Focus Colorado: Economic And Revenue Forecast

Colorado Legislative Council Staff
Economics Section

June 19, 2015

Table Of Contents | **Page**

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

Natalie Mullis, Chief Economist
Marc Carey
Larson Silbaugh
Louis Pino
Greg Sobetski
Kate Watkins
Alex Schatz
Debbie Grunlien

Legislative Council Staff
029 State Capitol Building
Denver, Colorado 80203
(303) 866-3521
www.colorado.gov/lcs
LCS.Economist@state.co.us

Photograph taken at Lake Irwin near Crested Butte, courtesy of Andy Keim

Highlights

- The economic outlook in Colorado and the nation remains positive. Job growth and business activity will continue to improve throughout the forecast period for most industries. Several factors are expected to moderate growth, including the pull-back in the oil and gas industry, a stronger U.S. dollar, uneven global economic growth, and tighter monetary policy. Longer-term "structural" moderators also include the aging of the baby-boomer population, lower labor force participation, and lower labor productivity.

- The General Fund will end **FY 2014-15** with a surplus of $18.6 million above the required reserve. A $220.9 million TABOR refund will be returned to taxpayers on income tax returns filed for 2015. Refunds will be made using the earned income tax credit and a six-tier sales tax refund.

- In **FY 2015-16**, General Fund revenue will be $180.7 million short of the amount needed to fully fund the amount budgeted to be spent or saved in the reserve. At just under a third of the required reserve, this amount is enough to allow General Fund operating appropriations to increase 3.9 percent.

- Revenue subject to TABOR is expected to be $28.1 million *below* the **Referendum C Cap** in FY 2015-16 and $211.5 million above the cap in FY 2016-17.

- Full **Senate Bill 09-228 transfers** of $50.5 million to the Capital Construction Fund and $201.8 million to the Highway Users Tax Fund will occur in FY 2015-16. The transfers are expected to be cut in half in FY 2016-17.

EXECUTIVE SUMMARY

This report presents the budget outlook based on current law and the June 2015 General Fund revenue, cash fund revenue, and TABOR forecasts. Summaries of expectations for the national and Colorado economies and current economic conditions in nine regions around the state are also presented.

General Fund and TABOR Outlook

*More information about the **General Fund budget overview** begins on page 5 and is summarized in Table 1 on page 6.*

*More information about the state's **TABOR outlook** begins on page 13 and is summarized in Table 6 on page 16.*

*The **General Fund revenue** forecast begins on page 19 and is summarized in Table 10 on page 23.*

FY 2014-15. The General Fund will end the year with an estimated $18.6 million more than required to fully fund the budget and required reserve. Expectations for General Fund revenue increased $175.8 million relative to March on the strength of individual income tax estimated payments. The TABOR refund obligation, however, increased by $151.2 million to $220.9 million. This money will be refunded via the earned income tax credit ($83.6 million) and a sales tax refund ($137.3 million) on individual income tax returns filed for tax year 2015.

FY 2015-16. General Fund revenue is expected to be $180.7 million, or 1.8 percent, lower than the amount budgeted to be spent and saved in the required reserve in FY 2015-16. This amount of revenue is sufficient to allow General Fund operating appropriations to increase 3.9 percent. In addition:

- Expectations for General Fund revenue were decreased $211.5 million, or 2.1 percent, relative to March. Of this, $43.5 million is a half-year impact resulting from the earned income tax credit becoming permanent in tax year 2016, one year earlier than expected in March.
- Revenue subject to TABOR will be an estimated $28.1 million *lower* than the TABOR limit.
- Full Senate Bill 09-228 transfers to the Capital Construction Fund ($50.5 million) and the Highway Users Tax Fund ($201.8 million) will occur.

Cash Fund Revenue

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

Cash fund revenue subject to TABOR is expected to increase slightly from $2.73 billion in FY 2013-14 to $2.78 billion in FY 2014-15. Increases will occur in all primary cash fund categories with the exceptions of the hospital provider fee and regulatory agencies. Total cash fund revenue subject to TABOR will increase 1.7 percent to $2.83 billion in FY 2015-16 as a rebound in hospital provider fee revenue offsets a decline in severance tax revenue resulting from the fall in oil prices. Cash fund revenue is projected to grow another 6.4 percent to $3.01 billion in FY 2016-17, as severance tax revenue recovers with increased oil and gas activity.

Economic Outlook

*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 53.

The Colorado and national economies will continue to expand throughout the forecast period, though at more moderate rates than expected in March. Labor market conditions in almost all industries continue to improve and give rise to growth in wages and salaries. Business income, profits, and investments moderated at the start of the year, but expectations remain positive through the remainder of the forecast period.

Through the end of 2015, the Colorado economy will continue to feel the effects of the slow-down in the oil and gas industry. The Greeley metro area is expected to see the most dramatic impacts, with the contraction of capital investment in the oil industry affecting area employment, retail spending, and business activity. Diversified economies in other areas of the state are expected to offset oil and gas losses with gains from other industries.

In the remainder of the forecast period, uneven global economic activity and the weight of a strong U.S. dollar relative to foreign currencies will dampen U.S. export markets and supporting industries, including production and manufacturing. Growth will also be subdued by tighter U.S. monetary policy when the Federal Reserve begins to raise the target interest rate. Longer-term “structural” moderators of economic growth include the aging of the baby-boomer population, lower labor force participation, and lower labor productivity, all of which are expected to slow growth modestly.

GENERAL FUND BUDGET OVERVIEW

Table 1 on page 6 presents the General Fund overview based on current law. Table 2 shows changes in expectations for the General Fund budget situation between the March and June forecasts. Tables 3 and 5 on pages 10 through 12 provide estimates for General Fund rebates and expenditures (line 10 of Table 1) and detail for cash fund transfers to and from the General Fund (lines 3 and 11 of Table 1). 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 2014-15. The General Fund is expected to end the year with $18.6 million more than that required to fully fund the budget and the required reserve. This amount, which is $30.5 million lower than expected in March, will be retained in the reserve and thus available for the budget in FY 2015-16.

> The General Fund will end **FY 2014-15** with an estimated $18.6 million in excess of the required reserve.
>
> In **FY 2015-16**, General Fund is expected to be $180.7 million, or 1.8 percent, lower than the amount budgeted to be spent or saved in the reserve. Revenue is expected to be sufficient to allow General Fund appropriations to increase 3.9 percent.

TABOR refunds are paid out of the General Fund. During years the state has a TABOR refund obligation, changes in General Fund revenue change both the size of the TABOR refund and the amount of money in the General Fund available to pay for the refund by the same amount, resulting in no net change in the budget. However, changes in revenue collected in cash funds (subject to TABOR) change the amount of money available for the budget, because they change the size of the refund obligation that must be paid by the General Fund, but do not affect the amount of General Fund available to pay the refund.

Expectations for General Fund revenue collections increased $175.8 million for FY 2014-15. However, this was almost offset by a $151.2 million increase in the TABOR refund obligation. The refund increased by less than the increase in expectations for General Fund revenue because the forecast for cash fund revenue subject to TABOR fell; the majority — $15.6 million — was due to a diversion of severance tax revenue from cash funds to the General Fund required by Senate Bill 15-255. The bill requires the first $20 million of severance tax revenue collected after its passage to be diverted to the General Fund; this forecast expects $15.6 million to be available for the diversion.

FY 2015-16. General Fund revenue is expected to be $180.7 million, or 1.8 percent, lower than the amount budgeted to be spent and held in the required reserve in FY 2015-16. This amount of revenue is sufficient to allow General Fund operating appropriations to increase 3.9 percent.

Because a budget for FY 2015-16 had not yet been enacted in March, the March forecast provided expectations for the amount of money available to be spent in FY 2015-16 in excess of the amount that was then budgeted for FY 2014-15. As shown in Table 2, this amount was

Table 1
June 2015 General Fund Overview
Dollars in Millions

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
FUNDS AVAILABLE		**Actual**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve	$373.0	$435.9	$595.1	$430.7
2	General Fund Revenue	$8,974.8	$9,834.3	$10,089.6	$10,550.4
3	Transfers from Other Funds *(Table 5)* /A	14.2	65.1	15.0	15.3
4	**Total Funds Available**	**$9,362.0**	**$10,335.3**	**$10,699.6**	**$10,996.4**
5	Percent Change	0.1%	10.4%	3.5%	2.8%
EXPENDITURES		**Budgeted**	**Budgeted**	**Budgeted**	**Estimate**
6	General Fund Appropriations Subject to Limit /A	$8,218.7	$8,869.0	9,405.0	*
7	Adjustments to Appropriations	32.4	22.4	*	*
8	TABOR Refund Obligation Under Art. X, Section 20, (7) (d) /B	0.0	220.9	0.0	211.5
9	TABOR Refund Obligation Under Art. X, Section 20, (3) (c) /B		58.0		
10	Rebates and Expenditures *(Table 3)*	250.2	254.6	269.6	285.6
11	Transfers to Other Funds *(Table 5)*	30.9	41.5	57.6	58.7
12	Transfers to the State Education Fund Pursuant to SB 13-234	45.3	25.3	25.3	25.3
13	Transfer for Highway Construction /C	0.5	0.0	201.8	105.5
14	Appropriations for Certificates of Participation /A	NA	NA	37.1	45.3
15	Transfers to the Capital Construction Fund /C	186.2	248.5	272.5	27.1
16	**Total Expenditures**	**$8,764.2**	**$9,740.3**	**$10,268.9**	*
17	Percent Change	10.8%	11.1%	5.4%	*
18	Accounting Adjustments	53.1	*	*	*
RESERVE		**Actual**	**Estimate**	**Estimate**	**Estimate**
19	**Year-End General Fund Reserve**	$650.9	$595.1	$430.7	*
20	Year-End Reserve As A Percent of Appropriations	7.9%	6.7%	4.6%	*
21	**Statutorily-Required Reserve**	410.9	576.5	611.3	*
22	**Transfers From the Reserve**	215.0	NA	NA	NA
23	**Amount in Excess or (Deficit) of Statutory Reserve**	**$25.0**	**$18.6**	**($180.7)**	*
24	Excess Reserve as a Percent of Expenditures	0.3%	0.2%	-1.8%	*
ALTERNATIVE PERSPECTIVES ON UNBUDGETED YEARS				**Estimate**	**Estimate**
Perspective 1: Money Available in FY 2015-16 in Excess of FY 2014-15 Expenditures /D					
25	Amount in Excess of Statutory Reserve				221.0
26	As a Percent of Prior-Year Expenditures				2.2%
Perspective 2: Assuming Appropriations Increase by the Historical Average Rate During Economic Expansions of 6.44% /E					
27	Amount in Excess or (Deficit) of Statutory Reserve				($424.1)
28	As a Percent of Prior-Year Expenditures				-4.1%
ADDENDUM		**Actual**	**Estimate**	**Estimate**	**Estimate**
29	Percent Change in General Fund Appropriations	10.5%	7.8%	5.8%	*
30	5% of Colorado Personal Income Appropriations Limit	$11,307.2	$12,017.5	$12,353.4	$13,049.6
31	Transfer to State Education Fund Per Amendment 23	$478.8	$519.8	$526.8	$547.8

Totals may not sum due to rounding.

** Not estimated. NA = Not applicable.*

/A Senate Bill 15-251 excluded appropriations to fulfill the state's obligations of certain certificates of participation from the statutory reserve requirement. These figures are excluded from operating appropriations on line 6, and shown on line 14.

/B TABOR refund obligations are shown during the year they are collected. Pursuant to 24-75-201 (2), C.R.S., the TABOR refund obligation is required to be set aside during the year it is collected to be refunded in the following fiscal year.

/C SB 09-228 transfers to the Highway Users Tax Fund and the Capital Construction Fund are expected to equal $201.8 million and $50.5 million, respectively, in FY 2015-16. These transfers will be cut in half during FY 2016-17, because the TABOR surplus is expected to exceed 1 percent of General Fund revenue.

/D This holds appropriations in FY 2016-17 equal to appropriations in FY 2015-16 to determine the total amount of money available above FY 2015-16 expenditures.

/E The average growth rate of appropriations during the last two business cycles, only during years when the economy expanded, which include Fiscal Years 2000-01, 2003-04 through 2007-08, and 2011-12 through 2015-16.

Table 2
Forecast-to-Forecast Change in the General Fund Budget Situation

Expectations for Amount in Excess (Deficit) of Statutory Reserve

Forecast	FY 2014-15	FY 2015-16	Note
March	$49.1	$831.4	These estimates were produced before the FY 2015-16 budget was enacted. FY 2015-16 reflects revenue available for the budget in excess of FY 2014-15.
June	18.6	(180.7)	Reflects 2015 legislation.
Total Change	**($30.5)**	**($1,012.2)**	

Components of Change

Component	FY 2014-15	FY 2015-16	Note
Change in Revenue	**$201.8**	**($209.0)**	
Beginning Reserve		(30.5)	
Revenue Expectations	175.8	(165.6)	Includes the impact of legislation listed in Table 8 and 9.
Net Transfers to and from Cash Funds			
Resulting from Changes in Expectations	(1.7)	(1.4)	Transfers related to gaming and marijuana revenue.
Resulting from Legislation /A	27.7	(11.5)	House Bills 15-1150, 15-1379, and 15-1178
			Senate Bills 15-249, 15-244, and 15-245 /A
Change in Expenditures	**$232.3**	**$803.2**	
General Fund Appropriations	0.6	536.6	
Adjustments to Appropriations	22.4		
TABOR Refund Obligation Under Art. X, Section 20, (7)(d)	151.2	(116.8)	
TABOR Refund Obligation Under Art. X, Section 20 (3) (c)	58.0		
Rebates and Expenditures	0.1	1.4	
Senate Bill 09-228 Transfer to Transportation		99.2	Reflects a full, rather than a half, transfer
Capital Construction Fund			
Senate Bill 09-228 Transfer		24.8	Reflects a full, rather than a half, transfer
Certificates of Participation		37.1	Exempt from reserve requirement (Senate Bill 15-251)
Direct Transfers		186.0	Senate Bill 15-250 (in excess of March expectations)
Statutorily-Required Reserve		34.9	
Total Change	**($30.5)**	**($1,012.2)**	

/A Senate Bill 15-255 is included in legislation affecting General Fund revenue in Table 8 on page 20.

/B The $58 million set aside is static regardless of changes in expectations for marijuana revenue. House Bill 15-1367 increases the refund out of the Marijuana Tax Cash Fund to reflect the difference should it fail.

expected to be $831.4 million in March. The enactment of a budget and other legislation, combined with lower expectations for General Fund revenue, results in the $180.7 million deficit shown in line 23 of Table 1.

The elimination of expectations for a TABOR refund obligation in FY 2015-16 reduced expenditures relative to March by $116.8 million, but was more than offset by a $124.0 million increase in obligations for Senate Bill 09-228 transfers. Because the $116.8 million TABOR refund obligation, expected in March, was then more than 1.0 percent of General Fund revenue, the amount of money budgeted for these transfers was cut in half. These transfers are made in full as long as the TABOR refund obligation is lower than 1.0 percent of General Fund revenue, are halved if it is between 1.0 percent and 3.0 percent of General Fund revenue, and eliminated if it exceeds 3.0 percent of General Fund revenue.

What Happens When There's a Budget Deficit?

A budget deficit in FY 2015-16 can be addressed by legislative action during the 2016 regular legislative session.

During the legislative interim and if the forecast prepared by the Office of State Planning and Budgeting projects revenue to be insufficient to fund half of the required reserve for the current year, the Governor must reduce General Fund spending to preserve at least half of the reserve. If the Governor reduces General Fund expenditures by at least 1.0 percent to meet that requirement, he or she is also authorized to transfer moneys from the Capital Construction Fund into the General Fund. These changes may be codified by the General Assembly the following legislative session.

The $180.7 million deficit anticipated by this forecast represents just under one-third of the required reserve; half of the reserve is equal to $305.7 million.

FY 2016-17 — Unbudgeted. Because a budget has not yet been enacted for FY 2016-17, lines 25 through 28 of Table 1 show two alternative perspectives on the General Fund budget situation for these years.

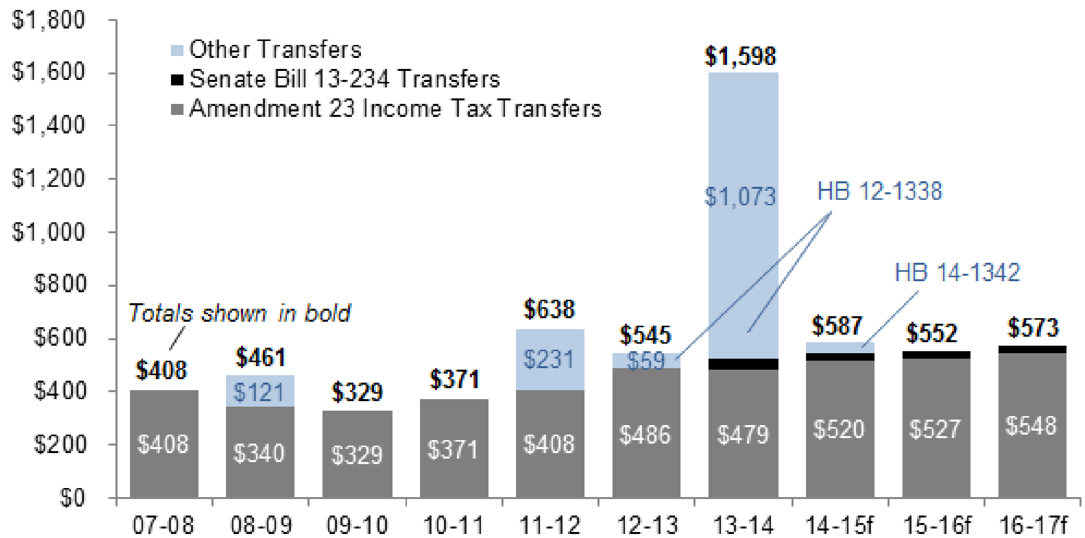
Perspective 1, shown in lines 25 and 26, assumes no growth in appropriations between FY 2015-16 and FY 2016-17 to illustrate the amount of money available to the General Assembly above that budgeted to be spent or retained in the reserve in FY 2015-16. This amount, estimated at $221.0 million, or 2.2 percent of budgeted expenditures in FY 2014-15, assumes that the $180.7 million deficit in FY 2015-16 is spent out of the reserve.

Perspective 2, shown in lines 27 and 28, assumes a 6.44 percent growth rate for General Fund appropriations. This rate is the historic average growth rate for General Fund appropriations during economic expansions over the last two business cycles, which include Fiscal Years 2000-01; 2003-04 through 2007-08; and 2011-12 through 2015-16.

Assuming the FY 2015-16 deficit is spent out of the reserve, revenue will be sufficient to allow General Fund appropriations to increase by 2.2 percent in FY 2016-17. This amount is $424.1 million short of that required to allow appropriations to grow by the historical average rate during expansions of 6.44 percent. These expectations net out expected TABOR refund set asides and other expenditures listed in lines 8 through 15 of Table 1.

State Education Fund. The Colorado 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

Figure 1
Revenue to the State Education Fund
Dollars in Millions



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

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.

Senate Bill 09-228 transfers. Colorado personal income increased 5.6 percent in 2014, triggering the first year of the five-year block of transfers in FY 2015-16.

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, during the first two years of the five-year period. 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. The transfers are cut in half if the TABOR surplus during that year is between 1 percent and 3 percent of General Fund revenue, and eliminated if the surplus exceeds 3 percent of General Fund revenue.

A TABOR surplus is not expected in FY 2015-16, and therefore full transfers equal to $50.5 million and $201.8 million to the Capital Construction Fund and the Highway Users Tax Fund, respectively, are expected in FY 2015-16. In total, these transfers are $124.0 million more than the amount included in the budget.

Senate Bill 09-228 Transfers:

FY 2015-16, full transfers equal to:

- *Capital Construction Fund: $50.5 million*
- *Highway Users Tax Fund: $201.8 million*

FY 2016-17, half transfers equal to:

- *Capital Construction Fund: $26.4 million*
- *Highway Users Tax Fund: $105.5 million*

It is within reasonable forecast error for these transfers to occur in full during either FY 2015-16 or FY 2016-17, or to not occur at all.

Table 3
General Fund Rebates and Expenditures
Dollars in Millions

Category	Actual FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17
Senior & Veterans Property Tax Exemptions /A	$109.8	$116.9	$129.1	$139.5
Percent Change	*6.9*	*6.4*	*10.4*	*8.1*
Cigarette Rebate	$10.4	$10.9	$10.5	$10.2
Percent Change	*-2.9*	*5.0*	*-4.2*	*-2.8*
Old-Age Pension Fund	106.9	98.2	102.1	107.2
Percent Change	*2.1*	*-8.1*	*4.0*	*5.0*
Aged Property Tax & Heating Credit /B	6.0	5.2	5.4	5.5
Percent Change	*-8.4*	*-13.8*	*3.8*	*1.9*
Older Coloradans Fund /C	10.0	11.5	10.0	10.0
Percent Change	*25.0*	*0.2*	*-0.1*	*0.0*
Interest Payments for School Loans	0.7	0.7	0.7	0.9
Percent Change	*-3.9*	*-3.0*	*9.5*	*21.8*
Fire and Police Pensions	4.1	4.2	4.2	4.2
Percent Change	*-97.2*	*2.0*	*0.0*	*0.0*
Amendment 35 Distributions	0.8	0.8	0.9	0.8
Percent Change	*-7.1*	*1.5*	*1.3*	*-3.6*
Marijuana Sales Tax Transfer to Local Govts	*1.4*	*6.2*	*6.7*	*7.2*
Percent Change		*355.7*	*8.08*	*8.37*
TOTAL REBATES & EXPENDITURES	**$250.2**	**$254.6**	**$269.6**	**$285.6**

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.

In FY 2016-17, a TABOR surplus of $221.5 million, or 2.0 percent of General Fund revenue, is expected, which would indicate half transfers that year. However, small margins of error in the forecasts for the General Fund revenue and the TABOR surplus could produce very different results. Because this forecast is based on current law, these errors include the impact of legislation enacted in the future by the General Assembly or U.S. Congress that affect General Fund revenue or cash fund revenue subject to TABOR. Thus these transfers could occur in full during both years, or not occur at all.

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 meet this requirement in FY 2014-15, but not in FYs 2015-16 and 2016-17. As a result, the sales tax refund for cleanrooms will be available through June 2016, but is not expected to be available beginning July 2016. In addition, the historic property preservation tax credit is not expected to be available beginning with tax year 2016. Table 4 lists and describes the availability of these tax benefits.

Table 4
Tax Policies Dependent on Sufficient General Fund Revenue to Allow General Fund Appropriations to Increase by at Least 6.0 Percent

Tax Benefit	Forecast that Determines Availability	Tax Policy Availability
Historic property preservation income tax credit (39-22-514, C.R.S.)	December forecast immediately before the tax year when the credit becomes available.	Available in tax years 2013 through 2015. Not expected to be available for tax years 2016 and 2017. Repealed tax year 2020.
Cleanroom Machinery Sales and Use Tax Exemption (39-26-722, C.R.S.)	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 2016. Not expected to be available July 2016 through June 2018. Repealed July 1, 2018.

Note: See Table 9 on page 20 for information on the revenue impact of these triggers.

Table 5 (Cont. on Next Page)
Cash Fund Transfers
Dollars in Millions

Bill #	Cash Fund	2013-14	2014-15	2015-16	2016-17
Transfers to the General Fund					
HB 10-1325	Natural Resource Damage Recovery Fund	$0.16	$0.16	$0.16	$0.16
SB 11-225	Tobacco Litigation Settlement Funds	0.2	0.2	0.2	0.2
HB 13-1317 & SB 14-215	Marijuana Cash Fund	2.0			
CRS 26-2-210	Supplemental Security Income Stabilization Fund				
SB 13-133	Limited Gaming Fund	11.8	13.6	14.3	14.8
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 & SB 15-167	Marijuana Tax Cash Fund		5.1		
HB 15-1150	Severance Tax Operational Fund for Mine Reclamation			0.13	0.13
HB 15-1379	Marijuana Tax Cash Fund			0.14	
SB 15-168	Intellectual and Developmental Disability Fund		2.1		
SB 15-169	State Employee Reserve		6.4		
SB 15-249	Marijuana Tax Cash Fund		27.7		
Subtotal: Transfers to the General Fund		*$14.2*	*$65.1*	*$15.0*	*$15.3*

Table 5 (Cont.)
Cash Fund Transfers
Dollars in Millions

Bill #	Cash Fund	2013-14	2014-15	2015-16	2016-17
Transfers from the General Fund					
HB 12-1286	Transfer for Film Incentives				
HB 12-1315	Clean Renewable Energy Fund	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	85% of 10% Special Sales Tax Marijuana Cash Fund	7.7			
SB 14-215	Marijuana Tax Cash Fund		34.9	37.8	40.9
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 /A	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	
HB 15-1178	CWCB Emergency Dewatering Grant Account			0.2	0.3
SB 15-112	Building Regulation Fund		0.3		0.2
SB 15-244	State Public School Fund			7.8	7.8
SB 15-245	Natural Hazard Mapping Fund			3.8	2.4
Subtotal: Transfers from the General Fund		*$30.9*	*$41.5*	*$57.6*	*$58.7*
Net Impact on the General Fund		**($16.7)**	**$23.6**	**($42.7)**	**($43.4)**

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

TABOR OUTLOOK

This section presents the outlook for the state's TABOR situation through FY 2016-17. Table 6 on page 16 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.

> **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.

The **Referendum C cap** will equal $12.3 billion in FY 2014-15, $12.9 billion in FY 2015-16, and $13.3 billion in FY 2016-17. Revenue subject to TABOR is expected to exceed the cap in FY 2014-15 and FY 2016-17, prompting **TABOR refunds of $220.9 million in FY 2015-16 and $211.5 million in FY 2017-18**. Revenue subject to TABOR is not expected to exceed the cap in FY 2015-16. Separately, **House Bill 15-1367** requires a **TABOR election provision refund of $63.5 million in FY 2015-16 if voters reject Proposition BB** in November. These two types of refunds are described below.

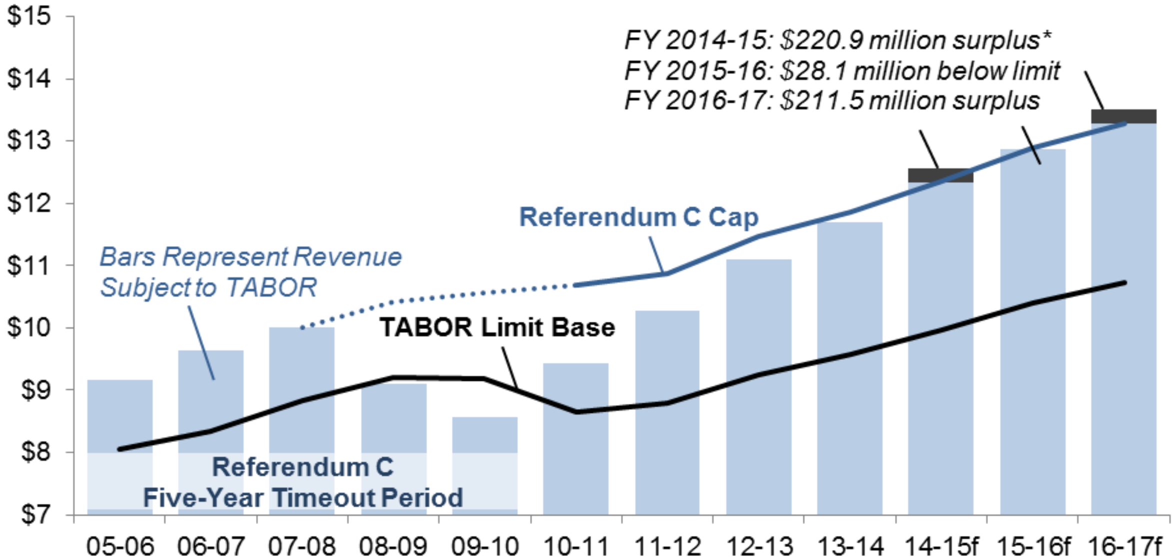
TABOR surplus. Article X, Section 20 of the Colorado Constitution (TABOR) limits the amount of revenue the state may retain and either spend or save. The limit is equal to the previous year's limit or revenue, whichever is lower, adjusted for inflation and population growth, plus any revenue changes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

Referendum C allowed the state to spend all revenue collected above the limit during a five-year timeout period beginning in 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 is set to the highest amount of state revenue for a fiscal year during the five-year timeout period and grown each year thereafter by inflation and 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.

TABOR requires revenue collected above the Referendum C Cap to be refunded to taxpayers. Revenue is expected to exceed the Referendum C Cap by $217.3 million and $211.5 million in FY 2014-15 and FY 2016-17, respectively. Revenue is expected to be $28.1 million below the Referendum C Cap in FY 2015-16.

When revenue exceeds the cap, TABOR requires the surplus to be refunded during the following fiscal year. An additional $3.6 million must be refunded along with the next TABOR surplus; this amount represents under-refunds of pre-Referendum C surpluses and other accounting errors that would have added to the previous refund. **Therefore, an estimated $220.9 million and $211.5 million will be refunded in FY 2015-16 and FY 2017-18, respectively.**

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



Source: Office of the State Controller and Legislative Council Staff.
**FY 2014-15 surplus includes a $3.6 million adjustment for under-refunds of and other adjustments to pre-Referendum C TABOR surpluses.*

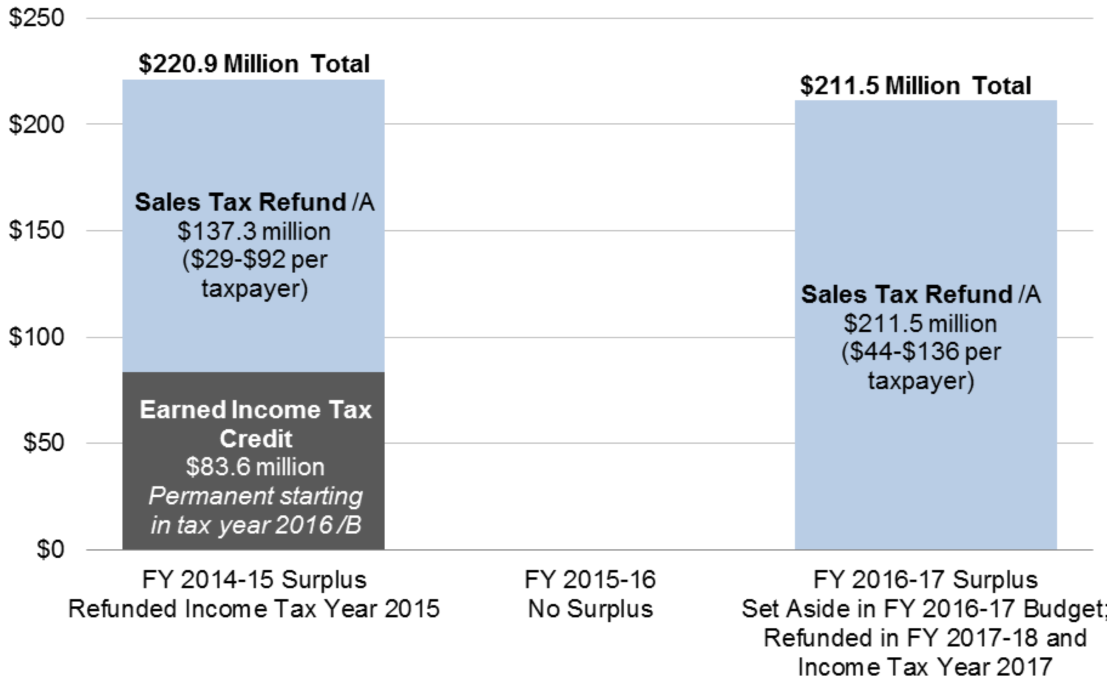
Figure 3 and Table 7 show how state law requires this money to be refunded. Current law contains three refund mechanisms: the six-tier sales tax refund, the earned income tax credit, and a temporary cut in the income tax rate from 4.63 percent to 4.50 percent. The size of the TABOR refund determines which refund mechanisms are available each year.

As a result of the FY 2014-15 TABOR surplus, the six-tier sales tax refund and the earned income tax credit will be available during income tax year 2015. The first $83.6 million of the surplus will be refunded via the earned income tax credit (EITC), which is available to taxpayers who work but earn low incomes. The remaining $137.3 million will be refunded via the sales tax refund. State law requires the sales tax refund to be distributed among six income tiers as it was distributed in tax year 1999. As shown in Table 7, taxpayers filing single returns with adjusted gross incomes of up to $36,800 will receive refunds of $29 each, plus $244, on average, from the EITC. Taxpayers filing single returns with adjusted gross incomes of $182,400 and up will receive refunds of $92 each. For taxpayers filing joint returns, the sales tax refund amounts are doubled. Beginning in tax year 2016, the EITC will be available annually as a state income tax credit and will reduce General Fund revenue.

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 through a six-tier sales tax refund. Taxpayers filing single returns with incomes up to $38,400 will receive $44, and taxpayers filing single returns with incomes of at least $190,700 will receive $136. For joint filers, these amounts are doubled.

TABOR election provision refund. According to a legal analysis by the Office of Legislative Legal Services, if fiscal year spending in FY 2014-15 exceeds the estimate provided to voters in the Proposition AA Blue Book, the excess must be refunded to taxpayers in FY 2015-16.

Figure 3
TABOR Refund Estimates /A



Source: Legislative Council Staff.

A/ This figure illustrates refunds of revenue in excess of the Referendum C Cap. If voters reject Proposition BB, the state will be obligated to make a TABOR election provision refund of $63.5 million in FY 2015-16; mechanisms for this refund are described below.

/B Section 39-22-123.5 (3), C.R.S., 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.

However, the amount of the refund is capped at the total amount of the Proposition AA taxes actually collected for the fiscal year, and no refund is required if the state receives later voter approval to keep the revenue. For FY 2014-15, fiscal year spending is expected to exceed the estimate, and Proposition AA tax revenue is expected to total $63.5 million.

House Bill 15-1367 set aside $58.0 million from revenue collected in FY 2014-15 for a TABOR election provision refund in FY 2015-16, and referred Proposition BB to voters. If voters approve Proposition BB, this money will be retained by the state and spent on school construction, education, substance abuse prevention and treatment, and public safety programs. **If voters reject Proposition BB, House Bill 15-1367 refunds the amount of Proposition AA tax revenue collected in FY 2014-15, forecast at $63.5 million**, via direct refunds to adult-use marijuana cultivators, a reduction in the adult-use marijuana special sales tax rate, and a six-tier sales tax refund identical to that used to refund a TABOR surplus.

Table 6
June 2015 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	$9,784.5	$10,036.4	$10,493.6
2	Cash Funds	2,729.3	2,780.1	$2,826.1	$3,008.1
3	**Total TABOR Revenue**	**$11,691.9**	**$12,564.6**	**$12,862.5**	**$13,501.7**
	Revenue Limit				
4	Allowable TABOR Growth Rate	3.3%	4.3%	4.4%	3.1%
5	Inflation (from prior calendar year)	1.9%	2.8%	2.8%	1.4%
6	Population Growth (from prior calendar year)	1.4%	1.5%	1.6%	1.7%
7	TABOR Limit Base	$9,566.6	$9,963.2	$10,401.6	$10,724.1
8	Voter Approved Revenue Change (Referendum C)	$2,125.3	$2,384.1	$2,460.9	$2,566.1
9	Total TABOR Limit / Referendum C Cap	$11,852.4	$12,347.3	$12,890.6	$13,290.2
10	**TABOR Revenue Above (Below) Referendum C Cap**	($160.5)	**$217.3**	($28.1)	**$211.5**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C /B	$2,125.3	$2,384.1	$2,460.9	$2,566.1
12	**Total Available Revenue**	**$11,691.9**	**$12,347.3**	**$12,862.5**	**$13,290.2**
13	**Revenue To Be Refunded to Taxpayers /C /D**	$0.0	**$220.9**	$0.0	**$211.5**
14	TABOR Reserve Requirement	$350.8	$370.4	$385.9	$398.7

Totals may not sum due to rounding.

/A These figures differ from the revenues reported in General Fund revenue summary table because of accounting adjustments across TABOR boundaries.

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

/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 2016-17 will be set aside in FY 2016-17 and refunded in FY 2017-18 on individual income tax returns for tax year 2017.

/D Revenue to be refunded (line 13) exceeds revenue above the Referendum C Cap (line 10) by $3.6 million in FY 2014-15. This amount represents under-refunds of pre-Referendum C surplus and other errors discovered in subsequent years that would have added to the last refund.

Table 7
Average Taxpayer TABOR Refunds
Full-Time Resident Individual Income Taxpayers

Single Returns					Joint Returns					EITC*	
Adjusted Gross Income	Six-Tier Sales Tax	Income Tax Rate Cut	Total, Households Without EITC	Total, Households With EITC	Adjusted Gross Income	Six-Tier Sales Tax	Income Tax Rate Cut	Total, Households Without EITC	Total, Households With EITC	Number of Households	Average EITC
FY 2014-15 Surplus, Tax Year 2015											
Up to $36,800	$29	-	**$29**	**$273**	Up to $30,000	$58	-	**$58**	**$302**	307,406	$244
$36,800 to $79,000	$244	-	**$39**	**$177**	$30,000 to $73,600	$78	-	**$78**	**$216**	63,123	$138
$79,000 to $115,000	$139	-	**$45**	**$45**	$73,600 to $116,800	$90	-	**$90**	**$90**	-	-
$115,000 to $149,200	-	-	**$53**	**$53**	$116,800 to $157,500	$106	-	**$106**	**$106**	-	-
$149,200 to $182,400	-	-	**$57**	**$57**	$157,500 to $195,700	$114	-	**$114**	**$114**	-	-
$182,400 and up	-	-	**$92**	**$92**	$195,700 and up	$184	-	**$184**	**$184**	-	-
FY 2015-16 Surplus, Tax Year 2016											
Up to $37,500	-	-	-	-	Up to $30,600	-	-	-	-	-	-
$37,500 to $80,600	-	-	-	-	$30,600 to $75,100	-	-	-	-	-	-
$80,600 to $117,300	-	-	-	-	$75,100 to $119,200	-	-	-	-	-	-
$117,300 to $152,200	-	-	-	-	$119,200 to $160,700	-	-	-	-	-	-
$152,200 to $186,000	-	-	-	-	$160,700 to $199,600	-	-	-	-	-	-
$186,000 and up	-	-	-	-	$199,600 and up	-	-	-	-	-	-
FY 2016-17 Surplus, Tax Year 2017											
Up to $38,400	$44	-	**$44**	**$44**	Up to $31,300	$88	-	**$88**	**$88**	-	-
$38,400 to $82,600	$58	-	**$58**	**$58**	$31,300 to $77,000	$116	-	**$116**	**$116**	-	-
$82,600 to $120,200	$66	-	**$66**	**$66**	$77,000 to $122,200	$132	-	**$132**	**$132**	-	-
$120,200 to $156,000	$79	-	**$79**	**$79**	$122,200 to $164,700	$158	-	**$158**	**$158**	-	-
$156,000 to $190,700	$85	-	**$85**	**$85**	$164,700 to $204,600	$170	-	**$170**	**$170**	-	-
$190,700 and up	$136	-	**$136**	**$136**	$204,600 and up	$272	-	**$272**	**$272**	-	-

* EITC = Earned Income Tax Credit.

GENERAL FUND REVENUE

This section presents the outlook for General Fund revenue, which comprises the state's main source of operating appropriations. Table 10 on page 23 summarizes General Fund revenue collections for FY 2013-14 and projections for FY 2014-15 through FY 2016-17. As summarized in Table 8 on page 20, bills passed during the 2015 legislative session will increase General Fund revenue by $12.1 million in FY 2014-15 and reduce revenue by $8.1 million in FY 2015-16 and $9.5 million in FY 2016-17. Additionally, the state's TABOR outlook is expected to trigger partial refundability of the Gross Conservation Easement Income Tax Credit in tax years 2015 and 2017 and the Earned Income Tax Credit (EITC) beginning in tax year 2016. The EITC allows low- and middle-income Colorado tax payers to claim a tax credit equal to 10 percent of the federal EITC, reducing their Colorado income tax liability. The anticipated General Fund impacts of both credits are shown in Table 9 on page 20.

In FY 2014-15, General Fund revenue is expected to total $9.8 billion, an increase of 9.6 percent ($859.5 million) relative to the prior fiscal year. While individual income tax and sales tax revenue growth were strong, corporate income tax revenue has begun to reflect weaker earnings from the oil and gas industry. General Fund revenue is expected to grow through the next two fiscal years, though at a more moderate pace than in FY 2014-15 as a result of moderated business and consumer spending and the revenue impact of the EITC. General Fund revenue will grow 2.6 percent ($255.2 million) in FY 2015-16, and 4.6 percent ($460.9 million) in FY 2016-17.

Relative to the March forecast, revenue is expected to come in $175.8 million higher in 2014-15 due to higher than anticipated estimated payments for individual income taxes. Following a period of strong General Fund growth between FY 2010-11 and FY 2014-15, this forecast assumes that consumer spending and business income will moderate in coming years. Expectations for General Fund revenue were reduced by $165.5 million and $383.5 million for FY 2015-16 and FY 2016-17, respectively.

The following provides additional forecast information regarding the main revenue streams to the General Fund.

Individual income taxes. The state's largest source of tax revenue is expected to total $6.3 billion in FY 2014-15, up 11.4 percent from the prior fiscal year. Income tax revenue withheld from employee paychecks (or "withholding") comprises the largest share of individual income tax collections. In FY 2014-15, withholding payments (shown in Figure 4 at left) reflected broad-based employment and wage growth. Estimated payments, which include income taxes on capital gains earnings, mineral royalties, and certain non-corporate business income, showed particularly strong growth this fiscal year. Year-to-date collections consistently grew at a double-digit pace in FY 2014-15, exceeding expectations.

Revenue growth from net individual income taxes will moderate in FY 2015-16 on the slowdown in the oil and gas industry and on much more modest earnings from capital gains. Legislation that passed in 2015 will have only a minor impact on individual income tax revenue, while TABOR surplus-triggered legislation, including the EITC and the partial refundability of the Gross Conservation Easement Income Tax Credit, will have more significant impacts as shown in Table 9.

Compared with the March forecast, expected individual income tax revenue was increased $199.9 million in FY 2014-15 on

Table 8
Major 2015 Legislation Affecting General Fund Revenue
Millions of Dollars

		2014-15	2015-16	2016-17
Sales and Use Tax				
HB 15-1012	Sales and Use Tax Exemptions for Dyed Diesel /A			
HB 15-1180	Sales and Use Tax Refund for Medical and Clean Technology		(0.09)	(0.09)
Total: Sales Tax		*0.0*	*(0.1)*	*(0.1)*
Tobacco Product Excise Tax				
HB 15-1301	Tobacco Credit shipped to Out-of-State Consumers		(0.02)	(0.03)
Income Tax				
HB 15-1181	Colorado is Honoring Our Military Tax Exemption /B			
HB 15-1219	EZ Investment Tax Credit for Renewable Energy		(0.75)	(1.50)
HB 15-1366	Expand Job Growth Tax Credit for Higher Education Project		(0.03)	(0.08)
SB 15-206	Implement Conservation Easement Audit	(3.50)	(7.00)	(7.00)
SB 15-282	Jump-Start Program Economic Development Distressed Counties		(0.20)	(0.85)
Total: Income Tax		*(3.50)*	*(7.97)*	*(9.43)*
Court Receipts				
HB 15-1063	Prohibited Communications Concerning Patents		0.01	0.01
Other General Fund				
SB 15-255	Severance Tax Diversion	15.60		
Total Revenue Impact		**12.1**	**(8.1)**	**(9.5)**

/A Indeterminate revenue decrease beginning FY 2014-15.

/B Indeterminate revenue increase beginning FY 2014-15.

Table 9
Triggered Legislation Affecting General Fund Revenue
Millions of Dollars

	2014-15	2015-16	2016-17
Income Tax			
Partial Refundability of Gross Conservation Easement Income Tax Credit (39-22-522 (5) (b), C.R.S.)*	(7.19)	(7.19)	(5.24)
Triggered ON by TABOR surplus of any amount.			
Earned Income Tax Credit (10 percent of the Federal credit) (39-22-123, C.R.S.)		(43.5)	(88.7)
Triggered ON by its use as a TABOR refund mechanism for tax year 2015.			
Historical Preservation Income Tax Credit (39-22-514, C.R.S.)**			<1.0
Triggered OFF by a December LCS forecast of insufficient revenue to grow General Fund appropriations by 6%.			
Sales and Use Tax			
Cleanroom Machinery Exemption (39-26-722, C.R.S.)***			<0.5
Triggered OFF by a June LCS forecast of insufficient revenue to grow General Fund appropriations by 6%.			
Total Impact	**(7.2)**	**(49.0)**	**(93.9)**

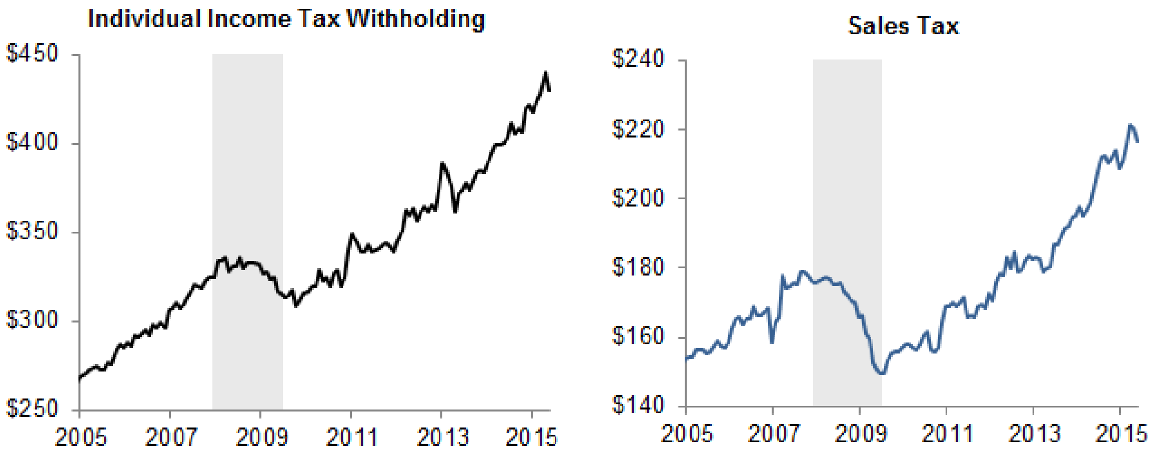
Note: Estimates are preliminary and subject to change as additional information becomes available.

**Partial refundability is expected to be available in tax years 2015 and 2017.*

***Credits that otherwise would have been claimed are not expected to exceed $1 million.*

****Exemptions that otherwise would have been claimed are not expected to exceed $500,000.*

Figure 4
Monthly General Fund Revenue from Selected Sources
Millions of Dollars, Three-Month Moving Average



Source: Colorado Department of Revenue. Data are through May 2015 and are shown on a cash-accounting basis (December to May are preliminary). Data were seasonally adjusted by Legislative Council Staff using the Census x12 method.

higher than expected collections from estimated payments. In addition to the impact of the EITC, which now is expected to influence revenue one fiscal year sooner than expected in March, expectations for the out-years of the forecast were revised downward on a reduction from strong to moderate growth expectations for personal and business income. The forecast was reduced $61.2 million in FY 2015-16 and $265.4 million in FY 2016-17.

Sales taxes. Sales tax collections, which account for more than a quarter of General Fund revenue, are expected to total $2.7 billion in FY 2014-15, an increase of 9.8 percent over the previous fiscal year. Growth in Colorado sales tax collections has been broad-based. Through August 2014, collections showed gains across all but two industries: information producers and health care and social assistance services. Sales tax collections will continue to grow at a healthy but more moderate pace through the remainder of the forecast period as energy prices rise and growth in wage and salary earnings moderate across the state. Sales tax revenue is expected to increase 5.5 percent in FY 2015-16 and 6.0 percent in FY 2016-17. While decelerating some in FY 2015-16 and FY 2016-17, growth rates will remain well above the 2.4 percent average annual growth in sales tax revenue experienced since 2000.

Relative to the March forecast, expectations for sales taxes were increased $20.4 million in FY 2014-15 on higher than expected retail sales for the state. Revenue expectations for FY 2015-16 and FY 2016-17 were reduced $6.5 million and increased $10.3 million, respectively. Legislation passed in 2015 is not expected to significantly impact sales or use tax revenue.

Use taxes. Use tax revenue is expected to increase 7.3 percent in FY 2014-15 to total $259.1 million. The pace of growth will accelerate to 11.4 percent in FY 2015-16, followed by more modest 2.9 percent growth in FY 2016-17. Almost all of the current year increase in revenue occurred in the second half of 2014, when collections grew 14.4 percent compared with late 2013 levels. After oil prices crashed in November and December, investment in Colorado oil fields fell precipitously. Use tax collections increased just 0.8 percent between January and April 2015 compared with the same period in 2014. Use tax collections are expected to accelerate again as the oil industry adjusts to the low energy price environment and prices rise some from January lows.

Corporate income taxes. Colorado corporate income tax revenue benefited from a strong Colorado economy, low interest rates, and a more than ample labor supply, resulting in record profits in FY 2013-14. These trends have weakened so far in FY 2014-15 and are expected to reduce corporate profitability throughout the forecast period. Interest rates are expected to rise toward the end of this year or early next year, making business borrowing more expensive. Additionally, a tightening labor market will put upward pressure on wages, raising business costs. Low energy prices increase the profit margins for firms with heavy energy spending. However, lower income for energy producers and downstream businesses will likely more than offset any business savings. Reduced corporate profits from oil and gas firms will contribute to a decline in corporate profits throughout the forecast period.

Corporate income tax revenue grew 13.3 percent FY 2013-14, resulting in a record $720.7 million in corporate income tax revenue. This revenue is expected to decline 1.3 percent in FY 2014-15 based on lower year-to-date collections through May. In FY 2015-16, revenue will fall 7.7 percent before rising 1.7 percent in FY 2016-17. These estimates include the impact of several tax policy changes. 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. House Bill 15-1219 created an income tax credit for renewable energy projects in enterprise zones, which will reduce corporate income tax revenue beginning in FY 2015-16.

Compared with the March forecast, corporate income tax revenue expectations were reduced $21.0 million in FY 2014-15 and $94.4 million in FY 2015-16. Even with lowered revenue expectations, forecast revenue well exceeds the 10 year average for collections of $467.0 million. The current forecast for FY 2014-15 and FY 2015-16 would mark the second and third highest years for corporate income tax collections.

Table 10
June 2015 General Fund Revenue Estimates
Dollars in Millions

	Category	Actual FY 2013-14	Percent Change	Forecast FY 2014-15	Percent Change	Forecast FY 2015-16	Percent Change	Forecast FY 2016-17	Percent Change
1	Sales	$2,424.6	9.6	$2,662.6	9.8	$2,807.8	5.5	$2,977.0	6.0
2	Use	241.5	-0.5	259.1	7.3	288.6	11.4	297.0	2.9
3	Cigarette	36.6	-4.5	37.4	2.3	35.9	-4.2	34.9	-2.8
4	Tobacco Products	16.9	8.4	17.8	5.7	14.8	-16.9	13.5	-9.1
5	Liquor	40.3	2.9	41.8	3.7	43.2	3.3	45.4	5.0
6	TOTAL EXCISE	$2,759.9	8.3	$3,018.8	9.4	$3,190.3	5.7	$3,367.8	5.6
7	Net Individual Income	$5,696.1	1.8	$6,342.7	11.4	$6,493.3	2.4	$6,774.6	4.3
8	Net Corporate Income	720.7	13.3	711.2	-1.3	656.8	-7.7	667.7	1.7
9	TOTAL INCOME TAXES	$6,416.8	3.0	$7,053.9	9.9	$7,150.1	1.4	$7,442.4	4.1
10	Less: Portion diverted to the SEF	-478.8	-1.6	-519.8	8.6	-526.8	1.3	-547.8	4.0
11	INCOME TAXES TO GENERAL FUND	$5,938.0	3.3	$6,534.0	10.0	$6,623.3	1.4	$6,894.6	4.1
12	Estate	0.4	NA	0.0	NA	0.0	NA	0.0	NA
13	Insurance	239.1	13.6	234.9	-1.8	242.8	3.4	251.2	3.5
14	Pari-Mutuel	0.6	-8.8	0.6	0.4	0.6	-5.2	0.6	-5.2
15	Investment Income	12.9	-26.1	14.2	10.1	15.5	9.5	18.9	21.8
16	Court Receipts	2.6	9.5	2.7	6.6	2.9	5.1	2.9	1.6
17	Other Income	21.3	17.9	29.1	36.2	14.1	-51.5	14.5	2.8
18	TOTAL OTHER	$276.9	11.2	$281.5	1.7	$275.9	-2.0	$288.1	4.4
19	**GROSS GENERAL FUND**	**$8,974.8**	**5.1**	**$9,834.3**	**9.6**	**$10,089.6**	**2.6**	**$10,550.4**	**4.6**

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

CASH FUND REVENUE

Table 11 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 $2.73 billion in FY 2013-14 to $2.78 billion in FY 2014-15. Increases will occur in all primary cash fund categories with the exception of revenue from the hospital provider fee and regulatory agencies. Revenue collected via the state's 2.9 percent sales tax on medical and retail marijuana is projected to add $22.0 million to cash fund revenue subject to TABOR in FY 2014-15.

Total cash fund revenue subject to TABOR will increase 1.7 percent to $2.83 billion in FY 2015-16 as a rebound in hospital provider fee revenue is offset by a decline in severance tax revenue. Cash fund revenue is projected to grow another 6.4 percent to $3.01 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 $1,161.0 million for FY 2014-15, up $25.3 million or 2.2 percent from FY 2013-14. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 12 on page 27.

The *Highway Users Tax Fund* (HUTF) is the largest source of transportation revenue subject to TABOR. HUTF revenue is forecast at $1,011.3 million for FY 2014-15, an increase of 4.3 percent from the previous fiscal year. The excise tax on gasoline and diesel fuel is anticipated to account for $599.9 million in FY 2014-15, the largest source of HUTF revenue. These taxes are expected to increase 4.6 percent between FY 2013-14 and FY 2014-15, mainly because drivers are using more fuel because of low 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 $348.5 million in FY 2014-15, a 3.7 percent increase from the previous fiscal year. Domestic vehicle sales have increased 3.8 percent, due to falling gas prices and healthy economic growth. All three components of registration fee revenue are expected to grow at similar rates.

A relatively small portion of the *State Highway Fund* (SHF) balance comes from revenue subject to TABOR. The two largest sources of TABOR revenue to the SHF are difficult to forecast: local government grants and interest earnings on the fund balance. SHF revenue subject to TABOR is expected to decrease by $15.4 million, or 28.3 percent, in FY 2014-15. This decrease results from smaller local government payments to the SHF in FY 2014-15. In FY 2013-14, local governments made relatively large payments to the SHF to repair roads damaged by the floods that occurred in the fall of 2013.

Other transportation cash fund revenue subject to TABOR is expected to fall by 1.1 percent in FY 2014-15. The decrease is attributable to falling revenue collected in the Aviation Fund, which consists mostly of aviation fuel taxes. Aviation fuel taxes are assessed on a hybrid per-gallon and per-dollar basis. While the quantity of aviation fuel purchased is increasing, lower prices have triggered a drop

Table 11
June 2015 Cash Fund Revenue Subject to TABOR Estimates
Dollars in Millions

	Actual FY 13-14	Forecast FY 14-15	Forecast FY 15-16	Forecast FY 16-17	FY 13-14 to FY 16-17 CAAGR *
Transportation-Related	**$1,135.7**	**$1,161.0**	**$1,182.0**	**$1,201.5**	
% Change	3.4%	2.2%	1.8%	1.6%	**1.9%**
Hospital Provider Fee	**$566.7**	**$532.7**	**$689.2**	**$728.0**	
% Change	-13.2%	-6.0%	29.4%	5.6%	**8.7%**
Severance Tax	**$268.7**	**$286.7**	**$127.0**	**$214.9**	
% Change	93.9%	6.7%	-55.7%	69.2%	**-7.2%**
Gaming Revenue /A	**$98.3**	**$99.9**	**$102.3**	**$103.7**	
% Change	0.2%	1.7%	2.4%	1.4%	**1.8%**
Insurance-Related	**$20.7**	**$21.2**	**$10.1**	**$10.4**	
% Change	-21.7%	2.4%	-52.4%	3.6%	**-20.3%**
Regulatory Agencies	**$68.5**	**$64.0**	**$65.7**	**$67.4**	
% Change	5.3%	-6.5%	2.6%	2.6%	**-0.5%**
Capital Construction Related - Interest /B	**$2.4**	**$3.3**	**$6.6**	**$6.0**	
% Change	139.3%	39.4%	96.1%	-8.8%	**35.6%**
2.9% Sales Tax on Marijuana /C		**$22.0**	**$22.5**	**$23.0**	
% Change			2.1%	2.5%	**16.7%**
Other Cash Funds	**$568.3**	**$589.2**	**$620.8**	**$653.2**	
% Change	22.2%	3.7%	5.4%	5.2%	**4.7%**
Total Cash Fund Revenue Subject to the TABOR Limit	**$2,729.3**	**$2,780.1**	**$2,826.1**	**$3,008.1**	
	7.2%	1.9%	1.7%	6.4%	**3.3%**

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 collected from the sale of medical and retail marijuana. $14.5 million was collected and deposited into the General Fund in FY 2013-14.

Table 12
Transportation Funds Revenue Forecast by Source, June 2015
Dollars in Millions

	Actual FY 13-14	Forecast FY 14-15	Forecast FY 15-16	Forecast FY 16-17	FY 13-14 to FY 16-17 CAAGR *
Highway Users Tax Fund (HUTF)					
Motor Fuel and Special Fuel Taxes	$573.5	$599.9	$612.5	$621.7	**2.7%**
% Change	3.8%	4.6%	2.1%	1.5%	
Total Registrations	$336.0	$348.5	$355.8	$362.9	**2.6%**
% Change	2.7%	3.7%	2.1%	2.0%	
Registrations	*$197.6*	*$206.7*	*$211.1*	*$215.3*	
Road Safety Surcharge	*$120.6*	*$123.6*	*$126.2*	*$128.7*	
Late Registration Fees	*$17.7*	*$18.2*	*$18.6*	*$18.9*	
Other HUTF Receipts /A	$59.8	$62.8	$64.2	$65.9	**3.3%**
% Change	5.7%	5.1%	2.3%	2.5%	
Total HUTF	**$969.3**	**$1,011.3**	**$1,032.6**	**$1,050.5**	**2.7%**
% Change	3.5%	4.3%	2.1%	1.7%	
State Highway Fund /B	$54.5	$39.1	$34.9	$32.9	**-15.5%**
% Change	32.1%	-28.3%	-10.9%	-5.6%	
Other Transportation Funds	$111.9	$110.7	$114.6	$118.1	**1.8%**
% Change	-7.6%	-1.1%	3.5%	3.1%	
Aviation Fund /C	*$36.9*	*$31.9*	*$34.3*	*$36.1*	
Law-Enforcement-Related /D	*$11.0*	*$11.0*	*$11.0*	*$11.0*	
Registration-Related /E	*$64.0*	*$67.7*	*$69.2*	*$70.9*	
Total Transportation Funds	**$1,135.7**	**$1,161.0**	**$1,182.0**	**$1,201.5**	**1.9%**
% Change	3.4%	2.2%	1.8%	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, Section 20, 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

	Actual FY 13-14	Forecast FY 14-15	Forecast FY 15-16	Forecast FY 16-17
Bridge Safety Surcharge	$101.1	$103.6	$105.7	$107.9
% Change	3.9%	2.5%	2.1%	2.0%

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

in the per-dollar portion of aviation fuel tax revenue.

Revenue to the *Statewide Bridge Enterprise* is not subject to TABOR and is shown as an addendum to Table 12. Revenue to this enterprise is expected to increase 2.5 percent to $103.6 million in FY 2014-15. The bridge safety surcharge fee collections typically grow at rates similar to growth in vehicle registrations.

Hospital Provider Fee (HPF) collections are expected to total $532.7 million in FY 2014-15, a decrease of 6.0 percent from the previous fiscal year. Collections are expected to jump 29.4 percent to $689.2 million in FY 2015-16, before increasing 5.6 percent to $728.0 million in FY 2016-17.

HPF rates are set by the Department of Health Care Policy and Financing in order to draw matching funds from the federal government for hospital reimbursements and expansion of the state Medicaid program and are subject to annual approval by the federal Centers for Medicare and Medicaid Services (CMS). Increased Medicaid caseload attributable to the Patient Protection and Affordable Care Act is expected to drive a large increase in HPF rates during FY 2015-16. However, the amount of the increase could be greater or lower than expected depending on the timing of the CMS approval. If the expansion is approved later than anticipated, a portion of the expected increase could be pushed back to FY 2016-17.

Total **severance tax** revenue, including interest earnings, is projected to be $286.7 million in FY 2014-15, as reflected in Table 13, a downward revision from the March forecast. The most important reason for the revision was the passage of Senate Bill 15-255, which diverted up to the first $20 million in severance tax receipts collected in May and June, 2015, to the General Fund. As of June 19th, it was unclear whether $20 million in severance taxes would be collected in May and June. This forecast assumes that receipts from May and June will total $15.6 million and will be diverted to the General Fund.

In FY 2015-16, total severance tax collections are projected to decline 55.7 percent to $127.0 million, representing a slight upward revision from the March forecast. The revision was largely due to the moderate increase in oil prices this spring, and the expectation that this upward drift will continue in 2015. This forecast assumes oil prices will remain in the $55 to $65 range for the remainder of 2015. In FY 2016-17, collections are projected to rise to $214.9 million. The increase is the result of a projected increase in the price of both oil and natural gas and the resulting increase in production.

The price of natural gas has historically been the largest determinant of state severance tax collections, but the industry has changed. Oil production has increased rapidly over this period, while natural gas production has slowed. Even with the sharp decline in oil prices, the value of Colorado oil production surpassed the value of natural gas production in 2014.

Colorado oil prices continued to fall through the early spring, reaching a low of $41 per barrel in March. Since then, oil prices have begun to tick upwards, and are expected to gradually rise through the remainder of 2015 as a result of the expanding economy. However, prices will remain below $65 per barrel in 2015 due to the significant pool of reserves that have accumulated. The decline in oil prices that has occurred will reduce expected severance tax collections in FY 2015-16, and may dampen future drilling activity, although the industry has indicated that the price impact may be offset somewhat by production efficiency increases.

Colorado oil drilling activity, especially in Weld County, has been exceptionally strong over the last few years. Weld county is now responsible for over 85 percent of the state's oil production, and monthly production in the county averaged 7.8 million barrels in 2014. The impact of the price drop on future drilling activity will depend on the length of time that prices remain low and the degree to which producers can increase drilling efficiency. This

Table 13
Legislative Council Staff
Severance Tax Revenue Forecast by Source, June 2015
Millions of Dollars

	Actual FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	FY 2013-14 to FY 16-17 CAAGR*
Oil and Gas	$249.4	$269.5	$108.7	$197.8	-7.7%
% Change	110.9%	8.0%	-59.7%	82.0%	
Coal	$8.1	$5.4	$7.2	$6.9	-5.0%
% Change	-9.4%	-33.3%	33.9%	-3.7%	
Molybdenum and Metallics	$1.8	$1.4	$1.9	$1.9	0.5%
% Change	-27.1%	-21.3%	28.3%	0.5%	
Total Severance Tax Revenue	$259.3	$276.3	$117.7	$206.6	-7.6%
% Change	100.0%	6.5%	-57.4%	75.5%	
Interest Earnings	$9.4	$10.4	$9.3	$8.3	-4.2%
% Change	5.5%	11.1%	-11.3%	-10.7%	
Total Severance Tax Fund Revenue	$268.7	$286.7	$127.0	$214.9	-7.5%
% Change	93.9%	6.7%	-55.7%	69.2%	

**CAAGR: Compound Average Annual Growth Rate.*

forecast assumes that oil prices will rise gradually through 2015, and oil production in Weld County and the broader Niobrara formation will remain strong throughout the forecast period.

Regional natural gas prices have also fallen somewhat this spring. Prices at regional hubs fell from around $3.00 per Mcf (thousand cubic feet) in the first week of March to around $2.40 per Mcf at the end of April before ticking up to nearly $2.70 per Mcf in the beginning of June. Prices are expected to remain relatively stable at this level through the summer. For FY 2014-15, oil and gas severance tax collections are expected to total $269.5 million. Collections are expected to fall to $108.7 million in FY 2015-16 due to relatively low oil prices and an increase in the ad valorem tax credits taken by operators. Collections will then increase to $197.8 million 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 $5.4 million in collections in FY 2014-15, an amount one-third lower than FY 2013-14 totals. This decrease was largely due to the continued drop in production caused by the pullback at the Bowie #2 mine near Paonia. Production at this mine was completely suspended in April. Colorado coal production declined 8.9 percent in the first four months of 2015 compared with the same period in 2014. Of Colorado's top eight producing mines, four had year-over-year production increases during this four month stretch, while four had production declines of between 4 and 35 percent. The Elk Creek mine in Gunnison County remains closed. In addition, a federal judge in May gave the Department of Interior's Office of Surface Mining 120 days to complete an environmental analysis of the mining plan for the Colowyo mine in Moffat County that complies with the National Environmental Policy Act. If the analysis is not completed on time, the mine faces immediate closure. The coal

Table 14
Tax Revenue from the Marijuana Industry
Millions of Dollars

	Actual FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17
Proposition AA Taxes				
10% Special Sales Tax	$11.5	$41.1	$44.4	$48.1
State Share	$9.8	$34.9	$37.8	$40.9
Local Share	$1.7	$6.2	$6.7	$7.2
15% Excise Tax	$4.0	$22.4	$21.1	$26.3
Total Proposition AA Taxes	***$15.5***	***$63.5***	***$65.5***	***$74.4***
2.9% Sales Tax (Subject to TABOR)				
Medical Marijuana	$11.1	$10.3	$9.6	$9.3
Adult-Use Marijuana	$3.4	$11.7	$12.8	$13.7
Total 2.9% Sales Tax	***$14.5***	***$22.0***	***$22.5***	***$23.0***
Total Taxes on Marijuana	**$30.0**	**$85.5**	**$87.9**	**$97.4**

market is also soft as electric utilities continue to transition from coal to natural gas. In both FY 2015-16 and FY 2016-17, collections are expected to rebound slightly to $7.2 million and $6.9 million, respectively.

Finally, projected interest earnings for FY 2014-15 have been revised upward to $10.4 million. Over the remainder of the forecast period, interest earnings are expected to fall to $9.3 million in FY 2015-16, and to $8.3 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. Most of this revenue is subject to TABOR. However, revenue attributable to Amendment 50, which expanded gaming beginning in FY 2009-10, is TABOR-exempt.

Gaming tax and fee revenue subject to TABOR is expected to total $99.9 million in FY 2014-15, a 2.9 percent increase from FY 2013-14. By contrast, total gaming tax revenue is expected to grow 4.1 percent in FY 2014-15 as casinos rebound from poor performance during the previous, flood-stricken fiscal year. Because of the statutory formula contained in the Amendment 50 enabling legislation, years in which gaming tax revenues grow by more than 3 percent result in disproportionate increases in the share of gaming taxes that are exempt from TABOR.

Gaming revenue subject to TABOR is projected to grow 2.4 percent and 1.4 percent in FY 2015-16 and FY 2016-17, respectively. Casinos are expected to attract some new business as household incomes continue to improve. However, growth rates remain low when adjusted for inflation.

Total tax revenue from medical and adult-use ***marijuana*** is expected to be $85.5 million in FY 2014-15 and $87.9 million in FY 2015-16, as shown in Table 14. The current year forecast was increased based on higher than expected monthly tax collections in 2015. The passage of House Bill 15-1367 reduced revenue expectations in FY 2015-16 as the bill eliminated tax rates on retail marijuana for one day on September 16, 2015. House Bill 15-1367 also reduced the sales tax rate from 10.0 to 8.0 percent on July 1, 2017 and thereafter. This rate reduction will impact marijuana tax revenue starting in FY 2017-18, which is beyond the current forecast period.

Revenue from the 10 percent sales tax and the 15 percent excise tax is expected to be $63.5 million in FY 2014-15, the first full year of Proposition AA tax collections. Revenue collected from levying the state's 2.9 percent sales tax on all goods is expected to generate $22.0 million in FY 2014-15 from the sale of medical and adult-use marijuana. This revenue is subject to TABOR, and is listed in Table 11 on page 26.

All *other cash fund revenue* subject to TABOR is expected to increase 3.7 percent to $589.2 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 5.4 percent to $620.8 million and 5.2 percent to $653.2 million, respectively.

Federal Mineral Leasing (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.

For FY 2014-15, FML revenue is anticipated to total $150.8 million, representing a decrease from the prior year because of continued low natural gas prices and smaller than expected collections to date. Between February and May, natural gas prices at Colorado hubs have averaged around $2.75 per Mcf and fallen as low as $2.40 per Mcf. Prices are expected to remain stable through the summer and fall but will remain below $3.50 per Mcf over this period. In addition, Colorado coal production continues to decline, and roughly 75 percent of this production occurs on federal lands. Production was down 8.9 percent in the first four months of 2015 compared with the same period in 2014, and it is expected to continue to decline through the forecast period. The layoffs and reduction in production at the Bowie #2 mine will further dampen growth in FML revenue.

FML revenue is expected to decline to $135.7 million in FY 2015-16 before rebounding to $163.4 million in FY 2016-17. These totals represent downward revisions from the March forecast, in part due to the agreement between the state and the Bureau of Land Management (BLM) where the BLM will withhold $7.8 million in FML revenue annually in each of the next three fiscal years beginning in FY 2015-16. This money will be used to reimburse the BLM for the state's share of $50 million in bonus payments on cancelled leases that must be refunded.

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 has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 11 on page 23. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is still subject to TABOR and is included in the revenue estimates for other cash funds in Table 11.

In FY 2013-14, the ending balance for the UI Trust Fund was $599.1 million, a 9.6 percent increase 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 balance improved 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.

The UI Trust Fund ending balance will total $624.8 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 4.7 percent each year from FY 2013-14 to FY 2016-17.

Benefits are projected to remain relatively stable through the forecast period. Benefit payments are expected to slowly decline from $501.8 million in FY 2014-15 to $472.4 million in FY 2016-17, an average annual decrease of 4.1 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 repayment are five years at 1.4 percent total annual interest. There will be two interest payment assessments per year; the first payment of $4.2 million was paid on November 15, 2012, and the second payment of $4.5 million was paid on May 15, 2013. There will be five principal repayments of approximately $125 million each due May 15 every year through 2017. The principal will be repaid through a bond principal surcharge assessed against employers and incorporated into the base UI premium rate beginning in 2013.

Table 15
Legislative Council Staff
Unemployment Insurance Trust Fund Forecast, June 2015
Revenue, Benefits Paid, and Fund Balance
Dollars in Millions

	Actual FY 13-14	Forecast FY 14-15	Forecast FY 15-16	Forecast FY 16-17	FY 13-14 to FY 16-17 CAAGR*
Beginning Balance	$546.8	$599.1	$624.8	$654.2	
Plus Income Received					
UI Premium & Premium Surcharge	$705.9	$639.4	$633.3	$612.5	-4.6%
Interest	$13.7	$13.1	$12.1	$10.7	
Total Revenues	**$719.6**	**$652.4**	**$645.4**	**$623.2**	-4.7%
% Change	-3.9%	-9.3%	-1.1%	-1.0%	
Less Benefits Paid	($534.8)	($501.8)	($490.9)	($472.4)	-4.1%
% Change	-6.3%	-6.2%	-4.5%	-3.8%	
Principal Repayment UI Bonds	($125.0)	($125.0)	($125.0)	($125.0)	
Accounting Adjustment	($7.6)				
Ending Balance	**$599.1**	**$624.8**	**$654.2**	**$680.1**	4.3%
Solvency Ratio:					
Fund Balance as a Percent of Total Annual Private Wages	0.63%	0.61%	0.60%	0.60%	

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

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

Economic Outlook

Colorado and the nation had a mixed first quarter of 2015 but the outlook for the regional and national economy remains positive for the remainder of the year and into 2016. Most industries added jobs at the start of the year, though business activity, exports, and oil industry-related employment fell with the weight of an appreciating U.S. dollar and the pull-back in the oil and gas industry. More generally, uneven growth abroad limited global economic activity, and longer-term labor participation and labor productivity trends are keeping the national economy below its potential.

Consumer spending and business investment moderated in the first quarter of the year but are expected to accelerate through the remainder of the forecast period as most industries add jobs and wages continue to rise. The May U.S. jobs report provided good news regarding the health of the U.S. labor market and prospects for second quarter growth. U.S. employers added 280,000 jobs in May, a stronger than expected gain following an average of 201,800 jobs added in the prior four months. Only mining and logging and information sectors posted loses. The June publication of the Federal Reserve's Beige Book, which covers economic conditions in April and May, also offers optimism for the remainder of the year. Most industry contacts across the U.S. expected growth in employment, consumption, and wages.

Energy prices are expected to remain at lower levels in 2015, maintaining pressure on crude oil and natural gas industries as well as oil and gas-reliant industries, including production and manufacturing. Additional layoffs in these industries are expected in coming months, putting some upward pressure on unemployment rates. Colorado will be harder hit due to a proportionally larger concentration in the oil and gas industry relative to most states. That said, spill-overs to other industries are not expected to deter general economic growth. Colorado's economy remains strong, particularly in the Denver metro and northern Front Range regions, where diversified employment opportunities are drawing additional residents and prompting new construction activity, wage increases, and general economic expansion.

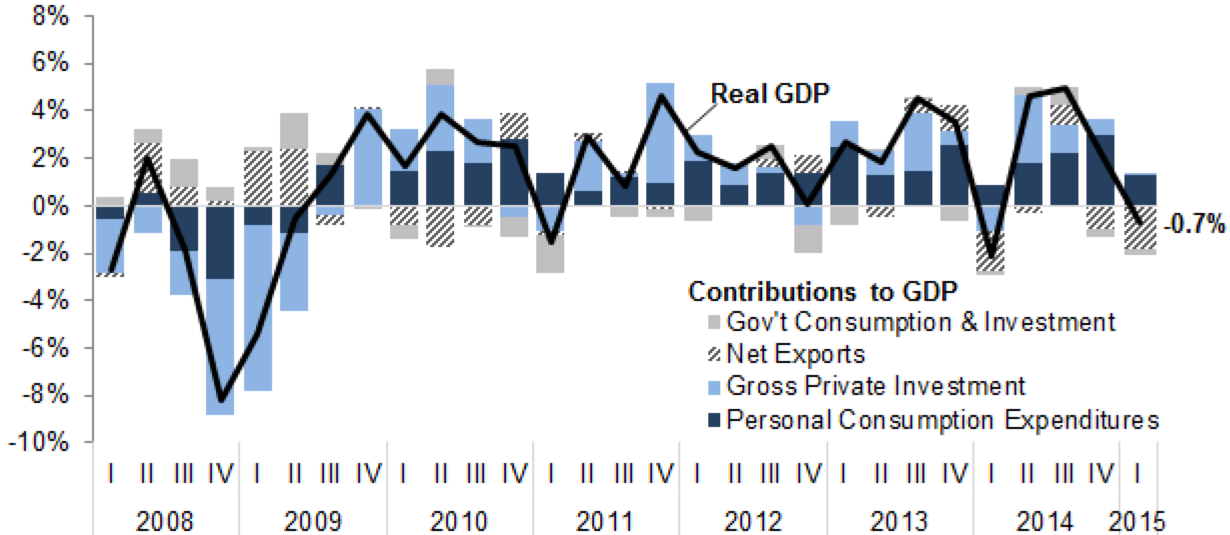
Expectations for the national and Colorado economies are summarized in Tables 16 and 17 on pages 51 and 52.

Gross Domestic Product

U.S. economic activity waned in the first quarter of the year. However, growth is expected to resume in the second quarter through the remainder of the year. Real gross domestic product (GDP), the common measure of aggregate U.S. economic activity, contracted at an annualized rate of 0.7 percent in the first quarter, driven by negative net exports (Figure 5). Exports of goods to foreign countries declined 14.0 percent on a strong U.S. dollar and weak economies abroad, while imports of foreign goods and services increased 5.6 percent. These drags were partially offset by growth in the export of services (up 7.4 percent). In addition to a stronger dollar, temporary West Coast port closures in February that resulted from labor disputes and severe weather likely contributed to weaker export activity in the first quarter.

Personal consumption expenditures decelerated to 1.8 percent growth in the first quarter relative to 4.4 percent in the prior quarter, reflecting lower growth in household consumption across major categories of goods and services. Gross private investment, which measures investment and spending by private businesses, also decelerated. Investments in nonresidential structures decreased in the first quarter, but were offset by investment growth

Figure 5
Contributions to Gross Domestic Product
Seasonally Adjusted Annual Rates



Source: Bureau of Economic analysis. "Real" GDP is inflation-adjusted. Contributions to percent change and percent change in GDP as shown as annualized quarter-over-quarter growth rates.

in equipment, intellectual property products and residential fixed investment (housing). State and local government spending decreased 1.8 percent in the first quarter and federal government spending was essentially flat (0.1 percent) after falling 7.3 percent in the prior quarter.

Most measures of economic activity show strong seasonal patterns that reflect events occurring at the same time each year, such as weather patterns and holidays. Data are seasonally adjusted so that they reflect actual trends instead of these seasonal variations. Several economists have suggested that "residual seasonality" may be skewing first quarter GDP data downward because for several years now first quarter estimates have been weaker than expected. Final first quarter estimates of GDP will be published in July and may reflect new seasonal adjustments.

That said, alternate economic indicators, which are discussed later in the forecast document, provide evidence supporting the first quarter deterioration in export activity and a moderation in consumer and business spending.

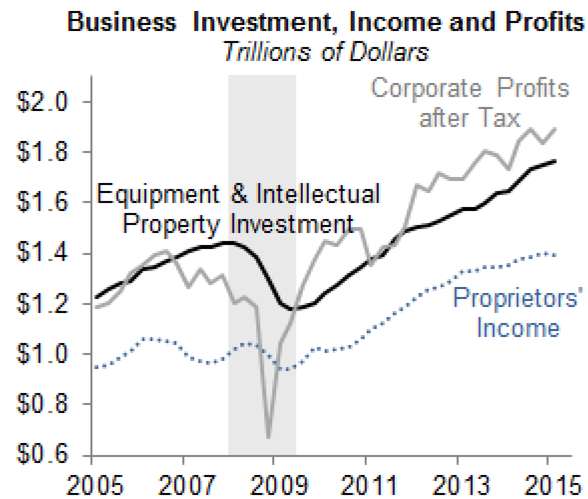
Offering optimism for the second quarter, April exports data suggest improvements in activity. Additionally, business expectations for the remainder of the year remain positive, according to the most recent Federal Reserve manufacturing surveys, the Beige Book, and Moody Analytics survey of business confidence.

- The national economy will maintain moderate growth rates throughout the forecast period. Real GDP will increase 2.5 percent in 2015 and 2.7 percent in 2016.

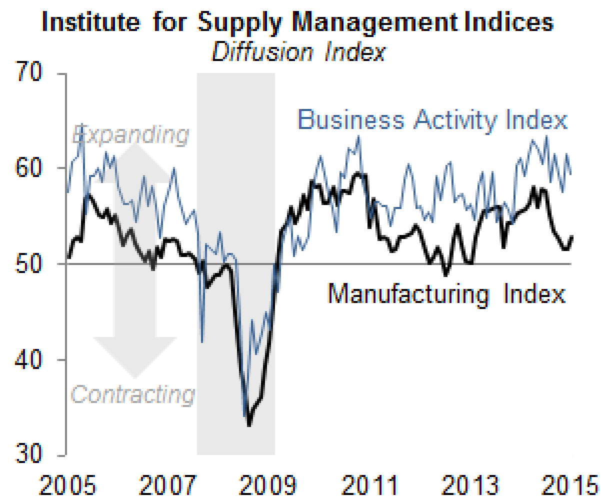
Business Income and Activity

Business income and activity slowed at the start of 2015, as shown in the selected indicators in Figure 6. The slowdown largely reflects the contraction in the energy industry and its influence on activity in dependent industries, including manufacturing and industrial production. Additionally, the rising value of the dollar relative to foreign currencies continues to dampen export growth.

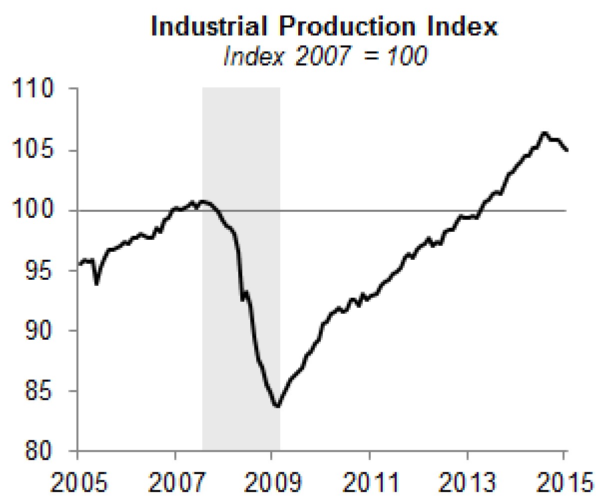
Figure 6
Selected Indicators of U.S. Business Activity



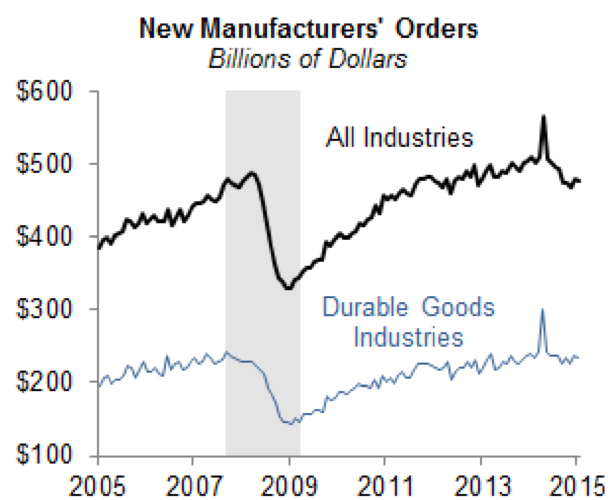
Source: Bureau of Economic Analysis.
Data through 2015Q1. Data are not adjusted for inflation.



Source: Institute for Supply Management.
Data through May 2015.



Source: Federal Reserve Board of Governors.
Data through April 2015.



Source: U.S. Census Bureau.
Data through April 2015. Not adjusted for inflation.

All data are seasonally adjusted. Shaded areas represent periods of recession.

Business income was mixed at the end of last year and at the start of 2015. Corporate profits after tax remain just below estimates from six months ago but are up from levels for the year prior. Proprietors' income, which includes income to non-corporate businesses such as sole proprietors or partnerships, was down 3.5 percent in the first quarter of 2015 relative to the fourth quarter of last year. April 2015 estimates showed modest growth in proprietors' income on a boost in farm income for the month.

Lending to future business activity, private businesses continue to invest in business equipment and intellectual property products. These investments grew 3.6 percent in the first quarter at seasonally adjusted annual rates, following growth of 4.4 percent in the last quarter of 2014. The Institute for Supply Management (ISM) business index shows moderate business expansion in April as evidenced by an index well above 50. The manufacturing index, however, is less strong, resting at 52.8 in May. Regional manufacturing surveys in the Kansas City Federal Reserve district (which includes Colorado) and the Dallas district show contractions in manufacturing activity. Both districts have a heavy oil and gas industry representation. New manufacturing orders have posted declines in eight of the past nine months, following a large spike in non-defense airplane orders last summer. Decreases in orders have generally been distributed across industries, though energy, primary and fabricated metals, and defense-related industry orders have been particularly weak in recent months.

Industrial production, as indicated by the Federal Reserve's industrial production index, has declined for five consecutive months. Decreases reflect reductions in oil and gas well drilling, though most major market groups also posted declines in April. Construction and business supplies were the only major market groups to post gains, while indices for the production of consumer goods, business equipment, defense and space equipment, and materials fell relative to the prior month.

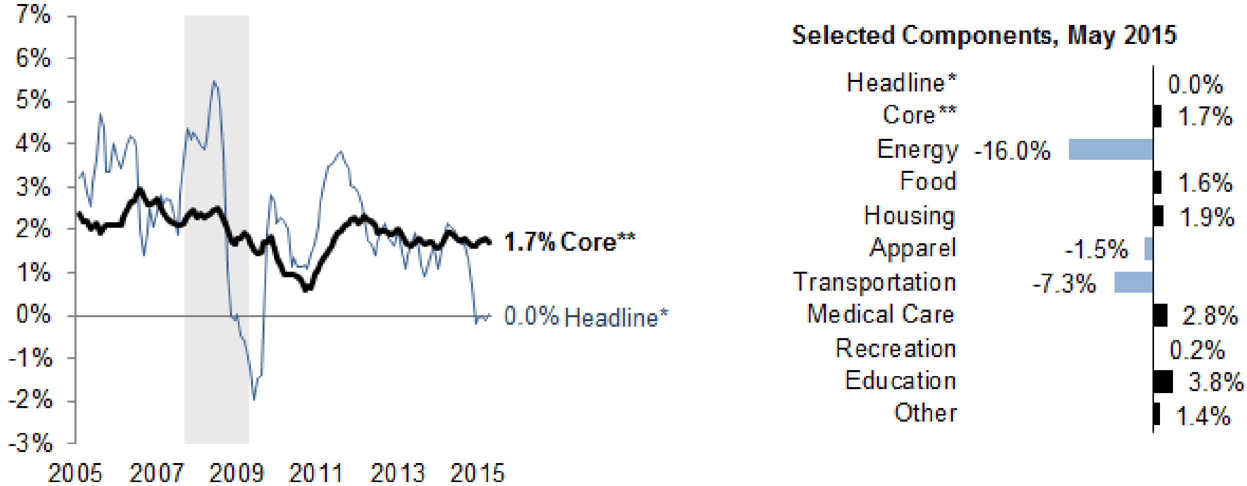
Monetary Policy and Inflation

The Federal Reserve's pursuit of "normalization" in monetary policy remains data dependent upon economic growth, further improvements in the labor market toward maximum employment, and core inflation rates remaining at or around 2 percent. The minutes from the most recent Federal Open Market Committee (FOMC) in June announced that the committee is maintaining its existing policy of reinvesting proceeds from Treasury securities and principal payments on agency debt, such as Fannie Mae or Freddie Mac debts, and agency mortgage-backed securities. This policy will keep the Federal Reserve balance sheet elevated and is expected to maintain a highly accommodative monetary policy. The Fed's asset purchases reduce the available supply of Treasury securities, agency debt and agency mortgage-backed securities in the market, leading to an increase in the price of these assets and a reduction in their yields (returns on interest) for other investors. In addition to keeping interest rates low, these purchases steer investors towards other, less expensive investments with higher yields.

The target federal funds rate remains between 0 and 0.25 percent and is expected to remain within this range until September at the earliest. However, any change in the target rate is contingent upon economic conditions. If inflationary pressures rise and employment conditions improve more rapidly than expected, monetary policy will tighten more quickly. If inflation remains subdued and employment growth slows, interest rates will remain lower longer. When interest rates do rise, they are expected to shift investment patterns, which will likely result in lower yields on investments in certain markets, including industry-specific equities and debt markets.

As shown in Figure 7, core inflation remains slightly below 2 percent. Core inflation, which excludes the more volatile components of energy and food prices, has firmed in recent months on contributions from rising housing prices, and education and

Figure 7
U.S. Consumer Price Index (CPI-U) Inflation
Percent Change in Prices, Year-over-Year



Source: U.S. Census Bureau. Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year. Data are through May and are seasonally adjusted.
*Headline inflation includes prices for all products and services. **Core inflation excludes food and energy prices.

medical care costs. Changes in selected components of the U.S. consumer price index are shown at right in Figure __. These components demonstrate the downward pressure energy and transportation prices have played on headline inflation. The precipitous decline in energy prices stabilized at the start of the year, although oil price stabilization will not appear in year-over-year inflation rates until 2016.

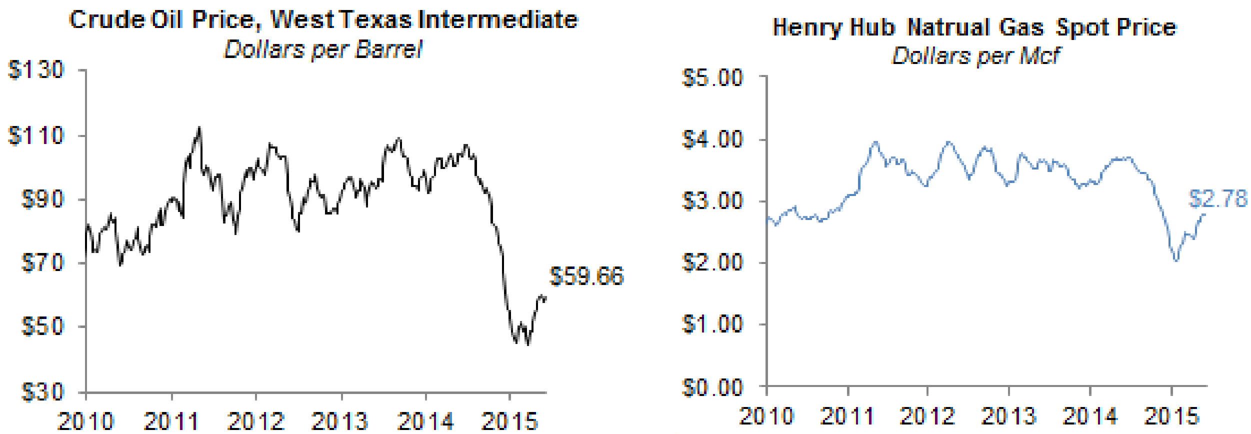
- Colorado inflation will continue to outpace nationwide inflationary pressures in 2015. The Denver-Boulder-Greeley consumer price index is expected to average 1.4 percent in 2015, with contributions primarily from rent and housing costs. General price pressures across components will offset lower energy and transportation prices. National headline inflation is expected to average 0.4 percent in 2015.

Energy Markets

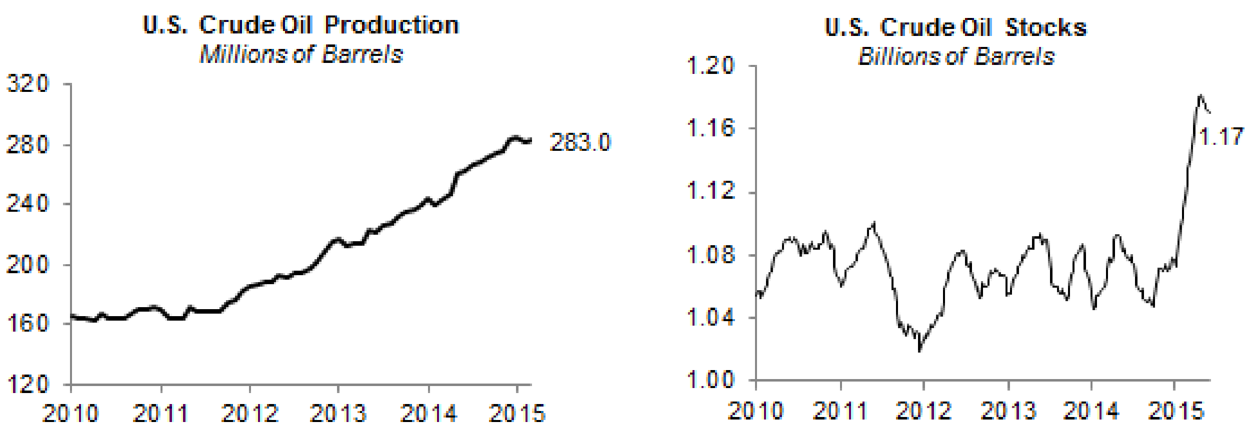
Selected energy market indicators are provided in Figure 8. The price of crude oil ended a precipitous six-month decline in January, rising from lows of $45 per barrel to stabilize between $55 and $60 per barrel in May and June (Figure 8, top left). Global production continues to outstrip global demand, keeping prices low by historical standards and prompting industry layoffs and reductions in domestic drilling. Natural gas prices also remain low at $2.65 per thousand cubic feet (Mcf) as of mid-June. Prices have been rising since the start of the year but remain below year-ago prices (Figure 8, top right). Drilling permits and active drilling rig counts offer indicators of new exploration for oil and gas as well as employment activity in the mining industry. Permit applications received by the Colorado Oil and Gas Conservation Commission were down 16.4 percent in the first five months of the year relative to the same period last year. Active rig counts in Colorado are down, from 65 in the first week of June last year to 39 in this year in June—a 40 percent reduction (Figure 8, bottom right). Rig counts are down 53.3 percent nationwide.

Mining and logging employment started to deteriorate in Colorado at the end of 2014. Between January and April of this year, 1,200 mining and logging jobs were lost, a

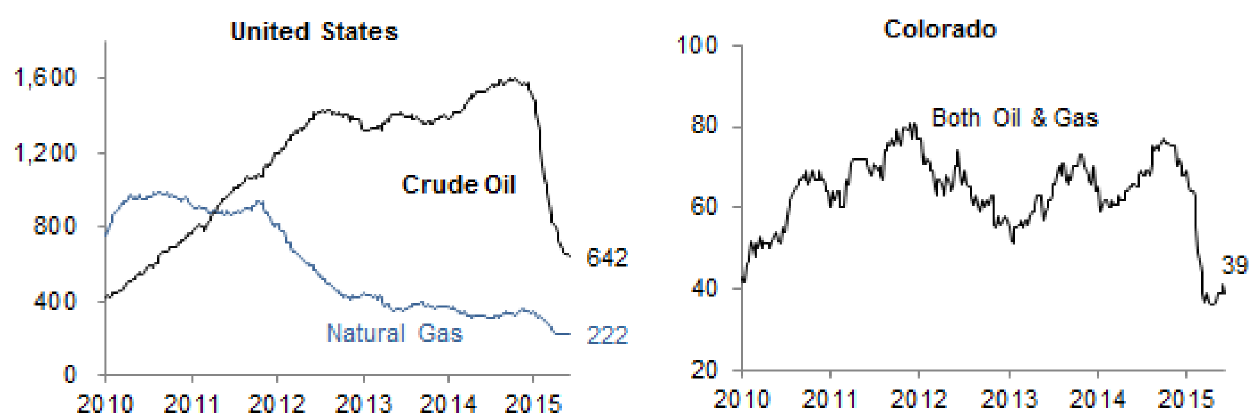
Figure 8
Selected Indicators of Oil and Gas Industry Activity



Source: Energy Information Administration. Weekly average prices through the week of June 12, 2015. Data are not seasonally adjusted.



Source: Energy Information Administration. Data are through March and are not seasonally adjusted.



Source: Baker Hughes. Rig counts through the week of June 5, 2015. Data are not seasonally adjusted.

3.3 percent reduction in sector employment. Job losses appear to be concentrated primarily in the Greeley metro area, reflecting the decline in activity in the Wattenberg field of the Denver basin, and the Denver metro area, where many oil and gas company headquarters are located. The nation has lost 68,000 mining and logging jobs (down 7.4 percent) between December and May. These numbers understate the full impact of the industry on employment, as administrative and other industry support roles or industry-reliant jobs are included under other sector categorizations, such as professional and business services, and transportation, warehousing and utilities. They also understate the impact of job losses on area retail stores and hotels.

Recent oil and gas job losses reflect a lack of new exploration and drilling. Much of the oil industry-related job growth Colorado enjoyed up until late last year resulted from exploration and drilling activity needed to bring production online. Production activity continues long after the exploration, drilling, and completion of a well. Wells tend to be most productive in the first few years of production, so Colorado oil production will likely continue to rise in 2015. Nationwide, oil production has held steady since December and is up 15.4 percent in March over the same period last year. Crude oil stocks remain high as oil supply continues to outstrip demand (Figure 8, middle right).

The Organization of the Petroleum Exporting Countries (OPEC) appears dedicated to maintaining production at current rates in efforts to keep oil prices low, forcing high-cost producers out of the market. This will continue to put pressure on the U.S. oil industry through the remainder of the year. Among Colorado producers, larger companies are likely to be better positioned to fare low oil prices by capitalizing on economies of scale and more diversified drilling opportunities. Oil prices at local refineries may become more volatile as the industry continues to adjust production by pursuing only the most cost-effective exploration and production opportunities.

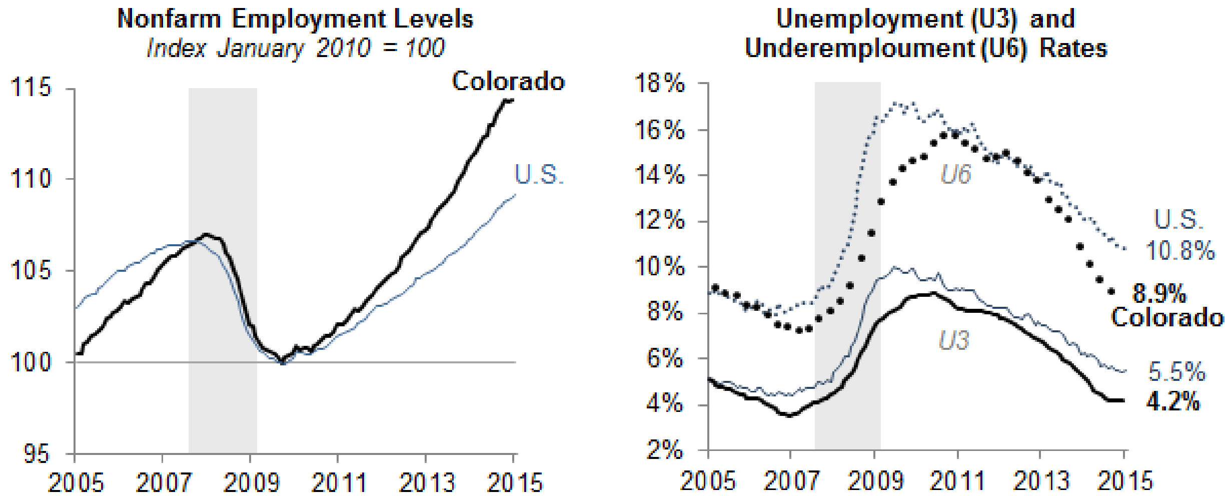
Coal production is also down at the start of the year through April for both Colorado (down 8.9 percent) and the U.S. as a whole (down 0.6 percent) over the same period last year. In 2014, U.S. coal production was up modestly from the year prior, following two years of declines on environmental concerns and regulatory limitations.

Labor Markets

Colorado's labor market continues to outperform the nation's in terms of year-over-year job growth and lower levels of unemployment. In April relative to a year prior, Colorado added 75,900 jobs, a healthy 3.1 percent increase relative to nationwide job growth of 2.2 percent over the same period. However, losses in several industries in Colorado slowed growth in the first four months of the year (Figure 9, shown at left). Job losses in these industries will continue further into 2015, though Colorado's economy is still expected to continue adding jobs overall relative to employment levels in 2014. Both Colorado and the nation are expected to experience labor market improvements in 2015 and 2016.

Reflecting recent job losses in Colorado, seasonally adjusted initial claims for unemployment insurance in Colorado ticked upward at the start of the year. Continued claims have remained steady since October 2014. Both initial and continued claims continue to trend downward at the national level. Shown at right in Figure 9, Colorado's unemployment rate remained at 4.2 percent in April for the fifth consecutive month, well below the national rate of 5.4 percent. Colorado's underemployment rate, which includes those working part-time for economic reasons and marginally-attached workers, fell to 8.9 percent (four-quarter average through the first quarter of this year). The nation's underemployment rate also continued a downward trend, dropping to 10.8 percent in May. A 4 percent or smaller gap between the primary unemployment rate and underemployment rate is conventionally

Figure 9
Colorado and U.S. Labor Market Comparisons



Source: Bureau of Labor Statistics. Nonfarm employment estimates include revisions to 2014 data expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process. Nonfarm employment data are through April for Colorado and May for the nation. Underemployment rates for Colorado are shown as four-quarter averages and are through the first quarter of the year, while data for the U.S. are monthly and through May. Data are seasonally adjusted.

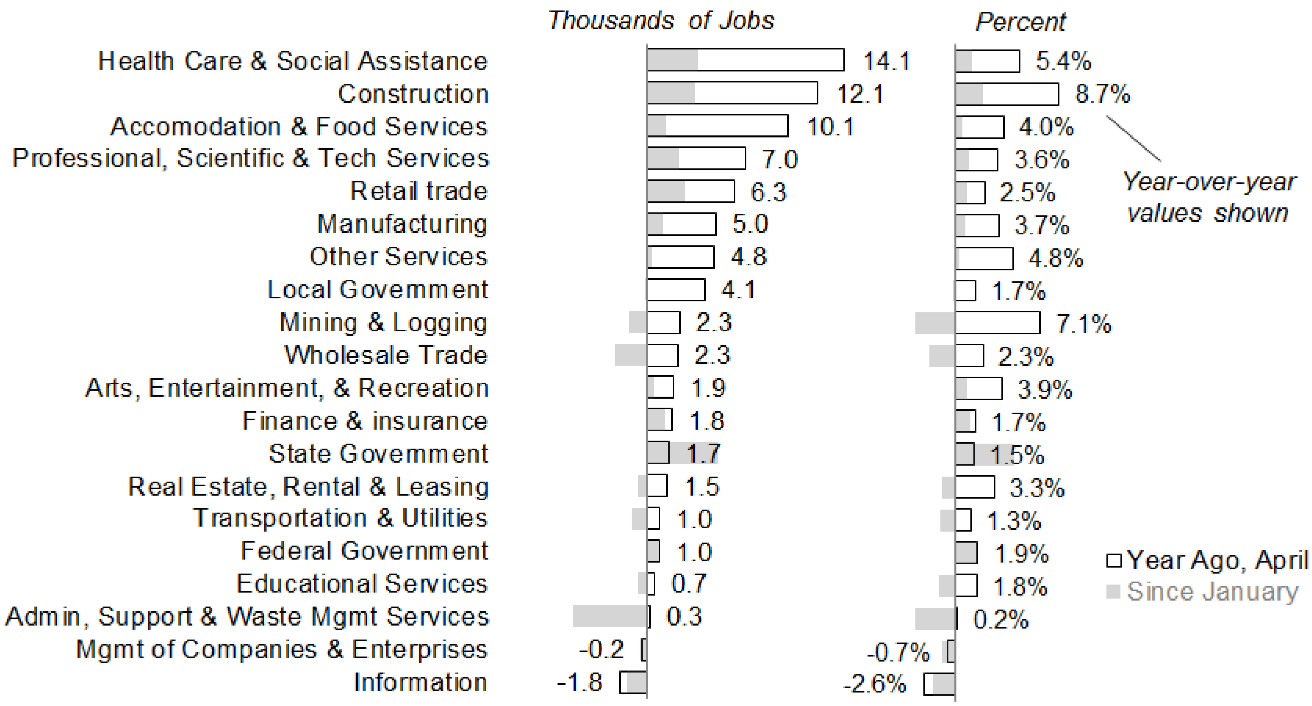
thought to indicate that an economy is at full employment. The gap between headline unemployment and underemployed rates in the state is now 4.5 percent, indicating that labor market slack continues to dissipate. Nationwide, the gap closed to 5.3 percent in May.

Several industries in Colorado shed jobs in recent months, primarily reflecting weaknesses in the oil and gas industry. Exploration and production cutbacks have led to down-stream industry impacts for wholesale trade, transportation, warehousing, and utilities. Support services positions have also been impacted, including losses in management and administrative support jobs. Job gains and losses are shown in Figure 10, reflecting the more commonly reported year-over-year growth (April 2015 relative to April 2014 shown with black outline) as well as more recent job gains or loses between the months of January and April of this year (grey bars). Outside of oil and gas-related losses, information sector jobs continue to decline as publishing continues the shift to digital technology, requiring fewer positions. Recent declines in the real estate and rental and leasing sector reflect a one month loss that is expected to be revised into positive territory.

Nationally, job growth moderated in the first five months of the year. May's employment report was stronger than expected, indicating 280,000 jobs were added over the prior month. These additions marked a welcome acceleration in job growth relative to the prior four months, which averaged 201,800 new jobs per month. In May, relative to a year prior, the nation saw job growth in all sectors except mining and logging and information.

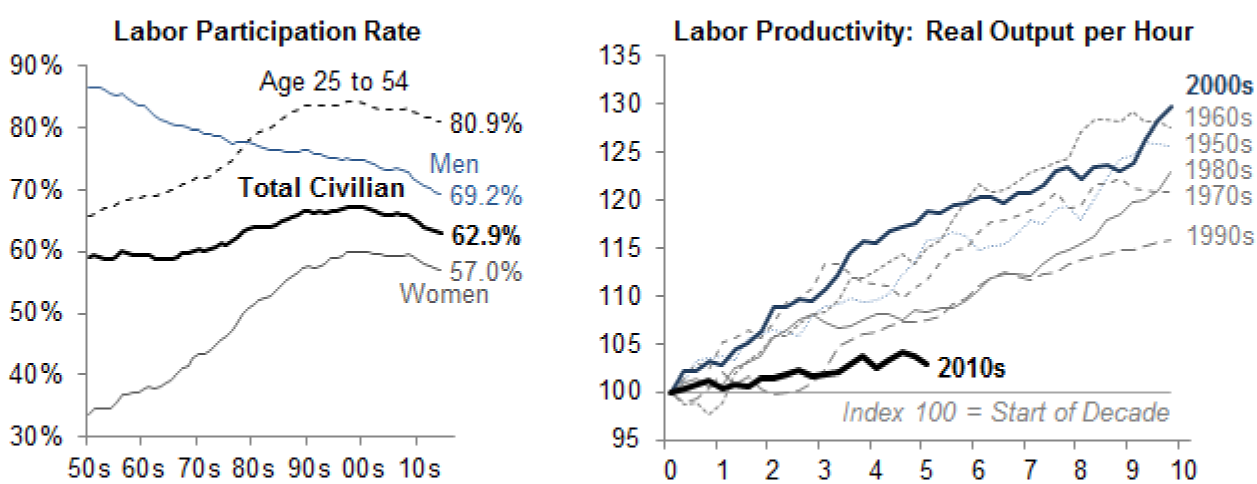
Longer-term demographic trends and labor productivity have slowed employment and economic growth in recent years. Labor force participation continues to edge downward as baby-boomers age and retire (Figure 11 at left). Those ages 65 and over spend considerably less on average than those of prime working-age (ages 25 to 54). Additionally, the money retired individuals use for consumption shifts from earned income to drawing from savings and investments,

Figure 10
Colorado Employment Gains and Loses



Source: Bureau of Labor Statistics. Nonfarm employment estimates include revisions to 2014 data expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process. Data are through April and are seasonally adjusted.

Figure 11
Longer-Term Moderators of Growth



Source: Bureau of Labor Statistics. Labor productivity is calculated as inflation-adjusted GDP divided by the seasonally adjusted total number of hours worked by nonfarm business employees. Data are through the fourth quarter of 2014.

including pensions and retirement funds. With a higher share of the population at retirement age than in the past, both income and consumption are expected to moderate slightly. In addition to those ages 65 and over, labor force participation rates for those of prime working age have also been declining since the early 2000s. Some of this trend can be attributed to the inability to find work (or underemployment) during and following the 2007-09 recession. However, the continued downward trend well into recovery also suggests intentional shifts away from full-time work among younger generations, including a rise in stay-at-home parenting and part-time work.

In addition to lower labor force participation, labor productivity, as measured by real output per hour, has slowed in recent years, reflecting moderation in economic activity. Productivity growth through the first five years of the 2010s decade has underperformed each of the prior six decades (Figure 11 at right). This trend suggests that workers are still producing more per hour, though *gains* in productivity have slowed. The influence of technology on productivity growth is likely driving the trend. The decade between 2000 and 2009 enjoyed particularly strong gains in productivity from technological advance, including efficiencies leveraged from the use information technology and the Internet.

- As most of Colorado's industries continue to add jobs, the state's total nonfarm employment will expand at a rate of 2.6 percent in both 2015 and 2016. The national labor market will add jobs at a slightly more modest pace of 2.1 percent in 2015 and 2.2 percent in 2016.

- The Colorado unemployment rate will stabilize, averaging 4.3 percent in 2015 and 4.1 percent in 2016. The national unemployment rate will continue to decline, falling to 5.5 percent in 2015 and 5.3 percent in 2016.

Households and Consumers

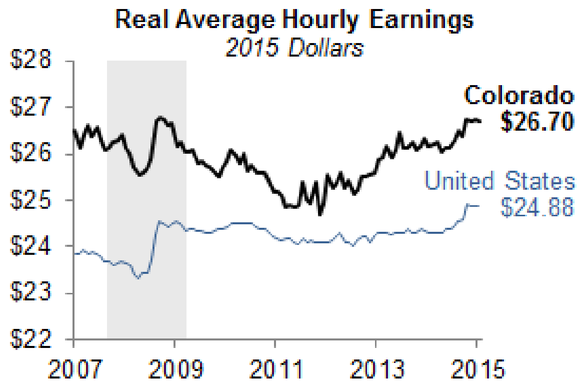
Consumers improved their household balance sheets at the end of 2014 and at the start of this year by moderating spending while enjoying higher wages and savings from low oil prices. Selected indicators for households and consumers are shown in Figure 12.

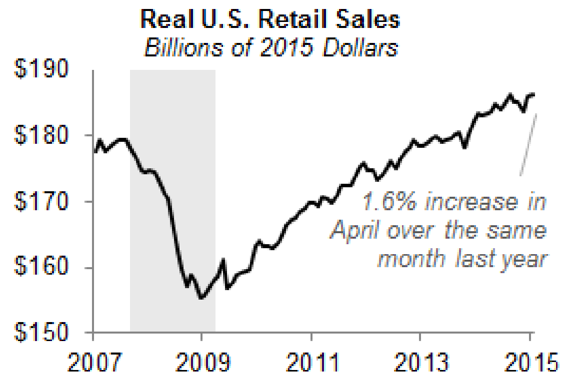
Personal income continues to rise in Colorado and the nation as a whole. This has supported growth in personal consumption expenditures, historically the largest driver of aggregate economic activity. Colorado personal income grew consistently throughout 2014, at seasonally adjusted annual rates between 5.8 percent and 5.9 percent each quarter of the year. Wages and salaries drove increases in personal income, reflecting wage raises as well as employment growth in the state. Personal income for the nation rose at a slightly more modest pace than Colorado throughout 2014, ranging between 4 and 5 percent growth. In the first quarter of the year, personal income was up 4.1 percent nationally over the prior quarter, driven primarily by gains in wages and salaries. Inflation-adjusted earnings held steady in both Colorado and the nation in the first four months of the year and are up over last year's earnings. In April, real average hourly earnings were up 1.9 percent in Colorado and 2.5 percent nationwide relative to year-ago levels.

While the low price of oil was expected to spur spending elsewhere, personal consumption expenditures and retail sales moderated in the first quarter of the year as consumers opted for higher savings. Since January, real (inflation-adjusted) nationwide real retail trade growth slowed from 3.9 percent in January to 1.6 percent in April over the same periods last year.

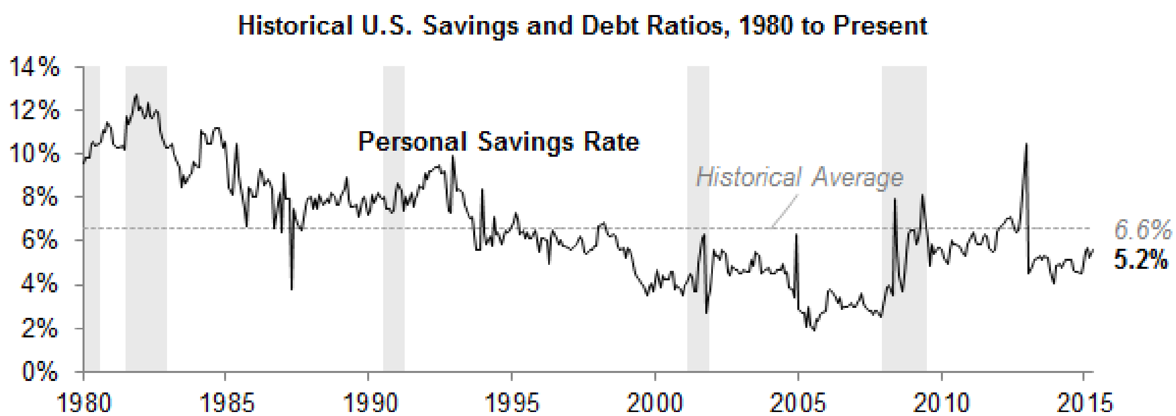
While low oil prices have not appeared to significantly contribute to consumer spending overall, they may have boosted the sale of heavier and less fuel efficient vehicles. According to data from the Bureau of Economic Analysis, total vehicle sales are up 5.8 percent in May over the prior year at seasonally adjusted annual rates. Heavy

Figure 12
Indicators of Consumer Earnings, Spending, Savings and Debt

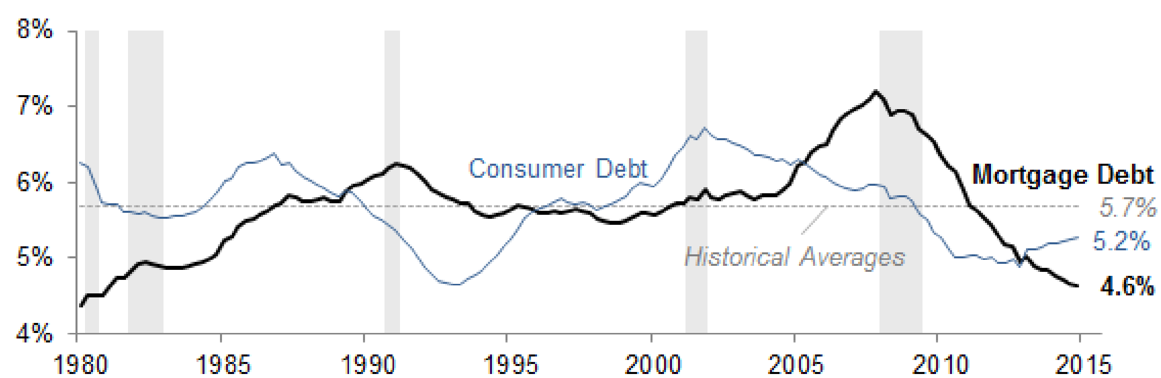




Source: Bureau of Labor Statistics (left) and U.S. Census Bureau (right); adjusted for inflation using the consumer price index for all urban areas (CPI-U) to the dollar value of most recent month of data. Data are through April and are seasonally adjusted.



Source: Federal Reserve Board of Governors. Personal savings rate is calculated as the ratio of personal saving as a percentage of disposable personal income. Data are shown as seasonally adjusted annual rates through April 2015.



Source: Federal Reserve Board of Governors. Debt service ratios are calculated as the ratio of household mortgage and consumer credit (e.g., credit card) debt payments to disposable personal income. Historical averages are calculated from 1980 to the fourth quarter of 2014. Data are seasonally adjusted and shown through the fourth quarter of 2014.

weight trucks are up 12.5 percent and light weight trucks are up 11.6 percent. Foreign auto sales were down 8.5 percent, while domestic sales rose 3.8 percent. According to the Federal Reserve's June publication of the Beige Book, auto dealers are optimistic for the months ahead.

As shown in Figure 12, household balance sheets reflect higher savings rates and lower debt service payments relative to a year ago in April. Households continue to reduce their mortgage debt payments, primarily through refinancing home loans. The ratio of mortgage debt payments to disposable income fell to 4.6 percent in the fourth quarter of 2014. Consumer credit debt service payments, which include credit cards and vehicle loans among other forms of debt, have been rising slowly since 2012. Consumer debt as a ratio to disposable personal income rose to 5.2 percent in the last quarter of 2014. These rates remain below the historical average of 5.7 percent for both mortgage and consumer debt service payments dating back to the 1980s. Household savings are up modestly, reaching 5.2 percent in April relative to 5.0 percent in April of last year. Savings rates remain below the historical average of 6.6 percent dating back to 1980, but well above the 2.1 percent low experienced mid-2005.

- Colorado personal income will grow slightly more modestly at a rate of 4.8 percent in 2015 as oil and gas industry earnings restrain income growth. Personal income will grow 6.0 percent in 2016. National personal income will grow at a rate of 4.3 percent in 2015 and 4.8 percent in 2016.

- On continued employment and income growth, retail trade sales in Colorado will increase 5.6 percent in 2015 and 7.3 percent in 2016.

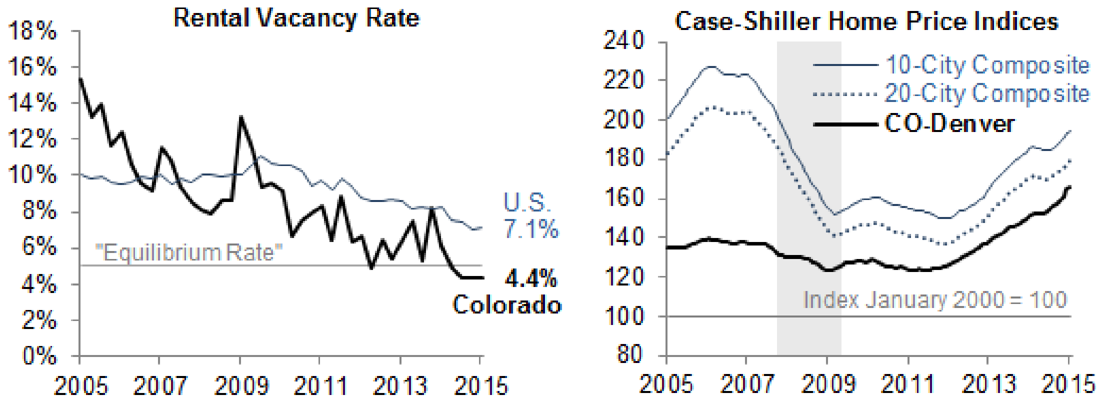
Residential Housing and Construction

Housing market conditions in Colorado remain tight, especially in Denver and along the Northern Front Range. A 5 percent vacancy rate is generally considered the equilibrium rate where rental prices will remain stable. In the first quarter of the year, statewide vacancy rates were at 4.4 percent, approaching historical lows (Figure 13, top left). The national rental vacancy rate fell to 7.1 percent in the first quarter. According to survey estimates published by the Colorado Division of Housing on multi-family housing and rentals, the Denver metro area averaged a 4.9 percent vacancy rate in the first quarter of the year. In the Fort Collins/Loveland and Greeley metro areas, rates averaged 1.9 percent and 1.1 percent, respectively. In the southern and western metro areas, vacancy rates averaged 6.2 percent for Colorado Springs, 7.3 percent for Pueblo, and 5.8 percent for Grand Junction. Notably, due to seasonal variation in rental vacancies, rates for the first and fourth quarter (which include most winter months) tend to be higher than at other times during the year.

In-migration and moderate labor market growth continue to support strong demand for housing and subsequent home price appreciation, especially in Denver and the northern Front Range. The CO-Denver Case-Shiller home price index rose 10.1 percent in March over the same period in the prior year, relative to 5.0 percent and 4.7 percent growth for the 20-city and 10-city composites, respectively. This follows three years of strong price increases. Over the past year, low- and middle-tier home prices in Colorado appreciated at double-digit rates, constraining low- and middle-income home buyers and pricing many out of the market.

Like home prices, housing construction is uneven across the state. The metro areas of Colorado Springs, Pueblo, Grand Junction, and more rural parts of the state have not experienced similar strength as Denver and the northern metro areas of the state. Year-to-date in April, total Colorado construction permits are down 2.2 percent over the same period last year. Single-family housing permits are up slightly (0.8 percent), while multi-family construction permits are down 7.1 percent over the prior year. In both 2013 and 2014, the state saw unusually strong

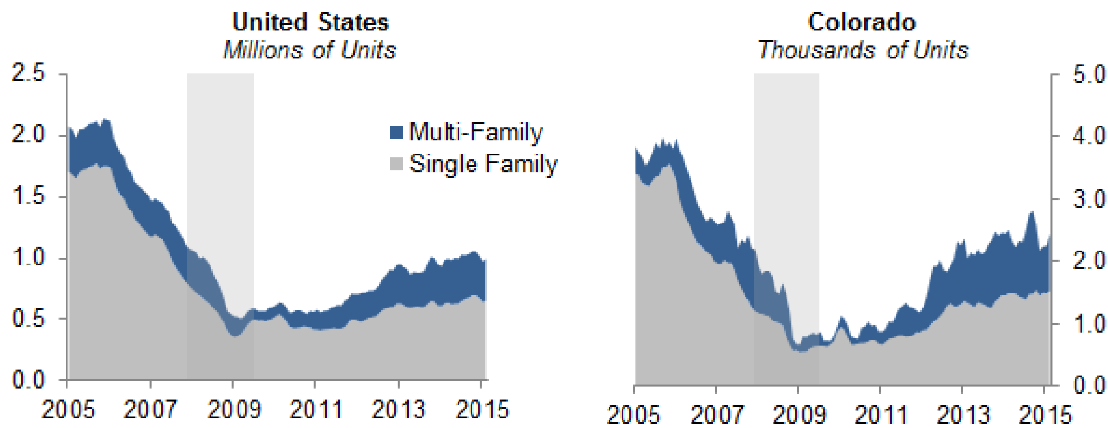
Figure 13
Selected Housing Market Indicators



Source: U.S. Census Bureau.
Data are through the first quarter of 2015.

Source: S&P Dow Jones Indices, LLC.
Data are through March and are seasonally adjusted.

New Privately-Owned Housing Permits to Build
Three-Month Moving Averages



Source: U.S. Census Bureau. Data are through April and are seasonally adjusted.

growth in multi-family housing. Declines this year are being attributed to a shortage of skilled labor and available lots for development.

At the national level, total permits year-to-date through April are up 5.7 percent over the same period last year. Housing starts have shifted slightly toward single-family home construction (up 8.0 percent year-to-date), though multifamily homes (up 1.5 percent) continue to account for a far greater share of housing starts than prior to the recession.

- New housing permits will grow1.4 percent in Colorado in 2015. Growth will be constrained this year as the supply of skilled construction labor remains tight, available lots for development limited, and fewer multi -family homes are built relative to 2014. In 2016, demand for new housing will bolster permit growth to 9.5 percent over the prior year.

Nonresidential Construction

Nationwide, the value of spending on nonresidential construction projects accelerated in March and April after modest growth at the start of the year. Year-to-day, construction spending is up 9.3 percent across the nation. This follows 11.2 percent growth in 2014. Demand outstripped new supply of office space in both urban and suburban areas, putting upward pressure on office rents. Demand for industrial space also remains robust, pushing rental and leasing prices upward. Reflecting moderations in consumer spending, availability of retail space remained flat at the start of the year and rents grew only modestly.

The value of permits for nonresidential construction in Colorado is up 4 percent in the first four months of the year over the same period in 2014. Vacancy rates for offices and industrial space continue to fall as existing space and new construction are quickly absorbed by demand. Commercial space in Denver, Fort Collins/Loveland, and the Greeley metro areas are particularly tight.

- Demand for new industrial and office space along the Front Range will bolster nonresidential construction in Colorado throughout out the forecast period. The value of nonresidential construction will increase 5.4 percent 2015 and 6.2 percent in 2016.

Global Economy and Trade

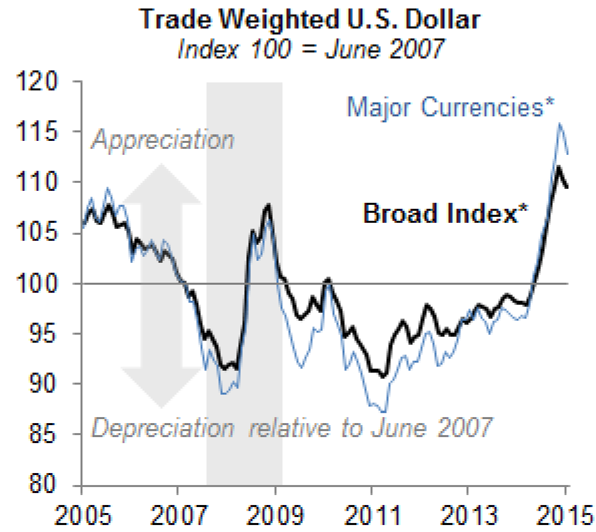
Global economic growth is expected to increase at a moderate pace this year and next. The International Monetary Fund (IMF's) World Economic Outlook published in April anticipates that world economic output will expand 3.5 percent in 2015, following growth of 3.4 percent in 2014. Uneven growth among advanced and developing countries alike is keeping global economic activity subdued. Among advanced countries, Japan and the Eurozone continue to pursue expansionary monetary policies in efforts to boost struggling economies. Vestiges from the Eurozone Crisis remain as Greece continues to battle debt problems. In May, Greece was forced to use an emergency account to repay €750 million of the bailout funds provided by the International Monetary Fund (IMF). As of the date of this publication, Greece continues to negotiate terms to obtain assistance funds required to pay €1.5 billion due to the IMF this month. Greece has a long road of additional debt repayments of more than €1.5 billion. A Greek default and/or exit from the European Union remains a strong possibility, contributing to market volatility in the Eurozone.

Among the largest emerging countries, China and India's economies continue to perform below expectations, Russia's economy entered into a severe recession this year, and Brazil's economic recession continues to deepen. These and other emerging and developing countries in Asia have been the engines of global growth in recent years. Slower growth and a strong U.S. dollar will limit exports to foreign countries, tempering U.S. economic growth in 2015.

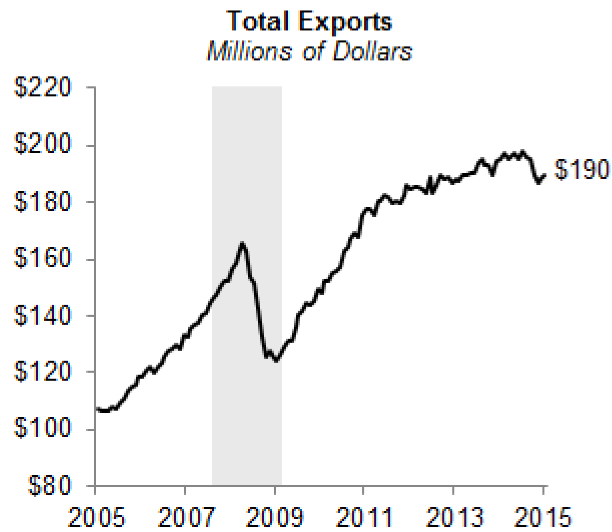
The trade-weighted value of the dollar provides an indicator of the dollar's strength relative to major U.S. trade partners. The value came down some since the start of the year (Figure 14 at left) on depreciation relative to the Euro and Canadian Dollar, but remains high relative to values over the past ten years. The dollar has appreciated sharply relative to the Canadian dollar and Japanese Yen since 2012, and began appreciating relative to the Euro and Mexican Peso early in 2014.

Net U.S. exports were the largest drag on first quarter GDP growth, reflecting several trends including a strong dollar, uneven global economic growth, and the pull-back in the oil and gas industry. Temporary disruptions also slowed trade, including the impact of irregular winter weather patterns in the U.S. and the February closure of several West Coast ports due to labor disputes. Total U.S. exports fell each month between November and February before increasing modestly in March and April (Figure 14 at right). U.S. exports to the nation's largest trade partners, including China, Canada and Mexico, were down in the first quarter. The export of goods, particularly oil and petroleum products, led the reduction in U.S. trade activity. Exports of primary and fabricated metals also suffered on the strong dollar. Exports of services increased modestly.

Figure 14
Selected Global Economic Indicators



Source: Federal Reserve Board of Governors. Data are through June.



Source: Bureau of Economic Analysis (balance of payments basis). Data are through May and are seasonally adjusted but not adjusted for inflation.

**The broad index is a weighted average of the foreign exchange values of the U.S. dollar against the currencies of a large group of major U.S. trading partners. The major currencies index includes a subset of these trading partners, whose currencies circulate widely in global exchanges.*

As shown in Figure 14, the value of the dollar remains high relative to the currencies of the nation's biggest trading partners.

Colorado exports remained positive at the start of 2015, growing 5.4 percent in the first four months over the same period last year. Export growth was broad-based across most sectors. In 2014, exports to Canada, Colorado's largest trade partner, were down 11.4 percent. Exports to Canada continued to slide due to the strength of the dollar in early 2015, but are being more than offset by exports to other trade partners.

Agriculture

Colorado farm income declined in the first quarter of the year relative to last year. Crop prices remain low on strong global production. Ranchers are faring slightly better than crop producers in some cases, due to lower feed costs and rising global demand for meats and poultry. Avian flu in other states is contributing to demand for Colorado eggs, which to date remain untainted by the epidemic. Colorado's recent wet weather has enabled ranchers to rely on grazing instead of buying feed. The price of cows-on-feed has declined in Colorado for the past three years and prices are down again through April this year. That said, lower inventories should put upward pressure on prices and lower production costs will improve profit margins. The value of Colorado exports of meat and edible meat offal, the state's fourth largest export, were up modestly (1.8 percent) in the first four months of the year relative to the same period last year.

According to the Tenth District Agricultural Credit Survey released in May, agricultural credit conditions in the mountain states, which include Colorado, Wyoming and New Mexico, deteriorated in the first quarter of the year, reflecting reductions in farm income. Mountain state loan demand and carry-over debt rose, while repayment rates fell over this period. Farm land values in the mountain states are on the rise, with ranchland seeing the highest gains of 11.4 percent.

Nationally, the U.S. Department of Agriculture projects that farm income will decline 32 percent in 2015 relative to the prior year. Crop prices are expected to remain low. Additionally the rise in the value of the U.S. dollar is expected to put a significant damper on U.S. agricultural exports. Livestock will continue to generate a larger share of farm income relative to crops.

Summary

Despite first quarter setbacks emerging from the contraction in the oil and gas industry and the rising value of the dollar, the outlook for the national and Colorado economy remains positive. Job growth and business activity are expected to pick up in the second quarter of the year and remain strong in the second half of 2015. Most industries will add jobs and raise wages, contributing to growth in personal income and subsequent spending. Real estate and construction industries will continue to see markets improve in most metro areas of the state, particularly in the Denver metro and northern Front Range regions.

The oil and gas industry will have a difficult year in 2015 as oil prices are expected to remain at lower levels. Additionally, the agricultural industry is expected endure a less profitable year in 2015 due to low crop prices.

Several moderators of economic growth will continue to impact both Colorado and the nation, including further reductions in federal government spending and uneven global economic growth. Longer-term "structural" moderators include the aging of the baby-boomer population, lower labor force participation, and lower labor productivity.

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 economic expansion. Actual economic activity may be understated relative to the levels assumed in this forecast. Additionally, forecast economic growth, including business and consumer spending and investments, may continue at rates stronger than expected on general expansionary momentum or unforeseen technological advances.

Downside risks. This forecast assumes that economic activity will regain and maintain momentum, following a lack-luster first quarter. However, weaknesses in the oil, manufacturing, and export sectors of the economy could have unanticipated spill-over effects, reaching into other sectors of the economy. Additionally, the full impact and longevity of a strong dollar and low oil and crop prices may result in a greater drag on the Colorado or national economy than expected.

The Federal Open Market Committee's monetary tightening will require a delicate balance of maintaining price stability, full employment and economic growth in the years ahead. The anticipated increase in interest rates will shift investor behavior. Overvalued investments are subject to large loses when rates rise and investors flock to more profitable investments. Any "bubbles" in asset prices may be deflated with the rise in interest rates, leading to losses in certain industries that are not assumed in this forecast.

Additionally, while uneven global economic growth is expected through the forecast period, unexpected global events could pose an unexpected threat to global economic health. For example, should Greece default on its loans to the IMF, global financial markets will likely react unfavorably. A Greek default or exit from the European Union could damage global financial flows, reduce U.S. trade opportunities, and result in greater economic contractions abroad.

Table 16
National Economic Indicators, June 2015 Forecast
Calendar Years, Dollar Amounts in Billions

	2010	2011	2012	2013	2014	Forecast 2015	Forecast 2016	Forecast 2017
Inflation-adjusted GDP	$ 14,783.8	$15,020.6	$15,369.2	$ 15,710.3	$ 16,085.6	$16,487.7	$16,932.9	$17,407.0
% Change	2.5%	1.6%	2.3%	2.2%	2.4%	2.5%	2.7%	2.8%
Nonfarm Employment (millions)	130.3	131.8	134.1	136.4	139.0	141.9	145.1	148.0
% Change	-0.7%	1.2%	1.7%	1.7%	1.9%	2.1%	2.2%	2.0%
Unemployment Rate	9.6%	8.9%	8.1%	7.4%	6.2%	5.5%	5.3%	5.1%
Personal Income	$12,429.3	$13,202.0	$13,887.7	$14,166.9	$14,733.9	$15,367.5	$16,105.1	$16,894.2
% Change	2.8%	6.2%	5.2%	2.0%	4.0%	4.3%	4.8%	4.9%
Wage and Salary Income	$6,377.5	$6,633.2	$6,932.1	$7,124.7	$7,415.6	$7,831.6	$8,207.5	$8,609.7
% Change	2.0%	4.0%	4.5%	2.8%	4.6%	5.1%	4.8%	4.9%
Inflation (Consumer Price Index)	1.6%	3.1%	2.1%	1.5%	1.6%	0.4%	1.9%	2.2%

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

Table 17
Colorado Economic Indicators, June 2015 Forecast
Calendar Years

	2010	2011	2012	2013	2014	Forecast 2015	Forecast 2016	Forecast 2017
Population (thousands, July 1)	5,048.6	5,119.7	5,191.7	5,272.1	5,355.9	5,444.7	5,537.5	5,633.7
% Change	1.5%	1.4%	1.4%	1.5%	1.6%	1.7%	1.7%	1.7%
Nonfarm Employment (thousands)	2,222.3	2,258.7	2,313.1	2,382.2	2,465.2	2,529.3	2,595.0	2,659.9
% Change	-1.0%	1.6%	2.4%	3.0%	3.5%	2.6%	2.6%	2.5%
Unemployment Rate	8.8	8.2	7.7	6.5	4.9	4.3	4.1	4.0
Personal Income (millions)	$210,454	$226,145	$240,350	$247,069	$260,993	$273,521	$289,932	$307,618
% Change	1.9%	7.5%	6.3%	2.8%	5.6%	4.8%	6.0%	6.1%
Wage and Salary Income (millions)	$113,790	$118,559	$125,135	$129,597	$137,698	$145,134	$153,696	$162,457
% Change	1.3%	4.2%	5.5%	3.6%	6.3%	5.4%	5.9%	5.7%
Retail Trade Sales (millions)	$70,738	$75,548	$80,073	$83,569	$89,921	$94,956	$101,888	$108,816
% Change	6.6%	6.8%	6.0%	4.4%	7.6%	5.6%	7.3%	6.8%
Home Permits (thousands)	11.6	13.5	23.3	27.5	28.7	29.1	31.9	34.0
% Change	23.9%	16.5%	72.6%	18.1%	4.2%	1.4%	9.5%	6.6%
Nonresidential Building (millions)	$3,147	$3,923	$3,693	$3,612	$4,292	$4,524	$4,804	$4,987
% Change	-6.2%	24.7%	-5.9%	-2.2%	18.8%	5.4%	6.2%	3.8%
Denver-Boulder-Greeley Inflation Rate	1.9%	3.7%	1.9%	2.8%	2.8%	1.4%	2.6%	2.4%

Sources: U.S. Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics, F.W. Dodge, Colorado State Demography Office, and Legislative Council Staff.
** 2014 figures for retail trade sales are forecasts because actual data are not yet available for the full year. Nonfarm employment estimates include revisions to 2014 data expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process.*

Colorado Economic Regions

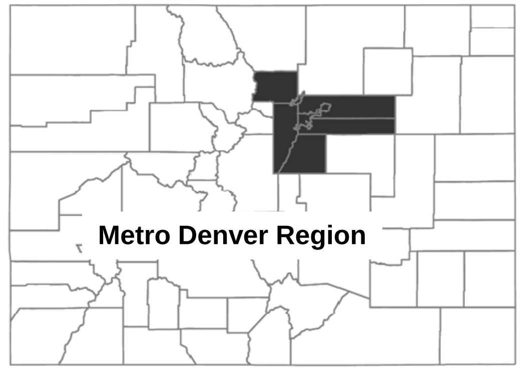
Metro Denver Region
Northern Region
Colorado Springs Region
Pueblo — Southern Mountains Region
San Luis Valley Region
Southwest Mountain Region
Western Region
Mountain Region
Eastern Region

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

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

Metro Denver Region

The Denver area economy continues to be one of strongest regions in the state. A robust labor market is boosting disposable income and consumer spending and the region's real estate market continues to be one of the best in the nation. Regional indicators for the Denver area are shown in Table 18.



Denver's labor market continues to outperform most of the regions in state. Through the first four months of 2015, the region has added nearly 24,000 jobs, approximately 6,600 more over the same period one year ago. However, job growth slowed in March and April from losses in the oil and gas and supporting industries. Overall, job growth is expected to remain healthy. Denver area jobs are charted in Figure 15.

The healthy labor market has contributed to improved consumer spending. Figure 16 indexes retail trade in the Denver region, Colorado, and U.S. to January 2008. For the first time since the Great Recession, the regional and state indices surpassed the national index in early summer 2014. Denver's labor market is tightening, which is expected to contribute to upward wage pressure and add to household disposable income. Consumer spending will thus continue to grow.

Table 18
Metro Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson Counties

	2011	2012	2013	2014	YTD 2015
Employment Growth /1	1.8%	2.9%	3.5%	2.8%	3.4%
Unemployment Rate /2	8.1%	7.5%	6.4%	4.7%	4.1%
Housing Permit Growth /3					
Single-Family (Denver-Aurora)	-0.4%	58.5%	18.9%	16.3%	0.8%
Single-Family (Boulder)	-5.2%	29.0%	22.5%	17.7%	20.7%
Growth in Value of Nonresidential Const. /4					
Value of Projects	24.7%	14.2%	22.2%	3.9%	28.8%
Square Footage of Projects	36.5%	-8.6%	-9.1%	10.5%	9.5%
Level (1,000s)	2,703,545	2,471,192	2,246,009	2,482,302	877,385
Number of Projects	-2.5%	6.1%	22.4%	25.1%	31.6%
Level	576	611	748	936	375
Retail Trade Sales Growth /5	4.3%	8.0%	4.6%	8.9%	NA

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment). Seasonally adjusted. Data through April 2015.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through April 2015.

3/ U.S. Census. Growth in the number of residential building permits. Data through April 2015.

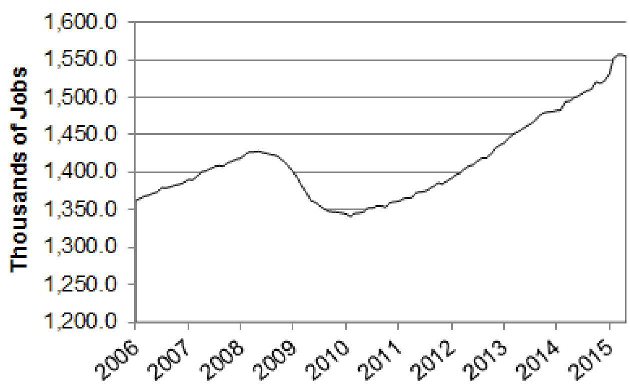
4/ F.W. Dodge. Data through April 2015.

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

The residential real estate market in the Denver region continues to be one of the best markets in the nation. An attractive labor market, population growth, and a declining inventory of available homes continue to drive up the average home price in the Denver region. Rental prices also continue to rise, increasing 9 percent from last year. These factors have encouraged developers to start new projects throughout the region. Total residential permits in the Denver-Boulder MSA rose 16.3 percent between 2013 and 2014, as shown in Figure 17. Building permits are expected to continue to improve, but inventory of existing homes is expected to increase as the selling season begins and higher home prices induce homeowners to put their house on the market.

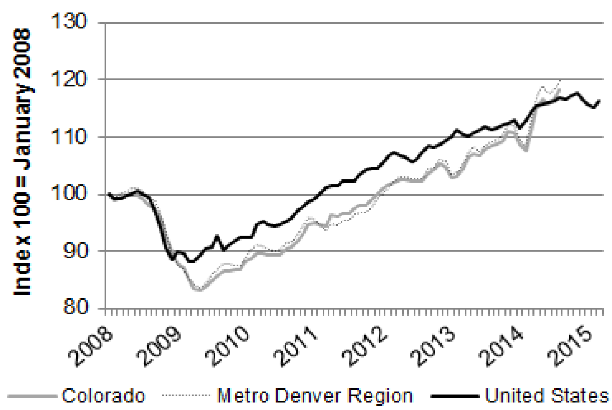
Record low vacancy rates and high average lease rates are buoying growth in the nonresidential construction sector. Office and industrial vacancy rates are the lowest since 2001. The higher demand for space has triggered more new commercial project starts through April 2015 compared with one year ago. Through April 2015, the region has added almost 900,000 new square feet of commercial real estate . Figure 18 shows nonresidential construction projects by square footage since 2008.

Figure 15
Metro Denver Employment
Seasonally Adjusted



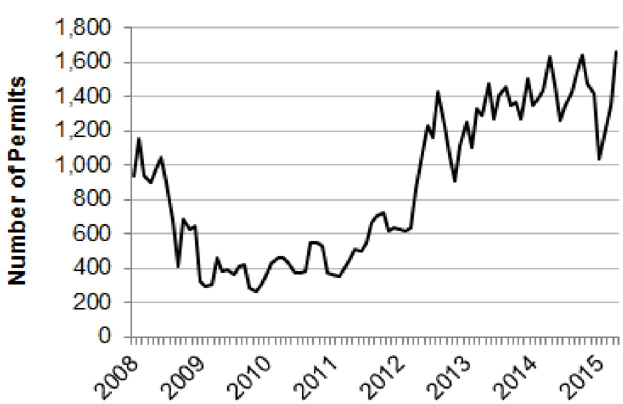
Source: U.S. Bureau of Labor Statistics; CES.
Data through April 2015.

Figure 16
Retail Trade Trends Since January 2008



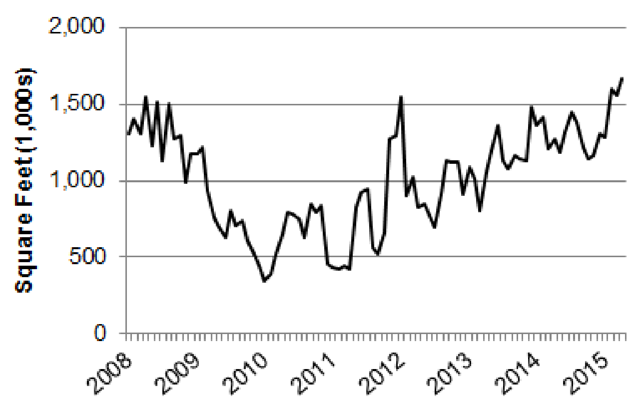
Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through August 2014; U.S. data through March 2015.

Figure 17
Denver-Boulder Total Residential Building Permits
Three-Month Moving Average;
Non-Seasonally Adjusted Data



Source: U.S. Census Bureau. Data through April 2015.

Figure 18
Metro Denver Nonresidential Building Permits:
Square Feet
Three-Month Moving Average



Source: F.W. Dodge. Data through April 2015.

Northern Region

While the economy of the northern region, including Larimer and Weld Counties, has recently been the strongest in the state, continued robust growth may be difficult given the recent decline in oil prices. The oil price decline could slow industry activity and dampen regional economic growth, although increased production efficiencies may offset the price decline to some degree. On the positive side, employment continued to increase through April and the unemployment rate, already among the lowest in the state, continues to fall. Residential construction,

Table 19
Northern Region Economic Indicators
Weld and Larimer Counties

	2011	2012	2013	2014	YTD 2015
Employment Growth /1					
Fort Collins-Loveland MSA	1.9%	2.7%	3.1%	2.7%	2.6%
Greeley MSA	4.0%	4.9%	5.1%	5.0%	9.7%
Unemployment Rate /2					
Fort Collins-Loveland MSA	7.1%	6.6%	5.7%	4.3%	3.7%
Greeley MSA	8.6%	7.8%	6.6%	4.5%	4.0%
State Cattle and Calf Inventory Growth /3	10.2%	-3.4%	-8.7%	-4.2%	-6.9%
Natural Gas Production Growth /4	9.6%	13.3%	12.6%	26.3%	27.2%
Oil Production Growth /4	28.0%	36.6%	44.5%	52.4%	35.6%
Housing Permit Growth /5					
Fort Collins-Loveland MSA Total	1.0%	59.3%	28.8%	8.7%	33.4%
Fort Collins-Loveland MSA Single-Family	45.7%	63.3%	31.3%	10.2%	27.2%
Greeley MSA Total	-3.1%	54.6%	45.6%	41.1%	3.5%
Greeley MSA Single-Family	-2.6%	58.8%	37.7%	18.5%	2.2%
Growth in Value of Nonresidential Construction/ 6					
Value of Projects	-11.8%	12.0%	55.0%	31.1%	87.6%
Square Footage of Projects	-36.4%	42.1%	40.4%	45.5%	82.2%
Level (1,000s)	244,493	273,779	424,437	556,538	223,697
Number of Projects	-5.1%	23.3%	-2.5%	66.5%	-11.7%
Level	129	159	155	258	68
Retail Trade Sales Growth /7					
Larimer County	8.0%	5.8%	6.3%	7.3%	NA
Weld County	26.6%	5.2%	8.0%	12.1%	NA

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2015.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through March 2015..

3/ National Agricultural Statistics Service. Cattle and calves on feed through April 2015.

4/ Colorado Oil and Gas Conservation Commission. Data through March 2015.

5/ U.S. Census Bureau. Growth in the number of residential building permits. Data through April 2015.

6/ F.W. Dodge. Data through April 2015. Prior forecasts reported Weld and Larimer Counties separately.

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

however, appears to have slowed. In addition, the impact on consumer spending remains uncertain. While growth in retail sales through August 2014 was accelerating, this occurred before the bulk of the oil price decline. Table 19 shows economic indicators for the northern region.

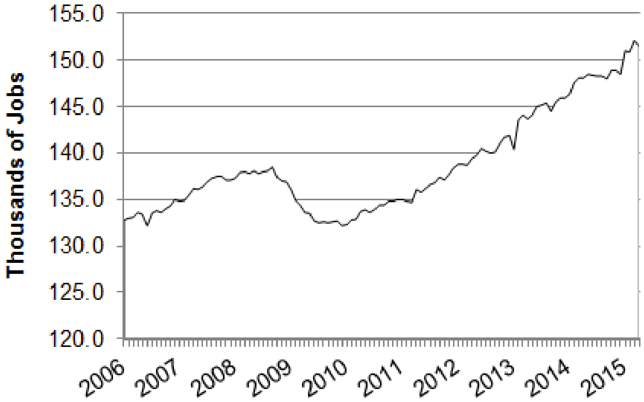
Despite the drop in oil prices, the regional labor market continues to be the strongest in the state, with employment growing 2.6 percent in Larimer County and 9.7 percent in Weld County in the first four months of 2015 compared with a similar period the prior year. The healthy rate of job growth kept the unemployment rates in Larimer and Weld counties the lowest and fourth lowest in the state, at 3.7 percent and 4.0 percent, respectively. Figure 19 shows trends in employment for the Greeley and Fort Collins metropolitan statistical areas.

While regional construction activity continues to grow, the rate of growth tapered at the start of the year. In the first four months of 2015, residential permits increased 27.2 percent in Larimer County but only 2.2 percent in Weld County. In addition, there were 68 nonresidential construction projects started in the first four months 2015, a decrease of 11.7 percent relative to the 77 begun during a similar period a year earlier. Figure 20 shows the three-month moving average of the square footage of residential construction permits in the northern region.

The growth rate for retail sales in the northern region accelerated slightly in the first eight months of 2014 compared with 2013. In Weld County, sales increased 12.1 percent between January and August of 2014 compared with the same period in 2013, while sales in Larimer County increased 7.3 percent. This acceleration occurred, however, before the plunge in oil prices last fall and winter, so it will be interesting to see if it is maintained as new data becomes available. Figure 21 shows that the growth in indexed retail sales in each county in the northern region is outpacing both the state and the nation as a whole.

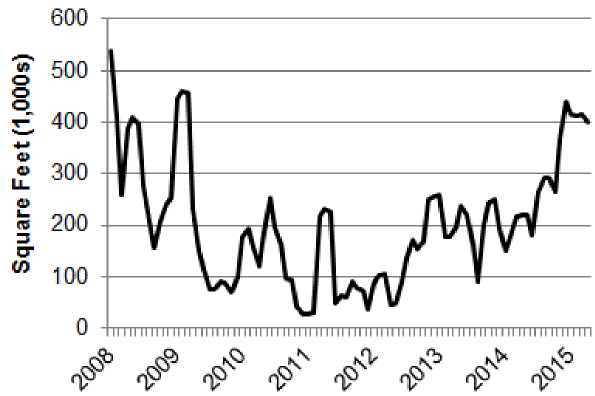
Over the last five years, the northern region has been the epicenter of oil and natural gas production in the state. While the growth in natural gas production continued apace in the first three months of 2015, the growth in regional oil production appears to be decelerating. After growing 52.5 percent in 2014 on a year over year basis, oil production increased only 35.6 percent between January and March 2015 compared with the same period in 2014. This decline is likely the result of the recent plunge in oil prices. Industry sources have indicated, however, that due to recent increases in drilling efficiencies, regional production is not expected to drop significantly, even with oil prices remaining in the $50-55 per barrel range.

Figure 19
Fort Collins-Loveland and Greeley MSA Nonfarm Employment
Seasonally Adjusted Data



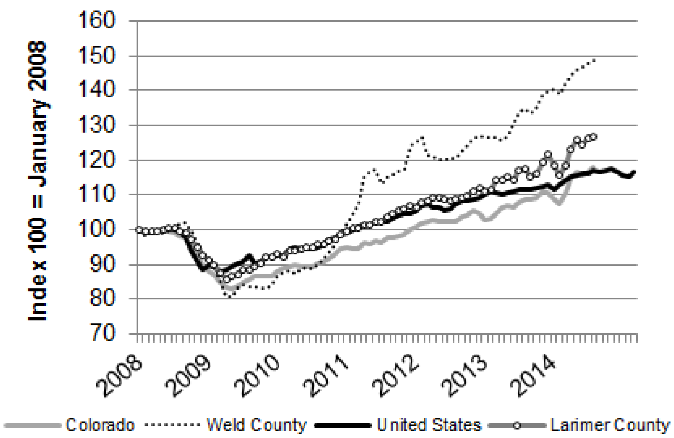
Source: U.S. Bureau of Labor Statistics; CES.
Data through April 2015.

Figure 20
Northern Region Nonresidential Building Permits: Square Feet
Three-Month Moving Average; Non Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2015.

Figure 21
Northern Region Retail Sales Indexed to January 2008
Seasonally Adjusted Data

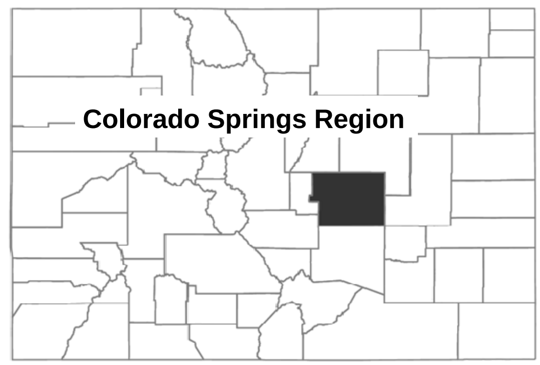


Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through August 2014; U.S. data through March 2015.

This page was intentionally left blank.

Colorado Springs Region

The economy in the Colorado Springs region continues to rebound from recession era lows. The region continues to add jobs, albeit at a slow rate, while the labor force population in the region continues to decline. Fundamental indicators in the nonresidential construction market suggest a steady advancement in new commercial development. However, single-family home construction continues to struggle, and consumer spending grew at relatively slow rate. Indicators for the Colorado Springs are shown in Table 20.



Job growth in the Colorado Spring's region, although slow, is higher through the first four months of 2015 compared with the same period one year ago. The unemployment rate for the region is also falling, although the drop is mainly attributable to a decline in the region's labor pool. Military budget cuts and a robust economy in the Denver region have contributed to the decline in the region's labor force population. The region's labor force and unemployment rate are shown in Figure 22.

The Colorado Springs' nonresidential construction market shows signs of progress. Although new commercial projects in the region were down in 2014, higher demand for existing office space, declining vacancy rates, and renewed interest in land investment indicate a steady

Table 20
Colorado Springs Region Economic Indicators
El Paso County

	2011	2012	2013	2014	YTD 2015
Employment Growth /1					
Colorado Springs MSA	1.3%	1.0%	2.3%	1.9%	2.0%
Unemployment Rate /2	9.0%	8.8%	7.9%	5.2%	5.2%
Housing Permit Growth /3					
Total	29.1%	33.0%	17.2%	3.8%	-30.9%
Single-Family	-3.8%	50.1%	19.2%	-7.7%	2.9%
Growth in Value of Nonresidential Const. /4					
Value of Projects	17.5%	-1.6%	25.2%	-12.0%	18.5%
Square Footage of Projects	16.8%	0.5%	6.5%	-4.2%	-16.3%
Level (1,000s)	477,253	479,770	510,809	489,589	150,885
Number of Projects	10.5%	-11.7%	-1.7%	-5.9%	9.5%
Level	409	361	355	334	1115
Retail Trade Sales Growth /5	8.2%	5.5%	4.1%	4.9%	NA

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment). Seasonally adjusted. Data through April 2015.

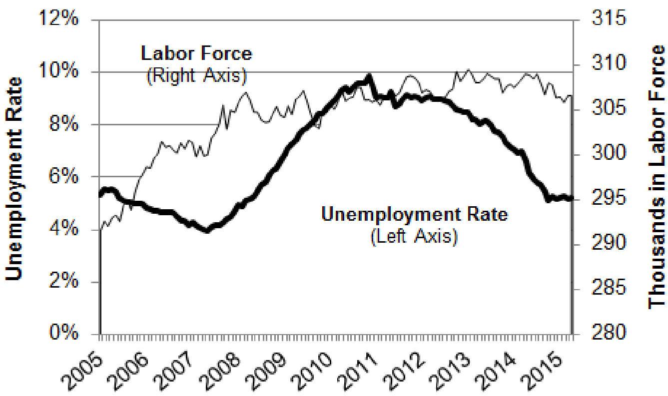
2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through April 2015.

3/ U.S. Census Bureau. Growth in the number of residential building permits. Data through April 2015.

4/ F.W. Dodge. Data through April 2015.

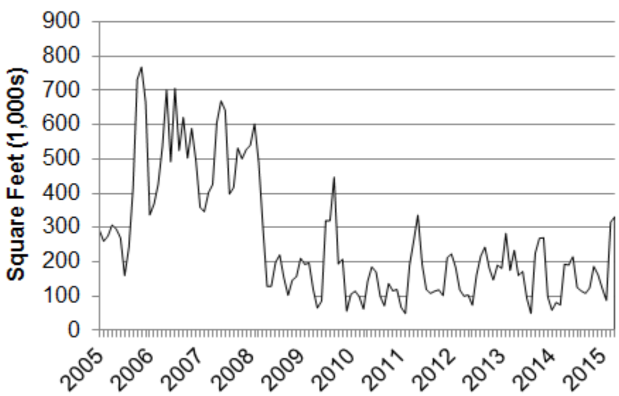
5/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2014.

Figure 22
Colorado Springs MSA
Unemployment Rate and Labor Force
Seasonally Adjusted Data



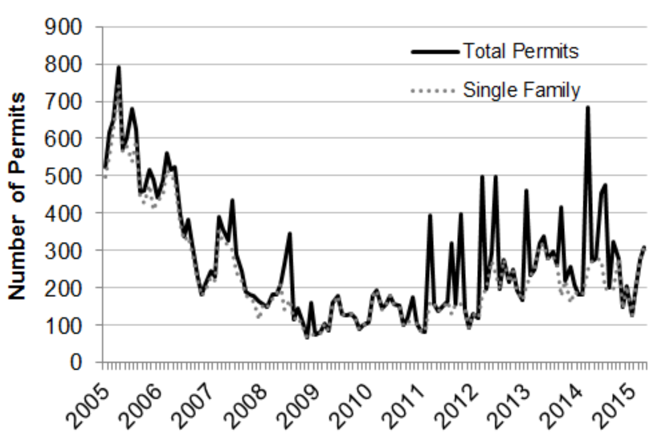
Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data through April 2015.

Figure 23
Colorado Springs Nonresidential Projects by Square Feet
Three-Month Moving Average



Source: F.W. Dodge. Data through April 2015.

Figure 24
Colorado Springs MSA Residential Building Permits
Seasonally Adjusted Data



Source: U.S. Census Bureau. Data through April 2015.

advancement for the market. Sierra Completions, a subsidiary of Sierra Nevada Corporation, plans to build a high-end complex at the Colorado Springs Airport. In addition, an Olympic Museum, a new Air Force Academy Visitors Center, and a Sports Medicine and Performance Center at the University of Colorado at Colorado Springs are in the active planning stages. Figure 23 tracks nonresidential construction projects by square footage since the beginning of 2005.

A weak labor market continues to hamper new residential home development in the Colorado Springs region. Figure 24 shows residential building permits for the Colorado Springs metropolitan statistical area. Total housing permit growth was positive in 2014, but most of the improvement was due to reconstruction from the fire disasters in 2012 and 2013. Total residential permits are 31 percent lower through the first four months of 2015 compared to a year ago.

Consumer spending in the Colorado Springs region is growing, but at slower rates than the other Front Range regions. Colorado Springs retail trade grew 4.9 percent through August 2014. With a declining labor force population and little upward pressure on wages, growth in household disposable income and consumer spending is expected to remain slow through the end of the year.

Pueblo — Southern Mountains Region

While the recovery in the Pueblo region, which consists of Pueblo, Fremont, Custer, Huerfano and Las Animas counties, remains slow relative to most of the state, the region is beginning to show encouraging signs of improvement, especially in the labor market. In 2014, the region added jobs at its fastest rate since the recession and cut its average unemployment rate by 2.6 percentage points. Retail trade continues to improve after two years of very weak years of growth. However, nonresidential construction is off to a slow start this year after rebounding in 2014. Economic indicators for the Pueblo region are shown in Table 21.

The Pueblo region's labor market continues to show signs of improvement. Job growth for both the region and metropolitan statistical area (MSA) are higher through April 2015 compared to same period one year ago. The region's unemployment rate continued to slide down in April 2015. Job growth has been especially strong in the primarily agricultural regions outside of the Pueblo metropolitan statistical area. Regional employment is charted in Figure 25, and the unemployment rate and labor force population are shown in Figure 26.

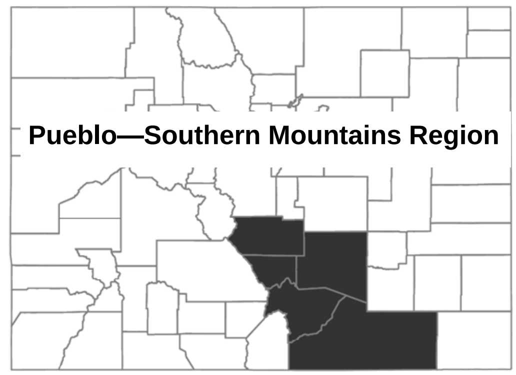


Table 21
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties

	2011	2012	2013	2014	YTD 2015
Employment Growth					
Pueblo Region /1	0.4%	-1.0%	-0.8%	1.5%	1.1%
Pueblo MSA /2	1.5%	-0.2%	1.1%	1.9%	1.7%
Unemployment Rate /1	10.7%	10.8%	10.0%	7.4%	6.4%
Housing Permit Growth /3					
Pueblo MSA Total	-49.6%	125.4%	-40.6%	-0.6%	-22.7%
Pueblo MSA Single-Family	-45.5%	50.9%	-8.1%	-0.6%	-22.7%
Growth in Value of Nonresidential Construction /4					
Value of Projects	-58.1%	717.4%	-75.3%	192.7%	-79.9%
Square Footage of Projects	3.9%	390.8%	-72.2%	197.9%	-87.1%
Level (1,000s)	22,288	109,397	30,389	90,527	3,575
Number of Projects	5.1%	-31.7%	7.1%	96.7%	-66.7%
Level	41	28	30	59	6
Retail Trade Sales Growth /5	9.5%	2.9%	1.4%	5.1%	NA

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through April 2015.

2/ U.S. Bureau of Labor Statistics. CES (establishment). Seasonally adjusted. Data through April 2015.

3/ U.S. Census. Growth in the number of residential building permits. Data through April 2015.

4/ F.W. Dodge. Data through April 2015.

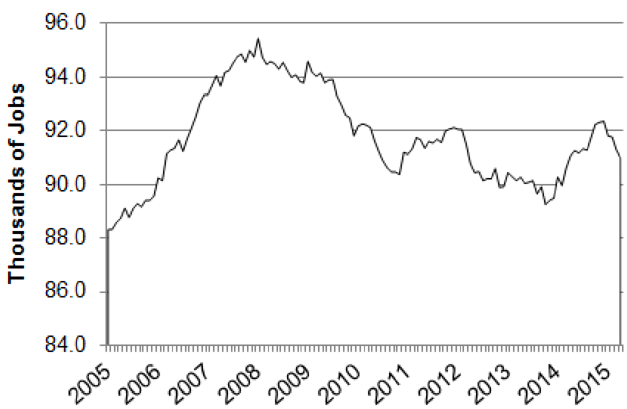
5/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2014.

Consumer spending, as measured by retail trade, grew 5.1 percent through August 2014. With an improvement in the labor market, consumer spending is expected to continue to increase. Figure 27 indexes Pueblo region, Colorado, and U.S. retail trade to January 2008.

Pueblo's housing market remains weak. The number of residential building permits is down through April 2015 compared with the same period one year ago. However, sales of existing homes are up in the region, and the Colorado Association of Realtors reports that buyers purchased most of the area's remaining bank-owned properties in 2014. Figure 28 shows the number of residential building permits and value of construction projects for the region since 2008.

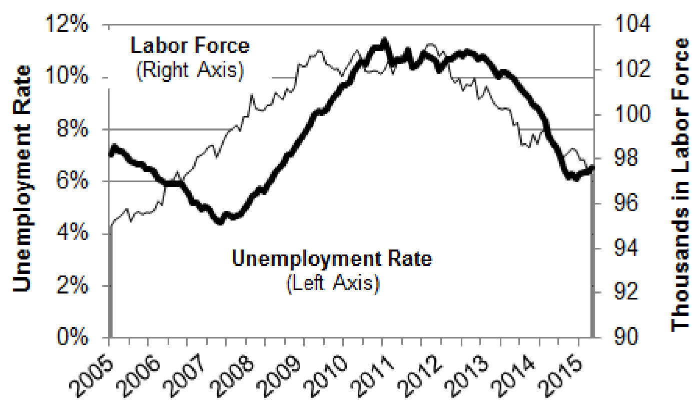
New commercial construction in the Pueblo region is off to a slow start in 2015 after rebounding in 2014. The size and number of new nonresidential construction projects are down compared to the same period one year ago.

Figure 25
Pueblo Region Nonfarm Employment
Seasonally Adjusted



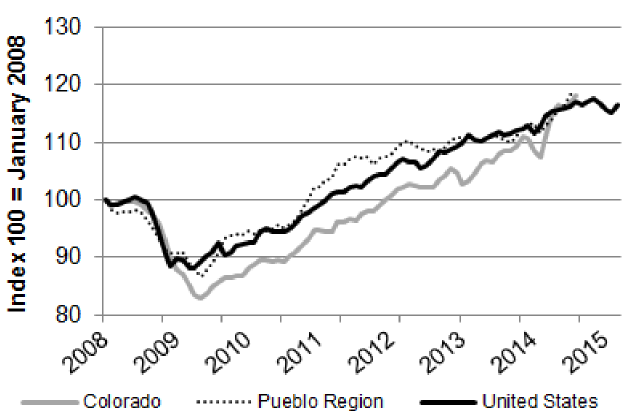
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2015.

Figure 26
Pueblo Region Unemployment Rate and Labor Force
Seasonally Adjusted



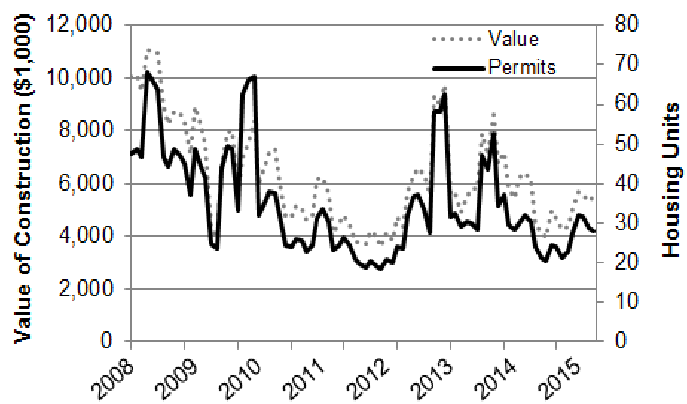
Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data through December 2014.

Figure 27
Retail Trade Trends Since January 2008
Three-Month Moving Average;
Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through August 2014; U.S. data through April 2015.

Figure 28
Pueblo Residential Building Permits
Three-Month Moving Average;
Non-Seasonally Adjusted Data

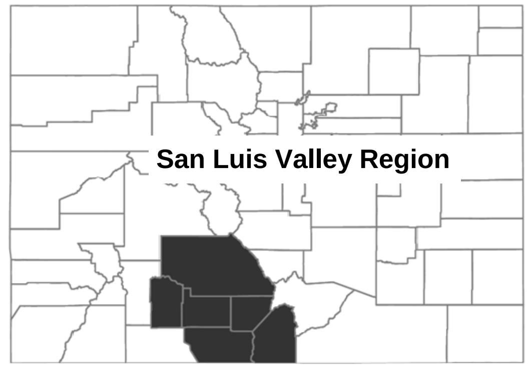


Source: F.W. Dodge. Data through April 2015.

San Luis Valley Region

The San Luis Valley has the smallest economy in the state and is lagging behind the rest of the state economy. Although the labor market is improving, the unemployment rate remains elevated. In 2014, the value of agricultural commodities grown in the region declined and retail sales grew very slowly. Table 22 shows economic indicators for the San Luis Valley region of Colorado.

The number of employed persons increased 2.9 percent between January and April 2015, compared with the same period in 2014. While this is slower than the state as a whole, it is the fastest employment growth for the region since 2009. The unemployment rate in the region was 6.5 percent in April 2014 and averaged 6.5 percent through the first four months of 2015. The unemployment rate and the labor force for the region are shown in Figure 29.



Potatoes and barley are two of the primary crops grown in the San Luis Valley. The value of potatoes per acre planted was $3,530 in 2014, 2.3 percent lower than 2013. The value of barley also decreased, from $824 per acre to $730 per acre. The lower value of crops harvested reflects lower prices for potatoes and barley across the country.

Table 22
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2011	2012	2013	2014	YTD 2015
Employment Growth /1	-1.4%	0.1%	-2.2%	2.8%	2.9%
Unemployment Rate /1	10.5%	10.6%	10.3%	7.9%	6.5%
Statewide Crop Price Changes /2					
Barley					
Acres Harvested	48,700	43,100	46,600	42,900	NA
Crop Value ($/Acre)	702.9	904.6	824.4	730.1	NA
Potatoes					
Acres Harvested	53,900	54,000	49,600	53,900	NA
Crop Value ($/Acre)	4,304	2,668	3,614	3,530	NA
Housing Permit Growth /3	-9.2%	41.5%	15.0%	-25.0%	15.2%
Retail Trade Sales Growth /4	5.8%	2.9%	0.5%	2.9%	NA

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through April 2015.

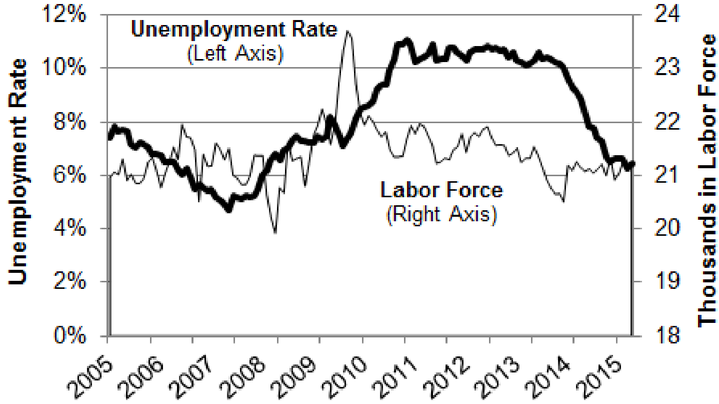
2/ National Agricultural Statistics Service. Barley through December 2014; potatoes through November 2014.

3/ F.W. Dodge. Data through April 2015.

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

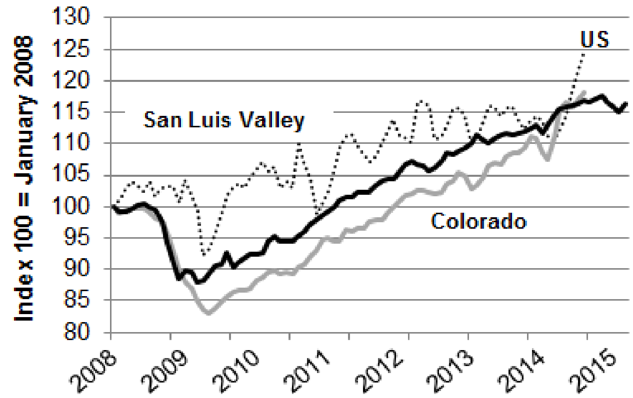
Retail sales in the San Luis Valley increased 2.9 percent in the first eight months of 2014 compared with the same period in 2013. Growth in retail trade is lower than that experienced in other regions of the state, but faster than the 0.5 percent growth that occurred in the region in 2013. Figure 30 shows indexed retail sales for the San Luis Valley, Colorado, and the nation.

Figure 29
San Luis Valley
Labor Force and Unemployment Rate



Source: U.S. Bureau of Labor Statistics; LAUS.
Data prior to 2010 adjusted by Legislative Council Staff.
Data through April 2014.

Figure 30
Retail Sales in San Luis Valley Region
Index January 2008 = 100

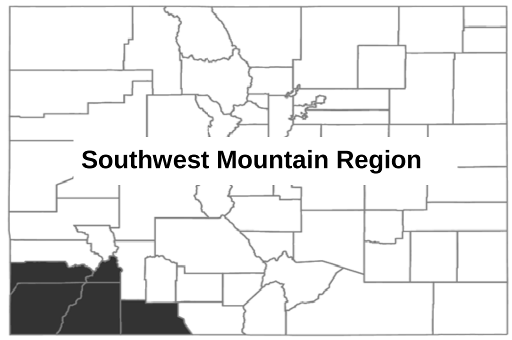


Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through August 2014.
U.S. data through March 2015.

Southwest Mountain Region

A large portion of the economic activity in the southwest mountain region stems from tourist visitation and recreational opportunities, including visitations to National Parks and recreating at local ski areas. An improving state and national economy has helped to increase visitors and associated consumer spending. This in turn boosts regional employment and residential construction. Table 23 shows economic indicators for the San Luis Valley region of Colorado.

The regional labor market, which has lagged behind the state as a whole, improved in 2014 and is off to a good start in 2015. Employment is up 0.8 percent in the first three months of 2015 relative to the same period in the prior year, while the unemployment rate fell to 4.5 percent in April, its lowest level since 2008. Regional employment surpassed its pre-recession peak in December 2014. Figure 31 shows the unemployment rate and the size of the labor force in the Southwest Mountain region of the state.



The regional housing market has recovered nicely, and a portion of the regional job growth was due to employment increases in the construction sector. In the first four months of 2015, the number of housing permits grew 26.9 percent relative to the same period a year earlier. If this trend continues, it will mark the fourth consecutive year of permit increases.

Retail sales in the region increased 3.1 percent in the first eight months of 2014, the fifth consecutive year of positive growth. Even so, consumer spending in the region continues to lag behind other areas of the state. As shown in Figure 32, during the recession retail trade in the region

Table 23

Southwest Mountain Region Economic Indicators

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

	2011	2012	2013	2014	YTD 2015
Employment Growth /1	-0.7%	0.7%	0.8%	3.2%	0.8%
Unemployment Rate /1	7.9%	7.5%	6.6%	4.9%	4.5%
Housing Permit Growth /2	-29.5%	2.4%	44.7%	14.2%	26.9%
Retail Trade Sales Growth /3	9.0%	6.1%	5.5%	3.1%	NA
National Park Recreation Visits /4	1.9%	-13.8%	-5.9%	8.9%	27.9%

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through March 2015.

2/ F.W. Dodge. Data through April 2015.

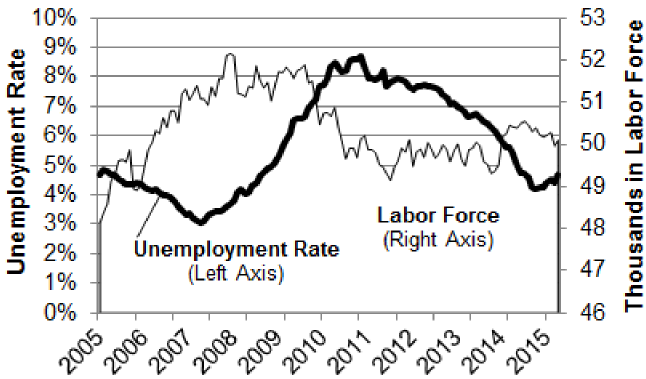
3/ Colorado Department of Revenue. Data through August 2014.

4/ National Park Service. Data through March 2015. Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

fell to a lower point than other areas in the state, and has recovered at a slower rate, even though pre-recession peak levels were passed in 2012.

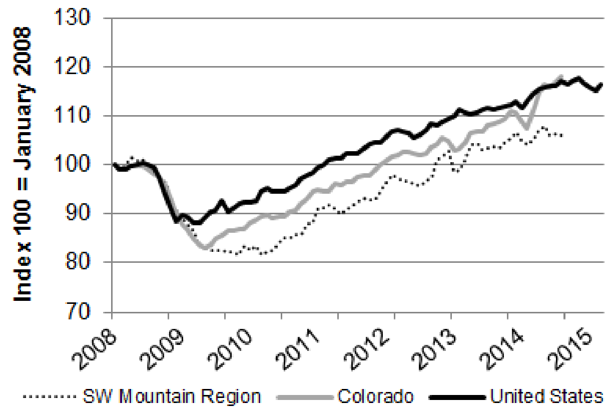
Some of the growth in retail sales came from visitors to Hovenweep National Monument and Mesa Verde National Park. In the first quarter of 2015, visitation at these parks increased 279 percent after increasing 8.9 percent in 2014 on a year-over-year basis.

Figure 31
Southwest Mountain Region Unemployment Rate and Labor Force



Source: U.S. Bureau of Labor Statistics; LAUS.
Data through April 2015.

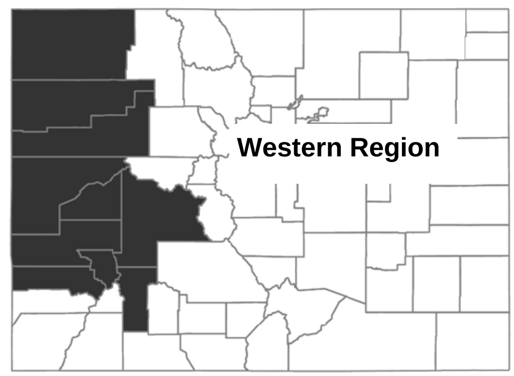
Figure 32
Trends in U.S., Colorado, and Southwest Mountain Region Retail Trade Since January 2008
Three-Month Moving Average;
Non Seasonally Adjusted Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through August 2014; U.S. data through March 2015.

Western Region

In the first three months of 2015, growth in the western regional economy was mixed across industries and geographic areas. Regional job growth was flat, and the regional unemployment rate is at its lowest point since 2008, although it began to tick up in the first four months of 2015. Accelerating growth in the number of housing permits provides indications of economic recovery in the region, even as the recovery in consumer spending continues to lag behind other areas of the state. On the downside, while the decline in regional natural gas production slowed in 2014, preliminary 2015 totals indicate the decline has accelerated. Natural gas exploration and production is an important source of employment and income to residents in this region. Economic indicators for the western region are shown in Table 24.



While overall employment growth was flat in the first three months of 2015, employment trends within the region vary widely. Regional employment averages are buoyed by areas such as Garfield County, which contains a good portion of the region's natural gas production, and resort destinations in the Roaring Fork Valley and Ouray and San Miguel counties. In contrast, the struggling coal mining communities in Delta County dampened regional employment growth. This was further exacerbated as the Bowie #2 Mine cut a third of its workforce late in 2014. In the first four months of 2015, the regional

Table 24

Western Region Economic Indicators

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

	2011	2012	2013	2014	YTD 2015
Employment Growth					
Western Region /1	-0.4%	0.3%	-0.7%	2.4%	0.6%
Grand Junction MSA /2	0.6%	0.9%	0.5%	0.7%	2.9%
Unemployment Rate /1	9.7%	9.0%	8.0%	5.9%	5.3%
Natural Gas Production Growth /3	4.1%	1.9%	-9.1%	-4.9%	-15.7%
Housing Permit Growth /4	-20.8%	22.4%	-1.0%	7.9%	22.0%
Growth in Value of Nonresidential Construction /4					
Value Projects	-60.1%	13.2%	-24.7%	221.9%	-77.5%
Square Footage of Projects	-59.2%	26.0%	-42.0%	157.9%	-35.2%
Level (1,000s)	542	682	396	1,021	167
Number of Projects	-32.7%	16.7%	-28.6%	21.8%	-21.4%
Level	66	77	55	67	11
Retail Trade Sales Growth /5	8.8%	1.0%	3.5%	3.7%	NA

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through April 2015.

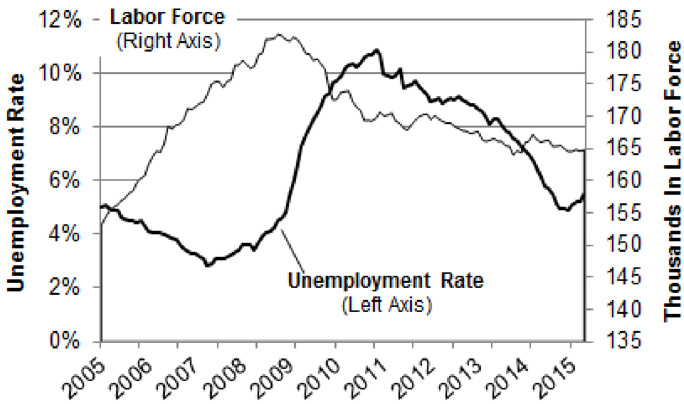
2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2015.

3/ Colorado Oil and Gas Conservation Commission. Data through March 2015.

4/ F.W. Dodge. Data through April 2015.

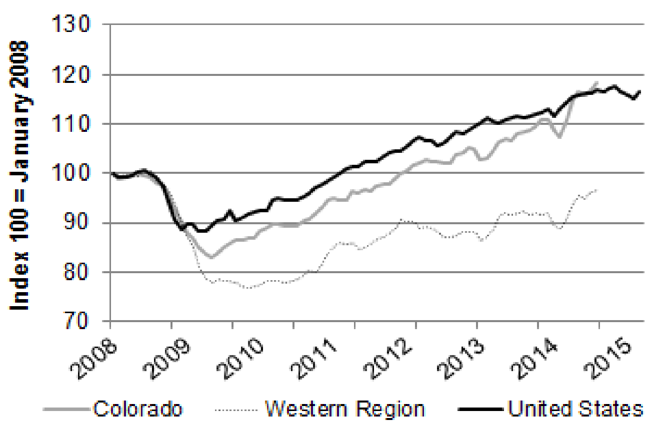
5/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2014.

Figure 33
Western Region Unemployment Rate and Labor Force
Seasonally Adjusted



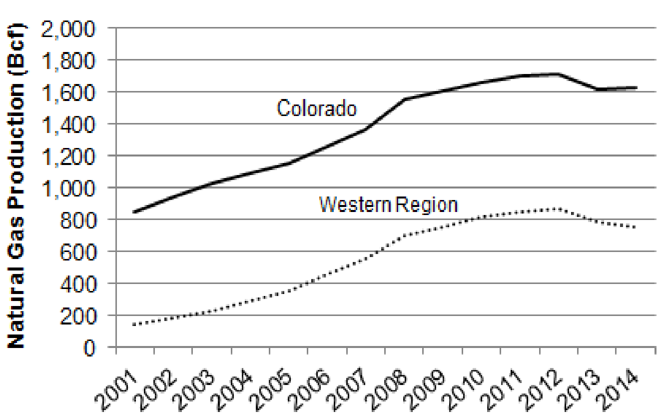
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through April 2015.

Figure 34
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 August 2014; U.S. data through March 2015.

Figure 35
Colorado and Western Region Natural Gas Production



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

unemployment rate rose from 4.9 percent in December to 5.5 percent in March. While this rate is still slightly above the statewide average, it has been falling steadily since 2010 on an average annual basis. The western region's unemployment rate and labor force are plotted in Figure 33.

After increasing 7.9 percent on a year-over-year basis in 2014, residential construction in the western region has accelerated in the first three months of 2015 with housing permits up 22.0 percent. Nonresidential construction in the region, however, is off after an uptick in 2014. The number and square footage of projects are down 21.4 percent and 35.2 percent, respectively, in the first four months of 2015 compared with a similar period in the prior year. This likely reflects the completion of four large projects in Mesa County that had been responsible for the region's triple-digit increases in nonresidential construction metrics in 2014.

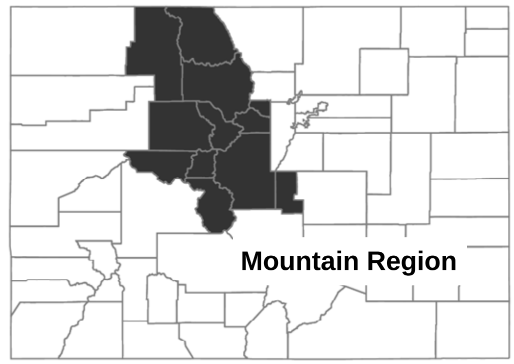
Through August of 2014, consumer spending, as proxied by retail trade sales, grew 3.7 percent compared with the same period in 2013. This would represent a slight uptick from 3.5 percent retail trade growth rate in 2013. As shown in Figure 34, during the recession retail trade in the western region fell to a lower point than other areas in the state, and has recovered at a slower rate. In contrast to other areas in the state, 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 March, gas production was down 15.7 percent compared with the same period in 2014. Although these production totals are preliminary, if this trend continues, this would make the third consecutive year of regional production declines. Figure 35 compares western regional natural gas production to production in the rest of the state through the end of 2014. While statewide natural gas production ticked up in 2014, regional production continued to decline.

Mountain Region

Colorado's mountain economy is flourishing with increased visitation and spending by tourists. The regional labor market is among the strongest in the state. Demand for new homes and businesses is driving construction, and retail trade continues to grow at a brisk pace relative to most other regions. Table 25 summarizes key economic indicators for the region.

The central mountains remain among the best-performing labor markets statewide. Through April, 11 of 12 counties in the region reported increases in jobs, and all counties registered declines in the number of unemployed workers. Job growth is driven by the region's two most populous areas, Eagle and Summit counties, which added jobs at rates of 1.9 and 3.8 percent, respectively, through April. Regional unemployment averaged 3.8 percent through the first four months of the year, the lowest rate of any region in the state. Figure 36 compares the labor force population and unemployment rate for the mountain region.



The regional housing market is gaining steam, particularly in resort areas. Title insurance companies in Vail, Beaver Creek, and Steamboat Springs report more numerous and more valuable real estate transactions in early 2015 than in early 2014, especially for luxury homes. In Eagle County, Land Title Guarantee Company reported real estate transactions totaling $374.9 million through March, a 14 percent increase over 2014 despite a sales lull during the February Alpine World Ski Championships. The regional housing market is primarily constrained by the supply of single-family homes. In some areas, rising housing prices are driving increased demand for vacant land.

Table 25

Mountain Region Economic Indicators

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

	2011	2012	2013	2014	YTD 2015
Employment Growth /1	-0.2%	0.9%	0.8%	3.7%	1.7%
Unemployment Rate /1	7.8%	7.0%	6.1%	4.3%	3.8%
Housing Permit Growth /2	6.3%	17.9%	52.5%	-2.2%	6.9%
Growth in Value of Nonresidential Construction /2					
Value of Projects	195.4%	-57.4%	-8.6%	84.8%	93.4%
Square Footage of Projects	169.1%	-29.6%	-19.6%	206.5%	47.5%
Level (1,000s)	779	548	441	1,352	197
Number of Projects	-13.7%	11.4%	2.0%	20.0%	-66.7%
Level	44	49	50	60	5
Retail Trade Sales Growth /3	8.0%	5.8%	6.3%	8.5%	NA

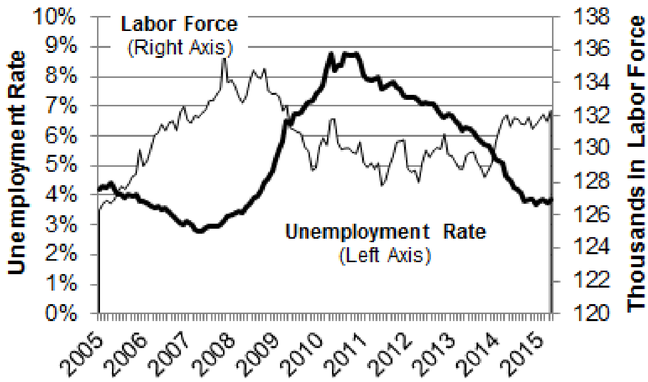
NA = Not Available

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through April 2015.

2/ F.W. Dodge. Data through April 2015.

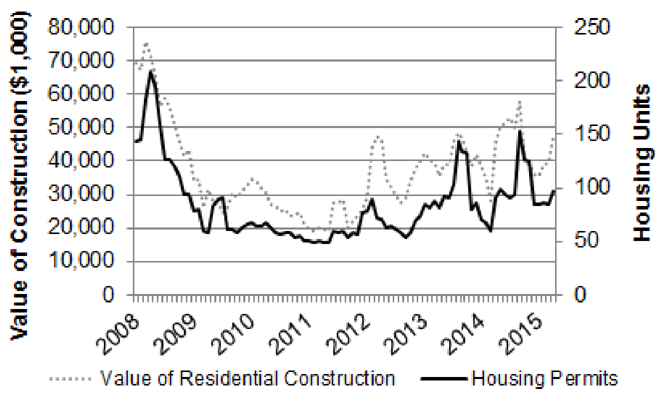
3/ Colorado Department of Revenue. Seasonally adjusted. Data through August 2014.

Figure 36
Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted Data



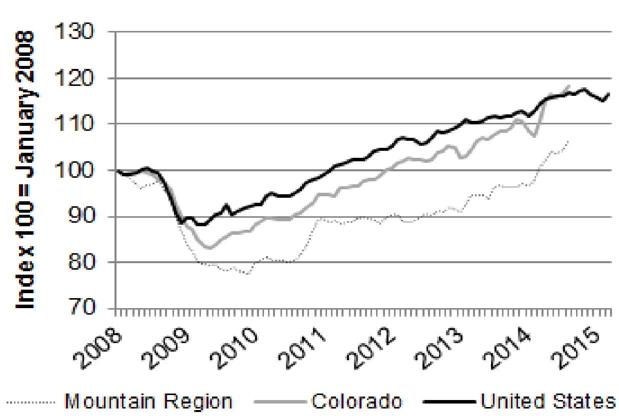
Source: U.S. Bureau of Labor Statistics; LAUS.
Data prior to 2010 adjusted by Legislative Council Staff.
Data through April 2015

Figure 37
Value and Number of Residential Construction Permits



Source: F.W. Dodge. Data through April 2015.

Figure 38
Retail Trade Trends Since January 2008
Indexed to January 2008; Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through August 2014; U.S. data through March 2015.

Figure 37 shows the number and value of residential construction permits issued in the mountain region since 2008. The seasonally adjusted number of housing permits issued in the region grew 6.9 percent through April compared with the same period in 2014. The value of new construction is outpacing the number of new permits as the market tightens and prices increase.

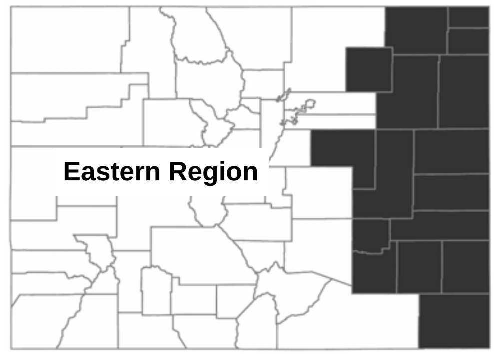
The value of the region's nonresidential construction projects nearly doubled during the first four months of 2015 compared with the same period last year. With the exception of a single strong year in 2011, nonresidential construction in the mountain region has occurred at rates well below historical trends since the Great Recession. A strong start to 2015 reflects burgeoning regional tourism and rising real estate values.

Retail sales increased 8.5 percent between January and August of 2014 compared with the same period in 2013. Improvements in other areas of the economy suggest that retail sales continued their strong progress through the remainder of 2014. Additional tourism is expected to contribute to retail sales in 2015 as well. Figure 38 indexes retail trade in the mountain region, Colorado, and the nation to January 2008. While retail sales were slow to recover in the years immediately following the Great Recession, the gap between the region and the state has more recently begun to narrow.

Eastern Region

The economy in the eastern region of Colorado is dependent on farming and ranching. Favorable weather conditions have helped agricultural productivity but lowered the price of agricultural commodities. The labor market is small relative to other regions in the state and is healthy, while retail sales in the region grew through the first eight months of 2014. Economic indicators for the eastern region are shown in Table 26.

The unemployment rate in the eastern region was 4.0 percent in April 2015, slightly higher than the average of 3.9 percent for the first four months of the year. Employment increased 3.8 percent this year through April, at a rate similar to the 3.6 percent rate experienced in 2014. The growing labor force is an indicator of improvements in the labor market. Figure 39 shows the labor force and the unemployment rate in the eastern region.



Favorable weather conditions in 2014 helped boost agricultural productivity nationwide, which decreased the prices of agricultural commodities. The price received between January and April 2015 for a bushel of wheat was 29.2 percent lower than the same period in 2014. Farmers received $3.86 per bushel of corn in April 2015, a decline of 15.2 percent compared with the same period in 2014. The price for a ton of alfalfa hay declined 14.5 percent.

Table 26
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca Counties

	2011	2012	2013	2014	YTD 2015
Employment Growth /1	0.5%	-0.9%	-1.3%	3.6%	3.8%
Unemployment Rate /1	6.7%	6.6%	6.0%	4.4%	3.9%
Crop Price Changes /2					
Wheat $/bushel	41.7%	4.2%	0.8%	-11.5%	-29.2%
Corn $/bushel	59.3%	9.2%	-2.8%	-31.0%	-15.2%
Alfalfa Hay (Baled) $/ton	40.9%	37.0%	-0.1%	-11.3%	-14.5%
Livestock /3					
State Cattle and Calf Inventory Growth	10.2%	-3.4%	-8.7%	-4.2%	-6.9%
Milk Production	6.5%	7.1%	3.5%	7.9%	5.4%
Retail Trade Sales Growth /4	13.7%	4.1%	2.4%	10.6%	NA

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through April 2015.

2/ National Agricultural Statistics Service. Price data through April 2015.

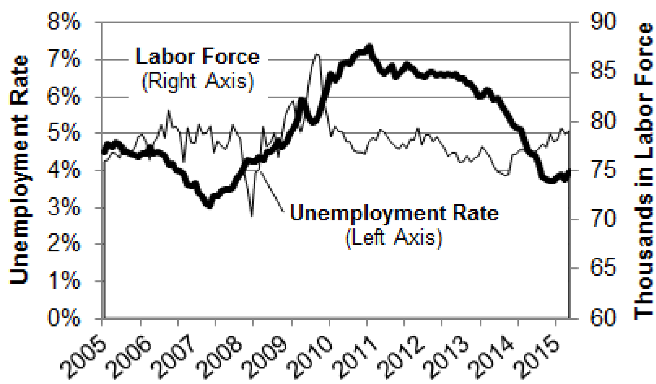
3/ National Agricultural Statistics Service. Data through April 2015.

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

Agricultural commodities like corn and hay are used as feed by ranchers. The average inventory of cattle and calf on feedlots between January and May 2015 was 6.9 percent below the average inventory for the same period in 2014. This is part of a larger trend; the number of cattle in the state has decreased each year since 2011. Farmers are rebuilding their herds after drought and sending fewer animals to feedlots. The animals on feedlots are larger so national beef production is increasing slightly. Milk production increased 5.4 percent in the first four months of 2015 compared with the previous year.

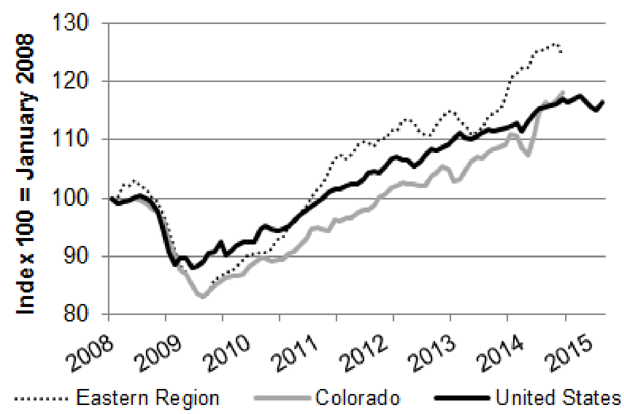
Retail trade in the eastern region increased 10.6 percent in the first eight months of 2014 compared with the same period in 2013. This growth rate is much faster than the state as a whole and faster than retail sales growth in 2013, which were 8.0 percent and 2.4 percent, respectively. Figure 40 shows indexed retail sales for the eastern region, Colorado, and the nation.

Figure 39
Eastern Region
Labor Force and Unemployment Rate



Source: U.S. Bureau of Labor Statistics; LAUS.
Data prior to 2010 adjusted by Legislative Council Staff.
Data through April 2014.

Figure 40
Retail Sales in Eastern Region
Index January 2008 = 100



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through August 2014; U.S. data through March 2015.

Appendix A
Historical Data

National Economic Indicators

Dollar Amounts in Billions

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Domestic Product	$10,284.8	$10,621.8	$10,977.5	$11,510.7	$12,274.9	$13,093.7	$13,855.9	$14,477.6	$14,718.6	$14,418.7	$14,964.4	$15,517.9	$16,163.2	$16,768.1	$17,418.9
% Change	6.5%	3.3%	3.3%	4.9%	6.6%	6.7%	5.8%	4.5%	1.7%	-2.0%	3.8%	3.7%	4.2%	3.7%	3.9%
Real Gross Domestic Product (inflation-adjusted, chained to 2005)	$12,559.7	$12,682.2	$12,908.8	$13,271.1	$13,773.5	$14,234.2	$14,613.8	$14,873.7	$14,830.4	$14,418.7	$14,783.8	$15,020.6	$15,369.2	$15,710.3	$16,085.6
% Change	4.1%	1.0%	1.8%	2.8%	3.8%	3.3%	2.7%	1.8%	-0.3%	-2.8%	2.5%	1.6%	2.3%	2.2%	2.4%
Unemployment Rate	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%	6.2%
Inflation (Consumer Price Index)	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%	1.6%
10-Year Treasury Note	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%	2.4%	2.5%
Personal Income	$8,632.8	$8,987.1	$9,149.5	$9,486.6	$10,048.3	$10,609.3	$11,389.0	$11,994.9	$12,429.6	$12,087.5	$12,429.3	$13,202.0	$13,887.7	$14,166.9	$14,733.9
% Change	8.1%	4.1%	1.8%	3.7%	5.9%	5.6%	7.3%	5.3%	3.6%	-2.8%	2.8%	6.2%	5.2%	2.0%	4.0%
Wage and Salary Income	$4,825.9	$4,954.4	$4,996.4	$5,137.9	$5,421.9	$5,692.0	$6,057.4	$6,395.2	$6,531.9	$6,251.4	$6,377.5	$6,633.2	$6,932.1	$7,124.7	$7,451.6
% Change	8.3%	2.7%	0.8%	2.8%	5.5%	5.0%	6.4%	5.6%	2.1%	-4.3%	2.0%	4.0%	4.5%	2.8%	4.6%
Nonfarm Employment (millions)	132.0	132.1	130.6	130.3	131.7	134.0	136.4	137.9	137.2	131.2	130.3	131.8	134.1	136.4	139.0
% Change	2.2%	0.0%	-1.1%	-0.2%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.3%	-0.7%	1.2%	1.7%	1.7%	1.9%

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

Colorado Economic Indicators

Dollar Amounts in Millions

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Nonfarm Employment* (thous.)	2,214.2	2,227.1	2,184.7	2,152.6	2,179.4	2,225.9	2,279.7	2,331.1	2,350.6	2,245.5	2,222.3	2,258.7	2,313.1	2,382.2	2,465.2
% Change	3.8%	0.6%	-1.9%	-1.5%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.5%
Unemployment Rate (%)	2.7	3.8	5.6	6.0	5.5	4.9	4.2	3.8	4.9	7.6	8.8	8.2	7.7	6.5	4.9
Personal Income	$148,099	$155,918	$156,032	$159,330	$166,625	$177,819	$191,699	$202,599	$212,102	$206,438	$210,454	$226,145	$240,350	$247,069	$260,993
% Change	11.7%	5.3%	0.1%	2.1%	4.6%	6.7%	7.8%	5.7%	4.7%	-2.7%	1.9%	7.5%	6.3%	2.8%	
Per Capita Income	$34,227	$35,230	$34,748	$35,182	$36,421	$38,390	$40,611	$42,174	$43,377	$41,518	$41,689	$44,183	$46,315	$46,897	NA
% Change	9.0%	2.9%	-1.4%	1.2%	3.5%	5.4%	5.8%	3.8%	2.9%	-4.3%	0.4%	6.0%	4.8%	1.3%	
Wage and Salary Income (millions)	$86,412	$89,130	$88,089	$89,281	$93,569	$98,787	$105,664	$112,506	$116,682	$112,301	$113,790	$118,559	$125,135	$129,597	$137,698
% Change	12.8%	3.1%	-1.2%	1.4%	4.8%	5.6%	7.0%	6.5%	3.7%	-3.8%	1.3%	4.2%	5.5%	3.6%	
Retail Trade Sales (millions)	$57,955	$59,014	$58,850	$58,689	$62,288	$65,492	$70,437	$75,329	$74,760	$66,345	$70,738	$75,548	$80,073	$83,569	NA
% Change	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%	
Housing Permits	54,596	55,007	47,871	39,569	46,499	45,891	38,343	29,454	18,998	9,355	11,591	13,502	23,301	27,517	28,686
% Change	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-16.4%	-23.2%	-35.5%	-50.8%	23.9%	16.5%	72.6%	18.1%	4.2%
Nonresidential Construction (millions)	$3,498	$3,476	$2,805	$2,686	$3,245	$4,275	$4,641	$5,259	$4,114	$3,354	$3,147	$3,923	$3,693	$3,612	$4,292
% Change	-7.9%	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.9%	-2.2%	18.8%
Denver-Boulder-Greeley Inflation Rate	4.0%	4.6%	2.0%	1.0%	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%
Population (thousands, July 1)	4,327	4,426	4,490	4,529	4,575	4,632	4,720	4,804	4,890	4,972	5,049	5,120	5,192	5,272	5,356
% Change	6.7%	2.3%	1.5%	0.9%	1.0%	1.2%	1.9%	1.8%	1.8%	1.7%	1.5%	1.4%	1.4%	1.5%	1.6%

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

** Nonfarm employment estimates include revisions to 2014 data expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process.*

NA = Not Available.