Focus Colorado:
Economic and Revenue Forecast

Colorado Legislative Council Staff
Economics Section

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Highlights

Economic activity in Colorado and the nation is expected to continue to expand in 2016 and 2017, though at a slower pace than in the prior two years. The weak global economy constrained domestic growth in the second half of 2015. Low commodity prices and a strong dollar have hurt the agriculture, natural resources, and manufacturing sectors, dampening momentum in other sectors of the economy.

Expectations for **General Fund revenue** available to the budget decreased by $26.9 million and $89.9 million for FY 2015-16 and FY 2016-17, respectively. Reduced expectations for income and use taxes were partially offset by increased expectations for sales taxes.

In **FY 2015-16,** General Fund revenue is expected to be $111.2 million short of the amount needed to fully fund the budget and required reserve. This amount, which is $96.6 million smaller than expected in December, is net of the supplemental budget package and full Senate Bill 09-228 transfers to the Capital Construction and Highway Users Tax funds.

No TABOR refund is expected for tax year 2016, as state revenue will fall short of the Referendum C cap by an estimated $117.3 million in FY 2015-16.

In **FY 2016-17**, revenue is expected to be sufficient to allow General Fund appropriations to increase by up to 3.6 percent. This amount assumes no other changes to the FY 2015-16 budget and that the $111.2 million FY 2015-16 shortfall is absorbed by the reserve, thereby lowering the FY 2016-17 beginning balance. It is also net of full Senate Bill 09-228 transfers and a $59.8 million set aside for a tax year 2017 TABOR refund.

State revenue is expected to exceed the Referendum C cap by $246.1 million, or 2.2 percent of General Fund revenue, in **FY 2017-18**.

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This report presents the budget outlook based on current law and the March 2016 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 8 on page 22.*

FY 2015-16. General Fund revenue is expected to be $111.2 million, or 1.1 percent, lower than the amount budgeted to be spent and saved in the reserve in FY 2015-16. This shortfall is $96.6 million smaller than that expected in December because it includes the impact of the supplemental budget package, which reduced appropriations by $97.6 million. It also reflects a $20.7 million increase in expectations for the FY 2015-16 beginning balance, which was offset by decreased expectations in General Fund revenue. The shortfall is net of full Senate Bill 09-228 transfers. No set aside is required for a TABOR refund obligation, since revenue subject to TABOR is expected to be $117.3 million lower than the TABOR limit.

FY 2016-17. Revenue is expected to be sufficient to grow General Fund appropriations by up to 3.6 percent in FY 2016-17. This amount assumes that the FY 2015-16 shortfall remains unchanged and is absorbed by the reserve, thereby lowering the beginning balance in FY 2016-17. It is also net of full Senate Bill 09-228 transfers and a $59.3 million set aside for a tax year 2017 TABOR refund.

Expectations for General Fund revenue (excluding changes in marijuana sales taxes, which have a net zero impact on the General Fund budget) were decreased $89.9 million, or 0.9 percent, relative to the December forecast. Decreased expectations for income and use tax revenue were partially offset by increased expectations for sales tax revenue.

FY 2017-18. The budget situation in FY 2017-18 is dependent on decisions that have not yet been made by the General Assembly for both this and next fiscal year. Revenue to the General Fund is expected to increase 5.6 percent to $11.1 billion. A $246.1 million set aside for a tax year 2018 TABOR refund is expected, along with one-half Senate Bill 09-228 transfers.

Cash Fund Revenue

*The **cash fund revenue forecasts** begin on page 23. Forecasts for revenue subject to TABOR are summarized on page 24.*

Cash fund revenue subject to TABOR is expected to increase slightly to $2.88 billion in FY 2015-16. Increases in transportation-related and hospital provider fee revenue will be offset by declines in severance tax and insurance related revenue in FY 2015-16. Total cash fund revenue subject to TABOR will decrease 0.4 percent to $2.87 billion in FY 2016-17 as a slight rebound in severance tax revenue will be offset by a decline in hospital provider fee revenue. Cash fund revenue is projected to grow another 5.4 percent to $3.03 billion in FY 2017-18, 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 31.*

Summaries of economic conditions in nine regions around the state begin on page 52.

The U.S. and Colorado economies continued to expand through the end of 2015, though growth slowed in the second half of the year. Colorado's labor market has reached and the nation's is nearing full employment with consistent job gains across most industries and low unemployment rates. Retail sales rose over the prior year and construction activity improved with demand for residential and commercial building. While these indicators are positive, the weak global economy is proving a drag on the nation's commodity and industrial sectors. Profits in the agriculture and natural resource sectors are being pinched by low prices, while the strong dollar has dampened demand for U.S. manufactured goods. As these factors continue to constrain growth, economic activity in Colorado and the nation is expected to continue to expand in 2016 and 2017, though at a slower pace than in the last two years.

General Fund Budget Overview

Table 1 on page 6 presents the General Fund overview based on current law. Tables 4 and 5 on pages 11 and 12 provide estimates for General Fund rebates and expenditures (line 9 of Table 1) and detail for cash fund transfers to and from the General Fund (lines 3 and 10 of Table 1). This section also presents information on revenue to the State Education Fund, the outlook for Senate Bill 09-228 transfers to capital construction and transportation, and the availability of tax benefits dependent on the collection of sufficient General Fund revenue.

In FY 2015-16, the General Fund reserve is expected to be $111.2 million, or 1.1 percent, lower than the amount budgeted. This shortfall is $96.6 million smaller than that expected in December because of the supplemental budget package.

Revenue is expected to be sufficient to allow General Fund appropriations to **increase 3.6 percent in FY 2016-17.**

The forecast is based on current law, including the following supplemental budget legislation signed into law: House Bills 16-1237 through 16-1240; House Bills 16-1242 through 16-1246; and House Bills 16-1248 through 16-1254.

FY 2014-15. Based on preliminary data, the General Fund ended the year with **$132.7 million** more than required to fully fund the budget, the 6.5 percent statutory reserve, and the state's TABOR refund obligation. This figure, which is $20.6 million higher than that expected in December, is preliminary, un-audited, and subject to change before the state's accounting books for FY 2014-15 are finalized.

FY 2015-16. General Fund revenue is expected to be $111.2 million, or 1.1 percent, lower than the amount budgeted to be spent or retained in the reserve in FY 2015-16. Expectations for this shortfall are $96.6 million lower than the $207.8 million shortfall expected in December. Table 2 on page 7 shows the components of that change.

FY 2016-17 – Unbudgeted. Because a budget has not yet been enacted for FY 2016-17, lines 22 through 25 of Table 1 show two alternative perspectives on the General Fund budget situation for the year.

Perspective 1, shown in lines 22 and 23, assumes no growth in appropriations between FY 2015-16 and FY 2016-17. Under this scenario, the amount of money available to the General Assembly above the amount budgeted to be spent during the current year is expected to be $365.1 million, or 3.6 percent of current year expenditures. As shown in Table 2, this amount is $90.9 million higher than expected in December.

Perspective 2, shown in lines 24 and 25, assumes a historical growth rate for General Fund appropriations over the last 15 years using only those years during which the economy expanded: FY 2003-04 through FY 2007-08 and FY 2011-12 through FY 2015-16. This average rate of growth is equal to 6.1 percent. If General Fund appropriations increased by this amount, the year-end reserve would equal $402.3 million, $239.5 million lower than the 6.5 percent reserve required by law.

Table 1
General Fund Overview
Dollars in Millions

		FY 2014-15 Preliminary	FY 2015-16 Estimate	FY 2016-17 Estimate	FY 2017-18 Estimate
Funds Available					
1	Beginning Reserve	$435.9	$709.2	$494.5	*
2	General Fund Revenue	$9,808.1	$9,958.8	$10,535.8	$11,121.5
3	Transfers from Other Funds *(Table 5)*	64.8	15.6	15.7	17.1
4	**Total Funds Available**	**$10,308.8**	**$10,683.6**	**$11,046.0**	*
5	Percent Change	10.1%	3.6%	3.4%	*
Expenditures		Budgeted	Budgeted	Estimate	Estimate
6	General Fund Appropriations Subject to Limit[1]	$8,869.5	$9,356.5	*	*
7	TABOR Refund Obligation Under Art. X, §20, (7)(d)[2]	153.7	0.0	59.3	246.1
8	Set Aside for TABOR Refund Obligation Under Art. X, §20, (3)(c)[3]	58.0	(58.0)	NA	NA
9	Rebates and Expenditures *(Table 4)*	257.4	279.9	295.5	308.3
10	Transfers to Other Funds *(Table 5)*	42.2	115.0	75.1	58.6
11	Transfers to the State Education Fund Pursuant to SB 13-234	25.3	25.3	25.3	25.3
12	Transfers for Highway Construction[4]	0.0	199.2	210.7	111.2
13	Transfers to the Capital Construction Fund [4]	248.5	271.1	53.4	55.6
14	**Total Expenditures**	**$9,654.7**	**$10,189.1**	*	*
15	Percent Change	10.2%	5.5%	*	*
16	Accounting Adjustments	55.1	*	*	*
Reserve		Preliminary	Estimate	Estimate	Estimate
17	Year-End General Fund Reserve	$709.2	$494.5	*	*
18	Year-End Reserve as a Percent of Appropriations	8.0%	5.3%	*	*
19	Statutorily Required Reserve[5]	576.5	605.7	*	*
20	**Amount in Excess or (Deficit) of Statutory Reserve**	**$132.7**	**($111.2)**	*	*
21	Excess Reserve as a Percent of Expenditures	1.4%	-1.1%	*	*
Alternative Perspectives on Unbudgeted Years				Estimate	Estimate
Perspective 1: Money Available in FY 2016-17 in Excess of FY 2015-16 Expenditures[6]					
22	Amount in Excess of Statutory Reserve			$365.1	*
23	As a Percent of Prior-Year Expenditures			3.6%	*
Perspective 2: Assuming Appropriations Increase by the Average Rate of Past Economic Expansions (6.1%)[7]					
24	Amount in Excess or (Deficit) of Statutory Reserve			($239.5)	($471.6)
25	As a Percent of Prior-Year Expenditures			-2.4%	-4.6%
Addendum		Preliminary	Estimate	Estimate	Estimate
26	Percent Change in General Fund Appropriations	7.5%	5.5%	*	*
27	5% of Colorado Personal Income Appropriations Limit	$12,045.3	$12,322.4	$13,086.8	$13,780.4
28	Transfers to State Education Fund Per Amendment 23	$519.8	$522.0	$546.7	$584.9

*Totals may not sum due to rounding. *Not estimated. NA=Not applicable.*

[1]Incorporates the FY 2015-16 supplemental budget package signed into law.

[2]Pursuant to section 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 the following year.

[3]$58 million was set aside in FY 2014-15 pursuant to House Bill 15-1367 and is released in FY 2015-16 pursuant to the passage of Proposition BB.

[4]Senate Bill 09-228 transfers to the Highway Users Tax Fund and the Capital Construction Fund are expected to equal $199.2 million and $49.8 million, respectively, in FY 2015-16.

[5]Pursuant to Senate Bill 15-251, appropriations to fulfill the state's obligations of certain certificates of participation are excluded for purposes of calculating the statutory reserve requirement. These appropriations total $37.8 million in FY 2015-16.

[6]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, net of the obligations in lines 7 through 13.

[7]The average growth rate of appropriations over the last 15 years, only during years when the economy expanded, which include fiscal years 2003-04 through 2007-08, and 2011-12 through 2015-16.

Table 2
Components of Change in General Fund Budget Situation Relative to the December Forecast

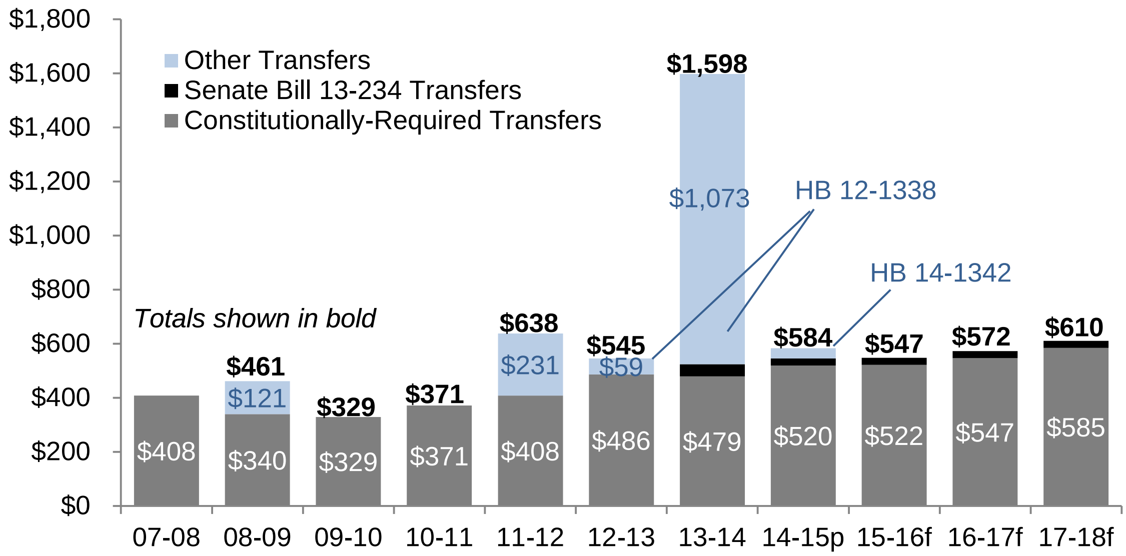
Change in Funds Available	FY 2015-16	FY 2016-17	Note
Beginning Reserve	$20.6 million	$90.2 million	The FY 2014-15 year-end reserve (i.e. FY 2015-16 beginning reserve) is preliminary and un-audited.
General Fund Revenue[1]	($26.9 million)	($89.9 million)	Lower expectations for income and use tax revenue were partially offset by higher expectations for sales taxes.
Transfers to/from Other Funds[1] (Net, Table 5)	($0.03 million)	($0.4 million)	This change is due to lower expectations for limited gaming tax revenue transfers to the General Fund.
***Less* change in Expenditures:**			
Net change resulting from the supplemental budget package	($104.0 million)	($91.2 million)	Incorporates supplemental budget legislation signed into law. In addition, $12 million of appropriations pursuant to Proposition BB were rolled into the base to determine the amount available in FY 2016-17 above the amount budgeted for FY 2015-16. Includes the impact on the required reserve.
TABOR Refund Set Aside		($132.2 million)	
Rebates and Expenditures[1] (Table 4)	$1.4 million	$1.7 million	Most of the change is the result of higher expectations for the Aged Property Tax and Heating Credit.
Senate Bill 09-228 Transfers	($0.4 million)	$130.8 million	Expectations for FY 2016-17 Senate Bill 09-228 transfers increased from one-half transfers in December to full transfers in March.
Equals **Change in Budget Situation**	**$96.6 million**		Expectations for the FY 2015-16 shortfall decreased by $96.6 million.
		$90.9 million	An estimated $90.9 million more is expected to be available in the General fund in FY 2016-17 than was expected in December.

[1]These figures net out changes resulting from an increase in expectations for marijuana sales tax revenue, which result in a net zero budget impact on the General Fund. If these changes had not been excluded, figures for General Fund revenue, rebates and expenditures, and transfers to other funds would be $11.9 million higher, $1.8 million higher, and $10.2 million higher, respectively, in FY 2015-16; and $14.8 million, $2.2 million, and $12.6 million higher, respectively, in FY 2016-17.

Totals do not sum due to rounding.

State Education Fund. The Colorado Constitution requires the State Education Fund to receive one-third of one percent of taxable income (see Table 1, line 28). In addition, the General Assembly has authorized the transfer of additional moneys from the General Fund to the State Education Fund. Money in the State Education Fund is required to be used to fund kindergarten through twelfth grade public education. However, additional revenue in the State Education Fund does not affect the overall flexibility of the General Fund budget. Figure 1 shows a history and forecast for these revenue sources through the end of the forecast period.

Figure 1
Revenue to the State Education Fund
Dollars in Millions

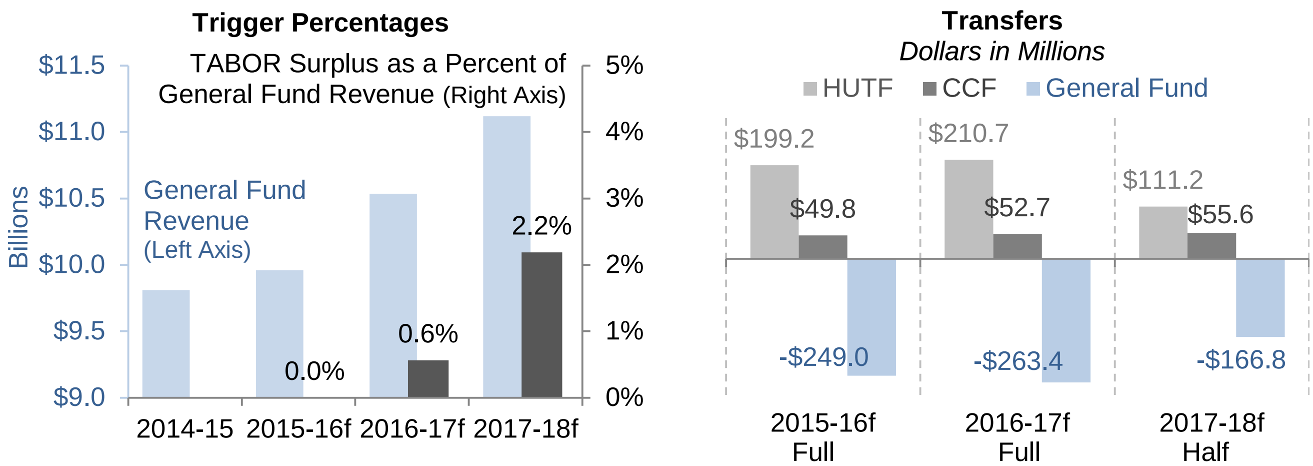


Source: Colorado State Controller's Office through FY 2014-15 and Legislative Council Staff from FY 2015-16 through FY 2017-18. "p" indicates preliminary; "f" indicates forecast.

Senate Bill 09-228 transfers. Colorado personal income increased 6.2 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, although during the last three years transfers to the Capital Construction Fund increase to 1.0 percent of General Fund revenue. 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 1.0 percent and 3.0 percent of General Fund revenue, and eliminated if the surplus exceeds 3.0 percent of General Fund revenue.

Figure 2
Projected Senate Bill 09-228 Transfers and General Fund Impacts



HUTF = Highway Users Tax Fund.
CF = Capital Construction Fund.

Figure 2 shows the TABOR surplus as a percent of General Fund revenue and expected Senate Bill 09-228 transfers through the forecast period. A TABOR surplus is not expected in FY 2015-16, and therefore full transfers equal to $49.8 million and $199.2 million to the Capital Construction Fund and the Highway Users Tax Fund, respectively, are expected in FY 2015-16.

This forecast anticipates a TABOR refund obligation of $59.3 million, or 0.6 percent of General Fund revenue, in FY 2016-17 and $246.1 million, or 2.2 percent of General Fund revenue, in FY 2017-18, indicating full transfers in FY 2016-17 and one-half transfers in FY 2017-18. However, small margins of error in the forecasts for 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, or not at all, during both years.

Tax policies dependent on sufficient General Fund revenue. Two 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 not meet this requirement in FY 2015-16 through at least FY 2017-18, the end of the forecast period. 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 will no longer be available in tax year 2016 and is not expected to be available in tax year 2017. Table 3 lists and describes the availability of these tax policies.

Table 3
Tax Policies Dependent on Sufficient General Fund Revenue to Allow General Fund Appropriations to Increase by at Least 6 Percent

Tax Policy	Forecast that Determines Availability	Tax Policy Availability
Historic Property Preservation Income Tax Credit (Section 39-22-514, C.R.S) *Revenue reduction less than $1.0 million per year*	December forecast immediately before the tax year when the credit becomes available.	Available in tax years 2013 through 2015. Not available in tax year 2016, and not expected to be available in tax year 2017. Repealed tax year 2020.
Cleanroom Machinery Sales and Use Tax Exemption (Section 39-26-722, C.R.S.) *Revenue reduction less than $500,000 per year*	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.

Table 4
General Fund Rebates and Expenditures
Dollars in Millions

Category	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18
Senior and Veterans Property Tax Exemptions	$116.9	$133.0	$142.7	$151.6
Percent Change	6.4	13.8	7.3	6.2
Cigarette Rebate	$12.3	$10.9	$10.9	$10.9
Percent Change	17.8	-11.1	-0.2	0.0
Old-Age Pension Fund	99.4	103.8	107.8	112.5
Percent Change	-7.0	4.4	3.9	4.3
Aged Property Tax and Heating Credit	5.7	6.5	6.9	7.1
Percent Change	-6.0	14.5	6.9	2.3
Older Coloradans Fund[1]	11.5	10.0	10.0	10.0
Percent Change	0.2	-0.1	0.0	0.0
Interest Payments for School Loans	0.7	1.0	0.9	1.3
Percent Change	-3.0	42.8	-7.1	39.8
Fire and Police Pensions	4.2	4.2	4.2	4.3
Percent Change	1.3	0.6	1.0	1.0
Amendment 35 Distributions	0.9	0.9	0.9	0.9
Percent Change	1.2	1.0	0.4	0.2
Marijuana Sales Tax Transfer to Local Governments	5.9	9.7	11.2	9.8
Percent Change	336.7	64.7	14.8	-12.1
TOTAL REBATES & EXPENDITURES	**$257.4**	**$279.9**	**$295.5**	**$308.3**

[1]An additional $1.5 million was transferred in FY 2014-15 pursuant to Section 39-3-208 (6), C.R.S., which requires appropriations to the Senior and Veterans Property Tax Exemptions in excess of the actual to be transferred to the Older Coloradans Fund.

Table 5
Cash Fund Transfers
Dollars in Millions

Transfers to the General Fund		2014-15	2015-16	2016-17	2017-18
HB 10-1325	Natural Resource Damage Recovery Fund	0.1	0.2	0.2	
SB 11-184	Tax Amnesty Cash Fund	0.04			
SB 13-133	Limited Gaming Fund	13.6	15.2	15.4	17.0
HB 14-1228	Defense Driving School Fund Balance	0.1			
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		0.1	0.1	0.1
HB 15-1379	Marijuana Tax Cash Fund		0.1		
SB 15-108	Adult Education and Literacy Fund	0.02			
SB 15-108	State Grants to Publically Supported Libraries	0.003			
SB 15-168	Intellectual and Developmental Disability Fund	2.1			
SB 15-169	State Employee Reserve Fund	6.4			
SB 15-249	Marijuana Tax Cash Fund	27.7			
§ 36-1-148 (2)	Land and Water Management Fund	0.1			
Total Transfers to the General Fund		**$64.8**	**$15.6**	**$15.7**	**$17.1**

Transfers from the General Fund		2014-15	2015-16	2016-17	2017-18
HB 12-1315	Clean Renewable Energy Fund	1.6	1.6	1.6	
HB 13-1001 & HB 14-1011	Advanced Industries Acceleration Fund		5.0	5.0	
HB 13-1193	Advanced Industries Export Acceleration Fund	0.3	0.3	0.3	0.3
SB 14-215 & HB 15-1367	Marijuana Tax Cash Fund	35.5	55.2	57.3	49.6
HB 14-1016[1]	Procurement Technical Assistance Cash Fund		0.2	0.2	0.2
HB 14-1276	School Cardiopulmonary Resuscitation Fund	0.3			
HB 14-1300	State Fair Cash Fund	0.3			
HB 14-1336	Controlled Maintenance Trust Fund	0.1			
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	7.8
SB 15-245	Natural Hazard Mapping Fund		3.8	2.4	0.7
HB 15-1367 & Proposition BB	Public School Capital Construction Fund (BEST)		40.0		
Total Transfers from the General Fund		**$42.2**	**$115.0**	**$75.1**	**$58.6**
Net General Fund Impact		**$22.6**	**($99.4)**	**($59.4)**	**($41.5)**

[1] *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 2017-18. Table 6 on page 16 illustrates the current status of the TABOR limit and Referendum C cap through FY 2017-18, while Figure 3 shows a history and forecast of revenue subject to TABOR, the TABOR limit base, and the Referendum C cap.

Preliminary data indicate that state revenue subject to TABOR totaled $12,530.8 million in FY 2014-15, exceeding the Referendum C cap and prompting a **TABOR refund of $153.7 million in FY 2015-16**. Of this amount, $85.7 million is expected to be refunded via the **Earned Income Tax Credit (EITC)**, which is being used as a TABOR refund mechanism on returns for tax year 2015. The EITC will become permanent beginning tax year 2016. The remaining $68.0 million will be refunded via a **six tier sales tax refund** in amounts between $13 and $41 per taxpayer for tax year 2015.

For FY 2015-16, state revenue subject to TABOR is expected to total $12,770.0 million, $117.3 million less than the Referendum C cap. State revenue subject to TABOR is expected to exceed the Referendum C cap in FY 2016-17 and FY 2017-18, prompting **TABOR refunds of $59.3 million in FY 2017-18 and $246.1 million in FY 2018-19**.

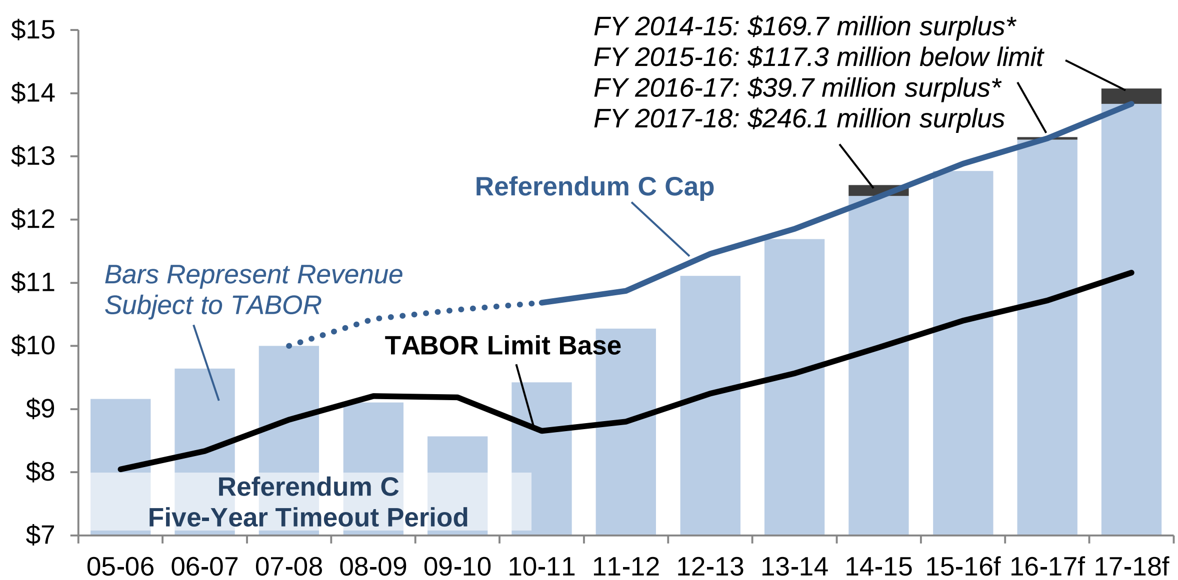
TABOR surplus. Article X, Section 20 of the Colorado Constitution (TABOR) limits the amount of revenue the state may retain and either spend or save. The limit is equal to the previous year's limit or revenue adjusted for inflation, population growth, and any revenue changes approved by voters, whichever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

> ***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.

Referendum C allowed the state to spend all revenue collected above the limit during a five-year timeout period beginning in FY 2005-06 and continuing 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 based on the highest amount of state revenue collected during a single fiscal year during the five-year timeout period and adjusted each year thereafter by inflation and population growth. Because revenue collections during the timeout period peaked in FY 2007-08, that year became the base for the cap. The cap is adjusted annually for inflation, population growth, and changes in enterprise status. 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 exceeded the Referendum C cap by $169.7 million in FY 2014-15, and is expected to exceed the cap by $39.7 million in FY 2016-17 and $246.1 million in FY 2017-18. Revenue is expected to be $117.3 million below the Referendum C cap in FY 2015-16; it is important to note that this amount is well within normal forecast error.

Figure 3
TABOR Revenue, Limit Base, and the Referendum C Cap
Dollars in Billions



Source: Office of the State Controller and Legislative Council Staff.
**Refund amounts for FY 2014-15 and FY 2016-17 differ from surplus amounts because they include under-refunds of and other adjustments to previous TABOR surpluses.*

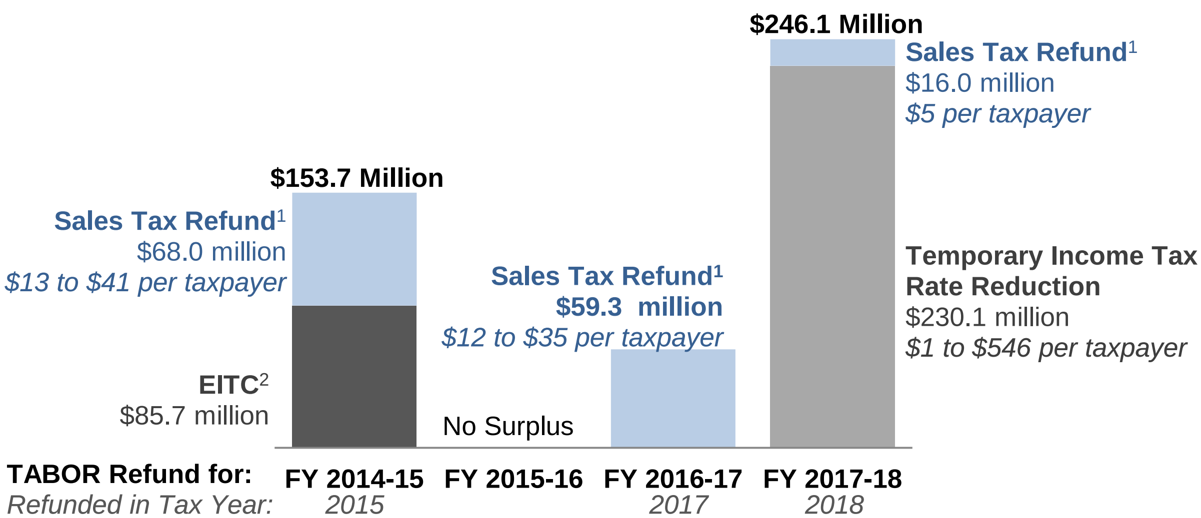
When revenue exceeds the cap, TABOR requires the surplus to be refunded during the following fiscal year. An additional $3.6 million must be refunded along with the FY 2014-15 TABOR surplus; this amount represents under-refunds of pre-Referendum C surpluses and other accounting errors that would have added to the previous refund. A sum of $19.6 million is not expected to be refunded; this amount represents a transfer of revenue to the Adult Dental Fund from the TABOR-exempt Unclaimed Property Fund that was determined to be subject to TABOR after refund amounts were set on 2015 tax forms; this amount is expected to be refunded along with the FY 2016-17 surplus. **Therefore, $153.7 million is being refunded in FY 2015-16 for the surplus collected in FY 2014-15.**

Figure 4 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 (EITC), 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 EITC are available on tax returns for income tax year 2015. The first $85.7 million of the surplus is being refunded via the EITC, which is available to taxpayers who work but earn low incomes. The remaining $68.0 million is being 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, following the FY 1998-99 surplus. As shown in Table 7, taxpayers filing single returns with adjusted gross incomes of up to $36,001 receive refunds of $13 each. Households that qualify for the EITC receive an additional $234 on average. Taxpayers filing single returns with adjusted gross incomes of $204,000 and up receive refunds of $41 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 TABOR surpluses collected in FY 2016-17 and FY 2017-18 will be refunded in FY 2017-18 and FY 2018-19, respectively, on income tax returns for tax years 2017 and 2018. In tax year 2017, a total of **$59.3 million** is expected to be refunded, including a $19.6 million correction for previous under-refunds. The surplus will be refunded via the six tier sales tax refund; individual taxpayers will receive between $12 and $35 each. An estimated **$246.1 million** will be refunded in tax year 2018. A majority of this amount, $230.1 million, is expected to be refunded via a temporary cut in the income tax rate from 4.63 percent to 4.5 percent, while an estimated $16.0 million will be refunded via the six tier sales tax refund.

Figure 4
TABOR Refund Estimates



[1]If the average sales tax refund among all taxpayers is $15 or less, Section 39-22-2002 (2)(b), C.R.S. requires every taxpayer to receive an identical refund. If the amount exceeds $15, Section 39-22-2003 (4)(a), C.R.S. requires the sales tax refund to be distributed proportionately to the sales tax refund that occurred in tax year 1999. Taxpayers filing joint returns receive twice the amount shown.

[2]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.

Table 6
TABOR Limit and Retained Revenue
Dollars in Millions

		Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18
	TABOR Revenue				
1	General Fund[1]	$9,753.1	$9,885.2	$10,452.6	$11,047.3
2	Cash Funds[1]	2,777.6	$2,884.8	$2,873.9	$3,030.3
3	Total TABOR Revenue	**$12,530.8**	**$12,770.0**	**$13,326.5**	**$14,077.7**
	Revenue Limit				
4	Allowable TABOR Growth Rate	4.3%	4.4%	3.1%	4.1%
5	Inflation (*from Prior Calendar Year*)	2.8%	2.8%	1.2%	2.4%
6	Population Growth (*from Prior Calendar Year*)	1.5%	1.6%	1.9%	1.7%
7	TABOR Limit Base	$9,976.9	$10,398.3	$10,720.6	$11,160.2
8	Voter Approved Revenue Change (Referendum C)	$2,384.1	$2,371.7	$2,566.1	$2,671.4
9	Total TABOR Limit / Referendum C Cap	$12,361.0	$12,887.3	$13,286.8	$13,831.5
10	TABOR Revenue Above (Below) Referendum C Cap[4]	**$169.7**	**($117.3)**	**$39.7**	**$246.1**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C[2]	$2,384.1	$2,371.7	$2,566.1	$2,671.4
12	Total Available Revenue (*Fiscal Year Spending*)	$12,361.0	$12,770.0	$13,286.8	$13,831.5
13	Revenue to Be Refunded to Taxpayers[3,4]	**$153.7**	**$0.0**	**$59.3**	**$246.1**
14	TABOR Reserve Requirement	$370.8	$383.1	$398.6	$414.9

Totals may not sum due to rounding.

Amounts shown for FY 2014-15 are un-audited preliminary figures and subject to change.

[1]These figures may differ from the amounts reported in General Fund and cash fund revenue summary tables because of accounting adjustments across TABOR boundaries.

[2]Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.

[3]Pursuant to section 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 income tax returns for tax year 2017.

[4]Revenue to be refunded (line 13) differs from revenue in excess of the Referendum C cap (line 10) in FY 2014-15 and FY 2016-17. These amounts represent under-refunds of pre-Referendum C surpluses and other errors discovered in subsequent years that would have added to the last refund.

Table 7
Estimated Average Taxpayer TABOR Refunds

FY 2014-15 Refund Obligation, Tax Year 2015 Estimate

Adjusted Gross Income			Single Filers: Six-Tier Sales Tax	Single Filers: Income Tax Rate Cut	Single Filers: Total without EITC	Single Filers: Total with EITC*	Joint Filers: Six-Tier Sales Tax	Joint Filers: Income Tax Rate Cut	Joint Filers: Total without EITC	Joint Filers: Total with EITC*
	Up to	$36,001	$13	$0	$13	$247	$26	$0	$26	$260
$36,001	to	$77,000	18	-	18	150	36	-	36	168
$77,000	to	$120,000	21	-	21	21	42	-	42	42
$120,000	to	$163,000	23	-	23	23	46	-	46	46
$163,000	to	$204,000	25	-	25	25	50	-	50	50
$204,000	and Up		41	-	41	41	82	-	82	82

**The EITC applies per household, while income and sales tax refunds are per taxpayer (joint returns receive twice the amount). Amounts are un-audited preliminary figures and subject to change.*

No TABOR Refund Obligation is Forecast for FY 2015-16, Tax Year 2016

FY 2016-17 Refund Obligation, Tax Year 2017 Forecast

Adjusted Gross Income			Single Filers: Six-Tier Sales Tax	Single Filers: Income Tax Rate Cut	Single Filers: Total	Joint Filers: Six-Tier Sales Tax	Joint Filers: Income Tax Rate Cut	Joint Filers: Total
	Up to	$37,100	$12	$0	$12	$24	$0	$24
$37,100	to	$79,400	15	-	15	30	-	30
$79,400	to	$123,700	18	-	18	36	-	36
$123,700	to	$168,000	20	-	20	40	-	40
$168,000	to	$210,300	22	-	22	44	-	44
$210,300	and Up		35	-	35	70	-	70

FY 2017-18 Refund Obligation, Tax Year 2018 Forecast

Adjusted Gross Income			Single Filers: Six-Tier Sales Tax	Single Filers: Income Tax Rate Cut	Single Filers: Total	Joint Filers: Six-Tier Sales Tax	Joint Filers: Income Tax Rate Cut	Joint Filers: Total
	Up to	$38,100	$5	$8	$13	$10	$1	$11
$38,100	to	$81,500	5	49	54	10	26	36
$81,500	to	$127,000	5	95	100	10	80	90
$127,000	to	$172,500	5	146	151	10	136	146
$172,500	to	$215,900	5	190	195	10	189	199
$215,900	and Up		5	527	532	10	546	556

General Fund Revenue

This section presents the Legislative Council Staff outlook for General Fund revenue, which provides the state's main source of revenue for operating appropriations. Table 8 on page 22 summarizes preliminary General Fund revenue collections for FY 2014-15 and projections for FY 2015-16 through FY 2017-18.

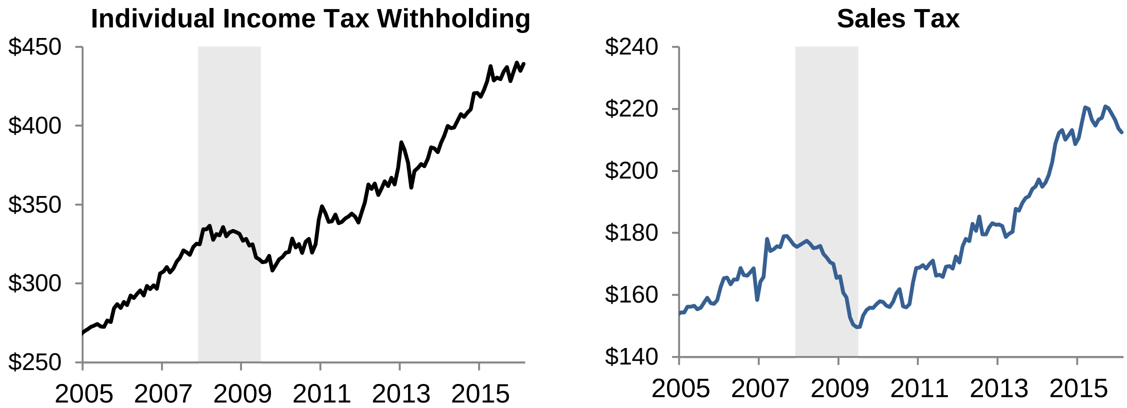
Preliminary estimates for FY 2014-15 General Fund revenue totaled $9.8 billion, a strong increase of 9.3 percent ($833.3 million) over the prior fiscal year. Even with a boost from sales tax collections remitted by online retailer Amazon, revenue is expected to grow at a more moderate pace during the forecast period. Slower economic growth, the contraction in oil and gas industry activity, and the revenue impact of the Earned Income Tax Credit (EITC) will dampen growth prospects through FY 2017-18. In FY 2015-16, revenue is expected to grow at a slow pace of 1.5 percent over the prior fiscal year. In FY 2016-17, revenue will grow 5.8 percent to total $10.5 billion.

The General Fund revenue forecast was reduced slightly from the December forecast. Reductions in expectations for individual and corporate income taxes more than offset an increase in the sales tax forecast. Relative to the December forecast, revenue is expected to come in $15.0 million lower in 2015-16 and $75.1 million lower in FY 2016-17. These amounts include revenue from the 2.9 percent sales tax on retail and medical marijuana sales, which is expected to come in higher than anticipated relative to the December forecast. This revenue is statutorily required to be transferred out of the General Fund and therefore is not available for funding general obligations. Excluding this revenue, relative to the December forecast General Fund revenue expectations were reduced $26.9 million in FY 2015-16 and $89.9 million in FY 2016-17. Additional information regarding the main sources of revenue to the General Fund is provided below.

Triggered tax expenditures. The FY 2014-15 TABOR surplus triggered the availability of the EITC beginning in tax year 2016. The Colorado EITC allows low- and middle-income Colorado taxpayers to claim a tax credit equal to 10 percent of the federal EITC, thereby reducing their Colorado income tax liability. The FY 2014-15 TABOR surplus and anticipated FY 2016-17 surplus will trigger the partial refundability of the Gross Conservation Easement Income Tax Credit in tax years 2015 and 2017, respectively. Triggered legislation is projected to reduce General Fund revenue by $49.5 million in FY 2015-16 (half-year impact) and $91.1 million in FY 2016-17 (full-year impact), with similar full-year reductions in future fiscal years.

Individual income taxes. Individual income tax is the state's largest source of tax revenue, representing 64.7 percent of gross General Fund revenue in FY 2014-15. Following a strong 11.5 percent increase in FY 2014-15, growth in collections will slow to 2.1 percent in FY 2015-16. Income tax revenue withheld from employee paychecks comprises the largest share of individual income tax collections. Withholding payments have been soft since the start of the current fiscal year (Figure 5). Similarly, growth in estimated payments, which include income taxes on capital gains earnings, mineral royalties, and certain non-corporate business income, are expected to grow modestly in the current fiscal year, reflecting the pull-back in oil and gas activity and a more moderate pace of economic growth in Colorado relative to recent years.

Figure 5
Selected Sources of General Fund Revenue
Millions of Dollars Collected per Month



Source: Colorado Department of Revenue. Data seasonally adjusted by Legislative Council Staff using the Census x12 method. Data shown on a cash-accounting basis as three-month moving averages. Data are through February 2016. Data between October 2015 and February 2016 are preliminary.

In FY 2016-17 and FY 2017-18, individual income tax revenue will increase 5.3 percent and 7.2 percent, respectively. Growth reflects a gradual rise in income from capital gains and oil and gas industry wages and royalties through the remainder of the forecast period. Additionally, sustained growth in employee wages and salaries across most other industries will more than offset the revenue impacts of triggered legislation.

The forecast for individual income tax revenue was lowered slightly from the December forecast on reduced expectations for economic growth in 2016 and 2017. The forecast for FY 2015-16 was reduced $23.5 million, or 0.4 percent, and the forecast for FY 2016-17 was reduced $105.1 million, or 1.5 percent.

Sales taxes. Sales tax collections totaled $2.6 billion in FY 2014-15, increasing 8.0 percent over the prior fiscal year and accounting for 26.7 percent of gross General Fund revenue. Growth in sales tax collections has been anemic so far in FY 2015-16, with retailers remitting less revenue for December and January sales than for the same months during the prior fiscal year. Growth in personal income has slowed, while savings rates are on the rise. The slowdown reflects a cautious consumer, low prices for many commodities, and satisfied demand for higher-priced goods such as automobiles.

Sales tax collections are expected to increase 4.1 percent in FY 2015-16 and 8.2 percent in FY 2016-17. Beginning in March 2016, collections are expected to receive a significant boost as online retailer Amazon remits sales taxes for the first time. Taxes on Amazon purchases are expected to total $38.9 million over the final four months of FY 2015-16 before adding $142.9 million to the General Fund during FY 2016-17.

Relative to the December forecast, expectations were increased by $0.7 million in FY 2015-16 and $53.9 million in FY 2016-17, reflecting the boost from Amazon's sales tax collections, which more than offset lower expectations for consumer activity.

Use taxes. Use tax collections grew 7.8 percent to total $260.3 million in FY 2014-15, with growth occurring exclusively in the first half of the fiscal year. Since oil prices dropped precipitously at the end of 2014, use tax collections have fallen as capital investment in the energy industry has weakened. Use tax receipts are expected to close FY 2015-16 down 4.7 percent relative to FY 2014-15. Collections are expected to rebound in FY 2016-17, growing 8.4 percent.

Colorado law requires consumers to pay use tax on certain purchases when sales taxes are not collected by retailers. The Department of Revenue added lines to the 2015 state individual income tax form allowing taxpayers to report and remit use taxes due on purchases made during 2015. Based on taxpayer compliance rates in January and February, use taxes remitted using the new lines on the income tax form are not expected to exceed $2.0 million in any fiscal year during the forecast period.

Corporate income taxes. Corporate income tax revenue is expected to total $602.5 million in FY 2015-16, a decline of 13.0 percent from FY 2014-15 due primarily to lower incomes from oil and natural gas companies on lower oil prices. In FY 2016-17, corporate income taxes are expected to increase 0.3 percent, to $604.4 million. Corporate income tax collections will rebound as oil prices gradually rise and companies outside of the energy industry see growth in profits. Relative to the December forecast, collections were revised down $3.7 million in FY 2015-16 and $37.6 million in FY 2016-17 on reduced expectations for business activity and economic growth.

Table 8
General Fund Revenue Estimates
Dollars in Millions

	Category	Preliminary FY 2014-15	Percent Change	Estimate FY 2015-16	Percent Change	Estimate FY 2016-17	Percent Change	Estimate FY 2017-18	Percent Change
	Excise Taxes								
1	Sales	$2,619.2	8.0	$2,725.6	4.1	$2,949.6	8.2	$3,005.7	1.9
2	Use	260.3	7.8	247.9	-4.7	268.7	8.4	282.8	5.2
3	Cigarette	37.9	3.6	37.3	-1.5	37.3	-0.2	37.1	-0.4
4	Tobacco Products	17.8	5.3	20.9	17.5	19.8	-5.3	20.6	4.3
5	Liquor	41.5	2.8	43.6	5.2	44.8	2.6	46.5	3.8
6	Total Excise	2,976.6	7.9	3,075.4	3.3	3,320.1	8.0	3,392.7	2.2
	Income Taxes								
7	Net Individual Income	6,350.1	11.5	6,481.5	2.1	6,822.2	5.3	7,316.5	7.2
8	Net Corporate Income	692.9	-3.9	602.5	-13.0	604.4	0.3	641.7	6.2
9	Total Income Taxes	7,043.0	9.8	7,084.0	0.6	7,426.6	4.8	7,958.1	7.2
10	Less: Portion Diverted to the SEF	-519.8	8.6	-522.0	0.4	-546.7	4.7	-584.9	7.0
11	Income Taxes to the General Fund	6,523.2	9.9	6,561.9	0.6	6,880.0	4.8	7,373.2	7.2
	Other Sources								
12	Insurance	256.7	7.4	287.3	11.9	301.4	4.9	316.2	4.9
13	Pari-Mutuel	0.6	0.2	0.6	1.9	0.6	-0.2	0.6	-0.2
14	Investment Income	8.1	-37.4	11.5	42.8	10.7	-7.1	15.0	39.8
15	Court Receipts	2.6	0.3	1.8	-30.4	1.9	7.7	2.1	9.7
16	Other Income	40.3	89.0	20.2	-49.9	21.1	4.1	21.8	3.3
17	**Total Other**	308.3	11.3	321.4	4.3	335.7	4.4	352.9	5.1
18	**Gross General Fund Revenue**	**$9,808.1**	**9.3**	**$9,958.8**	**1.5**	**$10,535.8**	**5.8**	**$11,121.5**	**5.6**

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

CASH FUND REVENUE

Table 9 summarizes the forecast for cash fund revenue subject to TABOR. The largest sources of this revenue are motor fuel taxes and other transportation-related revenue, the hospital provider fee, gaming taxes, and severance taxes. The end of this section also presents the forecasts for marijuana sales and excise tax, federal mineral lease, and unemployment insurance revenue. These forecasts are presented separately because they are not subject to TABOR limitations.

Cash fund revenue subject to TABOR is expected to total $2.88 billion in FY 2015-16. Increases in transportation-related and hospital provider fee revenue will be offset by declines in severance tax and insurance related revenue in FY 2015-16. Revenue collected via the state's 2.9 percent sales tax on medical and retail marijuana is projected to add $29.8 million to cash fund revenue subject to TABOR in FY 2015-16.

Total cash fund revenue subject to TABOR will decrease 0.4 percent to $2.87 billion in FY 2016-17, as a slight rebound in severance tax revenue is offset by a decline in hospital provider fee revenue. This revenue is projected to grow another 5.4 percent to $3.03 billion in FY 2017-18, as severance tax revenue grows with increased oil and gas activity.

Transportation-related revenue subject to TABOR is expected to total $1,175.5 million in FY 2015-16. Modest growth in transportation related revenue is expected through the forecast period. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 10 on page 25.

The *Highway Users Tax Fund* (HUTF) is the largest source of transportation revenue subject to TABOR. The fuel excise tax is 22¢ per gallon of gasoline and 20.5¢ per gallon of diesel fuel and is the largest source of HUTF revenue. Fuel taxes are expected to total $611.1 million in FY 2015-16, reflecting increased demand because of low oil prices. The HUTF also receives revenue from vehicle registration fees, which are expected to generate $356.5 million in FY 2015-16, and several smaller revenue sources. Total HUTF revenue is expected to rise 1.7 percent to $1,032.1 million in FY 2015-16.

A relatively small portion of the *State Highway Fund* (SHF) balance comes from revenue subject to TABOR. Local government grants and interest earnings are the two largest sources of TABOR revenue to the SHF. SHF revenue subject to TABOR rebounded in the first seven months of FY 2015-16 due to increased local government grants. Because the balance in the SHF is higher, interest earnings will increase. SHF revenue subject to TABOR is expected to increase 16.0 percent to $49.2 million in FY 2015-16. Higher interest rates will apply to higher balances from local government grants and Senate Bill 09-228 transfers in the SHF, providing for increased revenues throughout the forecast period.

Other transportation cash fund revenue subject to TABOR is expected to decline 12.4 percent to $94.1 million in FY 2015-16. Reductions in aviation fuel tax collections are expected to more than offset slight increases in registration related revenue. The aviation fuel tax collections, which are based on the price of jet fuel, which has fallen with low oil prices.

Table 9
Cash Fund Revenue Subject to TABOR
Dollars in Million

	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Transportation-Related	$1,164.6	$1,175.5	$1,192.6	$1,210.2	
Percent Change	2.5%	0.9%	1.5%	1.5%	1.3%
Hospital Provider Fee	$528.8	$805.5	$730.1	$772.7	
Percent Change	-6.7%	52.3%	-9.4%	5.8%	13.5%
Severance Tax	$281.3	$86.8	$105.1	$163.1	
Percent Change	4.7%	-69.1%	21.0%	55.3%	-16.6%
Gaming Revenue[1]	$99.3	$102.8	$103.9	$106.9	
Percent Change	1.1%	3.5%	1.1%	2.9%	2.5%
Insurance-Related	$19.9	$13.7	$11.0	$11.0	
Percent Change	-3.5%	-31.3%	-19.7%	0.0%	-18.0%
Regulatory Agencies	$65.6	$67.9	$69.1	$70.6	
Percent Change	-4.1%	3.4%	1.8%	0.0%	2.4%
Capital Construction Related - Interest[2]	$5.6	$5.0	$4.4	$4.5	
Percent Change	134.2%	-11.9%	-11.9%	3.2%	-7.1%
2.9% Sales Tax on Marijuana[3]	$22.3	$29.8	$32.9	$34.9	
Percent Change		33.9%	10.4%	6.1%	16.2%
Other Cash Funds	$590.2	$597.9	$624.8	$656.4	
Percent Change	3.8%	1.3%	4.5%	5.1%	3.6%
Total Cash Fund Revenue	$2,777.6	$2,884.8	$2,873.9	$3,030.3	
Subject to the TABOR Limit	1.8%	3.9%	-0.4%	5.4%	2.9%

Totals may not sum due to rounding.

** CAAGR: Compound average annual growth rate for FY 2014-15 to FY 2017-18.*

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

[2]Includes interest earnings to the Capital Construction Fund, the Controlled Maintenance Trust Fund, and transfers from certain enterprises into TABOR.

[3]Includes revenue from the 2.9 percent sales tax subject to TABOR collected from the sale of medical and retail marijuana. This revenue is subject to TABOR.

Table 10
Transportation Funds Revenue Forecast by Source,
Dollars in Millions

	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	$599.4	$611.1	$616.6	$621.9	1.2%
Percent Change	4.5%	2.0%	0.9%	0.9%	
Total Registrations	$351.9	$356.5	$363.9	$371.3	1.8%
Percent Change	4.8%	1.3%	2.1%	2.0%	
Registrations	$210.9	$213. 5	$218.0	$222.4	
Road Safety Surcharge	$123.1	$124.6	$127.2	$129.9	
Late Registration Fees	$18.0	$18.4	$18.7	$19.0	
Other HUTF Receipts[1]	$63.4	$64.5	$66.2	$67.3	2.0%
Percent Change	6.1%	1.8%	2.5%	1.8%	
Total HUTF	$1,014.8	$1,032.1	$1,046.7	$1,060.5	1.5%
Percent Change	4.7%	1.7%	1.4%	1.3%	
State Highway Fund (SHF)[2]	$42.4	$49.2	$49.4	$50.9	6.3%
Percent Change	-22.2%	16.0%	0.4%	3.0%	
Other Transportation Funds	$107.4	$94.1	$96.5	$98.7	-2.8%
Percent Change	-4.0%	-12.4%	2.5%	2.3%	
Aviation Fund[3]	$30.3	$16.7	$17.6	$18.3	
Law-Enforcement-Related[4]	$9.6	$8.6	$8.4	$8.4	
Registration-Related[5]	$67.5	$68.8	$70.5	$71.9	
Total Transportation Funds	$1,164.6	$1,175.5	$1,192.6	$1,210.2	1.3%
Percent Change	2.5%	0.9%	1.5%	1.5%	

Totals may not sum due to rounding.
**CAAGR: Compound average annual growth rate for FY 2014-15 to FY 2017-18.*

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

[2]Includes only SHF revenue subject to Article X, Section 20, of the Colorado Constitution (TABOR).

[3]Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

[4]Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

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

Addendum: TABOR-Exempt FASTER Revenue

	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Bridge Safety Surcharge	$103.1	$104.4	$106.6	$109.0	1.9%
Percent Change	2.0%	1.3%	2.1%	2.2%	

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

Revenue to the *Statewide Bridge Enterprise* is not subject to TABOR and is shown as an addendum to Table 10. Revenue to this enterprise is expected to grow 1.3 percent to $104.4 million in FY 2015-16. The bridge safety surcharge typically grows at the same rate as vehicle registrations.

Hospital Provider Fee (HPF) collections are expected to total $805.5 million in FY 2015-16, representing a jump of more than 50 percent from the previous fiscal year. Collections are then anticipated to decrease to $730.1 million in FY 2016-17 before rebounding to $772.7 million in FY 2017-18.

The HPF is paid by hospitals and used to draw matching funds from the federal government. This revenue is then used to reimburse hospitals for uncompensated medical care, expansion of the state's Medicaid program, and administrative costs associated with the fee. HPF rates are proposed by the Department of Health Care Policy and Financing at levels expected to meet program costs and approved by the state Medical Services Board. Beginning October 2015, hospital provider fees were increased based on a new federal cost model that dictates reimbursements to hospitals and in anticipation of additional costs associated with the state's Medicaid expansion. The new fees are driving significant growth in HPF revenue in FY 2015-16.

The forecasts for FY 2016-17 and FY 2017-18 have been revised downward based on reduced expectations for Colorado's upper payment limit, the maximum amount for which the state is allowed to generate matching funds under federal regulations. The state upper payment limit generally expresses the difference between total health care costs paid for Medicaid-covered patients and total costs that would be paid had they been covered under Medicare instead.

Governor Hickenlooper's budget request for FY 2016-17 proposes reducing anticipated HPF collections by $73.2 million relative to the upper payment limit in that fiscal year. This forecast assumes current law and does not include the Governor's proposal.

Severance tax revenue, including interest earnings, are projected to decline to $86.8 million in FY 2015-16, a slight upward revision from the December forecast. The revision was largely due to higher than expected collections to date, in spite of the continued drop in oil and natural gas prices this winter. Average annual prices for oil and natural gas have been revised downward from $48 per barrel to $39 per barrel and from $2.91 to $2.25 per Mcf (thousand cubic feet) for 2016. In FY 2016-17 and FY 2017-18, collections are expected to rise to $105.1 million and $163.1 million, respectively. These increases are the result of projected increases in the price of both oil and natural gas and the resulting increase in production. Table 11 on page 27 presents the forecast for severance tax revenue by mineral source.

Table 11
Severance Tax Revenue Forecast by Source

	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Oil and Gas	$264.7	$72.2	$92.8	$150.1	
Percent Change	6.1%	-72.7%	28.6%	61.7%	-18.9%
Coal	$5.4	$4.3	$4.2	$4.1	
Percent Change	-33.2%	-19.8%	-2.3%	-2.5%	-9.0%
Molybdenum and Metallics	$1.4	$1.2	$1.2	$1.2	
Percent Change	-21.4%	-14.0%	-1.8%	-1.8%	-6.3%
Total Severance Tax Revenue	$271.5	$77.8	$98.3	$155.4	
Percent Change	4.7%	-71.4%	26.4%	58.2%	-18.6%
Interest Earnings	$9.8	$9.1	$6.8	$7.7	
Percent Change	4.2%	-7.6%	-24.9%	13.3%	-8.0%
Total Severance Tax Fund Revenue	$281.3	$86.8	$105.1	$163.1	
Percent Change	4.7%	-69.1%	21.0%	55.3%	-18.2%

** CAAGR: Compound average annual growth rate for FY 2014-15 to FY 2017-18.*

Colorado oil prices continued to fall through the winter, reaching a low of just under $24 per barrel in February. Oil prices are expected to remain below $40 per barrel through the spring due to the significant pool of reserves that have accumulated. The decline in oil prices will reduce expected severance tax collections in FY 2015-16 and dampen future drilling activity, although production in Weld County has not yet declined significantly and industry has indicated that the Niobrarra Basin remains one of the safest bets for oil exploration. Weld County is now responsible for over 89 percent of the state's oil production, and average monthly production in the county increased to 8.2 million barrels in 2015. 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 forecast assumes that oil prices will rise gradually through the remainder of the forecast period, averaging about $44 per barrel in 2017 and $53 per barrel in 2018.

Regional natural gas prices continued to decline through the winter. Prices at regional hubs were around $2.20 per Mcf in the first week of December, but fell to about $1.50 per Mcf by the last week in February. Prices are expected to remain relatively stable through the spring months. For FY 2015-16, oil and gas severance tax collections are expected to total $72.2 million due to consistently low oil prices and an increase in the ad valorem tax credits taken by operators. Collections will then increase to $92.8 million in FY 2016-17 and $150.1 million in FY 2017-18.

Coal production represents the second largest source of severance taxes in Colorado after oil and natural gas, and is expected to account for $4.3 million in collections in FY 2015-16. Total coal production in Colorado declined 18.5 percent in 2015 compared with 2014 on a year-over-year basis. This decline was largely due to year-to-date production drops of 34.0 percent and 38.1 percent, respectively, at the Bowie #2 and Foidel Creek mines. Of Colorado's top eight producing mines, two had year-over-year production increases in 2015, while six had production declines of between 6.4 and 38.1 percent. The Elk Creek mine in Gunnison County remains closed, and the Colowyo mine in Moffat County is operating under a modified mining plan in response to a federal district court order. Production at the Colowyo mine was down 6.4 percent from 2014 levels. In both FY 2016-17 and FY 2017-18, collections are expected to fall further to $4.2 million and $4.1 million, respectively.

Finally, projected interest earnings for FY 2015-16 were increased slightly from the December forecast at $9.1 million. Over the remainder of the forecast period, interest earnings are expected to be $6.8 million in FY 2016-17 and $7.7 million in FY 2017-18.

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. 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 $102.8 million, an increase of 3.5 percent, in FY 2015-16, and to continue to grow through the forecast period.

The current year has been among the best on record for the state's casino industry. Gaming activity is accelerating with improved household incomes, casino capital improvements, and approval for more establishments to serve alcohol after 2 a.m. The number of casinos operating in the state continues to fall. Concentration of gaming activity at fewer casinos results in higher tax collections because casinos quickly attain the levels of activity that trigger higher tax rates.

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. TABOR-exempt Amendment 50 revenues are expected to grow 28.0 percent to $14.5 million in FY 2015-16, increasing the share of revenue distributed to state community colleges to $10.0 million from the $7.8 million distributed last year.

Total taxes on ***marijuana*** are expected to generate $131.6 million in FY 2015-16 and $149.8 million in FY 2016-17 (Table 12). Tax collections in the first seven months of the fiscal year have surpassed the full 12 month collections in FY 2014-15, representing continued growth in the regulated marijuana market. The first $40 million in excise tax revenue each year is constitutionally dedicated to school construction, and excise taxes are expected to exceed this threshold by $2.4 million in FY 2016-17.

Growth in marijuana sales are expected to moderate in FY 2016-17 and FY 2017-18 as the market matures. House Bill 15-1367 reduced the sales tax rate from 10 percent to 8 percent starting in FY 2017-18. This results in a $9.0 million reduction in sales tax collections at the end of the forecast period.

The state's 2.9 percent sales tax on medical and retail marijuana is subject to the TABOR spending limit. This revenue is expected to be $29.8 million in FY 2015-16 and $32.9 million in FY 2016-17.

Table 12
Tax Revenue from the Marijuana Industry
Millions of Dollars

	Actual FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18
Proposition AA Taxes (TABOR Exempt)				
10% Special Sales Tax	$42.1	$64.9	$74.5	$65.5
State Share of 10% Sales Tax	35.8	55.2	63.3	55.7
Local Share of 10% Sales Tax	6.3	9.7	11.2	9.8
15% Excise Tax	24.0	36.9	42.4	46.6
Total Proposition AA Taxes	**66.1**	**101.8**	**116.9**	**112.1**
2.9% Sales Tax (Subject to TABOR)				
2.9% Sales Tax on Medical Marijuana	10.4	11.6	12.0	11.9
2.9% Sales Tax on Retail Marijuana	11.8	18.2	20.9	23.0
Total 2.9% Sales Tax	**22.2**	**29.8**	**32.9**	**34.9**
Total Taxes on Marijuana	**$88.3**	**$131.6**	**$149.8**	**$147.0**

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.

In FY 2015-16, FML revenue is projected to total $91.2 million, a 13.0 percent decline from the December forecast. The decrease is primarily the result of the continued drop in natural gas prices. Between December and March, natural gas prices at Colorado hubs have averaged around $2.14 per Mcf and fallen as low as $1.49 per Mcf. Prices are expected to remain steady at this lower level through the spring. In addition, Colorado coal production continues to decline, and roughly 75 percent of this production occurs on federal lands. Production was down 18.5 percent in 2015 compared with 2014, and is expected to continue to decline through the forecast period. Mine layoffs and production declines of over 30 percent at the Bowie #2 and Foidel Creek mines will further dampen growth in FML revenue.

FML revenue is expected to rebound to $103.0 million in FY 2016-17 and $120.1 million in FY 2016-17 with higher natural gas prices. These totals represent downward revisions from the December forecast, in part due to the continued decline in natural gas prices.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and year-end balance are shown in Table 13. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 9 on page 24. 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 9.

A healthy labor market continues to support the UI trust fund. In FY 2014-15, the ending balance for the fund was $680.1 million, a 14 percent increase from the previous year. The improvement occurred despite a decline in contributions to the fund from employers, as premiums paid by employers were lower by 1.8 percent in FY 2014-15. The amount an employer pays to the fund is dependent on the solvency of the fund and each employer's layoff history. In addition, the improving labor market helped reduce the amount of unemployment insurance benefits paid from the fund in FY 2014-15.

The UI trust fund is projected to remain relatively stable through the forecast period. The ending balance is expected to decline slightly in FY 2015-16 as anticipated oil-related layoffs are expected to increase the amount of benefits paid. However, job growth from other industries and a higher chargeable wage base will keep the fund secure.

Table 13
Unemployment Insurance Trust Fund
Revenues, Benefits Paid, and Fund Balance
Dollars in Millions

	Actual FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Beginning Balance	$599.1	$680.1	$611.5	$521.8	
Plus Income Received					
UI Premium & Premium Surcharge[1]	$670.9	$574.1	$580.9	$665.3	-0.28%
Interest	$15.5	$16.0	$11.4	$13.0	
Total Revenues	$686.4	$590.0	$592.3	$678.3	-0.39%
Percent Change	-3.6%	-14.0%	0.4%	14.5%	
Less Benefits Paid	($482.5)	533.7	557.0	573.5	5.93%
Percent Change	-9.8%	10.6%	4.4%	3.0%	
UI Bonds Principal Repayment	($125.0)	($125.0)	($125.0)	$0.0	
Accounting Adjustment	$2.1	$0.0	$0.0	$0.0	
Ending Balance	$680.1	$611.5	$521.8	$626.6	-2.69%
Solvency Ratio[2]					
Fund Balance as a Percent of Total Annual Private Wages	0.66%	0.57%	0.48%	0.57%	

Totals may not sum due to rounding.

**CAAGR: Compound average annual growth rate for FY 2014-15 to FY 2017-18.*

Note: As of FY 2009-10, the Unemployment Insurance Trust fund is no longer subject to TABOR.

[1]This includes the regular UI premium, 30 percent of the premium surcharge, penalty receipts, and the accrual adjustment on premiums.

[2]When the solvency ratio exceeds 0.5 percent of total annual private wages, the solvency surcharge is triggered off.

Economic Outlook

The U.S. and Colorado economies continued to expand through the end of 2015, though growth slowed in the second half of the year. Both the state and nation added jobs across most industries and unemployment rates continued to reach closer to pre-recessionary rates in 2015. Retail sales rose over the prior year, in spite of low gasoline prices, and construction activity improved with demand for residential and nonresidential building.

Several economic indicators weakened at the end of 2015 and start of 2016. Low commodity prices for energy, metals, and agricultural products continue to weigh on business activity. Energy and agricultural industry weaknesses have spread, creating downstream impacts on manufacturing and export industries. Additionally, the global economic slowdown and strong dollar have dampened demand for U.S. goods. The outlook for global economic growth was downgraded further at the start of the year, as Brazil's and Russia's economies sunk deeper into recession and China continues to pursue structural changes to its economy, which is creating market volatility. As these factors continue to weigh on growth, economic activity in Colorado and the U.S. is expected to continue to expand in 2016 and 2017, though at a slower pace than in the prior two years.

Expectations for the U.S. and Colorado economies are summarized in Tables 14 and 15 on pages 50 and 51.

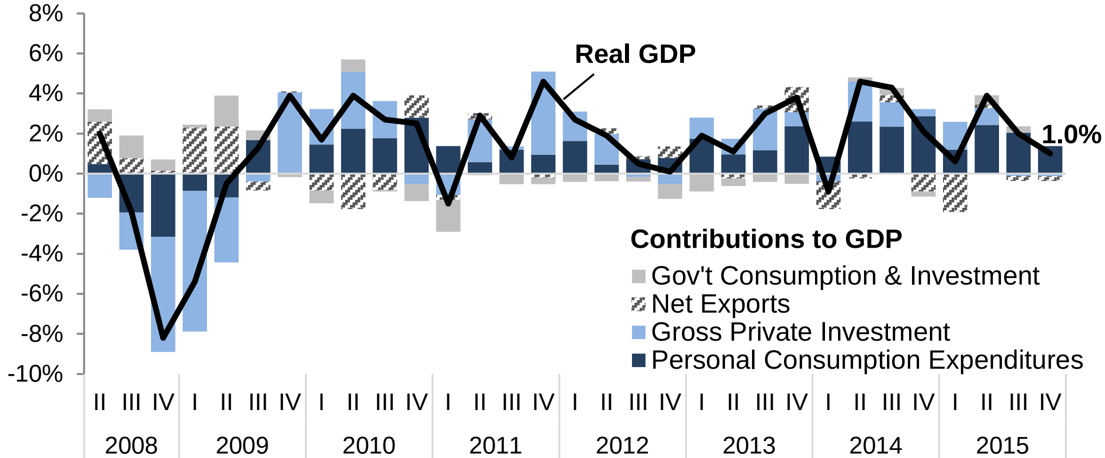
Gross Domestic Product

The U.S. economy expanded for the sixth consecutive year in 2015. Real gross domestic product (GDP), an estimate of the inflation-adjusted value of final U.S. goods and services produced, grew 2.4 percent in 2015, matching growth in 2014. Consumer activity, particularly spending on higher-priced items such as household appliances and cars, and construction of residential structures and remodeling were the primarily drivers of growth last year.

Despite a strong dollar through most of the year, U.S exports grew 1.1 percent in 2015. However, imports (which are subtracted from the nation's GDP) increased 4.9 percent, the largest advance since 2007. Imports more than offset U.S. exports, resulting in a net drag on economic output. Government spending increased 0.7 percent in 2015, offering a modest contribution to economic growth.

U.S. economic growth slowed toward the end of 2015. Growth in consumer activity moderated, while net exports and business spending and investment were a drag on growth in the second half of the year (Figure 6). In the last quarter of the year, exports fell 2.7 percent at a seasonally adjusted annual rate on weak global demand and a strong U.S. dollar relative to foreign currencies. Exports of goods led the decline, falling 5.8 percent, while service exports rose 3.7 percent. Domestic businesses also held back on purchases of new equipment and construction of nonresidential structures at the end of the year. Residential investment, by contrast, remained robust, growing 8.0 percent in the last quarter of 2015. Government spending grew modestly from the prior quarter, with the strongest growth from national defense spending.

Figure 6
Contributions to Real Gross Domestic Product
Seasonally Adjusted Annual Rates



Source: U.S. Bureau of Economic Analysis.
Note: "Real" GDP is inflation-adjusted. Contributions to percent change and percent change in GDP reflect annualized quarter-over-quarter growth rates.

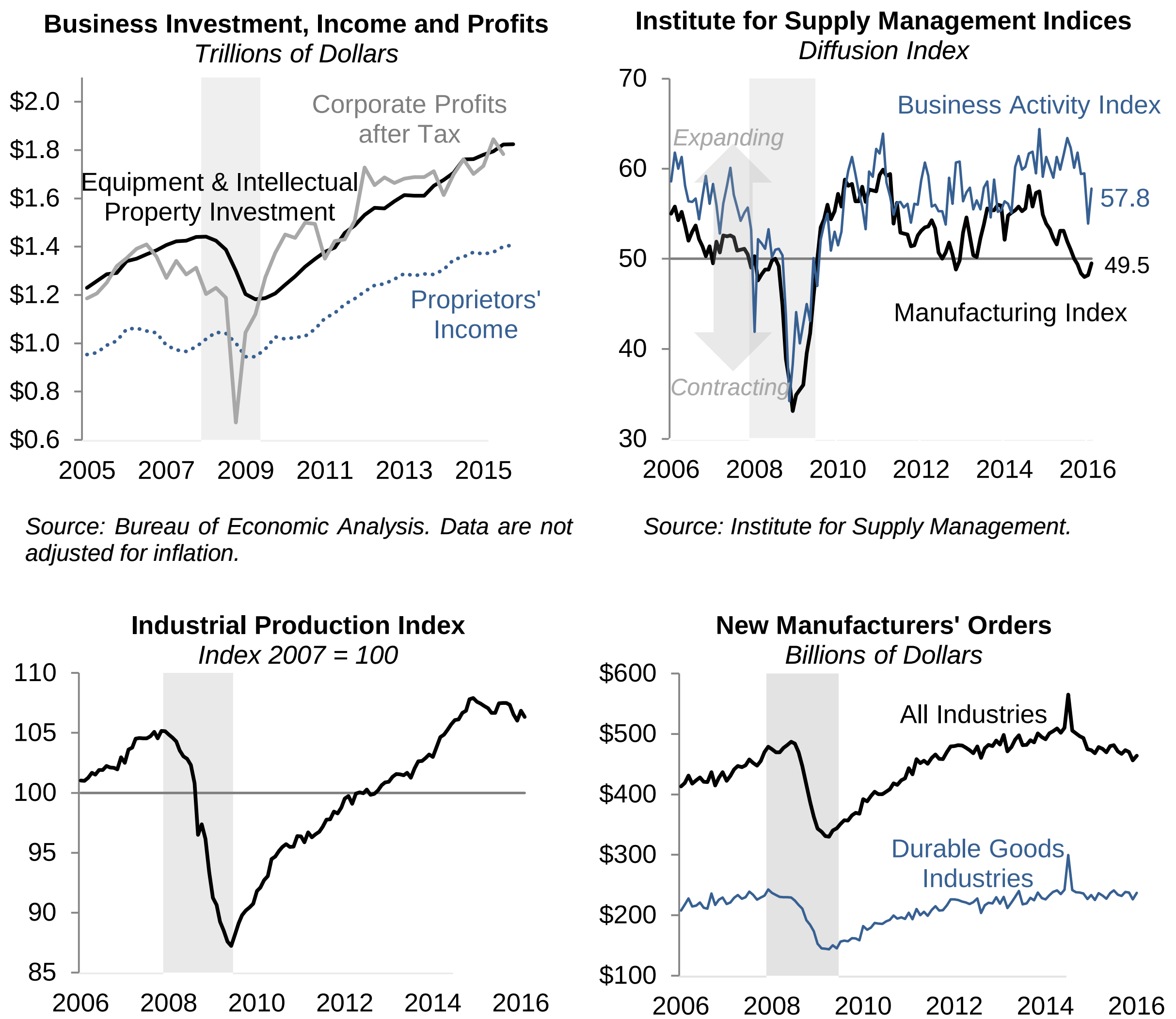
- Real GDP is expected to grow 1.8 percent in 2016 and 2.0 percent in 2017, slower than growth in the previous two years. A strong dollar and lackluster global economic growth will dampen exports and maintain headwinds against stronger business activity. Heightened market volatility resulting from less robust global growth is expected to suppress some consumer activity.

Business Income and Activity

Manufacturing and industrial production softened in the second half of 2015, reflecting a strong U.S. dollar, lower global demand, and the decline in the value of refined oil products due to falling crude oil prices. U.S. business income and investment maintained growth in 2015. However, business investment has moderated, signaling the potential for slower future business activity.

Business investment, income, and profits are shown at the top left of Figure 7. These measures offer leading indicators of future economic activity. Sustained declines in business profits, income, and investment can signal future job losses or an economic contraction. U.S. corporate profits after tax were 5.7 percent higher in the first three quarters of the year relative to the same period in 2014. Profits declined 12.5 percent between the second and third quarters of 2015. However, double-digit gains and losses for a single quarter are common for this indicator. Nonfarm proprietors' income increased 3.1 percent and business investments in equipment and intellectual property increased 4.6 percent in 2015. Growth in these measures moderated in 2015, likely reflecting weaknesses in energy, metals, and export industries. These trends and the slowdown in business investment are expected to result in slower business activity throughout 2016.

Figure 7
Selected Measures of U.S. Business Activity



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

Source: Institute for Supply Management.

Source: Federal Reserve Board of Governors.

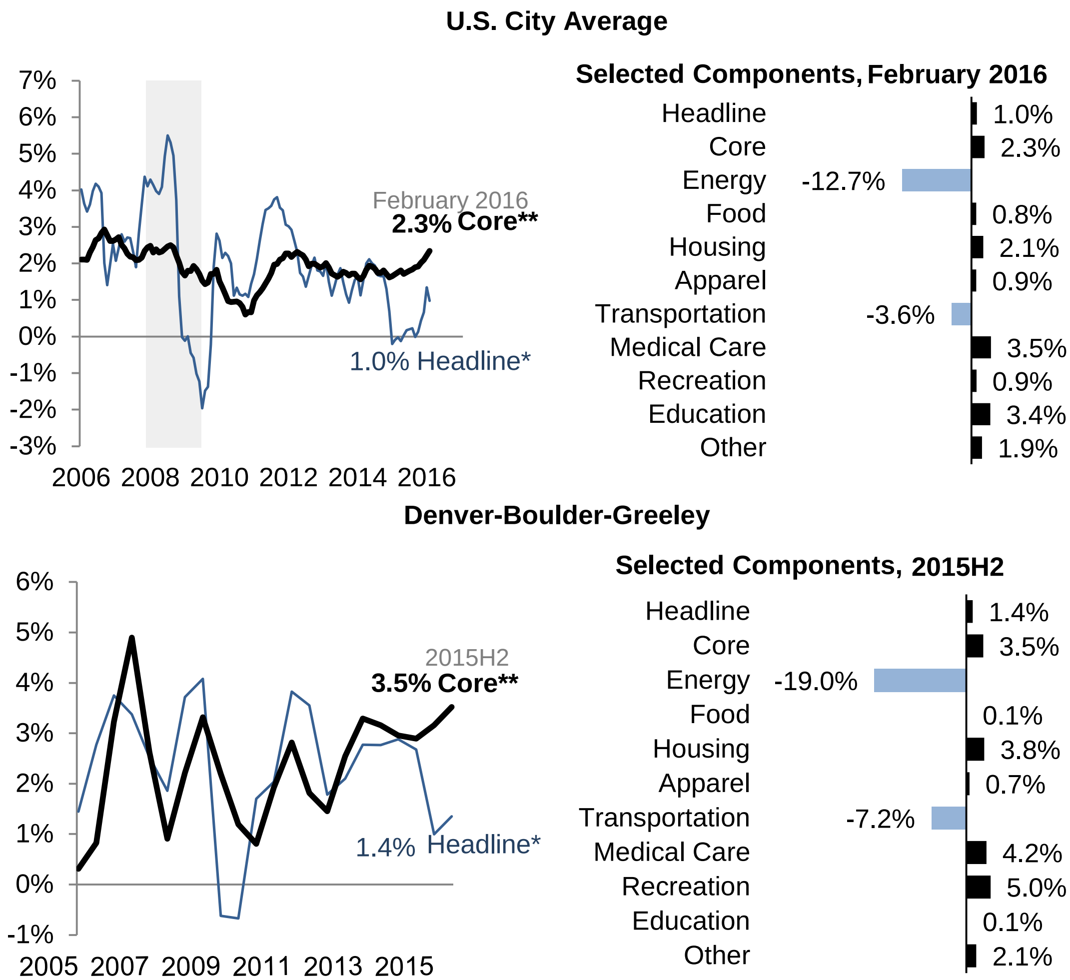
Source: U.S. Census Bureau. Data are not adjusted for inflation.

The Institute for Supply Management (ISM) non-manufacturing business activity index and the ISM manufacturing index weakened in 2015. However, the first two months of 2016 offer optimism for future activity. Index values above 50 represent expansion over the prior month. The broader business activity index reached 57.8 in February, reversing a downward trend and pointing to a moderate expansion relative to January. The manufacturing index reached 49.5 in February, marking the fifth consecutive month of contraction.

Industrial production (Figure 7, bottom left) remains soft, reflecting weaknesses in energy, metals, and agricultural markets as well as downstream industries. While commodity producers of oil, gas, and metals maintained production levels in the first three quarters of the year, depressed global demand and low prices finally gave way to production cuts nationally at the end of 2015. Commodity prices are expected to remain relatively low in 2016 on low global demand, muting the prospects for growth in industrial production.

New manufacturing orders declined each month in the fourth quarter of 2015, and the value of new orders in December reached its lowest level since June 2011 (Figure 7, bottom right). New orders of nondurable goods, which include oil and gas products, led the decline, while orders of durable goods remained fairly steady.

Figure 8
Consumer Price Index (CPI) Inflation
Percent Change in Prices, Year-over-Year



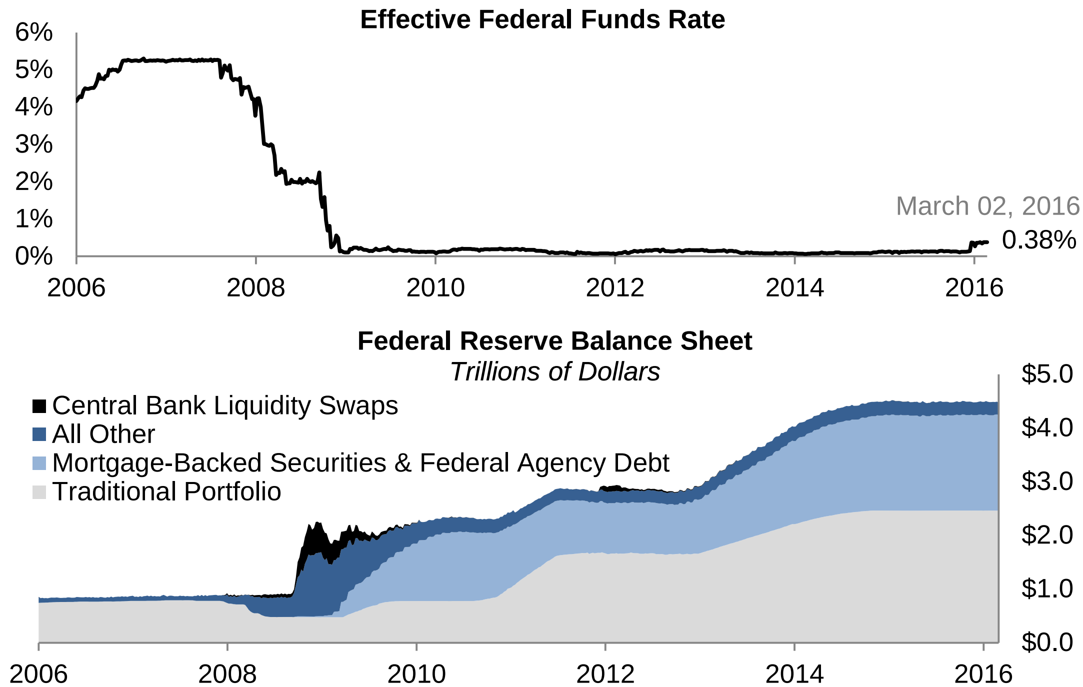
Source: U.S. Bureau of Labor Statistics. U.S. city average data are seasonally adjusted. Denver-Boulder-Greeley data are semiannual.
Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.
**Headline inflation includes all products and services. **Core inflation excludes food and energy prices.*

Monetary Policy and Inflation

General price pressure remain subdued based on low commodity prices and the strengthened dollar. In February, headline U.S. inflation rose 1.0 percent over the same month in the prior year (Figure 8, top left). Core inflation, which excludes the more volatile components of food and energy, rose 2.3 percent. Price pressures have been slowly ticking up in recent months, already reflecting a full year of low oil prices. Current prices are compared with 2015 price levels, which reflect the fall in oil prices that began in the fourth quarter of 2014.

Consistent with historical trends, the Denver-Boulder-Greeley consumer price index (CPI) continues to show stronger upward price pressures than the nation. In the second half of 2015, headline inflation in Colorado rose 1.4 percent over the same period in 2014. Core inflation rose 3.5 percent (Figure 8, bottom left). Rising housing, medical care, and recreation costs made the largest contribution to local price pressures and continue to outpace national trends.

Figure 9
Selected U.S. Monetary Policy Indicators



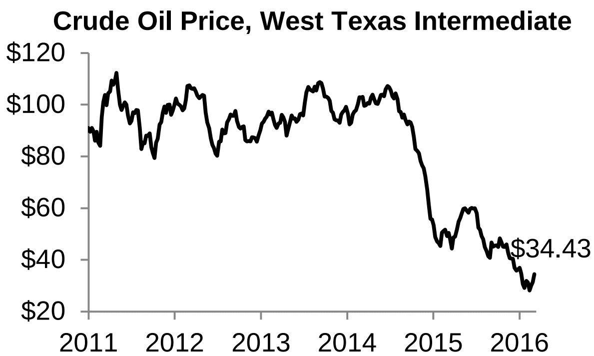
Source: Federal Reserve Board of Governors.

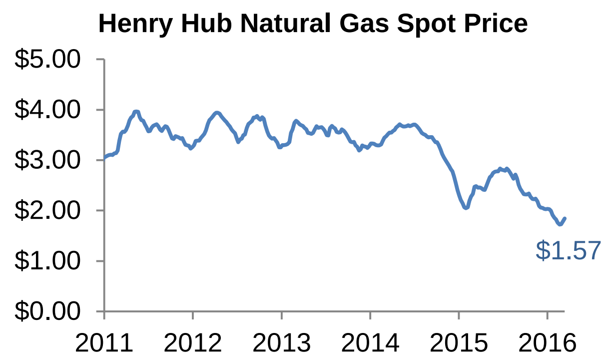
U.S. monetary policy remains accommodative. This week, the Federal Open Market Committee (FOMC) maintained the target federal funds rate at 0.25 to 0.50 percent (top of Figure 9) and signaled a cautious outlook. U.S. labor market activity has slowed in recent months and inflationary pressures remain weak due to the slowdown in global economic activity and low energy price environment. The FOMC is expected to wait until economic activity resumes momentum before increasing the cost of short-term borrowing further, pushing back expectations for further rate increases until at least the summer of 2016.

The Federal Reserve continues to keep its balance sheet elevated by reinvesting proceeds from maturing Treasury securities and principal payments from its holdings of federal agency debt and agency mortgage-backed securities (bottom of Figure 9). These efforts are expected to maintain downward pressure on long-term interest rates, lowering borrowing costs for home mortgages and other longer-term financing of business and consumer activity.

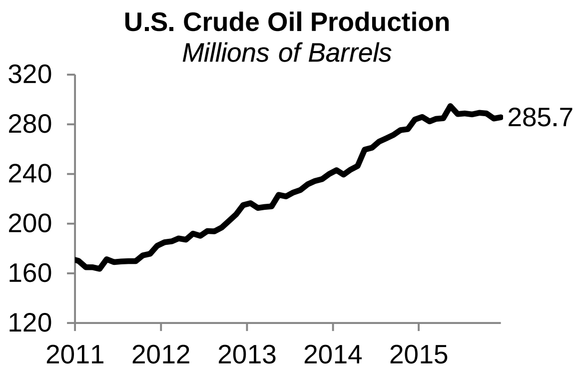
- A gradual increase in energy prices in 2016 is expected to firm inflationary pressures. Nationally, prices are expected to increase 1.5 percent in 2016 and 2.5 percent in 2017.
- The Denver-Boulder-Greely CPI-U will increase 2.4 percent in 2016 and 2.6 percent in 2017. The cost of housing in Colorado is expected to grow faster than the cost of housing nationally, leading to faster inflation through the forecast period.

Figure 10
Selected Indicators of Oil and Gas Industry Activity

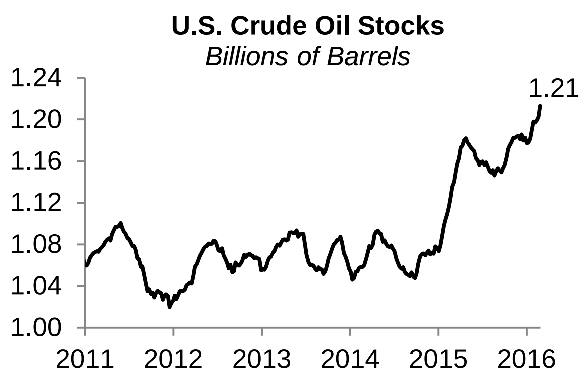




Source: Energy Information Administration. Weekly average prices. Data are not seasonally adjusted.



Source: Energy Information Administration. Data are shown as a three-month moving average and are not seasonally adjusted.



Source: Energy Information Administration. Data are not seasonally adjusted.

Energy Markets

Energy prices remain low on lower global demand, healthy supply, and bulging reserves of oil and gas. Saudi Arabia, one of the largest oil producers and a member of the Organization of Petroleum Exporting Companies (OPEC), has signaled its intention to cut supply in order to target an oil price of $50 per barrel. This is a nonbinding target, but would represent an increase from current prices, which are near $38 per barrel (Figure 10, top left). Other oil producing countries would also have to cooperate for this target to be met, and it is not clear that this will happen. Economic sanctions were recently lifted on Iran, granting the country access to the global oil market. Iran has the capacity to offset any decreased production from Saudi Arabia, which could keep global oil prices low.

Nationally, crude oil production increased 8.3 percent in 2015, despite low global oil prices. Much of this increase was due to growth in the first half of the year (Figure 10, lower left), before leveling off in the second half. While oil production increased in 2015, the number of oil wells has been declining. In the fourth quarter of 2015, there was an average of 567 active drilling rigs operating in the U.S. according to Baker-Hughes. In the first quarter of 2016, the number of rigs declined 18.6 percent to 461. The decline in drilling rigs suggests that oil firms are making fewer investments, which will likely impact future oil production.

In Colorado, oil production increased 25.2 percent in 2015 due to production in the Denver-Julesburg Basin. The two largest oil producers in Colorado, Anadarko and Noble Energy, reported increased oil production in the fourth quarter of 2015. Oil producers are benefitting from efficiencies in drilling technology, which allows for increased production from each well. Production companies are still investing in the Denver-Julesburg Basin, likely taking production activity from other areas of the country and moving resources to Weld County.

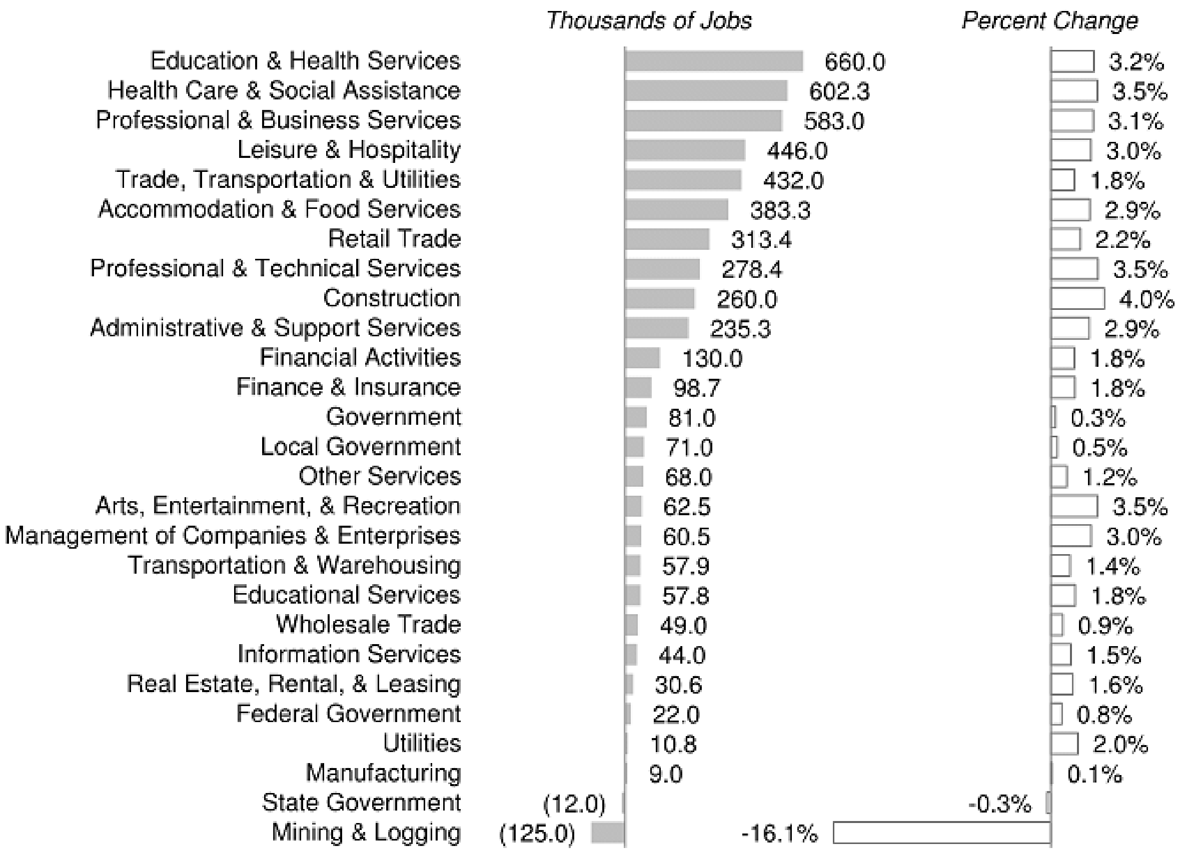
While production has increased, the value of the oil produced has declined with oil prices, pinching profit margins and impacting employment and investment decisions. Recent news reports indicate that two of the most active oil producers in Colorado plan to lay off up to 20 percent of their national workforce. The energy sector offered a boost to the Colorado economy following the recession, but was a drag in 2015. While Colorado production has not yet declined, low oil prices will suppress profits, wages, employment, and investment in the regional oil and gas industry. Prices are expected to gradually increase near the end of 2016, when energy producers are expected to cautiously begin increasing activity.

Labor Markets

The U.S labor market continued to add jobs in 2015 across nearly all industries. Businesses added an average of 228,700 new jobs each month during the year. Overall, total nonfarm employment increased 2.0 percent in 2015 over 2014 levels. All major industry groups added jobs over year-ago levels at the start of 2016, with the exception of mining and logging and state government (Figure 11). Persistently low oil and gas prices continue to contribute to job losses in the mining and logging sector.

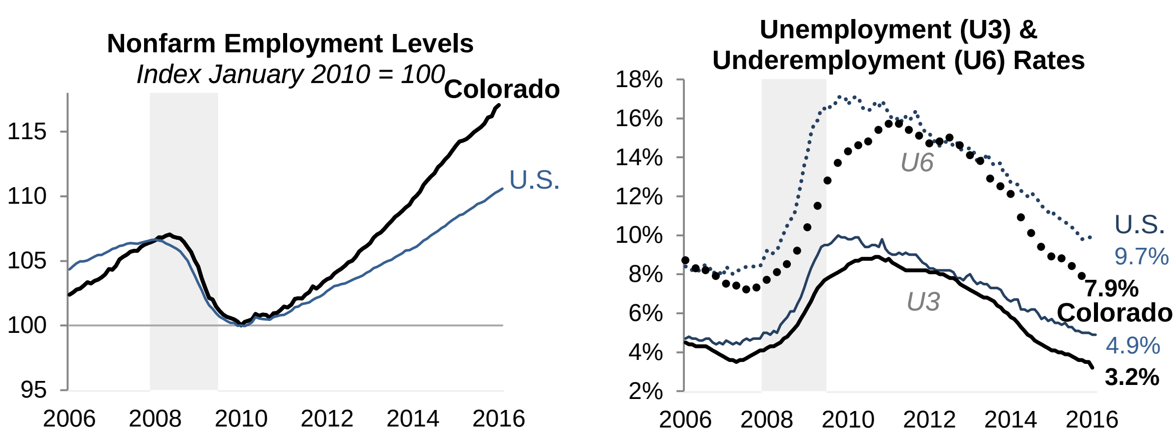
The national unemployment rate (U3) was 4.9 percent in February 2016, the lowest rate since February 2008. The nation's *under*employment rate (U6) fell to 9.7 percent in February. This indicator provides a broader measure of the unemployment situation as it includes the number of unemployed workers, marginally attached workers, and workers employed part-time for economic reasons. The underemployment rate remains well above the pre-recessionary low of 7.8 percent, but has declined 1.3 percentage points since February 2015. Figure 12 shows the change in the unemployment rate and underemployment rate for Colorado and the nation as a whole.

Figure 11
U.S. Job Gains and Losses by Industry
February Year-over-Year Change



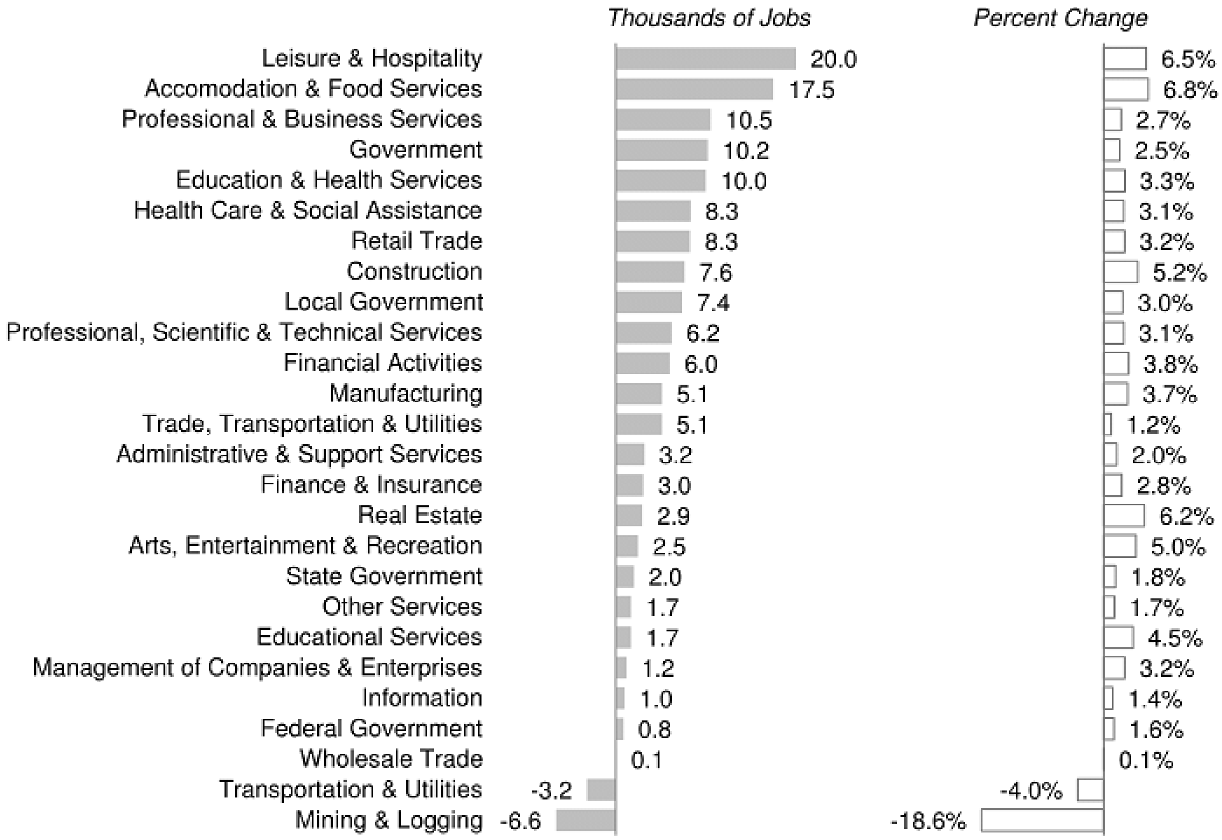
Source: Bureau of Labor statistics. Data are seasonally adjusted.

Figure 12
Comparison of Colorado and U.S. Labor Markets



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

Figure 13
Colorado Job Gains and Losses by Industry



Source: Bureau of Labor Statistics. Data are seasonally adjusted.
Nonfarm employment estimates include revisions expected by Legislative council staff from the Bureau of Labor Statistic's annual re-benchmarking process.

Colorado businesses also continued to add jobs in 2015. The Bureau of Labor Statistics recently revised employment statistics upward in 2014 and 2015, showing robust Colorado employment growth of 3.5 percent in 2014 and 3.1 percent in 2015. These annual revisions are part of the annual rebenchmarking process that uses unemployment insurance data through the first quarter of 2015. Estimates published by the Bureau of Labor Statistics report that nonfarm employment in Colorado rose 2.7 percent in January 2016 over the same month in 2015. Legislative Council Staff expects this to be revised to 2.8 percent growth when the next set of rebenchmarked data is released in March of 2017. Based on these expected revisions, only two sectors in Colorado lost jobs between January 2016 and January 2015: utilities and transportation, and mining and logging (Figure 13).

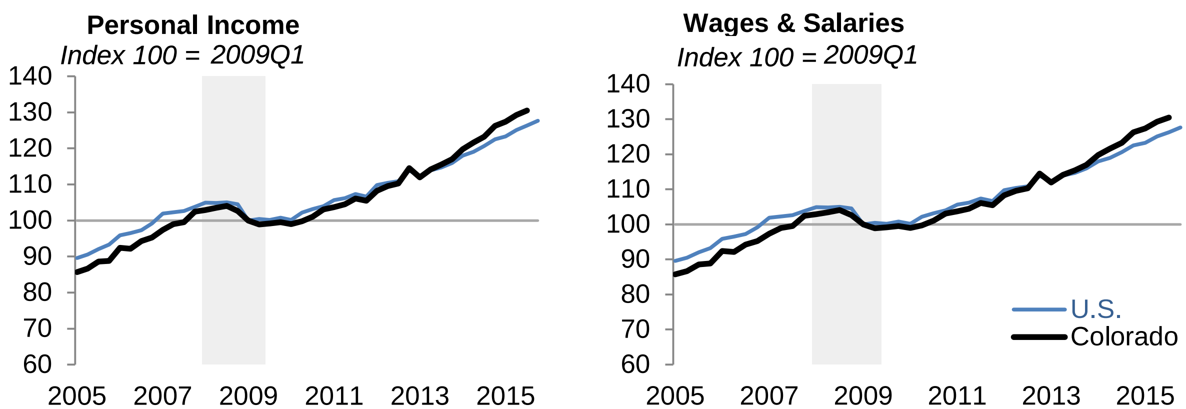
- Colorado will continue to add jobs at a faster rate than the nation throughout the forecast period. Colorado nonfarm employment will increase 2.5 percent in 2016 and 2.2 percent in 2017.
- Nationally, nonfarm employment will increase 1.4 percent in 2016 and 1.0 percent in 2017.

- The Colorado unemployment rate will average 3.5 percent in 2016 and 3.8 percent in 2017, as new entrants into the labor force will push the unemployment rate up. Nationally, unemployment will average 5.0 percent in 2016 and 2017.

Households and Consumers

Personal income growth in Colorado continues to outpace the nation. Colorado personal income grew 5.3 percent between the third quarter of 2015 and the same period in the prior year, outpacing U.S. personal income growth of 4.5 percent in the same period. With the exception of farm proprietor's income, each component of personal income increased in Colorado and the nation. The largest component of personal income, wages and salaries, grew 5.9 percent in Colorado compared with 4.2 percent nationally. Figure 14 shows quarterly personal income for Colorado and the nation.

Figure 14
Quarterly Personal Income and Wages and Salaries
Index 100 = First Quarter 2009



Source: Bureau of Economic Analysis. Data are seasonally adjusted but are not adjusted for inflation.

Higher personal income has allowed households to purchase more. Yet, lower gasoline prices have reduced the value of consumer purchases and resulted in higher household savings. U.S. retail sales and restaurant purchases increased 3.0 percent in February 2016 over the same month last year. Data published by the Colorado Department of Revenue shows that Colorado retail sales increased 1.5 percent in May 2015 over the same month in the prior year, compared to 2.5 percent growth in U.S. retail sales during the same period. Figure 16 shows the trend in U.S. and Colorado retail sales since the start of 2008.

U.S. retail sales are improving for all types of retailers with the exception of gasoline stations, where sales fell 11.9 percent, and electronics and appliance stores, where sales decline 4.0 percent (Figure 15). Retail trade among automobile dealers represents the largest volume of sales, currently accounting for 21.1 percent of all sales. In February, auto dealer's sales increased 6.1 percent over the same month last year.

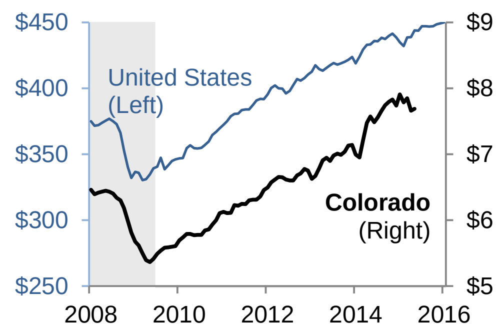
Figure 15
Year-over-Year Change in U.S. Retail Sales, February 2016

Total U.S. Retail Sales	**3.0%**	Share of Sales
Food Services & Drinking Places	5.8%	12.0%
Motor Vehicle & Parts Dealers	6.1%	21.1%
Sporting Goods & Hobby	7.5%	1.7%
Nonstore Retailers	8.0%	9.4%
Furniture & Home Furnishings Stores	3.7%	1.9%
Health & Personal Care Stores	2.5%	5.9%
Miscellaneous Store Retailers	2.1%	2.2%
Building, Garden & Supplies Dealers	9.8%	6.7%
Food & Beverage Stores	1.6%	12.8%
Clothing & Clothing Accessory Stores	2.4%	4.8%
General Merchandise Stores	1.1%	12.6%
Electronics & Appliance Stores	-4.0%	1.9%
Gasoline Stations	-11.9%	6.9%

Source: U.S. Census Bureau advanced monthly retail trade report.

Following a very strong year, the number of vehicles sold in the U.S. increased 6.5 percent in February over the same month last year. Light trucks and SUVs have seen the fastest growth at 12.3 percent. Domestic trucks have been especially popular among U.S. consumers, increasing 34.0 percent over the prior year. Low fuel prices are the suspected driver of the strength in sales of lower fuel-efficiency vehicles. Sales are expected to slow in 2016 and 2017 as consumer demand is satisfied. Figure 17 summarizes recent trends in U.S. vehicle sales.

Figure 16
Retail Trade in the U.S. and Colorado
Billions of Dollars



Sources: U.S. Census Bureau and Colorado Department of Revenue. Data are seasonally adjusted. U.S. data are through January, Colorado data are through May.

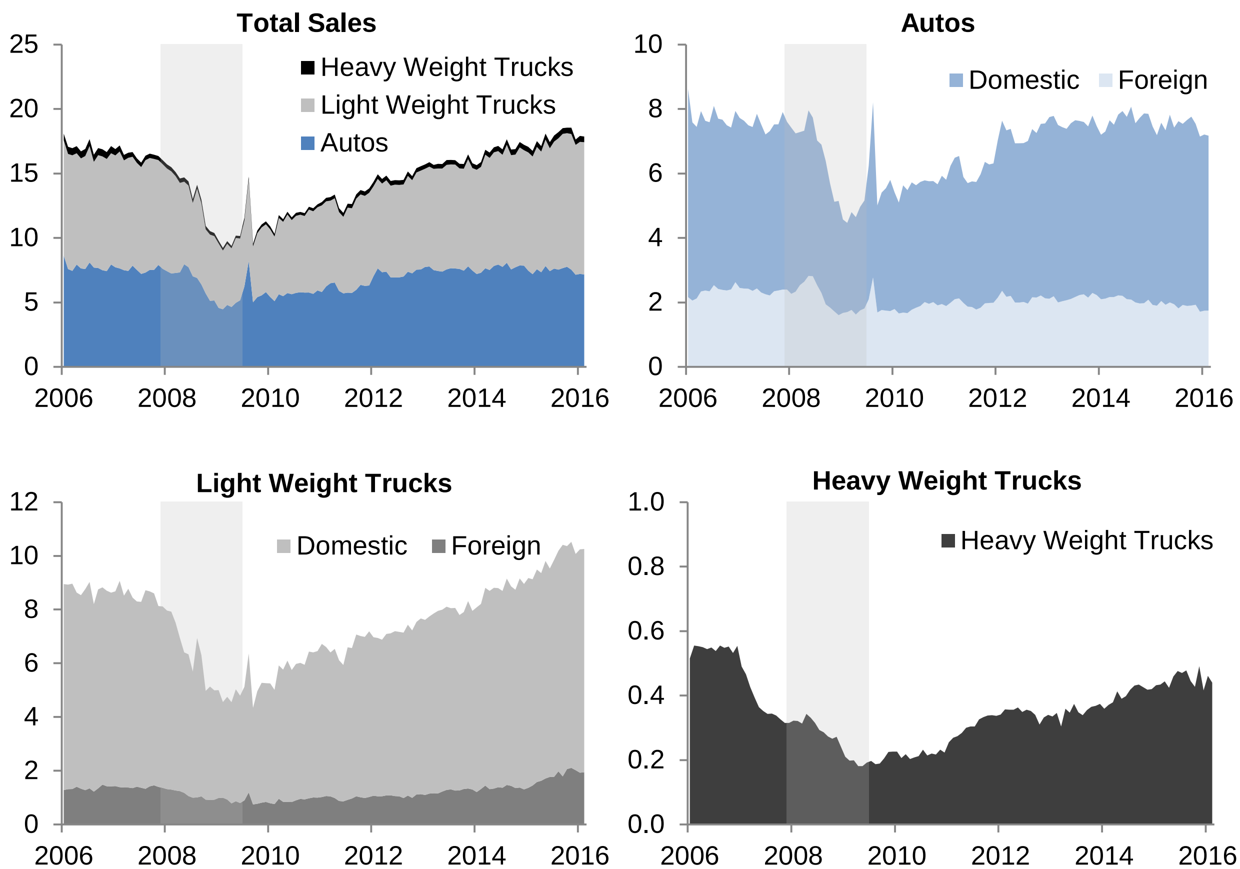
The U.S. personal savings rate continues to edge closer to historical averages, reflecting growth in incomes and more moderate spending. In January, the savings rate was 5.2 percent, relative to a historical average of 6.6 percent dating back to 1980 (Figure 18, top). Mortgage debt continues to decline due to low borrowing costs and homeowners refinancing mortgages at low interest rates. Meanwhile, consumer debt, which includes credit card debt, continues to rise. Consumer debt in the third quarter of 2015 rose to 5.5 percent of household disposable income (Figure 18). Mortgage debt, by contrast, fell to 4.6 percent. Each remain below the historical average rate of 5.7 percent for both series, dating back to the 1980s.

- Colorado personal income is forecast to increase 4.9 percent in both 2016 and 2017. Nationally, personal income is expected to increase 4.2 percent in 2016 and 4.6 percent in 2017.

- The largest component of personal income, wages and salaries, is expected to increase 5.4 percent in 2016 and 5.5 percent in 2017 in Colorado. For the U.S., wages and salaries are expected to increase 4.6 percent and 5.0 percent, respectively.

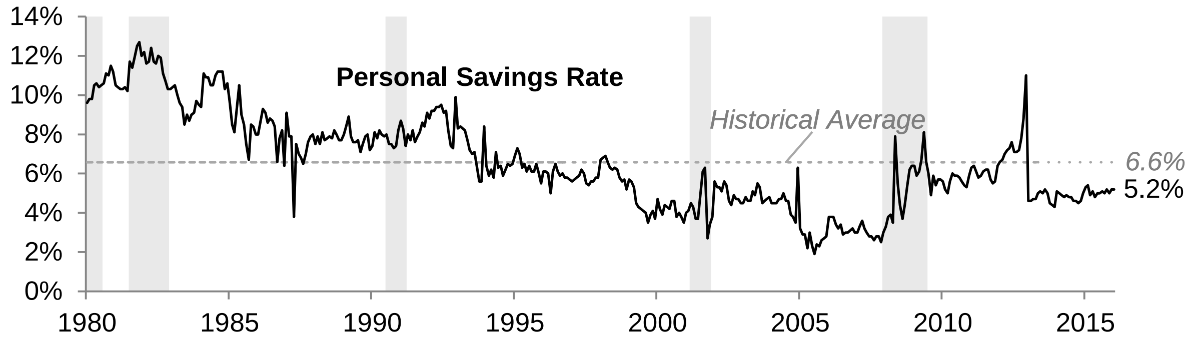
- Colorado retail sales will grow 4.8 percent in 2016 and 5.0 percent in 2017. Regional growth is expected to outpace U.S. retail sales, which will grow 3.5 percent in 2016 and 4.4 percent in 2017.

Figure 17
U.S. Vehicle Sales
Thousands of Units, Seasonally Adjusted Annual Rates

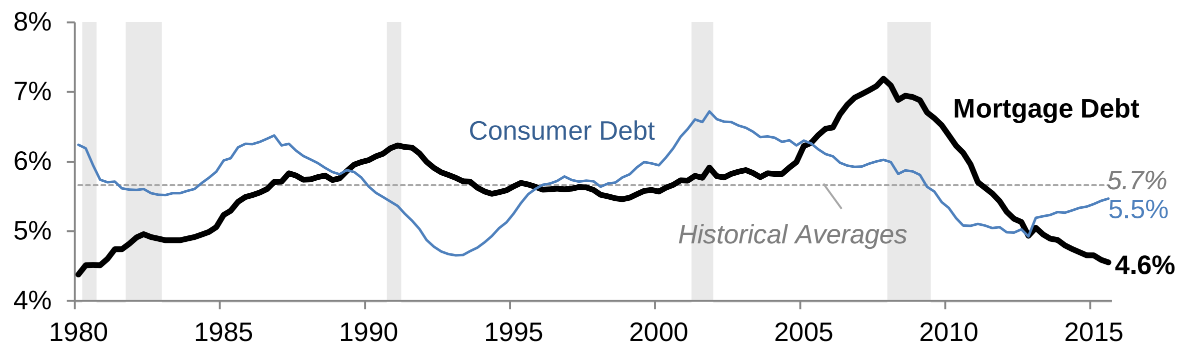


Source: Bureau of Economic Analysis, Supplemental Estimates.

Figure 18
U.S. Household Savings and Debt



Source: Bureau of Economic Analysis.
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.



Source: Bureau of Economic Analysis.
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 most recent quarter of data. Data are seasonally adjusted.

Residential Housing and Construction

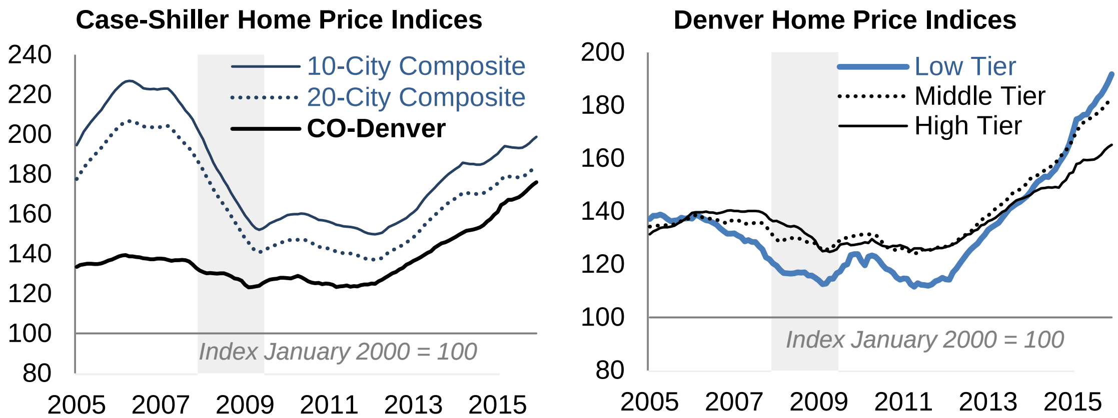
Nationally, home price appreciation has slowed considerably, while Colorado home prices continue to rise at a near double-digit pace relative to prices a year ago. Demand for living spaces in the Denver metro area remains strong and supply constraints persist, preserving a market favorable to landlords and home-owners seeking to sell. Figure 19 shows the change in home prices for Denver as well as two composite indices for urban markets across the nation.

Figure 20 shows home price indices for three equally-sized tiers of the Denver housing market. Prices are growing most quickly for homes in the middle and lower tiers, suggesting strong demand for the least expensive homes in the Denver housing market. Through December, the price for a lower-tier home in the Denver area had increased by 16.9 percent relative to the same month in the prior year.

Similarly, rents have been on the rise. However, in the last quarter of 2015, rents dropped slightly as many newly built apartments came onto the market, resulting in lower vacancy rates. According to the Apartment Association of Metro Denver, the median rent dropped to $1,245 in the fourth quarter of 2015, while the vacancy rate jumped from 5.0 percent in the third quarter to 6.8 percent in the fourth quarter.

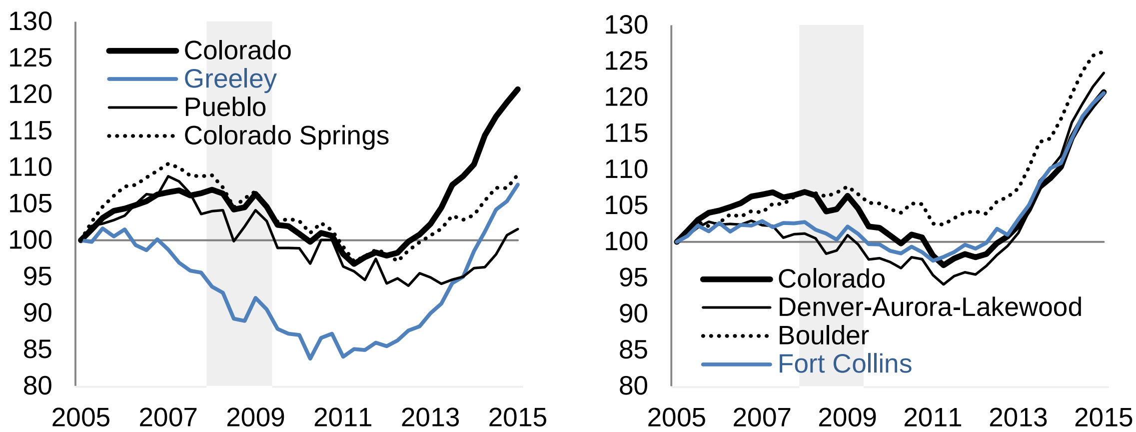
Most areas of the state have followed a trend in home prices similar to the Denver area. The northern front range cities, including Fort Collins, Greeley, and Boulder, have experienced housing price pressure on par with the Denver Area over the last two years, while home prices along the southern front range, including Colorado Springs and Pueblo, have increased to a lesser extent. Home prices in the southern metro areas of the state have yet to reach pre-recessionary levels.

Figure 19
Case-Shiller Composite and Denver Area Home Price Indices



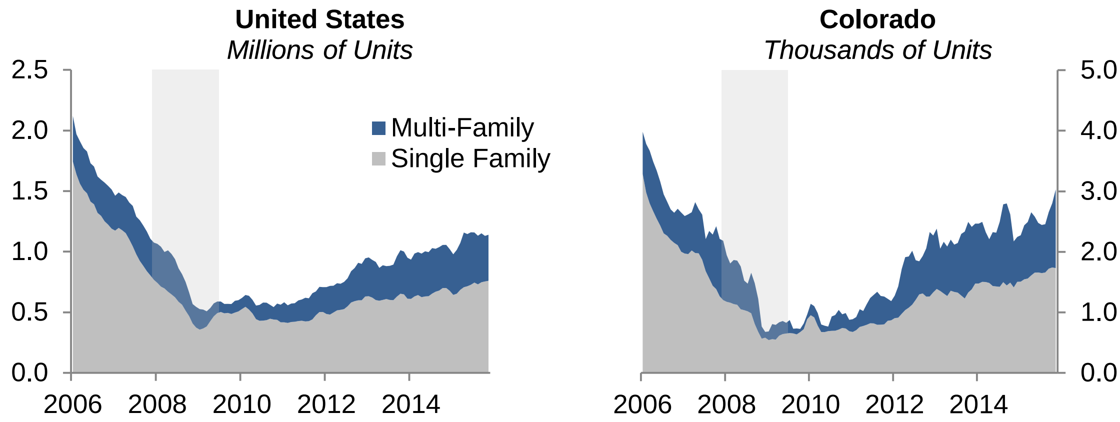
Source: S&P Dow Jones Indices LLC. Data are through December and are seasonally adjusted.

Figure 20
FHFA All Transaction Home Price Index
Index 100 = First Quarter of 2005



Source: U.S. Federal Housing Finance Agency. *Data are through the fourth quarter of 2015.*

Figure 21
Building Permits Issued for New Construction



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are seasonally adjusted.

Colorado housing construction activity continues to rise, supported by strong demand in most regions of the state (Figure 21). In 2015, the total number of residential construction permits rose 3.9 percent over the prior year. Single family permits rose 10.7 percent, but were partially offset by declines in multi-family building following several strong years of construction activity on condos and apartments. Nationwide, permits rose 10.5 percent in 2015, with strong gains in both single and multi-family building.

- Supported by the tight housing market in Colorado, residential building permits will increase 11.6 percent in 2016 and 11.1 percent in 2017.

Nonresidential Construction

Nationwide, nonresidential construction spending rose 12.3 percent in January over the same month in the prior year. Growth was driven by spending on lodging, office and educational projects, although gains were broad-based across nearly all building types relative to a year prior. Construction activity has slowed in the past several months across most project types. The American Institute of Architects semi-annual survey projects nonresidential construction spending will continue to grow in 2016. They expect consistent demand for hotel, office space, manufacturing, and amusement and recreation facilities.

Despite strong growth following the recession, Colorado nonresidential construction has not reached 2007 levels. In 2015, a strong regional economy helped boost nonresidential construction growth to 10.7 percent. The growth was mainly due to large increases in the construction of hotels, telecommunications and power utilities, and manufacturer owned laboratories. There were declines in several types of nonresidential construction, such as manufacturing, warehouses, and schools and universities.

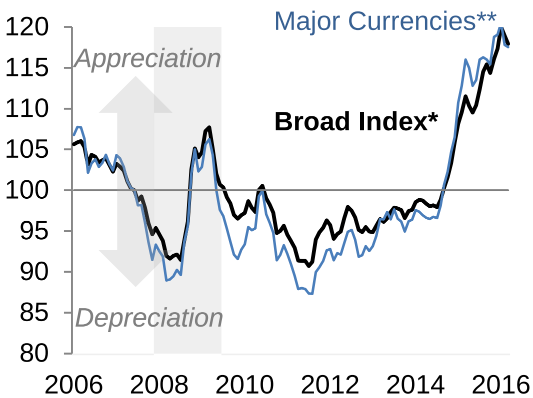
- Demand for new office and retail space along the Front Range will help nonresidential construction grow 4.8 percent in 2016 and 2.3 percent in 2017.

Global Economy

Lackluster global economic activity continues to dampen growth prospects for the U.S. economy. The value of the dollar remains high relative to foreign currencies (Figure 22, left). As a result, U.S. exports are more expensive at a time when global demand for goods and services has softened. The value of U.S. exports fell 7.2 percent in 2015 relative to the prior year on weak global demand, a stronger dollar, and low commodity prices (Figure 22, right). The value of exports fell across seventy-five percent of all U.S. trade partners. Canada contributed most to the total decline, followed by Brazil and China. Exports softened across the vast majority of product categories in 2015, although exports of petroleum-based products were weakest (down 31.8 percent), reflecting the decline in crude oil prices and tempered global demand.

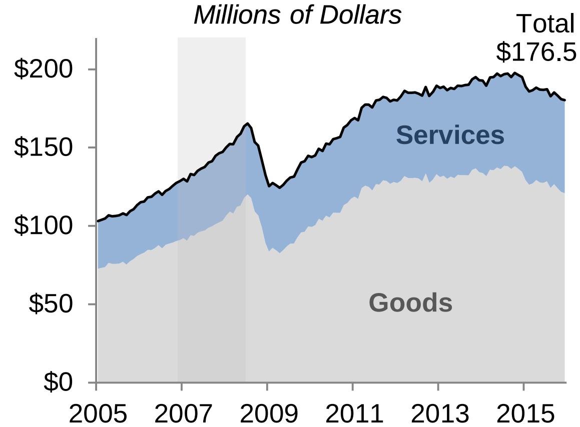
Figure 22
Selected Global Economic Indicators

Trade Weighted U.S. Dollar
Index 100 = June 2007



*Source: Federal Reserve Board of Governors. *A weighted average of the foreign exchange values of the U.S. dollar against currencies of major U.S. trading partners. **Includes a subset of broad index currencies that circulate widely in global exchanges.*

Total U.S. Monthly Exports
Millions of Dollars

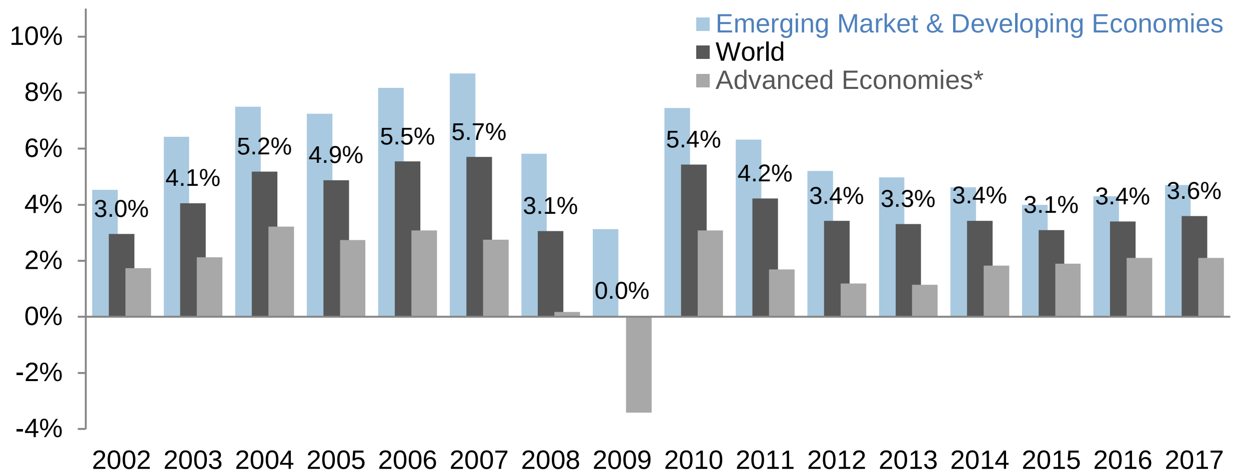


Source: Bureau of Economic Analysis (balance of payments basis). Data are seasonally adjusted but not adjusted for inflation.

Colorado exports fared slightly better than the nation as a whole in 2015. The value of Colorado exports fell 4.3 percent over 2014 levels, with exports falling for 57.1 percent of all trade partners. Like the nation, exports to Canada contributed most to the decline in the value of year-over-year exports. Meat and meat products were the largest drag among products (down 15.7 percent), followed by petroleum-based exports (down 58.3 percent).

The International Monetary Fund (IMF) downgraded its world economic outlook further in January on expectations that economic activity in emerging markets will remain slower longer. Following 3.1 percent growth in world economic output in 2015, the IMF expects global output to grow 3.4 percent in 2016 and 3.6 percent growth in 2017 (Figure 23).

Figure 23
World Economic Outlook



Source: International Monetary Fund, October 2015 World Economic Outlook with January 2016 Update.
** Advanced economies include the US, Canada, Japan, Germany, the UK, France, Italy, and Spain. Emerging market and developing economies include all other countries.*

The largest downgrades in expectations were for Russia and Brazil. Russia's economy is expected to remain in recession in 2016 on low oil prices and western sanctions. Brazil's recession is expected to deepen in 2016 as political uncertainty remains and economic policy makers struggle to subdue inflation.

China's economy remains at the center of concerns over global economic growth. The country has been an engine of global growth, with real GDP rising at or near 10 percent for a decade through 2011. Yet, more recent growth has lagged by comparison. The outlook for China's GDP growth is projected at between 6 percent and 7 percent annually in 2016 and 2017, similar to rates experienced since 2011. China's government continues to pursue efforts to restructure the export-oriented investment and manufacturing dependent economy toward a consumption and service-driven economy. These efforts are expected to prompt market volatility and will slow growth in the near-term before giving way to stronger long-term growth.

Rising debt levels among both households and companies in several emerging markets pose a rising risk for the long-term growth of these economies. Debt levels rose dramatically under stimulus programs that provided easy borrowing during and following the 2007-09 recession. Household debt in China, Thailand, and Malaysia is among the highest of the emerging market economies. Corporate debt in China is also of concern. China's corporate debt-to-GDP ratio at the end of 2015 reached 180 percent, according to a recent report published by McKinsey Global Institute. Contributing heavily to this debt load are several dozen highly leveraged state-owned enterprises in construction, real estate, mining, and energy sectors — sectors susceptible to strong boom and bust cycles.

Among advanced economies, Japan and the Eurozone continue to ease monetary policy in efforts to strengthen economic activity. In spite of recent stimulus efforts, economic growth in Japan remains modest at best. The country escaped a technical recession (two quarters of consecutive negative growth) at the end of 2015 on modest 1 percent GDP growth. The Eurozone recovery remains mixed across countries, with the migrant crisis reshaping the region's economic landscape and the Greek debt crisis continuing to complicate European financial markets.

Agriculture and Livestock

U.S. crop prices remain low, putting pressure on farm income and profits. According to a report published by the Federal Reserve Bank of Kansas City, farm profits in 2015 were about half of the profits realized in 2013. Further declines are expected in 2016. Prices for soybeans, corn, and wheat have declined, as global demand has not met supply. The fall in oil prices has reduced some of the input costs for fuel and fertilizer, but farmers report current crop prices remaining below their break-even cost of production.

A fall in the price of beef and pork has also impacted ranchers. Prices for cattle dropped 25 percent between January and December 2015. Pork prices had a similar decline, while milk prices also fell. Feedlots have generally remained profitable, but several feedlot operators reported losses of $500 per head during the summer of 2015.

Low commodity prices and profit margins have hurt farm cash flows, prompting many farmers to take on short-term loans. According to a survey by the Federal Reserve Bank of Kansas City, between 2012 and 2015, farm loan originations increased by 50 percent to help pay for operating expenses and the costs of production. Loan repayment rates remain high, yet concerns over farm credit are rising. In the fourth quarter of 2015, delinquency rates on farm real estate property was 1.5 percent and delinquencies on agricultural production loans was less than 1 percent. In 2016, these conditions may deteriorate as the agricultural industry faces the prolonged impact of low commodity prices, rising loan demand, and tighter farm credit conditions.

Summary

The U.S. economy maintained modest growth through the end of 2015, in spite of the slowdown in global economic activity. Slower economic growth in China, recessions in Brazil and Russia, and the general malaise of growth in most advanced industrial countries weakened demand for U.S. goods. The rising strength of the U.S. dollar relative to foreign currencies also dampened demand. Low commodity prices for oil and gas, metals, and agriculture continues to weigh on corporate profits, resulting in production cuts, restructuring, and layoffs, all of which are impacting downstream industries, including the manufacturing and export sectors. To date, these weaknesses appear to be having limited impacts on consumer spending, though spending has slowed. Household consumption continues to support economic growth in the U.S., more than off-setting drags from exports and waning business activity.

Similar to the nation, the Colorado economy continued to grow, but lost some momentum in 2015. Employment growth slowed in 2015 relative to the prior year and housing costs continue to outpace wage growth. Colorado's diverse economy is expected to continue to expand throughout the forecast period, yet at slower rates than those experienced in 2014 and 2015. The slowing of oil and gas activity in the state will continue to constrain growth as long as oil prices remain low and companies headquartered in Colorado continue to restructure. Rising housing costs will dampen consumer spending, and the state economy will not be impervious to the slowdown in global economic activity.

Risks to the Forecast

Several downside risks to the economic outlook have increased since the December forecast. First, this forecast assumes that slower global economic growth will pose a drag on the U.S. economy. Yet, the global slowdown could be the prelude to a global recession, prompted by an emerging market debt crisis or other factors. Second, the impact of low commodity prices has been far reaching, directly affecting energy and agricultural industries, but also spilling over into manufacturing and export sectors. If prices remain low, production cuts are likely to bring the over-supply of goods in line with lackluster demand. Such a move will require affected businesses to restructure, possibly prompting additional wage cuts and layoffs in affected industries. This forecast assumes these trends will serve as headwinds to growth, but they could have more far-reaching impacts. Economic indicators point to a clear softening in U.S. economic activity at the end of 2015. This forecast assumes that the softening signals slower growth. However, these indicators could instead be the start of a contraction in economic activity.

Upside risks to the forecast include stronger economic growth than expected due to demographic changes. The growing population and in-migration of highly-educated young professionals could fuel growth in high-tech or other industries at a more robust pace than assumed in this forecast. Additionally, population growth could bolster stronger job growth and consumer activity than expected.

Table 14
National Economic Indicators

Calendar Years	2011	2012	2013	2014	2015	Legislative Council Staff Forecast 2016	2017	2018
Real GDP (*Billions*)[1]	$15,020.6	$15,354.6	$15,583.3	$15,961.7	$16,345.0	$16,639.2	$16,972.0	$17,345.4
Percent Change	1.6%	2.2%	1.5%	2.4%	2.4%	1.8%	2.0%	2.2%
Nonfarm Employment (*Millions*)[2]	131.9	134.2	136.4	138.9	141.8	143.8	145.3	147.6
Percent Change	1.2%	1.7%	1.6%	1.9%	2.1%	1.4%	1.0%	1.6%
Unemployment Rate[2]	8.9%	8.1%	7.4%	6.2%	5.3%	5.0%	5.0%	5.1%
Personal Income (*Billions*)[1]	$13,254.5	$13,915.1	$14,068.4	$14,694.2	$15,341.9	$15,986.3	$16,721.6	$17,507.5
Percent Change	6.2%	5.0%	1.1%	4.4%	4.4%	4.2%	4.6%	4.7%
Wage and Salary Income (*Billions*)[2]	$6,633.2	$6,930.3	$7,114.4	$7,477.8	$7,824.4	$8,184.3	$8,593.5	$9,031.8
Percent Change	4.0%	4.5%	2.7%	5.1%	4.6%	4.6%	5.0%	5.1%
Inflation[2]	3.1%	2.1%	1.5%	1.6%	0.1%	1.5%	2.5%	2.6%

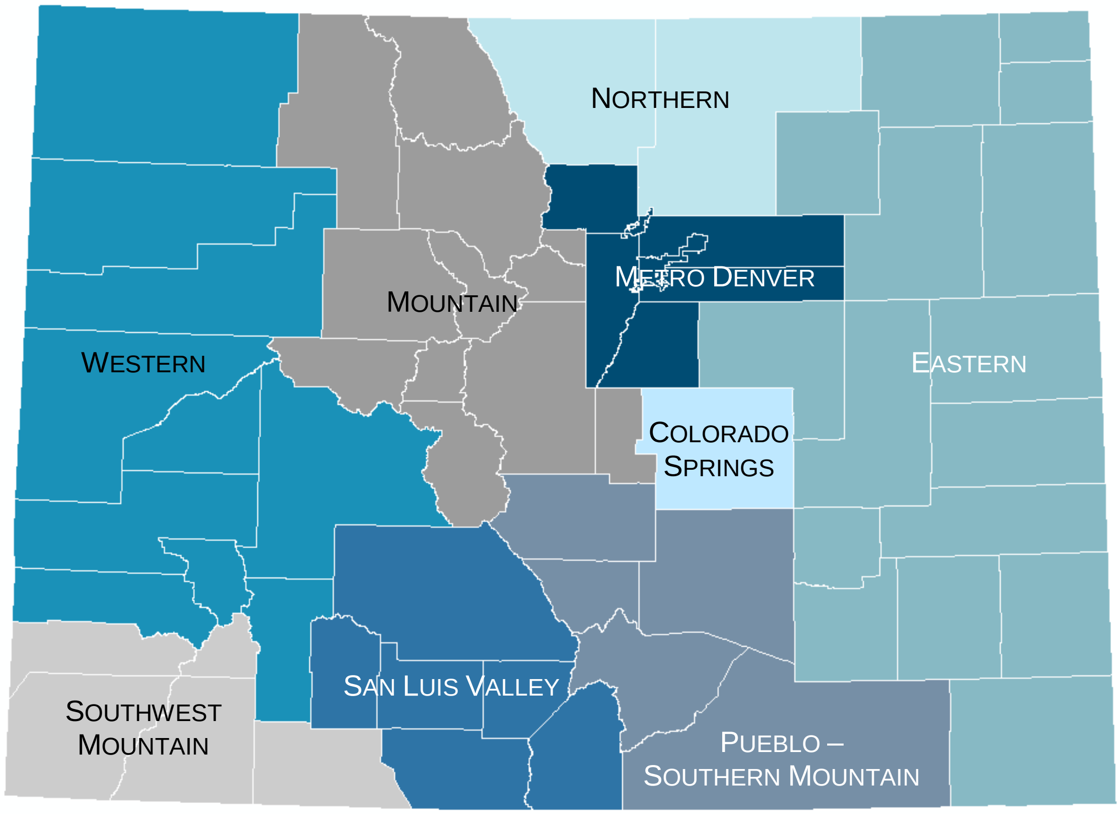
Sources
[1]*Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.*
[2]*Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).*

Table 15
Colorado Economic Indicators

Calendar Years	2011	2012	2013	2014	2015	2016	2017	2018
						Legislative Council Staff Forecast		
Population (*Thousands, as of July 1*)[1]	5,119.7	5,191.7	5,272.1	5,355.9	5,456.6	5,551.8	5,649.3	5,762.3
Percent Change	1.4%	1.4%	1.5%	1.6%	1.9%	1.7%	1.8%	2.0%
Nonfarm Employment (*Thousands*)[2]	2,259.0	2,313.2	2,382.3	2,464.7	2,541.7	2,605.3	2,662.6	2,721.2
Percent Change	1.7%	2.4%	3.0%	3.5%	3.1%	2.5%	2.2%	2.2%
Unemployment Rate[2]	8.3	7.8	6.7	4.9	3.8	3.5	3.8	4.1
Personal Income (*Millions*)[3]	$227,052	$240,905	$246,448	$261,735	$275,607	$289,112	$303,279	$318,443
Percent Change	7.4%	6.1%	2.3%	6.2%	5.3%	4.9%	4.9%	5.0%
Wage and Salary Income (*Millions*)[3]	$118,558	$125,014	$129,509	$138,654	$146,835	$154,764	$163,276	$172,419
Percent Change	4.2%	5.4%	3.6%	7.1%	5.9%	5.4%	5.5%	5.6%
Retail Trade Sales (*Millions*)[4]	$75,548	$80,073	$83,569	$90,653	$93,010	$97,475	$102,348	$107,466
Percent Change	6.8%	6.0%	4.4%	8.5%	2.6%	4.8%	5.0%	5.0%
Housing Permits (*Thousands*)[1]	13.5	23.3	27.5	28.7	31.1	34.7	38.5	42.0
Percent Change	16.5%	72.6%	18.1%	4.2%	8.3%	11.6%	11.1%	9.0%
Nonresidential Building (*Millions*)[5]	$3,923	$3,695	$3,614	$4,307	$4,759	$4,987	$5,102	$5,245
Percent Change	24.7%	-5.8%	-2.2%	19.2%	10.5%	4.8%	2.3%	2.8%
Denver-Boulder-Greeley Inflation[2]	3.7%	1.9%	2.8%	2.8%	1.2%	2.4%	2.6%	2.4%

Sources
[1]U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.
[2]Bureau of Labor Statistics. 2015 nonfarm employment figures are Legislative Council staff projections of employment after the Bureau of Labor statistics releases the annually re-benchmarked data in March 2017. Inflation shown as the year-over-year change in the consumer price index for Denver-Boulder-Greeley metro areas.
[3]Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation. Figures for 2015 are estimates.
[4]Colorado Department of Revenue. Figures for 2015 are estimates.
[5]F.W. Dodge.

Colorado Economic Regions

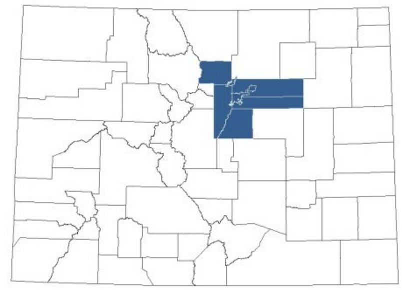


A note on data revisions

Economic indicators reported in this forecast document are often revised by the publisher of the data and are therefore subject to change. Employment data is based on survey data from a "sample" of individuals representative of the population as a whole. Monthly employment data is based on the surveys received at the time of data publication and 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 affect one or more years of data values. **Notably, data reported for Colorado's regions do not yet reflect the March rebenchmark revisions.**

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

Metro Denver Region



The economy in the seven-county Denver region, which accounts for about 56 percent of Colorado's population, remains robust. Over the past five years, the region has exhibited better overall economic performance than most other parts of the state and many national areas. Employment growth, albeit slower than one year ago, is still strong. The region's diversified economic activity, educated workforce, and support for entrepreneurship continue to help economic growth despite the fall in oil prices, which has dampened employment at energy firms and related businesses. Strong demand continues to bolster the construction of new homes, while low nonresidential vacancy rates continue to encourage the start of new projects throughout the region. Regional indicators for the Denver area are shown in Table 16.

Although Denver's labor market remains healthy, growth is slowing. The metro Denver region added nearly 25,500 jobs in 2015, a 2.7 percent growth rate. In 2014, employment grew by 3.6 percent. The mix of industries continues to benefit the region, as job losses in some industries have been offset by growth in others. Service sectors such as education, health care, and hospitality are growing quickly, while others, such as professional and business services and financial activities, are reporting losses.

Table 16
Metro Denver Region Economic Indicators
Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

	2011	2012	2013	2014	2015
Employment Growth [1]	1.8%	2.9%	3.6%	3.6%	2.7%
Unemployment Rate [2]	8.1%	7.5%	6.4%	4.7%	3.8%
Housing Permit Growth [3]					
Denver-Aurora MSA Single-Family	-0.4%	58.5%	18.9%	16.3%	17.8%
Boulder MSA Single-Family	-5.2%	29.0%	22.5%	17.7%	74.2%
Nonresidential Construction Growth [4]					
Value of Projects	24.7%	14.2%	22.2%	3.9%	40.1%
Square Footage of Projects	36.5%	-8.6%	-9.1%	10.5%	20.6%
Level (*Millions*)	2,704	2,471	2,246	2,482	2,993
Number of Projects	-2.5%	6.1%	22.4%	25.1%	13.2%
Level	576	611	748	936	1,060
Retail Trade Sales Growth [5]	4.3%	8.0%	4.6%	8.6%	7.5%

MSA = Metropolitan statistical area. NA = Not available.
[1]Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2015.
[2]Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Data through December 2015.
[3]U.S. Census. Growth in the number of residential building permits. Data through December 2015.
[4]F.W. Dodge. Data through December 2015.
[5]Colorado Department of Revenue. Data through May 2015.

The Denver region's labor force population and unemployment rate are illustrated in Figure 24. Decelerating job growth has been offset by declining labor force participation, resulting in a roughly constant unemployment rate. The Denver area labor force population had grown smoothly since the start of the recovery, but appears to have reversed course over the last 12 months. A flat or downward trend in the labor force may indicate that the region has reabsorbed many of the discouraged workers and students who left the labor force during the recession, and that the labor force population trend may increasingly be driven by demographic factors associated with an aging population, principally retirements.

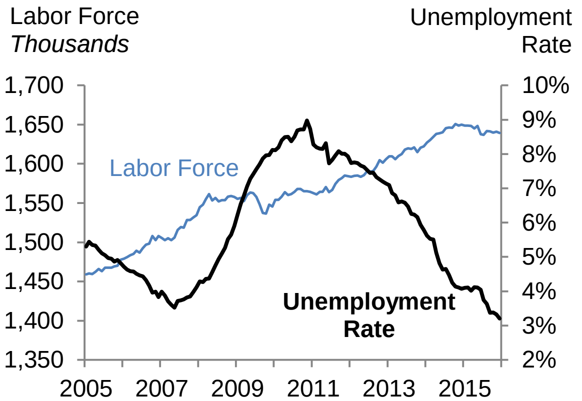
Consumer spending, as measured by retail trade, continues to grow. Figure 25 charts Denver region retail trade since 2007. After exhibiting very quick growth over the first half of 2014, retail trade flattened in the winter of 2014 and spring of 2015, immediately following the plunge in gasoline prices. Lower consumer spending on fuel is moderating retail trade growth in 2015, counteracting some of the growth in spending on other goods and services.

Denver's housing market is hot. Demand is high and supply is scarce, and prices are at or near record highs. High home values, short sale times, and tight credit conditions are conspiring to keep would-be homebuyers in rental properties. According to the Denver Metro Association of Realtors, single-family homes spent an average of 22 days on the market in July, down from 29 days in July 2014. Prices have dropped slightly in the last few months. In July, the median-priced single-family home sold for $350,000, down 2.8 percent from June 2015. The median-priced condominium sold for $215,000.

While demand is expected to remain high for at least the next year, price gains could slow down depending on the rate at which new supply becomes available. Figure 26 shows residential building permits issued in the region by nominal dollar value and number of units. As shown, permit issuances now top pre-recession peak levels in terms of numbers of units, and the units being constructed are less expensive, in both nominal and real terms, than those being built in the mid-2000s. Many of these new units will become rental properties.

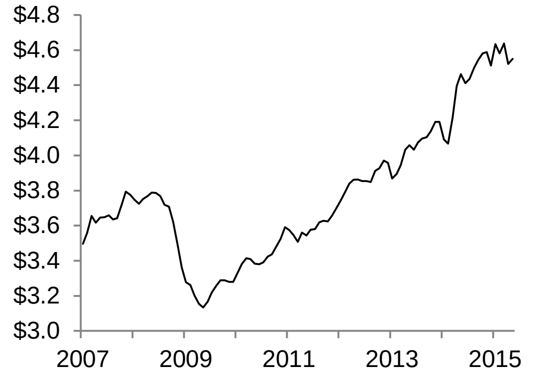
Strong demand and low vacancy rates continue to support the region's commercial real estate market, especially for office space. As Table 16 and Figure 27 show, key construction indicators, such as the value, number, and square footage of nonresidential projects, are significantly up relative to 2014. Office and bank construction in the City and County of Denver is the primary diver of this increase.

Figure 24
Metro Denver Labor Force and Unemployment Rate



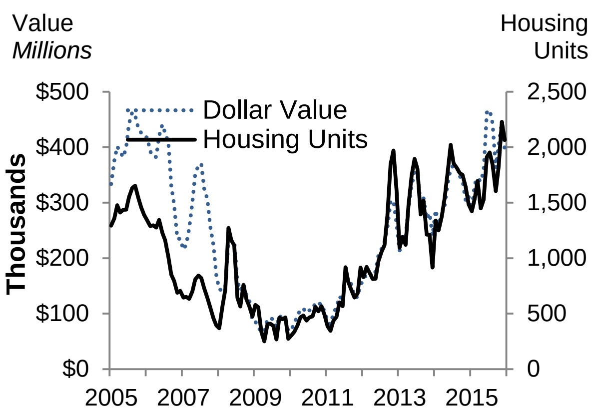
Source: U.S. Bureau of Labor Statistics; LAUS. Seasonally adjusted. Data through December 2015.

Figure 25
Metro Denver Retail Trade
Billions of Dollars



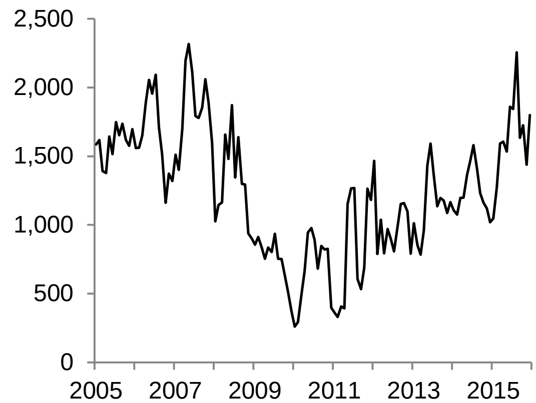
Source: Colorado Department of Revenue. Three-month moving average; seasonally adjusted. Data through May 2015.

Figure 26
Metro Denver Residential Building Permits



Source: F.W. Dodge. Three-month moving average. Data through December 2015.

Figure 27
Metro Denver Nonresidential Building Permits
Thousands of Square Feet



Source: F.W. Dodge. Three-month moving average. Data through December 2015.

Northern Region

While the economy of the northern region, including Larimer and Weld Counties, continues to be the strongest in the state, the decline in oil and natural gas prices is having mixed impacts throughout the region. In Larimer County, growth in employment held steady in 2015 on a year-over-year basis but residential construction activity declined relative to 2014. In oil-dependent Weld County, employment growth slowed in 2015, although the unemployment rate remains among the lowest in the state. Growth in both construction permits and retail sales in Weld County has also slowed markedly from rates exhibited in 2014. Oil and gas prices at regional hubs have fallen further since December. A continued drop in prices may precipitate a further loss of momentum within the regional economy, especially in Weld County. Table 17 shows economic indicators for the northern region.

Table 17
Northern Region Economic Indicators
Weld and Larimer Counties

	2011	2012	2013	2014	2015
Employment Growth[1]					
Fort Collins-Loveland MSA	1.8%	2.7%	3.2%	2.8%	3.0%
Greeley MSA	4.1%	4.8%	5.4%	8.8%	5.3%
Unemployment Rate[2]					
Fort Collins-Loveland MSA	7.1%	6.6%	5.7%	4.3%	3.4%
Greeley MSA	8.6%	7.8%	6.6%	4.5%	3.9%
State Cattle and Calf Inventory Growth[3]	10.2%	-3.4%	-8.7%	-4.2%	-5.1%
Natural Gas Production Growth[4]	12.9%	14.1%	12.5%	27.0%	16.9%
Oil Production Growth[4]	28.0%	36.6%	44.5%	52.4%	40.0%
Housing Permit Growth[5]					
Fort Collins-Loveland MSA Total	1.0%	59.3%	28.8%	8.7%	-8.1%
Fort Collins-Loveland MSA Single Family	45.7%	63.3%	31.3%	10.2%	1.3%
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%	3.8%
Nonresidential Construction Growth[6]					
Value of Projects	-11.8%	12.0%	55.0%	31.1%	18.0%
Square Footage of Projects	-36.4%	42.1%	40.4%	45.5%	12.8%
Level (*Thousands*)	244,493	273,779	424,437	556,538	656,979
Number of Projects	-5.1%	23.3%	-2.5%	66.5%	-14.3%
Level	129	159	155	258	221
Retail Trade Sales Growth[7]					
Larimer County	8.0%	5.8%	6.3%	8.3%	8.7%
Weld County	26.6%	5.2%	8.0%	11.8%	4.6%

MSA = Metropolitan statistical area. NA = Not available.

[1] Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2015.

[2] Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through December 2015.

[3] National Agricultural Statistics Service. Cattle and calves on feed through December 2015.

[4] Colorado Oil and Gas Conservation Commission. Natural gas production data through August 2015. Oil production data through October 2015.

[5] U.S. Census Bureau. Growth in the number of residential building permits. Data through December 2015.

[6] F.W. Dodge. Data through December 2015.

[7] Colorado Department of Revenue. Data through May 2015.

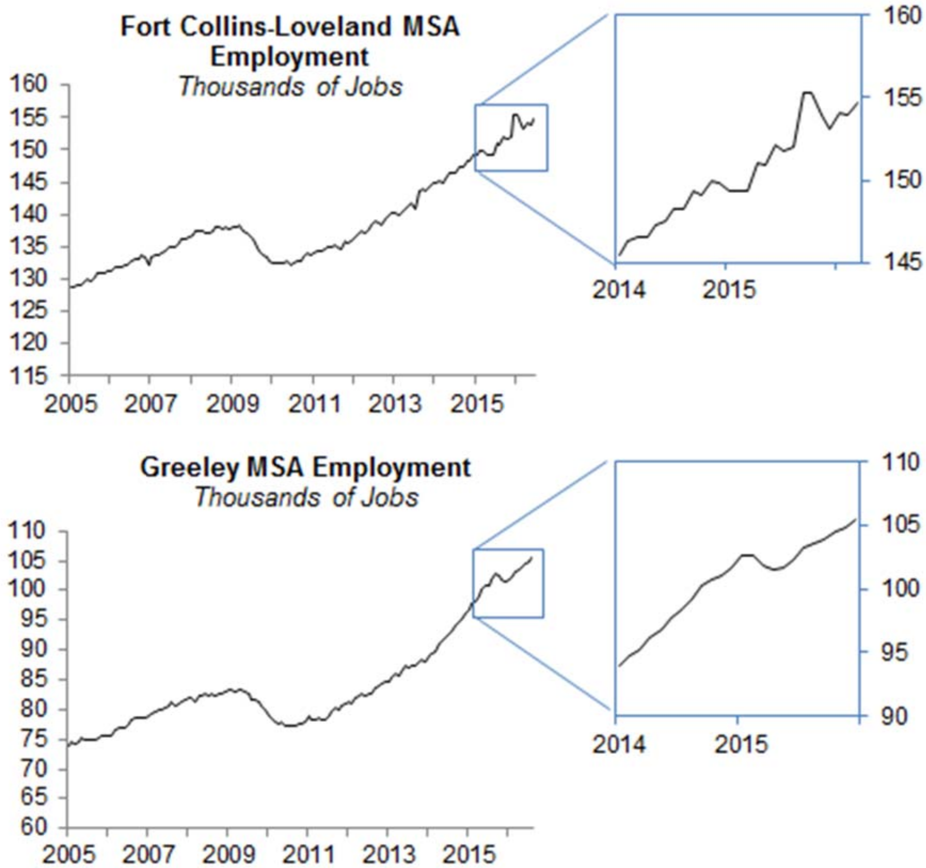
Over the last seven years, the northern region has been the epicenter of oil and natural gas production in the state. Interestingly, the recent plunge in oil prices, and to a lesser extent gas prices, has not negatively impacted production. Operators have been able to take advantage of increased efficiencies to actually increase production. In the first ten months of 2015, regional natural gas production increased 16.9 percent and regional oil production grew 40.0 percent compared with a similar period in 2014. Industry sources have indicated that the Wattenburg field remains one of the safest bets in the country for oil exploration, with some operators transferring resources from other parts of the country to pursue plays in the region.

The labor market remains strong in both Larimer and Weld counties. Employment growth in these two counties are still among the strongest in the state. Figure 28 shows employment trends for Larimer and Weld counties, with the pull-out boxes highlighting growth that occurred in 2014 and 2015. The figure shows dips in employment growth in both counties during 2015. Overall, employment grew 3.0 percent in Larimer County and 5.3 percent in Weld County during 2015, after growing 2.8 percent and 8.8 percent, respectively, in 2014.

The regional housing market, however, appears to be slowing in response to the decline in energy prices. While construction activity in Larimer County accelerated during the first half of 2015, activity has slowed sharply in the second half, and the number of housing permits declined 8.1 percent in 2015 on a year-over-year basis. Growth in construction activity has also tapered in Weld County, with residential permits declining 3.5 percent in 2015. This comes after three consecutive years with permit growth in Weld County above 40 percent. In addition, there were 221 nonresidential construction projects started in 2015, a decrease of 14.3 percent on a year-over-year basis. Figure 29 shows the three-month moving average of residential construction permits in the northern region.

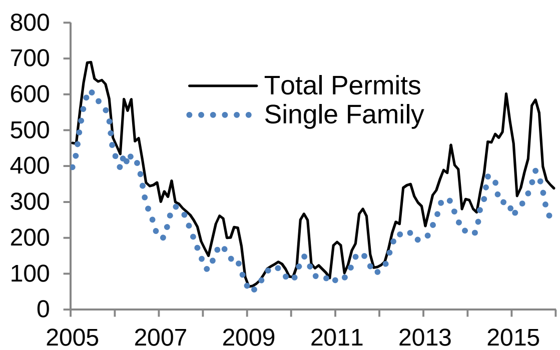
Through the first five months of 2015, growth in retail sales in Larimer County accelerated while growth in Weld County sales decelerated compared with 2014. This pattern may change, however, as more data becomes available given the broader trends in the region. In Larimer County, sales increased 8.7 percent between January and May of 2015 compared with the same period in 2014, while sales in Weld County increased 4.6 percent. This compares to 2014 growth rates for Larimer and Weld counties of 8.3 percent and 11.8 percent, respectively. Figure 30 shows that the growth in indexed retail sales in each county in the northern region continues to outpace both the state and the nation as a whole.

Figure 28
Fort Collins – Loveland and Greeley MSA Nonfarm Employment
Seasonally Adjusted Data



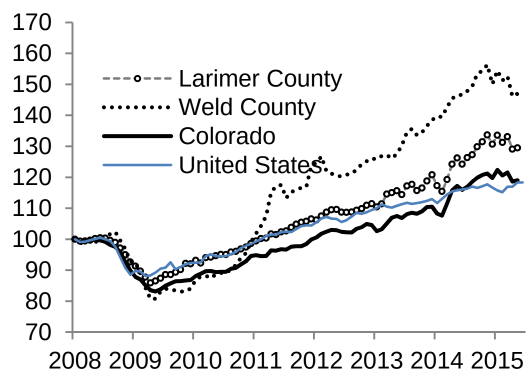
Source: U.S. Bureau of Labor Statistics, CES, Data through December 2015.

Figure 29
Northern Region
Residential Building Permits
Number of Housing Units



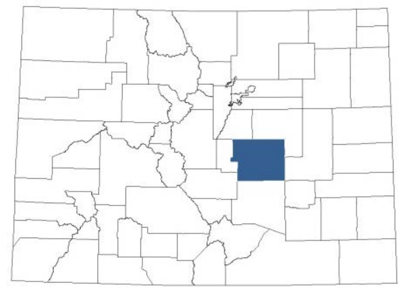
Source: F.W. Dodge. Data through October 2015.

Figure 30
Northern Region
Retail Trade Activity
Index 100 = January 2008



Source: Colorado Department of Revenue and U.S. Census Bureau. Data are through May 2015.

Colorado Springs Region



The Colorado Springs region continues to underperform statewide economic activity. Area labor market conditions improved, though job growth slowed toward the end of 2015. The unemployment rate neared pre-recessionary rates on a declining workforce, largely reflecting an aging area population. Consumer spending rose through May, while construction activity was mixed in 2015. Indicators for the Colorado Springs region are shown in Table 18.

Current Employment Statistics (CES) data suggest that area job growth slowed to a crawl at the end of 2015 (Figure 31). Job losses in professional and business services and manufacturing weighed most on the labor market in the second half of 2015.

The region's unemployment rate moved closer to the pre-recessionary rate through the end of 2015 (Figure 32), reaching 4.2 percent as of December 2015 compared to a statewide rate of 3.5 percent. While job gains have contributed, the unemployment rate decline is mainly due to a contracting labor force. Colorado Springs' population continues to age; a rising number of retirees means fewer workers in the labor force (Figure 32).

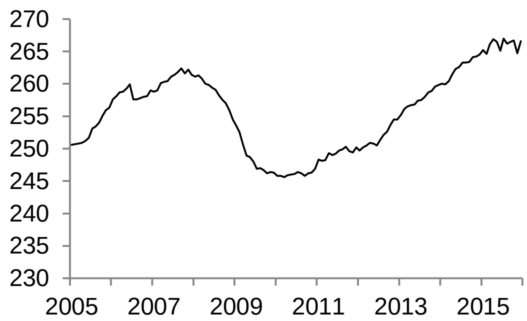
Consumer spending, as measured by retail trade sales, grew 4.6 percent between January and May compared with the same period in 2014. Over the past two years, retail sales have grown at a pace similar to statewide consumer spending (Figure 33). Retail trade softened beginning at the end of 2014 on lower gasoline sales due to low oil prices. Muted retail sales are expected through the end of the year, reflecting further contractions in the price of oil and the price of gasoline at the pump.

Table 18
Colorado Springs Region Economic Indicators
El Paso County

	2011	2012	2013	2014	2015
Employment Growth[1]					
Colorado Springs MSA	1.3%	1.0%	2.3%	1.9%	1.4%
Unemployment Rate[2]	9.0%	8.8%	7.9%	5.2%	4.8%
Housing Permit Growth[3]					
Total	29.1%	33.0%	17.2%	3.8%	-0.4%
Single-Family	-3.8%	50.1%	19.2%	-7.7%	13.3%
Nonresidential Construction Growth[4]					
Value of Projects	17.5%	-1.6%	25.2%	-12.0%	-1.3%
Square Footage of Projects	16.8%	0.5%	6.5%	-4.2%	-4.5%
Level (*Thousands*)	477,253	479,770	510,809	489,589	467,384
Number of Projects	10.5%	-11.7%	-1.7%	-5.9%	9.3%
Level	409	361	355	334	365
Retail Trade Sales Growth[5]	8.2%	5.5%	4.1%	4.4%	4.6%

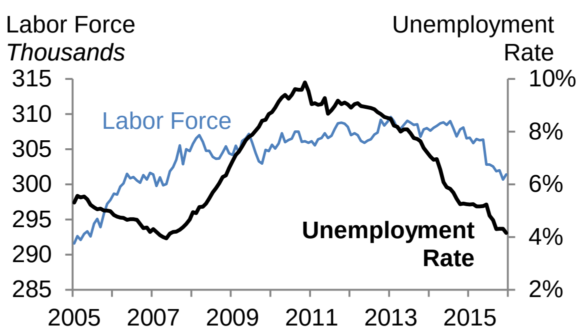
MSA = Metropolitan statistical area. NA = Not Available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2015.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through December 2015.
[3]U.S. Census. Growth in the number of residential building permits. Data through December 2015.
[4]F.W. Dodge. Data through December 2015.
[5]Colorado Department of Revenue. Data through May 2015.

Figure 31
Colorado Springs Employment
Thousands of Jobs



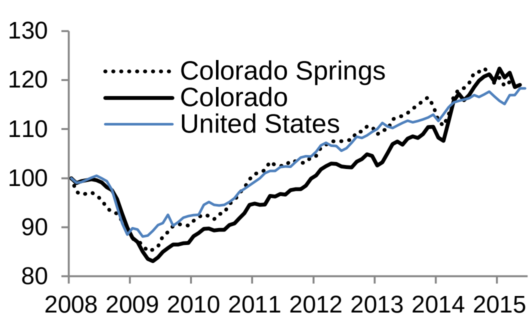
Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through December 2015.

Figure 32
Colorado Springs



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through December 2015.

Figure 33
Retail Trade Trends
Index 100 = January 2008

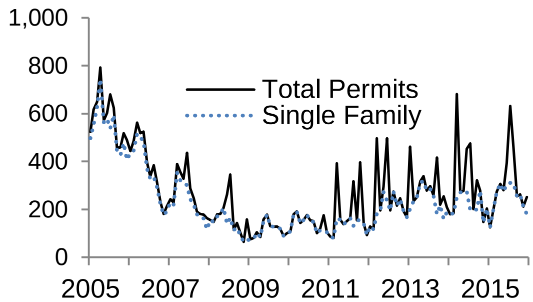


Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through May 2015.

Colorado Springs construction activity ended the year down slightly. Total housing permits dipped 0.4 percent relative to 2014, reflecting fewer multi-family permits (Figure 34). Single family permits were up 13.3 percent. The area vacancy rate remains low, maintaining upward pressure on home prices and rents.

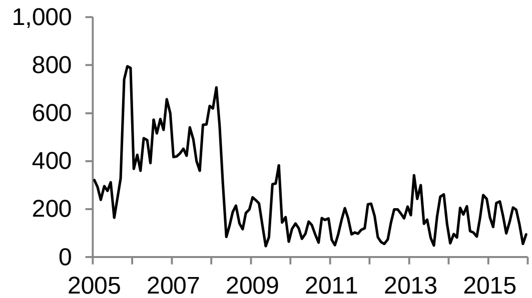
While the number of nonresidential projects was up 9.3 percent in 2015, the value and square footage of projects fell. Some of the biggest projects included an Olympic Museum, a new Air Force Academy Visitors Center, and a sports medicine and performance center at the University of Colorado at Colorado Springs. Relative to pre-recessionary levels, nonresidential construction activity remains subdued (Figure 35).

Figure 34
Colorado Springs MSA
Residential Building Permits
Number of Units



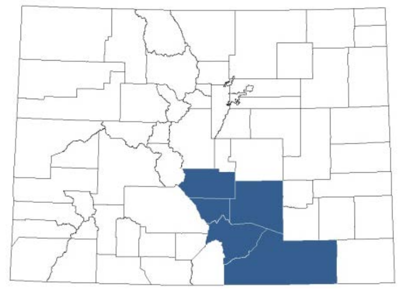
Source: U.S. Census Bureau. Data shown as three month moving averages. Data are not seasonally adjusted and are through December 2015.

Figure 35
Colorado Springs
Nonresidential Projects
Thousands of Square Feet



Source: F.W. Dodge. Data shown as three-month moving averages. Data are not seasonally adjusted and are through December 2015.

Pueblo – Southern Mountains Region



Economic activity in the Pueblo – Southern Mountains region, which consists of Pueblo, Fremont, Custer, Huerfano and Las Animas counties, was tepid in 2015. Since the 2007-09 recession, the region has seen its share of ups and downs. Overall, regional employment was flat in 2015 over the prior year. The area unemployment rate fell due in large part to a contracting labor force. Retail sales rose slightly, and construction activity remained at low levels. Table 19 shows several economic indicators for the region.

Employment fell through the first half of 2015 before recovering through the second half (Figure 36, left). The Pueblo MSA, which includes Pueblo County, added jobs at a pace of 1.7 percent, while employment in the larger five-county Pueblo region was flat. Job losses in the mining and logging and leisure and hospitality industries offset modest gains elsewhere.

The unemployment rate in the region fell to 5.1 percent in December 2015, largely reflecting the area's contracting labor force (Figure 36, right). While the number of unemployed workers fell, a growing number of workers are retiring or dropping out of the labor force all together due to a lack of job opportunities. The area unemployment rate remains above the statewide rate of 3.5 percent.

Table 19
Pueblo Region Economic Indicators
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

	2011	2012	2013	2014	2015
Employment Growth					
Pueblo Region[1]	0.4%	-1.0%	-0.8%	1.5%	0.0%
Pueblo MSA[2]	1.5%	-0.2%	0.8%	1.6%	1.7%
Unemployment Rate[1]	10.7%	10.8%	10.0%	7.4%	5.9%
Housing Permit Growth[3]					
Pueblo MSA Total	-49.6%	125.4%	-40.6%	-0.6%	69.4%
Pueblo MSA Single-Family	-45.5%	50.9%	-8.1%	-0.6%	29.9%
Nonresidential Construction Growth[4]					
Value of Projects	-58.1%	717.4%	-75.3%	192.7%	8.0%
Square Footage of Projects	3.9%	390.8%	-72.2%	197.9%	-0.1%
Level (*Thousands*)	22,288	109,397	30,389	90,527	90,466
Number of Projects	5.1%	-31.7%	7.1%	96.7%	-35.6%
Level	41	28	30	59	38
Retail Trade Sales Growth[5]	9.5%	2.9%	1.4%	5.1%	2.5%

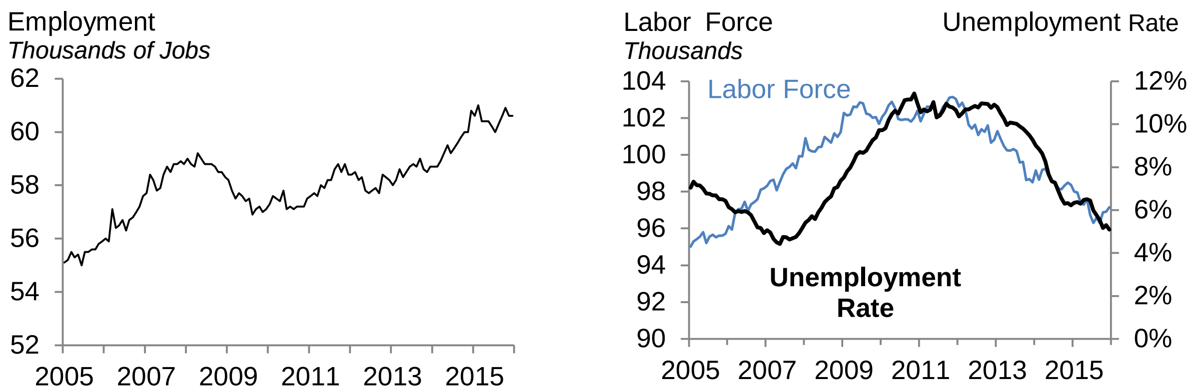
MSA = Metropolitan statistical area. NA = Not Available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2015.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through December 2015.
[3]U.S. Census. Growth in the number of residential building permits. Data through December 2015.
[4]F.W. Dodge. Data through December 2015.
[5]Colorado Department of Revenue. Data through May 2015.

Area retail trade rose 2.5 percent year-to-date through May over the same period in 2014. Reflecting lackluster economic growth, area consumer spending has underperformed statewide trends in 2015 (Figure 37).

Residential construction activity picked up slightly in 2015 (Figure 38). The number of single and multi-family housing permits rose in 2015, while the value and square footage of nonresidential construction held steady. Construction activity remains well below pre-recessionary levels.

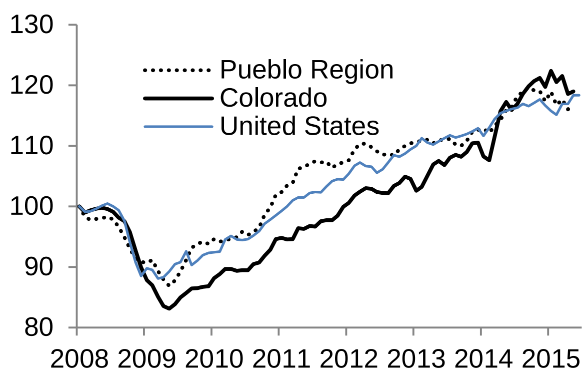
Several business plans announced in 2015 offer optimism for future economic activity in the region. New developments in the region include a new research and development office for United Launch Alliance, construction of the nation's largest hemp oil processing facility, and the development of the state's largest solar farm.

Figure 36
Pueblo MSA Employment Labor Market Indicators



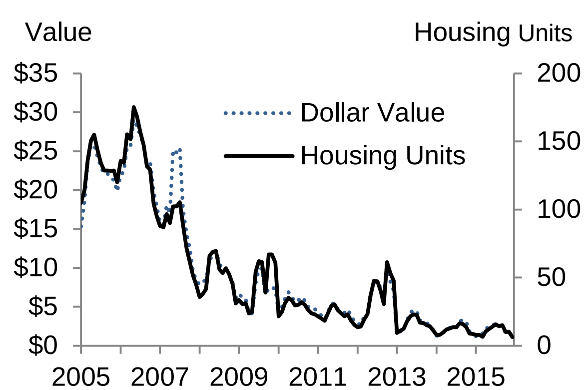
Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through December 2015.

Figure 37
Pueblo Region Retail Trade
Millions of Dollars



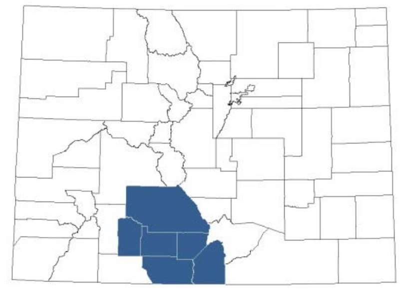
Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through May 2015.

Figure 38
Pueblo Region Residential Building Permits



Source: F.W. Dodge. Data are shown as three-month moving averages. Data are not seasonally adjusted and are through December 2015.

San Luis Valley Region



The San Luis Valley is Colorado's smallest regional economy, accounting for just 0.9 percent of the state population. The region produces agricultural commodities, principally barley and potatoes, while also providing regional services and welcoming tourists. By most available metrics, the regional economy improved in 2015. Employers added jobs, the unemployment rate fell, agricultural conditions improved, and retail trade accelerated. Economic indicators for the region are presented in Table 20.

According to the household survey conducted by the federal Bureau of Labor Statistics, employers in the region added more than 1,100 jobs in 2015. Regional nonagricultural employment grew by 3.3 percent, building on progress in the labor market during 2014. The labor force population does not appear to be declining despite the region's relatively advanced average age. These factors have conspired to apply downward pressure on the regional unemployment rate, which averaged 5.9 percent in 2015 and fell to 5.1 percent in December, its lowest level since mid-2007. Regional labor market indicators are illustrated in Figure 39.

Agriculture is the most important industry in the San Luis Valley. The region produces barley, potatoes, alfalfa hay, vegetables, and quinoa, while also furnishing grazing land to livestock producers. In 2015, regional producers harvested over 52,000 acres of barley worth an average of $878.50 per acre, both increases of over 20 percent relative to the prior year. Potato cultivation acreage dropped by 3.9 percent in 2015. However, while potato prices dropped statewide during the year, the value of an acre of San Luis Valley potatoes ticked up slightly. Additional moisture brought to Southern Colorado during the El Niño winter is expected to curry favorable farming and ranching conditions through 2016.

Table 20
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

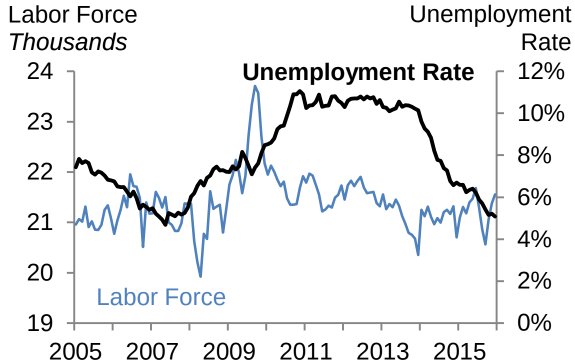
	2011	2012	2013	2014	2015
Employment Growth [1]	-1.4%	0.1%	-2.2%	2.8%	3.3%
Unemployment Rate [1]	10.5%	10.6%	10.3%	7.9%	5.9%
San Luis Valley Agriculture District [2]					
Barley					
Acres Harvested	48,700	43,100	46,600	42,900	52,100
Crop Value ($/Acre)	$ 702.9	$ 904.6	$ 824.4	$ 730.1	$ 878.5
Potatoes					
Acres Harvested	53,900	54,000	49,600	53,900	51,800
Crop Value ($/Acre)	$ 4,304	$ 2,668	$ 3,614	$ 3,218	$ 3,234
Housing Permit Growth [3]	-9.2%	41.5%	15.0%	-25.0%	-10.4%
Retail Trade Sales Growth [4]	5.8%	2.9%	0.5%	3.5%	6.7%

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 December 2015.
[2]National Agricultural Statistics Service. Barley through December 2015; potatoes through November 2015.
[3]F.W. Dodge. Data through December 2015.
[4]Colorado Department of Revenue. Data through May 2015.

The San Luis Valley economy was buoyed by healthy growth in retail trade during the first five months of 2015, at a time when other areas of the state were absorbing significant declines related to the oil price crash in late 2014. Between January and May 2015, San Luis Valley retail sales increased by 6.7 percent relative to the same period during 2014. Retail trade indices for the nation, state, and San Luis Valley region are presented in Figure 40.

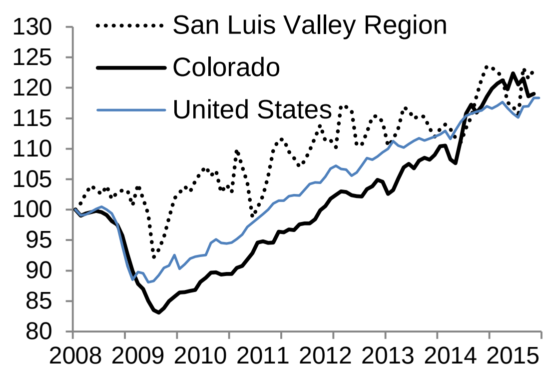
The number of new housing permits issued in the region fell by 10.4 percent in 2015, continuing a decline that began during the previous year. Because of the region's small size, double-digit percentage increases and decreases in this statistic are normal. However, the decline in housing permits may reflect developers' doubts about future migration to the region.

Figure 39
San Luis Valley Labor Market Indicators



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through December 2015.

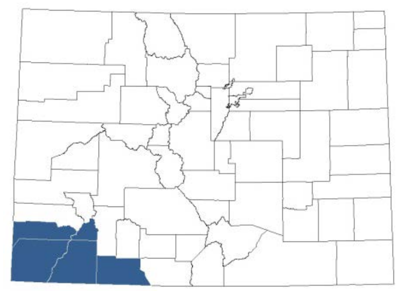
Figure 40
Retail Trade Trends
Colorado, San Luis Valley, and United States
Index 100 = January 2008



Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through May 2015.

Southwest Mountain Region

The southwest mountain region boasts a varied economy, with tourism, agriculture, and natural resource extraction each playing important roles. Low commodity prices for agriculture and natural resources are taking their toll on the region's economy. However, the region's tourism industry remains healthy. Economic indicators for the region are summarized in Table 21.



Tourism in the region remains strong. Visits to Mesa Verde National Park and Hovenweep National Monument (Figure 41) increased 10.2 percent in 2015, after gaining 8.9 percent in 2014. Despite this, employment growth lost momentum in 2015, falling from an annual growth rate of 3.2 percent in 2014 to 0.9 percent in 2015. Low commodity prices for agriculture, metals, and energy have slowed economic growth around the state. In the Southwest Mountain region, the value of natural gas production in La Plata and Montezuma Counties is expected to continue to fall throughout 2016.

The region's unemployment rate fell to levels not seen since before the recession in 2015 (Figure 42), reaching 3.7 percent as of December 2015 compared to a statewide rate of 3.5 percent. While job gains have contributed in some areas of the region, the unemployment rate decline is mainly due to a contracting labor force.

Regional consumer spending data are not encouraging. After a lackluster performance in 2014, retail trade sales grew just 0.9 percent through the first five months of 2015. While retail trade sales statewide took a hit from the gasoline price drop in late 2014, the southwest mountain region exhibited the worst performance of any region, except the eastern region, in the state. Growth in retail trade is occurring at its slowest pace since the Great Recession. Retail trade indices for the region, state, and nation are shown in Figure 43.

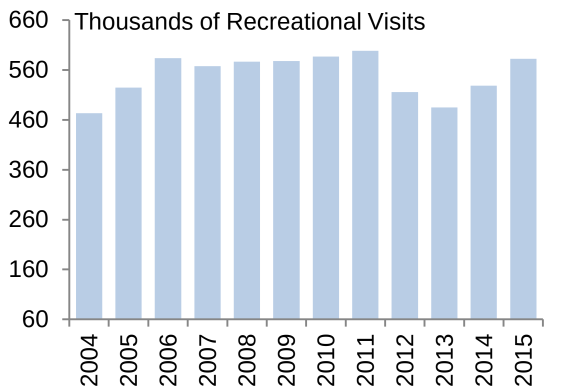
Table 21
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2011	2012	2013	2014	2015
Employment Growth [1]	-0.7%	0.7%	0.8%	3.2%	0.9%
Unemployment Rate[1]	7.9%	7.5%	6.6%	4.9%	4.2%
Housing Permit Growth [2]	-29.5%	2.4%	44.7%	14.2%	-3.5%
Retail Trade Sales Growth [3]	9.0%	6.1%	5.5%	2.0%	0.9%
National Park Recreation Visits[4]	1.9%	-13.8%	-5.9%	8.9%	10.2%

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 December 2015.
[2]F.W. Dodge. Data through December 2015.
[3]Colorado Department of Revenue. Data through May 2015.
[4]National Park Service. Data through December 2015. Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

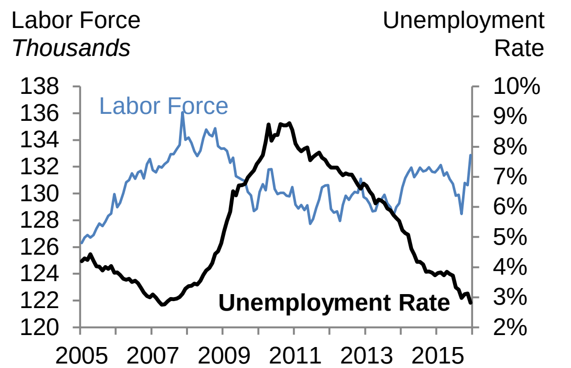
Residential construction activity has also slowed in the region, falling 3.5 percent in 2015 after double digit gains in both 2013 and 2014. Meanwhile, homeowners are increasingly choosing to make their properties available for rental to tourists on vacation rental by owner (VRBO) websites, rather than putting them on the market for sale. This practice has lowered regional vacancy rates, contributing to a tightening housing market in La Plata and Archuleta Counties in particular.

Figure 41
Visitation at Mesa Verde and Hovenweep National Parks



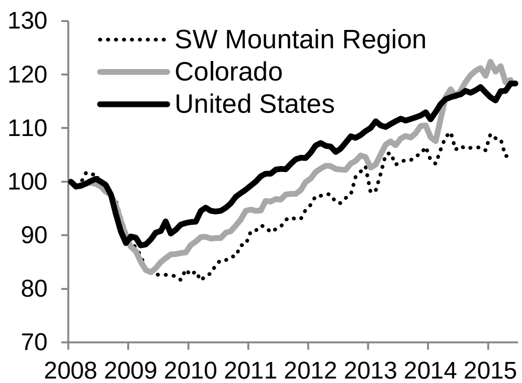
Source: National Park Service. Data through December 2015.

Figure 42
Unemployment Rate and Labor Force



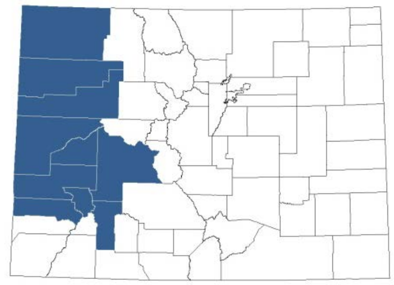
Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through December 2015.

Figure 43
Retail Trade Trends
Index 100 = January 2008



Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through May 2015.

Western Region



The western region, which is heavily dependent on energy extraction services and tourism, showed mixed performance in 2015. Persistently low gas energy prices and a struggling coal industry have impeded economic growth in many parts of the region, particularly in Garfield, Rio Blanco, and Delta counties. On the other hand, popular tourist destinations, such as Ouray and San Miguel counties, continued to buoy employment growth for the region. Economic indicators for the region are summarized in Table 22.

Declining natural gas production resulting from relatively low prices is dampening employment in Garfield and Rio Blanco counties. The region's natural gas production is concentrated in the Piceance Basin, primarily in Garfield County. Through October, regional gas production was down 26.3 percent compared with the same period in 2014. While statewide natural gas production has remained relatively stable, production in the western region has steadily declined since its peak in 2012 (Figure 44).

Meanwhile, low coal prices and low demand continue to affect the industry. In Gunnison County, the Elk Creek mine has not reopened after closing down and laying off about 150 people following an underground fire in the fall of 2013. Bowie Resources LLC announced they would close the Bowie #2 mine in Delta County. After laying off 150 people in 2014, the company expects to lay off another 108 full-time workers. Finally, Arch Coal, the owner of the nearby West Elk Mine that employs 350 people in the region, reported a $2 billion loss in the third quarter of 2014 and filed for bankruptcy protection in January.

Table 22
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

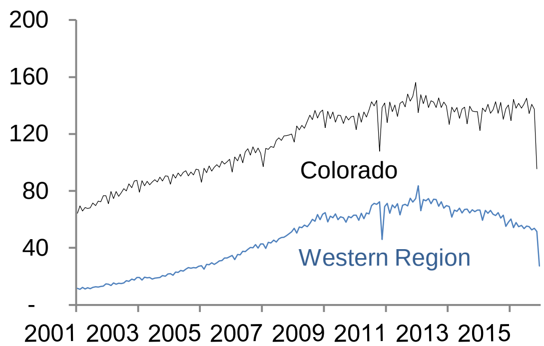
	2011	2012	2013	2014	2015
Employment Growth					
Western Region[1]	-0.4%	0.3%	-0.6%	2.4%	-0.2%
Grand Junction MSA[2]	0.6%	0.9%	0.6%	2.2%	1.1%
Unemployment Rate[1]	9.7%	9.0%	8.0%	5.9%	5.1%
Natural Gas Production Growth[3]	8.5%	3.5%	-8.8%	-5.3%	-26.3%
Housing Permit Growth [4]	-20.8%	22.4%	-1.0%	7.9%	28.4%
Nonresidential Construction Growth [4]					
Value of Projects	-60.1%	13.2%	-24.7%	221.9%	-37.9%
Square Footage of Projects	-59.2%	26.0%	-42.0%	157.9%	-41.0%
Level (*Thousands*)	542	682	396	1,021	602
Number of Projects	-32.7%	16.7%	-28.6%	21.8%	-17.9%
Level	66	77	55	67	55
Retail Trade Sales Growth [5]	8.8%	1.0%	3.5%	3.9%	5.5%

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 December 2015.
[2] U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2015.
[3] Colorado Oil and Gas Conservation Commission. Data through October 2015.
[4] F.W. Dodge. Data through December 2015.
[5] Colorado Department of Revenue. Seasonally adjusted. Data through May 2015.

Regional residential construction accelerated in 2015, as housing permits increased by 28.4 percent. Approximately half of this improvement came from Mesa County. Improving labor market conditions and relatively affordable housing costs are supporting the residential real estate market in the Grand Junction area. Nonresidential construction in the region, however, has fallen off after an uptick in 2014. The number and square footage of projects are down 17.9 percent and 41.0 percent, respectively, through October compared with the first ten months of 2014.

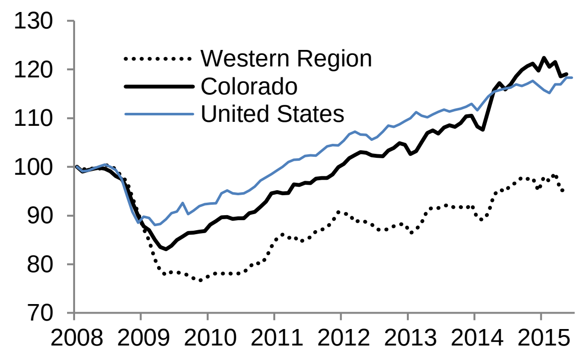
Consumer spending, as measured by retail trade sales, increased 5.5 percent in 2015 through May compared with the same time period in 2014. This represents a small uptick from the 3.9 percent growth rate experienced in 2014. Retail sales continue to lag well behind other areas of the state. As shown in Figure 45, retail trade sales in the western region fell further than sales statewide during the recession and have recovered at a slower rate.

Figure 44
Colorado and Western Region
Natural Gas Production



Source: Colorado Oil and Gas Commission. Data through October 2015.

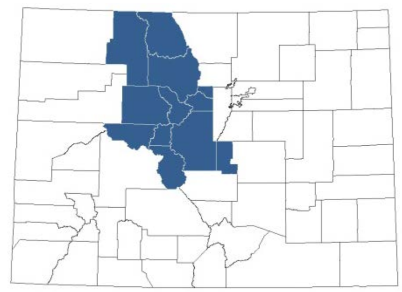
Figure 45
Retail Trade Trends
Index 100 = January 2008



Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as three-month moving averages, are seasonally adjusted, and are through May 2015.

Mountain Region

Tourism in Colorado's mountain communities continued to support economic expansion in 2015. Tourists are flowing into the mountains and bringing their wallets with them, driving this spending-driven region to the state's fastest growth in retail trade through May. However, employment gains slowed markedly in 2015, with most areas of the region experiencing flat or falling employment amid a tight labor market, as businesses have struggled to find workers. Anecdotal data indicate that high housing costs may be a contributor to lower labor force participation in the region. Economic indicators for the mountain region are presented in Table 23.



Gains in employment growth slowed region wide from a gain of 3.7 percent in 2014 to 0.5 percent in 2015. However, employment trends differ throughout the region, as shown in Figure 46. Grand and Summit counties, where the ski industry is predominant, continue to experience healthy growth with employment gains of 1.8 percent and 2.2 percent, respectively, in 2015. According to Colorado Ski Country USA, skier visits at its member resorts increased 10 percent through the end of 2015 compared with the same time period in 2014.

Meanwhile, after strong growth in 2014 and the first half of 2015, employment has been falling since July in Jackson County, where the oil and gas industry is an important economic driver. Employment trended only slightly upward or remained largely flat throughout 2015 in the region's remaining counties, including Gilpin County, where economic activity is dominated by the gambling communities of Blackhawk and Central City.

The region's unemployment rate fell to levels not seen since before the recession in 2015 (Figure 47), reaching 2.8 percent as of December 2015 compared to a statewide rate of 3.5 percent. While job gains have contributed in some areas of the region, the unemployment rate decline is mainly due to a contracting labor force.

Table 23
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

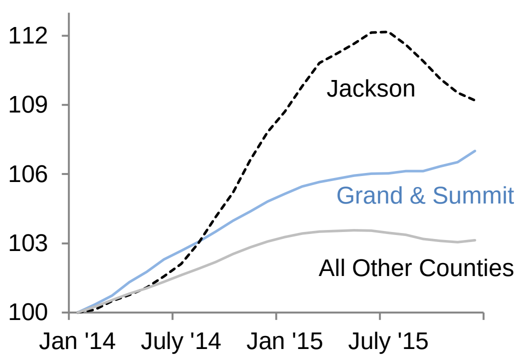
	2011	2012	2013	2014	2015
Employment Growth [1]	-0.2%	0.9%	0.8%	3.7%	0.5%
Unemployment Rate[1]	7.8%	7.0%	6.1%	4.3%	3.4%
Housing Permit Growth[2]	-17.1%	20.2%	25.4%	25.6%	-16.0%
Nonresidential Construction Growth [2]					
Value of Projects	195.4%	-57.4%	-8.6%	84.8%	24.6%
Square Footage of Projects	169.1%	-29.6%	-19.6%	206.5%	-53.1%
Level (*Thousands*)	779	548	441	1,352	593
Number of Projects	-13.7%	11.4%	2.0%	20.0%	-38.3%
Level	44	49	50	60	37
Retail Trade Sales Growth[3]	8.0%	5.8%	6.3%	8.3%	8.7%

[1]Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through December 2015.
[2]F.W. Dodge. Data through December 2015.
[3]Colorado Department of Revenue. Seasonally adjusted. Data through May 2015.

Regional growth in consumer spending, as measured by retail trade, was clocked at 8.7 percent through May compared with the same period during the previous year, the fastest rate in the state. This indicator is of particular importance to this heavily tourism-dependent region. Figure 48 indexes seasonally adjusted levels of regional, state, and national retail trade to January 2008. The regional index shows a dip in business during the early part of 2015. This is at least partially attributable to reduced sales at service stations consistent with falling fuel prices.

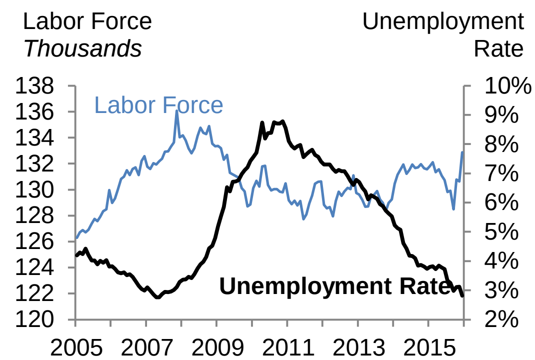
Because of the region's relatively small size, gleaning economic insight from construction indicators can be difficult. On a year over year basis, housing permit issuances are down 16.0 percent in 2015 after showing consistent improvement each year between 2011 and 2014. Nonresidential construction also fell in 2015. In many mountain communities, construction is constrained by a lack of readily buildable lots and high infrastructure costs.

Figure 46
Mountain Region Employment
Index January 2014 = 100



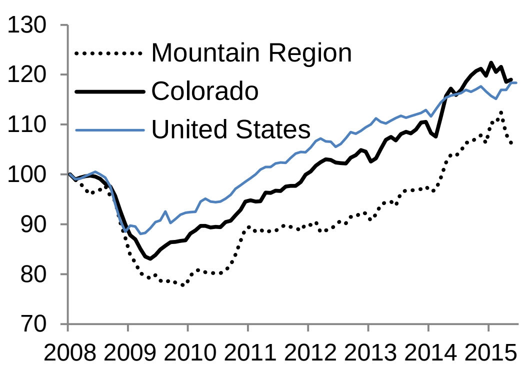
Source: U.S. Bureau of Labor Statistics; LAUS. Data are indexed 12-month moving averages through December 2015.

Figure 47
Unemployment Rate and Labor Force



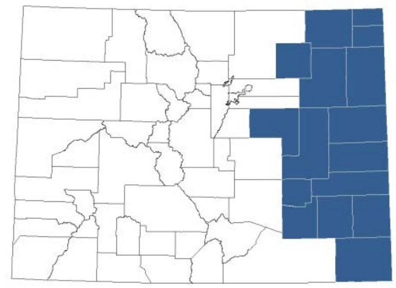
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through December 2015.

Figure 48
Retail Trade Trends
Index 100 = January 2008



Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through May 2015.

Eastern Region



Last year was a difficult one for agricultural producers in the state's Eastern Region. Sliding crop prices and a weak export market conspired to drag down farm profits, sending reverberations through the rest of the regional economy. Through the third quarter of 2015, statewide farm proprietors' income had cratered, dropping by nearly half from its strong performance in 2014. The nonfarm portions of the regional economy bore a portion of the fallout, including a considerable drop in retail trade. Economic indicators for the region are presented in Table 24.

The Eastern Plains account for nine of the state's top ten agricultural counties. Farmers and ranchers produce a myriad of crops and livestock products, including primarily beef, wheat, and corn. Figure 49 shows the prices received for Colorado wheat, corn, and alfalfa hay, which have fallen consistently since mid-2013. Falling crop prices can reflect excess production or weak demand, the latter of which is sensitive to trade conditions with Canada, Mexico, and, particularly for meat products, Asia.

Agricultural indicators for early 2016 suggest that Colorado producers may be looking forward to a rebound. Beef producers increased the number of cattle on feed by 7 percent between December 2015 and January 2016, while wheat prices appear to have stabilized over the last five months.

The region's nonfarm economy is relatively healthy. The Bureau of Labor Statistics household survey found that regional employers added approximately 2,000 jobs during 2015; on average, employment grew by 1.7 percent. The estimated regional unemployment rate averaged 3.6 percent in 2015 and fell to 3.1 percent in December, the second-lowest rate in the state. Labor market indicators for the Eastern Region are shown in Figure 50.

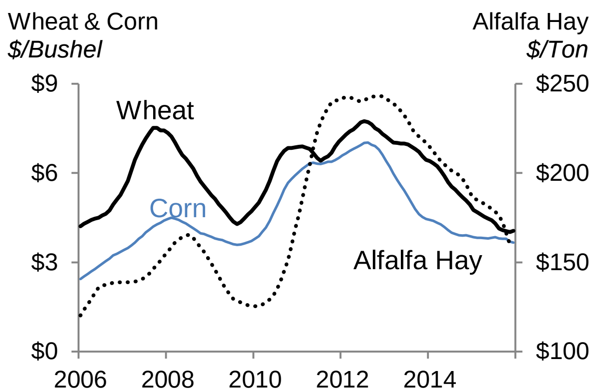
Table 24
Eastern Region Economic Indicators
Baca, Bent, Logan, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

	2011	2012	2013	2014	2015
Employment Growth [1]	0.5%	-0.9%	-1.3%	3.6%	1.7%
Unemployment Rate [1]	6.7%	6.6%	6.0%	4.4%	3.6%
Crop Price Changes [2]					
Wheat ($/Bushel)	41.7%	4.2%	0.8%	-11.5%	-30.1%
Corm ($/Bushel)	59.3%	9.2%	-2.8%	-31.0%	-18.2%
Alfalfa Hay (Baled, $/Ton)	40.9%	37.0%	-0.1%	-11.3%	-14.3%
Livestock [3]					
State Cattle and Calf Inventory Growth	10.2%	-3.4%	-8.7%	-4.2%	-5.1%
Milk Production	6.5%	7.1%	3.5%	7.9%	4.0%
Retail Trade Sales Growth [4]	13.7%	4.1%	2.4%	10.2%	-5.6%

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 December 2015.
[2]National Agricultural Statistics Service. Price data through December 2015.
[3]National Agricultural Statistics Service. Data through December 2015.
[4]Colorado Department of Revenue. Data through May 2015.

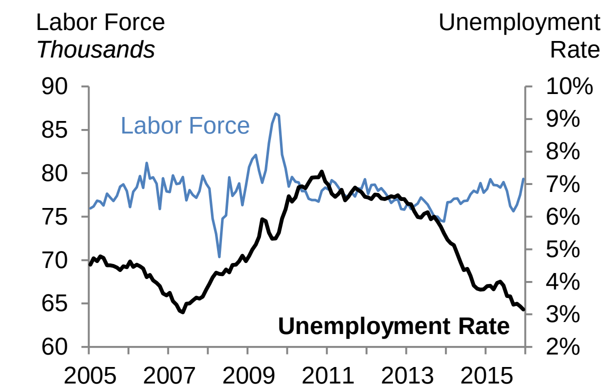
Regional retail sales fell 5.6 percent through May 2015 compared with the same period during the previous year. This figure captures falling gasoline sales as a result of the fuel price crash in late 2014. Additionally, declining retail trade may reflect weaker household incomes, particularly for farm proprietors. Retail trade indices for the Eastern Region, the state, and the nation are shown in Figure 51. To the extent that the region's tightening labor market results in upward wage pressure during 2016, improving household incomes could begin to reverse regional retail performance. However, farm proprietors may increasingly have to cut spending in order to make payments on equipment loans, which are expected to hamper agricultural households across the nation in 2016.

Figure 49
Prices Received for Colorado Crops



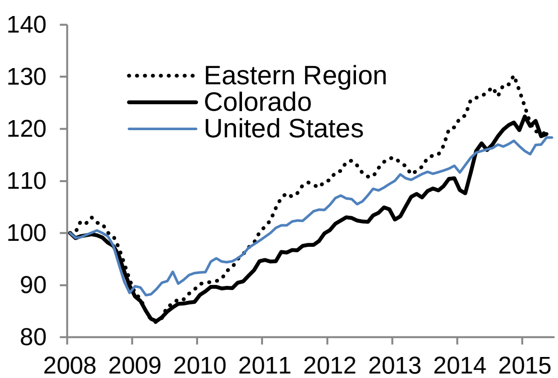
Source: National Agricultural Statistics Service. Twelve-month moving averages. Data through December 2015.

Figure 50
Eastern Region Labor Market Indicators



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through December 2015.

Figure 51
Retail Trade Trends
Colorado, Eastern Region, and United States
Index 100 = January 2008



Source: Colorado Department of Revenue. Data shown as a three-month moving averages. Data are seasonally adjusted and are through May 2015.

National Economic Indicators

Calendar Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP ($ *Billions*) [1]	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	16,155.3	16,663.2	17,348.1	17,942.9
Percent Change	3.3%	3.3%	4.9%	6.6%	6.7%	5.8%	4.5%	1.7%	-2.0%	3.8%	3.7%	4.1%	3.1%	4.1%	3.4%
Real GDP ($ *Billions*) [1]	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	15,354.6	15,583.3	15,961.7	16,345.0
Percent Change	1.0%	1.8%	2.8%	3.8%	3.3%	2.7%	1.8%	-0.3%	-2.8%	2.5%	1.6%	2.2%	1.5%	2.4%	2.4%
Unemployment Rate [2]	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%	5.3%
Inflation [2]	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%	0.1%
10-Year Treasury Note [3]	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%	2.1%
Personal Income ($ *Billions*) [1]	8,991.6	9,153.9	9,491.1	10,052.9	10,614.0	11,393.9	12,000.2	12,502.2	12,094.8	12,477.1	13,254.5	13,915.1	14,068.4	14,694.2	15,341.9
Percent Change	4.1%	1.8%	3.7%	5.9%	5.6%	7.3%	5.3%	4.2%	-3.3%	3.2%	6.2%	5.0%	1.1%	4.4%	4.4%
Wage & Salaries ($ *Billions*) [1]	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	6,930.3	7,114.4	7,477.8	7,824.4
Percent Change	2.7%	0.8%	2.8%	5.5%	5.0%	6.4%	5.6%	2.1%	-4.3%	2.0%	4.0%	4.5%	2.7%	5.1%	4.6%
Nonfarm Employment (*Millions*) [2]	132.1	130.6	130.3	131.8	134.0	136.5	138.0	137.2	131.3	130.4	131.9	134.2	136.4	138.9	141.8
Percent Change	0.0%	-1.1%	-0.2%	1.1%	1.7%	1.8%	1.1%	-0.5%	-4.3%	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%

Sources
[1]Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.
[2]Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).
[3]Federal Reserve Board of Governors.

Colorado Economic Indicators

Calendar Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Nonfarm Employment (*Thousands*) [1]	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	2,259.0	2,313.2	2,382.3	2,464.7	2,541.7
Percent Change	0.6%	-1.9%	-1.5%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.7%	2.4%	3.0%	3.5%	3.1%
Unemployment Rate [1]	3.8	5.6	6.0	5.5	4.9	4.2	3.8	4.9	7.6	8.8	8.3	7.8	6.7	4.9	3.8
Personal Income ($ *Millions*) [2]	$155,992	$157,173	$160,369	$167,794	$179,090	$192,162	$203,035	$213,342	$206,385	$211,420	$227,052	$240,905	$246,448	$261,735	N/A
Percent Change	5.3%	0.8%	2.0%	4.6%	6.7%	7.3%	5.7%	5.1%	-3.3%	2.4%	7.4%	6.1%	2.3%	6.2%	
Per Capita Personal Income ($) [2]	$35,230	$34,748	$35,182	$36,421	$38,390	$40,611	$42,174	$43,377	$41,518	$41,875	$44,342	$46,382	$46,735	$48,860	N/A
Percent Change	2.9%	-1.4%	1.2%	3.5%	5.4%	5.8%	3.8%	2.9%	-4.3%	0.9%	5.9%	4.6%	0.8%	4.5%	
Wage & Salary Income ($ *Millions*) [2]	$89,130	$88,089	$89,281	$93,569	$98,787	$105,664	$112,506	$116,678	$112,297	$113,786	$118,558	$125,014	$129,509	$138,654	N/A
Percent Change	3.1%	-1.2%	1.4%	4.8%	5.6%	7.0%	6.5%	3.7%	-3.8%	1.3%	4.2%	5.4%	3.6%	7.1%	
Retail Trade Sales ($ *Millions*) [3]	$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	$90,653	N/A
Percent Change	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%	8.5%	
Residential Housing Permits [4]	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	31,071
Percent Change	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%	8.3%
Nonresidential Construction (*Millions*) [5]	$3,476	$2,805	$2,686	$3,245	$4,275	$4,641	$5,259	$4,114	$3,354	$3,147	$3,923	$3,695	$3,614	$4,307	$4,759
Percent Change	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.8%	-2.2%	19.2%	10.5%
Denver-Boulder-Greeley Inflation [1]	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%	1.2%
Population (*Thousands, July 1*) [4]	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	5,457
Percent Change	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%	1.9%

NA = Not available.

[1]Bureau of Labor Statistics. Nonfarm employment estimates include revisions to 2015 data expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process.

[2]Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.

[3]Colorado Department of Revenue.

[4]U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.

[5]F.W. Dodge.