decrease. Retail sales will continue to grow, although at a more limited rate as personal income and wages and salaries are constrained. The housing market is projected to remain strong throughout the forecast period.

Colorado faces dual headwinds from both national fiscal and monetary policy. Uncertainties caused by the federal debt ceiling and budget situation will continue to impact the state's economy. If a political compromise is reached, Colorado's economy could be positively impacted. However, if political gridlock occurs, it could hurt Colorado's economic outlook. Additionally, as the Federal Reserve considers reducing the expansion of the money supply, the state's housing market could grow more slowly and other consumer expenditures tied to borrowing could be restrained.

Table 14
Colorado Economic Indicators, December 2013 Forecast
(Calendar Years)

	2009	2010	2011	2012	Forecast 2013	Forecast 2014	Forecast 2015
Population (thousands, July 1)	4,976.9	5,049.7	5,118.5	5,188.7	5,271.7	5,356.0	5,436.4
percent change	1.5%	1.5%	1.4%	1.4%	1.6%	1.6%	1.5%
Nonagricultural Employment (thousands)	2,245.2	2,222.2	2,258.2	2,309.5	2,367.2	2,424.0	2,484.6
percent change	-4.5%	-1.0%	1.6%	2.3%	2.5%	2.4%	2.5%
Unemployment Rate	8.1	9.0	8.6	8.0	7.0	6.7	6.4
Personal Income (millions)	$206,423	$210,608	$226,032	$237,461	$246,722	$259,156	$274,705
percent change	-2.7%	2.0%	7.3%	5.1%	3.9%	5.7%	6.0%
Wage and Salary Income (millions)	$112,294	$113,783	$118,740	$125,055	$130,307	$137,213	$144,897
percent change	-3.8%	1.3%	4.4%	5.3%	4.2%	5.3%	5.6%
Retail Trade Sales (millions)	$66,345	$70,738	$75,548	$80,073	$83,516	$87,942	$92,691
percent change	-11.3%	6.6%	6.8%	6.0%	4.3%	5.3%	5.4%
Home Permits (thousands)	9.4	11.6	13.5	23.3	28.6	33.7	38.6
percent change	-50.8%	23.9%	16.5%	72.6%	22.7%	18.0%	14.5%
Nonresidential Building (millions)	$3,354	$3,147	$3,923	$3,676	$3,724	$4,472	$4,647
percent change	-18.5%	-6.2%	24.7%	-6.3%	1.3%	20.1%	3.9%
Denver-Boulder Inflation Rate	-0.6%	1.9%	3.7%	1.9%	2.9%	2.9%	2.5%

Source: 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.

Assessed Value Projections

This section provides preliminary projections of assessed values for residential and nonresidential properties in Colorado and the residential assessment rate through 2016. Assessed values are an important component in determining local property tax revenue for Colorado's public schools, because the values are the tax base to which property tax rates are applied. Local property tax revenue is the primary, local contribution to public school funding that is complimented by state equalization payments. Assessed values are thus an important determinant of the amount of state aid provided to public schools.

Summary

Total assessed values for all property classes decreased 0.8 percent in 2013 to $88.7 billion. Values are expected to rise 2.2 percent in 2014 to a total value of $90.6 billion. Values will rise further to $95.9 and $98.7 billion in 2015 and 2016, respectively.

Assessed values are projected to grow modestly in 2014, a non-reassessment year. Some growth will occur in nonresidential values, pushing overall values slightly higher. In the 2015 reassessment year, however, growth is expected to pick up noticeably. These values will reflect changes that occurred from January 2013 to June 2014. Recent gains resulting from the recovering economy will augment the notable increases that have occurred in assessed values of existing real property, especially along the front range. Increased residential values and growth in values for nonresidential property classes, most notably oil and gas properties in Weld County, will contribute to the overall growth in assessed values. In 2016, another non-reassessment year, growth is expected to remain modest. Table 15 shows the actual and forecasted residential, nonresidential, and total assessed values from 2007 through 2016. Figure 34 illustrates the actual and forecasted level of property values from 2003 through the forecast period.

- **Nonresidential assessed values** decreased 0.1 percent in 2013, as overall declines in oil and gas values offset increases in commercial, industrial, and state assessed properties. The change in nonresidential values varied by region. Values in the northern region shot up 9.6 percent, while most other regions saw gains in value of up to 4.3 percent. The exceptions were Pueblo, the southwest mountains, and the western region, where values declined 4.3 percent, 15.6 percent, and 16.0 percent, respectively. The large declines along the western slope were driven by decreasing oil and gas activity. Nonresidential assessed values are projected to increase 3.0 percent statewide in 2014 and post gains of 6.1 percent and 3.7 percent in 2015 and 2016, respectively.

- After falling 1.8 percent in the reassessment year of 2013**, residential assessed values** are expected to rise 1.1 percent in 2014. The modest decline in the 2013 value reflected widespread declines in the housing market that occurred between January 2011 and June 2012. The only regions to post gains were metro Denver, the northern region, and the San Luis Valley. Every other region of the state posted declines ranging from 0.2 percent to 16.3 percent in the 2013 reassessment year. The largest declines came in the

Table 15
Residential and Nonresidential Assessed Values
(Dollars in Millions)

Year	Residential Assessed Value	Percent Change	Nonresidential Assessed Value	Percent Change	Total Assessed Value	Percent Change
2007	$39,331	14.5%	$45,816	14.6%	$85,147	14.2%
2008	$40,410	2.7%	$47,140	2.9%	$87,550	2.8%
2009	$42,298	4.7%	$55,487	17.7%	$97,785	11.7%
2010	$42,727	1.0%	$49,917	-10.0%	$92,644	-5.3%
2011	$38,908	-8.9%	$48,986	-1.9%	$87,894	-5.1%
2012	$39,219	0.8%	$50,230	2.5%	$89,449	1.8%
2013	$38,527	-1.8%	$50,184	-0.1%	$88,710	-0.8%
2014*	$38,956	1.1%	$51,691	3.0%	$90,647	2.2%
2015*	$41,126	5.6%	$54,827	6.1%	$95,953	5.9%
2016*	$41,823	1.7%	$56,875	3.7%	$95,698	2.9%

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

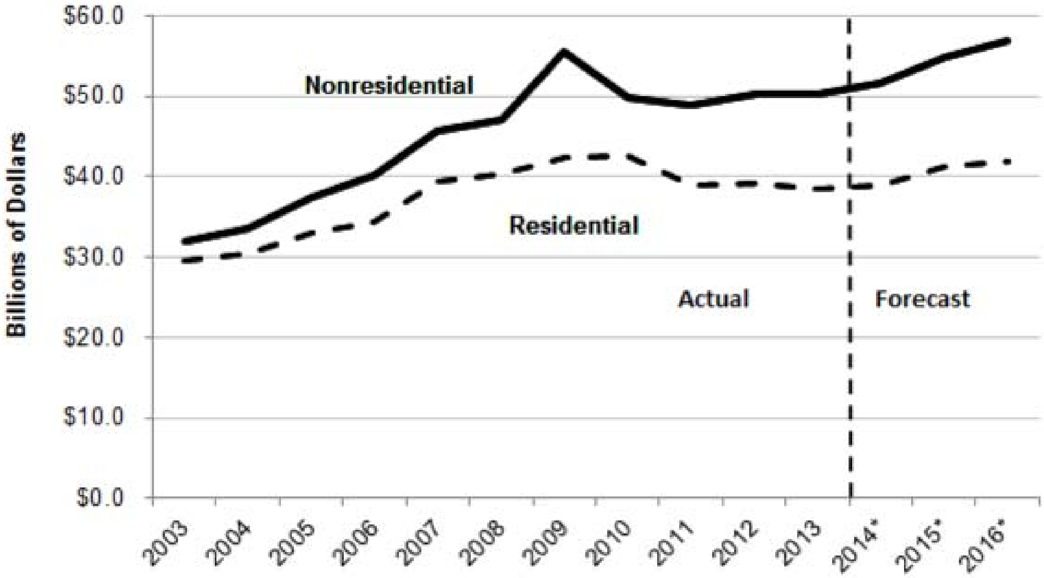
mountain, southwest mountain, and western regions. Residential values are expected to grow very modestly in the non-reassessment year of 2014, and fairly evenly across all regions. A marked uptick is expected in 2015, however, reflecting gains seen in the real estate market in 2013 and 2014. This increase in residential value will be uneven across the state. The largest growth will be seen along the front range and in the mountain region, while property values in the west slope regions will continue to lag.

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

Real property classes, including residential, commercial, industrial, and vacant land, are assessed over a two-year cycle. As a result, a lag occurs before changes in market value are reflected in assessed values. While the 2011 assessment captured much of the decline in value that occurred during the recession, the tail end of that decline occurred during the 2013 reassessment cycle, and was offset by the beginnings of the recovery in the real estate market. Values in most real property classes will increase more markedly in the 2015 reassessment cycle, which will capture the current increase in real property values.

In contrast to real property, which comprises the vast majority of the state's assessed value, "producing" properties in the agricultural, mining, natural resource, and oil and gas property classes are assessed annually. The value of the first three property classes increased sharply in 2013, especially the agricultural and producing mine property classes. In contrast, the value of oil and gas properties declined nearly 10 percent in 2013, although changes varied dramatically by region, as discussed below. The increases in the first three property classes are expected to continue over the forecast period. Figure 34 graphically presents how residential and non-residential assessed values have grown from 2003 through the forecast period.

Figure 34
Residential and Nonresidential Assessed Values



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

Nonresidential Assessed Values

Nonresidential property includes eight property classes: commercial, oil and gas, vacant land, industrial, agriculture, natural resources, producing mines, and state-assessed. All eight classes of nonresidential property are assessed at 29.0 percent of their market value. Assessed values in these classes totaled $50.2 billion in 2013, 0.1 percent lower than in 2012. Nonresidential assessed values are expected to increase 3.0 percent in 2014. While values in real property classes such as commercial and vacant land will remain stable during this non-reassessment year, the value of agricultural, mining, and to a lesser degree oil and gas properties should continue to rise during the forecast period. There will be more rapid growth in nonresidential values in 2015, and in 2016, overall values are projected to surpass the peak levels registered in 2009.

Commercial property represents about one-half of all nonresidential assessed value. As consumer spending dropped markedly during the recession, commercial property values fell accordingly. The steepest declines occurred in areas that had the largest real estate boom before the recession. Commercial values rebounded in 2013 with the economic recovery, increasing 3.4 percent. This includes mountain communities and urban areas such as Colorado Springs and metro Denver. As the economy continues to improve, commercial values should continue to increase, albeit in a lagged fashion. New construction will augment these value increases in the later years of the forecast period.

Oil and gas is the second-largest nonresidential property class, accounting for roughly 20 percent of total nonresidential value. Values in this property class include the production value of oil and natural gas and the value of the equipment used in the extraction and production processes. Assessed values in this class of property rose 37.3 percent in 2011 and 14.2 percent in 2012, due primarily to the growth of oil exploration in the northern region. While assessed values of oil and gas property fell 9.9 percent in 2013, changes varied dramatically by region and mineral. In the northern region, which primarily produces oil, values rose another 15.5 percent. In contrast, in the southwest mountain and western regions, which primarily produce natural gas, values fell 22.3 percent and 25.0 percent, respectively. Drilling activity continues to be robust in Weld County and natural gas prices have increased recently, implying increased activity in the western regions. Oil and gas assessed values in the northern region are expected to continue their rapid increase while values in the western and southwest mountain regions should rebound somewhat in 2014. Overall, values in this class are expected to increase moderately through the remainder of the forecast period.

Vacant land is the third-largest nonresidential property class in the state, accounting for roughly 10 percent of total nonresidential value. The softness of the real estate market caused values in this property class to decrease 13.6 percent in 2013. Values are expected to increase modestly, however, during the 2014 non-reassessment year.

Residential Assessed Values

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

Residential market values. Residential market values decreased 1.8 percent in 2013, equating to a loss of $8.7 billion in market value. Value gains occurred in metro Denver, the northern region, and the San Luis Valley, ranging from 1.4 to 2.5 percent. Value in Colorado Springs and the eastern plains were essentially unchanged, while the four other regions had value declines ranging from 4.0 to 16.3 percent. The vast majority of loss in value occurred in the mountain and western regions.

Overall growth in residential market values will be modest in the 2014 non-reassessment year, and depend largely on new construction. Gains will be fairly uniform across regions, ranging from 0.7 to 1.9 percent. Growth in value will accelerate in the 2015 reassessment year, which captures the increase in property value that is currently occurring. While gains in value are projected for every region, they will not be uniform across the state. Growth in residential value will occur all along the front range, including the northern, metro Denver, Colorado Springs, and Pueblo regions. Gains in these regions are expected to range from 3.8 to 6.7 percent. Along the western slope, the western and southwest mountain regions will see a growth in values of 1.2 percent and 4.4 percent, respectively.

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

Gallagher and the residential assessment rate. The Gallagher Amendment to the Colorado Constitution fixes the share of value attributable to residential property statewide at roughly 47 percent of total assessed values, with nonresidential assessed values making up the remaining 53 percent. From 1983 to 2003, residential market values generally grew at a faster rate than nonresidential values (or declined at a slower pace), resulting in a decrease in the residential assessment rate from 21.0 percent to 7.96 percent over that period. By comparison, nonresidential property is assessed at 29 percent of its value.

The residential assessment rate has remained constant since 2003. Residential values in Colorado were negatively impacted by the recession in the early 2000s and did not increase as much as many other areas of the nation. In contrast, nonresidential values grew faster due to growth in the commercial and oil and gas property classes. Under the Gallagher Amendment, the faster growth in nonresidential values should have triggered an increase in the residential assessment rate to maintain the required proportions in total assessed values. However, because the TABOR Amendment specifically prohibits an increase in assessment rates without voter approval, the residential assessment rate has remained at 7.96 percent. Based on the Gallagher Amendment calculation, the residential assessment rate should have increased to 8.81 percent for 2012 and 2013.

Although both residential and nonresidential property values declined modestly in 2013, residential values declined faster than nonresidential values, which should have triggered an increase in the residential assessment rate. For the upcoming reassessment period in 2015 and 2016, growth will be slightly stronger in nonresidential values, causing the calculated residential assessment rate to rise to 8.82 percent. The actual rate, however, will remain fixed at 7.96 percent unless voters approve an increase.

Regional Assessed Values

Assessed values are projected for each school district and are used in forecasting state expenditures for pre-kindergarten through twelfth grade public education. The following section highlights trends for each region in the state. Table 16 summarizes how regional assessed values will change through 2016. Figure 35 depicts graphically, by region, actual and forecasted residential and nonresidential assessed values from 2008 through the forecast period. Figures 36 and 37 on pages 73 and 74 illustrate geographically the anticipated change from 2013 to 2014 at the regional and school district-level.

The economy in the front range is improving, which has positive impacts on the property tax base. Home prices are rising at a brisk pace. The supply of houses for sale is extremely low, so the market is able to absorb foreclosures without dragging down prices. Prices of commercial properties have been helped by extremely low interest rates. Other classes of nonresidential property along the front range are also benefitting from an improving economy.

The oil and gas industry has a significant impact on the economies and assessed values of several regions of the state. In the northern region, oil production drives nonresidential assessed values. In the western region, natural gas properties are responsible for the largest share of assessed values. Oil exploration in the northern region is increasing, while activity related to natural gas in the western region has declined. In the future, both of these trends will be tied to national energy markets and the relative prices of oil and natural gas.

Assessed values in the resort areas of the state have been slow to recover from the recession. Values are heavily influenced by the tourism and construction industries. The value of vacant land is determined by its development potential. Commercial properties, such as restaurants and retail stores, rely on tourism activity. Residential values are

Table 16
Regional Total Assessed Values and Growth Rates
(Dollars in Millions)

		Forecast Percent Change			
Region	**Preliminary 2013***	**2014**	**2015**	**2016**	**3-Year Average Annual**
Metro Denver	$43,411	1.3%	5.7%	1.5%	2.8%
Colorado Springs	$6,415	1.2%	3.1%	2.2%	2.2%
Northern	$10,363	8.9%	11.6%	9.7%	9.6%
Western	$9,149	0.9%	2.6%	2.4%	1.9%
Pueblo	$2,688	1.3%	2.7%	1.0%	1.7%
Eastern Plains	$2,428	2.9%	4.4%	2.8%	3.3%
Mountain	$10,677	0.8%	6.5%	2.1%	3.1%
Southwest Mountain	$2,960	2.4%	4.3%	3.4%	3.3%
San Luis Valley	$619	1.6%	3.0%	1.5%	2.0%
Statewide Total	$88,710	2.2%	5.9%	2.9%	3.6%

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

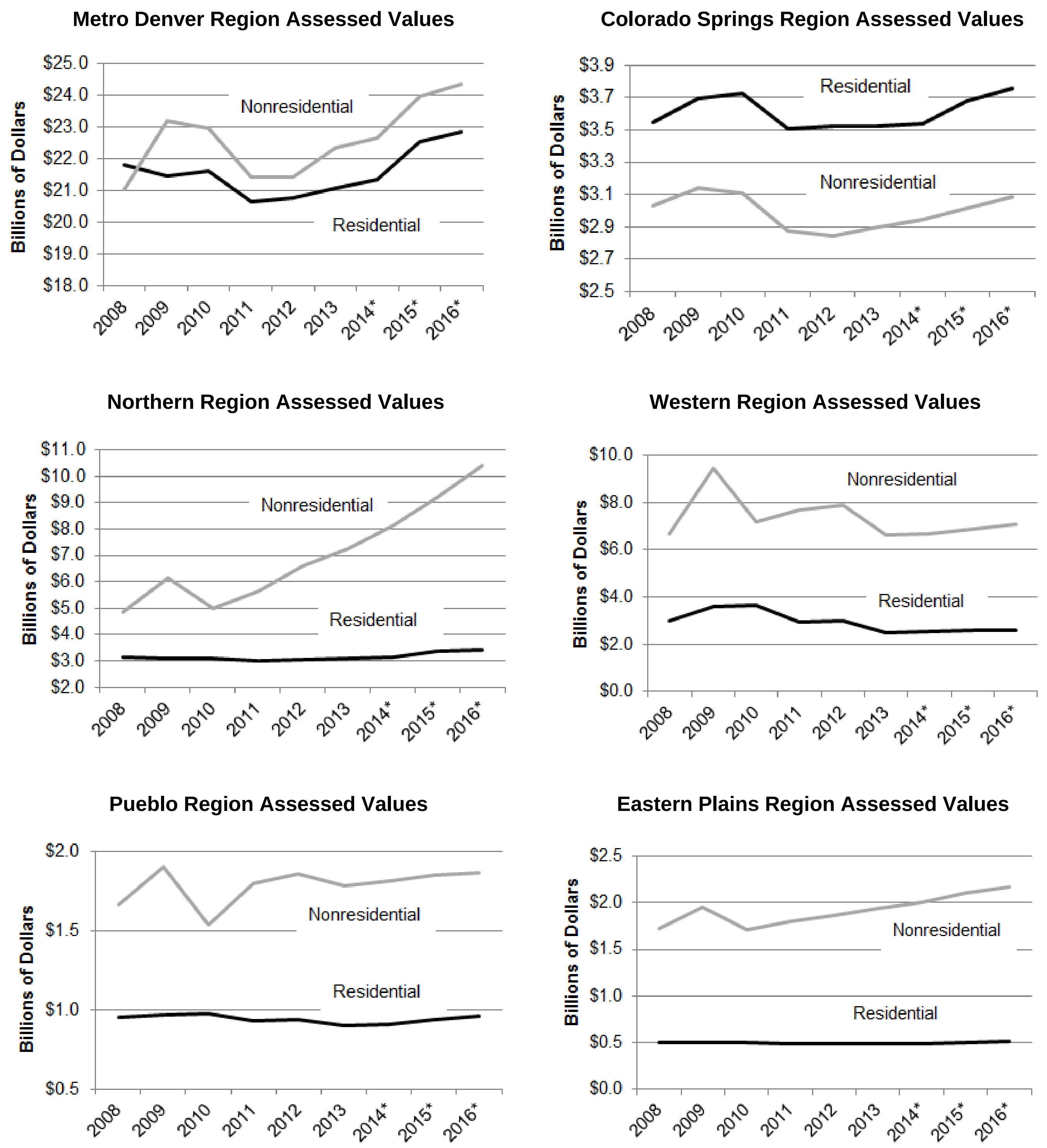
determined by the demand for second homes and the ability of workers in the tourism and construction industries to afford homes.

Finally, the wildfires and floods that occurred in 2013 disproportionately impacted certain school districts in the Colorado Springs, Denver, northern, and eastern plains regions. The Black Forest fire destroyed 486 homes in the Academy School District and the floods damaged or destroyed thousands of homes and hundreds of businesses. When a home is rendered uninhabitable, property taxes are prorated so the homeowner pays taxes on the home value for the time between January 1 and the date of destruction. Because the fires occurred in June, affected homeowners will pay about six months of the property taxes in 2013. Since the flooding occurred in September, property owners with improvements damaged by the floods will pay about nine months of property taxes. The prorated amount only applies to improvements on the land, and not the land itself. Any impact on the value of the underlying land will be reflected in the next reassessment.

In 2014, county assessors will visit damaged and destroyed properties on January 1 to value the property. If the homeowner has rebuilt and has a certificate of occupancy, then the assessed value of the home will be included in the tax base in 2014. If the home or business has not been rebuilt, then only the land value will be taxed. These natural disasters are accounted for in this forecast by reducing growth in impacted districts in 2014 and correspondingly increasing assessed values in 2015.

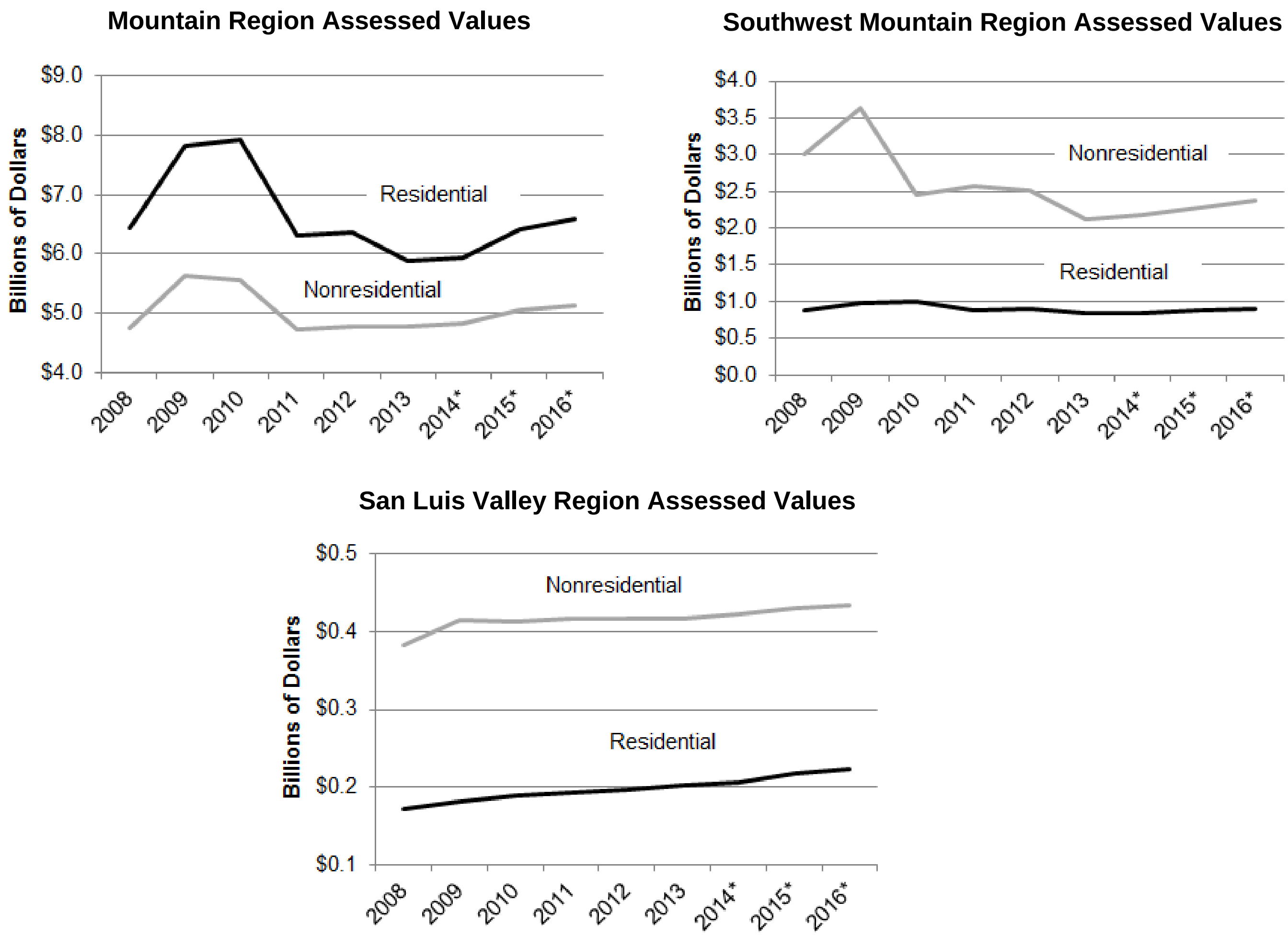
The **metro Denver** region has largely recovered from the economic downturn, and housing values have accelerated upwards.

Figure 35
Regional Residential and Nonresidential Assessed Values



**LCS Forecast.*
Source: Department of Local Affairs, Division of Property Taxation.

Figure 35 (Continued)
Regional Residential and Nonresidential Assessed Values



**LCS Forecast.*
Source: Department of Local Affairs, Division of Property Taxation.

In the 2013 reassessment year, residential assessed values increased 1.4 percent region-wide, reflecting changes occurring in 2011 and the first half of 2012. Residential values increased in ten of the region's 17 school districts in 2013, including the Denver, Douglas County, and Jefferson County school districts, which posted increases in value of 3.6 percent, 2.3 percent and 0.5 percent, respectively. This growth was offset by declines posted in the Aurora, Englewood, and Westminster school districts of 3.9 percent, 1.0 percent, and 0.7 percent, respectively. In 2014, a non-reassessment year, there will be a 1.2 percent increase in residential assessed values in the region. This reflects new construction of residential property that occurred in 2013 and should be spread fairly uniformly throughout the region. In 2015, the next reassessment year, which captures value changes in 2013 and 2014, values are expected to increase 5.7 percent.

Changes in nonresidential assessed values in this region have varied by school district depending on the mix of property classes in the tax base. Values for commercial properties are increasing due to low interest rates, which are helping sale prices. Other classes of property are also increasing in value as the economy strengthens. Nonresidential property will increase 1.5 percent in 2014, a non-reappraisal year. In 2015, nonresidential assessed values are anticipated to increase 5.8 percent, as gains in the commercial and industrial classes reflect a better economy.

Overall, total assessed values in the metro Denver region will increase at an average annual rate of 2.8 percent over the next three years, with residential assessed values increasing 2.7 percent and nonresidential assessed values increasing 2.9 percent.

Changes in assessed values in the **Colorado Springs** region were mixed in 2013 as nonresidential values increased 1.9 percent, while residential values fell 0.2 percent. Residential property makes up over half the property tax base in the region and an improving housing market is expected to boost residential values throughout the forecast period. However, the residential structures that were destroyed in last summer's fires in several school districts will reduce residential assessed values in 2014. These losses will be offset by modest construction activity across the region and residential values are expected to increase 0.7 percent in 2014. In the 2015 reassessment year, values will increase 3.9 percent, reflecting the current sales activity.

Commercial properties, including retail outlets and office buildings, are the largest nonresidential property class in the region. After declining for the previous three years, regional nonresidential values increased 1.9 percent in 2013. Values in the Edison school district exhibited the fastest growth in the region (8.3 percent). In contrast, values in the Hanover school district fell 15.0 percent in 2013, due to a decline in state assessed property values. In aggregate, nonresidential values are expected to increase 1.8 percent in 2014 and 2.2 percent in 2015 as the economy improves.

Overall, both residential and nonresidential assessed values in the Colorado Springs region will increase at an annual average rate of 2.2 percent over the next three years.

Assessed values in the **northern** region, containing school districts in Larimer and Weld counties, posted strong growth in 2013. A 9.6 percent jump in nonresidential value was primarily due to large increases in oil and gas property values in Weld County, which constitutes a significant share of the region's value. These values are projected to jump another 12.0 percent in 2014. Because to the continued petroleum boom and the northern region's high proportion of agricultural and state assessed properties, regional nonresidential values will increase the most rapidly through the forecast period.

Residential values in the northern region have weathered the soft housing market better than other parts of the state, in part because of the growth in the oil industry. Residential assessed values increased 1.8 percent in 2013. Residential values are expected to increase 1.5 percent in 2014 due to new construction and 6.7 percent in 2015, the next reassessment year.

Total assessed values in the northern region are projected to grow the fastest of any region in the state, increasing at an annual average rate of 9.6 percent over the next three years. Residential assessed values will grow 3.2 percent and nonresidential assessed values will increase 12.7 percent annually through the forecast period.

The economy in the **western region** of the state was one of the last regions to enter the recession and is one of the last regions to recover. Residential assessed values decreased 16.3 percent in the reassessment year of 2013. Values in nearly all of the region's school districts declined in 2013, with the biggest drop occurring in the Parachute school district (37.0 percent). The Rangeley school district was the lone district in the region with increased residential values (3.3 percent). New construction will increase residential values 1.6 percent in 2014. Residential assessed values are expected to increase 1.2 percent in 2015, the next reassessment year. This overall increase will include increases in the region's resort areas offset by declines in communities relying on natural resource development.

Nonresidential values in the western region declined 16.0 percent in 2013. The largest type of nonresidential property is oil and natural gas, which makes up almost half of the nonresidential property tax base. Most of this value is tied to the production of natural gas and a large portion of the drilling activity has migrated to the northern region. Oil and natural gas assessed values declined 24.9 percent in 2013. The lingering effects of the recession caused vacant land to decrease 28.8 percent and commercial property to decline 4.1 percent in 2013. An increase in natural gas prices will help nonresidential assessed values increase 0.6 percent in 2014 and a recovering economy will help boost nonresidential assessed values 3.1 percent in 2015.

Over the next three years, total assessed values in the western region will increase at an annual average rate of 1.9 percent. Residential assessed values will increase at an annual average rate of 1.5 percent, while nonresidential assessed values will increase 2.1 percent annually, through the forecast period.

While the **Pueblo** region includes the school districts in Custer, Fremont, Huerfano, Las Animas, and Pueblo counties, 62.3 percent of the region's residential property value is contained in the two Pueblo County school districts. Residential property in the region decreased 4.0 percent in 2013. This was the largest regional decline on the Front Range. Residential values are anticipated to increase 0.7 percent in 2014 because of new construction. The next reassessment will capture a modest rise in home prices that was aided by extremely low mortgage interest rates and a recovering economy, with residential values expected to increase 3.8 percent in 2015.

State assessed property is the largest nonresidential property class in the Pueblo region, but the commercial, industrial, oil and gas, and vacant land classes each account for at least 8.6 percent of nonresidential value. Nonresidential values decreased by 4.3 percent in 2013 primarily because a decline in the value of oil and natural gas property in the region. The decline in oil and gas values was concentrated in the Trinidad and Primero school districts. In 2014, nonresidential assessed values are expected to increase 1.6 percent because of a strengthening economy and a modest rebound in the price of natural gas. In 2015, the reassessment of commercial property will reflect an improving economy and nonresidential assessed values will increase 2.2 percent.

Overall, total assessed values in the Pueblo region will increase at an annual average rate of 1.7 percent over the next three years. Residential assessed values will increase 2.0 percent and nonresidential values will increase 1.5 percent per year through the forecast period.

School districts in the **eastern plains** region are typically among the slowest growing in terms of assessed value. This is partially the result of slow population growth and relatively low demand in the region for residential and commercial development. Residential values in the region decreased 0.5 percent in 2013, as this reassessment period captured the tail end of the decline in home values from the recession. Values are expected to grow 3.1 percent in 2015, the next reassessment year, as home values have been boosted by low mortgage rates.

While the agricultural sector is the largest economic driver in the region, agricultural property accounts for only 22.8 percent of total nonresidential value. State assessed property is the largest nonresidential property class in the region, accounting for 36.6 percent of the value. Some school districts also have significant value in the oil and gas and commercial classes. Nonresidential values increased 4.1 percent in 2013 due to increases in state assessed and agricultural property values. Values are expected to increase again in both 2014 and 2015, growing by 3.2 percent and 4.7 percent, respectively. A gradually improving economy will increase the value of state assessed property and higher commodity prices will boost agricultural land values.

Total assessed values in the eastern plains region will grow at an average annual rate of 3.3 percent over the next three years. Residential assessed values will increase 2.1 percent and nonresidential assessed values will increase 3.7 percent annually, through the forecast period.

The **mountain region** of the state includes resort communities, like Aspen and Steamboat Springs, the mining town of Leadville, and ranching communities like Walden and Granby. This variety is reflected in the property tax base of the region. Second home values declined significantly with the collapse of the national housing market. Residential assessed values in the region declined 7.3 percent in the 2013 reassessment year, and were 25.7 percent lower than the peak values reached in 2010. As the national housing market recovers and interest rates remain relatively low, there will be new construction in 2014, increasing residential values 0.7 percent. A 8.0 percent increase in values are expected in 2015, due to the recovery in resort area values that is following the recovery of home values nationwide.

Nonresidential values in the region increased 0.1 percent in 2013. Values are concentrated in the commercial and vacant property classes, which were reassessed in 2013. Vacant land values decreased 17.0 percent while commercial property increased 2.6 percent. The largest increase in nonresidential value was in Lake County, where a $1 billion investment in the Climax mine increased the nonresidential tax base 110.9 percent in 2013. Nonresidential assessed values are expected to increase 1.0 percent in 2014 and 4.7 percent in 2015, as the national economy recovers and tourism increases in the region.

Total assessed values in the mountain region will increase at an annual average rate of 3.1 percent over the next three years. Residential values will increase 3.8 percent and nonresidential values will increase 2.3 percent, on an average annual basis, through the forecast period.

Residential values in the **Southwest Mountain** region decreased 6.3 percent in the 2013 reassessment year. Regional communities such as Pagosa Springs and Durango contain second homes for out-of-state owners, so home values reflect national housing trends. Residential values declined in every school district in the region, with declines ranging from 0.8 percent to 15.7 percent. Residential values have fallen 15.9 percent since 2010, with most of the decline occurring in the 2011 reassessment year. New construction will increase residential assessed values 1.2 percent in 2014 and low interest rates and an improving economy will contribute to a 4.4 percent increase in 2015.

The value of nonresidential property in the region is dependent on tourism, home building, and natural gas. Oil and gas properties constitute over half of the region's nonresidential property value and values in this class declined 22.3 percent in 2013. The value of commercial properties like restaurants, hotels, and retail stores depends on tourism activity and declines when the national economy is weak. The combination of declining natural gas production and weak tourism caused nonresidential values to fall 15.6 percent in 2013. An improving economy and a rebound in natural gas prices are expected to boost nonresidential values 2.9 percent in 2014 and 4.2 percent in 2015.

Overall, total assessed values in the southwest mountain region will increase at an annual average rate of 3.3 percent over the next three years, with residential assessed values decreasing 2.3 percent and nonresidential assessed values increasing 3.8 percent.

The **San Luis Valley** region includes Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties and has the smallest property tax base in the state. Residential values increased 2.5 percent in 2013, the largest regional increase statewide. Home values in the region maintained their value more than other areas of the state as the region is more insulated from national economic trends. The Mountain Valley school district in Saguache County had the largest increase in residential values (11.5 percent) and Sierra Grande school district in Costilla County had the largest decrease (3.8 percent). Construction activity is expected to increase residential values 1.9 percent in 2014 and values are expected to further increase 6.0 percent in 2015.

The largest nonresidential property classes in the region are vacant land, commercial, agricultural, and state assessed properties. Total nonresidential values in the region were flat in 2013, but significant changes occurred within districts. Values in the Sangre De Cristo School district increased 17.7 percent because of a 67.6 percent increase in state assessed property values. Values in the Centennial school district decreased 10.1 percent because of a 13.7 percent fall in vacant land value. Nonresidential values are anticipated to increase 1.4 percent in 2014 and 1.5 percent in 2015.

Total assessed values in the San Luis Valley region will increase at an annual average rate of 2.0 percent over the next three years. Residential assessed values will increase 3.3 percent and nonresidential assessed values will increase 1.4 percent on an average annual basis through the forecast period.

Risks to the forecast. The performance of the state's economy over the next several years will affect the strength or weakness of property values. There are signs that the Colorado economy has recovered, and has done so more quickly than the nation as a whole. The speed of the recovery will vary by region. For example, residential values along the front range, especially in the metro Denver and northern regions, are accelerating. Conversely, values in regions on the western slope are lagging. If the economy maintains its current momentum and the increases in residential values seen in Denver and the northern regions spill out into other regions of the state, projections of assessed values presented in this forecast may be too low.

Oil and gas properties are a significant driver of assessed values, especially in the northern and western regions. Energy prices are highly volatile, and assessed values in these areas are particularly susceptible to energy price swings. This forecast assumes that oil prices will remain high enough to support the robust oil development that has been occurring in the northern region. Natural gas prices are also forecast to rise modestly on an annual average basis throughout the forecast period. If oil prices rise faster than projected, values in the northern region may be understated. Conversely, if natural gas prices evidence another decline similar to what occurred in early 2012, values in the western and southwest mountain regions may be overstated.

Figure 36
Forecast Percent Change in Total Assessed Valuation by Economic Region
2014 Assessment Year (Budget Year 2014-15)

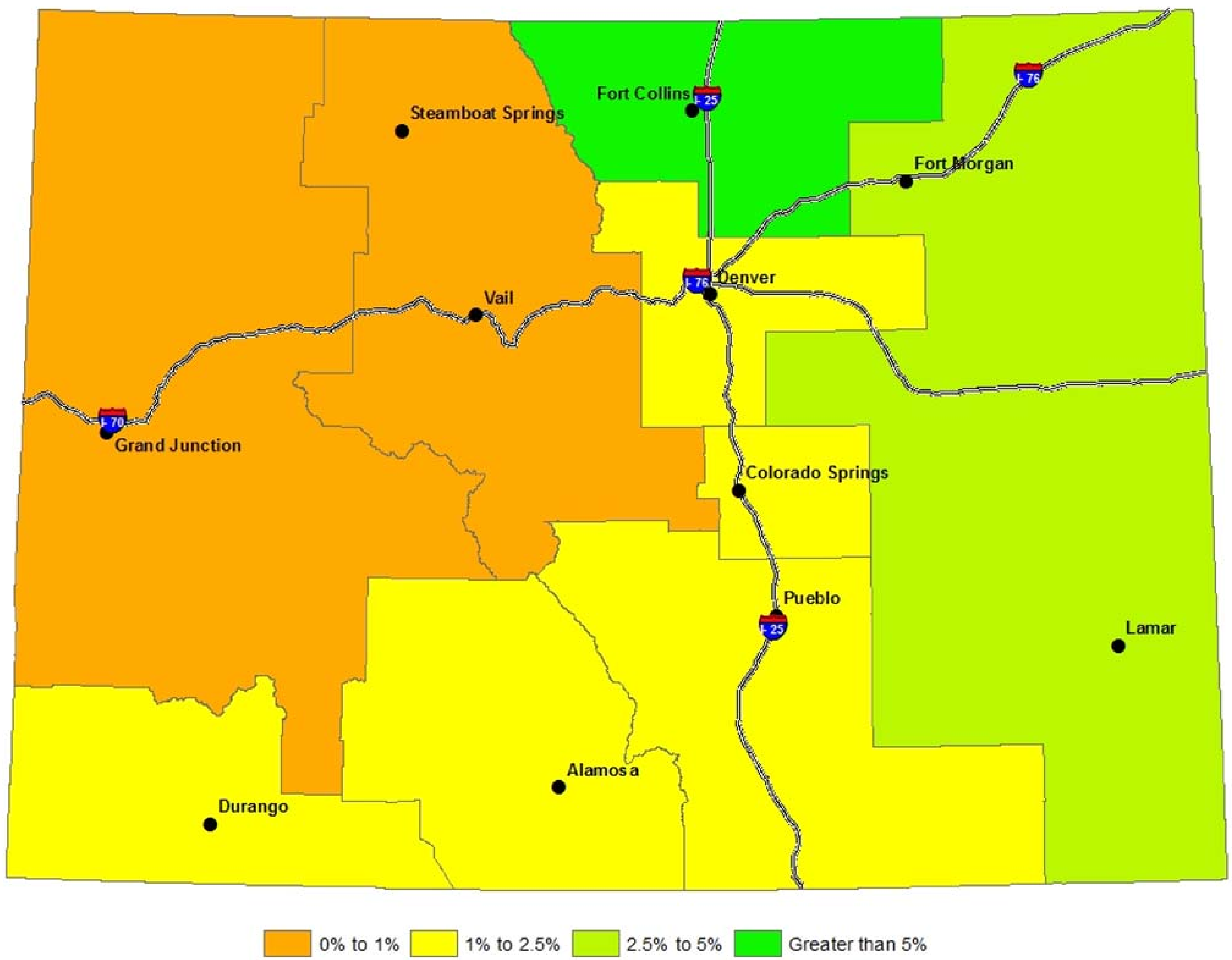
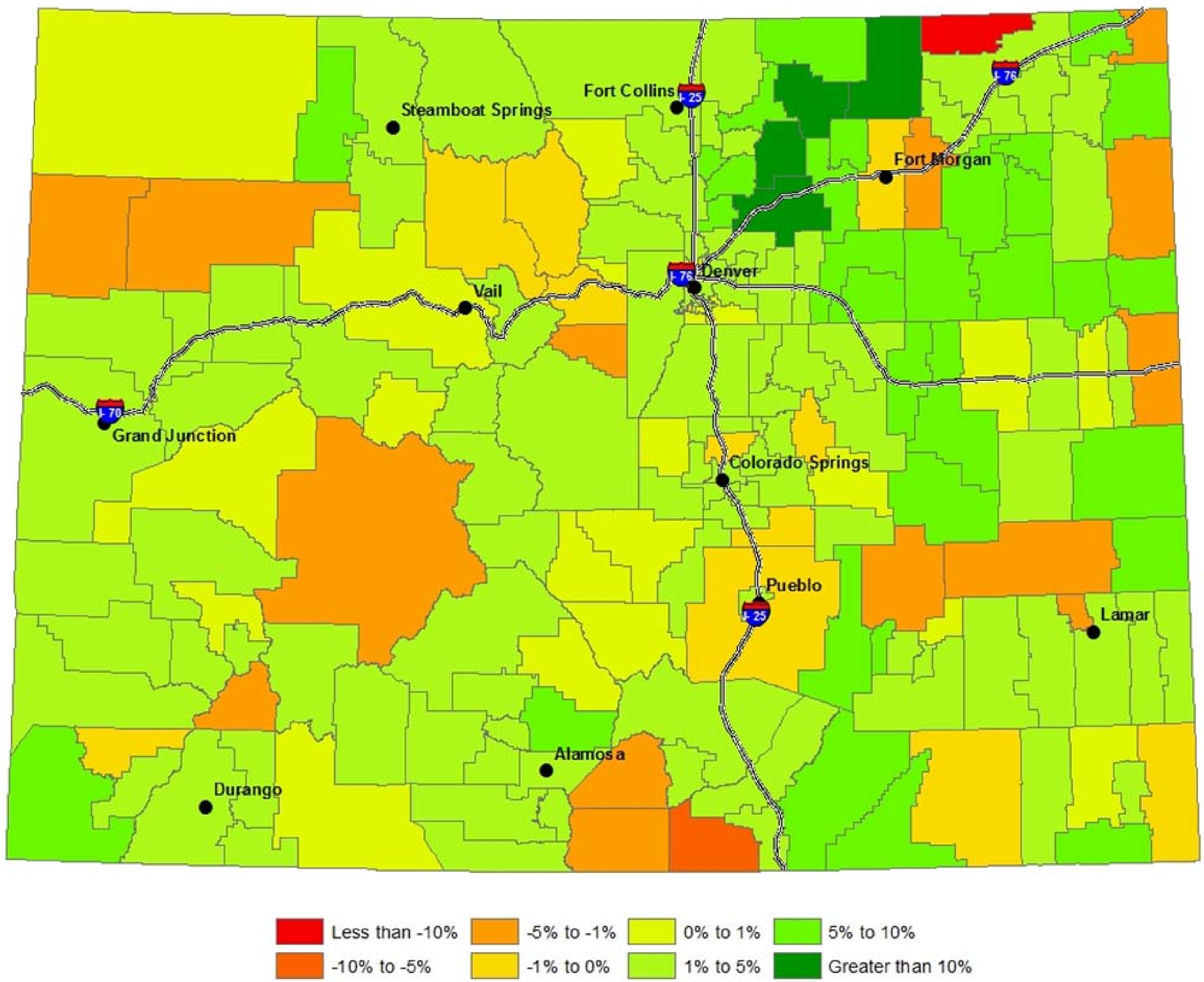


Figure 37
Forecast Percent Change in Total Assessed Valuation by School District
2014 Assessment Year (Budget Year 2014-15)



School Enrollment Projections

This section of the forecast presents the Legislative Council Staff enrollment projections for kindergarten through twelfth grade in Colorado's public schools. These projections are presented in full-time equivalent (FTE) terms, and are used to determine funding levels for Colorado's 178 school districts. Table 17 summarizes current and forecast enrollment from the current 2013-14 school year through the 2015-16 school years. Figures 39 and 40 on pages 79 and 80 show regional and district enrollment growth projections for the state.

- Overall kindergarten through twelfth grade enrollment is projected to increase by 12,192 FTE students, or 1.5 percent, in the 2014-15 school year. Enrollment in the following school year (2015-16) is expected to increase 1.4 percent, or 11,267 FTE students statewide.

- The metro Denver and northern regions will drive statewide enrollment growth throughout the forecast period. These regions are expected to see improving economic conditions, which increases employment and attracts families to these areas.

Statewide forecast results. The 2013-14 school year count showed 805,754 FTE students in Colorado's public schools, up 1.5 percent, or 11,676 FTE students. Last December, Legislative Council Staff projected student enrollment would reach 803,250 FTE in the 2013-14 school year.

Table 17
Regional Growth in K-12 Public School Enrollment
*Full-Time Equivalent Students**

Region	Actual 2013-14	Percent Change	Estimated 2014-15	Percent Change	Estimated 2015-16	Percent Change	Average Growth (2013-14 through 2015-16)
Colorado Springs	110,536	2.1%	111,640	1.0%	112,769	1.0%	1.0%
Eastern Plains	24,346	-1.8%	24,343	0.0%	24,316	-0.1%	-0.1%
Metro Denver	465,204	1.6%	474,228	1.9%	482,359	1.7%	1.8%
Mountain	23,844	1.0%	24,114	1.1%	24,259	0.6%	0.9%
Northern	80,509	2.5%	82,133	2.0%	83,542	1.6%	1.9%
Pueblo	33,015	0.2%	32,890	-0.4%	32,905	0.0%	-0.2%
San Luis Valley	7,072	0.1%	7,112	0.6%	7,113	0.0%	0.3%
Southwest Mountain	11,872	0.9%	11,944	0.6%	11,970	0.2%	0.4%
Western	49,358	0.3%	49,542	0.4%	49,980	0.9%	0.6%
Statewide Total	805,754	1.5%	817,945	1.5%	829,212	1.4%	1.4%

** Kindergarten students are counted at 0.5 FTE.*

Actual enrollment was higher by 2,239 FTE students, or 0.2 percent, compared to the forecast produced last year. All regions except the eastern plains area reported an increase in student enrollment. The December 2014 Legislative Council Staff forecast expects statewide enrollment to grow at a similar pace in both the 2014-15 and 2015-16 school years.

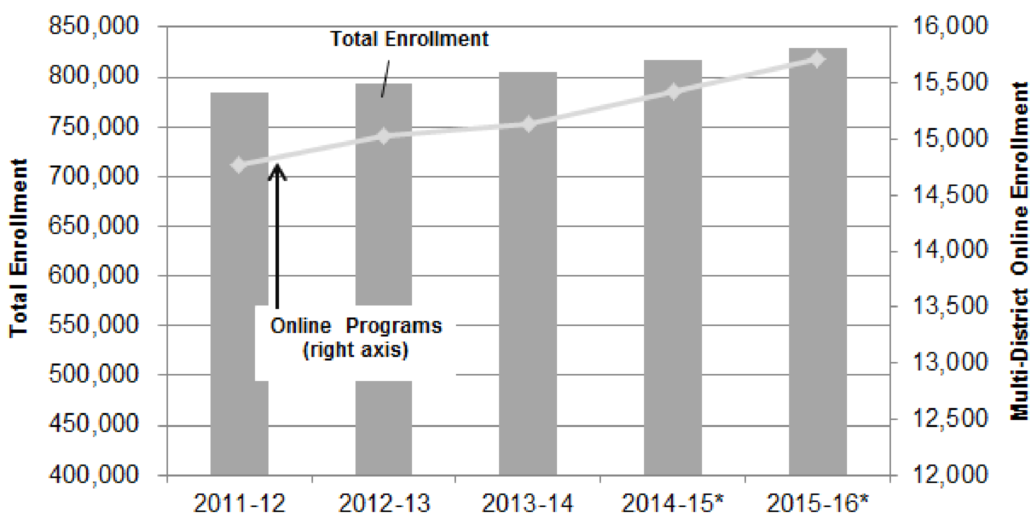
Employment growth and the residential real estate market have a considerable impact on school enrollment and are improving in many areas of the state. The school districts along the I-25 corridor, including the metro Denver, northern, and the Colorado Springs regions, reported a 1.8 percent increase in the current FTE enrollment compared with the previous school year. These regions are located in more metropolitan areas that offer greater and more diverse job opportunities, which is particularly attractive in the current economy. These regions will continue to dominate growth through the forecast period.

The San Luis Valley, Pueblo, mountain, southwest mountain, and western regions experienced modest gains in the 2013-14 school year. Though many areas within these regions continue to struggle with slow economic activity and an aging population, some areas are reporting a higher number of households with children. Enrollment for these regions is expected to increase modestly through the forecast period.

Enrollment in online programs continues to grow. The number of FTE students enrolled in a multidistrict online program increased 0.7 percent in the 2013-14 school year. Enrollment in online schools is expected to continue growing slowly through the forecast period, as indicated in Figure 38.

Regional forecast results. Table 17 shows anticipated regional enrollment growth over the forecast period and Figure 39 on page 79 shows forecast growth for the 2014-15 school year by region.

Figure 38
Total Enrollment and Multi-District Online Enrollment
2011-12 through 2015-16 School Years
Full-Time Equivalent Students



**Forecast; total enrollment includes multi-district online enrollment*
Source: Colorado Department of Education and Legislative Council Staff forecast.

The **metro Denver region,** which encompasses Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties accounted for 58 percent of total Colorado enrollment in the 2013-14 school year. The 465,204 FTE students in the region represent an increase of 1.6 percent from the previous year. The metro Denver region has been increasing for over a decade and is expected to continue growing through the forecast period. In the 2014-15 school year, enrollment in the metro Denver region is expected to increase 1.9 percent from the previous year. This growth will add 8,837 FTE students throughout the region's nineteen school districts. In the 2015-16 school year, the metro Denver region is projected to add another 8,040 FTE students, a 1.7 percent increase from the previous year. Job availability, new home building, and competitive school programs are some of the key factors increasing enrollment in the metro Denver region.

The Jefferson County school district, the largest district in the state with nearly 80,000 FTE students, experienced a slight increase in enrollment for the current school year after more than a decade of declining enrollment. However, enrollment is expected to resume its previous declining trend in both the 2014-15 and 2015-16 school years as the population in the 19-year old and under cohort continues to decline in the Jefferson County school district.

Denver Public Schools, the second largest district in the state with about 77,000 FTE students, saw enrollment grow 3.4 percent in the current school year. The school district has been increasing by an average of 3.3 percent since the 2010-11 school year. The district is expected to continue growing over the next two years as population growth, especially in the Stapleton area, drive enrollment in the Denver Public School district. The district is expected to add over 2,600 students in the 2014-15 school year, a 3.4 percent increase.

The Brighton school district will continue to experience some of the highest student enrollment growth in the region and the state. In the current 2013-14 school year, Brighton's enrollment grew 3.3 percent. Robust growth in the Brighton school district is expected to continue as growth in residential permits is strong in the area because of more affordable housing options. In addition, the district is experiencing higher birth rates.

The **northern region**, including Larimer and Weld counties, continues to see enrollment growth. In the current school year, the region's enrollment increased 2.5 percent. In the upcoming 2014-15 school year, enrollment is projected to increase 2.0 percent, or by 1,624 FTE students. This region was not hit as hard as others by the economic downturn, and continued enrollment growth reflects relatively stable economic conditions and low out-migration. In addition, continuing oil development and production will cause enrollment growth to accelerate modestly.

Enrollment in the **Colorado Spring's region** increased 2.1 percent in the 2013-14 school year, one of the highest rates among all regions in the state. The majority of growth for the region is from increased online enrollment. The region's online enrollment increased 41 percent in the 2013-14 school year. Enrollment is expected to grow more slowly in both the 2014-15 and 2015-16 school years. Although declining birth rates and a sluggish job market are expected to slow FTE enrollment growth in the region, some growth is expected from Fort Carson housing assignments.

In the current 2013-14 school year, the **eastern plains** region experienced a 1.8 percent decrease in enrollment. Enrollment in the region is projected to remain unchanged in the 2014-15 school years. Limited job opportunities and out-migration to urban areas continue to hamper the region. In addition, online programs in other regions are drawing students away from schools in this region.

FTE enrollment in the **mountain region** increased 1.1 percent, in the current 2013-14 school year. The region is projected to continue adding FTE students in both the 2014-15 and 2015-16 school years. Many schools in the district are reporting a rise in the number of families with children moving into the region.

The **Pueblo region**, consisting of Custer, Fremont, Huerfano, Las Animas, and Pueblo counties, reported a small 0.2 percent increase in the current 2013-14 school year. In the 2014-15 school year, the region is expected to lose 125 FTE students, a 0.4 percent decline from the previous year. Economic factors, such as decreased job availability, continue to hinder some areas in the Pueblo region.

Over the past two years, many families left the **western region** with the loss in jobs in the oil and gas industry and construction industry. While construction is expected to remain at a standstill in the near term, the oil and gas industry is slowly recovering in the region, which will cause modest enrollment growth in the next two years. Enrollment is projected to increase 0.5 percent, or by 234 students, in the 2014-15 school year.

Enrollment in the **southwest mountain** region, including districts in Archuleta, Dolores, La Plata, Montezuma, and San Juan counties, increased 0.9 percent in the current 2013-14 school year. Enrollment is expected to remain relatively flat in both the 2014-15 and 2015-16 school years, as the outlook for tourism and the natural gas industry improves slightly. In the 2014-15 school year, enrollment will increase 0.6 percent.

In the current 2013-14 school year, enrollment within the **San Luis Valley** increased 0.1 percent, or by 41 FTE students. The region, which includes Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties, is projected to continue to experience relatively stable enrollment in the 2014-15 and 2015-16 school years.

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

Figure 39
Forecast Percent Change in Enrollment by Economic Region
2014-15 School Year (Budget Year 2014-15)

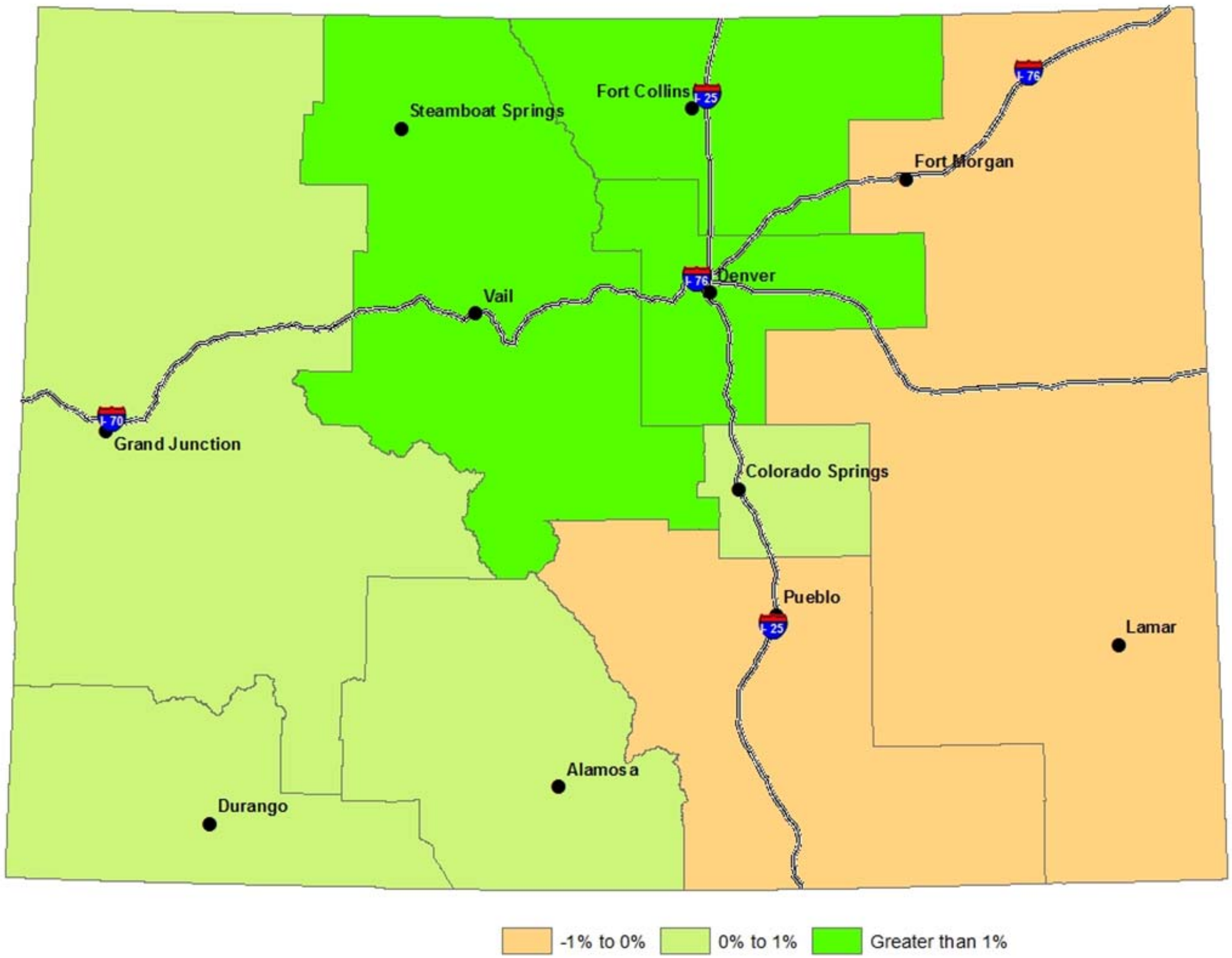
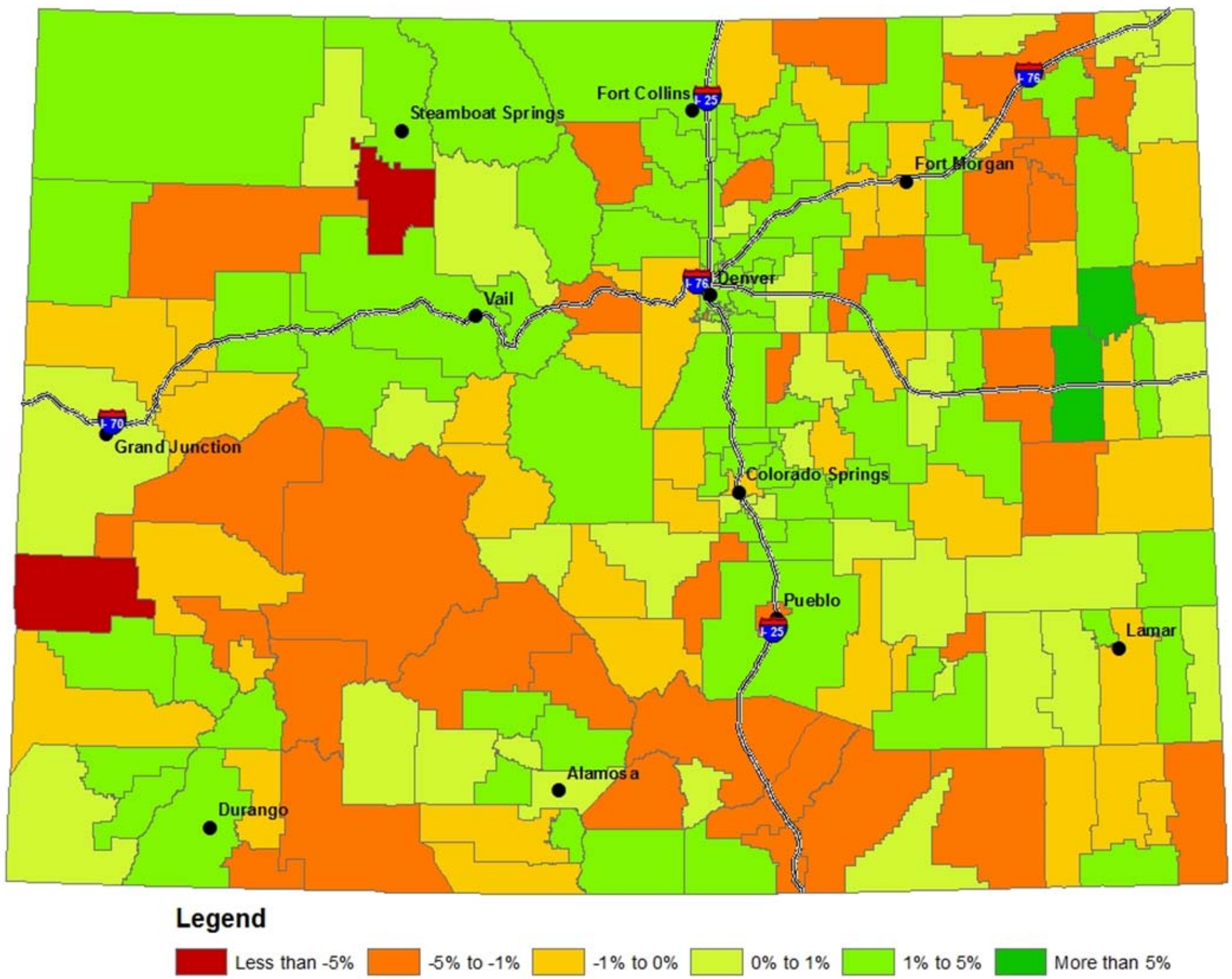


Figure 40
Forecast Percent Change in Enrollment by School District
2014-15 School Year (Budget Year 2014-15)



Adult Prison & Parole Population Projections

Recent data show that the trends for adult prison and parole populations are once again changing course, with the prison population trending upwards and the parole population experiencing a decline. This section summarizes the key findings for the forecast period of FY 2013-14 through FY 2015-16. It presents the historical and current trends affecting the male, female, and total inmate populations and compares the salient differences between the December 2012 and December 2013 forecasts. Next, the parole forecast is presented and placed into context by comparing the December 2012 and December 2013 parole forecasts. The parole forecast is followed by a brief discussion of overarching factors that impact both the prison and parole populations under the management of the Department of Corrections (DOC). The section concludes with an analysis of the risks to the forecast.

Key findings for the three-year forecast period. Compared to the December 2012 forecast, projections for the prison population were increased. This change is primarily due to higher than expected court filings and male admissions to prison in FY 2012-13, coupled with lower than expected prison releases during the calendar year 2013. The following outcomes are anticipated over the forecast period:

- **Overall population (increase).** The overall inmate population is anticipated to increase at an average annual rate of 1.6 percent, rising from 20,135 inmates in June 2013 to 21,115 inmates as of June 2016. However, the rate of admissions will slow and the pace of releases will increase towards the end of the three-year period. This finding is influenced by legislation adopted in 2013 intended to reduce sentences and alter the length of incarceration for certain drug and theft crimes.

- **Male population (increase).** The male population is expected to increase by about 209 inmates per year, from 18,355 inmates in June 2013 to 18,983 inmates in June 2016. Higher rates of admissions are the primary factor in the anticipated growth of the male population over the forecast period.

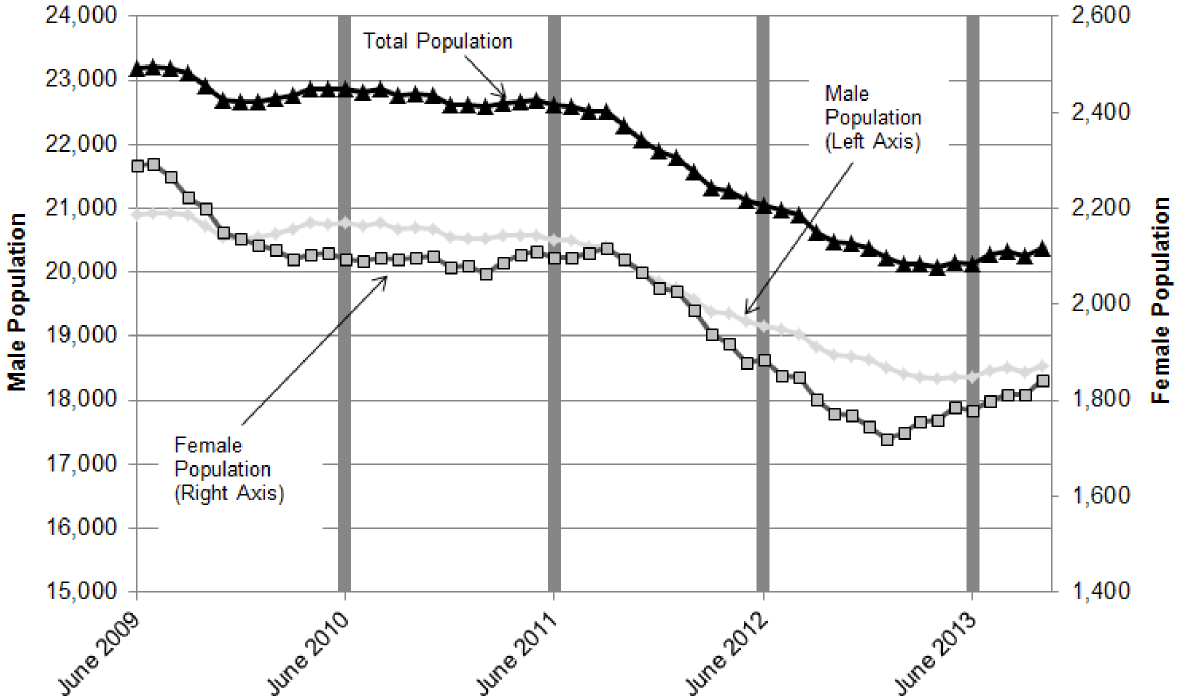
- **Female population (increase).** The female population is projected to increase at a faster pace than males, rising by about 117 inmates per year, from 1,780 inmates in June 2013 to 2,132 inmates in June 2016. The projected increase in the total female population is primarily a result of the decreasing rate of female releases, rather than new commitments.

- **Parole (decrease).** The total in-state parole population is projected to decrease from 8,746 people in June 2013 to 8,477 people in June 2016. The total parole population (including all supervised in-state and out-of-state parolees, but excluding intrastate transfers and absconders) will decrease slightly from 10,754 people in June 2013 to 10,649 people in June 2016. As the pace of releases accelerates towards the end of the forecast period, in-state and total parole caseloads will experience similar increases.

Population Forecasts

Historical and recent trends by gender. For most of the 2000s, the prison

Figure 41
Historical Monthly Prison Population by Gender
June 2009 through November 2013



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

population was rising, reaching its peak of 23,220 inmates in July 2009. Between August 2010 and April 2013, the overall prison population declined by about 12.1 percent. However, since May 2013, this trend has reversed itself, with the overall inmate population rising by about 1.4 percent between April 2013 and November 2013. Despite the earlier declines, increases in May and June 2013 caused overall admissions to rise by 5.7 percent in FY 2012-13. This trend is anticipated to continue. In addition, compared to the prior fiscal year, releases fell by 1.4 percent in FY 2012-13. Figure 41 shows the historical trends in population by gender.

Table 18 shows the historical and projected prison populations by gender from FY 2008-09 through FY 2015-16.

Adjustments to the forecast for total population. Figure 42 shows the change in this year's inmate population forecast from the December 2012 projection. In June 2013, the population was expected to be 19,725 inmates. The actual population was 20,135, or 2.1 percent higher than projected. The December 2013 forecast has been revised upward from the December 2012 forecast based on trends observed since May 2013. These trends include higher than anticipated case filings and male admissions, coupled with lower than expected releases, particularly among females.

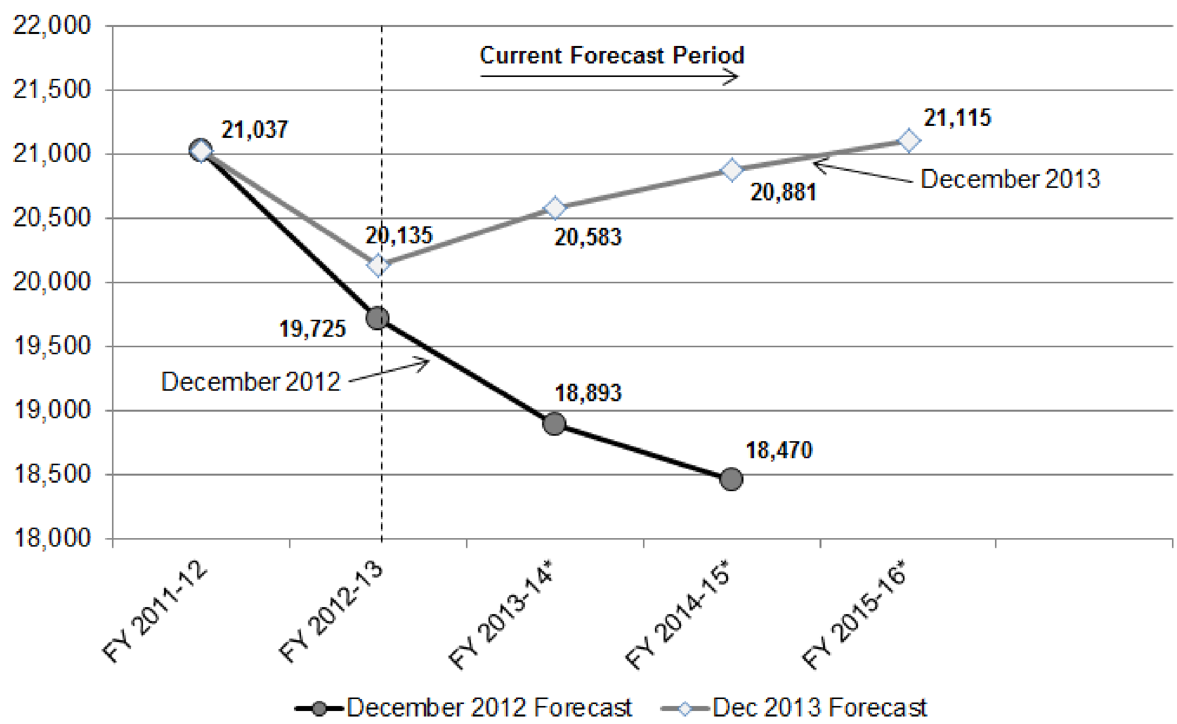
The increase in the total inmate population seems to have been caused by several factors. As the economy has continued to recover, improvements in local law enforcements budgets may have caused the

Table 18
History and Forecast of Adult Prison Population, by Gender
(On June 30 of Fiscal Year)

Fiscal Year	Population Male	% Change	Population Female	% Change	Totals	% Change
2009	20,896	1.0%	2,290	-0.7%	23,186	0.9%
2010	20,766	-0.6%	2,094	-8.6%	22,860	-1.4%
2011	20,512	-1.2%	2,098	0.2%	22,610	-1.1%
2012	19,152	-6.6%	1,885	-10.2%	21,037	-7.0%
2013	18,355	-4.2%	1,780	-5.6%	20,135	-4.3%
2014*	18,650	1.6%	1,933	8.6%	20,583	2.2%
2015*	18,829	1.0%	2,052	6.2%	20,881	1.4%
2016*	18,983	0.8%	2,132	3.9%	21,115	1.1%

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

Figure 42
Adult Inmate Population, Forecast to Forecast Comparison
December 2012 to December 2013



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

level of admissions to rise by directing more resources for the identification and adjudication of suspects. Also, the unforeseen incidents involving the slaying of prison chief Tom Clements placed attention on the incorrect recording of consecutive sentences for certain inmates and the management of the parole population, which may account for reduced releases during the summer of 2013 and projected reductions of releases in the short-term future.

Parole Forecast

Table 19 provides a history of the parole population supervised in-state and out-of-state, as well as the forecast for these populations through June 2016. As shown in the table, the number of parolees *supervised in-state* is expected to fall through FY 2014-15, after which it will increase as the rate of releases from prison accelerates. The in-state parole population is projected to decline at an average annual rate of 1.0 percent over the forecast period.

Adjustments to the forecast for parole. Figure 43 shows the change in this year's in-state parole population forecast from the 2012 projection. The December 2013 forecast revises expectations downwards for the in-state parole population to account for lower than anticipated releases from prison, particularly among females. This forecast assumes that the parole population will decrease for several years until releases from prison increase enough to raise the parole population.

Factors Affecting the Adult Prison and Parole Populations

It can be difficult to isolate the factors that directly impact the adult prison and parole populations. Historically, increases in prison populations were thought to be tied to declines in the economy and increases in the general population. However, the most recent recession between 2009 and 2011 saw falling crime rates and reduced prison populations, causing many to rethink earlier assumptions. The following paragraphs describe how external factors, including demographic and economic trends, changes within the criminal justice system, new legislation, and internal factors such as the DOC or Parole Board administrative policies, can influence the growth or decline of the inmate and parole populations.

- ***Population.*** All other things being equal, a larger population may result in a greater number of criminal offenses, arrests, criminal felony filings, and prison commitments. Colorado's adult population is projected to grow at an average annual rate of 1.8 percent through the forecast period, which may put mild upward pressure on the inmate population.

- ***Economic factors.*** As discussed above, prison admissions have increased significantly since May 2013, despite an overall improvement in economic conditions. Accordingly, this forecast assumes little to no correlation between economic growth and prison admissions.

- ***Criminal justice system***. The actions of the judicial system also affect inmate population growth. In particular, the commitment of more offenders to prison will increase the inmate population. The mix of crimes prosecuted also affects the prison population. Over the forecast period, new court commitments and technical parole returns are anticipated to increase for both males and females, placing upward pressure on the inmate population.

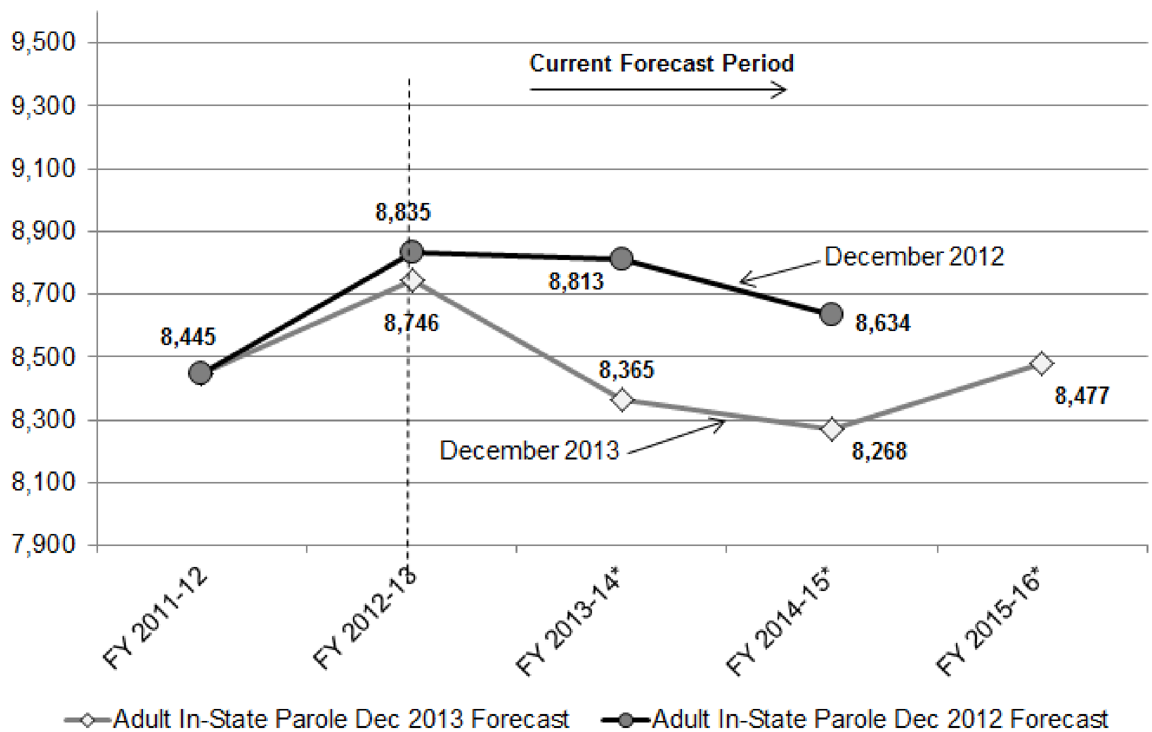
- ***Legislation.*** Over the past three years, several key pieces of legislation were enacted that could have an impact on the prison population during the forecast period. These laws are discussed more fully below.

Table 19
History and Forecast of Parole Population, In-State and Out-of-State Parolees
(On June 30 of the Fiscal Year)

Fiscal Year	Parole In-State	% Change	Parole Out-of-State	% Change	Total	% Change
2009	9,016	2.7%	2,029	-25.6%	11,045	-4.0%
2010	8,535	-5.3%	2,100	3.5%	10,635	-3.7%
2011	8,181	-4.1%	1,922	-8.5%	10,103	-5.0%
2012	8,445	3.2%	2,066	7.5%	10,511	4.0%
2013	8,746	3.6%	2,008	-2.8%	10,754	2.3%
2014*	8,365	-4.4%	1,925	-4.1%	10,290	-4.3%
2015*	8,268	-1.2%	2,050	6.5%	10,318	0.3%
2016*	8,477	2.5%	2,172	6.0%	10,649	3.2%

Source: Colorado Department of Corrections.
** Legislative Council Staff forecast.*
Note: Total parole population does not include absconders, interstate transfers in Colorado, or Colorado parole absconders apprehended out of state.

Figure 43
Adult In-State Parole Population, Forecast to Forecast Comparison
December 2012 to December 2013



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

House Bill 11-1064 expanded parole for inmates serving sentences for drug-related offenses.

House Bill 12-1223 expanded the amount of earned time an offender imprisoned on or after July 1, 1993 can accrue. Also, the bill allows prisoners re-incarcerated for technical parole violations to accrue earned time.

House Bill 13-1154 created several new felony offenses for crimes against pregnant women, which will result in a minimal increase in admissions to prison beginning in FY 2014-15.

House Bill 13-1160 eliminated certain theft-related crimes and adjusted penalties downward for crimes of theft. This bill is anticipated to slow the pace of admissions to prison for theft crimes beginning in FY 2013-14.

Senate Bill 13-250 made a number of changes to the sentencing of individuals convicted of drug-related offenses. This bill is anticipated to slow the pace of prison admissions and alter lengths of stay (both increasing and reducing sentences, depending on the crime) beginning in FY 2014-15.

- ***DOC and Parole Board Administrative Policies***. Between July 2011 and April 2013, increases in discretionary parole seemed to indicate a shift in policy that favored parole over incarceration. This trend has been reversed somewhat following the slaying of Department of Corrections Chief Tom Clements and the scrutiny of recent releases to parole. Parole Board policies that increase parole revocations or reduce releases to parole will increase inmate population growth, while policies that decrease parole revocations or increase prison releases to parole will reduce inmate population growth.

  The forecast assumes that the current trend of reduced releases will continue, although releases will begin to accelerate slightly in FY 2015-16.

Risks to the Forecast

The most important risk to the forecast is the timing of the impact of the legislation passed during the 2013 session. While the inmate and parole forecasts presented here have attempted to incorporate the impact of this legislation, it must be acknowledged that substantial uncertainty exists over the timing of the impacts.

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

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

Youth Corrections Population Projections

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

- The DYC **commitment population** will decrease from an average daily population of 850 youths in FY 2012-13 to 616 youths in FY 2015-16.
- The DYC **detention population** will decrease from an average daily population of 309 youths in FY 2012-13 to 265 youths in FY 2015-16.
- The average daily **parole population** will decrease fall from 328 youths in FY 2012-13 to 235 youths in FY 2015-16.

Juvenile Offender Sentencing Options

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

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

Detention. The court may sentence a juvenile to a detention facility if he or she is found guilty of an offense that would constitute a class 3, 4, 5, or 6 felony or a misdemeanor if committed by an adult. Detention sentences may not exceed 45 days and are managed by the DYC.

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

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

Division of Youth Corrections Sentencing Placements and Population Forecast

Commitment. The commitment population consists of juveniles adjudicated for a crime and committed to DYC custody. In FY 2012-13, the average daily commitment population was 850 youths, representing a 13.5 percent decrease from the prior year. In FY 2013-14, the commitment population is expected to drop another 8.8 percent to 775 youths. Over the forecast period, the commitment population will drop to 616 youths, representing an average annual decrease of 10.7 percent from FY 2012-13.

Projected DYC commitments have been adjusted downward from expectations in December 2012. Thus far in FY 2013-14, the population of new commitments has fallen more rapidly than expected. Figure 44 compares the forecasts in average daily commitment population forecasts for December 2012 and December 2013.

Detention. The DYC manages ten secure detention facilities and contracts for additional detention beds. In 2003, the detention population was capped at 422 youths. This was further reduced in 2013 to 382 youths under Senate Bill 13-177.

In FY 2012-13, the detention population averaged 309 youths, representing a 2.8 percent decrease from FY 2011-12. For FY 2013-14 the detention population is expected to fall another 5.2 percent to 293 youths. The population is expected to continue to decline through the remainder of the forecast period, falling to 265 youths as of FY 2015-16, for an average annual decline of 9.1 percent. Figure 45 compares the average daily detention population forecasts for December 2012 and December 2013.

Similar to the commitment population, declines in the detention population are expected to continue throughout the forecast period. However, the decline will be slower because of recent legislation that modified the direct file precedence.

Community parole. Juveniles who have satisfactorily served their commitment sentence and are approved by the Juvenile Parole Board are eligible for community parole. The DYC continues to be closely involved with parolees, preparing the parole plan for the board and supervising and monitoring the youth's progress while on parole. In FY 2012-13, the average daily parole population was 328, a 8.4 percent decrease from the prior year. By FY 2013-14, the parole population is projected to drop to 296 youths, a further decrease of 9.8 percent. The parole population is expected to decline at an average annual rate of 11.1 percent through the remainder of the forecast period, reaching 235 youths in FY 2015-16. As Figure 46 shows, projected DYC parolees have been adjusted downward from expectations in the December 2012 forecast due to declines in new commitments.

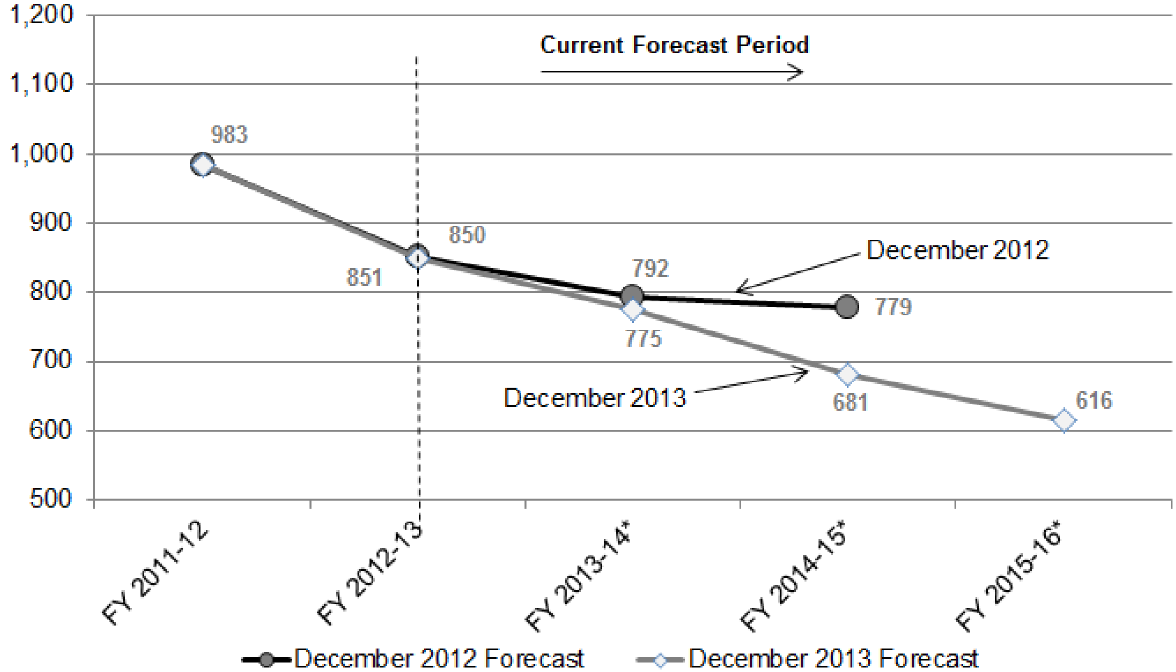
Influences on the Juvenile Offender Population

Court sentencing practices. Juvenile filings increased at an average annual rate of 4.8 percent from 1990 through 2000. However, since peaking in 1998, filings have declined steadily. Over the last decade, filings have dropped at an average annual rate of 4.2 percent. Between FY 2011-12 and FY 2012-13, juvenile case filings fell from 28,731 cases to 27,296 cases, or by 5.0 percent. This decline in filings is expected to continue and puts downward pressure on the population committed to DYC supervision.

In addition, policies affecting sentencing alternatives for juveniles impact the size of the commitment population. These include the creation of diversionary programs as alternatives to incarceration, mandated caps on sentence placements, and changes to parole terms. During the 2012 and 2013 legislative sessions, four bills that will affect the detention, commitment, and parole populations were passed:

> **House Bill 12-1139** changed the presumption that juveniles who are charged as adults are to be detained in an adult facility. Under the bill,

Figure 44
Comparison of DYC Average Daily Commitment Population Forecasts,
December 2012 and 2013



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

juvenile defendants are required to be held in a juvenile facility unless a judge determines differently. This bill anticipated an increase in the juvenile population by as many as 50 individuals per year.

House Bill 12-1271 raised the age for charging a child as an adult, known as direct filing, from 14 years old to 16 years old. This law went into effect in April 2012, and could increase the number of individuals in the juvenile population in the future.

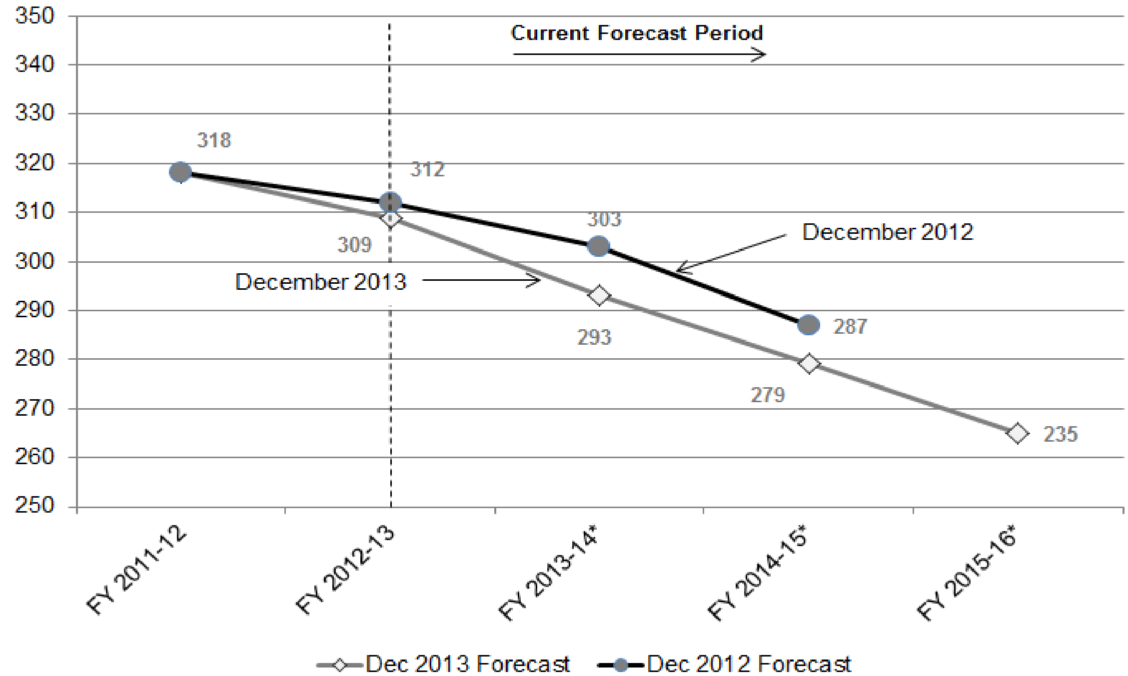
House Bill 13-1254 creates a restorative justice pilot project, which allows a juvenile who is charged with a class 3, 4, 5, or 6 felony and has no prior charges to participate, at his or her own expense, in a restorative justice program as an alternative to adjudication.

Senate Bill 13-177 reduced the bed cap for the DYC from 422 to 382. This bill was enacted along with a series of other changes that consolidated assessment units and reduced contract placements for youths in the custody of the DYC.

Risks to the forecast

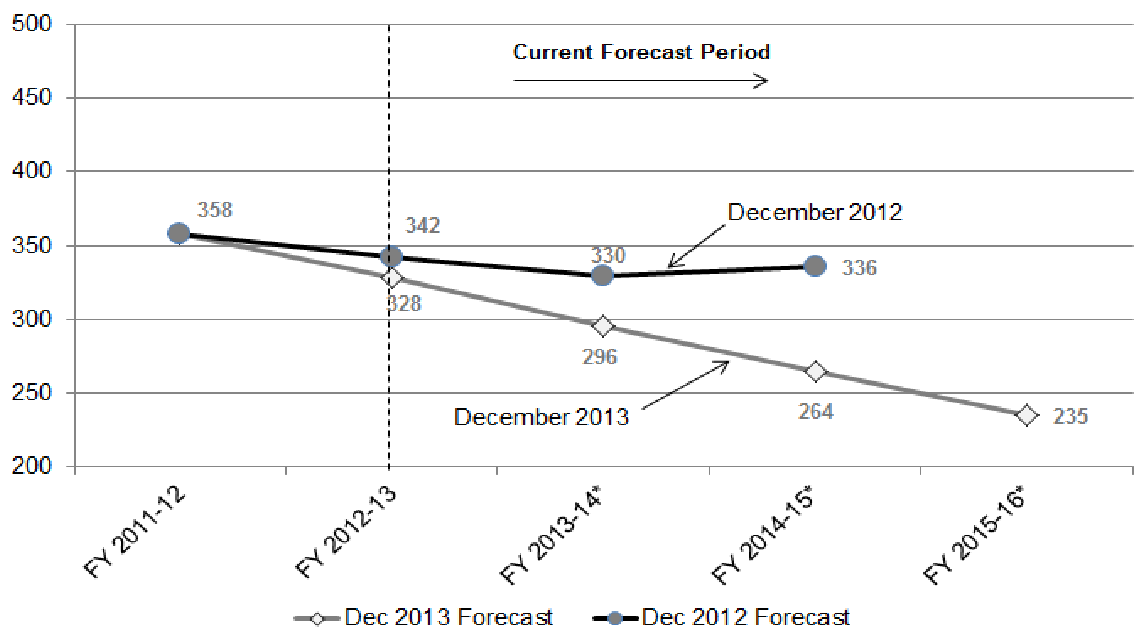
Commitment and detention sentences are at the discretion of the courts. Judges may decide to place more offenders under DYC supervision. The youth corrections forecast assumes that the sentencing decision process and sentencing patterns will remain consistent with current practices, which have resulted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

Figure 45
Comparison of DYC Average Daily Detention Population Forecasts,
December 2012 and December 2013



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

Figure 46
Comparison of DYC Average Daily Parole Population Forecasts,
December 2012 and December 2013



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

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

Juvenile population trends also impact the youth corrections population. This forecast assumes a modest growth rate for the juvenile cohort throughout the forecast period. Significant changes in this trend would result in a corresponding, though somewhat lagged, change to the youth corrections population.

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

Colorado Economic Regions

Metro Denver Region
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 are 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 Denver region's economy continued to grow through the fall of 2013. Employers are hiring more workers, causing the unemployment rate to fall. Housing permits and nonresidential construction have increased over last year and retail sales continue to grow. Table 20 shows economic indicators for the region.

Labor market. The metro Denver labor market continues to improve with year-to-date growth through October of 2.5 percent compared with the first ten months of 2012. Figure 47 shows nonfarm employment in the metro Denver area since January 2006. There were 37,000 more nonfarm jobs in the Denver region in October 2013 than the prerecession peak reached in November 2007. In another sign of the improving labor market, the unemployment rate has declined even as the labor force has grown. The unemployment rate was 6.2 percent in October 2013. The unemployment rate and the size of the labor force are shown in Figure 48.

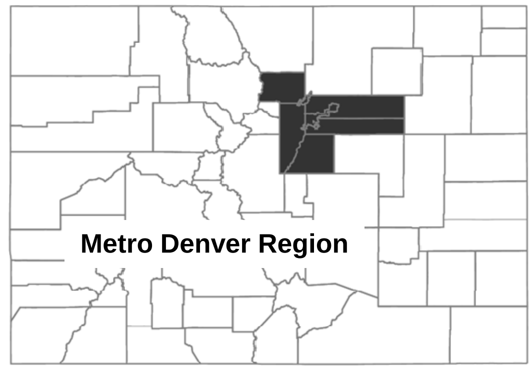


Table 20
Metro Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson Counties

	2009	2010	2011	2012	YTD 2013
Employment Growth /1	-4.3%	-0.5%	1.6%	2.3%	2.5%
Unemployment Rate /2 (2013 Figure is August Only)	8.2%	8.8%	8.1%	7.2%	6.4%
Housing Permit Growth /3					
Single-Family (Denver-Aurora)	-31.8%	35.5%	-0.4%	58.3%	27.6%
Single-Family (Boulder)	-27.6%	101.0%	-5.2%	24.6%	43.9%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-20.4%	8.4%	36.5%	-9.2%	-7.0%
Square Footage of Projects	-47.3%	-1.5%	24.7%	12.3%	19.2%
Level (1,000s)	8,283	8,156	10,174	11,426	11,645
Number of Projects	-17.4%	-35.8%	-2.5%	5.6%	12.9%
Level	920	591	576	608	596
Retail Trade Sales Growth /5	-11.4%	6.9%	4.3%	8.0%	4.5%

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 October 2013.

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

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

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

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

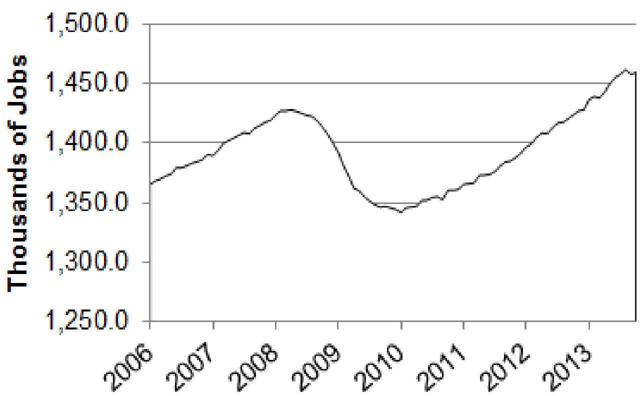
Consumer spending. The growth in retail sales has slowed from 8.0 percent in 2012 to 4.5 percent through the first eight months of 2013. The slower growth in percentage terms is because of slower growth in many of the larger retail sectors including motor vehicles, furniture and furnishings, and food and beverage stores. Retail sales at gas stations declined in the first eight months of 2013 because of lower gas prices compared with the same period in 2012. Figure 49 shows retail sales in the Denver region, Colorado, and the nation indexed to January 2008.

Increased tourism in the Denver area has helped retail sales in certain retail sectors. The occupancy rate for Metro Denver hotels rose 5.2 percent year-to-date through June 2013 when compared with the same period in 2012, indicating continued strong growth in tourism for the area. This is one reason why the retail sales reported by both the accommodations and food and beverage service sectors have increased in the first eight months of 2013 compared with the same time period in 2012.

Housing market. The Denver region's housing market is one of the strongest in the nation. Standard and Poor's reports that the value of homes in Denver increased 10.1 percent between August 2012 and August 2013. Prices are being pushed up because demand for housing continues to exceed supply. Single family building permits have increased 21.6 percent in the Denver-Aurora metropolitan area and 28.8 percent in Boulder through the first ten months of 2013. Figure 50 shows the number of residential housing permits in the Denver region since 2005.

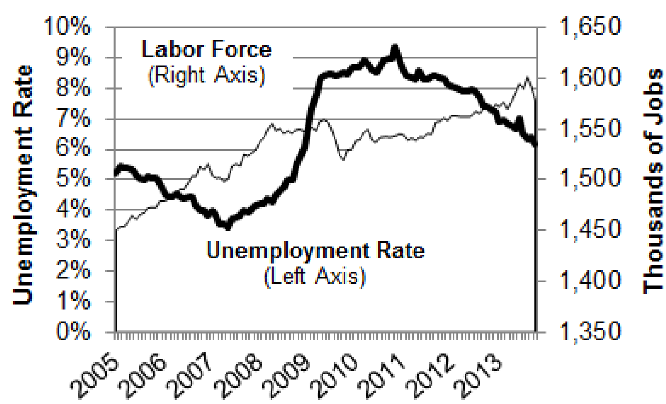
Nonresidential construction market. Nonresidential construction is showing mixed signs of growth so far in 2013. The value of nonresidential construction is down 7.0 percent, but the number of projects and the square footage of those projects increased 12.9 percent and 19.2 percent, respectively, through the first ten months of 2013 compared with the same period in 2012. There are several large construction projects that will break ground in 2014, including a 424 unit apartment complex in Broomfield, the Alta City House in Union Station, and a 260 unit apartment complex in downtown Denver. Figure 51 shows nonresidential building permits in square feet from 2008 through 2013.

Figure 47
Metro Denver Employment
Seasonally Adjusted



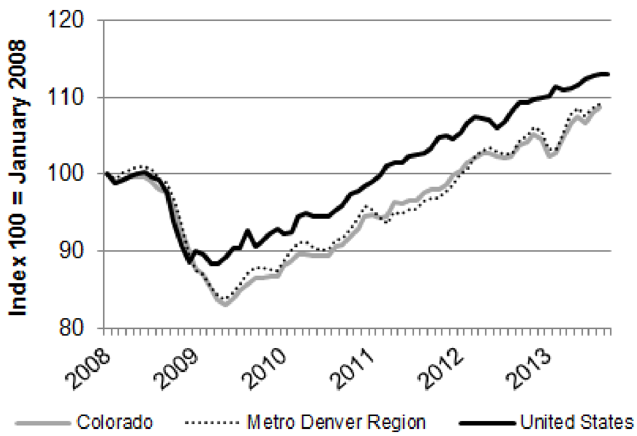
Source: U.S. Bureau of Labor Statistics; CES.
Data through October 2013.

Figure 48
Metro Denver's Unemployment Rate
Seasonally Adjusted



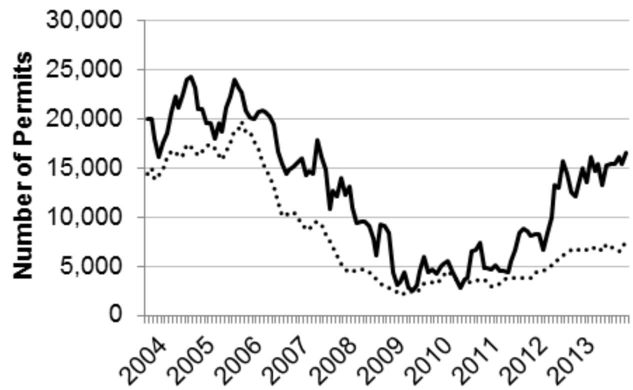
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through October 2013.

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



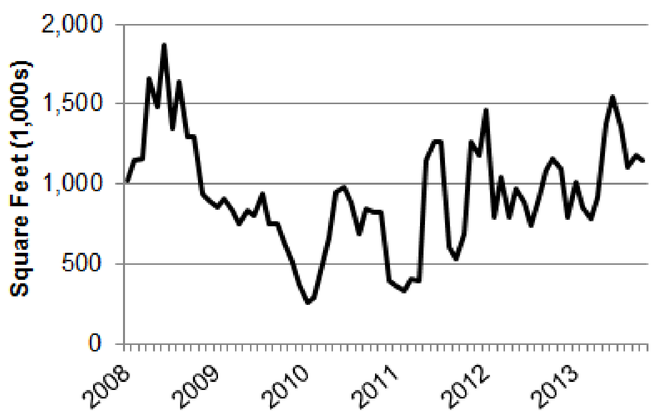
Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August 2013; U.S. data through September 2013.

Figure 50
Metro Denver Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted Data



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

Figure 51
Metro Denver Nonresidential Building Permits: Square Feet
Three-Month Moving Average; Non-Seasonally Adjusted Data



Source: F.W. Dodge. Data through October 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 unemployment rate for the Fort Collins-Loveland area is lowest in the state, consumer spending remains robust, housing permits continue to grow, and nonresidential construction has maintained strength through the summer. Table 21 shows economic indicators or the region.

Growth in the region's labor market remains steady as nonfarm employment grew 2.0 percent in the Fort Collins-Loveland area and 1.8 percent in Greeley

Table 21
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%	1.8%
Unemployment Rate /2 (2013 Figure is October Only)					
Fort Collins-Loveland MSA	7.0%	7.5%	6.6%	6.0%	5.4%
Greeley MSA	9.1%	10.2%	9.0%	8.3%	6.9%
State Cattle and Calf Inventory Growth /3	4.1%	-1.2%	10.2%	-3.4%	-9.2%
Housing Permit Growth /4					
Fort Collins-Loveland MSA Total	-66.0%	154.5%	1.0%	61.8%	33.3%
Fort Collins-Loveland MSA Single-Family	-49.2%	32.1%	45.7%	65.8%	25.9%
Greeley MSA Total	-20.6%	10.4%	-3.1%	55.3%	40.5%
Greeley MSA Single-Family	-13.7%	2.7%	-2.6%	60.8%	41.0%
Growth in Value of Nonresidential Construction/ 5					
Value of Projects	10.0%	-48.8%	-11.8%	11.8%	60.5%
Square Footage of Projects	-40.5%	-11.6%	-36.4%	41.8%	41.1%
Level (1,000s)	2,039	1,802	1,145	1,624	1,885
Number of Projects	-34.8%	-15.5%	-5.1%	22.5%	-14.6%
Level	161	136	129	158	117
Retail Trade Sales Growth /6					
Larimer County	-8.9%	7.7%	7.9%	5.8%	6.0%
Weld County	-15.0%	9.9%	26.3%	5.6%	7.5%

MSA = Metropolitan statistical area. NA = Not Available.

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

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through August 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 year-to-date August 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 October 2013.

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

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

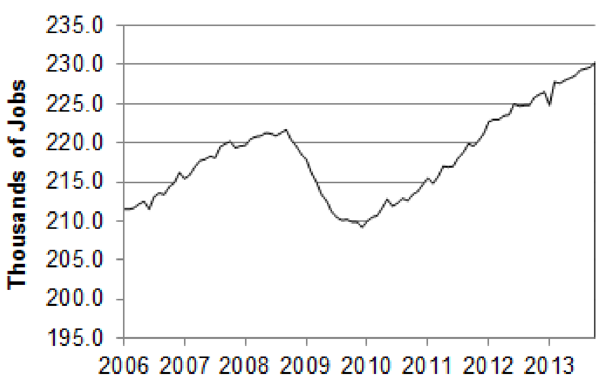
through the first ten months of 2013 compared with the same period one year ago. The region has added 4,000 jobs since the beginning of 2013. Job growth for the Fort Collins-Loveland area has been strong in the education and health service industry. Construction employment has increased 3.8 percent from one year ago. The October 2013 unemployment rate for the Fort Collins-Loveland area unemployment rate was 5.4 percent, the lowest of all the regions in the state, while the Greeley MSA's unemployment rate was 6.9 percent. Figure 52 shows total employment for both major metro areas in the region between January 2006 and April 2013.

The northern region's real estate market continues to improve. Sales prices in both attached and detached properties continue to increase in Weld and Larimer counties. New residential construction permits for all properties were up 33.3 percent in the Fort Collins and Loveland area and 40.5 percent in the Greeley area year-to-date through October compared with the same period one year ago. Prices will continue to grow through the year, especially in the Fort Collins area, as the supply of vacant developable lots declines. In September 2013, construction began on a 659-bed student housing project. The project includes three residential buildings encompassing 318,000 square feet and a parking garage. The $28 million project is scheduled for completion in mid-2014.

The value of nonresidential projects in the northern region grew 60.5 percent through October 2013. This, along with housing growth, has also helped maintain steady growth in the region's labor market. Commercial vacancy rates for all commercial products (office, industrial and retail) continue to decline in the northern region. However, rents are not yet high enough to spur significant new development.

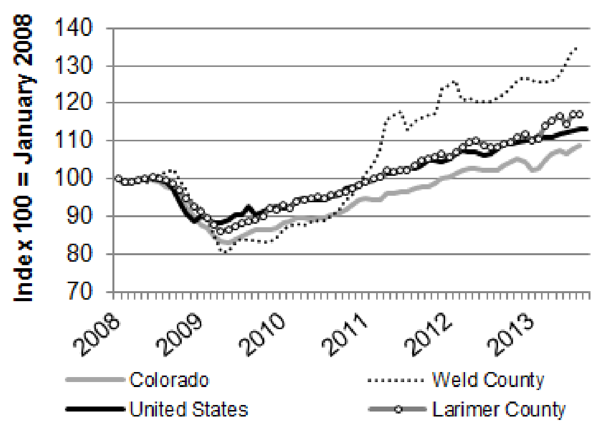
Retail sales continue to be strong in both Larimer and Weld County. As Figure 53 shows, consumer spending in both counties has outperformed the state.

Figure 52
Fort Collins-Loveland and Greeley MSA Nonfarm Employment
Seasonally Adjusted



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

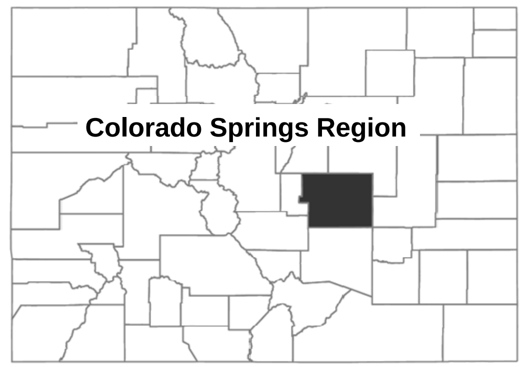
Figure 53
Trends in Retail Trade Sales Since January 2008
Index of Three-Month Moving Average; Seasonally Adjusted Nominal Data



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

Colorado Springs Region

The Colorado Springs economy grew at a modest pace in the first three quarters of 2013. The labor market improved, with new jobs created and a lower unemployment rate. Construction activity and retail sales were both at higher levels than in 2012. Table 22 shows the economic indicators for the region.



Nonfarm employment increased 1.4 percent between January and October of 2013 compared with the same period last year, after growing 0.7 percent in 2012. If the employment growth continues at 1.4 percent through the end of 2013, it will be the fastest employment growth for the Colorado Springs region since 2006. The new jobs are bringing down the unemployment rate, which was 8.0 percent in October. Figure 54 shows the unemployment rate and the labor force since 2005.

Similar to other areas in the state, the residential housing market is improving. In percentage terms, the building is slower than in 2012, but it is still growing from a higher base. After growing 41.6 percent in 2012, fewer new multi-family housing projects caused the total number of residential building permits to grow 15.6 percent between January and October of 2013. Single family permits have also slowed in 2013, from 50.2 percent growth to 23.1 percent growth year-to-date. Figure 55 shows residential building permits in the Colorado Springs region.

Table 22
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%	1.4%
Unemployment Rate /2	8.8%	9.8%	9.5%	8.7%	8.0%
(2013 Figure is August Only)					
Housing Permit Growth /3					
Total	-33.4%	27.9%	29.1%	41.6%	11.0%
Single-Family	-16.7%	23.2%	-3.8%	50.2%	33.6%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-5.0%	-12.7%	16.8%	0.5%	23.7%
Square Footage of Projects	-25.9%	-35.2%	17.5%	-1.6%	58.9%
Level (1,000s)	2,262	1,467	1,723	1,696	1,993
Number of Projects	-8.3%	24.6%	10.5%	-11.7%	-16.8%
Level	297	370	409	361	263
Retail Trade Sales Growth /5	-6.1%	7.8%	8.3%	5.5%	4.4%

MSA = Metropolitan statistical area. NA = Not Available.

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

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

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

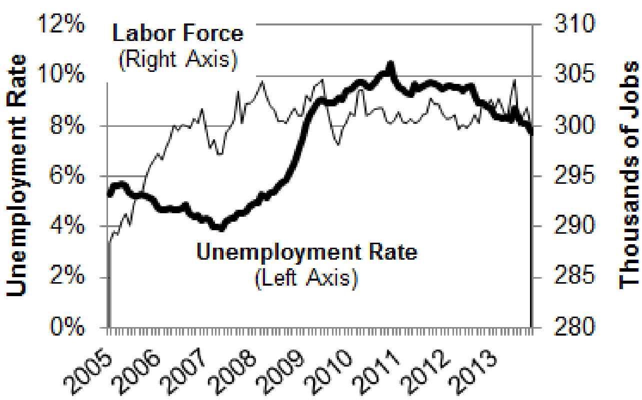
4/ F.W. Dodge. Data through October 2013.

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

The value and size of nonresidential construction projects is increasing in Colorado Springs, but the number of projects has decreased. The value of projects grew 23.7 percent and the square footage of those projects increased 58.9 percent between January and October 2013 compared with the same period in 2012. The number of nonresidential construction projects decreased 16.8 percent year-to-date.

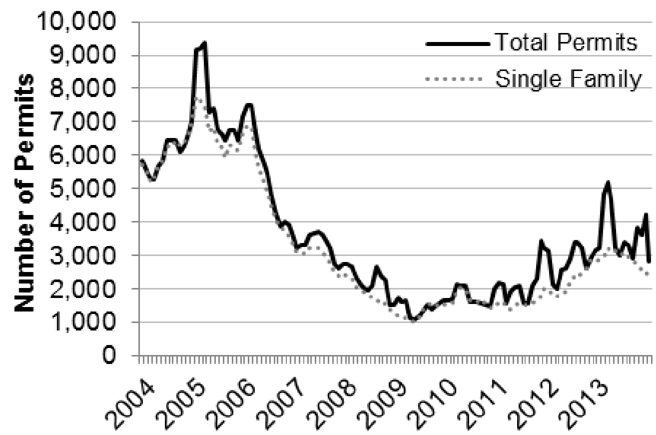
After growing by 5.5 percent in 2012, seasonally adjusted retail sales grew 4.4 percent in the first eight months of 2013 compared with the same period last year. Figure 56 indexes seasonally adjusted retail sales for Colorado Springs, the state, and the nation since 2008.

Figure 54
Colorado Springs MSA
Unemployment Rate and Labor Force
Seasonally Adjusted



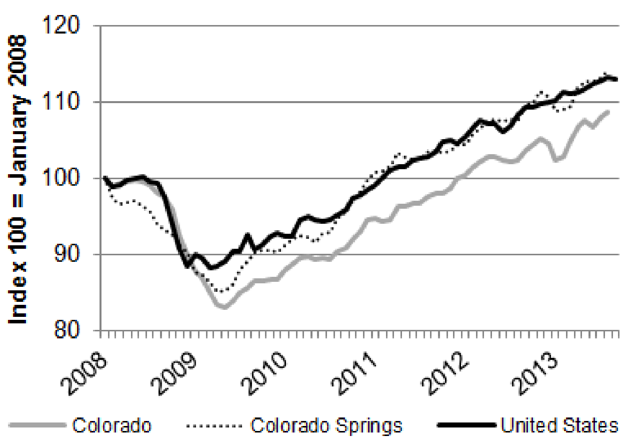
Source: U.S. Bureau of Labor Statistics, LAUS. Data through October 2013.

Figure 55
Colorado Springs MSA
Residential Building Permits
Seasonally Adjusted Data



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

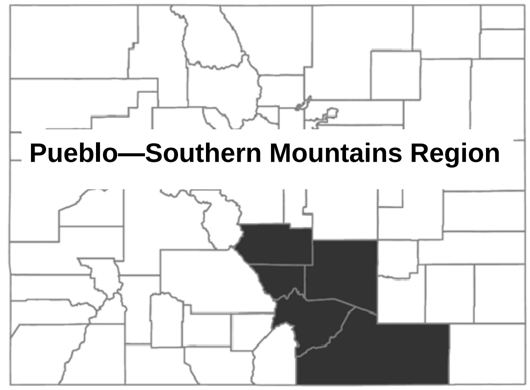
Figure 56
Colorado Springs MSA Retail Sales
Seasonally Adjusted Data



Source: Colorado Department of Revenue. Colorado data through August; U.S. data through September.

Pueblo — Southern Mountains Region

The Pueblo region's economy is lagging behind other regions of the state. Employment growth is among the slowest and the unemployment rate is the highest among all of the regions tracked across the state. Construction activity is declining and retail sales are basically flat. Table 23 shows economic indicators for the region.



After declining 0.1 percent in 2012, nonfarm employment in Pueblo has grown 1.2 percent through the first eight months of 2013 compared with the same period in 2012. This is less than half of the 2.5 percent growth in employment experienced statewide. Figure 57 shows the unemployment rate and the labor force since 2005. The region's unemployment rate was the highest in the state at 9.1 percent in October, although it has declined from 10.5 percent in October 2012.

Retail sales in the region grew very slowly through the summer of 2013. After growing 3.0 percent in 2012, seasonally adjusted retail sales in the Pueblo region grew 1.3 percent through the first eight months of 2013 compared with the same period in the prior year. Inflation in

Table 23
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%	1.0%
Pueblo MSA /2	-2.3%	0.1%	1.6%	-0.1%	1.2%
Unemployment Rate /1	9.1%	10.4%	10.3%	10.4%	9.5%
(2013 Figure is August Only)					
Housing Permit Growth /3					
Pueblo MSA Total	-9.4%	-37.9%	-49.6%	116.7%	-9.7%
Pueblo MSA Single-Family	-51.5%	13.6%	-45.5%	48.2%	-9.7%
Growth in Value of Nonresidential Construction /4					
Value of Projects	-67.6%	-71.5%	3.9%	386.2%	-72.0%
Square Footage of Projects	-76.5%	-62.2%	-58.1%	717.4%	-71.7%
Level (1,000s)	330	125	52	428	104
Number of Projects	-50.0%	-20.4%	5.1%	-34.1%	4.2%
Level	49	39	41	27	25
Retail Trade Sales Growth /5	-4.7%	6.8%	9.5%	3.0%	1.3%

MSA = Metropolitan statistical area. NA = Not Available.

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

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

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

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

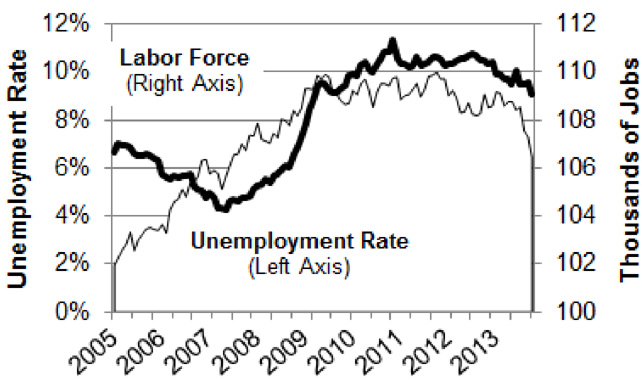
5/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2013.

Colorado was 2.7 percent between the first half of 2012 and the first half of 2013. Thus, after accounting for inflation, retail sales in the region have fallen.

The housing market in the Pueblo region began to improve in 2012 as permits for residential construction more than doubled. In contrast, through the first ten months of 2013, total housing permits in the region were down 8.8 percent compared with the first ten months of 2012. As shown in Figure 59, the growth in residential construction in 2012 was from a very low level of building activity.

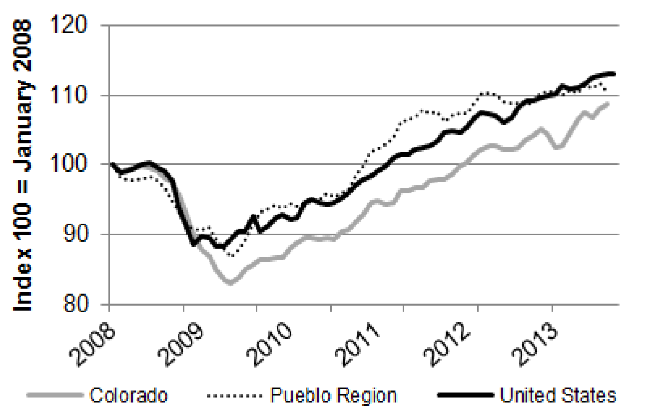
Nonresidential construction activity in the region is also struggling, as less expensive projects are being built. Through the first ten months of 2013, the investment in nonresidential construction declined 72.0 percent and the square footage of the projects declined 71.7 percent compared with the same period in 2012. The number of projects increased 4.2 percent year-to-date.

Figure 57
Pueblo Region Unemployment Rate and Labor Force
Seasonally Adjusted



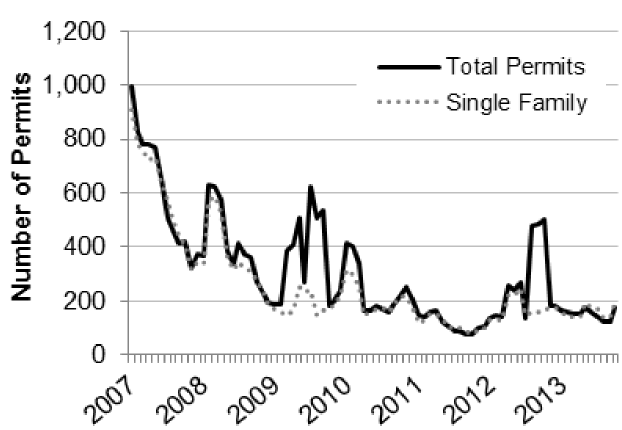
Source: U.S. Bureau of Labor Statistics; CES.
Data through August 2013.

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



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

Figure 59
Pueblo Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted Nominal Data

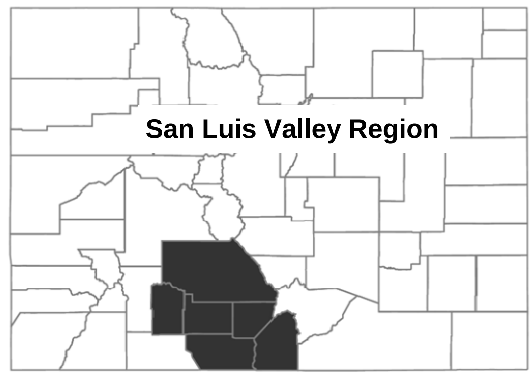


Source: U.S. Census Bureau. Data through October 2013.

San Luis Valley Region

The economy in the San Luis Valley region is primarily driven by the agriculture and tourism industries. The valley's primary agriculture products include potatoes, wheat, hay, cattle, and corn. The valley produces about 93 percent of the potatoes grown in Colorado. Table 24 shows economic indicators for the region.

The region's economy saw moderate growth through the fall with gains in employment, consumer spending, and residential construction activity. However, unemployment remains high in the region and consumer spending is losing some momentum.



Nonfarm employment in the region increased 0.6 percent year-to-date through October compared with the first ten months of 2012 after falling 0.7 percent in 2012. As shown in Figure 60, the region's unemployment rate remains high, at 9.2 percent in October 2013. It is important to note that labor market data for rural areas can contain meaningful measurement

Table 24
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%	-1.5%	-0.7%	0.6%
Unemployment Rate /1 (2013 Figure is August Only)	7.6%	8.7%	9.3%	9.6%	9.2%
Statewide Crop Price Changes /2					
Wheat	-28.5%	-7.6%	41.7%	4.2%	4.1%
Alfalfa Hay (baled)	-4.4%	-15.9%	40.9%	37.0%	0.5%
Potatoes	-39.0%	-7.8%	67.4%	-33.5%	8.6%
Dry Beans	-8.3%	-14.5%	28.5%	30.0%	-23.5%
Housing Permit Growth /3	-31.7%	14.0%	-8.5%	41.5%	19.6%
Growth in Value of Nonresidential Construction /3					
Value of Projects	430.9%	-55.4%	83.1%	-45.9%	-67.1%
Square Footage of Projects	96.3%	10964.0%	-31.1%	65.3%	-51.1%
Level (1,000s)	2	189	130	215	105
Number of Projects	0.0%	62.5%	-23.1%	0.0%	-27.3%
Level	8	13	10	10	11
Retail Trade Sales Growth /4	-1.6%	3.7%	5.8%	2.8%	1.5%

NA = Not Available.

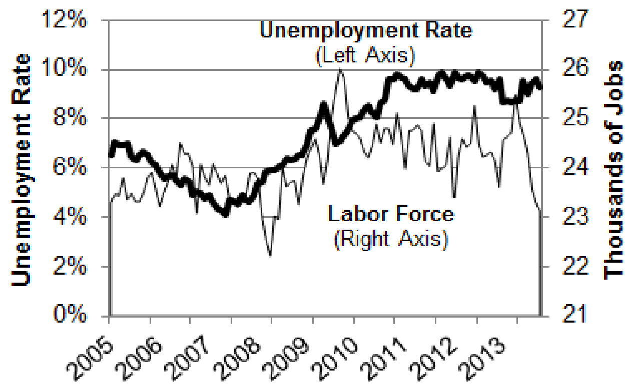
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2013.

2/ National Agricultural Statistics Service. Prices through October 2013.

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

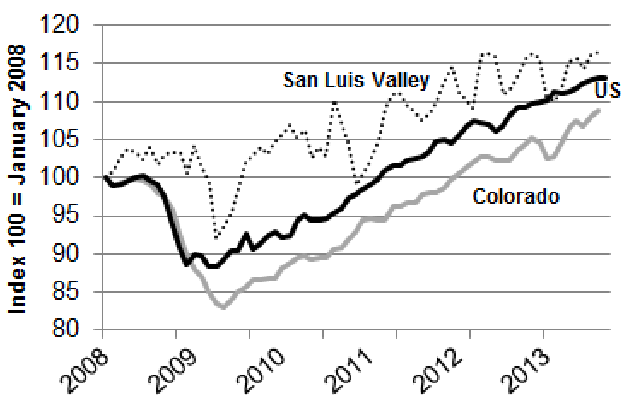
4/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2013.

Figure 60
San Luis Valley
Unemployment Rate and Labor Force



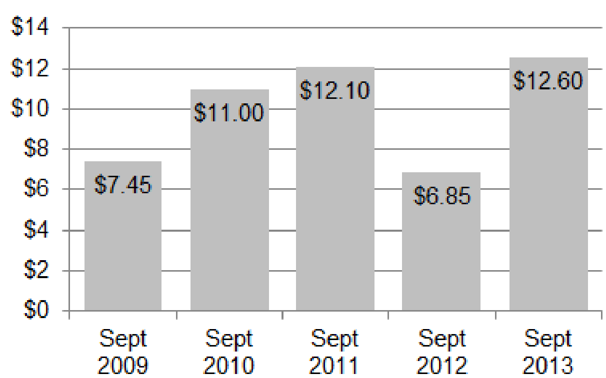
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through October 2013.

Figure 61
Trends in U.S., Colorado, and San Luis Valley
Retail Trade Since January 2008



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through August 2013. U.S. data through September 2013.

Figure 62
Colorado Potato Prices (CWT), September



Source: National Agricultural Statistics Service.

error and are frequently revised. In addition, due to the reliance on the agriculture industry, the region experiences different economic trends than more urban areas of the state.

Consumer spending, as measured by retail sales, increased 1.5 percent year-to-date through August compared with the first eight months of 2012. Figure 61 shows changes in the region's consumer spending and compares them to changes in the nation and the state.

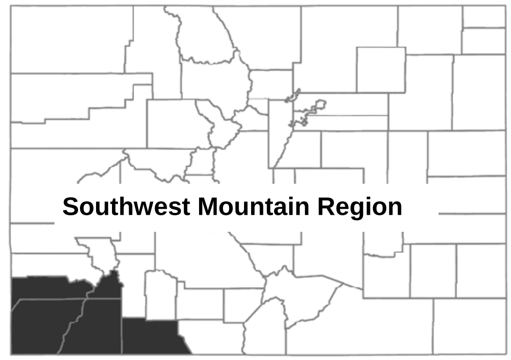
The agriculture industry is integral to the San Luis Valley economy. Most of Colorado's seed potatoes are grown in the San Luis Valley, an arid, isolated, high mountain valley with a climate that minimizes disease and insect damage to its crops. Potato production for the fall 2013 harvest is not yet available. Although weather conditions were dry for much of the growing season and some crops were lost as a result of hail, these conditions are not expected to have significantly reduced production. Potato prices increased in September 2013 over year-ago levels, as shown in Figure 62.

Residential construction activity continues to increase in the region. The number of permits for residential construction increased 19.6 percent year-to-date through October compared with the first ten months of 2012, after increasing 41.5 percent in 2012. The value of nonresidential construction projects fell 67.1 percent year-to-date through October compared with the first ten months of 2012. Although this appears to be a significant decrease, the level of construction activity is very low. The San Luis Valley region has the smallest economy of all regions in the state and thus, economic data related to the construction industry tends to be particularly volatile.

Southwest Mountain Region

Like other resort areas in the state, the southwest mountain region's economy is showing strong improvement. The labor market is showing healthy growth, consumer spending is growing faster than the state as a whole, and there is increased construction activity. Table 25 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 63, nonfarm employment has accelerated significantly in the region, increasing 2.6 percent year-to-date through October compared with the first eight months of 2012. As shown in Figure 64, the region's unemployment rate dropped quickly through the summer, ticking down to 6.2 percent in October after averaging 7.1 percent in 2012.



Part of the improvement in the labor market is from increased construction activity. Residential building permits posted a 47.3 percent gain between January and October compared with the same period in 2012. The value of nonresidential constructions increased 271.5 percent through the first ten months of 2013, while the number of projects increased 25.0 percent. The region's nonresidential construction projects were larger and more expensive in 2013 than in 2012.

Table 25

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%	2.6%
Unemployment Rate /1	7.1%	8.3%	7.7%	7.1%	6.2%
(2013 Figure is August Only)					
Housing Permit Growth /2	-23.7%	38.0%	-29.5%	2.4%	47.3%
Growth in Value of Nonresidential Construction /2					
Value of Projects	83.8%	-45.7%	-53.0%	38.3%	271.5%
Square Footage of Projects	-11.6%	-60.5%	30.8%	101.3%	238.3%
Level (1,000s)	192	76	99	200	282
Number of Projects	-12.0%	4.5%	-39.1%	7.1%	25.0%
Level	22	23	14	15	15
Retail Trade Sales Growth /3	-13.9%	1.6%	9.1%	6.2%	5.9%

NA = Not Available.

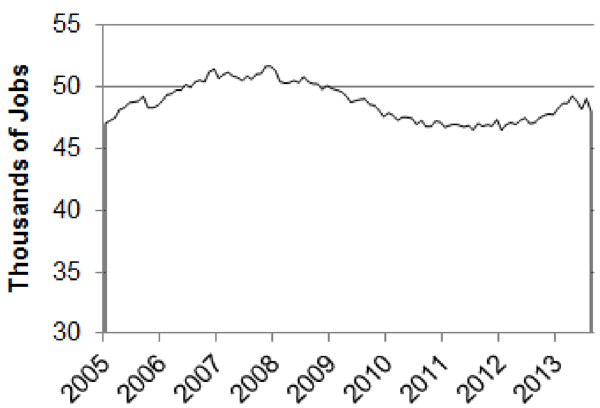
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2013.

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

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

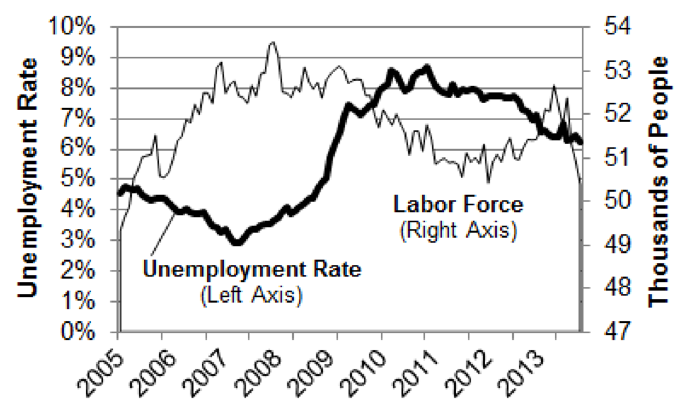
As shown in Figure 65, consumer spending, as measured by retail trade sales, recovered at a slower rate in the region during the first few years following the recession than in the rest of the state. However, thus far in 2013 the region's consumers are spending at a faster pace. The region's retail trade has increased 5.9 percent year-to-date through August compared with year-ago levels compared a 4.2 percent growth rate statewide. An improving national economy has helped buoy tourism in the state's resort areas. Seasonally adjusted retail trade sales increased 5.3 percent year-to-date through August compared with the first eight months of 2012. It is important to note that the Southwest Mountain Region's economy is relatively small and therefore economic data for the region will contain more volatility than data for the state and nation.

Figure 63
Southwest Mountain Region Nonfarm Employment



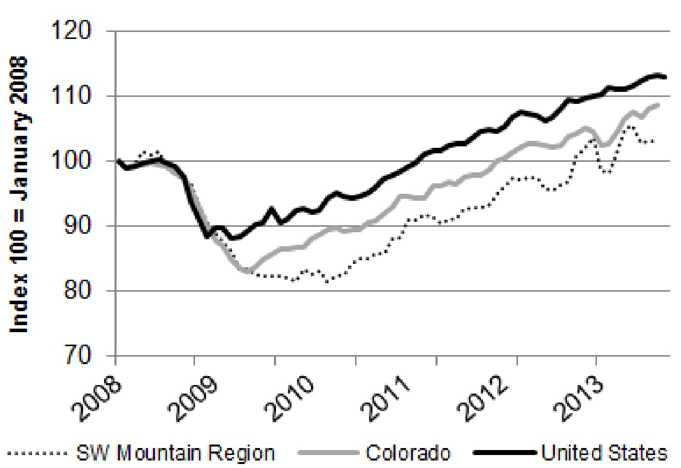
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through October 2013.

Figure 64
Southwest Mountain Region Unemployment Rate and Labor Force



Source: U.S. Bureau of Labor Statistics, LAUS. Data through October 2013.

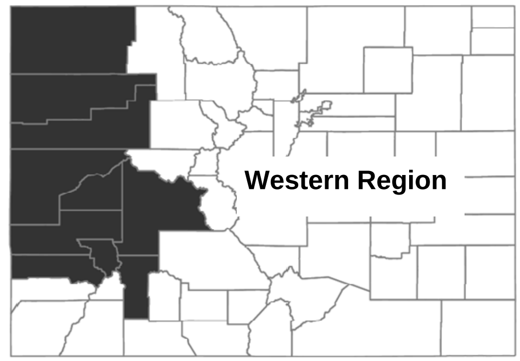
Figure 65
Trends in U.S., Colorado, and Southwest Mountain Region Retail Trade Since January 2008



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

Western Region

Western Colorado's economy continues to recover at a slower pace than can be seen in other regions of the state. Modest growth in employment and retail trade does signal gradual improvement in the region. However, after some growth at the beginning of the year, the housing market has stagnated while nonresidential construction activity has fallen. Table 26 shows economic indicators for the region.



Western Colorado experienced steady but slow growth in employment over the first half of 2013 but lost momentum in late summer and early autumn. Overall, regional employment grew just 0.8 percent year-to-date through October, pulling the regional unemployment rate down to 7.2 percent. The relationship between the region's labor force and unemployment rate is shown in Figure 66.

Agriculture is an important industry in the region. Drought conditions and an early freeze in April contributed to an overall weakening of the region's agriculture sector. The USDA acknowledged 33 natural disasters in western region counties in 2013, including 26 instances of drought and seven

Table 26
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%	0.8%
Grand Junction MSA /2	-6.6%	-4.4%	0.6%	1.4%	0.7%
Unemployment Rate /1	8.4%	10.1%	8.8%	8.4%	7.2%
(2013 Figure is October Only)					
Housing Permit Growth /3	-51.1%	2.0%	-20.8%	22.4%	1.6%
Growth in Value of Nonresidential Construction /3					
Value of Projects	-17.6%	19.0%	-60.1%	12.8%	-31.7%
Square Footage of Projects	-38.9%	28.4%	-59.2%	26.0%	-38.3%
Level (1,000s)	1,035	1,329	542	682	311
Number of Projects	-6.7%	-29.5%	-32.7%	15.2%	-31.3%
Level	139	98	66	76	46
Retail Trade Sales Growth /4	-19.1%	1.8%	8.8%	1.2%	2.9%

MSA = Metropolitan statistical area. NA = Not Available.

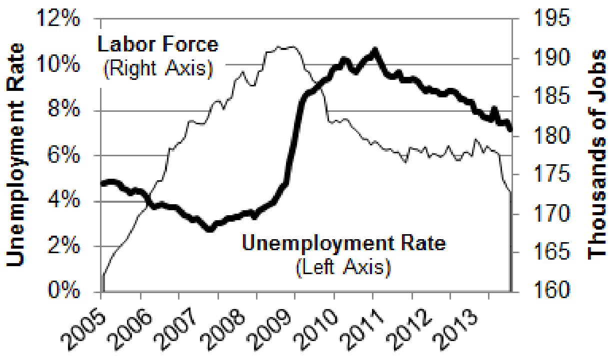
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October 2013.

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

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

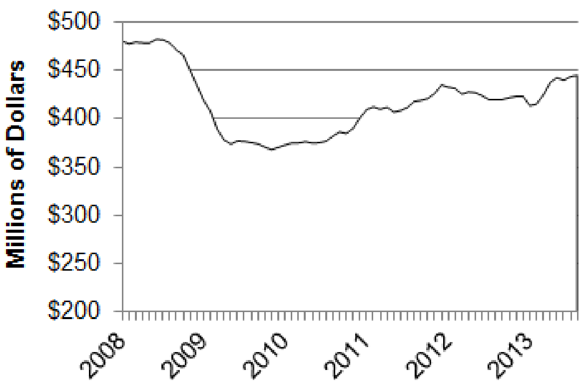
5/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2013.

Figure 66
Western Region Unemployment Rate and Labor Force, 2005 to 2013
Seasonally Adjusted



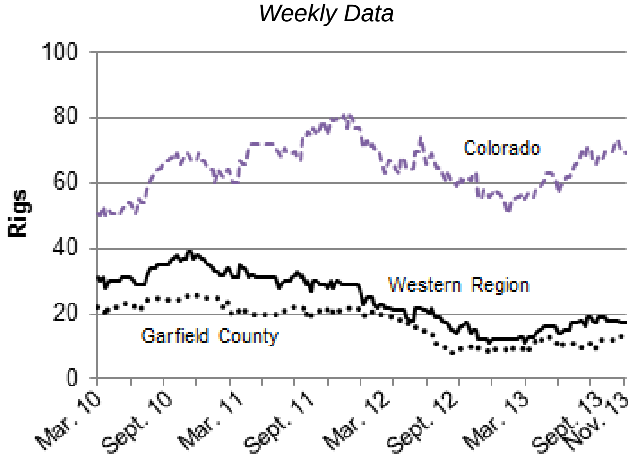
Source: U.S. Bureau of Labor Statistics; LAUS. Data through October 2013.

Figure 67
Trends in Retail Trade Sales, January 2008 to August 2013
(Three-Month Moving Average; Seasonally Adjusted)



Source: Colorado Department of Revenue and U.S. Census Bureau. Data through August 2013.

Figure 68
Colorado and Western Region Operating Rig Count, March 2010 to November 2013
Weekly Data



Source: Baker Hughes. Data through November 20, 2013.

freezes. Droughts were especially devastating; per the USDA, drought conditions engendered excessive heat, high winds, increased risk of wildfire, and overpopulation of insects.

Figure 67 shows trends in consumer spending in the western region as represented by retail trade sales over the last six years. In 2013, retail trade sales in the western region reached their highest levels since late 2008. Nevertheless, spending in western Colorado has recovered from the 2008 crisis less quickly than in other parts of the state. Consumer spending in the western region showed steady but modest improvement throughout the year, as year-to-date growth in retail sales climbed 2.9 percent through August.

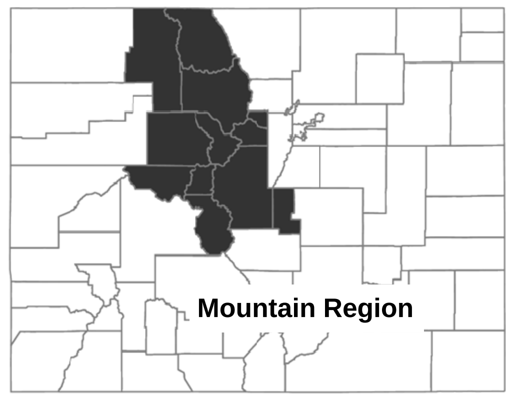
The quick growth in the region's residential housing market seen earlier in the year has slowed to a halt. Housing construction saw a strong spring give way to a weak autumn, resulting in a negligible overall change relative to last year. Western region residential construction permits in 2013 outpaced 2012 by 32.6 percent over the first six months of the year. Between July and October, however, 2013 permit issuance underperformed 2012 by 14.6 percent.

Nonresidential construction activity in the western region has declined considerably during the past twelve months. The autumn 2013 figures for the number of permits filed for nonresidential construction projects, square footage, and value all reflect declines in construction relative to both autumn 2012 and earlier months of 2013.

Figure 68 shows the western region's operating oil and gas rig count. Low natural gas prices have continued to keep rig counts down across the region, though there are signs of slow improvement as prices have begun to rise. In November 2013, there were 17 rigs operating in the region, up modestly from 12 rigs in November 2012. The region currently accounts for about one-fourth of the 69 total rigs in the state. During its peak in March 2011, Western Colorado had 52 percent of the state's operational rigs.

Mountain Region

The economy of the mountain region, which is primarily dependent on the ski and gaming industries, continues to improve from the last recession. Leading the recovery is the region's residential real estate market. Home prices and residential permits are higher through the current year compared to one year ago. Job growth continues to improve from recession lows. In October 2013, the latest available data, the unemployment rate for the region was lower than the statewide average of 7.1 percent. In addition, it appears that retail sales during the offseason skiing months were aided by recent federal legislation that allows year around access to U.S. Forest Service ski areas. Through August 2013, retail sales for the region were 6.0 percent higher than one year ago. Finally, the upcoming ski season is showing encouraging signs as ski resorts are reporting strong reservation figures. Table 27 shows economic indicators for the region.



The labor market in the mountain region continues to improve. The region added 2,800 jobs from January 2013 to October 2013, a 3.7 percent increase from the same period one year ago. The increase in jobs has helped lower the unemployment rate, which was at 6.1 percent in October. The unemployment rate for the region was lower than the statewide average (7.1 percent). Figure 69 shows the region's nonfarm employment from January 2005 to October 2013, the most recent data available.

Table 27
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

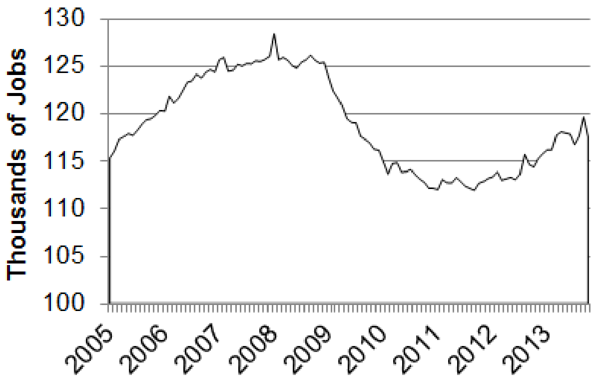
	2009	2010	2011	2012	YTD 2013
Employment Growth /1	-5.9%	-3.7%	-0.5%	1.5%	3.7%
Unemployment Rate /1 (2013 Figure is August Only)	7.5%	9.1%	7.9%	7.2%	6.1%
Housing Permit Growth /2	-49.2%	-17.6%	2.9%	6.9%	71.1%
Growth in Value of Nonresidential Construction /2					
Value of Projects	-73.4%	33.4%	195.4%	-57.4%	-18.2%
Square Footage of Projects	-83.1%	76.2%	169.0%	-27.7%	-19.8%
Level (1,000s)	164	290	779	563	395
Number of Projects	-23.1%	2.0%	-13.7%	11.4%	-20.5%
Level	50	51	44	49	35
Retail Trade Sales Growth /3	-16.3%	4.9%	7.5%	1.3%	6.0%

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

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

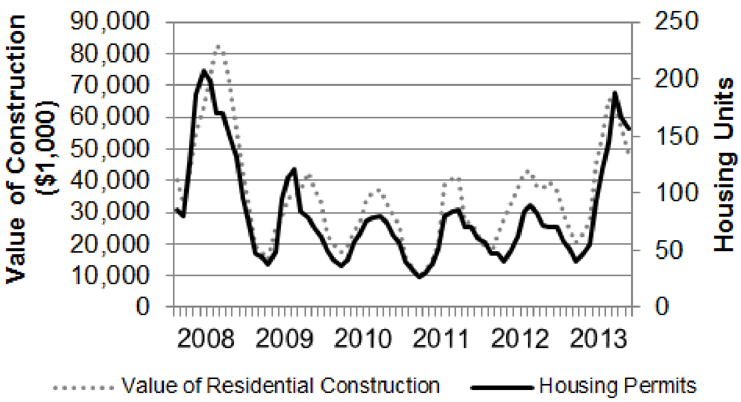
3/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2013.

Figure 69
Mountain Region Nonfarm Employment
Seasonally Adjusted



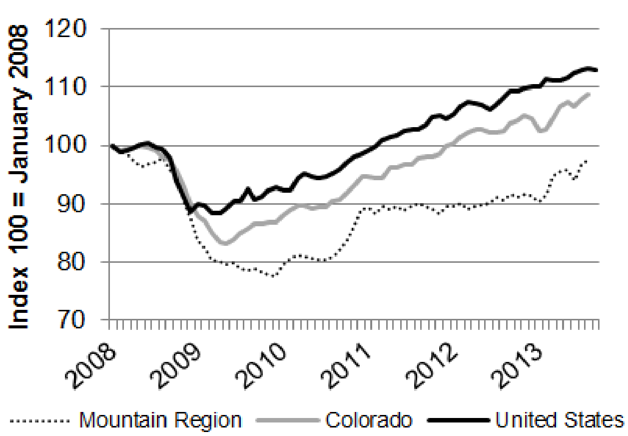
Source: U.S. Bureau of Labor Statistics; LAUS.. Data through October 2013.

Figure 70
Mountain Region Residential Building Permits
Three-Month Moving Average; Non Seasonally Adjusted Data



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

Figure 71
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted



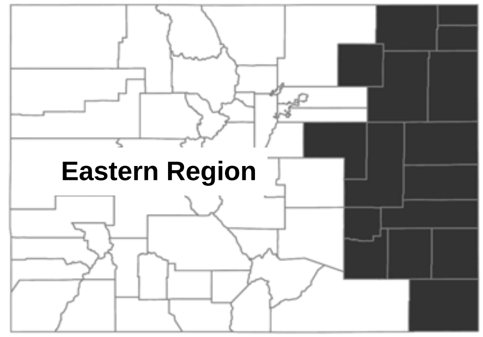
Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through August 2013; U.S. data through September 2013.

Activity in the mountain region's residential real estate market continues to be strong. Higher prices, increased sales, and low inventory have contributed to the rebound. From January to October 2013, residential permits have risen 45.0 percent compared with the same period one year ago. Figure 70 shows the trends of residential building permits and the value of residential construction in the mountain region.

The region's nonresidential real estate inventory is expected to increase by 395,000 square feet as 35 projects have started since January 2013. Projects underway in the region include 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.

Retail sales increased 6.0 percent from January to August 2013 compared with the same period in 2012. Increased visitation to the region during non-ski months have helped boost retail sales. The Ski Area Recreational Opportunity Enhancement Act, passed in 2011, allows yearlong recreation opportunities on U.S. Forest Service ski areas. In addition, many counties in the region have begun providing more summer events that have increased the number of people visiting the region during offseason months. However, retail sales in the region have taken longer to recover than in the state or nation. Figure 71 indexes the region's retail sales growth to that of the state as a whole and the nation.

Eastern Region



The eastern region's economy is primarily driven by the agriculture industry. The 2012 drought and recent weather conditions in 2013, including the September floods, have significantly affected the industry. As shown in Figure 72, incomes for many Colorado farmers and ranchers were at historically high levels in 2012 despite the drought because of high crop prices and a cattle selloff. Although the drought has begun to ease in the region's northern counties, net income began to fall somewhat in late 2012 and into 2013. In 2013, higher production has pushed down corn and wheat prices. In addition, some northern farms endured losses from the September floods. Meanwhile, the Arkansas River Basin in the southern half of the region continues to endure severe drought conditions. Table 28 shows economic indicators for the region.

The dominant agricultural products in the eastern region are wheat, corn, hay, cattle, and dairy. As shown in Figure 73, prices received statewide for wheat, corn, and hay increased significantly in 2011 and 2012. While wheat and corn prices remain historically

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

	2009	2010	2011	2012	YTD 2013
Employment Growth /1	5.3%	-3.8%	1.0%	-1.8%	-2.2%
Unemployment Rate /1 (2013 Figure is August Only)	5.9%	6.7%	6.3%	6.5%	6.0%
Crop Price Changes /2					
Wheat $/bushel	-28.5%	-7.6%	41.7%	4.2%	4.1%
Corn $/bushel	-13.6%	-1.5%	59.3%	9.2%	3.6%
Alfalfa Hay (Baled) $/tom	-4.4%	-15.9%	40.9%	37.0%	0.5%
Dry Beans $/hundredweight	-8.3%	-14.5%	28.5%	30.0%	-23.5%
Livestock /3					
State Cattle and Calf Inventory Growth	4.1%	-1.2%	10.2%	-3.4%	-9.2%
Milk Production	-3.3%	-0.8%	6.5%	7.1%	3.2%
Retail Trade Sales Growth /4	-12.5%	9.9%	13.7%	4.3%	1.2%

NA = Not Available.

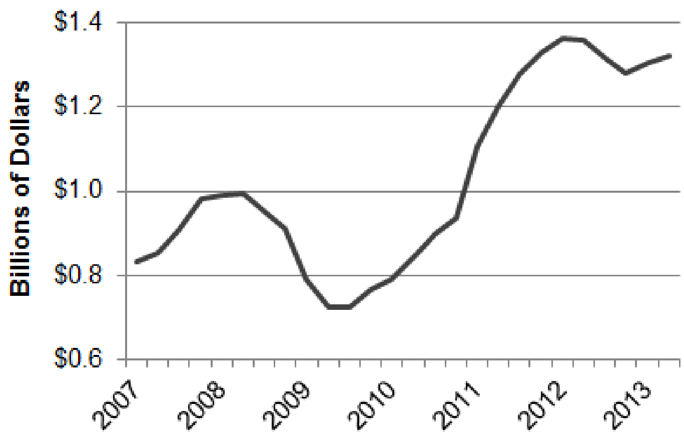
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through October.

2/ National Agricultural Statistics Service. Price data through October 2013.

3/ National Agricultural Statistics Service. Cattle and calves on feed through October 2013, milk production through September 2013.

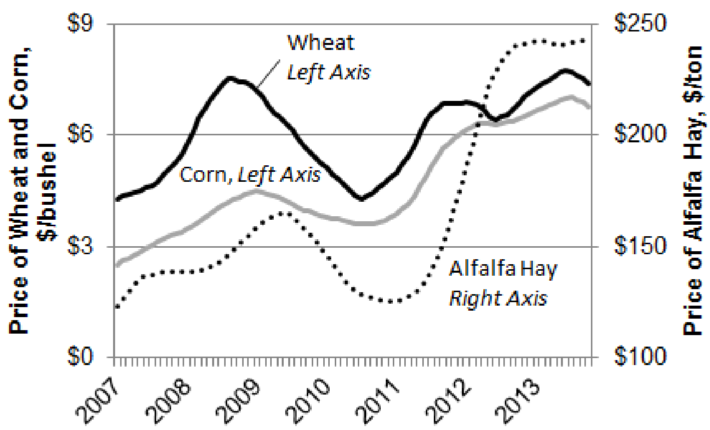
4/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2013.

Figure 72
Colorado Farm Income
Four Quarter Moving Average, Not Seasonally Adjusted Data



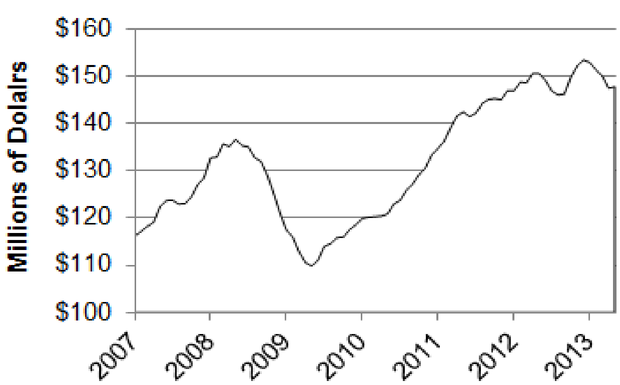
Source: U.S. Bureau of Economic Analysis, personal income statistics. Data through the 2nd quarter of 2013.

Figure 73
Colorado Crop Prices
Twelve Month Moving Average, Not Seasonally Adjusted Data



Source: National Agricultural Statistics Service. Data through October 2013.

Figure 74
Eastern Region Retail Trade
Twelve Month Moving Average, Not Seasonally Adjusted Data



Source: Colorado Department of Revenue. Data through August 2013.

high, they began to fall in 2013 as the drought began to ease and corn production increased.

The price of alfalfa hay, a crop primarily used as feed for cattle, has begun to level off in 2013 after having spiked as a result of the drought in 2011 and 2012. It is expected to be several years before ranchers are able to rebuild their herds after having been forced to sell cattle for the slaughter because of the high price of feed. The state's cattle and calf inventory was 18.7 percent lower in October 2013 than two years earlier in October 2011.

The eastern region experiences different trends in nonfarm employment and consumer spending than the more urban areas of the state. Nonfarm employment, which excludes workers in the agriculture industry, declined 2.2 percent year-to-date through October in the region compared with the first ten months of 2012 after having fallen 1.8 percent in 2012. The unemployment rate, which is taken from a survey that includes agricultural workers, was 6.0 percent in October, lower than the statewide rate. The region's labor force, which includes agricultural workers, has been slowly trending down over the last few years. Population in the region has also been falling.

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 and ranchers enjoyed profitable years. Although consumer spending has continued to grow slowly on an annual average basis in both 2012 and 2013, both years contained periods during which spending fell, as shown in Figure 74.

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	$9,089.1	$9,665.7	$10,289.7	$10,625.3	$10,980.2	$11,512.2	$12,277.0	$13,095.4	$13,857.9	$14,480.3	$14,720.3	$14,417.9	$14,958.3	$15,533.8	$16,244.6
percent change	5.6%	6.3%	6.5%	3.3%	3.3%	4.8%	6.6%	6.7%	5.8%	4.5%	1.7%	-2.1%	3.7%	3.8%	4.6%
Real Gross Domestic Product (inflation-adjusted, chained to 2005)	$11,513.4	$12,071.4	$12,565.2	$12,684.4	$12,909.7	$13,270.0	$13,774.0	$14,235.6	$14,615.2	$14,876.8	$14,833.6	$14,417.9	$14,779.4	$15,052.4	$15,470.7
percent change	4.4%	4.8%	4.1%	0.9%	1.8%	2.8%	3.8%	3.4%	2.7%	1.8%	-0.3%	-2.8%	2.5%	1.8%	2.8%
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%	2.8%	3.8%	-0.4%	1.6%	3.2%	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	$7,587.7	$7,983.8	$8,632.8	$8,987.1	$9,149.5	$9,487.6	$10,049.2	$10,610.3	$11,389.8	$11,995.7	$12,430.6	$12,082.1	$12,435.2	$13,191.3	$13,743.8
percent change	7.2%	5.2%	8.1%	4.1%	1.8%	3.7%	5.9%	5.6%	7.3%	5.3%	3.6%	-2.8%	2.9%	6.1%	4.2%
Wage and Salary Income	$4,181.6	$4,458.0	$4,825.9	$4,954.4	$4,996.4	$5,138.8	$5,422.9	$5,692.9	$6,058.2	$6,396.0	$6,532.8	$6,252.2	$6,377.5	$6,638.7	$6,926.8
percent change	7.9%	6.6%	8.3%	2.7%	0.8%	2.9%	5.5%	5.0%	6.4%	5.6%	2.1%	-4.3%	2.0%	4.1%	4.3%
Nonfarm Employment (millions)	126.0	129.1	131.9	131.9	130.4	130.1	131.5	133.7	136.1	137.6	136.8	130.9	129.9	131.5	133.7
percent change	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.4%	-0.7%	1.2%	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	2,309.5
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%	2.3%
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	$155,922	$156,089	$159,387	$166,687	$177,899	$191,775	$202,718	$212,243	$206,423	$210,608	$226,032	$237,461
percent change	9.1%	8.8%	12.5%	6.0%	0.1%	2.1%	4.6%	6.7%	7.8%	5.7%	4.7%	-2.7%	2.0%	7.3%	5.1%
Per Capita Income	$29,174	$30,919	$33,986	$35,231	$34,761	$35,195	$36,434	$38,407	$40,627	$42,199	$43,406	$41,515	$41,717	$44,179	$45,775
percent change	6.5%	6.0%	9.9%	3.7%	-1.3%	1.2%	3.5%	5.4%	5.8%	3.9%	2.9%	-4.4%	0.5%	5.9%	3.6%
Wage and Salary Income	$69,862	$76,643	$86,416	$89,130	$88,090	$89,281	$93,570	$98,788	$105,665	$112,510	$116,682	$112,294	$113,783	$118,740	$125,055
percent change	11.3%	9.7%	12.8%	3.1%	-1.2%	1.4%	4.8%	5.6%	7.0%	6.5%	3.7%	-3.8%	1.3%	4.4%	5.3%
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	$4,114	$3,354	$3,147	$3,923	$3,676
percent change	-11.5%	28.7%	-7.9%	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-6.3%
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	4,338.8	4,444.5	4,504.7	4,555.1	4,608.8	4662.5	4,745.7	4,821.8	4,901.9	4,976.9	5,049.7	5,118.5	5,188.7
percent change	2.4%	2.7%	2.7%	2.4%	1.4%	1.1%	1.2%	1.2%	1.8%	1.6%	1.7%	1.5%	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.