



FOCUS COLORADO: ECONOMIC AND REVENUE FORECAST

COLORADO LEGISLATIVE COUNCIL STAFF
ECONOMICS SECTION

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*Photograph taken in Rocky Mountain National Park,
courtesy of Christie Lee*

HIGHLIGHTS

- Both the Colorado and national **economy** will build momentum throughout the forecast period. Colorado will continue to outpace the national economy with more job creation, a tighter labor market, and a stronger housing market. This improvement is beginning to put upward pressure on wages which will continue through 2015. Colorado's economic growth has been driven by the northern front range and tourist economies, but some areas of the state are lagging behind.
- The General Fund ended **FY 2013-14** with a \$240.0 million surplus, enough to fully fund all transfers required to be distributed from the surplus.
- In **FY 2014-15**, General Fund revenue is expected to be \$190.5 million higher than the amount budgeted to be spent or retained in the 6.5 percent statutory reserve. The General Assembly may choose to set aside \$58.7 million in FY 2014-15 for a **TABOR election provision refund** from Proposition AA taxes on retail marijuana.
- The General Assembly will have \$1.05 billion, or 11.3 percent, more to spend in **FY 2015-16** than is budgeted for FY 2014-15. This amount assumes the full \$190.5 million FY 2014-15 surplus is carried forward into FY 2015-16.
- The General Assembly will need to set aside \$120.3 million in FY 2015-16 to be refunded to taxpayers pursuant to **TABOR** in FY 2016-17.
- The five-year block of transfers to the Capital Construction Fund and Highway Users Tax Fund required by **Senate Bill 09-228** is expected to begin in FY 2015-16. However, the size of the TABOR surplus will cut the transfers in half during FY 2015-16, to an estimated \$25.6 million and \$102.5 million to the Capital Construction Fund and the Highway Users Tax Fund, respectively.

EXECUTIVE SUMMARY

This report presents the budget outlook based on current law and the December 2014 General Fund revenue, TABOR situation, and cash fund revenue forecasts. A summary of expectations for the national and Colorado economies and current economic conditions in nine regions around the state are also presented.

Four 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 the 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.

General Fund and TABOR Outlook

FY 2013-14. The General Fund ended the year with a surplus of \$240.0 million, of which \$25 million will remain in the fund. The following transfers from this surplus occurred on September 15:

- \$30 million to the Colorado Water Conservation Board Construction Fund;
- \$20 million to the State Education Fund;
- \$1 million to the Economic Development Fund;
- \$10 million to the Hazardous Substance Site Response Fund; and
- \$113.9 million to the Capital Construction Fund.

*More information about the
General Fund budget overview
begins on page 9 and is
summarized in Table 3 on page 11.*

*More information about the state's
TABOR outlook begins on
page 15 and is summarized in
Table 6 on page 19.*

*The **General Fund revenue**
forecast begins on page 21 and is
summarized in Table 8 on page 24.*

An additional \$40.2 million will be transferred when the State Controller publishes the comprehensive annual financial report for FY 2013-14. Of this, \$21.5 million and \$18.6 million will be transferred to the Capital Construction Fund and State Education Fund, respectively. Nine out of ten of the higher education and information technology capital projects prioritized in **House Bill 14-1342** were funded on September 15, while the tenth is expected to be funded at the end of the year.

Revenue is expected to be \$48.2 million lower than the **Referendum C Cap** in FY 2014-15; this amount is within forecast error. However, the General Assembly may need to set aside \$58.7 million in FY 2014-15 for a **TABOR election provision refund** in FY 2015-16.

FY 2014-15. General Fund revenue is expected to be \$190.5 million higher than the amount budgeted to be spent or retained in the 6.5 percent statutory reserve in FY 2014-15. This

amount does not incorporate any anticipated supplemental appropriations. The State Education Fund is expected to receive a total of \$567.4 million in revenue (see page 13) excluding interest earnings. Expectations for General Fund revenue were increased by \$77.3 million compared with expectations in September.

FY 2015-16. The General Assembly will have \$1.05 billion, or 11.3 percent, more to spend in FY 2015-16 than is budgeted for FY 2014-15. This amount assumes the full \$190.5 million FY 2014-15 surplus is carried forward into FY 2015-16. The forecast for General Fund revenue in FY 2015-16 was increased by \$89.7 million relative to the September forecast.

The General Assembly will need to set aside \$120.3 million in FY 2015-16 to be refunded to taxpayers pursuant to **TABOR** in FY 2016-17. As a result, the earned income tax credit and a sales tax refund estimated at \$10 per taxpayer will be available during income tax year 2016.

The five-year block of transfers to the Capital Construction Fund and Highway Users Tax Fund required by **Senate Bill 09-228** is expected to begin in FY 2015-16. However, the size of the TABOR surplus will cut the transfers in half during FY 2015-16, to an estimated \$25.6 million and \$102.5 million to the Capital Construction Fund and the Highway Users Tax Fund, respectively.

FY 2016-17. There is enough revenue in the General Fund to increase General Fund appropriations by 6.0 percent in FY 2015-16 and FY 2016-17, and still retain \$712.9 million in excess of appropriations and the required reserve at the end of FY 2016-17. This amount assumes the \$190.5 million FY 2014-15 surplus, and any surplus above the required reserve and 6 percent appropriations growth in FY 2015-16, is carried forward into FY 2016-17.

The General Assembly will need to set aside \$620.4 million in FY 2016-17 to be refunded to taxpayers pursuant to **TABOR** in FY 2017-18. As a result, the income tax rate will temporarily be reduced from 4.63 percent to 4.5 percent and a six-tier sales tax refund will be available during income tax year 2017.

Because the TABOR surplus will exceed 3.0 percent of General Fund revenue, no transfers to the Capital Construction Fund or Highway Users Tax Fund pursuant to **Senate Bill 09-228** will occur in FY 2016-17.

Cash Fund Revenue Subject to TABOR

Cash fund revenue subject to TABOR is expected to increase slightly to \$2.74 billion in FY 2014-15 from \$2.68 billion in FY 2013-14. Increases will occur in all primary cash fund categories with the exception of hospital provider fee revenue. Total cash fund revenue subject to TABOR will increase 2.7 percent in FY 2015-16 as hospital provider fee caseload grows, offsetting a decline in severance tax revenue resulting from the fall in oil prices. Cash fund revenue is projected to grow another 6.8 percent in FY 2016-17, as severance tax revenue recovers with increased oil and gas activity.

*The **cash fund revenue forecasts** begin on page 25. Forecasts for revenue subject to TABOR are summarized on page 26.*

TABOR Exempt Cash Fund revenue

Federal mineral lease revenue will total \$180.1 million in FY 2014-15 and \$182.6 million in FY 2015-16. The projection for the current year is revised slightly up from the September forecast as distributions to date have been higher than anticipated. In the out year, the projection was revised slightly down from September. Natural gas prices have dipped slightly, reducing expectations for future prices. In addition, coal production continues to fall, further reducing revenue expectations. For more information about Federal Mineral Lease revenue, please see page 32.

The **Unemployment Insurance Trust Fund** closed FY 2013-14 with a fund balance of \$599.1 million, a 9.6 percent increase from the previous fiscal year. An improving economy will continue to support the UI Trust Fund through the forecast period. The UI Trust Fund ending balance will total \$706.4 million in FY 2014-15. Because of the higher year-end balances, the amount of revenue received from employers will continue to decline through the forecast period. On average, revenue to the fund is expected to decline 3.3 percent each year from FY 2013-14 to FY 2016-17. Over the same period, the amount of benefits paid from the fund will decrease by an annual average rate of 10.3 percent. More information about the unemployment insurance trust fund can be found on page 34.

Taxes from **medical and retail marijuana** are expected to total \$81.5 million in FY 2014-15, of which \$58.7 million is expected from taxes approved by voters in Proposition AA. The forecast for marijuana revenue was revised upward because of collections to date in FY 2014-15; through the first five months of the fiscal year, excise tax and special sales tax collections were 62.5 percent and 77.3 percent, respectively, of what had been forecast to be collected during the entire fiscal year in September. Because this forecast is based on ten months of data for a developing regulated marijuana market, a few months of collections can have a large impact on expectations for future tax revenue. A more complete discussion of marijuana tax revenue can be found on page 32.

Economic Outlook

More than five years after the end of the Great Recession, the economy is expected to grow at rates above its historical trend through the remainder of the forecast period. While the economy has not fully healed, significant progress is underway. Fiscal drag from the public sector is abating. Businesses are finally translating strong profits into stronger job creation. Labor market slack is being absorbed while wage growth has begun to gain speed.

The nation's banking sector is healthy, and credit markets are normalizing. Housing prices continue to improve along with construction activity in both residential and nonresidential sectors.

The recent drop in gasoline prices is expected to accelerate already healthy gains in consumer spending. Consumer spending has also been encouraged by employment gains, income growth, higher wealth, lower debt obligations, and thawing credit conditions relative to a year ago.

*More information about the
**state and national
economic outlook**
begins on page 35.*

*Summaries of economic
conditions in nine **regions**
around the state begin on
page 87.*

The extent to which the expansion has taken hold, however, differs between the Colorado and national economies. Colorado is further along in the business cycle than the nation. The labor market, consumer spending, income, wages, housing prices, and construction activity in Colorado have all outperformed the national economy for at least a year.

Economic growth will be moderated over the forecast period by tightening monetary policy. The Federal Reserve has ended its purchases of long term securities and has been carefully communicating plans for tightening. Although low oil prices are expected to be a net positive for the economy nationwide, the boost will be offset by lower production and income in the oil producing sectors of the economy and could affect regional growth in oil producing states.

Many of the improvements in Colorado's economy are concentrated in the Denver area and along the northern portion of the Front Range. Other regions have grown more slowly and are lagging behind. In Colorado Springs, Pueblo, Grand Junction, and rural areas of the state, average home prices remain below their pre-recession peaks. Agricultural production has been slower in some southern areas of the state, which still suffer from drought, than in the northern regions, where a wet winter generated above average snowmelt. Finally, the recent drop in oil prices could potentially slow economic growth in the northern region of the state.

Assessed Values

Total **assessed values** for all property classes increased 3.3 percent in 2014 to \$91.6 billion. Values are expected to rise 7.8 percent in 2015 to a total value of \$98.7 billion and to \$101.2 billion in 2016. Growth in 2015 is based on new construction and reassessed values that capture the increase in home prices that occurred between January 2013 and June 2014. Residential assessed values are expected to increase 8.5 percent in 2015. Nonresidential values are expected to increase 7.2 percent, which is consistent with the economic activity that is occurring within the state. 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 2014-15 school year, or by 12,148 full-time equivalent (FTE) students. K-12 enrollment is expected to increase 1.4 percent in the 2014-15 school year, or by 11,068 FTE students. The metro Denver and northern regions will drive statewide enrollment growth through the forecast period. These regions are expected to register the strongest economic growth in the state. Other regions continue to struggle with low economic activity and aging populations, and enrollment in the eastern and southwest regions is expected to decline next school year.

*The **property tax assessed value forecast** begins on page 55.*

*The **kindergarten through twelfth grade enrollment forecast** begins on page 69.*

Prison and Parole Populations

The **adult incarcerated prison population** is expected to increase from 20,522 inmates in June 2014 to 21,586 inmates in June 2017, an increase of 1,064 people. This represents an increase of 4.1 percent over the three-year forecast period, or about 355 inmates per year. The **in-state parole population** is projected to decrease from 8,116 inmates in June 2014 to 7,985 inmates in June 2015. Between June 2015 and June 2017, the parole population will increase to 8,137 inmates for a net increase of 21 inmates over the three-year forecast period.

*The **adult prison and parole population forecasts** begin on page 75.*

*The forecast for juvenile populations in the **Division of Youth Corrections** begins on page 81.*

The **juvenile commitment population** is expected to decrease from an average daily population of 796 youths in FY 2013-14 to 713 youths in FY 2016-17, a decrease of 83 youths over the three-year forecast period. The **juvenile detention population** is expected to decrease by 37 youths, from an average daily population of 293 youths in FY 2013-14 to an average daily population of 256 youths in FY 2016-17. The **youth parole population** is expected to fall to an average daily population of 233 youths by FY 2016-17, a reduction of 43 youths from the average daily population of 276 youths in FY 2013-14.

GENERAL FUND BUDGET OVERVIEW

Table 3 on page 11 presents the General Fund overview based on current law. Tables 2 and 4 on pages 10 and 12 provide estimates for General Fund rebates and expenditures (*line 9 of Table 3*) and detail for cash fund transfers to and from the General Fund (*lines 3 and 10 of Table 3*). This section also presents information on the outlook for Senate Bill 09-228 transfers to capital construction and transportation, revenue to the State Education Fund, and the availability of tax policies dependent on the collection of sufficient General Fund revenue.

FY 2013-14. The General Fund ended the year with \$240.0 million in excess of the amount required to fully fund the budget and the 5.0 percent statutory reserve, of which \$25.0 million will remain in the reserve.

House Bills 14-1339 and 14-1342 and Senate Bill 14-223 required transfers from the excess reserve in the amounts and order of priority shown in Table 1. Of this amount, \$199.9 million was transferred on September 15, including \$113.9 million to the Capital Construction Fund. The amount transferred to the Capital Construction Fund on September 15 is sufficient to fund nine out of ten higher education and information technology capital projects prioritized in House Bill 14-1342. An estimated \$40.2 million will be transferred in December when the State Controller publishes the comprehensive annual financial report for FY 2013-14. This is enough to fund the remaining capital construction project and an additional \$18.6 million transfer to the State Education Fund.

Table 1
Distribution of FY 2013-14 General Fund Surplus
Total: \$240.0 million

Fund	Order of Priority	Distributed September 15, 2014	Year-End Distribution /A
Water Conservation Board Construction Fund	First \$30 million	\$30 million	
State Education Fund	Nest \$20 million	\$20 million	
General Fund	Next \$25 million	\$25 million	
Economic Development Fund	Next \$1 million	\$1 million	
Hazardous Substance Site Response Fund	Next \$10 million	\$10 million	
Capital Construction Fund /B	Next \$135.4 million	\$113.9 million	21.5 million
State Education Fund	All remaining surplus	-	18.6 million
	Total:	\$199.9 million	\$40.2 million

Totals may not sum due to rounding.

/A The year-end transfers will occur in late December when the State Controller publishes the state's comprehensive annual financial report for FY 2013-14. These amounts are preliminary and subject to accounting adjustments.

/B The amount distributed on September 15, 2014 is sufficient to cover the first nine of ten capital projects prioritized in House Bill 14-1342. The remaining project, a bundle of Level II Controlled Maintenance projects, is expected to be funded at year-end.

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

Category	Preliminary FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17
Senior & Veterans Property Tax Exemptions /A	\$109.8	\$117.0	\$126.0	\$135.3
Percent Change	6.9	6.6	7.7	7.3
Cigarette Rebate	\$10.4	10.9	\$10.7	\$10.4
Percent Change	-2.9	4.4	-1.9	-3.0
Old-Age Pension Fund	106.9	100.5	104.5	109.8
Percent Change	2.1	-6.0	4.0	5.0
Aged Property Tax & Heating Credit /B	6.0	7.2	7.4	7.6
Percent Change	-8.4	19.4	2.8	2.7
Older Coloradans Fund	10.0	10.0	10.0	10.0
Percent Change	25.0	0.0	0.0	0.0
Interest Payments for School Loans	0.7	0.5	0.8	1.3
Percent Change	-3.9	-24.0	55.6	58.7
Fire and Police Pension Association	4.1	4.7	4.7	4.7
Percent Change	-97.2	14.1	0.0	0.0
Amendment 35 Distributions	0.8	0.9	0.9	0.8
Percent Change	-7.1	2.1	1.0	-1.7
Marijuana Sales Tax Transfer to Local Govts	1.4	5.8	6.5	6.9
Percent Change		328.1	12.21	6.57
TOTAL REBATES & EXPENDITURES	\$250.2	\$257.5	\$271.5	\$286.8

Totals may not sum due to rounding.

/A Includes the impact of House Bill 14-1373.

/B Includes the impact of Senate Bill 14-014.

FY 2014-15. General Fund revenue is expected to be \$190.5 million, or 1.9 percent, higher than the amount budgeted to be spent or retained in the reserve in FY 2014-15. Pursuant to House Bill 14-1337, the required reserve will increase from 5.0 percent of General Fund appropriations in FY 2013-14 to 6.5 percent in FY 2014-15. Expectations for the amount of money available to be spent in the General Fund during FY 2014-15 were increased by \$77.8 million relative to the September forecast, primarily because of increased expectations for revenue.

A potential exists that \$58.7 million may need to be set aside in the FY 2014-15 budget for a TABOR election provision refund resulting from Proposition AA. Should the General Assembly set this aside within the General Fund, the \$190.5 million excess reserve would fall to \$131.8 million. This figure has also not been adjusted for anticipated budget supplemental appropriations for FY 2014-15.

FYs 2015-16 and 2016-17 — Unbudgeted Years. Because a budget has not yet been enacted for FYs 2015-16 and 2016-17, lines 23 through 26 of Table 3 show two alternative perspectives on the General Fund budget situation for these years.

Perspective 1, shown in lines 23 and 24, assumes no growth in appropriations between FY 2014-15 and FY 2015-16 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 2014-15. This amount is expected to be \$1.05 billion, or 11.3 percent of budgeted expenditures in FY 2014-15. This figure assumes the full \$190.5 million FY 2014-15 surplus is carried forward into FY 2015-16.

Table 3
December 2014 General Fund Overview
(Dollars in Millions)

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
FUNDS AVAILABLE		Preliminary	Estimate	Estimate	Estimate
1	Beginning Reserve	\$373.0	\$435.9	\$760.2	*
2	General Fund Revenue	\$8,974.8	\$9,608.5	\$10,248.3	\$11,104.0
3	Transfers from Other Funds <i>(Table 4)</i>	14.2	28.5	12.6	12.8
4	Total Funds Available	\$9,362.0	\$10,072.9	\$11,021.1	*
5	Percent Change	0.1%	7.6%	9.4%	*
EXPENDITURES		Budgeted	Budgeted	Estimate	Estimate
6	General Fund Appropriations	\$8,218.7	\$8,765.3	*	*
7	Adjustments to Appropriations	32.4	*	*	*
8	TABOR Surplus Liability /A	0.0	/B	120.3	620.4
9	Rebates and Expenditures <i>(Table 2)</i>	250.2	257.5	271.5	286.8
10	Transfers to Other Funds <i>(Table 4)</i>	30.9	39.1	44.9	46.4
11	Transfers to the State Education Fund Pursuant to SB 13-234	45.3	25.3	25.3	25.3
12	Transfer for Highway Construction /C	0.5	0.0	102.5	0.0
13	Transfers to the Capital Construction Fund /C	186.2	225.5	72.5	28.3
14	Total Expenditures	\$8,764.2	\$9,312.7	*	*
15	Percent Change	10.8%	6.3%	*	*
16	Accounting Adjustments	53.1	*	*	*
RESERVE		Preliminary	Estimate	Estimate	Estimate
17	Year-End General Fund Reserve	\$650.9	\$760.2	*	*
18	Year-End Reserve As A Percent of Appropriations	7.9%	8.7%	*	*
19	Statutorily Required Reserve	410.9	569.7	*	*
20	Transfers From the Reserve <i>(Table 1)</i>	215.0	NA	NA	NA
21	Amount in Excess or (Deficit) of Statutory Reserve	\$25.0	\$190.5	*	*
22	Excess Reserve as a Percent of Expenditures	0.3%	2.0%	*	*
ALTERNATIVE PERSPECTIVES ON UNBUDGETED YEARS				Estimate	Estimate
Perspective 1: Money Available in FY 2015-16 in Excess of FY 2014-15 Expenditures /D					
23	Amount in Excess of Statutory Reserve			\$1,049.0	*
24	As a Percent of Prior-Year Expenditures			11.3%	*
Perspective 2: Assuming Appropriations Increase by the Historical Average Rate During Economic Expansions of 6.0% /E					
25	Amount in Excess of Statutory Reserve			\$488.6	\$712.9
26	As a Percent of FY 2014-15 Expenditures			5.2%	7.2%
ADDENDUM		Estimate	Estimate	Estimate	Estimate
27	Percent Change in General Fund Appropriations	10.5%	6.2%	*	*
28	5% of Colorado Personal Income Appropriations Limit	\$11,307.2	\$12,017.5	\$12,353.4	\$13,035.8
29	Transfer to State Education Fund Per Amendment 23	\$478.8	\$503.5	\$534.9	\$583.9

Totals may not sum due to rounding.

* Not estimated. NA = Not applicable.

/A TABOR surplus liabilities are shown during the year they are collected. Pursuant to 24-75-201 (2), C.R.S., the TABOR surplus liability is required to be set aside during the year it is collected to be refunded in the following year.

/B An estimated \$58.7 million may need to be set aside in FY 2014-15 to be refunded in FY 2015-16 as a result of the TABOR election reporting requirements of Proposition AA.

/C SB 09-228 transfers to the Highway Users Tax Fund and the Capital Construction Fund are expected to begin in FY 2015-16. However, the TABOR surplus will cut the transfers in half in FY 2015-16 and eliminate them for FY 2016-17. In FY 2015-16, \$102.5 million and \$25.6 million are expected to be transferred to the Highway Users Tax Fund and the Capital Construction Fund, respectively.

/D This holds appropriations in FY 2015-16 equal to appropriations in FY 2014-15 to determine the total amount of money available above FY 2014-15 expenditures.

/E The average growth rate of appropriations over the last 15 years, only during years when the economy expanded: Fiscal Years 2000-01, Fiscal Years 2003-04 through 2007-08, and Fiscal Years 2011-12 through 2014-15.

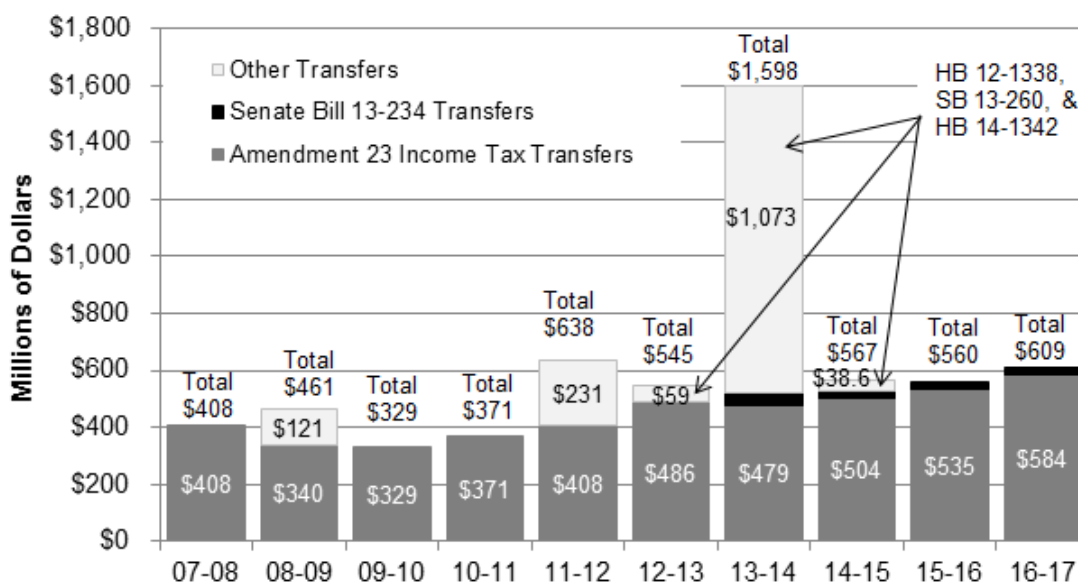
Table 4
Cash Fund Transfers /A
(Dollars in Millions)

Bill #	Cash Fund	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Transfers to the General Fund							
HB 10-1325	Natural Resource Damage Recovery Fund	\$0.09	\$0.08	\$0.16	\$0.16	\$0.16	\$0.16
SB 11-225	Tobacco Litigation Settlement Funds	0.1	0.2	0.2	0.2	0.2	0.2
HB 13-1317 & SB 14-215	Marijuana Cash Fund			2.0			
SB 13-233	Repealed Health-Related Funds			0.01			
HB 14-1228	Defense Driving School Fund Balance				0.2		
SB 14-189	Controlled Maintenance Trust Fund				9.7		
SB 14-215	Marijuana Tax Cash Fund				6.3		
SB 13-133	Limited Gaming Fund	20.4	12.1	11.8	12.0	12.2	12.4
Subtotal: Transfers to the General Fund		162.5	\$12.4	\$14.2	\$28.5	\$12.6	\$12.8
Transfers from the General Fund							
HB 12-1286	Transfer for Film Incentives		\$3.0				
HB 12-1315	Clean Renewable Energy Fund		1.6	1.6	1.6	1.6	1.6
HB 13-1001 & HB 14-1011	Advanced Industries Acceleration Fund			5.0		5.0	5.0
HB 13-1193	Advanced Industries Export Acceleration Fund			0.3	0.3	0.3	0.3
HB 13-1317 SB 14-215	85% of 10% Special Sales Tax Marijuana Cash Fund Marijuana Tax Cash Fund			7.7	16.4	36.8	39.2
SB 13-235	Colorado State Veterans Trust Fund			3.9			
SB 13-269	Wildfire Risk Reduction Fund			9.8			
SB 13-270	Wildfire Emergency Response Fund			0.5			
HB 14-1016 /B	Procurement Technical Assistance Cash Fund					0.2	0.2
HB 14-1276	School Cardiopulmonary Resuscitation and Automated External Defibrillator Training Fund				0.3		
HB 14-1300	State Fair Cash Fund				0.3		
HB 14-1341	Department of State Cash Fund			2.2			
HB 14-1368	Child Welfare Transition Cash Fund				2.8		
SB 14-011	Energy Research Cash Fund				1.0	1.0	
Subtotal: Transfers from the General Fund		5.0	\$4.6	\$30.9	\$39.1	\$44.9	\$46.4
Net Impact on the General Fund		\$157.5	\$7.8	(\$16.7)	(\$10.6)	(\$32.4)	(\$33.5)

/A Excludes transfers from the FY 2013-14 General Fund excess, which are shown in Table 1 and Senate Bill 14-104, which diverted disputed tobacco Master Settlement Agreement payments away from the General Fund to the Tobacco Master Settlement Agreement Cash Fund.

/B This transfer is dependent on the receipt of at least \$200,000 in gifts, grants, and donations by the relevant contractor.

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



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

Perspective 2, shown in lines 25 and 26, assumes a 6.0 percent growth rate for General Fund appropriations. This rate is the historical average rate of growth in General Fund appropriations over the last 15 years using only those years during which the economy expanded: FY 2000-01; FYs 2003-04 through 2007-08; and FYs 2011-12 through 2014-15. General Fund revenue is sufficient to allow appropriations to increase by 6.0 percent through the forecast period, retaining an estimated General Fund surplus in excess of the required reserve of \$712.9 million in FY 2016-17. These figures assume the \$190.5 million FY 2014-15 surplus, and any surplus above the required reserve and 6.0 percent appropriations growth in FY 2015-16, is carried forward into FY 2016-17.

State Education Fund. The state constitution requires the State Education Fund to receive one-third of one percent of taxable income each year. In addition, the General Assembly has authorized the transfer of additional moneys from the General Fund to the State Education Fund. 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 affect the overall flexibility of the General Fund budget. Figure 1 shows a history and forecast for these 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 5.0 percent during or after calendar year 2012. Colorado personal income is expected to increase 5.5 percent in 2014, triggering the first year of these transfers in FY 2015-16. During the first two years of the five-year block, Senate Bill 09-228 transfers 0.5 percent and 2.0 percent of General Fund revenue to the Capital Construction Fund and the Highway Users Tax Fund, respectively. However, if during any particular year the state incurs a large enough TABOR surplus, these transfers will either be cut in half or eliminated for that year.

A TABOR surplus of \$116.7 million, or 1.1 percent of General Fund revenue, is expected in FY 2015-16. In FY 2016-17, a TABOR surplus of \$620.4 million, or 5.6 percent of General Fund revenue, is expected. As a result, an estimated \$25.6 million and \$102.5 million will be transferred to the Capital Construction Fund and the Highway Users Tax Fund, respectively, in FY 2015-16. These represent one half of the originally scheduled transfers. Nothing will be transferred in FY 2016-17 because the TABOR surplus is greater than 3.0 percent. The availability of transfers in FY 2017-18 will depend on the size of the TABOR surplus during that year.

Tax policies dependent on sufficient General Fund revenue. Three tax policies are only available when the Legislative Council Staff forecast indicates that General Fund revenue will be sufficient to allow General Fund appropriations to increase by at least 6 percent. Based on the current forecast, revenue will be sufficient for 6.0 percent appropriations growth through at least the end of the forecast period in FY 2016-17. Table 5 lists and describes the availability of these tax benefits.

Table 5
Tax Policies Dependent on Sufficient General Fund Revenue to Allow General Fund Appropriations to Increase by at Least 6 Percent

Tax Policy	Forecast that Determines Availability	Tax Policy Availability
Instream flow income tax credit	June forecast during the tax year the credit will become available.	Available in tax years 2013 and 2014. Repealed in tax year 2015.
Historic property preservation income tax credit	December forecast immediately before the tax year when the credit becomes available.	Available in tax years 2013 through 2015. Expected to be available in tax years 2016 and 2017. Repealed tax year 2020.
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 2015. Expected to continue to be available through at least June 2017. Repealed July 1, 2018.

TABOR OUTLOOK

This section presents the outlook for the state's TABOR situation through FY 2016-17. Table 6 on page 19 illustrates the current status of the TABOR limit and Referendum C cap through FY 2016-17, while Figure 2 shows a history and forecast of revenue subject to TABOR, the TABOR limit base, and the Referendum C cap.

The **Referendum C cap** will equal \$12.3 billion in FY 2014-15, \$12.9 billion in FY 2015-16, and \$13.4 billion in FY 2016-17. Revenue subject to TABOR is expected to be \$48.2 million below the cap in FY 2014-15; this number is within normal forecast error. Revenue will exceed the Referendum C Cap in FY 2015-16 and FY 2016-17, prompting **TABOR refunds of \$120.3 million in FY 2016-17 and \$620.4 million in FY 2017-18**. State law requires this money to be set aside during the year it is collected. Therefore \$120.3 million and \$620.4 million will need to be set aside within the FY 2015-16 and FY 2016-17 budgets, respectively.

*Fiscal Year
Spending:*

*The legal term used by
TABOR to denote the
amount of revenue
TABOR allows the state
to keep and
either save or spend.*

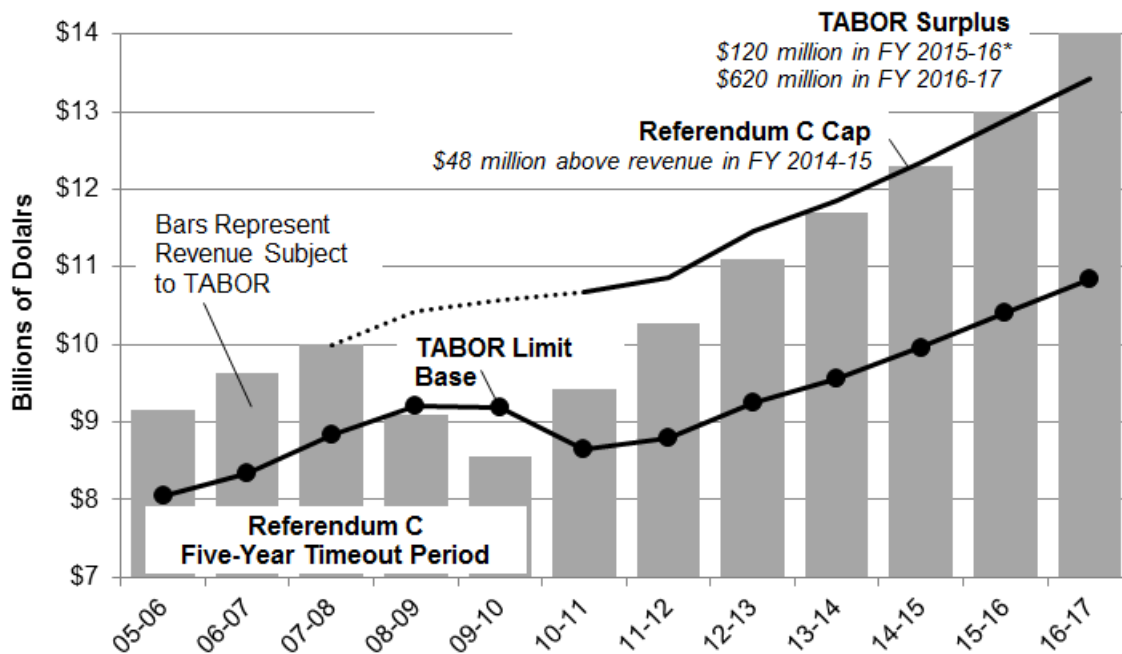
In addition, the General Assembly may need to set aside **\$58.7 million within the FY 2014-15 budget for a TABOR election provision refund in FY 2015-16**. According to a legal analysis by the Office of Legislative Legal Services regarding TABOR election provisions, if the FY 2014-15 revenue from the excise and special sales taxes on adult-use marijuana or fiscal year spending for the year exceed the Proposition AA Blue Book estimates for the same, the combined excess must be refunded to the taxpayers in FY 2015-16. However, the amount of the refund is capped at the total amount of the taxes actually collected for the fiscal year, and no refund is required if the state receives voter approval to keep the revenue.

State fiscal year spending is expected to exceed the Proposition AA Blue Book estimate for FY 2014-15 by \$219.1 million. Meanwhile, revenue from the excise tax and special sales tax on adult-use marijuana is expected to total \$58.7 million in FY 2014-15, an amount lower than the Blue Book estimate of \$67.0 million. Based on these expected amounts, a refund of \$58.7 million may be required during FY 2015-16. Although three mechanisms exist to refund money collected in excess of the Referendum C cap, there is no refund mechanism that applies in the case of an election provision refund. It should also be noted that the forecast for marijuana tax revenue is uncertain.

Taxpayer's Bill of Rights (TABOR) constitutional revenue limit. Article X, Section 20 of the Colorado Constitution (TABOR) limits the amount of state revenue the state may retain and either spend or save. The limit is equal to the previous year's limit or revenue, whichever is lower, adjusted for inflation and population growth, plus any revenue changes approved by voters. Referendum C, approved by voters in 2005, is a voter-approved change that raises the amount of revenue that may be saved or spent.

Referendum C allowed the state to spend all revenue collected above the limit during a five-year timeout period beginning FY 2005-06 through FY 2009-10. Beginning in FY 2010-11, Referendum C allows the state to retain revenue collected above the TABOR limit base up to a capped amount. The cap was set to the highest total for state revenue for a fiscal year during the

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



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

*The FY 2015-16 surplus includes a \$3.6 million adjustment for under-refunds and other adjustments to previous TABOR surpluses that, on net, would have added to the last refund.

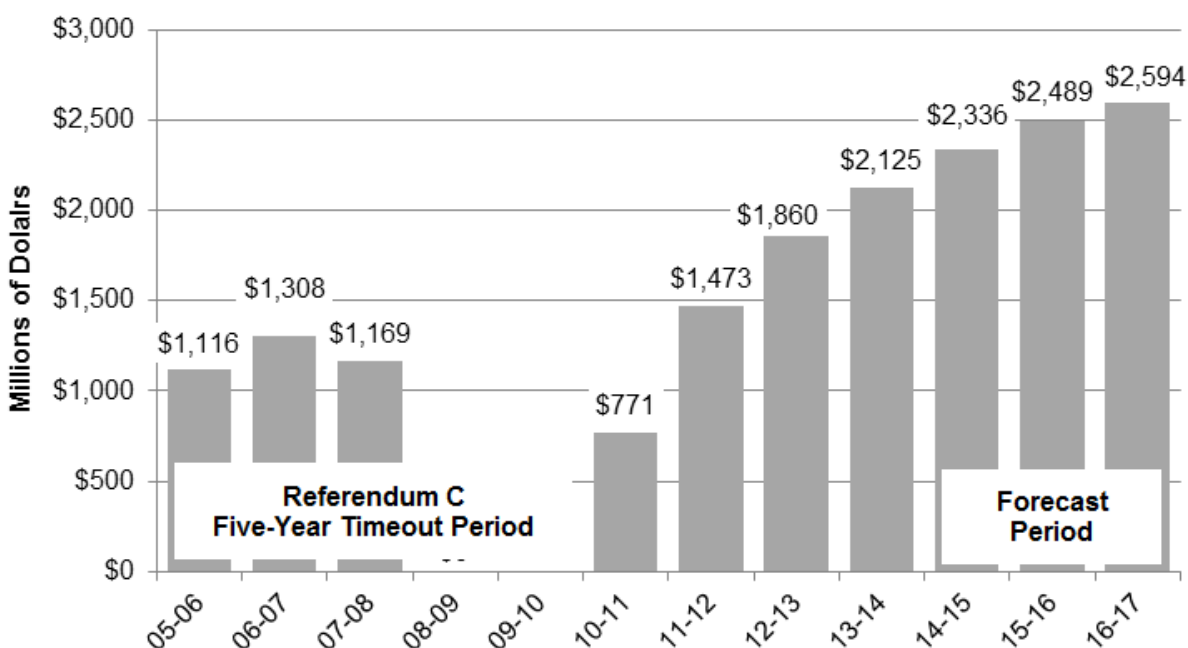
five-year timeout period, grown each year thereafter by inflation plus population growth. Because revenue collections peaked in FY 2007-08, that year became the starting base for the cap. The cap is adjusted annually for inflation, population growth, and changes in enterprise status exactly as the TABOR limit is adjusted. However, it is always grown from the prior year's cap, regardless of the level of revenue collected.

Revenue retained by Referendum C. Figure 3 shows the amount of money retained as a result of Referendum C. The state has retained a total of \$9.8 billion since the passage of Referendum C during FYs 2005-06 through 2013-14. The state is expected to retain \$2.3 billion in FY 2014-15 and \$2.5 billion in FY 2015-16. State law requires this revenue to be spent on public kindergarten through twelfth grade education, higher education, health care, and transportation projects.

TABOR refunds. TABOR requires revenue collected above the Referendum C Cap to be refunded to taxpayers. Revenue is expected to exceed the Referendum C Cap by \$116.7 million in FY 2015-16 and \$620.4 million in FY 2016-17. Although state law requires this money to be set aside in the budget during year it is collected, TABOR requires the money to be refunded in the following fiscal year. In addition, a total of \$3.6 million must be refunded along with the next TABOR surplus. This amount represents under-refunds of pre-Referendum C surpluses and other errors discovered in subsequent years that, on net, would have added to the last refund.

Therefore, an estimated \$120.3 million and \$620.4 million will be refunded in FYs 2016-17 and 2017-18, respectively. Figure 4 shows how state law requires this money to be refunded. Current law contains three refund mechanisms: the six-tier sales tax refund, the earned income tax credit, and a temporary cut in the income tax rate from 4.63 percent to 4.50 percent. The size of the TABOR refund determines which refund mechanisms are available each year.

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



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

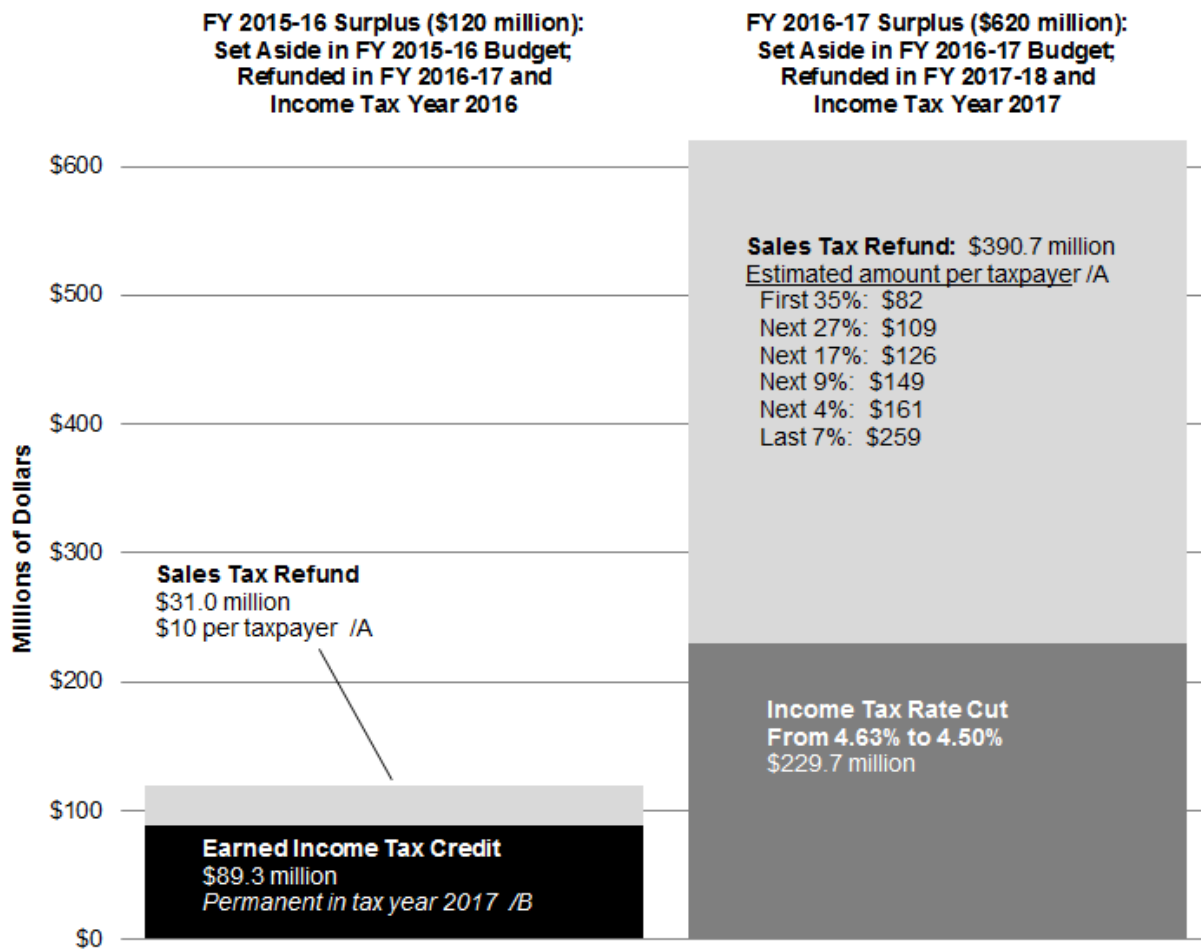
As a result of the FY 2015-16 TABOR surplus, the earned income tax credit and the sales tax refund will be available during income tax year 2016. A total of \$89.3 million is expected to be refunded via the earned income tax credit. In addition, each taxpayer filing an income tax return with the Department of Revenue will receive a \$10 sales tax refund. If the average sales tax refund per taxpayer is \$15 or less, state law requires each taxpayer to receive an equal amount. The refund will be claimed on an individual's income tax return, and will either reduce that individual's tax liability or increase his or her income tax refund by \$10. Taxpayers filing joint returns will receive \$20. Because this mechanism refunds state sales taxes, the refund will not be added to a taxpayer's federal taxable income.

The FY 2016-17 surplus will be refunded in FY 2017-18 on income tax returns filed for tax year 2017. The money will be refunded by reducing the state's income tax rate from 4.63 percent to 4.5 percent, which will refund an estimated \$229.7 million, and through a total sales tax refund of \$390.7 million. State law requires the sales tax refund to be distributed among six income tiers in a way that is proportional to the way the sales tax refund was distributed during tax year 1999. As shown in Figure 4, the first 35 percent of taxpayers, or those with the lowest incomes, will receive a refund of \$82 per taxpayer. The last 7 percent of taxpayers, or those with the highest incomes, will receive refunds of \$259 per taxpayer. Taxpayers filing joint returns will receive twice these amounts.

The earned income tax credit will no longer be a refund mechanism in tax year 2017, since state law converts the credit from a refund mechanism to a permanent tax credit once it has been used as a refund mechanism.

For more information, please see the June 20, 2014, Legislative Council Staff Issue Brief 14-03B, titled "TABOR Refund Mechanisms."

Figure 4
TABOR Refund Estimates /A



Source: Legislative Council Staff.

/A This figure illustrates refunds of revenue in excess of the Referendum C Cap. State law does not specify mechanisms for refunding a TABOR election provision refund, or a refund of money collected in excess of figures published in the Proposition AA Blue Book.

/B Section 39-22-2002 (2)(b), C.R.S. requires every taxpayer to receive an identical refund amount if the average sales tax refund is \$15 or less. If the average exceeds \$15, section 39-22-2003 (4)(a), C.R.S. requires the sales tax refund to be distributed proportionately to the 1999 sales tax refund. The distribution shown represent numbers of taxpayers; with the first tier indicating the lowest income. Taxpayers filing joint returns receive twice the amount shown.

/C Section 39-22-123.5 (3) converts the earned income tax credit from a TABOR refund mechanism into a permanent tax credit the year after it is first used to refund a TABOR surplus.

Table 6
December 2014 TABOR Revenue Limit and Retained Revenue
(Dollars in Millions)

	Preliminary FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17
TABOR Revenue:				
1 General Fund /A	\$8,962.6	\$9,561.2	\$10,196.2	\$11,049.1
2 Cash Funds /A	2,729.3	2,737.9	\$2,811.1	\$3,003.2
3 Total TABOR Revenue	\$11,691.9	\$12,299.1	\$13,007.3	\$14,052.4
Revenue Limit				
4 Allowable TABOR Growth Rate	3.3%	4.3%	4.4%	4.2%
5 Inflation (from prior calendar year)	1.9%	2.8%	2.7%	2.5%
6 Population Growth (from prior calendar year)	1.4%	1.5%	1.7%	1.7%
7 TABOR Limit Base	\$9,566.6	\$9,963.2	\$10,401.6	\$10,838.5
8 Voter Approved Revenue Change (Referendum C)	\$2,125.3	\$2,335.9	\$2,489.0	\$2,593.5
9 Total TABOR Limit / Referendum C Cap	\$11,852.4	\$12,347.3	\$12,890.6	\$13,432.0
10 TABOR Revenue Above (Below) Referendum C Cap	(\$160.5)	(\$48.2)	\$116.7	\$620.4
Retained/Refunded Revenue				
11 Revenue Retained under Referendum C /B	\$2,125.3	\$2,335.9	\$2,489.0	\$2,593.5
12 Total Available Revenue	\$11,691.9	\$12,299.1	\$12,890.6	\$13,432.0
13 Revenue To Be Refunded to Taxpayers /C /E	\$0.0	/D	\$120.3	\$620.4
14 TABOR Reserve Requirement	\$350.8	\$369.0	\$386.7	\$403.0

Totals may not sum due to rounding.

/A These figures differ from the General Fund and cash fund revenues reported in other tables because of accounting adjustments across TABOR boundaries.

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

/C Pursuant to 24-75-201 (2), C.R.S., the revenue above the Referendum C Cap is required to be set aside during the year it is collected to be refunded in the following fiscal year. For example, excess revenue collected in FY 2015-16 will be set aside within the FY 2015-16 budget and refunded in FY 2016-17 on income tax returns for tax year 2016.

/D An estimated \$58.7 million may need to be refunded in FY 2015-16 from FY 2014-15 revenue as a result of the TABOR election reporting requirements of Proposition AA, an amount equal to expectations for new tax revenue. Current expectations for state fiscal year spending exceeds the amount reported in the 2013 Blue Book by an estimated \$219.1 million.

/E Revenue to be refunded (line 13) exceeds revenue above the Referendum C cap (line 10) by \$3.6 million. This amount represents under-refunds of pre-Referendum C surpluses and other errors discovered in subsequent years that would have added to the last refund.

GENERAL FUND REVENUE

This section presents the Legislative Council Staff outlook for General Fund revenue. Table 8 on Page 24 illustrates preliminary General Fund revenue collections for FY 2013-14 and projections for FY 2014-15 through 2016-17.

Table 7 on page 23 lists 2014 legislation affecting General Fund revenue for which the forecast was adjusted. Total legislative changes will reduce General Fund revenue by \$3.8 million, \$11.1 million, and \$13.8 million, respectively, for FY 2013-14, FY 2014-15, and FY 2015-16.

The state's main source for general operating appropriations continued to improve in FY 2013-14, increasing 5.1 percent from the previous year to approximately \$9.0 billion. Improving labor market conditions, higher consumer confidence, and a strong equity market all supported General Fund revenue growth. These economic conditions will continue to support revenue growth through the three-year forecast period.

General Fund revenue will increase 7.1 percent in FY 2014-15, totaling \$9.6 billion. All major General Fund categories are expected to contribute to this growth. Individual income tax collections will grow as an improving labor market puts upward pressure on wages and salaries. Lower gas prices will boost consumer spending and retail sales. Corporate income taxes will continue to grow through the forecast period, although at a slightly slower pace from FY 2013-14 as corporations begin to face pressures from higher employee compensations.

In FY 2015-16, revenue will grow 6.7 percent before increasing another 8.4 percent in FY 2016-17. By FY 2016-17, total General fund revenue will be approximately \$11.1 billion. Overall, General Fund revenue will

increase by about \$2.1 billion over the three-year forecast period.

Compared with the September forecast, expectations for General Fund revenue were increased by \$77.3 million and \$89.7 million, respectively, for FYs 2014-15 and 2015-16. A stronger economy and higher collections than previously anticipated caused the upward revision. The following sections discuss the forecast for the main components of General Fund revenue.

Individual income taxes. Individual income taxes continued to improve in FY 2013-14 despite a federal tax change that caused many taxpayers to shift income from tax year 2013 into 2012, which resulted in relatively high collections during FY 2012-13. An improving economy and record high returns from U.S. equity markets supported higher income tax collections. Revenue from individual income taxes will continue to grow through the forecast period as an improving labor market increases employment and puts upward pressure on wages and salaries.

In FY 2014-15, total individual income taxes will be just over \$6 billion, a 6.5 percent increase over the prior fiscal year. In FY 2015-16, revenue is expected to grow by another 6.5 percent to \$6.5 billion. However, the expected TABOR surplus will reduce individual income tax revenue beginning in FY 2015-16. The availability of both the earned income tax credit (EITC) and conservation easement tax credits, which become a refundable income tax credit in years with a TABOR surplus, will reduce individual income collections by \$6.9 million in FY 2015-16 and \$59.8 in FY 2016-17.

Compared with the September forecast, individual income tax revenue is relatively unchanged for FY 2014-15 and

FY 2015-16. Individual income tax collections increased by \$50.0 million and \$22.8 million, respectively, for FYs 2014-15 and 2015-16. Expectations for future income tax collections were revised upward by \$221.7 for FY 2016-17. The upward revision was largely due to better expectations for the economy.

Sales taxes. After growing 9.6 percent in FY 2013-14, sales tax revenue is expected to increase 8.8 percent in FY 2014-15. The sales tax forecast was increased by \$54.1 million from the September forecast based on higher than expected collections in the first four months of the fiscal year and the fall in gas prices. Gas is not subject to the state sales tax, so a decrease in prices gives consumers more disposable income to spend on taxable goods and services.

Sales taxes are expected to grow 7.1 percent in FY 2015-16 and 6.2 percent in FY 2016-17. If the forecast is correct, FY 2013-14 through FY 2016-17 would be the best four-year period for sales tax growth since FY 1996-97 to FY 1999-00. Compared with the September forecast, expectations for sales tax revenue were increased by \$51.3 million in FY 2015-16 and \$22.2 million in FY 2016-17.

Use taxes. Use tax collections are expected to increase 10.7 percent in FY 2014-15 to \$267.4 million before growing another 11.6 percent in FY 2015-16 and 10.2 percent in FY 2016-17. Expectations for FY 2014-15 were raised by \$4.7 million dollars from the September forecast based on monthly collections so far this fiscal year. In FY 2015-16 and FY 2016-17, the forecast for use taxes was raised \$11.2 million and by \$14.7 million, respectively.

Corporate income taxes. Corporate profits are expected to continue to grow in the next several years, although at a slightly slower pace than previously anticipated. With labor market conditions improving, corporations are beginning to face pressures to raise wages and salaries. Revenue growth will also be dampened by pent-up demand for a corporate income tax incentive that was capped during tax years 2011, 2012, and

2013. House Bill 10-1199 capped the amount of net operating losses a company could carry forward to \$250,000. Corporations were allowed to carry forward whatever portion of this incentive they were unable to claim and begin claiming them in tax year 2014, subject to available tax liability.

In FY 2013-14, corporate income taxes increased 13.3 percent, totaling \$720.7 million over FY 2012-13. Over the next two years, corporate income taxes are expected to increase 5.8 percent and 5.5 percent, respectively. Despite year-over-year growth, this forecast represents a modest downward revision in FY 2014-15 compared with September 2014. The corporate income tax forecast was reduced by about \$20 million in FY 2014-15, to account for lower year-to-date collections, potentially reflecting the extension of federal tax breaks. The outlook for FY 2015-16 and FY 2016-17 was slightly higher compared with the September 2014 forecast. Some federal tax breaks expired at the end of tax year 2013, which were expected to increase corporate income taxes at the state level. In particular, bonus depreciation and increased expensing limits both expired at the end of tax year 2013. However, these federal tax breaks were recently approved by Congress for just the 2014 tax year under H.R. 5771, subject to approval by President Obama. The corporate income tax forecast reflects this federal tax law change.

Table 7
Major 2014 Legislation Affecting General Fund Revenue
Millions of Dollars

		FY 2013-14	FY 2014-15	FY 2015-16
Sales Tax				
HB14-1326	Tax Incentives for Alternative Fuel Trucks	-	6.6	6.8
HB14-1178	Sales & Use Tax Exemption for Space Flight Property	-	(0.07)	(0.08)
HB14-1327	Broadband Deployment	-	(1.0)	(1.0)
HB14-1159	Biogas System Components Sales & Use Tax Exemption /A	-	-	-
HB14-1269	Marketplace Fairness & Small Business Protection /B	-	-	-
HB14-1350	Modifications to Regional Tourism Act /B	-	-	-
HB14-1374	On-Demand Air Carrier Sales and Use Tax Exemption /C	-	-	-
<i>Total: Sales Tax</i>		-	5.5	5.7
Income Tax				
HB14-1072	Income Tax Credit for Child Care Expenses	(2.1)	(5.3)	(11.5)
SB14-073	Brownfield Contaminated Land Income Tax Credit	(1.5)	(3.0)	(3.0)
HB14-1012	Advanced Industry Investment Income Tax Credit	(0.2)	(0.6)	(0.8)
HB14-1014	Modify Job Growth Incentive Tax Credit	(0.001)	(0.022)	(0.121)
HB14-1017	Expand Availability of Affordable Housing	-	-	(1.5)
HB 14-1101	Community Solar Garden Business Personal Property Tax Exemption	-	-	0.0
HB14-1119	Tax Credit for Donating Food to Charitable Organization	-	(0.1)	(0.2)
HB14-1003	Nonresident Disaster Relief Worker Tax Exemption /C	-	-	-
HB14-1279	Income Tax Credit for Business Personal Property	-	(2.6)	(5.3)
HB14-1311	Job Creation and Main Street Revitalization Act	-	-	(2.5)
HB14-1326	Tax Incentives for Alternative Fuel Trucks	-	(5.1)	(5.6)
HB14-1163	Clarify Enterprise Zone Investment Tax Credit Cap /D	-	6.4	14.5
<i>Total: Income Tax</i>		(3.8)	(16.6)	(19.4)
Total Sales, Use, and Income Tax		(3.8)	(11.1)	(13.8)

/A Reduction between \$0 and \$300,000 per year beginning in FY 2014-15.

/B Indeterminate revenue increase beginning in FY 2014-15.

/C Potential revenue decrease beginning in FY 2014-15.

/D The June 2014 forecast was not adjusted for HB14-1163 because its impact is already accounted for by adjustments made for House Bill 13-1142.

Table 8
December 2014 General Fund Revenue Estimates
(Dollars in Millions)

Category	Preliminary FY 2013-14	Percent Change	Estimate FY 2014-15	Percent Change	Estimate FY 2015-16	Percent Change	Estimate FY 2016-17	Percent Change
1 Sales	\$2,424.6	9.6	\$2,637.0	8.8	\$2,825.2	7.1	\$3,000.9	6.2
2 Use	241.5	-0.5	267.4	10.7	298.4	11.6	328.9	10.2
3 Cigarette	36.6	-4.5	37.2	1.8	36.5	-1.9	35.4	-3.0
4 Tobacco Products	16.9	8.4	18.0	6.4	18.5	2.9	14.0	-24.2
5 Liquor	40.3	2.9	46.3	14.9	43.4	-6.3	44.7	3.0
6 TOTAL EXCISE	\$2,759.9	8.3	\$3,005.9	8.9	\$3,222.1	7.2	\$3,423.9	6.3
7 Net Individual Income	\$5,696.1	1.8	\$6,064.7	6.5	\$6,459.1	6.5	\$7,113.6	10.1
8 Net Corporate Income	720.7	13.3	762.2	5.8	804.4	5.5	829.7	3.1
9 TOTAL INCOME TAXES	\$6,416.8	3.0	\$6,827.0	6.4	\$7,263.6	6.4	\$7,943.4	9.4
10 Less: Portion diverted to the SEF	-478.8	-1.6	-503.5	5.2	-534.9	6.2	-583.9	9.1
11 INCOME TAXES TO GENERAL FUND	\$5,938.0	3.3	\$6,323.5	6.5	\$6,728.6	6.4	\$7,359.5	9.4
12 Estate	0.4	NA	0.0	NA	0.0	NA	0.0	NA
13 Insurance	239.1	13.6	247.7	3.6	260.5	5.2	273.9	5.2
14 Pari-Mutuel	0.6	-8.8	0.6	-9.6	0.5	-5.1	0.5	-5.1
15 Investment Income	12.9	-26.1	9.8	-24.0	15.2	55.6	24.2	58.7
16 Court Receipts	2.6	9.5	3.4	33.3	3.7	7.5	3.9	6.9
17 Other Income	21.3	17.9	17.7	-17.2	17.6	-0.5	18.0	2.6
18 TOTAL OTHER	\$276.9	11.2	\$279.2	0.8	\$297.5	6.6	\$320.6	7.7
19 GROSS GENERAL FUND	\$8,974.8	5.1	\$9,608.5	7.1	\$10,248.3	6.7	\$11,104.0	8.4

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

CASH FUND REVENUE

Table 9 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, as well as the recently approved marijuana sales and excise tax 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 \$2.68 billion in FY 2013-14 to \$2.74 billion in FY 2014-15. Increases will occur in all primary cash fund categories with the exception of hospital provider fee revenue. Revenue collected via the state's 2.9 percent sales tax on medical and retail marijuana is projected to add another \$14.5 million to cash fund revenue subject to TABOR in FY 2014-15.

Total cash fund revenue subject to TABOR will increase 2.7 percent to \$2.81 billion in FY 2015-16 as hospital provider fee revenue rebounds, offsetting a decline in severance tax revenue resulting from the fall in oil prices. Cash fund revenue is projected to grow another 6.8 percent to \$3.00 billion in FY 2016-17, as severance tax revenue recovers with increased oil and gas activity.

Transportation-related revenue subject to TABOR is forecast at \$1,148.7 million for FY 2014-15, up \$13.0 million or 1.1 percent from FY 2013-14. Growth is expected to be slower than last year, when revenue increased 3.4 percent, primarily because of reduced local government payments into the State Highway Fund. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 10 on page 27.

Most transportation revenue subject to TABOR is collected in the *Highway Users Tax Fund* (HUTF). HUTF revenue is forecast at \$1,001.1 million for FY 2014-15, an increase of 3.3 percent from the previous fiscal year. Most of the anticipated growth is attributable to excise taxes on gasoline and diesel fuel. Motor fuel and special fuel tax revenues are expected to increase 3.7 percent in FY 2014-15. Because fuel taxes are assessed on a per-gallon rather than per-dollar basis, higher collections are indicative of increased fuel purchases, likely because of a strengthening economy and falling gas prices. Fuel tax revenue is expected to grow more modestly in FY 2015-16 and FY 2016-17.

Registration fees, including motor vehicle registration fees, the road safety surcharge, and late registration fees, are expected to total \$346.9 million in FY 2014-15, a 3.2 percent increase from the previous fiscal year. Growth in registration revenue is consistent across all three components of the registration fee forecast.

A relatively small portion of the *State Highway Fund* (SHF) balance comes from revenue subject to TABOR. The largest sources of TABOR revenue to the SHF are local government grants and interest earnings on the fund balance, both of which are difficult to forecast. SHF revenue subject to TABOR is expected to decrease by \$19.2 million, or 35.3 percent, in FY 2014-15. If realized, this decrease will negate the 32.1 percent increase in SHF TABOR revenue during FY 2013-14, when local governments paid more money into the SHF in order to repair roads damaged by the fall 2013 floods.

Other transportation cash fund revenue subject to TABOR is expected to remain essentially unchanged, growing \$0.4 million to \$112.4 million in FY 2014-15. Growth in this

Table 9
December 2014 Cash Fund Revenue Subject to TABOR Estimates
(Dollars in Millions)

	Preliminary FY 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17	FY 13-14 to FY 16-17 CAAGR *
Transportation-Related					
% Change	\$1,135.7 3.4%	\$1,148.7 1.1%	\$1,168.0 1.7%	\$1,187.1 1.6%	1.5%
Hospital Provider Fee					
% Change	\$566.7 -13.2%	\$532.9 -6.0%	\$665.0 24.8%	\$718.2 8.0%	8.2%
Severance Tax					
% Change	\$268.7 93.9%	\$311.5 15.9%	\$200.2 -35.7%	\$284.6 42.1%	1.9%
Gaming Revenue /A					
% Change	\$98.3 0.2%	\$100.1 1.9%	\$101.0 0.8%	\$101.7 0.7%	1.1%
Insurance-Related					
% Change	\$20.7 -21.7%	\$21.1 1.9%	\$21.7 3.2%	\$22.3 2.4%	2.5%
Regulatory Agencies					
% Change	\$68.5 5.3%	\$72.9 6.5%	\$73.7 1.1%	\$75.5 2.4%	3.3%
Capital Construction Related - Interest /B					
% Change	\$2.4 139.3%	\$2.7 10.9%	\$2.3 -14.9%	\$2.6 16.2%	3.1%
2.9% Sales Tax on Marijuana /C					
% Change	\$14.5	\$22.8 57.0%	\$24.2 6.3%	\$25.3 4.3%	20.3%
Other Cash Funds					
% Change	\$523.0 12.4%	\$547.9 4.8%	\$579.1 5.7%	\$611.2 5.5%	5.3%
Total Cash Fund Revenue Subject to the TABOR Limit	\$2,684.0 5.4%	\$2,737.9 2.0%	\$2,811.1 2.7%	\$3,003.2 6.8%	3.8%

Totals may not sum due to rounding.

*CAAGR: Compound Average Annual Growth Rate.

/A Gaming revenue in this table does not include revenue from Amendment 50, which expanded gaming limits, because it is not subject to TABOR.
/B Includes interest earnings to the Capital Construction Fund, the Controlled Maintenance Trust Fund, and transfers from certain enterprises into TABOR.

/C Includes revenue from the 2.9 percent sales tax subject to TABOR on medical and retail marijuana.

Table 10
Transportation Funds Revenue Forecast by Source, December 2014
(Dollars in Millions)

	Preliminary FY 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17	FY 13-14 to FY 16-17 CAAGR *
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	\$573.5	\$594.8	\$600.1	\$604.3	1.8%
% Change	3.8%	3.7%	0.9%	0.7%	
Total Registrations	\$336.0	\$346.9	\$354.4	\$362.3	2.5%
% Change	2.7%	3.2%	2.2%	2.2%	
Registrations	\$197.6	\$204.2	\$208.4	\$213.0	
Road Safety Surcharge	\$120.6	\$124.6	\$127.2	\$130.0	
Late Registration Fees	\$17.7	\$18.1	\$18.8	\$19.3	
Other HUTF Receipts /A	\$59.8	\$59.5	\$61.5	\$63.7	2.2%
% Change	5.7%	-0.5%	3.4%	3.7%	
Total HUTF	\$969.3	\$1,001.1	\$1,016.0	\$1,030.4	2.1%
% Change	3.5%	3.3%	1.5%	1.4%	
State Highway Fund /B	\$54.5	\$35.3	\$34.0	\$33.1	-15.3%
% Change	32.1%	-35.3%	-3.7%	-2.5%	
Other Transportation Funds	\$111.9	\$112.4	\$118.0	\$123.6	3.4%
% Change	-7.6%	0.4%	5.0%	4.8%	
Aviation Fund /C	\$36.9	\$38.5	\$41.1	\$43.3	
Law-Enforcement-Related /D	\$11.0	\$10.6	\$10.6	\$10.6	
Registration-Related /E	\$64.0	\$63.3	\$66.3	\$69.8	
Total Transportation Funds	\$1,135.7	\$1,148.7	\$1,168.0	\$1,187.1	1.5%
% Change	3.4%	1.1%	1.7%	1.6%	

Totals may not sum due to rounding.

*CAAGR: Compound Average Annual Growth Rate.

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

/B Includes 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 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17
Bridge Safety Surcharge	\$101.1	\$98.7	\$100.7	\$102.9
% Change	3.9%	-2.4%	2.1%	2.2%

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

revenue will accelerate in FY 2015-16 with increased revenue to the Aviation Fund and to registration-related cash funds.

Revenue to the *Statewide Bridge Enterprise* is not subject to TABOR and is shown as an addendum to Table 10. Revenue to this enterprise is expected to total \$98.7 million in FY 2014-15, a decrease of 2.4 percent. Bridge safety surcharge fee collections are increasing, but total enterprise revenue is falling with reduced interest earnings attributed to a smaller fund balance.

The downward trend in *Hospital Provider Fee (HPF)* collections is projected to continue in FY 2014-15 with revenue falling to \$532.9 million. HPF payments are declining as a result of **Senate Bill 13-200**, which allows the state to collect additional federal Medicaid funds following the implementation of the Patient Protection and Affordable Care Act (ACA). However, increased Medicaid caseload also attributable to the ACA will trigger a one-time jump in HPF payments in FY 2015-16, when revenue is projected to jump 24.8 percent to \$665.0 million. Fee collections in FY 2016-17 and beyond are expected to grow 8.0 percent from this new base. This forecast is unchanged from September.

Total **severance tax** revenue, including interest earnings, is projected to be \$311.5 million in FY 2014-15 on an accrual accounting basis, a slight upward revision from the September forecast. Projected oil and gas collections increased slightly relative to the September forecast due to higher than anticipated collections to date. Projected coal receipts for FY 14-15 decreased slightly, while projected molybdenum and metallic mineral receipts were also slightly lower. In FY 2015-16, total severance tax collections are projected to decline 35.7 percent to \$200.2 million, representing a significant downward revision from the September forecast. The revision was largely due to the sharp drop in oil prices this fall. In FY 2016-17, collections are projected to rise to \$284.6 million. The increase is the result of a projected increase in the price of both oil and natural gas and the resulting increase in oil

production. Table 11 on page 29 presents the forecast for severance tax revenue by mineral source.

Although the price of natural gas has been the largest determinant of state severance tax collections over the last decade, the industry has changed. Oil production has increased rapidly over this period, while growth in natural gas production slowed, and actually declined for the first time in 2013. Colorado oil and natural gas production were roughly equivalent in terms of overall production value in 2013, and would have been in 2014, were it not for the sharp decline in oil prices this fall.

Colorado oil prices have fallen sharply this fall, from \$89 per barrel in August to \$48 per barrel in mid-December. Oil prices are not expected to remain this low indefinitely, and should begin to rise gradually in early 2015 as a result of the expanding economy. Even so, the decline will reduce expected severance tax collections in FY 2015-16, and is expected to impact future drilling activity. Colorado oil drilling activity, especially in Weld County, has been exceptionally strong over the last few years. Weld county is now responsible for over 80 percent of the state's oil production, and monthly production averaged 4.7 million barrels through the first eight months of 2014. The impact of the price drop on future drilling activity will depend on the length of time that prices remain at or below current levels. This forecast assumes that oil prices will begin to tick upwards early next year, and that oil production in Weld County and the broader Niobrara formation will remain strong, although at somewhat reduced levels, throughout the forecast period.

In contrast to oil prices, regional natural gas prices remained relatively stable through the fall. While prices saw a slight uptick in November, they have since fallen back and prices at regional hubs were around \$4.00 per Mcf (thousand cubic feet) in the first week of December. Relative price stability is projected to continue at this level into early 2015. For FY 2014-15, oil and gas severance tax collections are expected to total \$292.4 million.

Table 11
Legislative Council Staff
Severance Tax Revenue Forecast by Source, December 2014
(Thousands of Dollars)

	Actual FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	FY 2013-14 to FY 2016-17 CAAGR*
Oil and Gas	\$241,353	\$292,381	\$180,753	\$265,637	3.2%
% Change	104.1%	21.1%	-38.2%	47.0%	
Coal	\$8,052	\$7,505	\$7,429	\$7,317	-3.2%
% Change	-9.4%	-6.8%	-1.0%	-1.5%	
Molybdenum and Metallics	\$1,835	\$1,849	\$1,862	\$1,876	0.7%
% Change	-27.1%	0.7%	0.7%	0.7%	
Total Severance Tax Revenue	\$251,241	\$301,735	\$190,044	\$274,830	3.0%
% Change	93.7%	20.1%	-37.0%	44.6%	
Interest Earnings	\$9,399	\$9,788	\$10,189	\$9,750	1.2%
% Change	5.5%	4.1%	4.1%	-4.3%	
Total Severance Tax Fund Revenue	\$260,640	\$311,523	\$200,233	\$284,581	2.9%
% Change	88.1%	19.5%	-35.7%	42.1%	

*CAAGR: Compound Average Annual Growth Rate.

Collections are expected to fall to \$180.8 million in FY 2015-16 due to the decline in oil prices and an increase in the ad valorem tax credits taken by operators. Collections will then increase to \$265.6 in FY 2016-17.

Coal production represents the second largest source of severance taxes in Colorado after oil and natural gas, and is expected to account for \$7.5 million in collections in FY 2014-15. Relative to the September forecast, December's projected coal severance taxes for FY 2014-15 are down 3.7 percent. This was largely due to the expectation that the Bowie #2 Mine near Paonia will reduce its production and labor force. Thus far this year, Colorado coal production has declined 5.8 percent in the first ten months of 2014 compared with the same period in 2013. Of Colorado's top eight producing mines, three increased production in the first ten months of 2014 compared with the

same period in 2013, while four had production declines of between 3 and 21 percent. The Elk Creek Mine in Gunnison County remains closed until further notice. The market is soft as electric utilities continue to transition from coal to natural gas. In FY 2015-16 and FY 2016-17, collections are expected to drop to \$7.4 million and \$7.3 million, respectively.

Severance tax from metallic minerals, including gold, represents a tiny fraction of total collections. This component is expected to total \$1.9 million in FY 2014-15 through FY 2016-17, the entirety of the forecast period.

Finally, projected interest earnings for FY 2014-15 have been revised downward to \$9.8 million from the September forecast. Over the remainder of the forecast period, interest earnings are expected to rise to \$10.2 million in FY 2015-16, and fall back to \$9.8 million in FY 2016-17.

Limited gaming revenue includes taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. Total gaming tax and fee revenue is projected to reach \$110.0 million in FY 2014-15, representing an increase of 1.9 percent from FY 2013-14. Gaming revenues will grow slightly slower than population in FY 2015-16 and FY 2016-17. Table 12 summarizes the forecast for gaming revenue and its distribution, both subject to and exempt from TABOR.

The bottom half of Table 12 shows the distribution of tax revenue collected from both limited gaming subject to TABOR and extended limited gaming authorized by **Amendment 50**. Revenue from extended limited gaming is distributed to community colleges and local governments in the five gaming communities: Gilpin and Teller counties, Black Hawk, Central City, and Cripple Creek. Amendment 50 distributions are expected to reach \$9.7 million in FY 2014-15. Community colleges received \$6.5 million in gaming tax revenue in FY 2013-14 and are expected to receive a similar amount annually through the remainder of the forecast period.

Under legislation passed to implement Amendment 50, an amount of gaming tax revenue adjusted from taxes collected in FY 2008-09 is considered “*Pre-Amendment 50*” revenue and is subject to TABOR. Pre-Amendment 50 revenue for distribution is expected to reach \$97.0 million in FY 2014-15. After administrative expenses are paid, half of the remaining revenue is distributed to the State Historical Fund and local governments in the five gaming communities. The other half is set aside for appropriation at the discretion of the General Assembly. Under **Senate Bill 13-133**, \$30.1 million is set aside annually to fund various economic development programs, including the Travel and Tourism Promotion Fund, the Advanced Industries Acceleration Fund, and the Creative Industries Cash Fund. Additionally, \$5.0 million of the \$30.1 million is appropriated to the Local Government Limited Gaming Impact Fund, which provides financial assistance to local governments to offset documented gaming

impacts and is used to combat gambling addiction. 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 4.8 percent to \$547.9 million in FY 2014-15. This category includes revenue to a large number of sources credited to various other cash funds, such as revenue from court fines and fees and fees paid for services provided by the Secretary of State’s Office. For FY 2015-16 and FY 2016-17, this total is expected to increase 5.7 percent to \$579.1 million and 5.5 percent to \$611.2 million, respectively.

Table 13 presents tax revenue forecasts for **medical and adult-use marijuana sales**. Tax revenue from marijuana sales is projected to total \$81.5 million in FY 2014-15, \$88.8 million in FY 2015-16 and \$94.1 million in FY 2016-17. Projections for marijuana tax revenue were increased relative to the September forecast as actual tax collections to date have exceeded expectations. Expectations for tax revenue from medical marijuana sales have not been revised significantly from the September forecast.

Similar to previous marijuana revenue forecasts, the forecast is based on only a few months of data for a maturing market. Specifically, year-to-date collections do not include any sales of retail marijuana stores in Aurora and only a single month of data with independent marijuana cultivators and retailers and a non-vertically integrated market.

Table 14 presents the December 2014 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 TABOR, the forecast is presented separately from other sources of state revenue.

Table 12
December 2014 Gaming Revenue and Distributions
(Dollars in Millions)

	Preliminary FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17
Gaming Revenue				
Gaming Taxes				
Pre-Amendment 50 <i>(Subject to TABOR)</i>	95.2	96.9	97.7	98.5
Amendment 50 Revenue <i>(TABOR Exempt)</i>	9.7	9.8	9.9	10.0
Total Gaming Taxes	\$104.9	\$106.7	\$107.6	\$108.5
Fees and Interest Earnings <i>(Subject to TABOR)</i>				
To Limited Gaming Fund	1.0	1.2	1.3	1.3
To State Historical Fund	2.1	2.1	2.0	1.9
Total Gaming Revenue	\$108.0	\$110.0	\$110.9	\$111.7
% change	0.2%	1.9%	0.8%	0.8%
Total Gaming Revenue Subject to TABOR	\$98.3	\$100.1	\$101.0	\$101.7
Distributions of Gaming Tax Revenue /A				
Amendment 50 Distributions				
Community Colleges	6.5	6.5	6.6	6.7
Gaming Counties and Cities	1.8	1.8	1.9	1.9
Amendment 50 Administrative Expenses	1.3	1.3	1.3	1.4
Total Amendment 50 Distributions	\$9.6	\$9.7	\$9.8	\$9.9
Pre-Amendment 50 Distributions				
State Historical Fund	23.2	23.6	23.7	23.8
Gaming Counties	9.9	10.1	10.1	10.2
Gaming Cities	8.3	8.4	8.5	8.5
General Fund	11.2	12.0	12.2	12.4
Economic Development Programs	30.1	30.1	30.1	30.1
Pre-Amendment 50 Administrative Expenses	12.6	12.9	13.2	13.6
Total Amendment 50 Distributions	\$95.3	\$97.0	\$97.8	\$98.6
Total Gaming Distributions	\$104.9	\$106.7	\$107.6	\$108.5

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

Table 13
Tax Revenue from the Marijuana Industry
(Millions of Dollars)

	Preliminary FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17
Total Taxes on Marijuana	\$30.0	\$81.5	\$88.7	\$94.1
15% Excise Tax	\$4.0	\$19.3	\$21.2	\$22.6
State Share of 10% Special Sales Tax	\$9.8	\$33.5	\$36.8	\$39.2
Local Share of 10% Special Sales Tax	\$1.7	\$5.9	\$6.5	\$6.9
Total 10% Sales Tax	\$11.5	\$39.4	\$43.3	\$46.2
Proposition AA Taxes	\$15.5	\$58.7	\$64.5	\$68.8
2.9% Sales Tax on Medical Marijuana	\$11.1	\$11.4	\$11.7	\$12.0
2.9% Sales Tax on Adult-Use Marijuana	\$3.4	\$11.4	\$12.5	\$13.3
Taxes Subject to TABOR	\$14.5	\$22.8	\$24.2	\$15.3

Table 14
Federal Mining Leasing Revenue Distributions
(Dollars in Millions)

Fiscal Year	December 2014 Forecast	Percent Change	September 2014 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	\$173.6	43.7%	\$173.6	0.0%
FY 2014-15	\$180.1	3.7%	\$177.2	1.6%
FY 2015-16	\$182.6	5.2%	\$183.6	-0.6%
FY 2016-17	\$189.1	5.0%	\$190.4	-0.7%

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

For FY 2014-15, FML revenue is anticipated to total \$180.1 million, representing a 1.6 percent increase from the September forecast. The increase is primarily the result of larger than expected collections to date. Natural gas prices have remained relatively stable throughout the fall, and prices are expected to remain at about \$4.00 per MCF into early 2015. Offsetting this, Colorado coal production continues to decline, and roughly 75 percent of this production occurs on federal lands. Production is down 5.8 percent in the first ten months of 2014 compared with the same period in 2013, and is expected to continue to decline through the forecast period. The layoffs and reduction in production at the Bowie #2 Mine will likely accelerate this trend. FML revenue is expected to increase to \$182.6 million in FY 2015-16 and \$189.1 million in FY 2016-17, both slight downward revisions from the September forecast.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and year-end balance are shown in Table 15. Revenue to the UI Trust Fund is not subject to TABOR and is therefore presented separately from other sources of revenue. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is subject to TABOR and is included in the revenue estimates for other cash funds in Table 9 on page 26.

In FY 2013-14, the ending balance for the UI Trust Fund was \$599.1 million, up 9.6 percent from the previous year. The improvement occurred despite a decline in contributions to the fund from employers. The amount an employer pays to the fund is dependent on the solvency of the fund. As the solvency of the fund improves, employers shift to lower premium rate schedules. The fund's ending balance in FY 2012-13 was sufficient to shift the employer's schedule to a lower premium rate beginning on January 1, 2014. The fund gained because of an increase in the chargeable wage base and a decline in benefits paid. State law requires the chargeable wage base to increase annually by the percentage change in average weekly earnings. In 2014, the chargeable wage base for each employee increased by \$400 to \$11,700.

An improving economy will continue to support the UI Trust Fund through the forecast period. The UI Trust Fund ending balance will total \$706.4 million in FY 2014-15. Because of the higher year-end balances, the amount of revenue received from employers will continue to decline through the forecast period. On average, revenue to the fund is expected to decline by 3.3 percent each year from FY 2013-14 to FY 2016-17. Over the same period, the amount of benefits paid from the fund will decrease by an annual average rate of 10.3 percent.

Principal Repayment of UI Bonds. In order to restore the UI Trust 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 Trust Fund had paid all remaining federal debt. The terms of finance are five years at 1.4 percent total annual interest. Through 2017, there are two interest payment assessments per year. Over this same period, there are five, annual, principal repayments of approximately \$125 million due each May 15. The principal is repaid through a bond principal surcharge assessed against employers and incorporated into their base UI premium.

Table 15
Legislative Council Staff
Unemployment Insurance Trust Fund Forecast, December 2014
Revenue, Benefits Paid, and Fund Balance
(Dollars in Millions)

	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17	FY 13-14 to FY 16-17 CAAGR*
Beginning Balance	\$546.8	\$599.1	\$706.4	\$952.2	
Plus Income Received					
UI Premium & Premium Surcharge /A	\$705.9	\$676.3	\$648.2	\$637.5	-3.3%
Interest	\$13.7	\$17.7	\$18.1	\$18.4	
Total Revenues	\$719.6	\$694.0	\$665.9	\$655.3	-3.1%
% Change	-3.9%	-3.6%	-4.0%	-1.0%	
Less Benefits Paid	(\$534.8)	(\$461.7)	(\$420.1)	(\$386.5)	-10.3%
% Change	-6.3%	-13.7%	-4.5%	-8.0%	
UI Bonds Principal Repayment	(\$125.0)	(\$125.0)	(\$125.0)	(\$125.0)	
Accounting Adjustment	(\$7.6)	\$0.0	\$0.0	\$0.0	
Ending Balance	\$599.1	\$706.4	\$952.2	\$1,220.9	26.8%
Solvency Ratio /B					
Fund Balance as a Percent of Total Annual Private Wages	0.63%	0.69%	0.87%	0.87%	

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

/A This includes the regular UI premium, 30 percent of the premium surcharge, penalty receipts, and the accrual adjustment on premiums.

/B When the solvency ratio exceeds 0.5 percent of total annual private wages, the solvency surcharge is triggered off.

Note: The Unemployment Insurance Trust Fund is not subject to TABOR starting in FY 2009-10.

ECONOMIC OUTLOOK

More than five years after the end of the Great Recession, the economy is expected to grow at rates above its historical trend through the remainder of the forecast period. While the economy has not fully healed, significant progress is underway. Fiscal drag from the public sector is abating. Businesses are finally translating strong profits into stronger job creation. Labor market slack is being absorbed while wage growth has begun to gain speed.

The nation's banking sector is healthy, and credit markets are normalizing. Housing prices continue to improve along with construction activity in both residential and nonresidential sectors.

The recent drop in gasoline prices is expected to accelerate already healthy gains in consumer spending. Consumer spending has also been encouraged by employment gains, income growth, higher wealth, lower debt obligations, and thawing credit conditions relative to a year ago.

The extent to which the expansion has taken hold, however, differs between the Colorado and national economies. Colorado is further along in the economic recovery than the nation. While employment gains have only recently begun to accelerate nationwide, they have been strong in Colorado since early 2013. Retail trade, a measure of consumer spending, accelerated in Colorado from a pace of 4.4 percent in 2013 to 7.5 percent through May 2014, while retail trade nationwide has strolled along at around the same 4 percent annual pace for more than two years through November 2014. The housing market along the Front Range remains one of the healthiest in the nation. Construction activity has clipped along in Colorado at rates stronger than those for the nation as a whole.

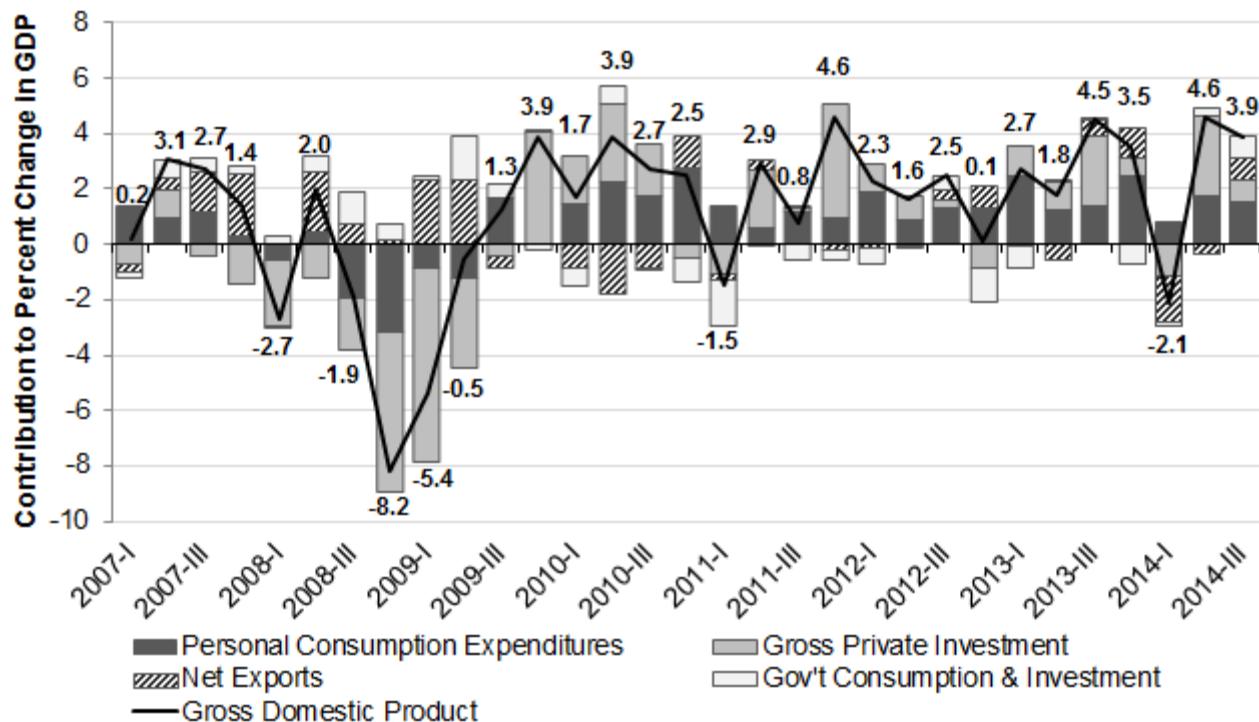
The nation's unemployment rate fell in 2014 at about the same rate as last year, while the drop in Colorado's rate accelerated markedly, falling to 4.1 percent by November. A measure of labor market slack consisting of discouraged workers, workers who work part time for economic reasons, and other workers marginally attached to the job market fell to 4.3 percent of the labor force in Colorado by the third quarter of 2014, a rate that historically points to a market tight enough to put upward pressure on wages. The same measure nationwide continued to show some labor market slack. Indeed, income and wage gains in Colorado have outpaced those nationwide since 2011.

The Federal Reserve has noted the gradual improvement in the labor market and, after ending its effort to expand the amount of money in the economy by purchasing long term securities in October, has been carefully communicating plans for tightening monetary policy in the future. The amount of assets held by the Federal Reserve is expected to remain steady through early 2016, while interest rates are expected to remain very low through at least the fall of 2015 before gradually rising over the remainder of the forecast period.

Economic growth will be moderated over the forecast period by tightening monetary policy. Although low oil prices are expected to be a net positive for the economy nationwide, the boost will be offset by lower production and income in the oil producing sectors of the economy and could affect regional growth in oil producing states.

Many of the improvements in Colorado's economy are concentrated in the Denver area and along the northern portion of the Front Range. Other regions have grown more slowly and are lagging behind. In Colorado Springs, Pueblo, Grand Junction, and rural areas of the

Figure 5
Growth in and Contributions to Growth in Gross Domestic Product
Inflation-adjusted, Seasonally Adjusted Annualized Rates



Source: U.S. Bureau of Economic Analysis.

state, average home prices remain below their pre-recession peaks. Agricultural production has been slower in some southern areas of the state, which still suffer from drought, than in the northern regions, where a wet winter generated above average snowmelt. Finally, the recent drop in oil prices could potentially slow economic growth in the northern region of the state.

Expectations for the national and Colorado economies are summarized in Tables 16 and 17 on pages 52 and 53.

Gross Domestic Product

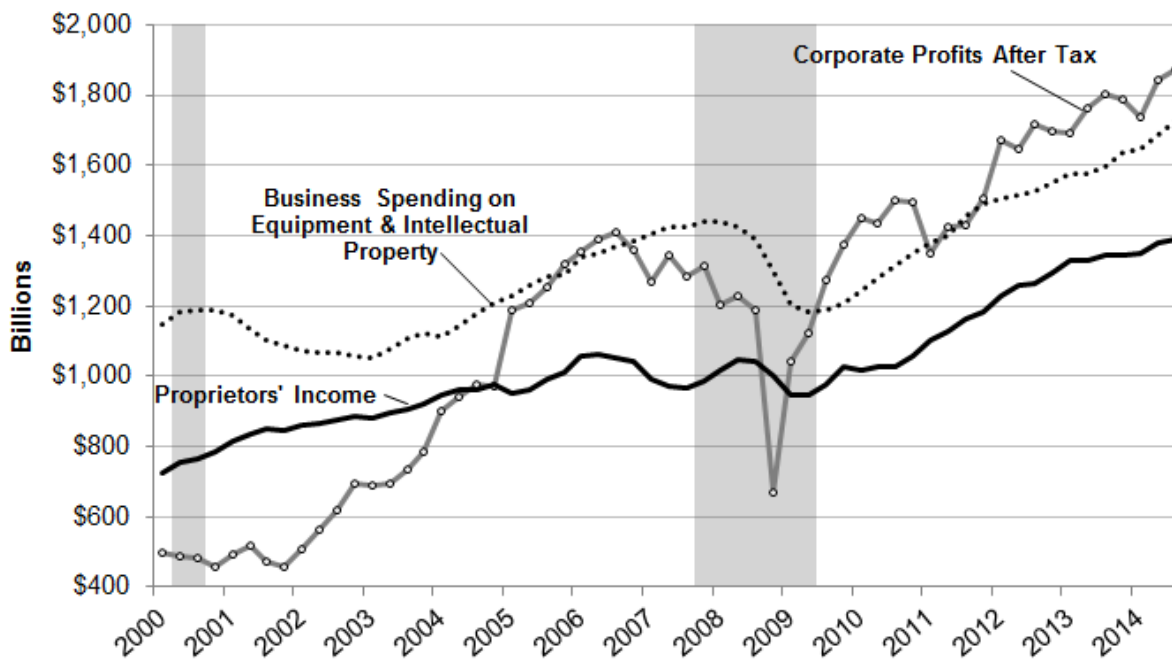
The nation's **gross domestic product (GDP)**, the broadest measure of total economic activity, increased an annualized 2.1 percent on average through the first three quarters of 2014 after growing 2.2 percent in 2013. Expectations that poor economic performance during the first

quarter of 2014 would not be sustained proved true: the economy expanded at rates at or above 3.5 percent in four of the last five quarters.

Figure 5 shows annualized quarterly growth in real GDP and contributions by sector to growth since 2007. Notably, after serving as a drag on growth since 2010, the government sector has made a net positive (though small) contribution to growth thus far in 2014. The private sector continues to drive expansion, however, as the majority of growth remains the result of gains in consumer spending and business investment. Year-to-date through the first three quarters of 2014, personal consumption expenditures and gross private investment are up 2.3 percent and 5.8 percent, respectively.

The recent drop in gasoline prices should boost consumer spending on other

Figure 6
Business Income Spending
Seasonally Adjusted Annualized Data



Source: Bureau of Economic Analysis. Data through the third quarter of 2014. Shaded areas represent periods of recession.

goods and likewise economic growth. However, that boost will be offset by lower production, profits, and business investment in the oil producing sectors of the economy. In addition, a stronger dollar may result in a smaller contribution to growth from international trade, as American goods become more expensive to already struggling economies worldwide.

- Growth in the nation's economy will trend at or above 3.0 percent for the remainder of the forecast period. Growth will average 2.2 percent in 2014 before growing 3.1 percent in 2015 and 3.3 percent in 2016.

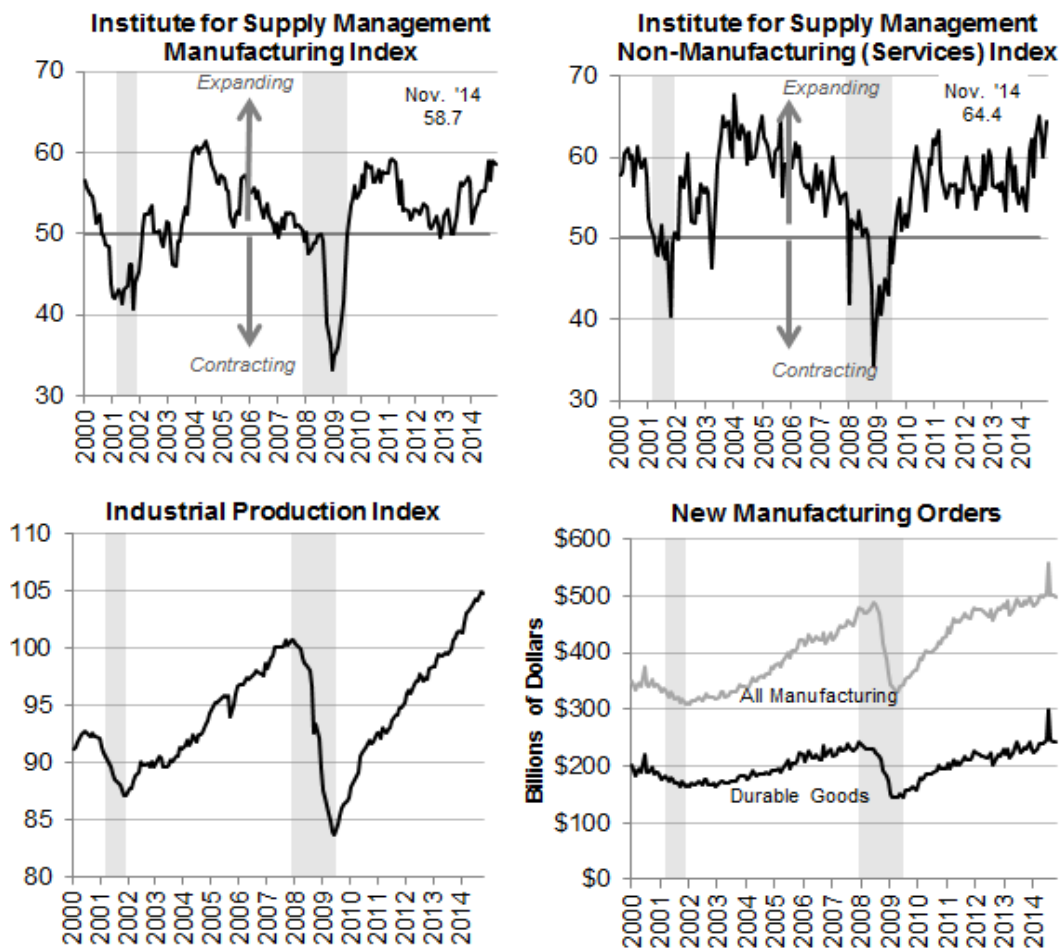
Business Income and Activity

Businesses are doing well in this recovery. As shown in Figure 6, corporate profits after taxes; proprietors' income; and business spending on equipment and intellectual property are at all-time highs. Through the third quarter of 2014, business spending on equipment and

intellectual property was 6.5 percent higher than during the same period in 2014, while corporate profits after taxes and proprietors' income grew 3.6 percent and 2.9 percent, respectively. Profits are being augmented by favorable corporate credit conditions and accelerating growth in consumer spending.

Another measure of business health is manufacturing activity. Figure 7 shows four measures of manufacturing activity nationwide, 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. For the two ISM indices, a value over 50 represents expansion and a value below 50 represents contraction. All four measures show expanded business activity since the middle of 2009. These trends are expected to continue as the economy gains momentum through the forecast period.

Figure 7
Indicators of Business Activity
Seasonally Adjusted



Source: Institute for Supply Management, Federal Reserve, and U.S. Census Bureau.
 Shaded areas represent periods of recession.

Monetary Policy and Inflation

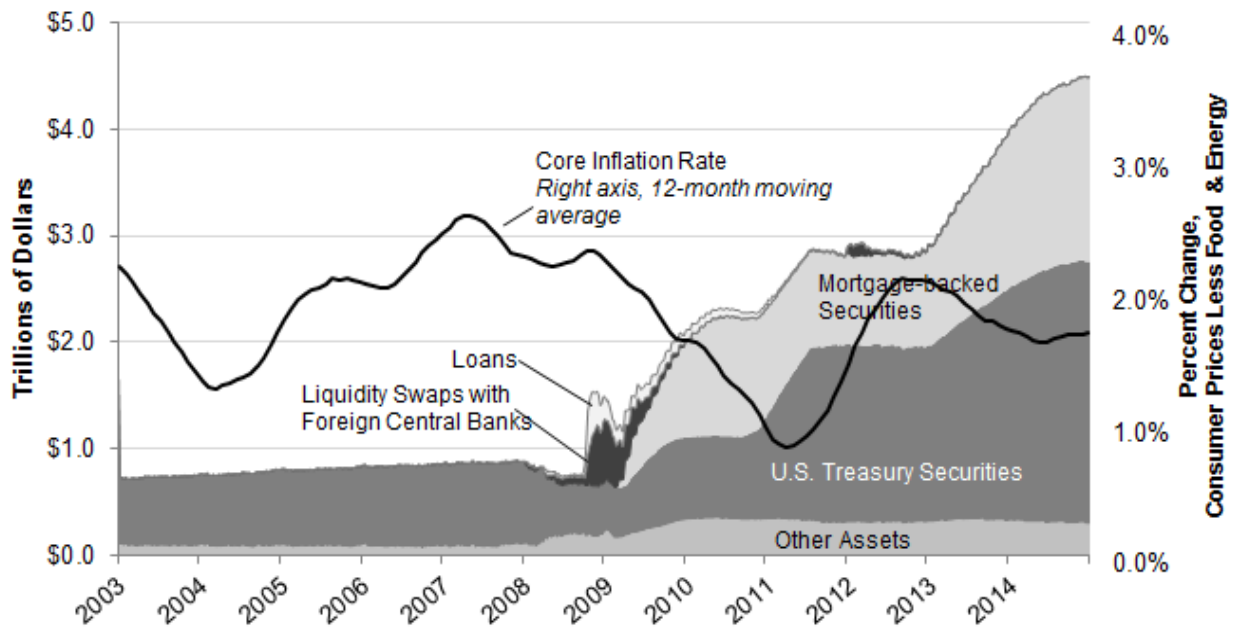
The Federal Open Market Committee (FOMC) has two goals: to promote both full employment and price stability nationwide. Over the last five years, low inflationary pressure has allowed it to focus on restoring full employment following the Great Recession. It has done this by holding both short- and long-run interest rates very low and expanding the assets on its balance sheet to spur recovery in the broader economy.

As shown in Figure 8, the Federal Reserve expanded its assets from less than \$1 trillion in early 2009 to more than \$4 trillion in 2014 through three rounds of what is

known as “quantitative easing,” or the purchase of long-term U.S. treasuries and mortgage-backed securities. These purchases, which resulted in an unprecedented expansion of the U.S. money supply, were in response to an unprecedented event in U.S. credit markets, which seized up in the fall of 2008.

The purchases reduced long-term interest and mortgage rates and put money into the U.S. banking system, allowing it to rebuild within a constrained credit environment while meeting increased demands from its regulators. A healing credit market translated into gradual improvements in the real

Figure 8
Federal Reserve Assets and U.S. Core Inflation Rate
(Core Consumer Price Index excludes Food and Energy Prices)



Source, Federal Reserve Assets: Federal Open Market Committee, nominal data through December 10, 2014. Source, Consumer Price Index: U.S. Bureau of Labor Statistics, data through October 2014.

economy, as household and business balance sheets improved and access to relatively cheap credit for credit-worthy households and businesses slowly thawed.

However, as the imbalances in the real economy continue to slowly heal, the FOMC has begun to transition away from these very loose policies and to carefully communicate its plans for future tightening to prevent price instability. After increasing its balance sheet by purchasing long term securities at a pace of \$85 billion a month in 2013, the Federal Reserve gradually reduced monthly purchases in 2014 and eventually ended the quantitative easing program in October. Although the FOMC is no longer expanding its balance sheet, it is expected to maintain current asset levels by purchasing securities to replace those that mature through early 2016, after which it is expected to allow assets to fall as securities mature.

The quantitative easing program targeted long run interest rates. However, the FOMC also influences the level of all interest rates by adjusting the rate of the economy's shortest-run interest rate, the Federal Funds rate. This is the rate banks charge to lend money to each other overnight and influences the cost of credit throughout the economy. As long as the nation's inflation rate remains at or near 2 percent, the Federal Reserve will have more flexibility as it looks toward raising the Federal Funds rate.

A twelve-month moving average of the core inflation rate, or the change in prices excluding the volatile food and energy sectors, is also plotted in Figure 8. Between January and October 2014, the full index nationwide increased 1.8 percent from year-ago levels, while the core index (excluding food and energy) increased 1.7 percent.

- Continued slack in the U.S. labor market and a weak global economy are expected

to prevent the **national inflation** rate from exceeding the Federal Reserve's target of 2.0 percent through most of the forecast period. The Federal Reserve is expected to begin increasing the Federal Funds rate in the fall of 2015, with gradual increases throughout the remainder of the forecast period. The **Federal Funds rate** is expected to be between 2.5 percent and 3.0 percent by the end of 2017.

- Increasing faster than the nation's, Colorado's consumer prices are exhibiting inflation rates closer to the historical norm for periods of economic expansion. The **Denver-Boulder-Greeley consumer price index** increased 2.9 percent through the first half of 2014 compared with year-ago levels. Fixed costs, especially utilities, rent, and housing, are the largest contributors to the state's inflation rate. The Denver-Boulder-Greeley consumer price index is expected to rise 2.7 percent in 2014 and 2.5 percent in 2015.

International Economy

Expectations for the international economy have been tempered amid underwhelming performance in several regions. The global outlook is becoming more disparate, as growth is sustained in some countries while eluding others. The International Monetary Fund (IMF) forecasts global output growth at 3.3 percent in 2014 and 3.8 percent in 2015, up from 3.0 percent in 2013.

Projections have shifted notably in the euro area, where the IMF forecasts growth at 0.8 percent in 2014. The recovery has failed to take hold in Italy, which contracted in the first half of 2014, and has stalled in the core European economies, Germany and France. With domestic demand one area of weakness, the European Central Bank is now easing credit conditions in order to boost liquidity.

Persistently low levels of inflation in Europe have revived concerns over deflation and the risk of regional recession remains.

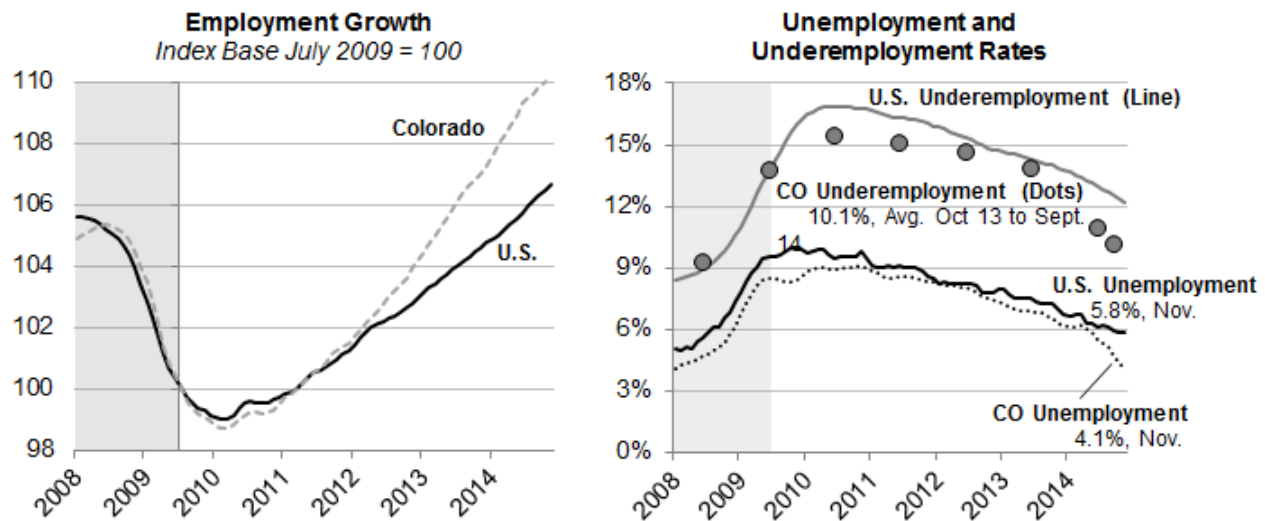
Idiosyncratic weaknesses have also stifled progress in Japan, Russia, Latin America, and the Middle East. Japan's consumption tax increase, which took effect in April, triggered second- and third quarter contractions that are expected to cause GDP to decline in 2014. Russia has struggled to combat investor flight spurred by its conflict with Ukraine and is now struggling to stave off a collapse of the ruble. Poor performance in Latin America is attributable to its largest economy, Brazil, which contracted in the first half of 2014 after weakened investment and consumption, and to Venezuela, which collapsed amid heavy-handed policy changes and is combating inflation in excess of 60.0 percent.

Global growth is expected to be led by the United States and buoyed by strong performance in China, India, and the United Kingdom. In response to a disappointing first quarter, China has cut business taxes, increased government spending, and benefitted from stronger exports. Better-than-expected investment and export performance has improved the outlook for India, which is poised for its strongest year of growth since 2011.

Labor Market

The labor market is generally the last sector of the economy to fully recover following a recession precipitated by a financial crisis. The labor market in Colorado and the nation is improving, with accelerating job growth and unemployment falling to rates at or near rates that historically would have indicated strong economic expansion. However, considerable slack remains nationally. In particular, the number of discouraged workers and people working part time for economic reasons and the duration of unemployment for those still looking for work remain high relative to levels historically associated with a healthy economy. This slack, which will likely require the remainder of the forecast period to be fully absorbed into the economy, is one of the best indicators that the business cycle has not yet

Figure 9
Labor Market Improvement in Colorado and the Nation
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics. Data through November 2014. Underemployment rates are shown as 12-month moving averages to present a consistent comparison between the nation and Colorado; Colorado's underemployment rate is only available on a 12-month moving average basis. Shaded areas represent periods of recession.

reached mid-cycle and the risk of another recession within the next few years remains low.

Figure 9 compares Colorado's employment growth and unemployment rates with the nation as a whole. Since the end of the recession in June 2009, both the nation and Colorado have regained all of the jobs lost during the Great Recession and then some. Nationwide, nonfarm employment was 1.2 percent higher in November than its pre-recession peak. Colorado's employment growth has outpaced the nation, and was 4.4 percent higher in October than the state's pre-recession peak.

The nation and Colorado are in different stages of the economic recovery. The Colorado labor market has improved enough to produce some wage pressure. Nationwide, that is not expected to occur until late 2015 or early 2016. Colorado's nonfarm employment has been increasing at a 3.0 percent pace since the beginning of 2013, while its unemployment rate has fallen significantly from 6.1 percent in January to 4.1 percent in November. The

nation's employment growth is accelerating slightly, from a pace of 1.7 percent in 2013 to 1.8 percent thus far in 2014. In addition, the nation's unemployment rate is also falling, but not as quickly as in Colorado.

The Bureau of Labor Statistics' (BLS) primary unemployment rate considers people who do not have a job and who have sought one during the previous four weeks as unemployed. The BLS also publishes an underemployment rate, which measures the percentage of people who do not have a job but have sought one during the previous 12 months, and people working part time for economic reasons. As illustrated in Figure 9, the Colorado underemployment rate averaged 10.1 percent between October 2013 and September 2014, down from an average of 10.9 percent in FY 2013-14 and 13.8 percent in FY 2012-13. The nation's underemployment rate was 11.4 percent in November 2014, and averaged 12.5 percent between October 2013 and September 2014, down from an average of 13.0 percent in FY 2013-14 and 14.3 percent in FY 2012-13.

The gap between the headline unemployment and underemployment rates is a valuable indicator of slack in the labor market, and tends to be about 4 percent in a healthy labor market. In Colorado, this gap has narrowed from 7.2 percent in FY 2009-10 to 4.3 percent during the 12 months between October 2013 and September 2014. Nationwide, the gap has fallen from a high of 7.3 percent in April 2010 to 5.6 percent in November 2014. The headline unemployment rate will fall more slowly in 2015 than in 2014, but the underemployment rate should continue to fall quickly. Colorado's gap has fallen to levels indicative of a healthy job market that would be expected to produce wage pressure. This is expected to happen nationwide by the end of 2015.

Figure 10 shows the average year-over-year change in employment by industry in Colorado during the first ten months of 2014. Employment grew in 18 of 20 sectors. The largest gains were in construction; health care and social assistance; accommodation and food services; and professional, scientific, and technical services. The large increase in construction jobs is notable as an indicator of future improvement in the housing market, employment in other industries, or both. Employment fell in both the information and federal government sectors.

Employment growth in some industries has outshined growth in others since the end of the recession. The horizontal axis of Figure 11 plots job growth in Colorado in each industry since January 2010, which was the post-recession trough for jobs. The vertical line represents total state employment growth since then, or 11.7 percent. Industries plotted to the right of the line have added jobs at a quicker rate than the state economy as a whole, while industries plotted to the left have added jobs at a slower rate, or subtracted jobs. The horizontal line represents the statewide average compensation of just under \$46,900. Industries plotted toward the top of the figure paid employees the most, while industries plotted below the horizontal line paid employees less than the statewide average.

Finally, the size of each circle represents the total number of jobs in an industry. While employment in the mining industry has grown 52.8 percent since the recession, it represents only about 1.4 percent of all jobs in Colorado.

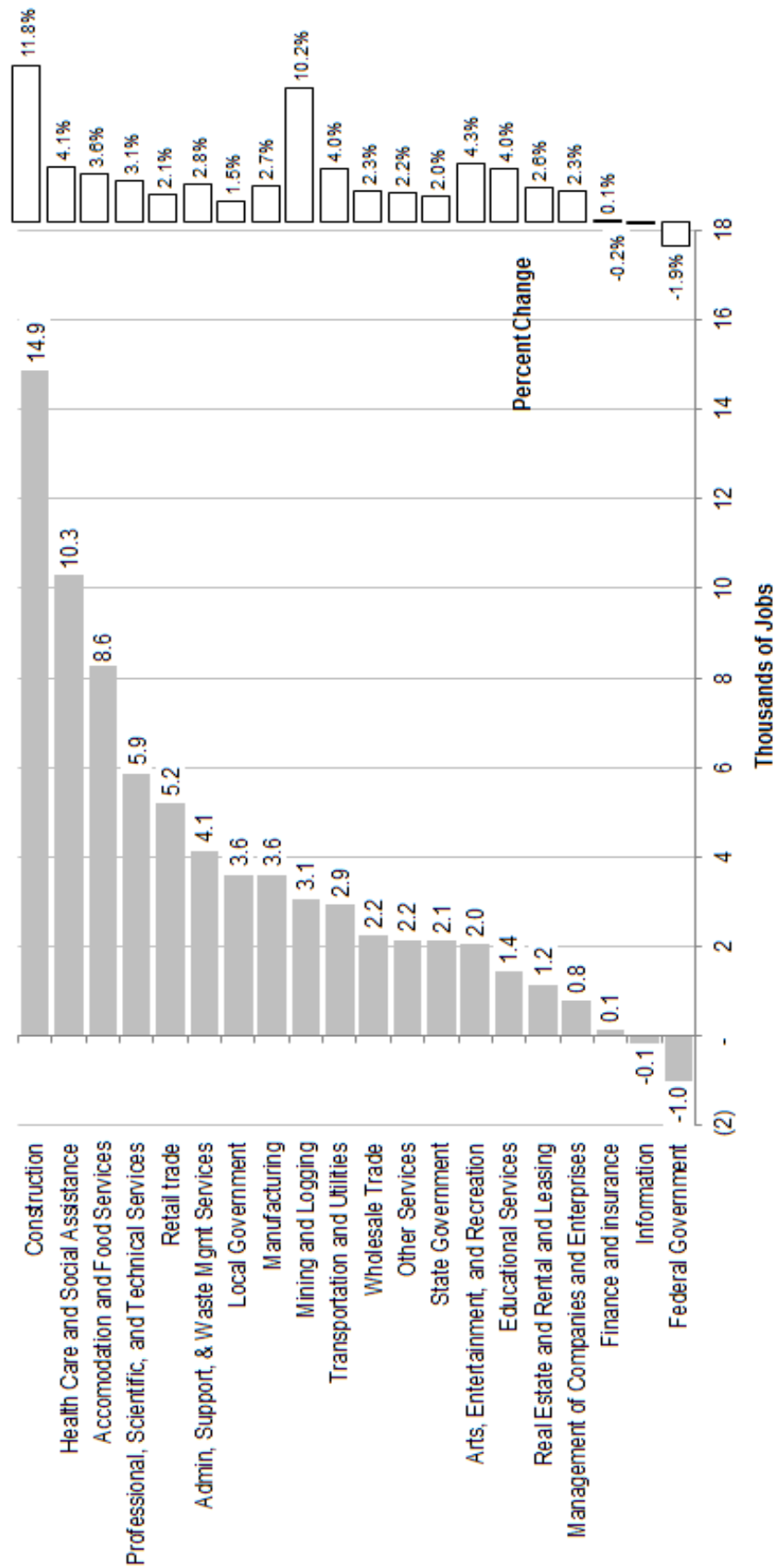
- Nonfarm employment is expected to grow 3.0 percent in Colorado in both 2014 and 2015. Nationwide, employment will increase 1.8 percent in 2014 and 2.2 percent in 2015.
- Colorado's unemployment rate will average 5.3 percent in 2014 before falling to an average of 4.3 percent in 2015. The nation's unemployment rate is expected to average 6.2 percent in 2014 and 5.5 percent in 2015.

Households and Consumers

As the economy improves, households are seeing growth in personal income, which in turn allows for increased consumption. Figure 12 indexes personal income and wages and salaries, the largest component of personal income, for Colorado and the nation using the end of the recession in the second quarter of 2009 as a base. Colorado's recovery in income and wages began to outpace the nation in 2011, and is more evidence that Colorado is further along in the business cycle than the nation as a whole. This trend accelerated in 2014: personal income in Colorado increased 5.4 percent and Colorado wages and salaries increased 6.0 percent through the third quarter of 2014 over year-ago levels. Meanwhile, the nation's personal income and wages have increased only 3.8 percent and 4.2 percent, respectively, year-to-date through October 2014 compared with year-ago levels. Both income and wages began to accelerate to rates faster than consumer price inflation in both the state and the nation over the last twelve months. However, the pace of wage growth in Colorado relative to the nation suggests a significantly stronger labor market in the state than in the nation as a whole.

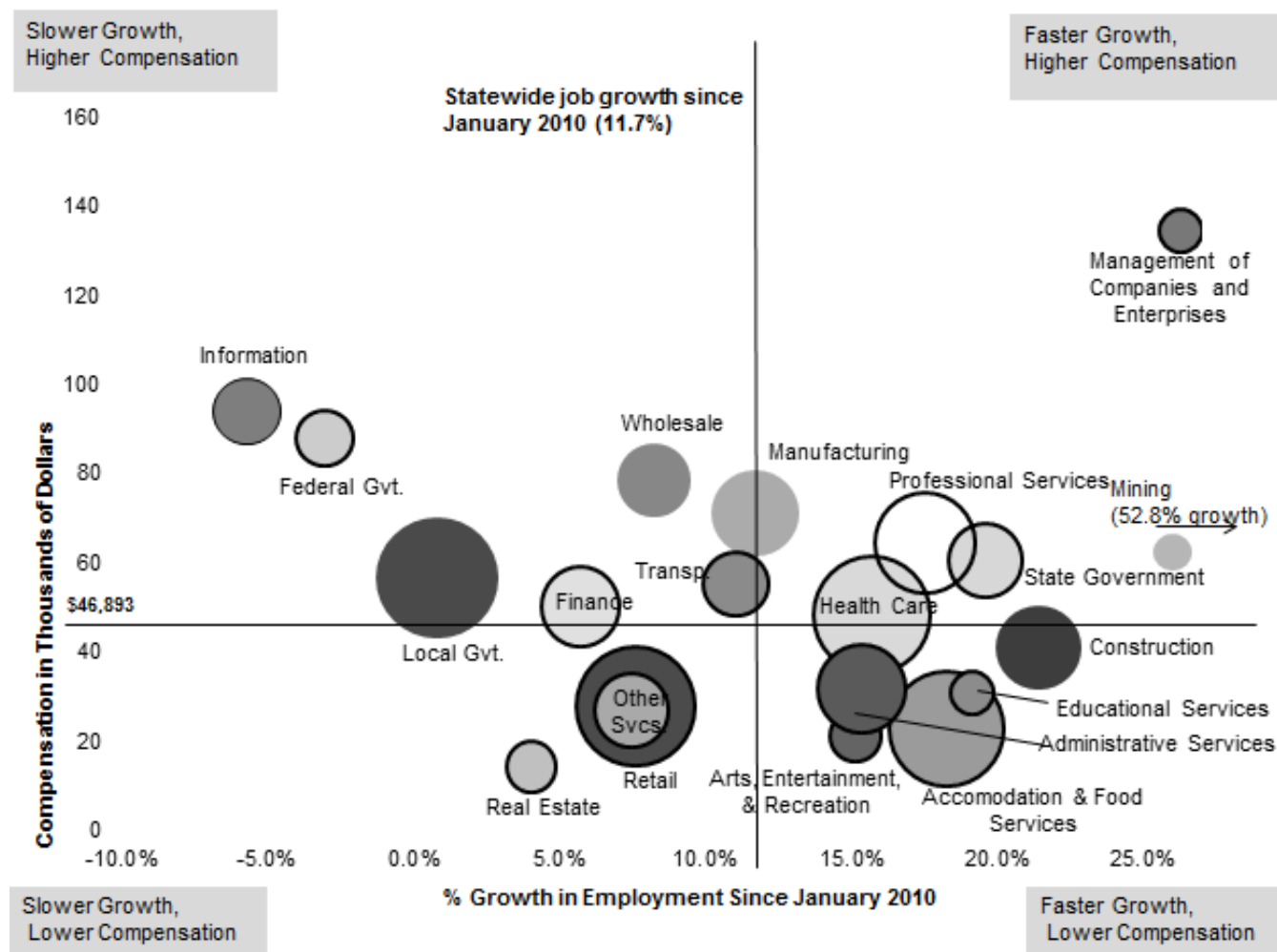
Figure 10
Change in Colorado Nonfarm Employment by Sector

Seasonally Adjusted, Change in January-October Average in 2014 over 2013



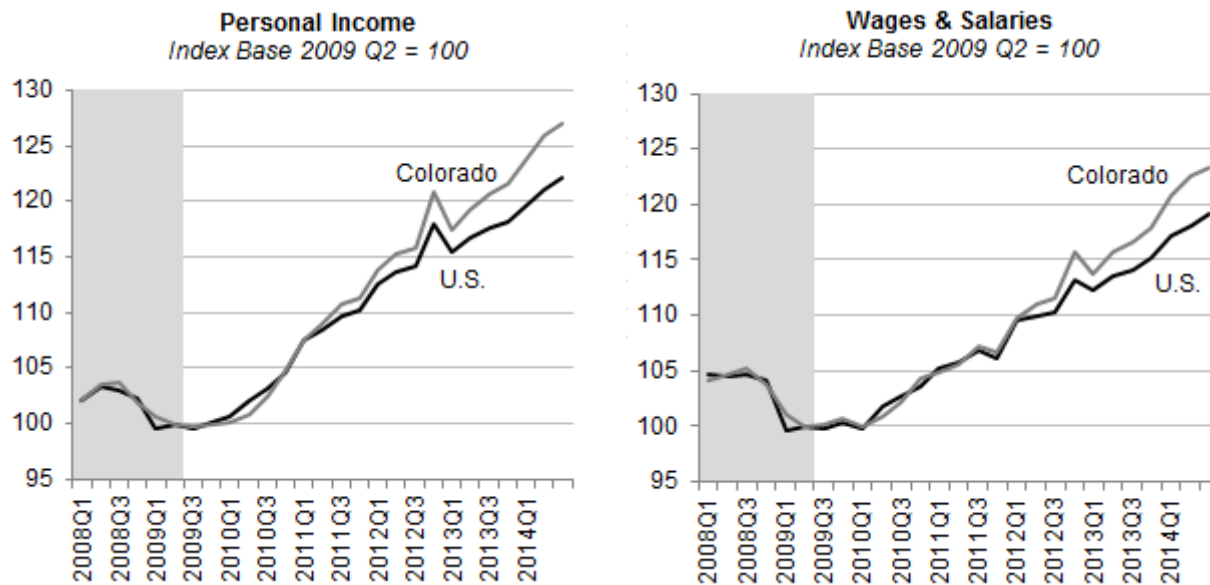
Source: U.S. Bureau of Labor Statistics, seasonally adjusted data through October 2014. Includes anticipated rebenchmarking revisions estimated by Legislative Council Staff.

Figure 11
Colorado Employment Growth and Average Compensation by Industry
Bubble Size Represents Relative Size of Industry



Source: Average 2013 compensation calculated based on data from the U.S. Bureau of Economic Analysis. Seasonally adjusted employment data through October 2014 is from the U.S. Bureau of Labor Statistics and incorporates 2014 revisions expected by Legislative Council Staff.

Figure 12
Personal Income and Wage Growth in Colorado and the Nation



Source: U.S. Bureau of Economic Analysis. Data through the third quarter of 2014.

Retail trade trends indicate that consumers in Colorado are more confident than consumers nationwide. In addition to labor market strength and income growth, consumers in Colorado are benefiting from lower debt obligations, gains in housing and investment wealth, and thawing credit conditions. This is also true of consumers nationwide, but to a lesser extent. Figure 13 shows retail trade sales indexed to June 2009 (the end of the recession) for Colorado and the nation. Colorado retail sales gained significant momentum through the first five months of 2014, growing 7.5 percent over the first five months of 2013 after increasing 4.4 percent in 2013. Nationwide, retail trade continues to grow, but at the same tepid rate, increasing 4.2 percent in 2013 and 4.0 percent thus far in 2014 through November on a year-over-year basis.

- Colorado personal income and wages and salaries will increase 5.5 percent and 6.3 percent, respectively, in 2014 before growing 7.0 percent and 6.7 percent, respectively, in 2015. Nationwide, personal

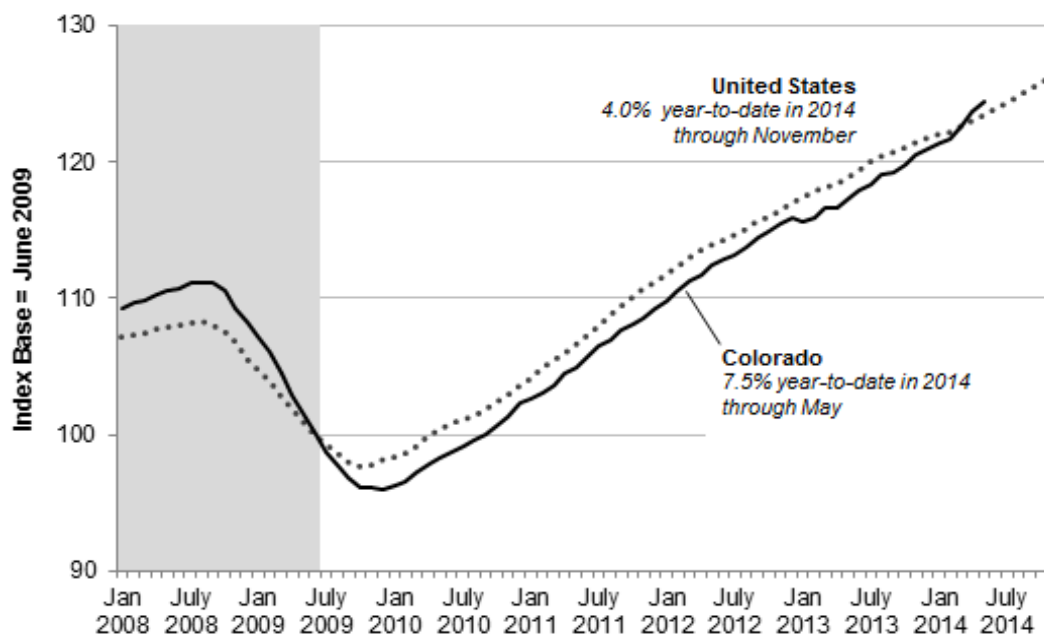
income will increase 4.0 percent in 2014 and 5.6 percent in 2015. Wages and salaries nationwide are expected to grow 4.3 percent in 2014 and before accelerating to 5.4 percent in 2015.

- Retail sales in Colorado are expected to increase 8.0 percent in 2014 and 6.8 percent in 2015. Nationwide, retail sales will grow at rates between four and six percent over the forecast period.

Residential Housing Market and Construction

The housing market has become a driver of economic growth both nationwide and in Colorado. Falling unemployment, low mortgage interest rates, and a limited inventory of homes for sale are contributing to higher prices and increased construction. However, Colorado is at an advantage because values for most homes in the state are above their pre-recession peak, whereas many people remain underwater on their

Figure 13
Colorado and National Retail Trade Growth
Index of Three-Month Moving Average, Seasonally Adjusted
Index Base June 2009 = 100



Sources: U.S. Census Bureau and Colorado Department of Revenue. U.S. data through November 2014, Colorado data through May 2014.

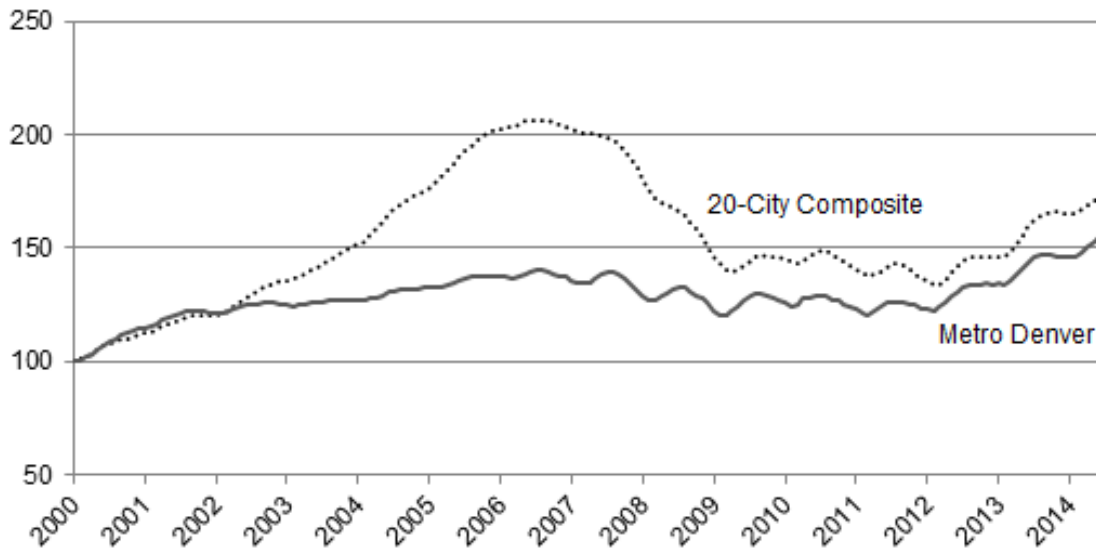
mortgages in large cities around the nation. As shown in Figure 14, home prices in metropolitan Denver were 12.0 percent higher than their pre-recession peak in September, while the 20-city composite index remained 15.8 percent lower than its pre-recession peak.

The housing market is not improving at equal rates across the state, however. Residential construction and the housing market have improved the most in Denver and the northern parts of the Front Range. In other regions, particularly southern Colorado and the Western Slope, lower demand has resulted in a slower recovery in housing prices. Figure 15 tracks changes in housing prices over both the past year and relative to pre-recession peak prices for all of the state's metropolitan statistical areas (MSAs) and non-MSA regions. The horizontal axis measures annual growth in housing prices, with cities farther to the right exhibiting higher year-over-year growth rates. Average prices increased in every MSA in the state over the past year.

Residential construction in Colorado is outpacing the nation, particular in single family homes, as multi-family construction is brisk both in Colorado and the nationwide. Figure 16 shows U.S. housing starts and permits for residential construction in Colorado. Single family home starts increased 3.7 percent nationwide through November, while the number of permits granted in Colorado for single family homes increased 11.6 percent through October over year ago levels. Multi-family starts nationally increased 15.5 percent through November, while multi-family permits in Colorado increased 13.6 percent through October compared with year ago levels.

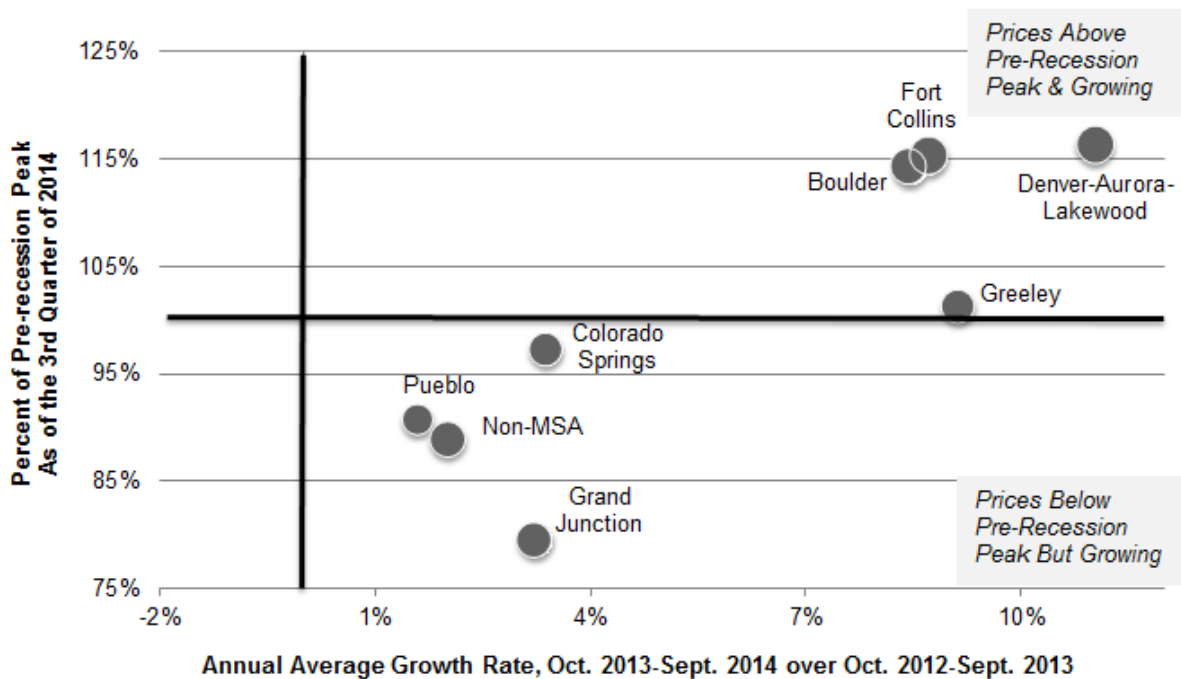
- The housing market will benefit from gradual improvements in mortgage lending standards and a strengthening labor market both nationwide and in Colorado through the forecast period. In Colorado, permits for residential construction are expected to increase 15.7 percent in 2014 and 14.9 percent in 2015.

Figure 14
Case-Shiller Home Price Index



Source: Standard and Poor's. Data through September 2014.

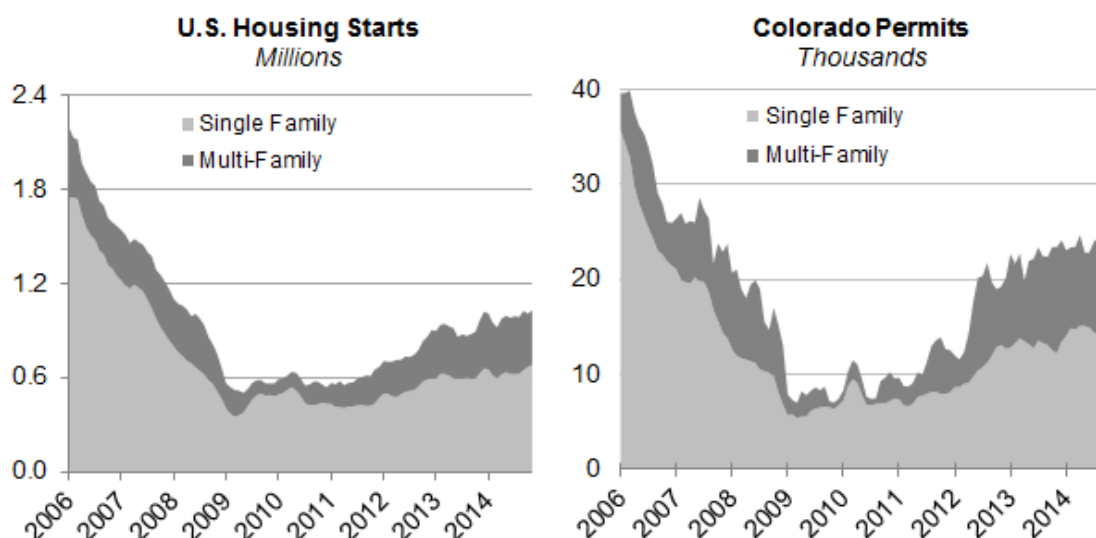
Figure 15
Colorado Home Prices
Federal Housing Authority Home Price Index — All Transactions



Source: Federal Housing Finance Authority. Data through the third quarter of 2014.

Figure 16 Residential Construction

Seasonally Adjusted, Annualized, Three-Month Moving Averages



Source: U.S. Census Bureau. U.S. data through November; Colorado data through October 2014.

Nonresidential Construction

The value of nonresidential construction in Colorado increased 16.7 percent through November 2014 over year-ago levels after falling 2.2 percent in 2013. The decrease in 2013 was entirely the result of large hospital projects received permits in 2012; excluding hospital and health treatment facilities the value of nonresidential construction increased 16.5 percent in 2013, and has increased at a year-to-date rate in 2014 of 22.3 percent through November.

Nationwide, private construction spending nationwide increased 9.3 percent through October in 2014 over year-ago levels. Private residential construction spending increased 7.1 percent, while private nonresidential construction spending increased 11.7 percent during the same period. Overall growth was reduced by slow growth in public construction spending, which increased only 0.7 percent. Construction spending was

adversely affected by difficult weather in the first quarter of the year.

- Nonresidential development will continue to grow throughout the forecast period, both in Colorado and the nation. In Colorado, the dollar value of nonresidential construction is expected to increase 19.4 percent in 2014 and 13.4 percent in 2015.

Agriculture

The United States Department of Agriculture (USDA) reports a very productive year for the nation's agricultural producers. According to USDA forecasts, good weather nationwide helped American corn producers set records for corn production and yield per acre. High levels of crop production contributed to lower food prices, dampening farm profits but assisting ranchers who buy corn and alfalfa hay as livestock feed.

Colorado corn, wheat, and alfalfa prices all have dropped substantially since the end of 2013. Corn prices have fallen most, dropping 32.7 percent year-to-date through November, while wheat and alfalfa prices are down 11.8 percent and 11.1 percent, respectively. Good weather and low feed prices have contributed to a strong year for the state's beef producers. Colorado meat exports to other countries grew 8.1 percent through September compared with the same period in 2013, primarily on the strength of increased sales to Asia.

Agricultural progress is uneven across both geography and product type. The acreage of barley harvested in the San Luis Valley agricultural region fell 7.9 percent in 2014 relative to the prior year, but the acreage of the 2014 potato harvest is estimated to have increased 8.7 percent. Many areas of the state report lower snowpack levels than their historical averages in mid-December; below average accumulation could negatively impact farmers and ranchers in 2015.

Oil and Natural Gas

The drop in the price of oil that has occurred through the fall has been remarkable in both its magnitude and speed. Since June, the price of oil, as measured by the West Texas Intermediate (WTI) spot price, has dropped nearly 50 percent to roughly \$56 per barrel in mid-December. Prices at Colorado hubs were even lower, around \$45 per barrel in mid-December.

The drop in oil price could have an impact on overall oil production in the state. Since late 2009, drilling activity in Colorado has shifted to the northern part of the front range, particularly Weld County. Relatively high oil prices and advances in drilling technology have resulted in a rapid increase in oil production. Industry interviews, however, suggest that the breakeven point for production in Weld County with current technology lies in the \$50 to \$60 per barrel range. In the short term, if oil prices stay in this range, production levels are unlikely

to be significantly affected as active wells are still earning an acceptable rate of return. If prices are still at this level or lower in six months, however, there is likely to begin to be some decline in industry activity. Figure 17 shows monthly oil production in the state between January 2008 and June 2014.

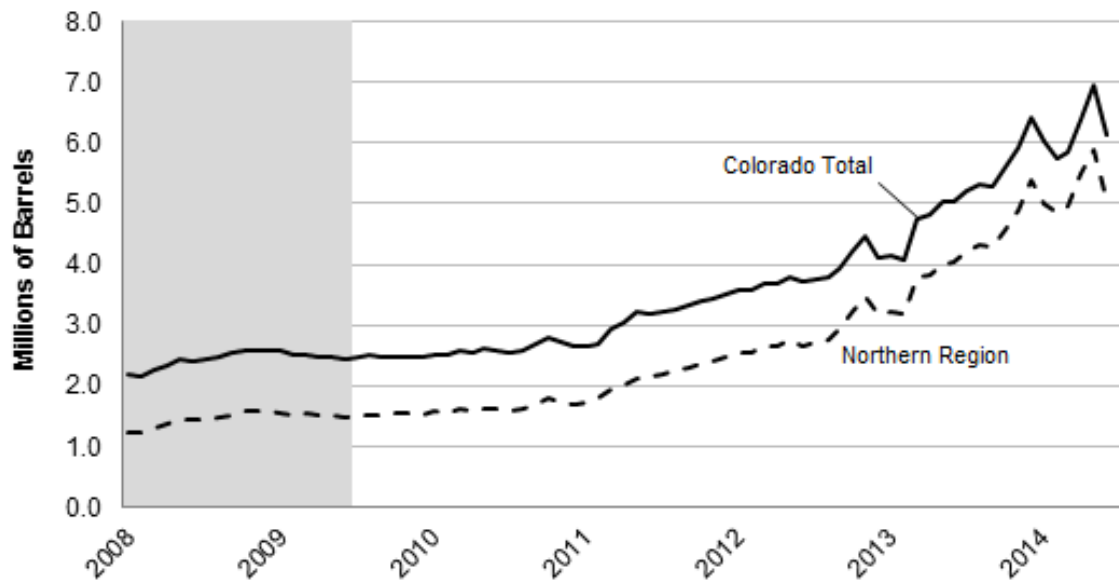
The price of natural gas, both for the nation and Colorado has remained relatively stable by comparison, so general production trends are unlikely to be affected. Throughout the fall, Colorado prices hovered near \$4.00 per Mcf. After ticking slightly upward in November, prices at Colorado hubs had dropped by mid-December to roughly \$3.65 per Mcf. Figure 18 shows monthly natural gas production in the state between January 2008 and June 2014.

Summary

The economy is expected to grow at rates above its historical trend through the remainder of the forecast period. The labor market continues to improve with more jobs and fewer people looking for work. These labor market improvements have already begun to put upward pressure on wages, giving households more money to save and spend. Healthier households will boost consumer spending and business activity, fueling more growth in earnings and investments. Because of momentum in the economy, the Federal Reserve has ended its monthly purchases of long term securities and is expected to begin raising short term interest rates in the fall of 2015.

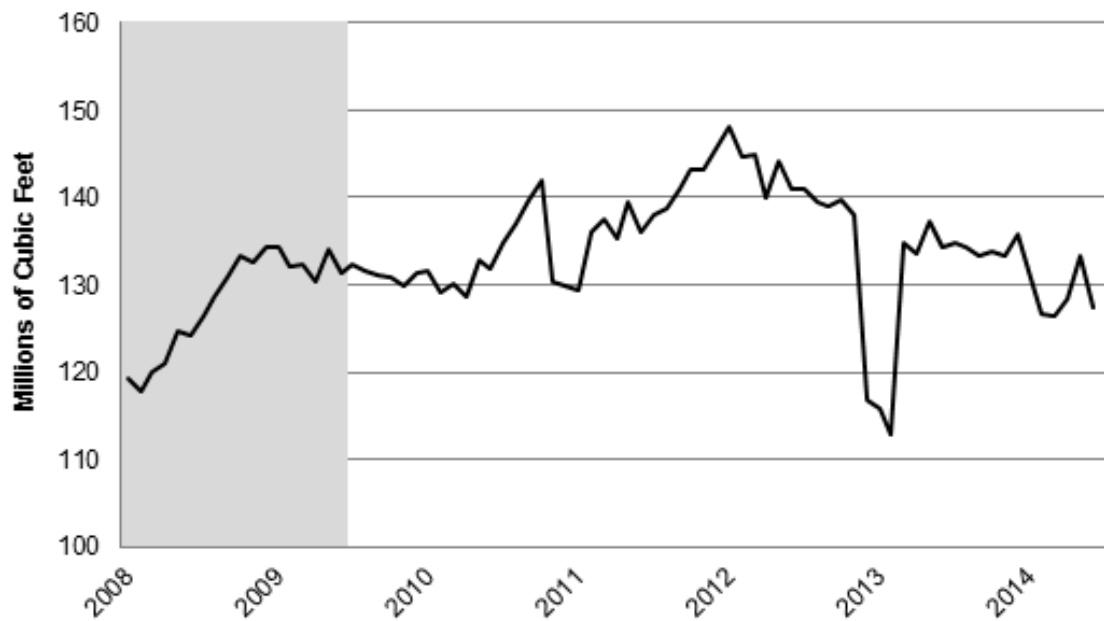
Economic growth will be moderated over the forecast period by tightening monetary policy and a weak global economy. Although low oil prices are expected to be a net positive for the economy nationwide, the boost will be offset by lower production and income in the oil producing sectors of the economy and could affect regional growth in oil producing states, including northern Colorado.

Figure 17
Colorado Oil Production, 2008 to 2014
Three-Month Moving Average



Source: Colorado Oil and Gas Conservation Commission. Data through June 2014.
 Shaded area represents periods of recession.

Figure 18
Colorado Natural Gas Production, 2008 to 2014
Three-Month Moving Average



Source: Colorado Oil and Gas Conservation Commission. Data through June 2014.
 Shaded area represents periods of recession.

Colorado will continue to outperform the national economy through the forecast period, but growth will be uneven across the state. Improvements in Denver and the northern front range are expected to outpace gains in southern Colorado and on the western slope.

Risks to the Forecast

Upside risks. Most current measures of economic growth, including Gross Domestic Product and labor market data, are based on surveys and statistical methodologies. Initial releases of these data can be skewed toward underestimating the pace of an economic expansion. Actual momentum in the Gross Domestic Product and labor market improvement could be understated relative to those assumed in this forecast. In addition, consumers could respond more favorably to the improving economy than anticipated in this forecast.

Downside risks. There have been several periods during this recovery when the labor market seemed to be improving and then lost momentum. This forecast assumes that the economy will continue to build momentum and that the improvement in the labor market will translate into increases in wages and salaries. However, the strength in the economy could dissipate as it did during prior periods in this recovery. In addition, the Federal Open Market Committee continues to signal future tightening in monetary policy. This will require balancing the need to maintain price stability and economic growth.

The speed of the recent drop in oil prices caught most market participants by surprise. This forecast assumes oil prices will gradually increase throughout 2015 to about \$80 a barrel by the end of the year. If this holds true, production levels are unlikely to be significantly affected as active wells are still earning an acceptable rate of return. This would translate into a boost in consumer spending that is relatively larger than the

offsetting fall in oil production. If prices remain at current levels or lower six months from now, production drops in oil producing regions will be more severe.

Expectations for the future also hinge on continued confidence among investors and the successful resolution of a growing number of geopolitical hazards. Russia's struggle to prevent a collapse of the ruble and steady increases in the value of the dollar amidst weak conditions in emerging and developed nations worldwide are of particular concern.

Table 16
National Economic Indicators, December 2014 Forecast
(Calendar Years, Dollar Amounts in Billions)

	2009	2010	2011	2012	2013	Forecast 2014	Forecast 2015	Forecast 2016
Inflation-adjusted GDP percent change	\$14,418.7 -2.8%	\$ 14,783.8 2.5%	\$15,020.6 1.6%	\$15,369.2 2.3%	\$15,710.3 2.2%	\$16,055.9 2.2%	\$16,553.7 3.1%	\$17,099.9 3.3%
Nonagricultural Employment (millions) percent change	131.2 -4.3%	130.3 -0.7%	131.8 1.2%	134.1 1.7%	136.4 1.7%	138.8 1.8%	141.9 2.2%	145.3 2.4%
Unemployment Rate	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.5%	5.2%
Personal Income percent change	\$12,087.5 -2.8%	\$12,429.3 2.8%	\$13,202.0 6.2%	\$13,887.7 5.2%	\$14,166.9 2.0%	\$14,733.6 4.0%	\$15,558.7 5.6%	\$16,570.0 6.5%
Wage and Salary Income percent change	\$6,251.4 -4.3%	\$6,377.5 2.0%	\$6,633.2 4.0%	\$6,932.1 4.5%	\$7,124.7 2.8%	\$7,431.1 4.3%	\$7,832.3 5.4%	\$8,325.8 6.3%
Inflation (Consumer Price Index)	-0.3%	1.6%	3.1%	2.1%	1.5%	1.8%	1.9%	2.2%

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

Table 17
Colorado Economic Indicators, December 2014 Forecast
(Calendar Years)

	2009	2010	2011	2012	2013	Forecast 2014	Forecast 2015	Forecast 2016
Population (thousands, July 1) percent change	4,972.2 1.7%	5,048.2 1.5%	5,118.4 1.4%	5,189.5 1.4%	5,268.4 1.5%	5,357.8 1.7%	5,449.6 1.7%	5,545.1 1.8%
Nonagricultural Employment (thousands) percent change	2,245.5 -4.5%	2,222.3 -1.0%	2,258.6 1.6%	2,312.8 2.4%	2,381.2 3.0%	2,452.7 3.0%	2,526.3 3.0%	2,607.1 3.2%
Unemployment Rate	8.1	9.0	8.5	7.8	6.8	5.3	4.3	4.1
Personal Income (millions) percent change	\$206,438 -2.7%	\$210,454 1.9%	\$226,145 7.5%	\$240,350 6.3%	\$247,069 2.8%	\$260,717 5.5%	\$279,021 7.0%	\$302,069 8.3%
Wage and Salary Income (millions) percent change	\$112,301 -3.8%	\$113,790 1.3%	\$118,559 4.2%	\$125,135 5.5%	\$129,597 3.6%	\$137,746 6.3%	\$146,959 6.7%	\$157,788 7.4%
Retail Trade Sales (millions) percent change	\$66,345 -11.3%	\$70,738 6.6%	\$75,548 6.8%	\$80,073 6.0%	\$83,569 4.4%	\$90,255 8.0%	\$96,353 6.8%	\$102,508 6.4%
Home Permits (thousands) percent change	9.4 -50.8%	11.6 23.9%	13.5 16.5%	23.3 72.6%	27.5 18.1%	31.8 15.7%	36.6 14.9%	40.0 9.3%
Nonresidential Building (millions) percent change	\$3,354 -18.5%	\$3,147 -6.2%	\$3,923 24.7%	\$3,692 -5.9%	\$3,610 -2.2%	\$4,310 19.4%	\$4,888 13.4%	\$5,134 5.0%
Denver-Boulder Inflation Rate	-0.6%	1.9%	3.7%	1.9%	2.8%	2.7%	2.5%	2.3%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, F.W. Dodge, Colorado State Demography Office, and Legislative Council Staff.

ASSESSED VALUE PROJECTIONS

Assessed Value Projections

This section provides projections of assessed values for residential and nonresidential properties in Colorado and the residential assessment rate through 2017. Assessed values are an important component in determining local property tax revenue for Colorado's public schools. 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 increased 3.3 percent in 2014 to \$91.6 billion. Values are expected to rise 7.8 percent in 2015 to a total value of \$98.7 billion. Values will rise to \$101.2 billion and \$108.7 billion in 2016 and 2017, respectively.

Assessed values are projected to grow robustly in 2015, a reassessment year. These values will reflect market changes that occurred from January 2013 to June 2014. Similar levels of growth will occur in both residential and nonresidential values. Recent gains resulting from the accelerating economy will augment the 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, notably oil and gas properties in Weld County, will contribute to the overall growth in assessed values. In the 2016 non-reassessment year, growth is expected to moderate. In 2017, another reassessment year, growth is expected once again to be brisk. Table 18 shows the actual and forecasted residential, nonresidential, and total assessed

values from 2007 through 2017. Figure 19 illustrates the actual and forecasted level of property values from 2003 through the forecast period.

- **Nonresidential assessed values** increased 4.8 percent in 2014, as sharp increases in oil and gas values and modest increases in agricultural, industrial, and state assessed classes offset declines in the natural resource and mining classes and vacant land. The change in nonresidential values varied by region. Values in the northern region shot up 27.5 percent, while most other regions saw gains in value of up to 9.7 percent. The lone exception was the mountain region, where values declined 2.8 percent, driven by decreases in the value of mining property and vacant land. Nonresidential assessed values are projected to increase 7.2 percent statewide in 2015 and post gains of 2.8 percent and 6.4 percent in 2016 and 2017, respectively.
- After increasing 1.3 percent in the non-reassessment year of 2014, **residential assessed values** are expected to rise 8.5 percent in 2015. The modest increase in the 2014 value reflected new construction. All regions posted gains ranging from 0.7 percent in the San Luis Valley to 2.1 percent in the northern region. Residential values are expected to grow sharply in the reassessment year of 2015, with growth occurring unevenly across the state. The largest growth will be seen in the metro Denver and northern regions, while the eastern plains and Pueblo regions will see the smallest growth in residential property values. Growth in residential value on the western slope will be in the middle.

Table 18
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	14.0%	\$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	\$39,198	0.7%	\$50,211	2.5%	\$89,409	1.7%
2013	\$38,495	-1.8%	\$50,153	-0.1%	\$88,648	-0.9%
2014	\$39,003	1.3%	\$52,579	4.8%	\$91,582	3.3%
2015*	\$42,328	8.5%	\$56,352	7.2%	\$98,680	7.8%
2016*	\$43,271	2.2%	\$57,951	2.8%	\$101,221	2.6%
2017*	\$47,010	8.6%	\$61,652	6.4%	\$108,662	7.4%

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

*Legislative Council Staff forecast.

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

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. The 2013 assessment cycle captured the tail end of the decline in value that occurred during the recession, offset by the beginnings of the recovery in the real estate market. Values for most real property classes will increase more rapidly in the upcoming 2015 reassessment cycle, which will capture the change in real property values from January 2013 to June 2014.

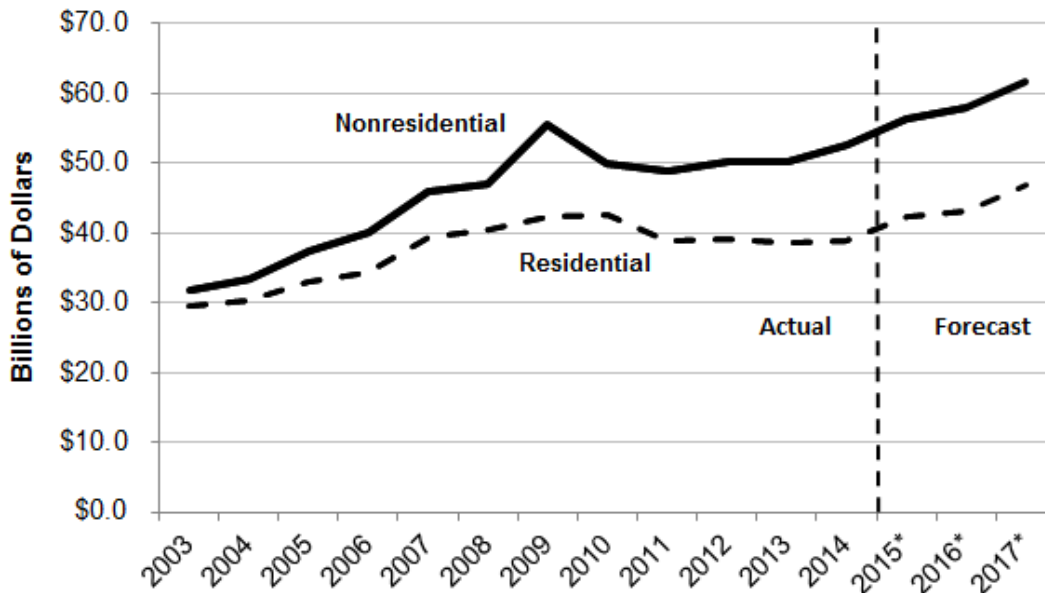
In contrast to real property, which comprises the vast majority of the state's assessed value, "producing" properties in the agricultural, mining, natural resource, and oil and gas property classes are assessed annually. The value of oil and gas property increased

sharply in 2014, while agricultural properties increased slightly. In contrast, the value of producing mines and natural resource properties declined 6 and 8 percent, respectively, in 2014. The increases in the oil and gas and agricultural property classes are expected to continue over the forecast period. Figure 19 graphically presents how residential and nonresidential assessed values have grown from 2003 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 market value. Assessed values in these classes totaled \$52.6 billion in 2014, 4.8 percent higher than in 2013. Nonresidential

Figure 19
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.

assessed values are expected to increase 7.2 percent in 2015. While values in real property classes such as commercial and industrial land will grow more slowly during this reassessment year, the value of producing classes, especially oil and gas properties, should grow more rapidly. There will continue to be brisk growth in nonresidential values in 2016 and 2017, as overall values in both years are projected to surpass the peak levels registered in 2009.

Commercial property represents nearly 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 increased 3.4 percent in 2013 with the economic recovery, but were almost flat in 2014. As the economy continues to accelerate, commercial values should continue to increase, albeit in a lagged fashion. New construction will augment

the value increases in the later years of the forecast period.

Oil and gas is the second-largest nonresidential property class, accounting for just over 21 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 property class have been volatile, rising 13.6 percent in 2012, falling 9.9 percent in 2013, and rising 26.5 percent in 2014. Changes varied dramatically by region and mineral. In the northern region, which primarily produces oil, values rose 46.8 percent, or just over \$1.8 billion in 2014. In contrast, in the southwest mountain and western regions, which primarily produce natural gas, values rose more modestly: 17.7 percent and 6.9 percent, respectively. Drilling activity continues to be robust in Weld County, although the recent drop in oil prices may temper some of

this activity in the future if prices remain at lower levels for a long period of time. While natural gas prices have fallen recently, the modest decline is probably not enough to affect drilling decision in the southwest mountain and 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 will post lesser increases in 2015. Overall, values in this class are expected to continue to rise through the remainder of the forecast period.

Vacant land is the third-largest nonresidential property class in the state, accounting for roughly 7 percent of total nonresidential value. While values in this property class decreased 4.0 percent in 2014, values are expected to increase modestly during the 2015 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 ($\$200,000 \times 7.96 \text{ percent} = \$15,920$). 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 increased 1.3 percent in 2014, equating to a gain of \$6.4 billion in market value. Value gains occurred in all regions with metro Denver, the southwest mountain region, and the northern region posting gains of 1.3, 1.5, and 2.1 percent, respectively. Value gains in other regions were all near 1.0 percent.

Overall growth in residential market values will be brisk in the 2015 reassessment year, but will be unevenly distributed across the state. Growth in residential value ranging from

3.3 to 10.4 percent will occur along the front range. Along the western slope, the western and southwest mountain regions will see a growth in values of 4.6 percent and 5.9 percent, respectively. Growth in value will moderate in the 2016 non-reassessment year, which captures the value of the new construction that is currently occurring.

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 9.13 percent for 2013 and 2014.

Table 19
Regional Total Assessed Values and Growth Rates
(Dollars in Millions)

Region	Preliminary 2014*	Forecast Percent Change			
		2015	2016	2017	3-Year Average Annual
Metro Denver	\$43,713	9.0%	1.7%	8.8%	6.2%
Colorado Springs	\$6,438	5.3%	1.4%	53.0%	3.8%
Northern	\$12,423	12.6%	8.8%	10.0%	9.9%
Western	\$9,324	3.7%	0.6%	3.5%	2.5%
Pueblo	\$2,718	2.2%	1.0%	2.3%	1.8%
Eastern Plains	\$2,567	3.5%	2.7%	3.2%	3.1%
Mountain	\$10,595	5.8%	1.5%	5.6%	4.2%
Southwest Mountain	\$3,177	4.6%	2.0%	4.4%	3.6%
San Luis Valley	\$626	2.4%	1.1%	2.5%	2.0%
Statewide Total	\$91,582	7.8%	2.6%	7.4%	5.7%

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

For the upcoming reassessment period in 2015 and 2016, the calculated residential assessment rate is projected to be to 8.96 percent. The actual rate, however, will remain fixed at 7.96 percent unless voters approve an increase.

Regional Assessed Values

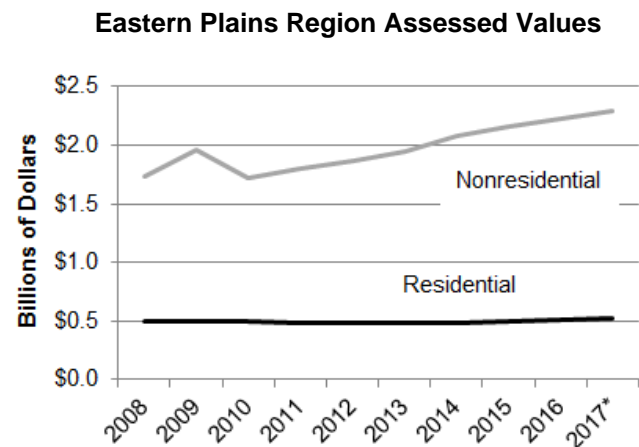
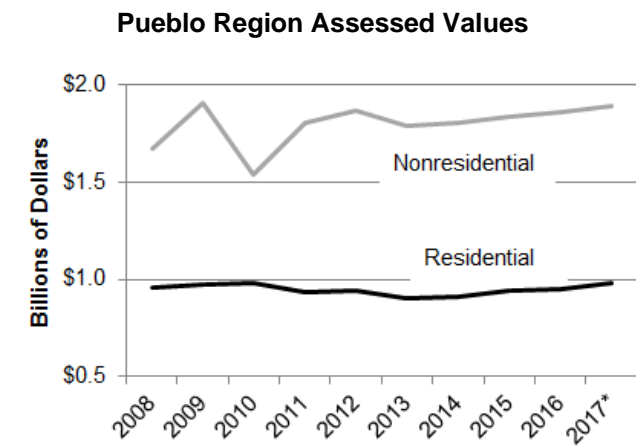
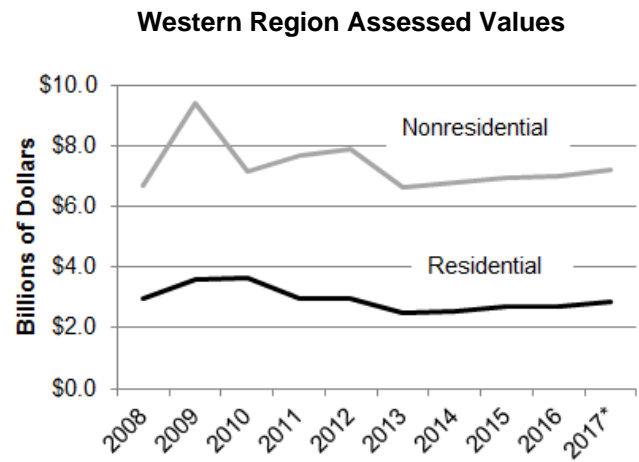
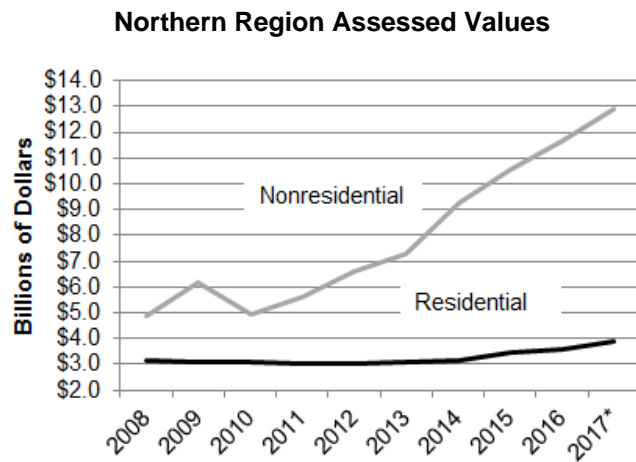
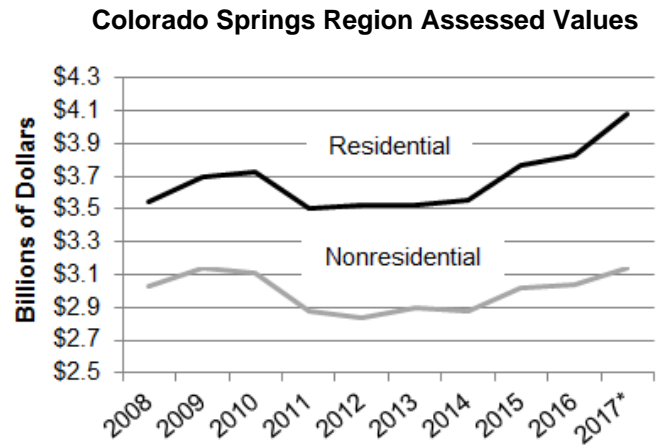
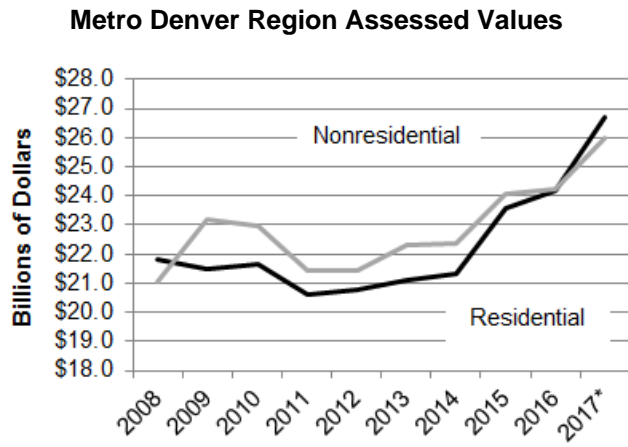
Assessed values are projected for each school district and are used in forecasting state expenditures for pre-kindergarten through twelfth grade public education. The following section highlights trends for each region in the state. Table 19 summarizes how regional assessed values will change through 2017. Figure 20 on pages 60 and 61 depict graphically, by region, actual and forecasted residential and nonresidential assessed values from 2008 through the forecast period. Figures 21 and 22 on pages 66 and 67 illustrate geographically the anticipated change from 2014 to 2015 at the regional and school district-level.

Regional Summary

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, with the supply of houses for sale at extremely low levels. 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 nonresidential assessed values. Oil exploration in the northern region is increasing, while activity related to natural gas in parts of 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.

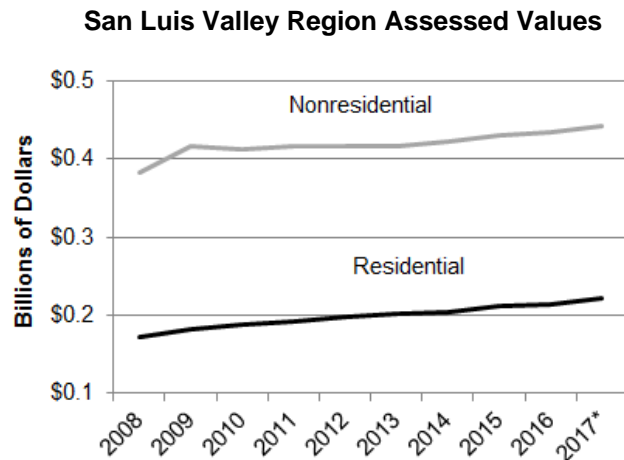
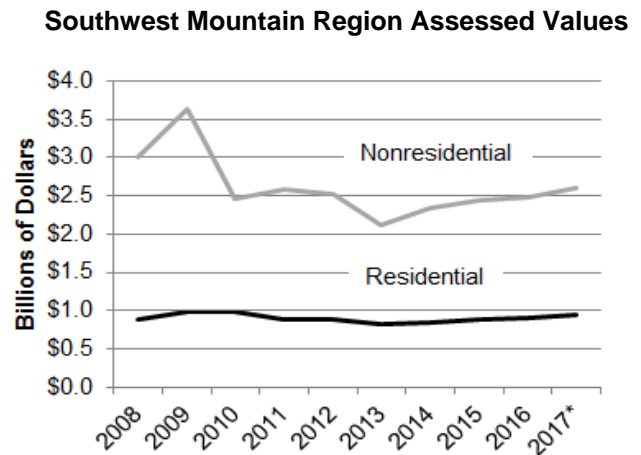
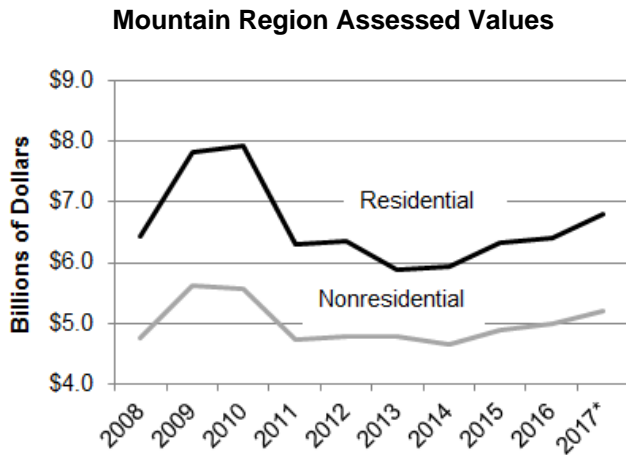
Figure 20
Regional Residential and Nonresidential Assessed Values



*LCS Forecast.

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

Figure 20 (Continued)
Regional Residential and Nonresidential Assessed Values



*LCS Forecast.

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

The economy in the **Denver metro** area has accelerated over the past two years, which is reflected in the region's assessed values. Residential assessed values increased 1.3 percent in 2014, a non-reassessment year. Each school district in the region in 2014 had new construction and positive growth in residential values. Brighton School District had the fastest growth, growing 3.4 percent, followed by Deer Trail and Douglas school districts, which grew 2.6 and 2.5 percent, respectively. Residential values are expected to increase 10.4 percent in 2015, which reflects the increase in home values between January 2013 and June 2014.

Nonresidential property values also increased in 2014, but at a much slower rate of 0.2 percent. Ten of the 19 school districts had a decline in nonresidential assessed values. The two largest declines occurred in the Westminster School District and the St. Vrain School District, which posted declines of 3.7 percent and 3.8 percent, respectively. Values in Westminster fell due to a \$9.1 million loss in state assessed property, while the fall in St. Vrain was due to the declining value of vacant land. Values in the Bennett School District exhibited the fastest growth in the region, growing 23.1 percent because of increases in the value of oil and gas properties. Deer Trail

School District had the second strongest growth at 5.6 percent, primarily because of a \$1.3 million increase in the value of state assessed properties. In 2015, nonresidential assessed values are expected to increase 7.6 percent in the region.

Overall, assessed values in the Denver metro region increased 0.7 percent between 2013 and 2014. Values are expected to increase at an average annual rate of 6.2 percent over the next three years. Residential assessed values will increase 7.5 percent and nonresidential value will increase 5.0 percent annually through the forecast period.

In 2014, residential values in the **Colorado Springs** region increased faster than four other regions in the state despite a sluggish economy and federal spending cuts in the region. Part of the increase in residential value is from homeowners that are replacing homes destroyed by fires in 2013 with upgraded properties. Residential assessed values increased in each school district in the region in 2014, with the fastest growth in the Widefield School District which increased 5.8 percent. Residential values in 2015 are expected to increase 5.9 percent.

Regional nonresidential values increased 0.8 percent between 2013 and 2014. Values in 11 school districts increased, while four districts posted declines. The largest increases were in the Widefield and Hanover school districts, which saw significant increases in the value of state assessed property. Nonresidential assessed values are expected to increase 4.6 percent in 2015, primarily because the improved economy has resulted in an appreciation of commercial property values.

Overall, total assessed values in the Colorado Springs region will increase at an annual average rate of 3.8 percent over the next three years, with residential assessed values increasing 4.6 percent and nonresidential assessed values increasing 2.9 percent.

Assessed values in the **northern** region, containing Larimer and Weld counties, reflect

strong oil and natural gas production and home construction. In 2014, 13 of the 15 school districts in the region posted increases in residential assessed values. Overall, residential values grew 2.1 percent across the region. Residential values in the Johnstown and Windsor school districts had the fastest growth, increasing 5.4 percent and 4.0 percent, respectively. The largest rate of decline occurred in the Estes Park School District, which was impacted by the 2013 flood. Residential property values are expected to increase 8.9 percent in the 2015 reassessment year.

Nonresidential values in the northern region increased 27.5 percent in 2014, more than twice as fast as any other region in the state. Oil and gas property grew 46.8 percent, an increase of \$1.8 billion to the property tax base. Values in other nonresidential classes also increased, benefiting from the economic activity associated with oil and gas development. Nonresidential values in the northern region are forecast to increase the fastest of any region in Colorado in 2015, growing 13.8 percent.

Total assessed value in the northern region grew 19.9 percent in 2014 and is expected to average 9.9 percent over the next three years. Over this period, residential values are expected to grow at an average annual rate of 6.7 percent, while nonresidential values will grow at an average annual rate of 11.0 percent.

Residential assessed values in the **western region** increased 1.2 percent between 2013 and 2014, after decreasing 16.3 percent in the previous year. The housing market in the western part of the state has been slower to recover than other parts of the state. There was new construction in most of the school districts in the region, with only the Parachute School District experiencing a decline in values. In the 2015 reassessment year, residential assessed values are expected to increase 5.9 percent.

Nonresidential assessed values in the western region increased 2.2 percent in 2014,

but there was wide variation among school districts. In the Parachute and Hinsdale districts, nonresidential values increased 24.7 percent and 16.4 percent, respectively. In contrast, values decreased 15.0 percent in the Meeker district and 17.0 percent in the Norwood district. The changes that occurred in three of these districts were driven by changes in the value of oil and natural gas properties. The increase in Hinsdale resulted from a \$4.5 million increase in the value of commercial property.

Total assessed value in the western region increased 1.9 percent in 2014 and is expected to average 2.5 percent annual growth over the next three years. During this period, residential values are expected to post 4.0 percent average annual growth, while nonresidential values are expected to increase 2.0 percent annually on average.

The **Pueblo** region includes school districts in Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties. The economy in the region is slowly growing, and new residential construction in the region led to a 0.9 percent increase in residential values. Growth was relatively uniform across the region. The Hoehne School District, where values dropped by 4.3 percent, was the lone district in the region to post a decline in residential values. Residential values are projected to increase 3.3 percent in the 2015 reassessment year - the second lowest projected growth among regions. Only values in the eastern plains are projected to grow more slowly.

Overall regional nonresidential values grew 1.3 percent in 2014, but growth was not uniform across districts in the region. The fastest growth occurred in the Primero School District, where nonresidential assessed value increased 16.5 percent. In contrast, values in the Florence School District decreased 14.5 percent. Natural gas production accounts for a significant share of the nonresidential property tax base in both of these districts, and large changes in value are possible. In 2015, nonresidential assessed values are expected to increase 1.6 percent.

Overall, total assessed values will increase 2.2 percent in 2015 and average 1.8 percent growth over the next three years. Residential values are expected to grow 2.5 percent on average through the forecast period, while nonresidential values will average 1.5 percent growth annually.

The economy of the **eastern plains** region is usually stable no matter what the business cycle is doing. In 2014, regional residential assessed values increased 1.0 percent, with the change in residential assessed values ranging from a 3.4 percent increase to a 0.1 percent decrease. Based on sales that have occurred between January 2013 and June 2014, residential values changed the least of any region in the state. Residential values are expected to increase, however, by 3.2 percent in the 2015 reassessment year.

Traditionally the region's nonresidential property tax base has been dominated by agricultural land. In recent years, however, the values of the oil and gas and state assessed property classes in the region have been growing. In 2014, nonresidential assessed values increased 6.9 percent. Values in the Genoa Hugo School District and the Wiggins School District grew 67.8 percent and 60.6 percent, respectively, due to growth in the value of oil and gas property. In 2015, nonresidential property in the eastern plains region is expected to grow 3.6 percent.

Overall, regional values in the eastern plains grew 5.7 percent in 2014 and growth is expected to average 3.1 percent over the next three years. On average, residential values are expected to increase 2.7 percent and nonresidential values are expected to increase 3.2 percent between 2015 and 2017.

The **mountain region** of the state includes resort communities, like Aspen and Steamboat Springs, and its economy is dependent on tourism and vacation homes. The residential housing market has started to improve, and new construction led to a 0.9 percent increase in assessed value in 2014.

Values grew in every school district in the region. The two districts with the largest growth rates were the Salida School District and the West Grand School District, where residential values grew 1.6 percent and 1.5 percent, respectively. Residential assessed value is expected to increase 6.3 percent in 2015.

While the economy is improving and more visitors are spending money in the mountain region, a decrease in mining caused nonresidential assessed values to decrease 2.8 percent in 2014. Values declined in nearly all districts. Nonresidential assessed value in the West Grand School District and the South Routt School District decreased 11.4 percent and 6.6 percent, respectively, because of a decline in the value of mining properties. In 2015, the rebounding economy and increased tourism spending will help boost the value of commercial property, causing nonresidential property values to increase 5.2 percent.

While regional assessed values decreased 0.8 percent in 2014, they are expected to rebound and increase at an average annual rate of 4.2 percent over the next 3 years. Residential values are expected to increase 4.5 percent annually, while nonresidential values will increase 3.8 percent through the forecast period on an average annual basis.

The **southwest mountain** region of the state includes the towns of Durango and Pagosa Springs, which attract tourists from New Mexico and Texas. The second home market in the region is influenced by economic trends in those states. In 2014, regional residential assessed values increased 1.5 percent as a result of new construction. Growth was fairly uniform, as eight of nine school districts in the region saw increases in residential value. Values in this class are expected to increase 4.6 percent in 2015.

Nonresidential values in the region increased 9.7 percent, primarily due to natural gas production in La Plata and Dolores counties. Nonresidential assessed value in the Ignacio and Bayfield school districts in La Plata County increased 21.8 percent and 16.1 percent,

respectively. The growth in natural gas property values is offsetting recent declines that occurred in 2013, so the nonresidential property tax base is still smaller than it was in 2012. Overall, nonresidential assessed values are expected to increase 4.6 percent in 2015.

Total regional assessed values increased 7.4 percent in 2014, and are expected to average 3.6 percent growth annually over the next three years. Residential property values are expected to increase 3.4 percent, while nonresidential property values are expected to grow 3.7 percent on an average annual basis.

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. In 2014, regional residential assessed values increased 1.2 percent due to new construction. Residential assessed values increased in 12 of 14 school districts in the region, led by the Sierra Grande and Centennial school districts, where values grew 4.1 and 2.5 percent, respectively. The only districts with declines in value were Moffat and Center in Saguache County, where values in each district decreased 1.0 percent. Residential values are expected to increase 3.7 percent in the 2015 reassessment year.

Regional nonresidential assessed values increased 0.4 percent in 2014, the second smallest rate of growth for any region in the state. The largest rate of growth occurred in the Sangre De Cristo School District, where values grew 6.9 percent due to the expansion of the solar power generating station. Nonresidential assessed values in the San Luis Valley are expected to increase another 1.7 percent in 2015.

Overall, regional assessed values increased 0.6 percent in 2014. Values are expected to increase 2.0 percent on average over the next three years. Residential assessed values will grow 2.9 percent and nonresidential value will increase 1.5 percent over the forecast period on an annual average basis.

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. The Colorado economy appears to be among the top tier of states, and is generally out-performing the national economy. The rate of growth, however, 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 Pueblo and on the eastern plains will grow more slowly. If the economy maintains its current momentum and the increase in residential values seen in Denver and the northern region spills 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 nonresidential 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. Although oil prices have declined nearly 50 percent since June, this forecast assumes that oil prices will begin to slowly increase in early 2015, and return to levels high enough to sustain the 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 do not return to higher levels and remain low for a long enough period to cause a pullback in development, projected values throughout the state, but especially in the northern region, will be overstated. Similarly, if natural gas prices evidence another decline similar to what occurred in early 2012, projected values in the southwest mountain and western regions, where natural gas development is concentrated, will be too high.

Figure 21
Forecast Percent Change in Total Assessed Valuation by Economic Region
2015 Assessment Year (Budget Year 2015-16)

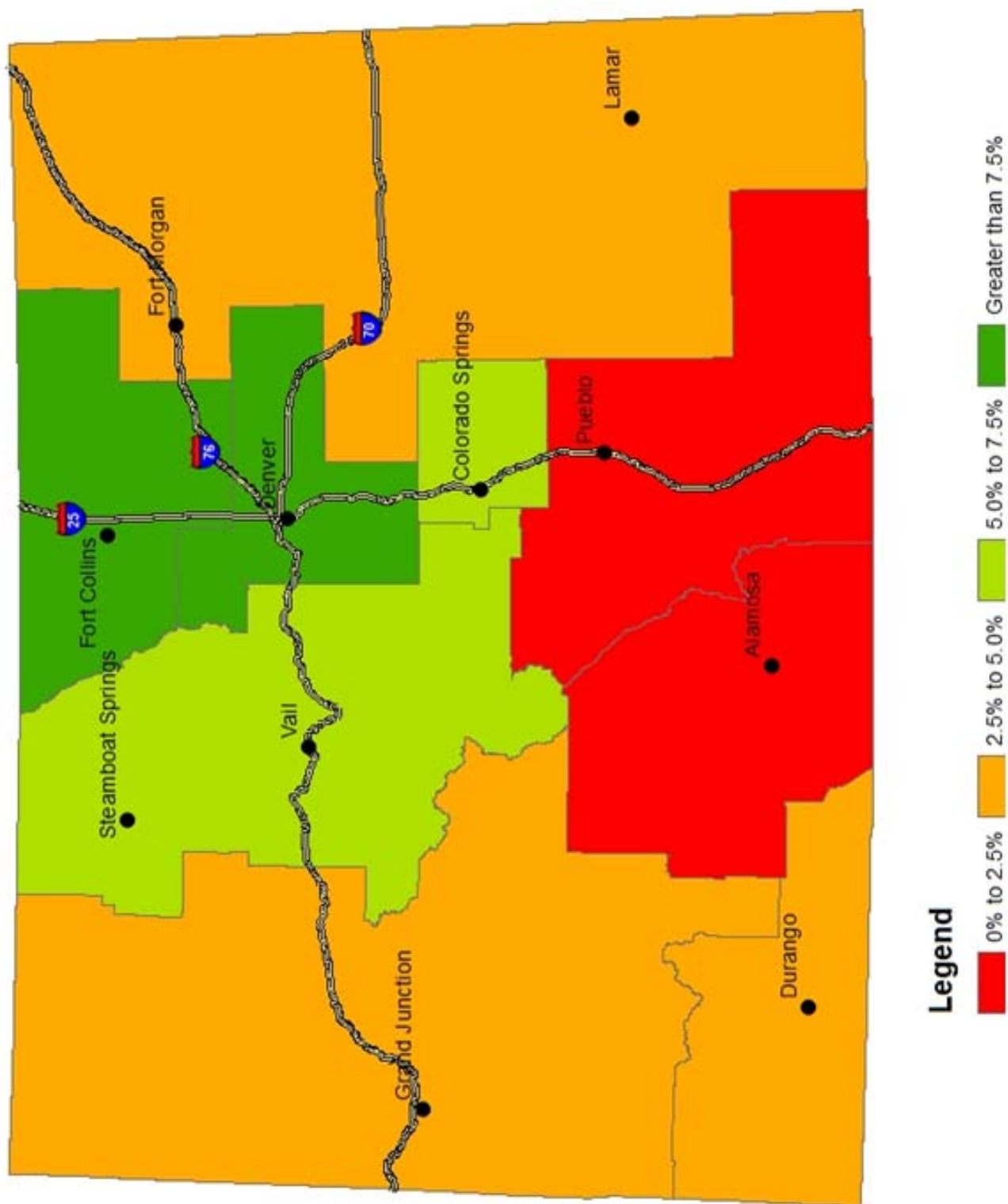
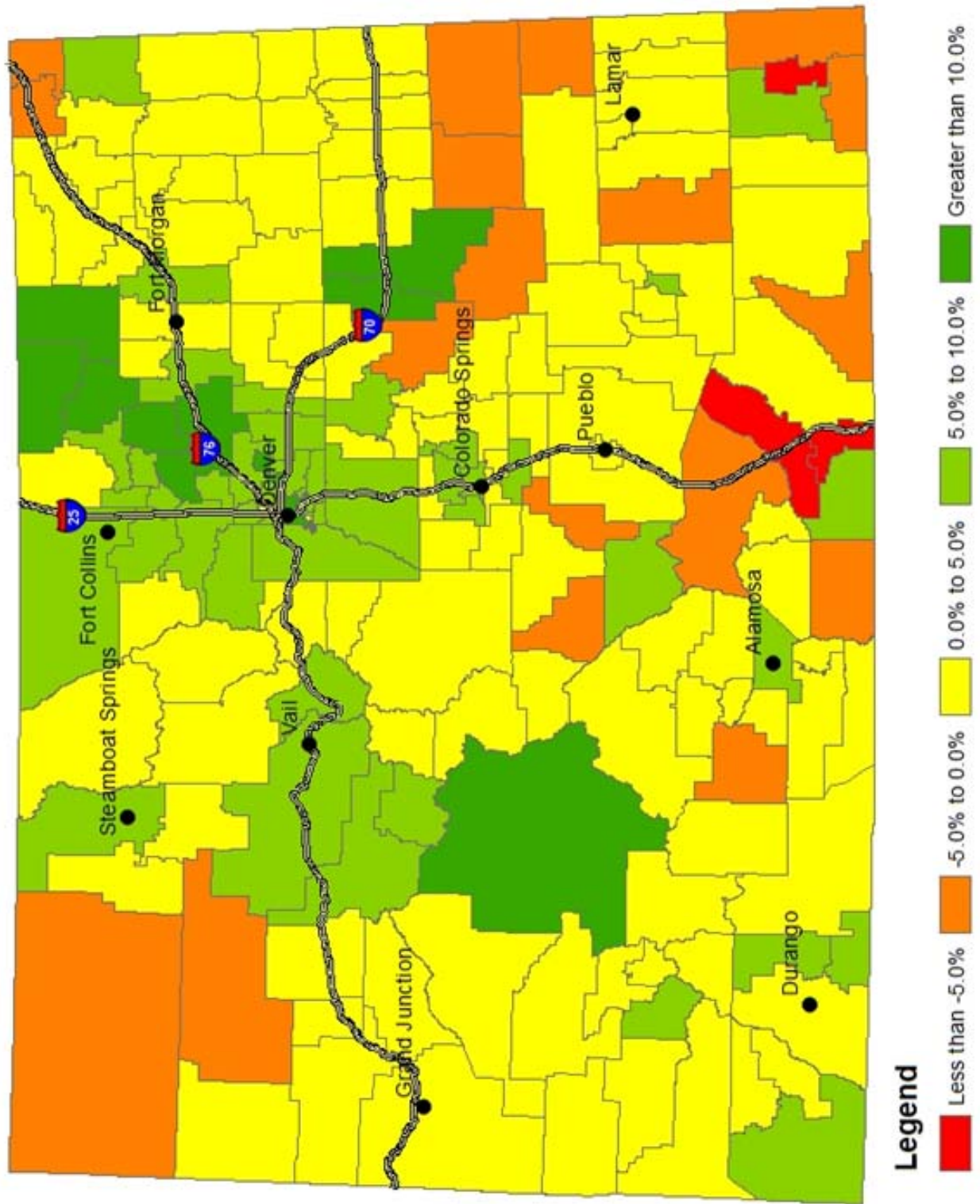


Figure 22
Forecast Percent Change in Total Assessed Valuation by School District
2015 Assessment Year (Budget Year 2015-16)



SCHOOL ENROLLMENT PROJECTIONS

This section of the forecast presents projections for kindergarten through twelfth grade (K-12) enrollment in Colorado's public schools. Projections are presented in full-time equivalent (FTE) terms, and are used to determine funding levels for Colorado's 178 school districts. Figure 23 shows total and online enrollment for the 2013-14 through 2016-17 school years. Table 20 summarizes current and projected enrollment for the 2014-15 through 2016-17 school years by forecast region. Figures 24 and 25 on pages 73 and 74 show enrollment growth projections by forecast region and school district, respectively, for the FY 2015-16 school year.

- *Overall K-12 enrollment* is projected to increase by 11,068 FTE students, or 1.4

percent, in the 2015-16 school year. Enrollment in the 2016-17 school year is expected to increase 1.3 percent, or by 10,502 statewide.

- Growth will be strongest in the northern and metro Denver regions, which are expected to see stronger economic growth than in other areas of the state. Enrollment declines are forecast for the southwest mountains and eastern plains regions for the 2015-16 school year.

Statewide enrollment forecast. The enrollment count for the 2014-15 school year showed 817,837 FTE students in Colorado's public schools, up by 12,148, or 1.5 percent, from the previous year. Last

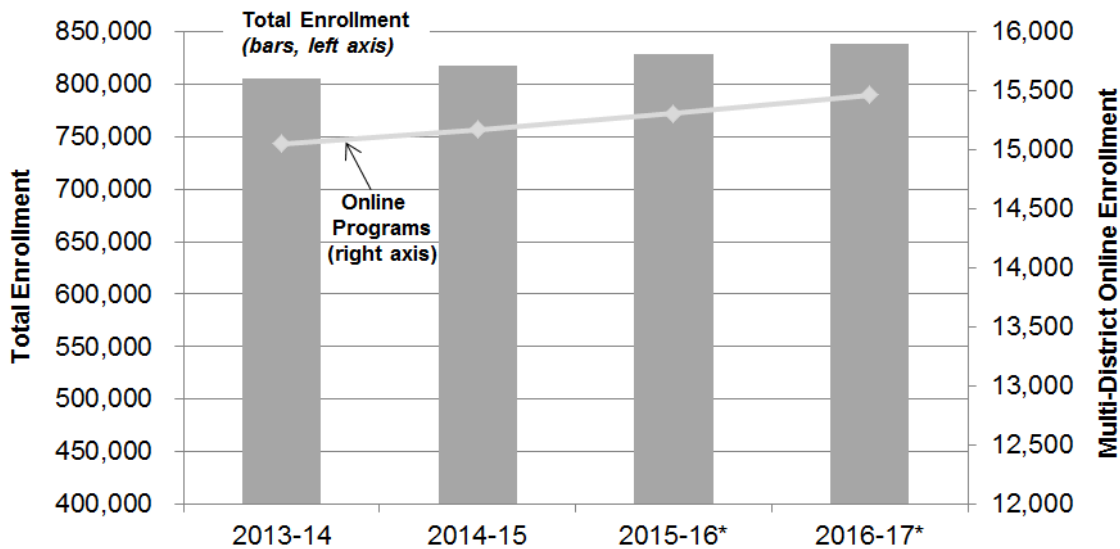
Table 20
Statewide and Regional Growth in K-12 Public School Enrollment
*Full-Time Equivalent Students**

Region	Actual 2014-15	Percent Change	Estimated 2015-16	Percent Change	Estimated 2016-17	Percent Change	Average Growth (2014-15 through 2016-17)
Colorado Springs	113,112	2.4%	114,156	0.9%	115,377	1.1%	1.0%
Eastern Plains	23,841	-2.1%	23,801	-0.2%	23,735	-0.3%	-0.2%
Metro Denver	472,572	1.6%	479,818	1.5%	486,280	1.3%	1.4%
Mountain	24,126	1.2%	24,423	1.2%	24,776	1.4%	1.3%
Northern	82,667	2.7%	84,599	2.3%	86,537	2.3%	2.3%
Pueblo	33,132	0.3%	33,220	0.3%	33,193	-0.1%	0.1%
San Luis Valley	7,073	0.0%	7,101	0.4%	7,143	0.6%	0.5%
Southwest Mountain	11,828	-0.4%	11,749	-0.7%	11,787	0.3%	-0.2%
Western	49,489	0.3%	50,037	1.1%	50,579	1.1%	1.1%
Statewide Total	817,837	1.5%	828,905	1.4%	839,407	1.3%	1.3%

Source: Colorado Department of Education and Legislative Council Staff.

*Kindergarten students are counted as 0.5 FTE.

Figure 23
Total Enrollment and Multi-District Online Enrollment
2013-14 through 2016-17 School Years
Full-Time Equivalent Students



Source: Colorado Department of Education and Legislative Council Staff.
 * Forecast period.

December, Legislative Council Staff projected student enrollment would reach 817,945 in the 2014-15 school year. Actual enrollment was lower than forecast by 108. Six of the nine forecast regions reported increases in enrollment, with the eastern plains, southwest mountains, and San Luis Valley regions showing declines.

Labor and real estate market conditions are the principal economic indicators associated with school enrollment across the state. Enrollment increases most quickly in areas where these markets are strongest, particularly the northern and metro Denver regions. These two regions have led the state in school enrollment growth since the 2010-11 school year, with the exception of the Colorado Springs region, which experienced higher growth during the 2013-14 school year because of the transfer of an online school from metro Denver to Colorado Springs. Enrollment growth in the northern and metro Denver regions is expected to dominate statewide growth through the forecast period.

Declining enrollment and slow growth rates are most prevalent in areas where jobs are scarce, dampening in-migration and leading to out-migration in some cases. Relative to the prior school year, enrollment declined in the eastern plains and southwest mountain regions, with the San Luis Valley, western, and Pueblo regions showing growth of 0.5 percent or less. These regions are attracting fewer families because of fewer job opportunities and stunted residential construction. Additionally, regions with smaller populations are more sensitive to the performance of individual industries or even individual businesses. With the exception of the western region, growth in each of these regions is expected to remain below 1.0 percent annually through the forecast period.

Smaller kindergarten classes are expected through the forecast period. The decline in kindergarten student enrollment is attributable to the Great Recession, when fewer babies were born and fewer houses were built. According to the State Demography Office, the age five cohort fell 1.0 percent in the 2014-15 school year and is

expected to decline a further 1.0 percent in 2015-16. Kindergarten student enrollment fell 1.9 percent in 2014-15, and is expected to decline a further 0.3 percent in 2015-16.

Enrollment forecast by region. Table 20 shows anticipated regional enrollment growth over the forecast period.

The **metro Denver region**, which includes Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties, accounted for 57.8 percent of total Colorado enrollment in the 2014-15 school year. Enrollment in the region grew 1.6 percent over the previous school year. Enrollment in metro Denver has been increasing for over a decade and is expected to continue growing through the forecast period. In the 2015-16 school year, enrollment is projected to grow 1.5 percent to 479,818 FTE students. Enrollment in the 2016-17 school year is projected to reach 486,280, an increase of 1.3 percent.

Growth in metro Denver student enrollment is driven by a strengthening regional economy. Consistent growth in jobs and residential construction is expected in the Denver area through the forecast period, which will contribute to in-migration and a growing population of school-aged children. The State Demography Office expects Denver's school-aged cohort, the population of children between the ages of six and 17, to grow 1.3 percent and 1.0 percent during the 2015-16 and 2016-17 school years, respectively.

Within the metro Denver region, enrollment growth is largely attributable to Denver Public Schools (DPS), the state's largest school district, which by itself accounted for 10.1 percent of statewide enrollment in the 2014-15 school year. Enrollment in DPS increased 3.7 percent, in 2014-15 compared with the previous school year. Growth in DPS enrollment is forecast at 3.6 percent and 2.7 percent in the 2015-16 and 2016-17 school years, respectively, as jobs and housing drive in-migration.

Outside of the City and County of Denver, enrollment growth will be quickest in the northern and eastern portions of the region. Student enrollment growth rates in Aurora Public Schools, St. Vrain Valley School District, and School District 27J in Brighton are each projected to exceed 3.0 percent in the 2015-16 school year. Enrollment in the state's second-largest school district, Jefferson County Public Schools, is expected to remain flat.

The **northern region**, which includes Larimer and Weld counties, is exhibiting the fastest enrollment growth in the state. In the 2014-15 school year, the region's enrollment grew by 2,158, or 2.7 percent, over the previous school year. The region is projected to add another 1,933 students in the 2015-16 school year, representing a growth rate of 2.3 percent. The forecast for the northern region reflects a healthier economy than much of the rest of the state, with consistent job growth and low out-migration. In many Weld County districts, expectations for enrollment depend on a rebound in oil prices because of the importance of the oil extraction industry to the region.

Enrollment in the **Colorado Springs region**, which includes El Paso County, increased 2.4 percent in the 2014-15 school year. As predicted in last year's forecast, growth in enrollment slowed considerably from the previous school year, when the region added new students at a rate of 4.5 percent as online school options expanded. Falcon School District 49 in eastern El Paso County dominates growth in the region, as new housing development is concentrated to the east of Colorado Springs. Enrollment growth in the region is forecast at 0.9 percent in the 2015-16 school year, consistent with 2014-15.

The **Pueblo region**, consisting of Custer, Fremont, Huerfano, Las Animas, and Pueblo counties, reported a 0.3 percent increase in enrollment in the 2014-15 school year, beating expectations published in last year's forecast by nearly a full percentage point. Enrollment in the region's two main

school districts, Pueblo City Schools and Pueblo County School District 70, grew a combined 1.0 percent. Enrollment in the Pueblo region is expected to continue to grow slowly until more improvements in the regional labor and housing markets are realized. Enrollment is expected to increase 0.3 percent in the 2015-16 school year.

In the 2014-15 school year, the **eastern plains region** experienced a 2.1 percent drop in enrollment after falling by the faster rate of 1.8 percent in the previous school year. Enrollment in the region is projected to fall a further 0.2 percent in the 2015-16 school year. Limited job opportunities and out-migration to urban areas contribute to declining enrollment in the region. Additionally, online programs in other regions are drawing students away from brick and mortar schools on the eastern plains. Small, transient populations and unpredictable agricultural conditions make the forecast for this region more susceptible to error.

The **San Luis Valley region**, consisting of Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties, reported no change in enrollment this year. Enrollment in this region is expected to remain stable, growing 0.4 percent in 2015-16.

Enrollment in the **mountain region**, consisting of Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller counties, grew 1.2 percent in the 2014-15 school year and is expected to increase a further 1.2 percent in 2015-16. Enrollment in Eagle County Schools, the region's largest district, grew 3.2 percent in the 2014-15 school year and is driving growth in the region. Relatively high property values in some areas have slowed in-migration; enrollment growth in these areas depends disproportionately on births within each school district.

Enrollment trends in the **western region**, including Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel counties, vary considerably between districts. On the whole, regional enrollment in the 2014-15 school year, increased 0.3 percent.

Enrollment growth is expected to accelerate to 1.1 percent in 2015-16, with the largest increase coming from Mesa County Valley School District 51, the largest district in the region. Prospects for growth are slim in other districts, with mine closings in Delta County affecting the enrollment outlooks for both Delta and Montrose.

The **southwest mountain region**, including Archuleta, Dolores, La Plata, Montezuma, and San Juan counties, reported a 0.4 percent decline in enrollment in the 2014-15 school year. Enrollment in this region is expected to fall a further 0.7 percent in 2015-16 before stabilizing in 2016-17. Most of this small decline is expected to come from outside the region's two largest districts in Durango and Cortez.

Risks to the forecast. The labor market remains the primary driver of enrollment growth in the state. If jobs are added at a rate more quickly than forecast, additional in-migration could result in enrollment growth above projections. Job opportunities will be staggered and uneven across the state, and choices made by individual employers will affect the outlooks of school districts and regions with smaller populations. If the state's economy performs worse than anticipated, enrollment growth will come in slower than forecast as families seek employment opportunities elsewhere. Finally, energy prices could impact enrollment growth in specific school districts. Oil prices, in particular, are projected to rise moderately in the future, sustaining continued enrollment growth in the northern region. Lower oil prices than expected could dampen enrollment growth below this forecast, especially in the northern region.

Figure 24
Forecast Percent Change in Enrollment by Economic Region
2015-16 School Year (Budget Year 2015-16)

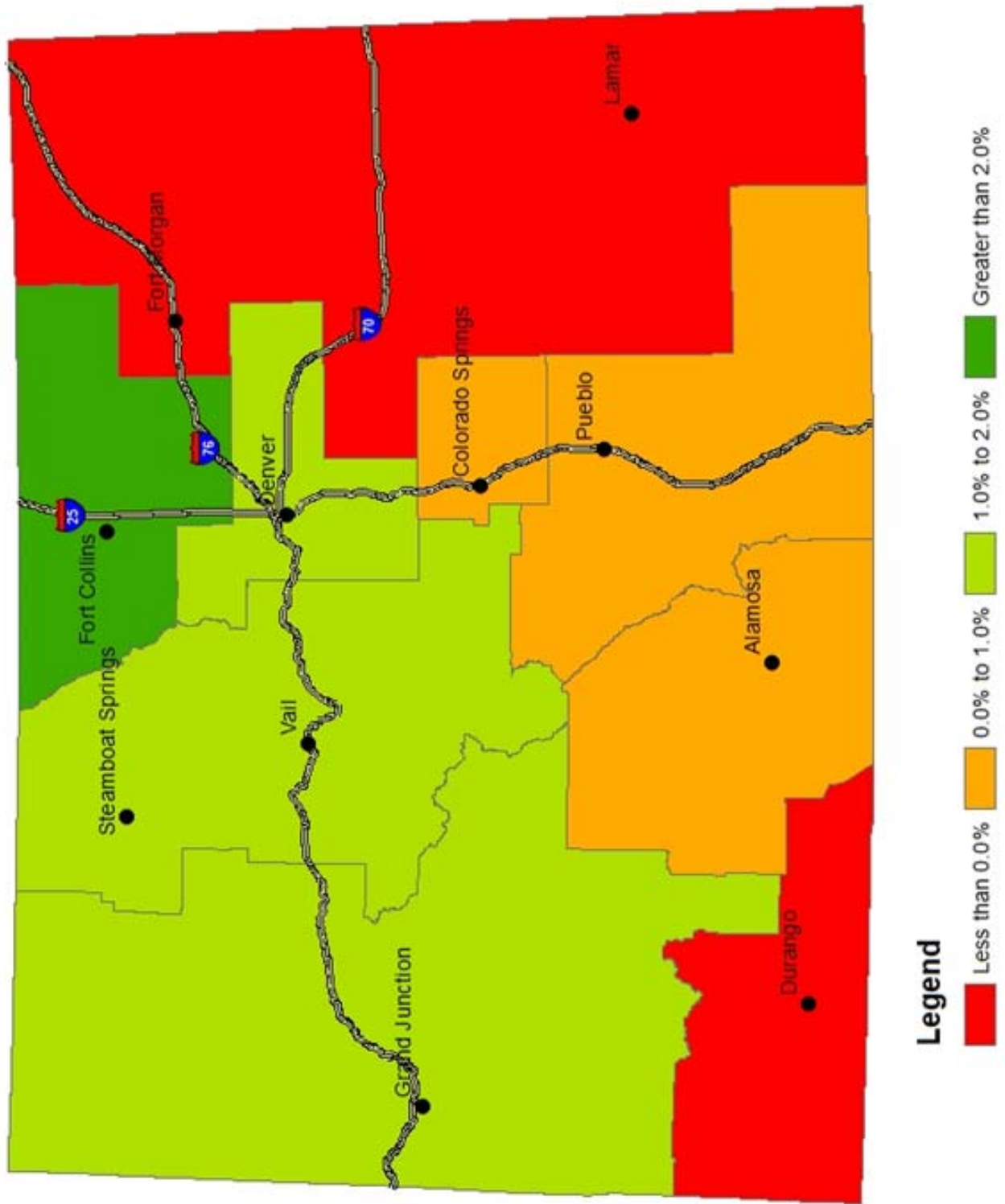
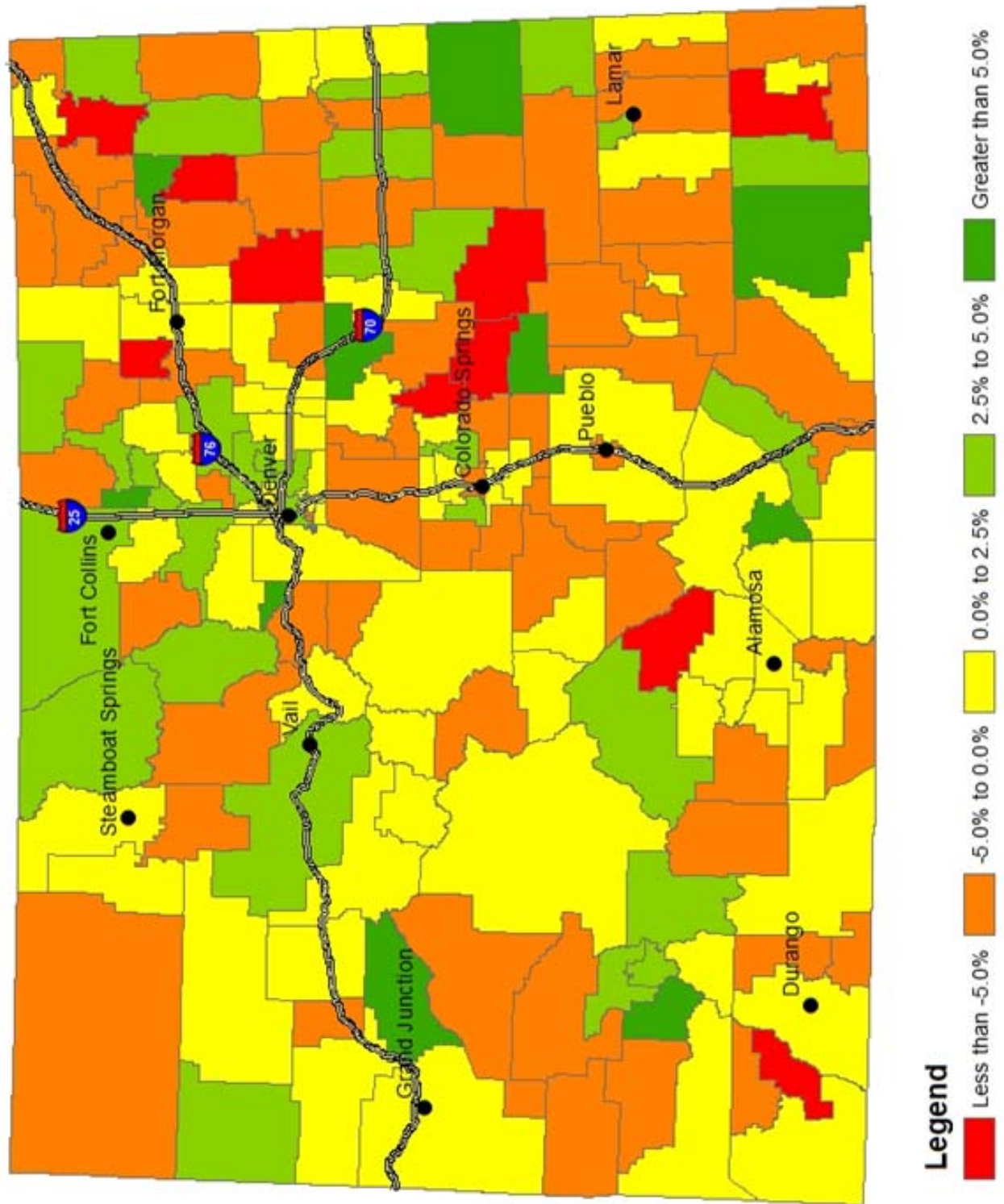


Figure 25
Forecast Percent Change in Enrollment by School District
2015-16 School Year (Budget Year 2015-16)



ADULT PRISON & PAROLE POPULATION PROJECTIONS

Recent data show that the trends for adult prison and parole populations are continuing their course, with the prison population trending upwards and the parole population experiencing a decline. This section summarizes key findings for the forecast period of FY 2014-15 through FY 2016-17. It presents the historical and current trends affecting the male, female, and total inmate populations and compares the salient differences between the December 2013 and December 2014 forecasts. Next, the parole forecast is presented and compared to the December 2013 forecast. 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 with the December 2013 forecast, projections for the prison population were increased slightly. This change is primarily due to higher than expected court filings and admissions in FY 2013-14. The following outcomes are anticipated over the forecast period:

- **Overall population (increase).** Over the three-year forecast period, the overall inmate population is anticipated to increase 4.1 percent, rising from 20,522 inmates in June 2014 to 21,586 inmates in June 2017. However, the rate of admissions is expected to slow and the pace of releases is projected to increase towards the end of the three-year period. This finding is influenced by anticipated increases in discretionary parole releases beginning in FY 2015-16.
- **Male population (increase).** The male population is expected to increase by about 318 inmates per year over the forecast

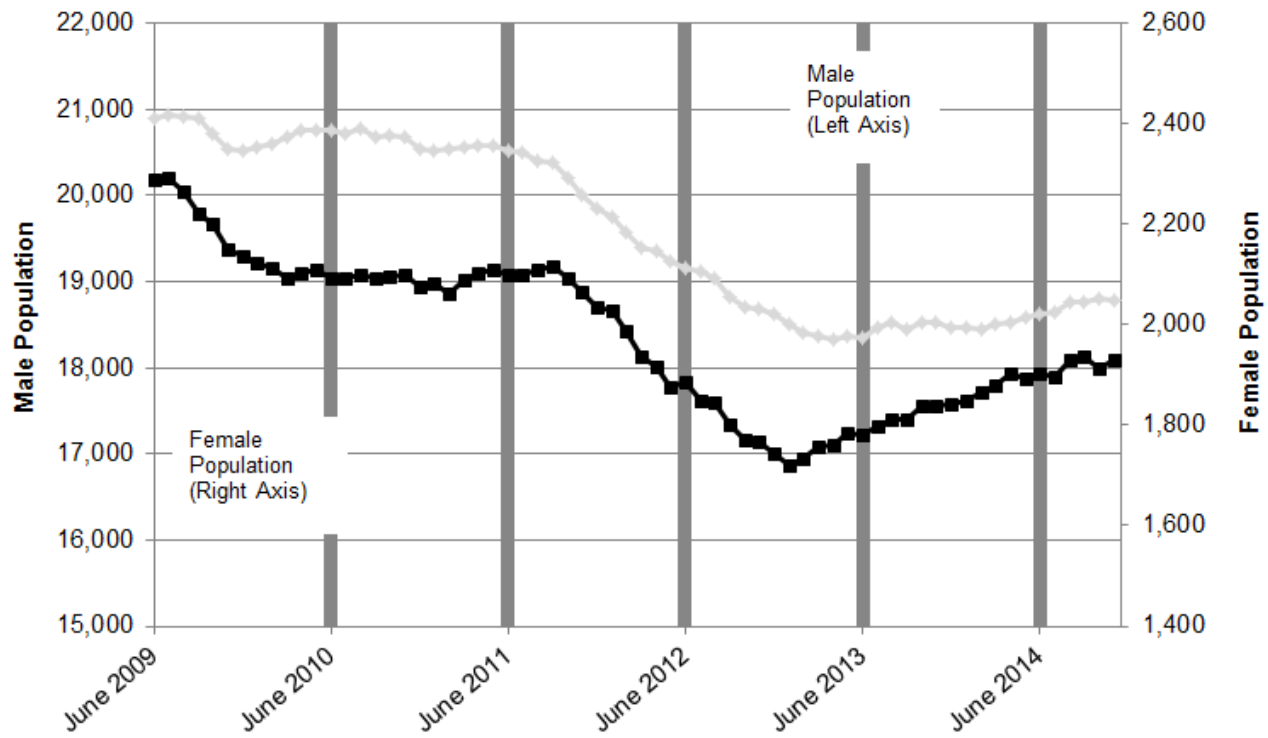
period, from 18,619 inmates in June 2014 to 19,572 inmates in June 2017. Higher rates of admissions are the primary factor in the anticipated growth of the male population.

- **Female population (increase).** The female population is projected to increase at a slower pace than males, rising by about 37 inmates per year from 1,903 inmates in June 2014 to 2,014 inmates in June 2017. The projected increase in the total female population is primarily a result of anticipated new commitments.
- **Parole (initial decrease, then increase).** The total in-state parole population is projected to decrease from 8,116 people in June 2014 to 7,985 people in June 2015. Beginning in June 2015 and continuing through June 2017, modest increases in parole caseload are expected. The total parole population (which includes all supervised in-state and out-of-state parolees, but excludes intrastate transfers and absconders) will increase slightly from 10,432 people in June 2014 to 10,551 people in June 2017. As the pace of discretionary releases accelerates toward 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 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

Figure 26
Historical Trends in Population by Gender
June 2010 to November 2014



population rising about 3.1 percent between April 2013 and November 2014. Inmate populations are anticipated to continue to rise.

Part of the growth in inmate populations can be attributed to drops in releases. Total releases fell 6.3 percent in FY 2013-14, compared with the prior fiscal year. During this period, the female release rate fell 4.7 percent (1,221 releases in FY 2012-13 compared to 1,164 releases in FY 2013-14) and the male release rate dropped 6.5 percent (9,285 releases in FY 2012-13 compared to 8,679 releases in FY 2013-14). Figure 26 shows historical trends in population by gender.

Table 21 shows the historical and projected prison populations by gender from FY 2009-10 through FY 2016-17.

Adjustments to the forecast for total population. Figure 27 shows the change in this year's inmate population forecast from the

December 2013 projection. In November 2014, the population was expected to be 20,715 inmates. The actual population was 20,716, a difference of one inmate. The December 2014 forecast has been revised upward from the December 2013 forecast based on trends observed since May 2013. These trends include growing case filings and admissions and reduced discretionary parole releases.

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 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 in 2013 placed attention on the incorrect recording of consecutive sentences for certain inmates and the management of the

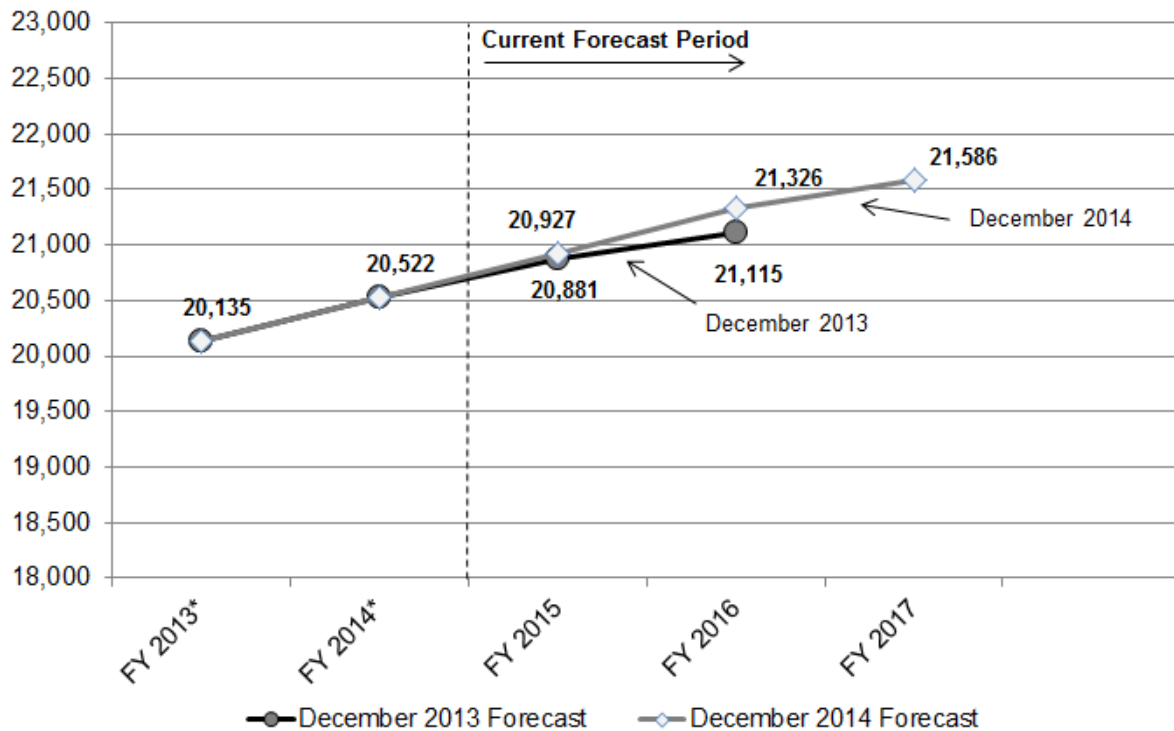
Table 21
History and Forecast of Adult Prison Population, by Gender
(On June 30 of Fiscal Year)

Fiscal Year	Males	% Change	Females	% Change	Totals	% Change
FY 2009-10	20,766	(0.6)%	2,094	(8.6)%	22,860	(1.4)%
FY 2010-11	20,512	(1.2)%	2,098	0.2%	22,610	(1.1)%
FY 2011-12	19,152	(6.6)%	1,885	(10.2)%	21,037	(7.0)%
FY 2012-13	18,355	(4.2)%	1,780	(5.6)%	20,135	(4.3)%
FY 2013-14	18,619	1.4%	1,903	6.9%	20,522	1.9%
FY 2014-15*	18,963	1.8%	1,964	3.2%	20,927	2.0%
FY 2015-16*	19,351	2.0%	1,974	0.5%	21,326	1.9%
FY 2016-17*	19,572	1.1%	2,014	2.0%	21,586	1.2%

Source: Colorado Department of Corrections.

*Legislative Council Staff Projections.

Figure 27
Adult Inmate Population, Forecast to Forecast Comparison
December 2013 to December 2014



Source: Colorado Department of Corrections.

*Actual totals shown for FY 2012-13 and FY 2013-14.

Table 22
History and Forecast of Parole Population
(On June 30 of Fiscal Year)

Fiscal Year	Parole In-State	% Change	Parole Out-of-State	% Change	Total	% Change
FY 2009-10	8,535	(5.3)%	2,100	3.5%	10,635	(3.7)%
FY 2010-11	8,181	(4.1)%	1,922	(8.5)%	10,103	(5.0)%
FY 2011-12	8,445	3.2%	2,066	7.5%	10,511	4.0%
FY 2012-13	8,746	3.6%	2,008	(2.8)%	10,754	2.3%
FY 2013-14	8,116	(7.2)%	2,316	15.3%	10,432	(3.0)%
FY 2014-15*	7,985	(1.6)%	2,223	(4.0)%	10,208	(2.1)%
FY 2015-16*	8,028	0.5%	2,275	2.3%	10,303	0.9%
FY 2016-17*	8,137	1.4%	2,414	6.1%	10,551	2.4%

Source: Colorado Department of Corrections.

*Legislative Council Staff Projections.

Note: Total parole population does not include absconders, interstate transfers in Colorado, or Colorado parole absconders apprehended out of state.

parole population, which likely accounts for reduced releases during the summer of 2013 and projected reductions of releases in the short-term future.

assumes that the parole population will decrease for the next fiscal year and then show modest gains in the second and third fiscal years of the forecast as more discretionary releases are granted.

Parole Forecast

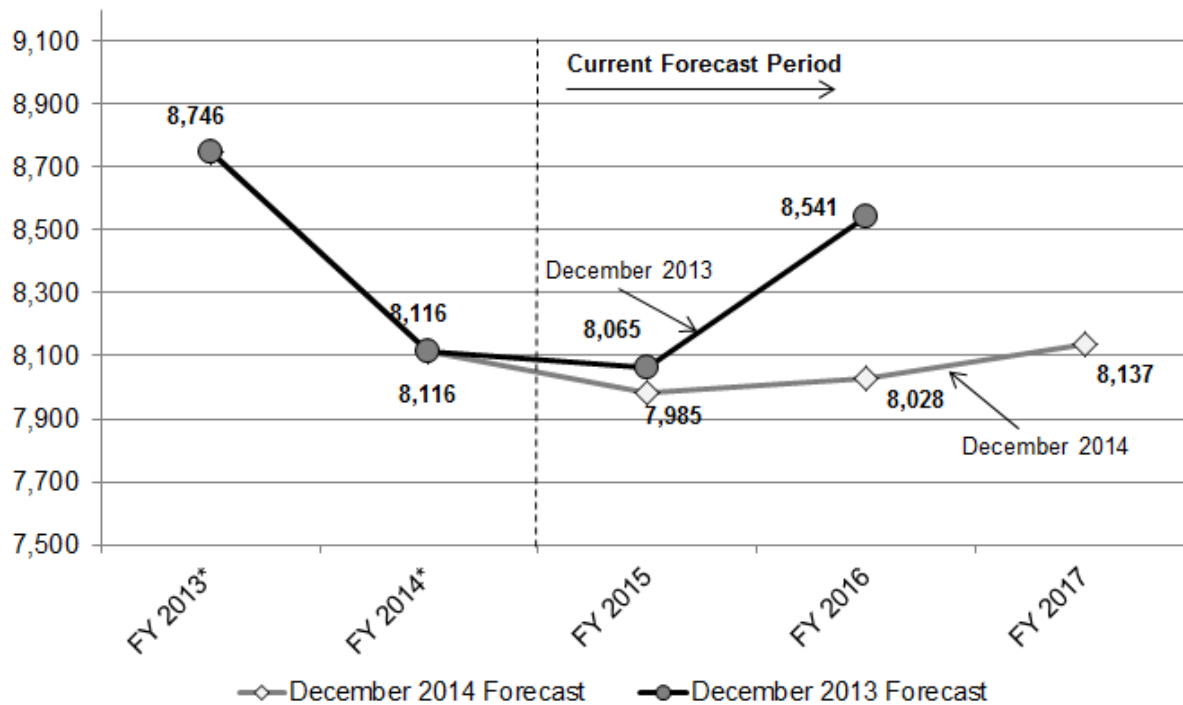
Table 22 provides a history of the parole population supervised in-state and out-of-state, as well as the forecast for these populations through June 2017. As shown in the table, the number of parolees *supervised in-state* is expected to fall through FY 2015-16, after which it will increase as the rate of releases from prison accelerates. The in-state parole population is projected to increase by 2.6 percent between November 2014 and June 2017.

Adjustments to the forecast for parole. Figure 28 shows the change in this year's in-state parole population forecast from the December 2013 projection. The December 2014 forecast revises expectations downwards for the in-state parole population to account for lower than anticipated releases from prison, particularly among males. This forecast

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.

Figure 28
Adult In-State Parole Population, forecast to Forecast Comparison
December 2013 to December 2014



Source: Colorado Department of Corrections.
 *Actual totals shown for FY 2012-13 and FY 2013-14.

- **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 population is projected to grow about 4 percent through the forecast period, which may put mild upward pressure on the inmate population.
- **Economic factors.** As discussed above, new court commitments have increased about 2 percent during 2014, despite an overall improvement in economic conditions. Accordingly, this forecast assumes little 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 are anticipated to increase for both males and females at a faster rate than releases, placing upward pressure on the inmate population.

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

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.

House Bill 14-1355 provided about \$8.2 million and 78.4 FTE per year for reentry programs for adult parolees. Initiatives funded by the bill are to include programs to assist offenders in a correctional facility to prepare for release to the community; efforts to assist each offender's transition from a correctional facility into the community; and operational enhancements, including equipment, training, and programs to supervise offenders in the community.

- **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 DOC 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 Parole Board. The Parole Board has a tremendous influence on both the parole population and the population of parole revocations to prison. Discretionary releases to parole decrease the inmate population and increase the parole population, while parole revocations do the reverse. Currently, discretionary releases are at reduced levels while parole revocations had been trending upward. However, in the current calendar year, parole revocations are down 2 percent and parolee returns with a new felony are down 12 percent. In addition, House Bill 14-1355, which took effect in June 2014, provides about \$8.2 million and 78.4 FTE to provide a range of programs and services for adult parolees. The forecast assumes that these additional resources and improved outcomes among parolees will result in an increase of discretionary releases and reduced parole revocations in the out years.

A second risk to the forecast is that 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. In the most recent year, new court commitments increased by about 2 percent. 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.

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 796 youths in FY 2013-14 to 713 youths in FY 2016-17.
- The DYC **detention population** will decrease from an average daily population of 293 youths in FY 2013-14 to 256 youths in FY 2016-17.
- The average daily **parole population** will correspondingly fall from 276 youths in FY 2013-14 to 233 youths in FY 2016-17.

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 determinate period of between one and seven years for committing an offense that would be a felony or misdemeanor if committed by an adult.

Detention. The court may sentence a juvenile to a detention facility if he or she is found guilty of an offense that would constitute a class 3, 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. Juveniles between 18 and 21 who are 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 child care center.

Influences on the Juvenile Offender Population

Court sentencing practices. Total 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. However, between FY 2012-13 and FY 2013-14, juvenile case filings fell from 27,296 cases to 24,600 cases, or 9.9 percent. This decline in filings is expected to continue and puts downward pressure on the populations committed to DYC supervision.

In addition, policies affecting sentencing alternatives for juveniles affect the size of the detention and commitment populations. These include the creation of diversionary programs as alternatives to

incarceration, mandated caps on sentence placements, and changes to parole terms. Between the 2012 and 2014 legislative sessions, six bills passed that affect the detention, commitment, and parole populations:

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, 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 much 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.

House Bill 14-1023 required the Office of the State Public Defender to hire social workers to assist in juvenile defense cases.

House Bill 14-1032 required that a juvenile detained for a delinquent act be represented by counsel at the detention hearing and makes provisions for state representation when private counsel is

not retained. It also requires specific procedures for the advisement of rights and waiver of counsel, as well as streamlines the process and eligibility for state representation for all juveniles.

Division of Youth Corrections Sentencing Placements and Population Forecast

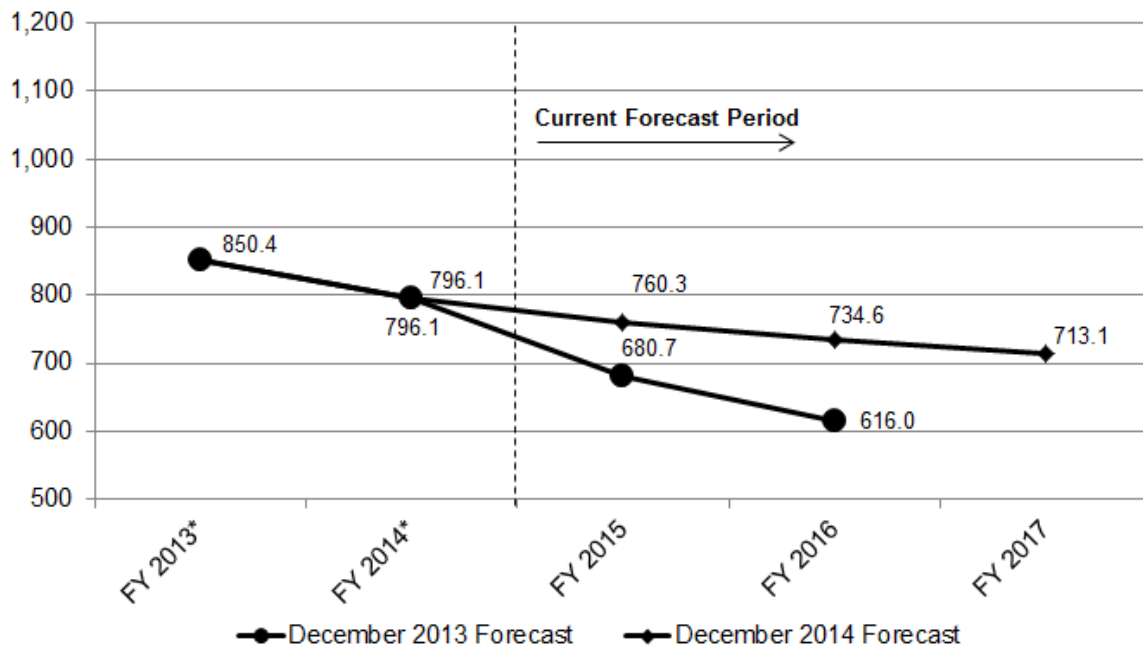
Commitment. The commitment population consists of juveniles adjudicated for a crime and committed to DYC custody. In FY 2013-14, the average daily commitment population was 796 youths, representing a 6.4 percent decrease from the prior year. Between FY 2014-15 and FY 2016-17, the commitment population will drop further to 713 youths, representing a total decrease of 10.4 percent from FY 2013-14.

Projected DYC commitments have been adjusted upward from expectations in December 2013 to account for the lower than expected rate of decline in FY 2013-14. Overall commitments are expected to continue to decline, but at a slower pace. Figure 29 compares the forecasts in average daily commitment population forecasts from December 2013 and December 2014.

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.

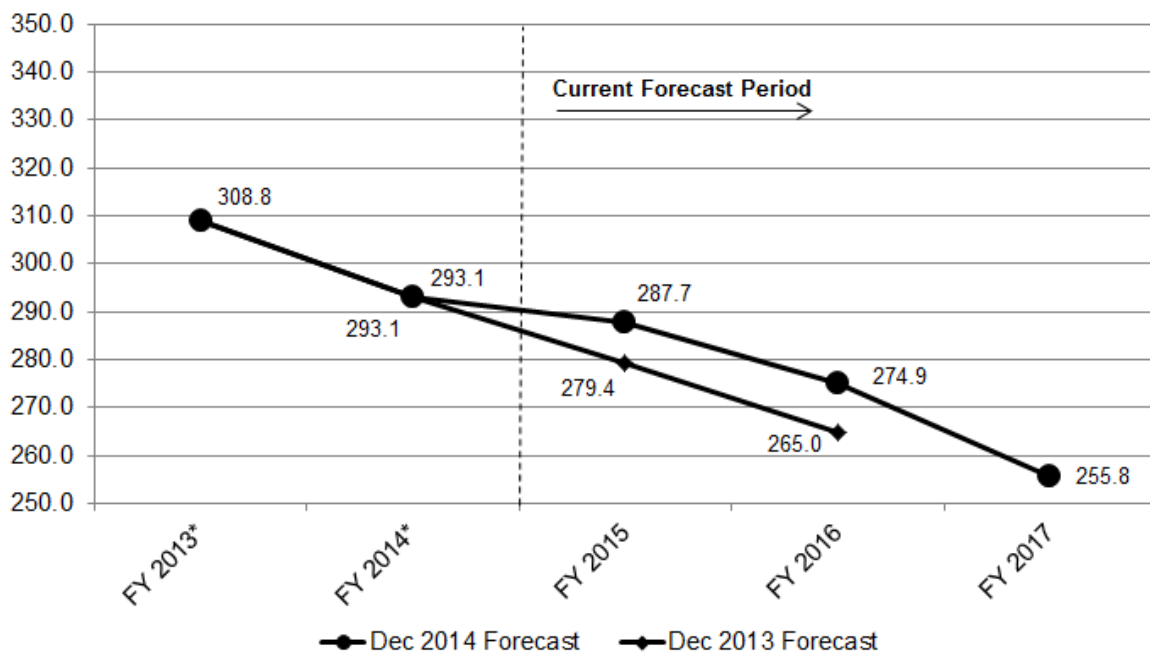
In FY 2013-14, the detention population averaged 293 youths, a 5.1 percent decrease from FY 2012-13. For FY 2014-15, the detention population is expected to fall another 1.8 percent to 288 youths. The population is expected to continue to decline through the remainder of the three-year forecast period, falling to 256 youths as of FY 2016-17. Figure 30, below, compares the forecasts in the average daily detention population from December 2013 and December 2014.

Figure 29
Comparison of DYC Average Daily Commitment Population Forecasts
December 2013 and December 2014



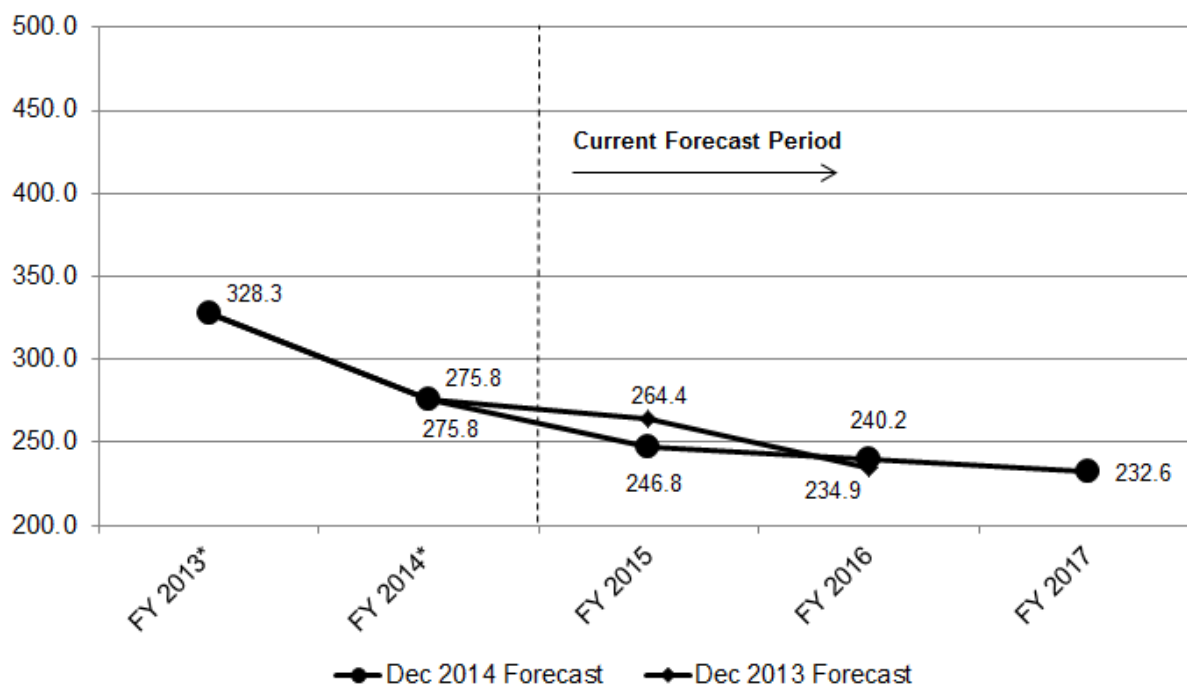
Source: Division of Youth Corrections, Colorado Department of Human Services.
 *Actual data

Figure 30
Comparison of DYC Average Daily Detention Population Forecasts
December 2013 and December 2014



Source: Division of Youth Corrections, Colorado Department of Human Services.
 *Actual data

Figure 31
Comparison of DYC Average Daily Parole Population Forecasts
December 2013 and December 2014



Source: Division of Youth Corrections, Colorado Department of Human Services.

*Actual data

Similar to the commitment population, declines in the detention population are expected to continue throughout the forecast period. The average daily detention population is expected to drop to 256 youths by FY 2016-17 as a result of legislation that requires the presence of counsel during youth detention hearings. The forecast assumes that as more youths have representation at this stage, the average length of time spent in detention per youth will decrease below the average of 15.4 days in FY 2013-14. The annual rate of decline is projected to accelerate from 4.5 percent in FY 2015-16 to 7.0 percent in FY 2016-17.

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 2013-14, the average daily parole population was 276, a 16.0 percent decrease from the prior year. By FY 2014-15, the parole population is projected to drop to 247 youths, representing a further decrease of 10.5 percent from the prior fiscal year. In FY 2015-16, the population is expected to fall to 240 youths before dropping to 233 youths in FY 2016-17.

As Figure 31 shows, projected DYC parolees over the entire forecast period have been adjusted from expectations in December 2013. This adjustment is the result of changes to expectations for the commitment population and decreases in the average length of stay on parole from 6.7 months in FY 2012-13 to 6.5 months in FY 2013-14.

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.

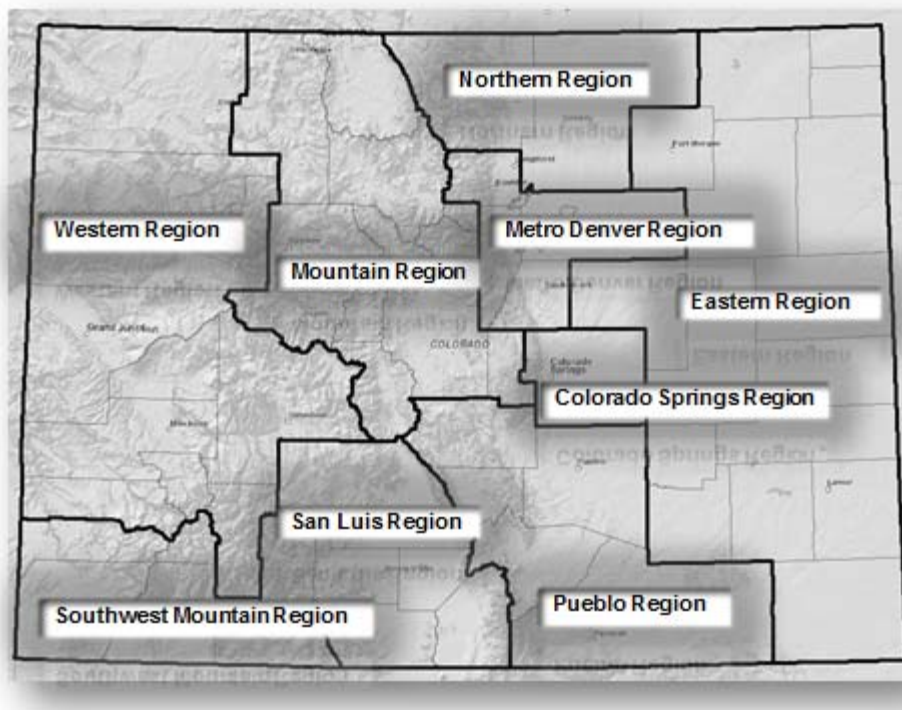
Similarly, the juvenile parole board has a tremendous influence upon the parole population and the population of revocations and re-commitments. Because the board has the discretion to extend parole beyond the six-month mandatory period in a majority of cases, the parole population could fluctuate significantly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

This section provides an overview of Legislative Council's nine economic regions for the state. Figure 32 provides a statewide overview of the unemployment rate by county and region through July 2014, the latest data available. Figure 33 shows the percent change in average weekly wage from the second quarter of 2013 to the second quarter of 2014.



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

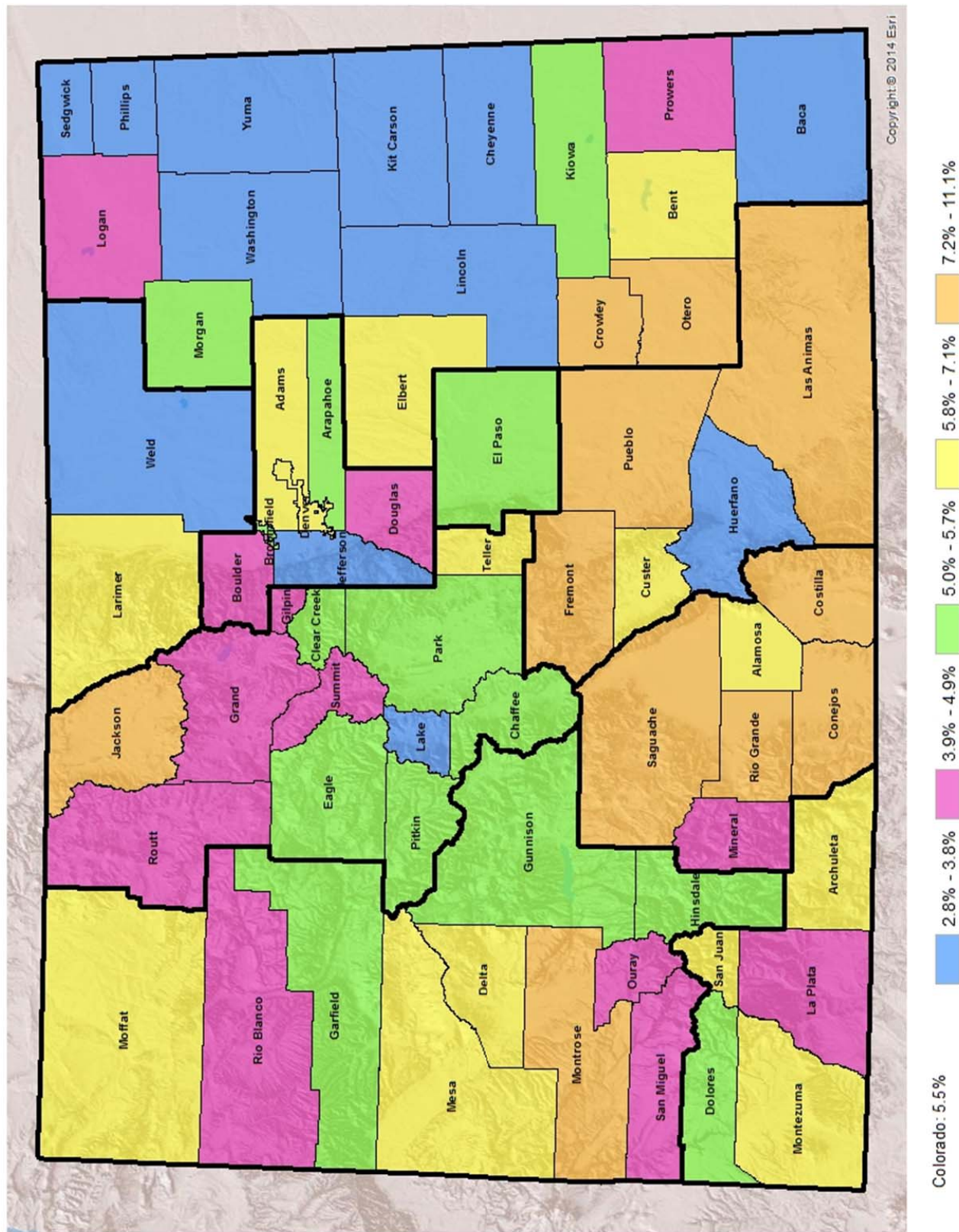
Like the employment data, residential housing permits and agriculture data are also based on surveys. This data is revised periodically. Retail trade sales data typically has few revisions because the data reflects actual sales by Colorado retailers. Nonresidential construction data in the current year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

Figure 32



Source: U.S. Bureau of Labor Statistics; QCEW. Data through second quarter 2014.

Figure 33
Unemployment Rate by County and Region through September 2014
(Seasonally Adjusted)



Source: U.S. Bureau of Labor statistics; LAUS. Data through September 2014.

Metro Denver Region

Economic growth remains robust in the metro Denver region, which posted 40,000 new jobs year-to-date through October. This growth in the workforce has contributed to a lower unemployment rate for the region. Personal income growth is supporting the region's residential real estate market and higher retail sales. In addition, declining vacancy rates, especially in both the office and retail markets, have spurred growth in the number of new nonresidential construction projects. Table 23 shows economic indicators for the region.

Strong employment growth and a fast-falling unemployment rate in the Denver metropolitan area are creating one of the best labor markets in the country. The region has added nearly 40,000 new jobs in 2014 for a job growth rate of 2.7 percent. Job growth has occurred in 10 of 11 supersectors. The information supersector has reported a slight decline, while growth has been the strongest in natural resources and construction, education and health services, professional and business services, and leisure and hospitality. Figure 34 shows seasonally adjusted nonfarm employment in the metro Denver area since January 2006. As businesses continue to increase hiring in the metro Denver region, the unemployment rate continues to fall. In October 2014, the region's unemployment rate was 5.5 percent, down from 5.9 in January. The declining unemployment rate and the growth in the labor force are shown in Figure 35.

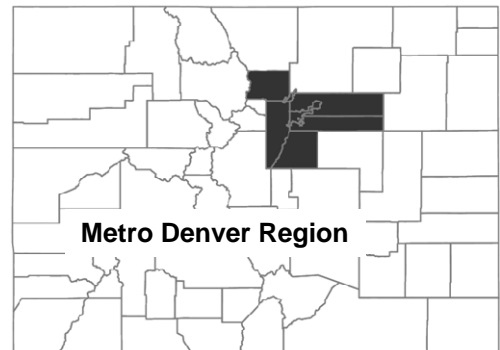


Table 23
Metro Denver Region Economic Indicators
 Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-0.5%	1.8%	2.9%	3.5%	2.7%
Unemployment Rate /2	8.8%	8.3%	7.5%	6.4%	5.5%
Housing Permit Growth /3					
Single-Family (Denver-Aurora)	35.5%	-0.4%	58.5%	18.9%	17.3%
Single-Family (Boulder)	101.0%	-5.2%	29.0%	22.5%	21.6%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-1.5%	24.7%	14.2%	22.2%	8.2%
Square Footage of Projects	8.4%	36.5%	-8.6%	-9.1%	10.5%
Level (1,000s)	1,981,058	2,703,545	2,470,892	2,246,899	2,127,509
Number of Projects	-35.8%	-2.5%	5.9%	22.8%	21.1%
Level	591	576	610	749	762
Retail Trade Sales Growth /5	6.9%	4.3%	8.0%	4.6%	8.4%

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 2014.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through September 2014.

3/ U.S. Census. Growth in the number of residential building permits. Data through October 2014.

4/ F.W. Dodge. Data through October 2014.

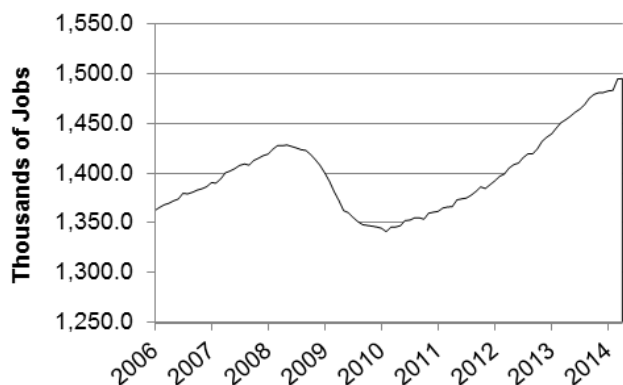
5/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2014.

While the pace of the housing recovery has slowed in 2014, an attractive labor market and strong real estate fundamentals continue to support the Denver area housing market. Single-family permits in the Denver-Aurora area are up 17.3 percent through the first ten months of 2014 compared with the same period in 2013, and single-family permits in Boulder are up 21.6 percent. Figure 36 shows the number of residential housing permits issued in the Denver region since 2005.

A strong economy, low vacancy rates and rising lease rates, especially in downtown Denver, are encouraging more nonresidential development in the metro Denver area. More than 750 nonresidential projects have begun in metro Denver through the first ten months of 2014, a 21.1 percent increase from the same period one year ago. Once complete, these projects will add over 2.1 million square feet to the region's nonresidential inventory. Figure 37 shows nonresidential building permits on a square foot basis.

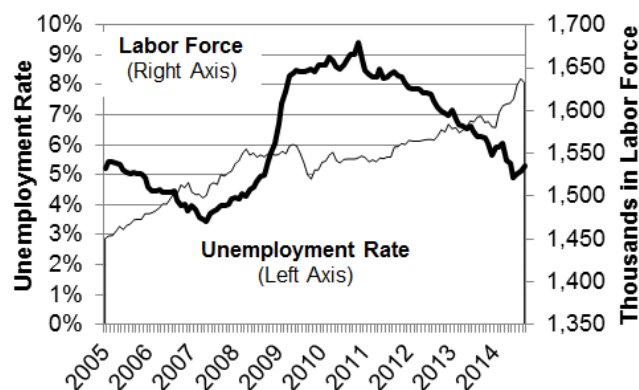
Similar to other economic indicators for the region, an improving labor market, increasing personal income growth and a strong real estate market are supporting strong retail sales in the metro Denver region. Retail sales in May 2014 were \$3.8 billion, an 8.4 percent increase from the same period one year ago. These positive trends tend to fuel greater consumer confidence, which could also lead to more consumers spending.

Figure 34
Metro Denver Employment
Seasonally Adjusted



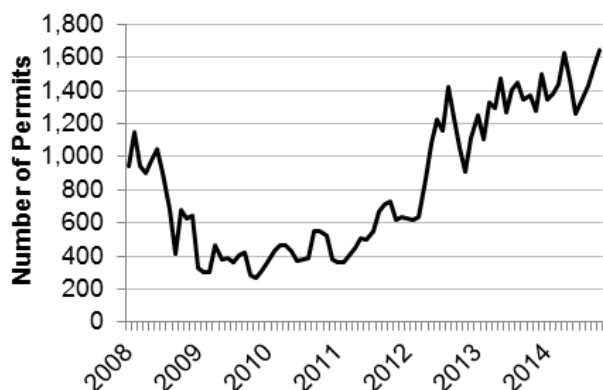
Source: U.S. Bureau of Labor Statistics; CES.
Data through September 2014.

Figure 35
Metro Denver Labor Force and Unemployment Rate
Seasonally Adjusted



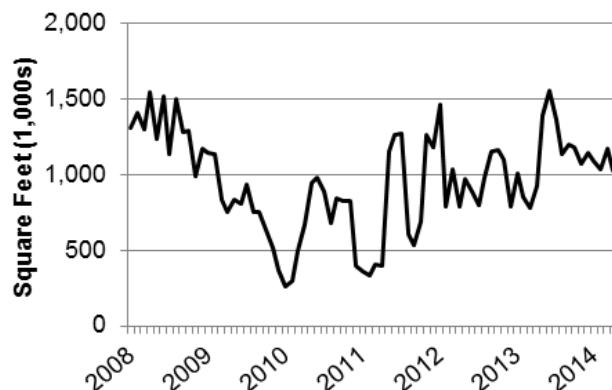
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through September 2014.

Figure 36
Denver-Boulder Total Residential Building Permits
*Three-Month Moving Average;
Seasonally Adjusted Data*



Source: U.S. Census Bureau. Data through October 2014.

Figure 37
Metro Denver Nonresidential Building Permits: Square Feet
*Three-Month Moving Average;
Non-Seasonally Adjusted Data*



Source: F.W. Dodge. Data through October 2014.

Northern Region

Both Larimer and Weld Counties, which make up the northern region, are showing positive economic growth. The number of jobs continues to increase and the unemployment rate is falling. Retail sales are growing and so are residential and nonresidential construction. Oil and gas exploration and development continues to expand which helps to boost economic activity in the region. Table 24 shows economic indicators for the northern region.

The labor market in the northern region is strong, with employment growing 2.7 percent in Larimer County and 5.1 percent in Weld County between January and October of 2014 compared with the same period last



Table 24
Northern Region Economic Indicators
Weld and Larimer Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1					
Fort Collins-Loveland MSA	0.4%	1.9%	2.7%	3.1%	2.7%
Greeley MSA	-0.6%	4.0%	4.9%	5.1%	5.1%
Unemployment Rate /2					
Fort Collins-Loveland MSA	7.4%	6.9%	6.2%	5.4%	4.6%
Greeley MSA	10.2%	9.5%	8.5%	7.1%	5.7%
State Cattle and Calf Inventory Growth /3	-1.2%	10.2%	-3.4%	-8.7%	-3.8%
Natural Gas Production Growth /4	1.1%	10.7%	11.3%	13.8%	-2.4%
Oil Production Growth /4	7.7%	30.6%	32.3%	46.1%	27.4%
Housing Permit Growth /5					
Fort Collins-Loveland MSA Total	32.1%	45.7%	63.3%	31.3%	12.7%
Fort Collins-Loveland MSA Single-Family	154.5%	1.0%	59.3%	28.8%	-49.5%
Greeley MSA Total	2.7%	-2.6%	58.8%	37.7%	17.0%
Greeley MSA Single-Family	10.4%	-3.1%	54.6%	45.6%	28.5%
Growth in Value of Nonresidential Construction/ 6					
Value of Projects	-48.8%	-11.8%	12.0%	55.0%	19.3%
Square Footage of Projects	-11.6%	-36.4%	42.1%	40.4%	28.7%
Level (1,000s)	277.193	244.493	273.779	424.437	477.471
Number of Projects	-15.5%	-5.1%	23.3%	-2.5%	60.8%
Level	136	129	159	154	209
Retail Trade Sales Growth /7					
Larimer County	7.8%	8.0%	5.8%	6.3%	6.9%
Weld County	10.1%	26.6%	5.2%	8.0%	13.4%

MSA = Metropolitan statistical area.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through October 2014.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through September 2014.

3/ National Agricultural Statistics Service. Cattle and calves on feed through July 2014.

4/ Colorado Oil and Gas Conservation Commission. Data through August 2014.

5/ U.S. Census Bureau. Growth in the number of residential building permits. Data through October 2014.

6/ F.W. Dodge. Data through October 2014. Prior forecasts reported Weld and Larimer Counties separately.

7/ Colorado Department of Revenue. Data through May 2014.

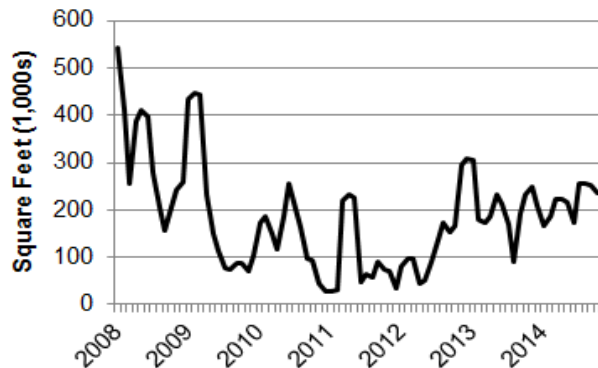
Figure 38
Fort Collins-Loveland and Greeley MSA
Nonfarm Employment
Seasonally Adjusted Data



Source: U.S. Bureau of Labor Statistics; CES. Data through October 2014.

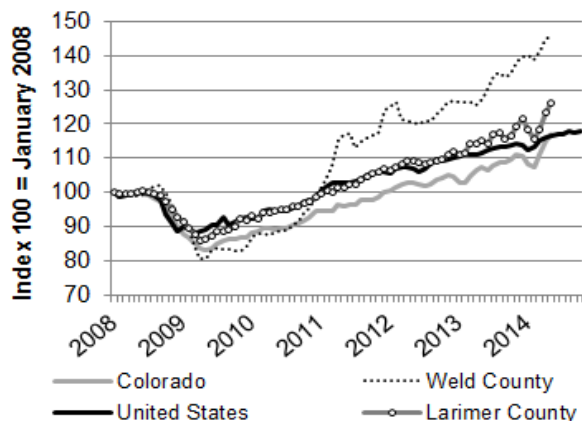
Figure 39
Northern Region Nonresidential Building Permits:
Square Feet
Three-Month Moving Average; Non Seasonally Adjusted Data

Three-Month Moving Average; Non Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2014.

Figure 40
Northern Region Retail Sales Indexed to January 2008
Seasonally Adjusted Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through May 2014; U.S. data through October 2014.

year. This growth kept the unemployment rate low in September, when it was 4.6 in Larimer County and 5.7 percent in Weld County. Figure 38 shows trends in employment for the Greeley and Fort Collins metropolitan statistical areas.

Construction in the northern region is also performing well. Residential permits have increased 12.7 percent in Larimer County and 17.0 percent in Weld County. There have already been 209 nonresidential construction projects started in the first ten months of 2014, an increase of 60.8 percent from the same period in 2013. The total value and square footage of those projects have also increased. Figure 39 shows the three-month moving average of the square footage of residential construction permits in the northern region.

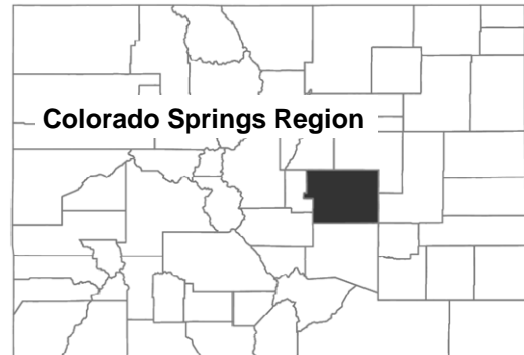
Retail sales in the northern region has grown in the first five months of 2014. In Weld County, sales increased 13.4 percent between January and May of this year compared with the same period in 2013, while sales in Larimer County increased 6.9 percent. Figure 40 shows indexed retail sales in each county in the northern region, Colorado and the nation.

The northern region has become the largest region in terms of oil and natural gas production in the state. This trend is expected to continue as oil and natural gas exploration and development continues in the region. After growing 46.1 percent in 2013, oil production has increased 27.4 percent between January and August 2014 compared with the same period in 2013. The recent decline in oil prices may decrease drilling activity and oil development in the northern region of the state, but so far economic indicators have not shown a slowing in activity.

Colorado Springs Region

The Colorado Springs economy is lagging behind the state as a whole because of reductions in government spending, which have a disproportionate impact on the Colorado Springs region. Weakness in the Colorado Springs economy can be seen in the labor market, the construction market, and retail sales when those indicators are compared to statewide measures. Table 25 shows economic indicators for the region.

The labor market is among the weakest in the state. Seasonally adjusted nonfarm employment increased 0.7 percent between January and October 2014, compared with the same period last year, and the unemployment rate was 7.1 percent in September. Employment growth was the slowest of any region in the state, and the unemployment rate is the third highest. Figure 41 shows nonfarm employment between 2006 and October 2014.



After growing 17.2 percent in 2013, the number of housing permits issued increased 8.0 percent between January and October when compared with the same period last year. This growth has been exclusively in multi-family permits, as single family permits decreased 8.8 percent

Table 25
Colorado Springs Region Economic Indicators
El Paso County

	2010	2011	2012	2013	YTD 2014
Employment Growth /1					
Colorado Springs MSA	-1.0%	1.3%	1.0%	2.0%	0.7%
Unemployment Rate /2	9.8%	9.5%	9.2%	8.0%	7.1%
Housing Permit Growth /3					
Total	27.9%	29.1%	33.0%	17.2%	8.0%
Single-Family	23.2%	-3.8%	50.1%	19.2%	-8.8%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-35.2%	17.5%	-1.6%	24.9%	-27.7%
Square Footage of Projects	-12.7%	16.8%	0.5%	6.3%	-7.8%
Level (1,000s)	408,452	477,253	479,770	510,119	388,131
Number of Projects	24.6%	10.5%	-11.7%	-2.2%	0.7%
Level	370	409	361	353	274
Retail Trade Sales Growth /5	7.9%	8.2%	5.5%	4.1%	4.0%

MSA = Metropolitan statistical area.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through October 2014.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through September 2014.

3/ U.S. Census Bureau. Growth in the number of residential building permits. Data through October 2014.

4/ F.W. Dodge. Data through October 2014.

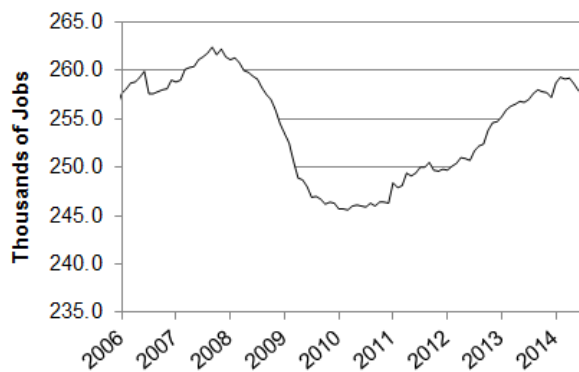
5/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2014.

year-to-date. Figure 42 shows the three month moving average of single family permits and total building permits in the Colorado Springs MSA.

Nonresidential construction activity has declined relative to last year, with the number of projects being flat, but the value and square footage of those projects declining. Part of the reason for the negative growth rate in 2014 is from several large construction projects that were started in 2013, including the St. Francis Medical Center and the largest charter school facility in the state.

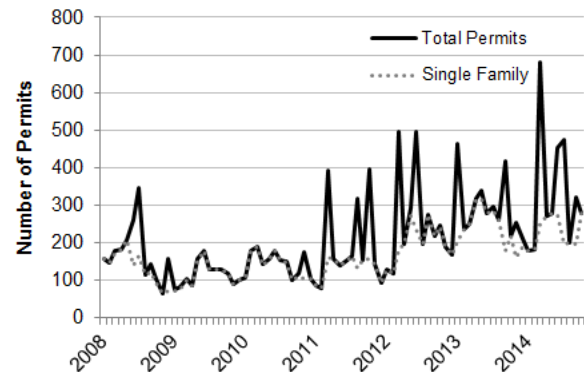
Retail sales in the Colorado Springs region increased 4.0 percent between January and May compared with the same period in 2013. This would be the slowest growth in regional retail sales since 2009 when the national economy was in a recession. Figure 43 indexes seasonally adjusted retail sales for Colorado Springs, the state, and the nation.

Figure 41
Colorado Springs Nonfarm Employment
Seasonally Adjusted Data



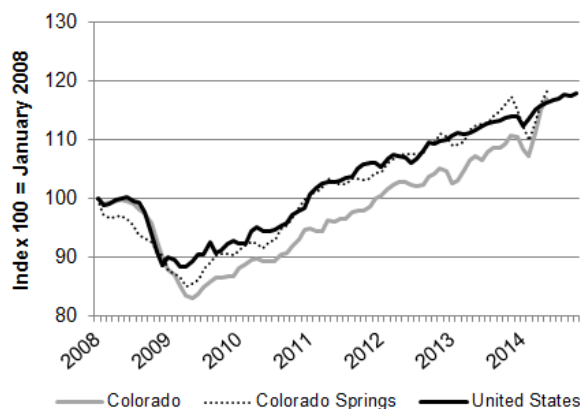
Source: U.S. Bureau of Labor Statistics; CES.
Data through October 2014.

Figure 42
Colorado Springs MSA
Residential Building Permits



Source: U.S. Census Bureau. Data through November 2014.

Figure 43
Colorado Springs MSA Retail Sales Indexed to
January 2008
Seasonally Adjusted Data

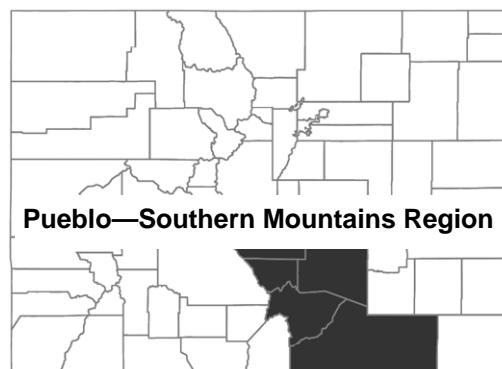


Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through May 2014; U.S. data through October 2014.

Pueblo — Southern Mountains Region

In general the Pueblo economy is improving. The labor market is improving and retail sales are increasing. There has been less residential construction this year than last year, but nonresidential construction has grown. Table 26 shows economic indicators for the Pueblo region.

Two measures of employment in the Pueblo region show growth so far in 2014. Nonfarm employment growth in Pueblo County, which is gathered from employers, has increased 1.8 percent between January and September of this year. A survey of households who report having work shows employment gains at a similar rate for the multi-county Pueblo region. Growth in the number of jobs is helping to bring the unemployment rate down, which was 8.2 percent in September after averaging 9.5 percent through 2013. Figure 44 shows the unemployment rate and the labor force in the Pueblo region.



Residential construction has declined so far in 2014, while nonresidential construction has increased. Both single family and total residential housing permits declined 5.2 percent between January and October of this year, compared with the same period in 2013. The number, value, and

Table 26
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth					
Pueblo Region /1	-1.3%	0.1%	-1.1%	-1.0%	2.0%
Pueblo MSA /2	-0.1%	1.5%	-0.2%	1.1%	1.8%
Unemployment Rate /1	10.4%	10.4%	10.3%	9.5%	8.2%
Housing Permit Growth /3					
Pueblo MSA Total	13.6%	-45.5%	50.9%	-8.1%	-5.2%
Pueblo MSA Single-Family	-37.9%	-49.6%	125.4%	-40.6%	-5.2%
Growth in Value of Nonresidential Construction /4					
Value of Projects	-62.2%	-58.1%	717.4%	-75.3%	171.7%
Square Footage of Projects	-71.5%	3.9%	386.2%	-72.0%	169.6%
Level (1,000s)	21,454	22,288	108,358	30,389	79,759
Number of Projects	-20.4%	5.1%	-34.1%	11.1%	88.9%
Level	39	41	27	30	51
Retail Trade Sales Growth /5	6.6%	6.8%	6.0%	4.4%	7.5%

MSA = Metropolitan statistical area.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through September 2014.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey for Pueblo MSA. Seasonally adjusted. Data through October 2014.

3/ U.S. Census Bureau. Growth in the number of residential building permits. Data through October 2014.

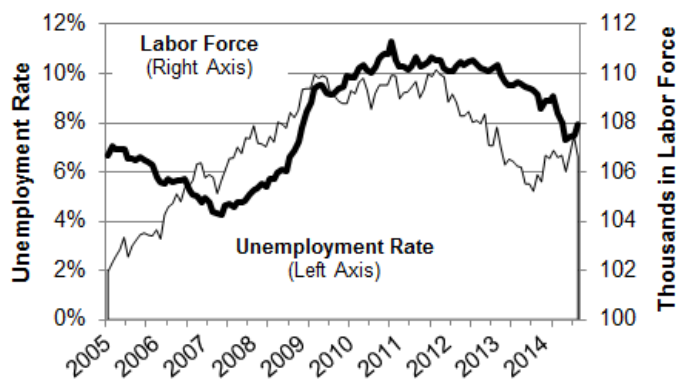
4/ F.W. Dodge. Data through October 2014.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2014.

size of nonresidential construction projects have increased so far in 2014. So far there have been 51 nonresidential construction projects started in the Pueblo region, 88.9 percent more than were started at the same point last year. The value and square footage of those projects have increased as well. Figure 45 shows the three-month moving average of the value and number of residential permits in the Pueblo region.

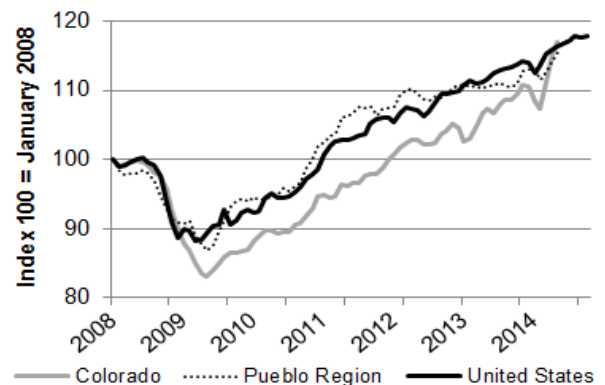
Retail sales in the Pueblo region grew 3.3 percent between January and May of 2014 compared with the same period in 2013. Through the first five months of the year, retail sales in the Pueblo region have grown faster than only two other regions in the state, the San Luis Valley and the western region. Figure 46 shows retail sales in the Pueblo region, Colorado, and the nation indexed to 2008 levels.

Figure 44
Pueblo Region Unemployment Rate and Labor Force
Seasonally Adjusted



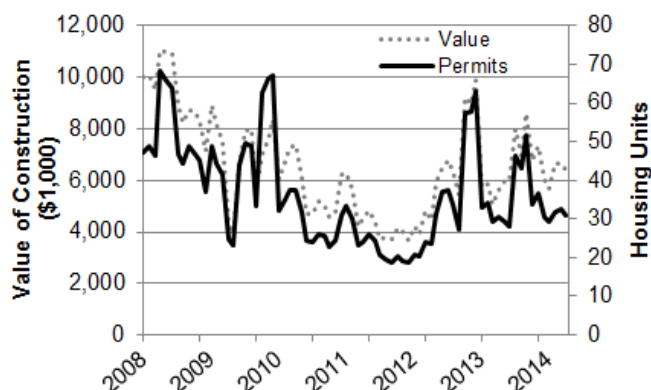
Source: U.S. Bureau of Labor Statistics; LAUS. Data through September 2014.

Figure 45
Pueblo Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted Data



Source: F.W. Dodge. Data through October 2014.

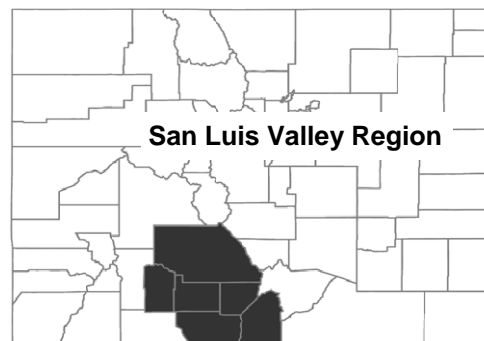
Figure 46
Pueblo Retail Sales Index to January 2008
Seasonally Adjusted Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through May 2014; U.S. data through October 2014.

San Luis Valley Region

The San Luis Valley is showing weak signs of economic recovery. After three years of stagnation or regression, the regional labor market improved modestly in the first nine months of 2014. Unemployment remains high, job growth remains low, and homebuilding has declined precipitously after two years of promising growth. Economic indicators for the region are summarized in Table 27.



The San Luis Valley is largely agricultural, with barley and potatoes as its principal crops. This year, farmers in the region harvested 42,900 acres of barley, down 3,700 acres, or 7.9 percent, from last year. This was the smallest barley harvest by acreage since 2007. Reporting on this year's potato harvest has not been finalized, but preliminary estimates suggest that 53,900 acres of potatoes will be harvested, up 8.7 percent from last year's total. The region has struggled with drought in 2014: the National Water and Climate Center reports that, as of December 15, the Upper Rio Grande Basin had received only 58 percent of its year-to-date precipitation during an average year.

The region is adding jobs for the first time since 2009. Employment in the San Luis Valley grew 1.0 percent through September, still one of the slowest rates in the state. The region's unemployment rate declined, falling to 8.2 percent from last year's average of 9.1 percent, but it remains the highest in the state. Much of the decrease in the unemployment rate is attributable to declining labor force participation as the region's population ages. The San Luis Valley's labor

Table 27
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-2.0%	-1.5%	-0.6%	-2.6%	1.0%
Unemployment Rate /1	8.7%	9.4%	9.4%	9.1%	8.2%
Statewide Crop Price Changes /2					
Barley					
Acres Harvested	49,100	48,700	43,100	46,600	42,900
Crop Value (\$/Acre)	551.6	702.9	904.6	824.4	NA
Potatoes					
Acres Harvested	55,200	53,900	54,000	49,600	53,900
Crop Value (\$/Acre)	4,905	4,304	2,668	3,833	NA
Housing Permit Growth /3	14.0%	-9.2%	41.5%	15.0%	-24.0%
Retail Trade Sales Growth /4	6.9%	9.5%	2.9%	1.4%	3.3%

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through September 2014.

2/ National Agricultural Statistics Service. Barley through December 2014; potatoes through November 2014.

3/ F.W. Dodge. Data through October 2014.

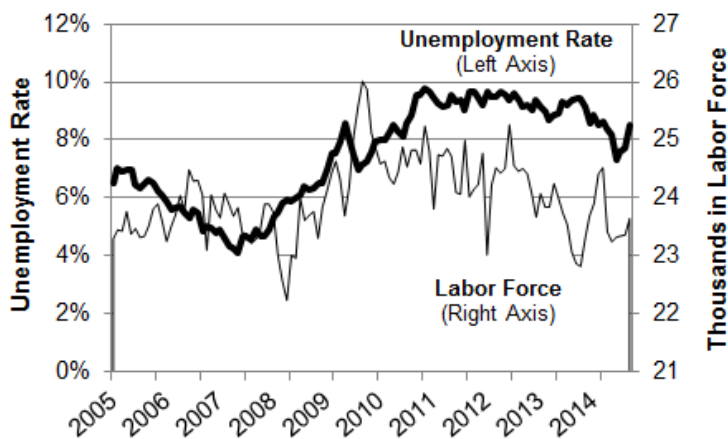
4/ Colorado Department of Revenue. Data through May 2014.

market situation is charted in Figure 47. It is important to note that labor market data for rural areas can contain meaningful measurement error and are frequently revised.

Reports on housing permit issuances suggest that residential construction in the San Luis Valley has lost momentum. After growing at rates of 41.5 percent in 2012 and 15.0 percent in 2013, housing permit issuances have fallen 24.0 percent year-to-date through October compared with the same period in 2013. Only 130 housing permits were issued in the first ten months of the year, a figure that suggests low developer confidence in the prospects for regional economic improvement in 2015.

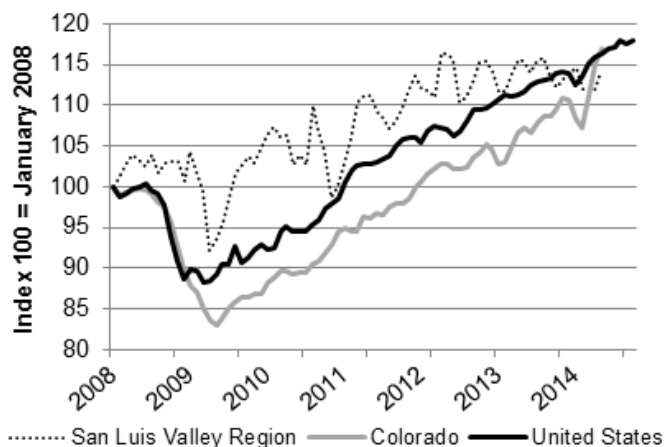
Retail trade sales increased in the first five months of 2014, a result of additional personal income attributable to modest improvement in the labor market. Figure 48 indexes San Luis Valley retail trade sales to January 2008, and compares this index to similar indices for the state and nation.

Figure 47
San Luis Valley
Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS.
Data through September 2014.

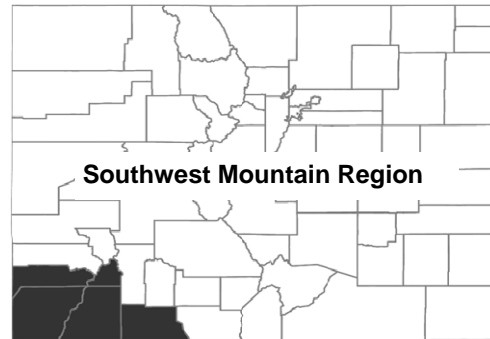
Figure 48
Trends in U.S., Colorado, and San Luis Valley
Retail Trade Since January 2008
Three-Month Moving Average; Seasonally Adjusted
Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through May 2014; U.S. data through October 2014.

Southwest Mountain Region

This year has been the best since the recession for the southwest mountain regional economy. The labor market is strengthening, with nonfarm employment growing at its fastest rate since 2005. Residential construction continues to expand and regional consumer spending is up for the fifth straight year. A summary of economic indicators for the southwest mountain region is shown in Table 28.



The most promising developments are occurring in the labor market. According to the U.S. Bureau of Labor Statistics, the number of employed persons in the southwest mountain region topped 50,000 in June after seasonal adjustments and has remained above that mark through September, the most recent month for which data are available. This is the first time that regional job numbers have exceeded 50,000 since late 2008, when the region was rapidly losing jobs amidst a recessionary economy. A similar trend is occurring in the number of unemployed persons, which came in below 3,000 during each of the last six months for which data are available. This is the first time since 2008 that the number of unemployed has remained below 3,000 for more than one month. The region's unemployment rate averaged 5.3 percent for the first nine months of the year. Regional labor market indicators are shown in Figure 49.

Improvements in the labor market are triggering progress elsewhere in the economy. Residential construction, as measured by the number of housing permits issued to developers, increased 44.7 percent in 2013 and is up a further 20.2 percent year-to-date through October 2014. However, population and employment growth in Durango, Bayfield, and Ignacio is keeping demand high and prices above the desired range of many prospective buyers and renters. The Durango City Council has ordered its planners to incentivize further residential construction to help reduce rents and sale prices.

Table 28
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-3.2%	-0.9%	0.8%	0.4%	5.0%
Unemployment Rate /1	8.3%	7.9%	7.3%	6.4%	5.3%
Housing Permit Growth /2	38.0%	-29.5%	2.4%	44.7%	20.2%
Retail Trade Sales Growth /3	1.9%	9.0%	6.1%	5.5%	3.9%
National Park Recreation Visitors /4	1.5%	1.9%	-13.8%	-5.9%	3.8%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through September 2014.

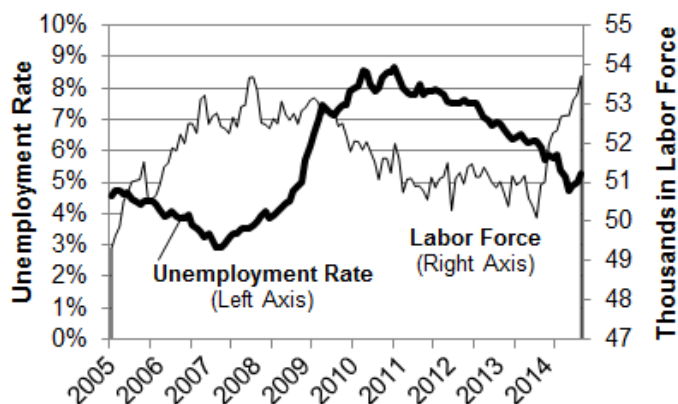
2/ F.W. Dodge. Data through October 2014.

3/ Colorado Department of Revenue. Data through May 2014.

Consumer spending, as measured by growth in retail trade sales, continues to improve. Retail trade sales increased 3.9 percent through May 2014 compared with the same period last year. Sales are on pace to increase for the fifth straight year. Figure 50 indexes the southwest mountain region's retail trade sales to January 2008, and compares this index to similar indices for the state and nation. As shown in the Figure 50, retail sales in this region have been slower to recover from the recession than those in the state as a whole.

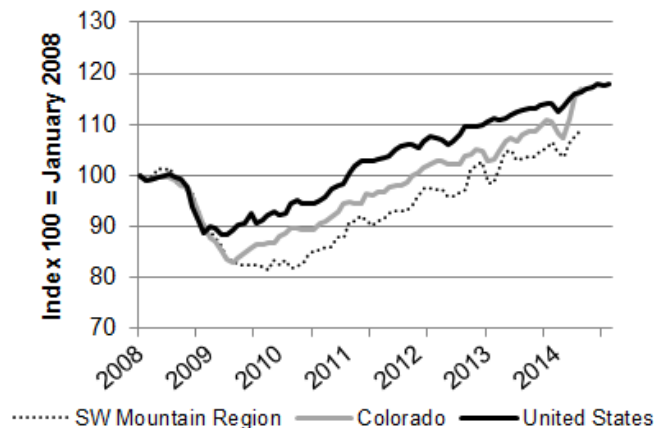
Much of the southwest mountain region's economy is dependent on tourism, with national parks and monuments, ski areas, hot springs, mountain and water recreation, and the Durango & Silverton Narrow Gauge Railroad attracting visitors throughout the year. Visits to two of the region's sites, Mesa Verde National Park and Hovenweep National Monument in Montezuma County, increased 3.8 percent year-to-date through September, their fastest rate since 2006. Growth in tourism, jobs, and home prices are correlated in tourism-dependent areas of the state.

Figure 49
Southwest Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS.
 Data through September 2014.

Figure 50
Southwest Mountain Region Retail Trade
*Three-Month Moving Average;
 Seasonally Adjusted Data*



Source: Colorado Department of Revenue and U.S. Census Bureau.
 Colorado data through May 2014; U.S. data through October 2014.

Western Region

By several economic indicators, 2014 has been the first year of consistent recovery for the western region since the Great Recession. The labor market has finally begun to improve, with regional employment increasing at a considerably faster pace than in 2012, the only other year of growth since the region began losing jobs in 2008. Growth in construction is promising, even as the recovery in consumer spending continues to lag behind other areas of the state. Economic indicators for the western region are shown in Table 29.

Labor market trends vary considerably within the western region. Through September, the number of employed persons grew 2.6 percent region-wide after seasonal adjustments compared with the same period in 2013. However, a survey of employers in the Grand Junction MSA, defined as Mesa County, indicates that job growth there is occurring at a considerably slower pace. According to the Bureau of Labor Statistics' Local Area Unemployment Statistics (LAUS) program, western region employment growth is disproportionately attributable to above-trend job growth in Garfield County,

which contains most of the region's natural gas production and tourist destinations in the Roaring Fork Valley, and to even faster employment gains in relatively small Ouray and San Miguel counties, both tourism-driven economies. LAUS data for rural areas is often the subject of meaningful revision. Mine closures in Delta County are expected to dampen the labor market in the Lower

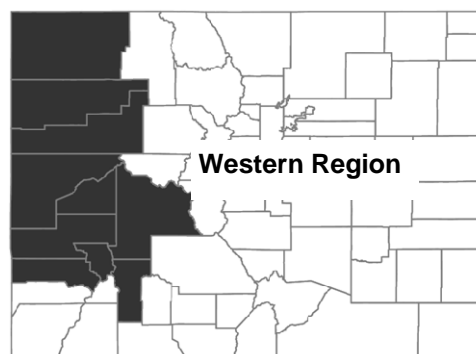


Table 29
Western Region Economic Indicators

Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth					
Western Region /1	-5.5%	-0.6%	0.3%	-0.7%	2.6%
Grand Junction MSA /2	-4.5%	0.6%	0.9%	0.5%	0.8%
Unemployment Rate /1	10.1%	9.4%	8.5%	7.5%	6.4%
Natural Gas Production Growth /3	5.2%	6.7%	2.3%	-10.8%	-2.0%
Housing Permit Growth /4	2.0%	-20.8%	22.4%	-1.0%	18.3%
Growth in Value of Nonresidential Construction /4					
Value Projects	28.4%	-59.2%	26.0%	-43.5%	157.1%
Square Footage of Projects	19.0%	-60.1%	13.2%	-26.2%	206.3%
Level (1,000s)	275,162	109,905	124,368	91,799	272,874
Number of Projects	-29.5%	-32.7%	16.7%	-32.5%	19.1%
Level	98	66	77	52	56
Retail Trade Sales Growth /5	2.2%	8.8%	1.0%	3.5%	2.9%

MSA = Metropolitan statistical area.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through September 2014.

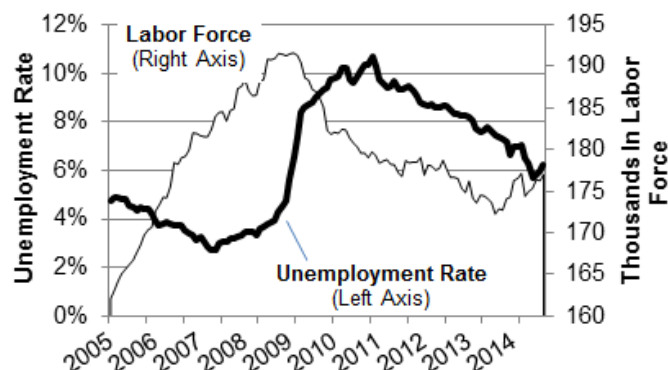
2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through October 2014.

3/ Colorado Oil and Gas Conservation Commission. Data through August 2014.

4/ F.W. Dodge. Data through October 2014.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2014.

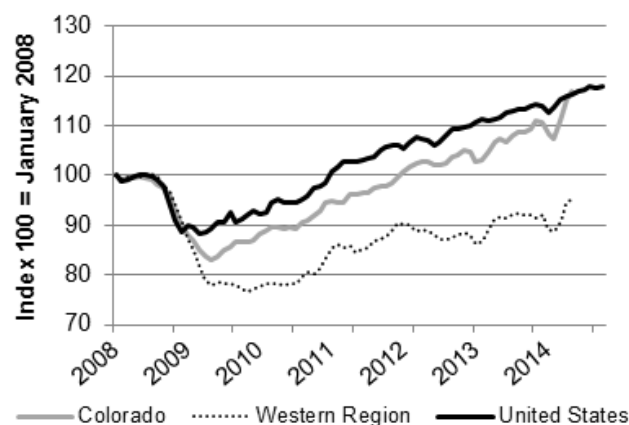
Figure 51
Western Region Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS.
 Data through September 2014.

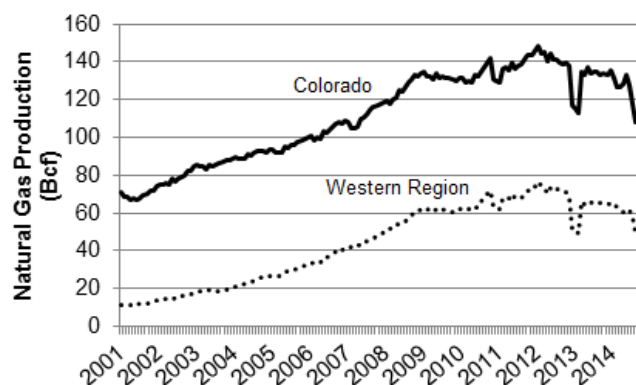
Figure 52
Trends in U.S., Colorado, and Western Region Retail Trade
Since January 2008

Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
 Colorado data through May 2014; U.S. data through October 2014.

Figure 53
Colorado and Western Region Natural Gas Production
Three-Month Moving Average; Seasonally Adjusted Data



Source: Colorado Oil and Gas Conservation Commission.
 Data through August 2014.

Gunnison Basin in 2015. The western region's unemployment rate and labor force are plotted in Figure 51.

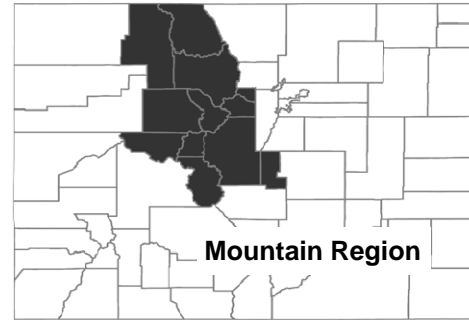
Construction in the western region has picked up in 2014. Through October, issuance of housing permits increased 18.3 percent year-to-date, an encouraging sign after the number of permits issued stalled last year. The region's triple digit increases in nonresidential construction, including 157.1 percent growth in the value of nonresidential construction projects and 206.3 percent growth in square footage, reflect progress on four large projects in Mesa County and likely will not be sustained after these projects' completion. Projects include the completion of the final four floors of the St. Mary's Hospital tower project begun in 2006, a four-story Community Hospital facility in northwest Grand Junction, a FedEx distribution warehouse, and a West Star Aviation hangar that will be used for painting aircraft.

Western region retail trade sales are used as a proxy for consumer spending. Through May, retail trade was up 2.9 percent compared with the same period in 2013, which would represent deceleration from last year's 3.5 percent retail trade growth rate. As shown in Figure 52, retail trade in the western region declined to a deeper trough during the recession than elsewhere in the state, and remained at its low point longer before beginning to recover. Nominal retail trade sales remain below their pre-recession peak.

The western region's natural gas production is concentrated in the Piceance Basin, primarily in Garfield County. Through August, gas production is down 2.0 percent compared with the same period in 2013. While gas production is down, the trend has stabilized since last year, when western region gas production fell 10.8 percent. Figure 53 compares a three-month moving average of western region natural gas production to production in the rest of the state.

Mountain Region

The strengthening economy is helping to increase the number of visitors to the mountain region and the amount of money that they have to spend while there. These positive trends are reflected in the economic indicators for the region shown in Table 30. The labor market is growing and the unemployment rate is falling. Construction continues to grow, as do retail sales.



Through the first nine months of the year, employment grew 4.7 percent compared with the same period in 2013. The unemployment rate averaged 5.1 percent in the first nine months of the year and was 4.7 percent in September. The unemployment rate is dropping in the mountain region even though the labor force has grown 7.0 percent since the end of 2013. Figure 54 shows the labor force and the unemployment rate in the mountain region.

Growth in residential construction permits has slowed from 42.4 percent in 2013 to 1.1 percent in the first ten months of 2014. Even with the slow growth so far in 2014, residential construction in the first ten months of the year surpassed the number of construction permits issued in 2009 through 2012. Figure 55 shows the number and the value of residential construction permits in the mountain region.

Nonresidential construction has grown faster than residential construction in the mountain region. Through the first ten months of 2014, the number of nonresidential projects has increased 8.9 percent compared with the same period in 2013. The value and size of those projects increased 82.7 percent and 37.5 percent, respectively.

Table 30
Mountain Region Economic Indicators

Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-3.7%	-0.4%	1.0%	1.1%	4.7%
Unemployment Rate /1	9.1%	8.3%	7.4%	6.4%	5.1%
Housing Permit Growth /2	-17.0%	6.1%	12.3%	42.4%	1.1%
Growth in Value of Nonresidential Construction /2					
Value of Projects	76.2%	169.1%	-29.6%	-19.6%	82.7%
Square Footage of Projects	33.4%	195.4%	-57.4%	-8.6%	37.5%
Level (1,000s)	87,845	259,490	110,518	101,044	130,581
Number of Projects	2.0%	-13.7%	11.4%	2.0%	8.9%
Level	51	44	49	50	49
Retail Trade Sales Growth /3	7.8%	8.0%	5.8%	6.3%	6.9%

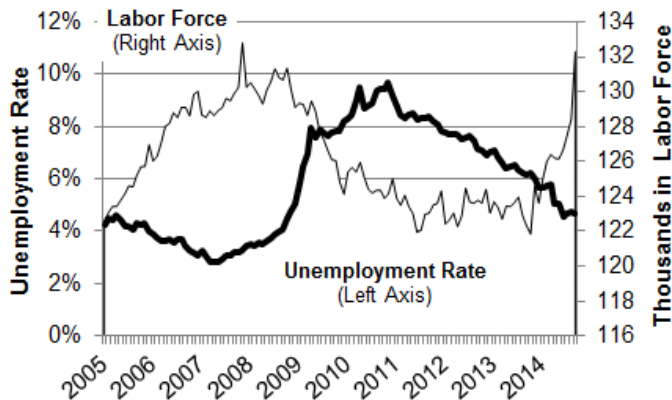
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2014.

2/ F.W. Dodge. Data through July 2014. Prior forecasts reported Eagle, Pitkin & Summit Counties and Routt County separately.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2014.

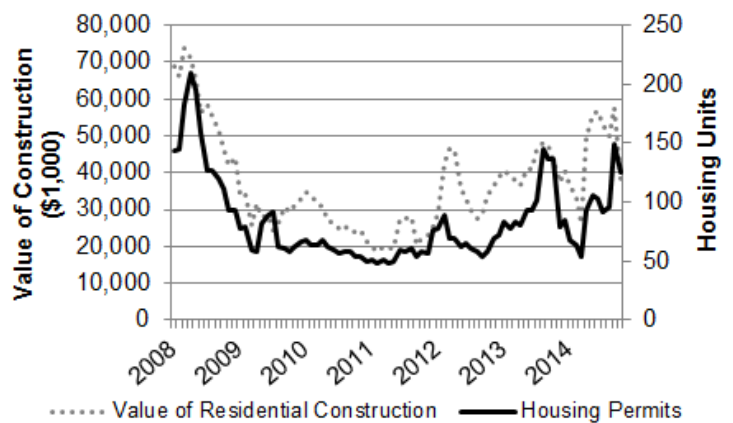
Retail sales increased 6.9 percent between January and May of 2014, compared with the same period in 2013. The Colorado ski industry reported hosting a record number of visitors during the winter of 2013-14, which helped to increase retail sales. Nice weather during the summer and an accelerating economy suggest that retail sales will continue to increase throughout 2014. Figure 56 shows indexed retail sales in the mountain region, Colorado, and the nation.

Figure 54
Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted Data



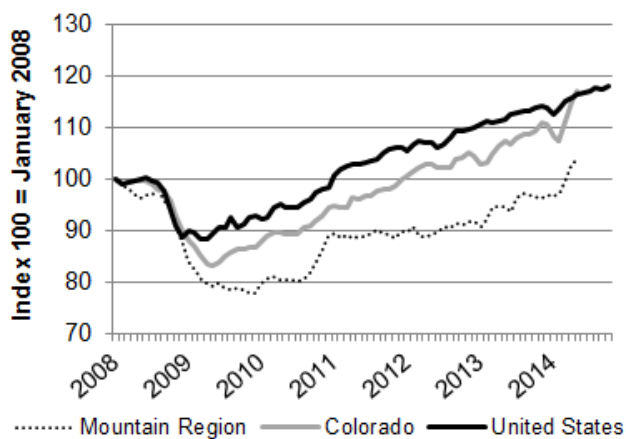
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through September 2014.

Figure 55
Value and Number of Residential Construction Permits



Source: F.W. Dodge. Data through October 2014.

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

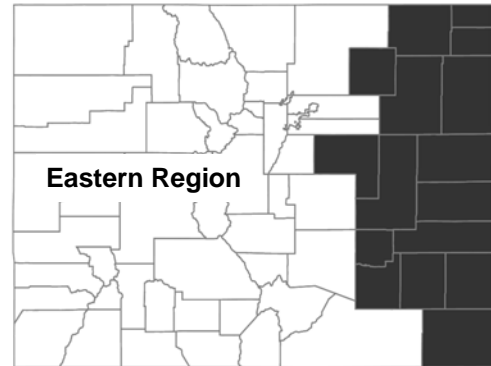


Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through May 2014; U.S. data through October 2014.

Eastern Region

The eastern region is exhibiting a reinvigorated labor market and strengthened retail trade as 2014 draws to a close, despite uneven progress in the dominant agricultural sector. Economic indicators for the region are shown in Table 31.

The region's economy is driven by agriculture, with farms, ranches, and dairies as significant contributors. Prices for each of the region's principal crops, wheat, corn, and alfalfa hay, have dropped substantially since the start of the year. Corn prices have fallen the most, reaching \$3.78 per bushel in November after selling for \$4.71 per bushel in November 2013. While a price decline negatively impacts the farmers who grow these crops, the ranchers who purchase them to feed animals have capitalized. Good weather conditions, low feed prices, and growing worldwide demand are contributing to a banner year for beef producers. Exports of Colorado meat and meat offal to other countries grew 8.1 percent through September compared with the same period in 2013, primarily on the strength of increased exports to East Asia. Meat exports to other countries are charted in Figure 57.



Because of the preeminent role of agriculture in the region's economy, employment trends differ from those in more urban areas of the state. This year, these trends are positive: nonfarm employment in the region is up 3.2 percent year-to-date through September. The region is on pace to achieve its first annual increase in nonfarm jobs since 2011, after enduring four years of nonfarm employment declines over the past six. Data on the region's labor force and

Table 31
Eastern Region Economic Indicators

Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-3.7%	1.0%	-1.8%	-2.5%	3.2%
Unemployment Rate /1	6.7%	6.4%	6.3%	5.8%	4.9%
Crop Price Changes /2					
Wheat \$/bushel	-7.6%	41.7%	4.2%	0.8%	-11.8%
Corn \$/bushel	-1.5%	59.3%	9.2%	-2.8%	-32.7%
Alfalfa Hay (Baled) \$/ton	-15.9%	40.9%	37.0%	-0.1%	-11.1%
Livestock /3					
State Cattle and Calf Inventory Growth	-1.2%	10.2%	-3.4%	-8.7%	-3.8%
Milk Production	-0.8%	6.5%	7.1%	3.5%	8.3%
Retail Trade Sales Growth /4	10.1%	13.7%	4.1%	2.4%	12.1%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through September 2014

2/ National Agricultural Statistics Service. Price data through November 2014.

3/ National Agricultural Statistics Service. Data through November 2014.

4/ Colorado Department of Revenue. Data through May 2014.

unemployment rate both include agricultural workers and are shown in Figure 58. After coming in at 5.8 percent in 2013, the regional unemployment rate has averaged 4.9 percent through September, the lowest mark in the state.

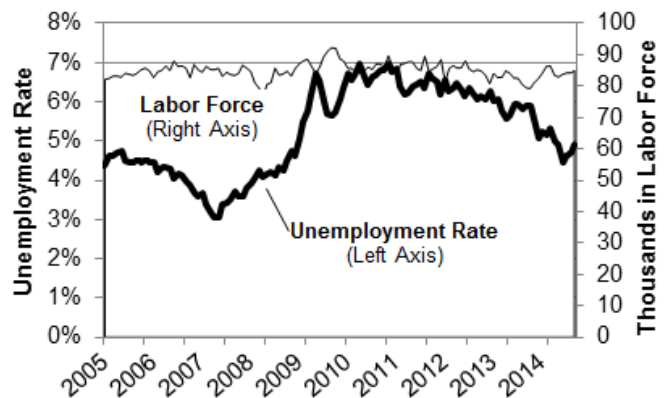
Eastern region retail trade sales are growing at their fastest rate since 2011, when the region emerged from the trough of the Great Recession. The Colorado Department of Revenue reports that regional trade in the eastern region grew 12.1 percent through May compared with the same period in 2013. Robust growth in retail trade is indicative of an improving labor market and growing household income in the region. Figure 59 shows eastern region retail trade indexed to January 2008 against similar indices for Colorado and the nation.

Figure 57
Colorado Meat and Edible Meat Offal
Exports to Other Countries
Seasonally Adjusted Annualized



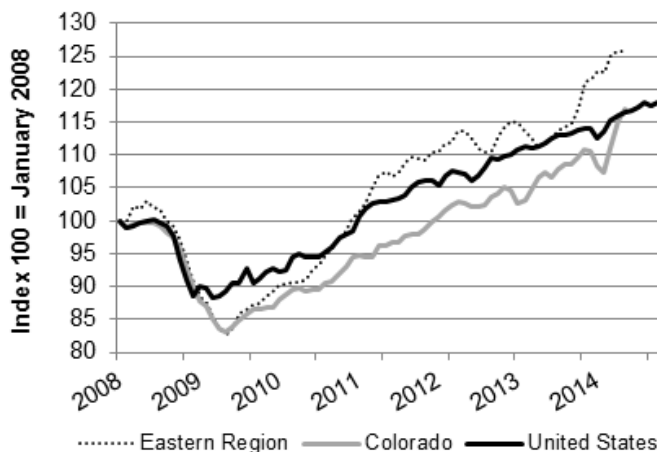
Source: WiserTrade. Data through September 2014.

Figure 58
Eastern Region Unemployment Rate
and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS.
 Data through September 2014.

Figure 59
Trends in U.S., Colorado, and Eastern Region Retail
Trade Since January 2008
Three-Month Moving Average;
Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
 Colorado data through May 2014; U.S. data through October 2014.

Appendix A Historical Data

National Economic Indicators
(Dollar Amounts in Billions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Domestic Product percent change	\$9,660.6 6.3%	\$10,284.8 6.5%	\$10,621.8 3.3%	\$10,977.5 3.3%	\$11,510.7 4.9%	\$12,274.9 6.6%	\$13,093.7 6.7%	\$13,855.9 5.8%	\$14,477.6 4.5%	\$14,718.6 1.7%	\$14,418.7 -2.0%	\$14,964.4 3.8%	\$15,517.9 3.7%	\$16,163.2 4.2%	\$16,768.1 3.7%
Real Gross Domestic Product (inflation-adjusted, chained to 2005) percent change	\$12,065.9 4.7%	\$12,559.7 4.1%	\$12,682.2 1.0%	\$12,908.8 1.8%	\$13,271.1 2.8%	\$13,773.5 3.8%	\$14,234.2 3.3%	\$14,613.8 2.7%	\$14,873.7 1.8%	\$14,830.4 -0.3%	\$14,418.7 -2.8%	\$14,783.8 2.5%	\$15,020.6 1.6%	\$15,369.2 2.3%	\$15,710.3 2.2%
Unemployment Rate	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%	7.4%
Inflation (Consumer Price Index)	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.5%
10-Year Treasury Note	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%	1.8%	2.3%
Personal Income percent change	\$7,983.8 5.2%	\$8,632.8 8.1%	\$8,987.1 4.1%	\$9,149.5 1.8%	\$9,486.6 3.7%	\$10,048.3 5.9%	\$10,609.3 5.6%	\$11,389.0 7.3%	\$11,994.9 5.3%	\$12,429.6 3.6%	\$12,087.5 -2.8%	\$12,429.3 2.8%	\$13,202.0 6.2%	\$13,887.7 5.2%	\$14,166.9 2.0%
Wage and Salary Income percent change	\$4,458.0 6.6%	\$4,825.9 8.3%	\$4,954.4 2.7%	\$4,996.4 0.8%	\$5,137.8 2.8%	\$5,421.9 5.5%	\$5,692.0 5.0%	\$6,057.4 6.4%	\$6,395.2 5.6%	\$6,531.9 2.1%	\$6,251.4 -4.3%	\$6,377.5 2.0%	\$6,633.2 4.0%	\$6,932.1 4.5%	\$7,124.7 2.8%
Nonfarm Employment (millions) percent change	129.2 2.5%	132.0 2.2%	132.1 0.0%	130.6 -1.1%	130.3 -0.2%	131.7 1.1%	134.0 1.7%	136.4 1.8%	137.9 1.1%	137.2 -0.6%	131.2 -4.3%	130.3 -0.7%	131.8 1.2%	134.1 1.7%	136.4 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)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nonagricultural Employment (thous.) percent change	2,132.3 3.7%	2,214.2 3.8%	2,227.1 0.6%	2,184.7 -1.9%	2,152.6 -1.5%	2,179.4 1.2%	2,225.9 2.1%	2,279.7 2.4%	2,331.1 2.3%	2,350.6 0.8%	2,245.5 -4.5%	2,222.3 -1.0%	2,258.6 1.6%	2,312.8 2.4%	2,381.2 3.0%
Unemployment Rate (%)	3.1	2.8	3.8	5.6	6.1	5.6	5.1	4.3	3.8	4.8	8.1	9.0	8.5	7.8	6.8
Personal Income percent change	\$132,644 8.4%	\$148,099 11.7%	\$155,918 5.3%	\$156,032 0.1%	\$159,330 2.1%	\$166,625 4.6%	\$177,819 6.7%	\$191,699 7.8%	\$202,599 5.7%	\$212,102 4.7%	\$206,438 -2.7%	\$210,454 1.9%	\$226,145 7.5%	\$240,350 6.3%	\$247,069 2.8%
Per Capita Income percent change	\$31,387 5.6%	\$34,227 9.0%	\$35,230 2.9%	\$34,748 -1.4%	\$35,182 1.2%	\$36,421 3.5%	\$38,390 5.4%	\$40,611 5.8%	\$42,174 3.8%	\$43,377 2.9%	\$41,518 -4.3%	\$41,689 0.4%	\$44,183 6.0%	\$46,315 4.8%	\$46,897 1.3%
Wage and Salary Income (millions) percent change	\$76,636 9.7%	\$86,412 12.8%	\$89,130 3.1%	\$88,089 -1.2%	\$89,281 1.4%	\$93,569 4.8%	\$98,787 5.6%	\$105,664 7.0%	\$112,506 6.5%	\$116,682 3.7%	\$112,301 -3.8%	\$113,790 1.3%	\$118,559 4.2%	\$125,135 5.5%	\$129,597 3.6%
Retail Trade Sales (millions) percent change	\$52,609 9.2%	\$57,955 10.2%	\$59,014 1.8%	\$58,850 -0.3%	\$58,689 -0.3%	\$62,288 6.1%	\$65,492 5.1%	\$70,437 7.5%	\$75,329 6.9%	\$74,760 -0.8%	\$66,345 -11.3%	\$70,738 6.6%	\$75,548 6.8%	\$80,073 6.0%	\$83,569 4.4%
Housing Permits percent change	49,313 -3.6%	54,596 10.7%	55,007 0.8%	47,871 -13.0%	39,569 -17.3%	46,499 17.5%	45,891 -1.3%	38,343 -16.4%	29,454 -23.2%	18,998 -35.5%	9,355 -50.8%	11,591 23.9%	13,502 16.5%	23,301 72.6%	27,517 18.1%
Nonresidential Construction (millions) percent change	\$3,799 28.7%	\$3,498 -7.9%	\$3,476 -0.6%	\$2,805 -19.3%	\$2,686 -4.2%	\$3,245 20.8%	\$4,275 31.7%	\$4,641 8.6%	\$5,259 13.3%	\$4,114 -21.8%	\$3,354 -18.5%	\$3,147 -6.2%	\$3,923 24.7%	\$3,692 -5.9%	\$3,610 -2.2%
Denver-Boulder Inflation Rate	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%	2.8%
Population (thousands, July 1) percent change	4,226.0 2.7%	4,326.9 2.4%	4,425.7 2.3%	4,490.4 1.5%	4,528.7 0.9%	4,575.0 1.0%	4,631.9 1.2%	4,720.4 1.9%	4,803.9 1.8%	4,889.7 1.8%	4,972.2 1.7%	5,048.2 1.5%	5,118.4 1.4%	5,189.5 1.4%	5,288.4 1.5%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and F.W. Dodge.
NA = Not Available.